

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



City of Eugene, Oregon

Jon Ruiz, City Manager



COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF EUGENE, OREGON
FISCAL YEAR ENDED JUNE 30, 2016



REPORT PREPARED BY THE CITY
FINANCE DIVISION

INTRODUCTORY SECTION

CITY OF EUGENE, OREGON
 Comprehensive Annual Financial Report
 Year ended June 30, 2016

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November 21, 2016

Citizens of Eugene
The Honorable Kitty Piercy, Mayor
Members of the City Council
Jon R. Ruiz, City Manager

It is my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Eugene, Oregon, for the fiscal year ended June 30, 2016.

Local ordinances and state statutes require that the City of Eugene issue a report on its financial position and activity within six months of the close of each fiscal year. In addition, this report must be audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established an internal control structure designed to safeguard City assets against loss, theft, or misappropriation, and to ensure the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure has been designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes that:

- The cost of the control structure should not exceed the benefits likely to be derived; and
- The evaluation of cost and benefits requires estimates and judgments by management.

I believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of my knowledge, the enclosed data are presented accurately in all material respects, along with the disclosures necessary to provide the reader with a reasonable understanding of the City's financial affairs.

The City's financial statements were audited by Isler CPA, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's basic financial statements for the fiscal year ended June 30, 2016, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report on the Basic Financial Statements is included in the Financial Section of this report.

In addition to meeting the requirements set forth above, the independent audit also was designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget's (OMB) Uniform Guidance. These standards require the independent auditor not only report on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal awards. The results of the independent audit for the fiscal year ended June 30, 2016 indicated no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. The independent auditor's reports related specifically to the Single Audit and OMB Uniform Guidance are included in the Government Auditing Standards Section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report on the basic financial statements.

City Overview

The City of Eugene was incorporated in 1862, and the citizens adopted the Council/Manager form of government in 1944. The City Council develops legislation and policies to direct the City organization, and hires a professional manager (the City Manager) to oversee City of Eugene personnel and operations. The Mayor is elected at-large to a four-year term and acts as the formal representative of the City and presides over City Council meetings. The City Council has eight members elected by ward to four-year terms, with one-half of the council elected every two years.

As of July 1, 2015, 163,400 people resided within Eugene's municipal boundaries, making it Oregon's second largest city. City boundaries encompassed 44 square miles in Lane County. The Willamette River runs through the heart of the City and the McKenzie River joins the Willamette to the north of the City. Eugene is the center of government and education including County, State and Federal government agencies, and is home to the University of Oregon. Over the last ten years, Eugene's population has increased on average by 1.1% annually.

The City provides a full range of municipal services. These services include police, fire, emergency medical services, municipal court, community planning and development, parks and open space, library, recreational and cultural activities, airport, wastewater treatment, stormwater management, general public works and administration, along with other functions associated with a full-service municipal government. These services are provided primarily to citizens who live within the corporate limits. However, many of the services and facilities operated by the City are provided for and financed by regional service areas larger than the City. As allowed by state statutes, the City levies a property tax on real and personal property located within its boundaries.

For financial reporting purposes, the City includes all funds subject to appropriation by the City Council. In addition, the City includes all governmental organizations and activities for which the City Council is financially accountable. The City Council also serves as the Urban Renewal Agency Board. Therefore, the financial statements of the Urban Renewal Agency of the City of Eugene, although legally separate, have been combined with those of the City proper by including them in the appropriate statements and schedules in this report.

For financial planning and control, the City prepares and adopts an annual budget in accordance with Oregon Revised Statutes 294.305 through 294.565. Local government budgeting in Oregon is a joint effort between the people affected by the budget and the appointed and elected officials responsible for adopting the budget. Elected and appointed officials determine the allocation of resources among the service areas. The State of Oregon Department of Revenue ensures that the budget is prepared according to the Oregon Local Budget Law. Citizens provide input to advocate for funding for programs they want and need.

To give the public ample opportunity to participate in the budgeting process, local budget law requires that a Budget Officer be appointed and a Budget Committee be formed. The Budget Officer draws together necessary information and prepares the first draft of the budget. The City Manager serves as the Budget Officer. The Budget Committee then reviews and revises the proposed budget before making its recommendations to the City Council. Notices are published, budgets are made available for review, and at least two public hearings are held – one hearing is held before the Budget Committee, which is composed of the eight City Councilors and eight appointed citizen members, and one hearing is held before the City Council. Additionally, opportunities for public testimony are provided at many Budget Committee meetings. These requirements encourage public participation in the budget-making process and give public exposure to budgeted programs and fiscal policies before the City Council adopts the budget.

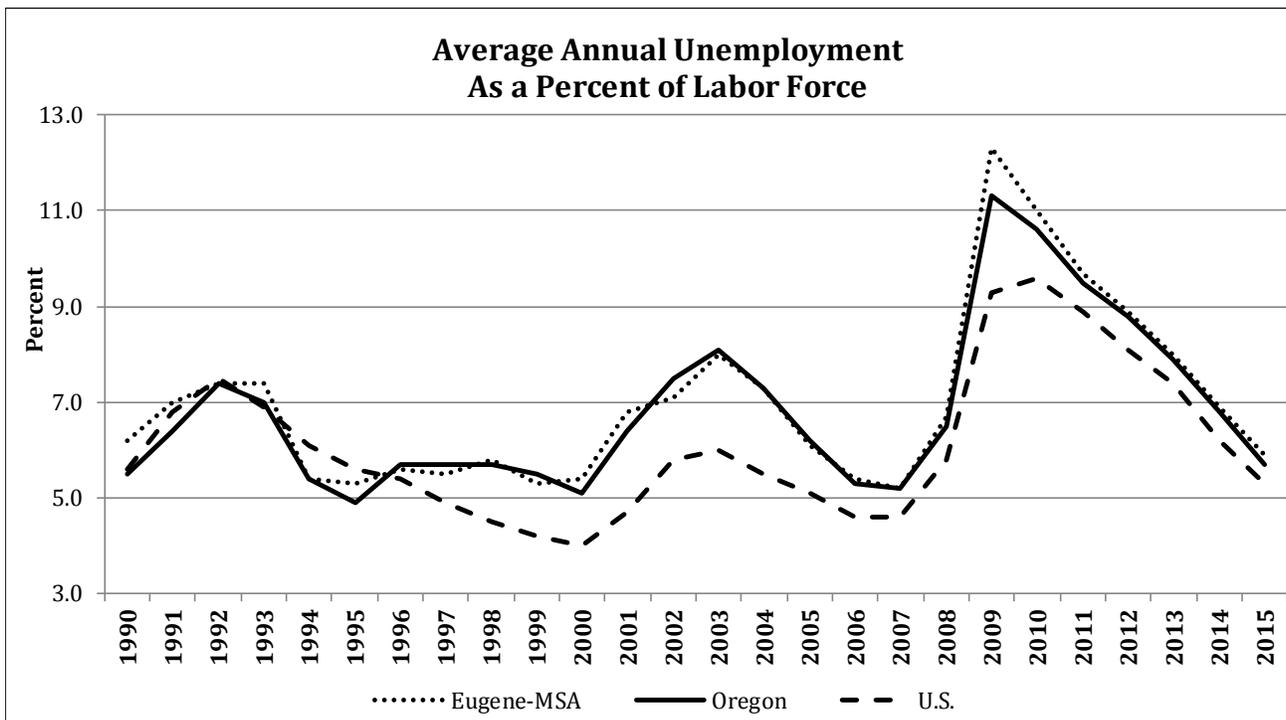
The legally adopted budget is at the fund and department level for operating expenditures, with separate appropriations established for capital projects, debt service, interfund transfers, and special payments. Budgetary controls are administered internally at a more restrictive level. Budget-to-actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted. For the General Fund and the Community Development Fund, this comparison is presented as required supplementary information in this report. For all other funds, this comparison is presented as other supplementary information.

Local Economy

Eugene is located in western Oregon, in the southern Willamette Valley, in close proximity to the Pacific Ocean and the Cascade Mountain Range. Citizens and visitors enjoy the mild climate, recreation and fitness opportunities, and the diverse cultural events it has to offer. Interstate 5 connects Eugene to the Portland metropolitan area and Washington state to the north, and California to the south. State highways provide access to the Cascade Mountains and the recreational opportunities of eastern Oregon, and to the picturesque coastal towns, state parks and public beaches to the west.

Eugene's municipal airport is serviced by five air carriers: Alaska Airlines, Allegiant, American Airlines, Delta, and United Airlines. Commercial air service links Eugene directly to Denver, Las Vegas, Los Angeles, Oakland, Phoenix/Mesa, Portland, Salt Lake City, San Francisco, San Jose and Seattle.

Eugene is the largest city in Lane County and the second largest city in Oregon, representing 45.1% of the county's and 4.1% of the state's population. Eugene's economy typically follows the trends of the state and national economies. The unemployment rate in the Eugene-Springfield Metropolitan Statistical Area (MSA) rose sharply as a result of the recession, from an average annual rate of 5.2% in 2007 to a high of 12.3% in 2009, primarily due to job losses from closure of the City's largest private employer, Hynix, as well as other job losses in construction, manufacturing, retail, and professional services. Eugene's 2015 unemployment rate dropped to 5.9% but remained 0.2% higher than the state as a whole and 0.6% higher than the national average:



The two pillars that have historically provided relative stability in Eugene's economy are the large public sector employment base and population in-migration. In prior years, the influx of new residents has helped the economy diversify away from lumber and wood products manufacturing. California has been the largest source of new residents to the area due to Eugene's proximity to that state, local environmental and cultural amenities, and relatively low cost of living. Eugene's population growth slowed somewhat in the years following the last recession as the local economy contracted and the labor market weakened. However, population growth rebounded in 2015, increasing at the fastest rate since 2008.

County, state, and federal government agencies are centered in Eugene, as well as the University of Oregon (UO) and Lane Community College. Between 2006 and 2015, employment in the educational and health services sectors increased by 23.0%. In the 2015-16 academic year, 24,125 students were enrolled at UO. The University of Oregon was ranked within the top 2.0% of U.S. research universities by the Carnegie Foundation in 2010. In fiscal year 2015, the University generated over \$114.0 million in sponsored research activity and \$8.0 million in licensing revenue, putting UO among top performers nationally for research institutions. The University is also a major contributor to Oregon's economy, generating economic activity estimated at more than \$2.3 billion.

As the local economy has diversified away from dependence on resource-based and manufacturing industries, the Eugene-Springfield area has also become an increasingly important center for health services in western Oregon. The University District campus is home to the Center for Medical Education and Research, a partnership among the University of Oregon, Oregon Health Sciences University and Sacred Heart to train new physicians. The campus employs more than 1,250 people and serves to strengthen the city's health care sector. With the federal Affordable Care Act of 2010 now fully implemented, the number of uninsured Oregonians has dropped, providing greater payment stability to hospitals, clinics and the city's economy. Kaiser Permanente, one of the nation's largest nonprofit health care providers serving 9.6 million people, recently opened two new clinics in the Eugene market. The U.S. Department of Veterans Affairs (VA) completed a new \$60.0 million, 100,000 square-foot facility in north Eugene that is expected to employ 265 people. The Oregon Medical Group, a multispecialty doctor's group, announced plans for a \$27.0 million building upgrade for a clinic set to open in 2017.

Eugene's high tech manufacturing sector is also on the precipice of a resurgence. Broadcom, a multi-billion dollar semi-conductor firm announced plans to redevelop the former Hynix plant on the west side of the city. Broadcom anticipates spending \$100.0 million to upgrade the building and \$300.0 million for new equipment installation. The company expects to initially hire 229 employees and create 700 construction jobs. The City's small burgeoning tech sector is projected to outpace growth in other industries. The Oregon Employment Department forecasts the tech sector will grow by 28 percent in Lane County between 2014 and 2024. The City is fostering growth in small tech companies by working with the Eugene Water and Electric Board (EWEB) to install a fiber network in the downtown core to provide affordable, high-speed internet for businesses and residents.

Eugene hosted the U.S. Olympic Track and Field Trials in 2016. The University's venerable Hayward Field held the event that draws approximately 20,000 visitors. Eugene has also been selected to host the 2021 IAAF World Outdoor Track and Field Championship, marking the first time this prestigious event has been held in the United States. Large events are helping to expand the city's lodging amenities. Hilton Hotels is nearing completion on a new 120-room hotel in downtown Eugene, Hyatt is scheduled to open a new 124-room hotel just north of downtown and InterContinental Hotel is scheduled to open a new 100-room hotel near UO sometime in 2017. These and other developments are helping the city evolve and grow from its traditional lumber and manufacturing based economy.

Eugene is also investing in its transportation system. The City is now midway through a ten-year program of major street repair projects that accelerated in 2012 when Eugene voters resoundingly approved a \$43.0 million bond measure to repair 76 streets, as well as bicycle and pedestrian projects. FY16 was the second year the voter approved property taxes were levied for the street repair projects.

The EWEB waterfront property is the largest area available for redevelopment in downtown Eugene. In addition to working to revitalize the core area of downtown, elected officials and staff from both the City and EWEB have been working in partnership with community members to determine the desired mix of uses on the site and to transform the existing industrial site to a downtown riverfront. In 2013, the City Council adopted a series of land use amendments including new land use designations and special area zoning for the site. The next key steps involve the selection of a developer to lead the transformation of the waterfront property, negotiations for property acquisition and a development agreement before any redevelopment scenario can begin. Although it may be some time before the anticipated uses, including housing and restaurants, are completed, redevelopment of this important site is moving forward with the goal of creating an urban, active, sustainable riverfront for the entire community to enjoy.

Long-term Financial Planning

The City of Eugene recognizes the importance of strategic long-term financial planning. Each year, forecasts are prepared to estimate the financial health of significant funds for the next six fiscal years. These forecasts are designed to inform policy makers about the long-term impacts of pending budget decisions and other potential financial dynamics for City operations. The City also utilizes three additional important planning documents: the *Capital Improvement Program*, the *Multi-Year Financial Plan* and the *Debt Capacity Analysis*.

The largest fund is the General Fund, which is the general operating fund for the City. In preparation for the FY17 budget, the General Fund forecast was updated to provide policy makers with the financial outlook for the fund. After closing a nearly \$30.0 million gap in the General Fund budget in the years following the last recession and reducing the annual operating budget growth rate from 6.2% in FY03 through FY09 to 2.1% from FY10 through FY16, the City is projected to have greater fiscal stability in the future. Revenues are projected to grow by 3.7% on an annual basis from FY17 through FY22, while expenses are projected to grow by 3.9% over the same time period.

The FY17 Adopted Budget provides funding for current services, while adding a few additional services. However, the post-recession budget environment continues to be uncertain, and the six-year forecast does foreshadow a possible \$1.0-\$2.0 million gap that may arise in the future. The FY17 Adopted Budget includes increased service levels for library and cultural services after voters approved a five-year library local option levy last November to provide additional library services to the community. The levy will generate an estimated \$2.5 million per year and support 18.40 full-time equivalent employees to provide additional services that are incorporated into the budget. The FY17 Adopted Budget also increases support for Cultural Services, the Community Justice Initiative, the Human Services Commission, CAHOOTS, Human Rights and Neighborhood Involvement, Sister Cities and creates a reserve account to begin funding work related to the World Track and Field Championships in 2021. FY17 General Fund budget changes total \$2.2 million and non-general fund changes total \$3.2 million.

In March 2015, the City Council approved the FY16-21 *Capital Improvement Program* (CIP). The CIP forecasts the City's capital needs over a six-year period based on various long-range plans, goals, and policies. The underlying strategy of the CIP is to plan for land acquisition, construction, and major maintenance of public facilities necessary for the safe and efficient management of City assets. A critical element of a balanced CIP is the provision of funds to preserve or enhance existing facilities and provide new assets which will help the City respond to changing service needs and community growth. The program is approved every other year and serves as the basis for the capital budget for the next two fiscal years. The FY16-21 CIP totals \$171.2 million in projects with funding secured or identified from a variety of sources. The capital budget for FY17 totals \$41.4 million.

Transportation is the largest CIP category with a total allocation of \$62.5 million, of which \$54.5 million is dedicated towards pavement preservation and road maintenance. Airport capital improvements, including the terminal building expansion, Concourse C addition, automated rental car wash facility, access improvements and preservation and maintenance projects, will account for \$42.1 million. About \$21.6 million for public buildings will primarily be invested in preservation and capital maintenance of existing City facilities. Improvements to preserve and rehabilitate the City's wastewater system will be funded with \$15.9 million. Under the City's stormwater program, drywell decommissioning, stream corridor acquisition, bank stabilization and stream restoration, and system upgrades and capacity enhancements are to be funded at \$15.4 million. Approximately \$13.7 million in anticipated capital spending will be for parks and open space projects.

In January 2015, the City's Executive Team reviewed the *Multi-Year Financial Plan (MYFP)* for FY16-21. The MYFP was subsequently provided to the Mayor and the City's Budget Committee in April 2015 as part of the FY16 budget process. The MYFP is a compilation of significant, unfunded challenges and opportunities that the City is expected to encounter over the next six fiscal years. It serves as a strategic planning tool and helps address Council's goal for "Fair, Stable, and Adequate Resources." It provides an important means to improve the City's ability to link the Council goals process, the Capital Improvement Program, the General Fund Six-Year Forecast, other projects or specific strategic plans, and the annual budget process.

The FY16-21 MYFP identified 59 items with total estimated unfunded costs of about \$450.0 million. Some of the largest unfunded costs by service category include \$133.9 million for community centers, \$82.7 million for transportation, \$59.1 million for public buildings and facilities, \$35.1 million for emergency medical/fire services, \$32.8 million for Municipal Court, and \$25.1 million for fleet and radio communications. Many of these items would also have ongoing fiscal impacts on the operating budget that would also need to be considered in order for the City's budget to be sustainable.

With the significant amount of future capital projects, as well as identified unfunded needs, the City also recognizes the need to be thoughtful and deliberate in planning future debt levels. As a result, the City has developed a *Debt Capacity Analysis* that is generally updated every two years in conjunction with the CIP update. This study looks at not just the legally allowable level of debt, but the level of debt that the community would consider affordable, given the community's ability and willingness to pay for that debt. The Budget Committee adopted a debt policy limit of net direct debt of no more than 1% of real market value of property. The *Debt Capacity Analysis* measures future debt plans against this debt policy limit to determine whether those plans are considered affordable and those results are included in the CIP. The City's net direct debt to real market value was 0.07% at the end of FY16.

City Council Vision and Goals

The City Council adopts goals that provide major policy direction for budget allocations and service delivery. The City Council adopted the following vision and goals in 2009.

City Council Vision

- Value all people, encouraging respect and appreciation for diversity, equity, justice, and social well-being. We recognize and appreciate our differences and embrace our common humanity as the source of our strength;
- Be responsible stewards of our physical assets and natural resources. We will sustain our clean air and water, beautiful parks and open spaces, livable and safe neighborhoods, and foster a vibrant downtown, including a stable infrastructure; and
- Encourage a strong, sustainable and vibrant economy, fully utilizing our educational and cultural assets, so that every person has an opportunity to achieve financial security.

City Council Goals

Safe Community

A community where all people are safe, valued, and welcome.

Sustainable Development

A community that meets its present environmental, economic, and social needs without compromising the ability of future generations to meet their own needs.

Accessible and Thriving Culture and Recreation

A community where arts and outdoors are integral to our social and economic well-being and are available to all.

Effective, Accountable Municipal Government

A government that works openly, collaboratively, and fairly with the community to achieve measurable and positive outcomes and provide effective, efficient services.

Fair, Stable and Adequate Financial Resources

A government whose ongoing financial resources are based on a fair and equitable system of revenues and are adequate to maintain and deliver municipal services.

Major New Initiatives

The City strives to make progress on all of the City Council goals, as circumstances and funding allow. Two of the major new initiatives reflect several of those goals:

- Corporate Renovation Project reflects Effective, Accountable Municipal Government;
- Expanded Library Services reflects Accessible and Thriving Culture and Recreation and Fair, Stable and Adequate Financial Resources.

Throughout FY16, staff across departments collaborated to examine City business and management operations. The effort referred to as the Corporate Renovation Project, will allow the City to improve its execution of key business functions such as paying bills, preparing and monitoring the budget, managing human resources, recording financial transactions and more. Goals for this process include:

- Get the most from the City's investment.
- Avoid costly software customizations and redundant systems.
- Improve operation effectiveness.
- Contribute to building a strong and resilient workforce of 2025.

The next phase of the project is implementation of new information technology infrastructure to replace the City's current web of systems, allowing for greater efficiency, effectiveness and standardization. In FY16 staff signed a contract to purchase the latest versions of PeopleSoft, the software package currently used for major City administrative functions, and Hyperion, a leading budgeting tool. Other activities included the formation of process improvement teams, the development of functional requirements for the new system, extensive analyses of current business practices and policies, selection of an implementation partner as well as other readiness efforts. It is expected that the Corporate Renovation Project will begin the implementation phase in FY17 and will continue for the next three years as the City works to fully integrate improved business processes with the new software systems.

On November 3, 2015, City of Eugene voters approved a five year local option levy, Measure 20-235, to support expanded Eugene Public Library services in three areas: more hours and access, more programs for all ages, and more materials and technology. The levy will generate just over \$2.5 million per year and support 18.40 full-time equivalent employees to provide the additional services. Open hours will be increased by 22 hours each week at the neighborhood Bethel and Sheldon Branches and 3 hours on Sunday mornings at the Downtown Library. Events, storytimes, and classes will increase by 33%, and the budget for books, movies, eBooks, etc. and technology will also increase, allowing Internet access at the Bethel and Sheldon Branches to double.

Other Information

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Eugene for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 40th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its adopted budget document for FY16. In order to qualify for the Award, the budget document was judged to be proficient in several categories as a policy document, financial plan, operations guide, and communications device. The City has received this award for 33 years, and is one of the few jurisdictions in the country to have received this recognition every year since its inception.

Acknowledgments

The Finance Division has the responsibility for preparing the Comprehensive Annual Financial Report. I appreciate and thank all staff who assisted and contributed to the report's presentation. I would also like to thank the Mayor, members of the City Council and Budget Committee, the City Manager and Executive Team for their interest and support in managing the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Sue Cutsogeorge
Finance Director



Government Finance Officers Association

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Achievement
for Excellence
in Financial
Reporting**

Presented to

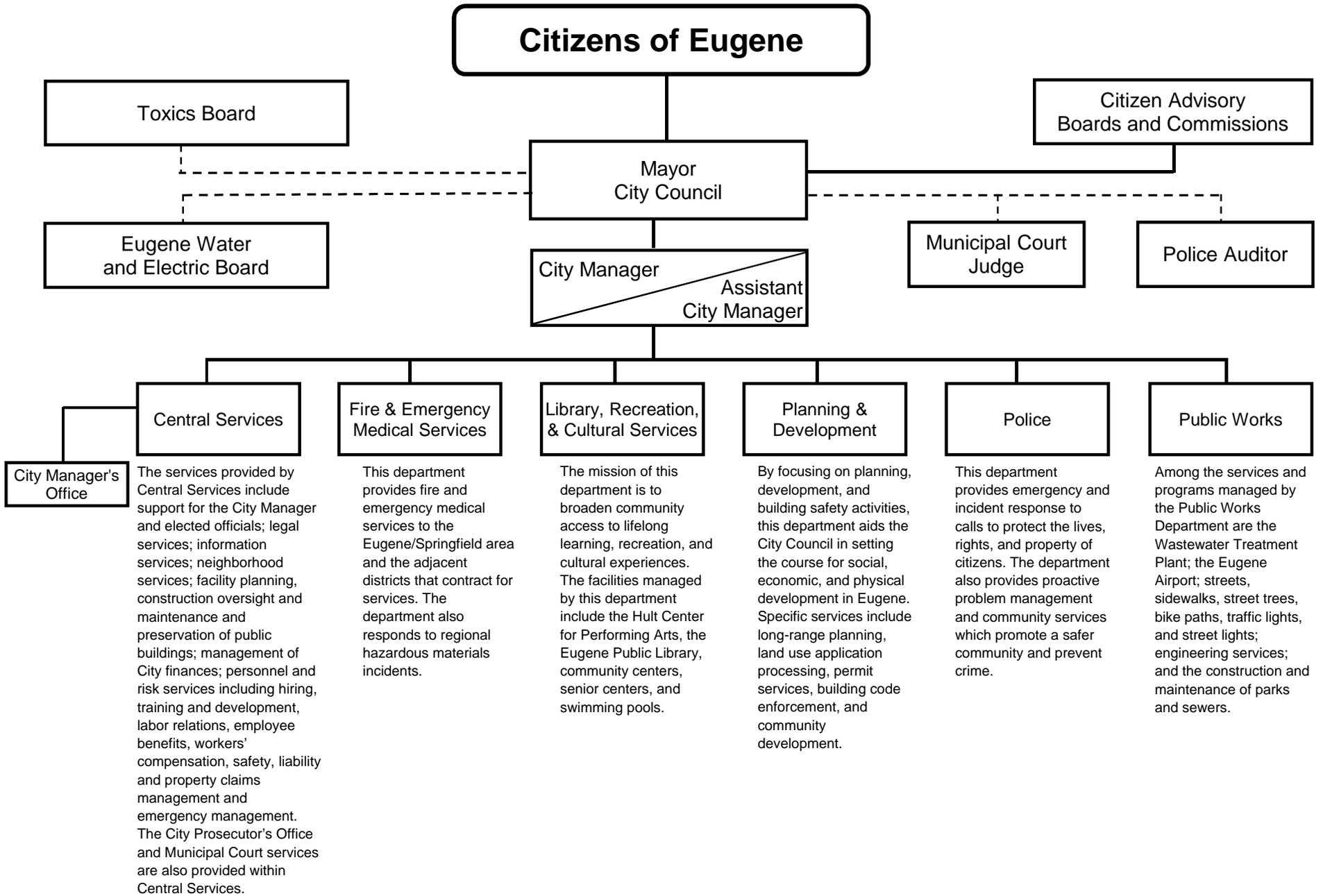
**City of Eugene
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Eugene Organizational Chart



CITY OF EUGENE, OREGON

Mayor and City Council as of June 30, 2016

	<u>Name</u>	<u>Term Expires</u>
Mayor:	Kitty Piercy	January 2017
Councilors:	George Brown (Ward 1)	January 2017
	Betty Taylor (Ward 2)	January 2017
	Alan Zelenka (Ward 3)	January 2019
	George Poling (Ward 4)	January 2019
	Mike Clark (Ward 5)	January 2019
	Greg Evans (Ward 6)	January 2019
	Claire Syrett (Ward 7)	January 2017
	Chris Pryor (Ward 8)	January 2017

Principal Officials

Jon R. Ruiz, City Manager

Sarah Medary, Assistant City Manager

Glenn Klein, City Attorney

Kristie Hammitt, Central Services Executive Director

Joe Zaludek, Acting Fire and Emergency Medical Services Chief

Renee Grube, Library, Recreation, and Cultural Services Executive Director

Sarah Medary, Planning and Development Executive Director

Pete Kerns, Chief of Police

Kurt Corey, Public Works Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Eugene, Oregon

An Independently Owned Member
McGLADREY ALLIANCE



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 Eugene, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of 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 the management's discussion and analysis (pages 15 through 23), the schedules of revenues, expenditures and changes in fund balances – budget and actual of the General Fund and the Community Development Fund (pages 81 through 82) (the "budgetary schedules"), the schedule of the City's Proportionate Share of the Net Pension Asset/(Liability) (page 83), the schedule of OPEB funding progress (page 83), and the budget to GAAP reconciliation (page 84), 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 management's discussion and analysis, the schedule of the City's Proportionate Share of the Net Pension Asset (Liability), and the schedule of OPEB funding progress 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 schedules described above on pages 81 - 82 and the budget to GAAP reconciliation on page 84 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules and budget to GAAP reconciliation have 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 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 schedules and budget to GAAP reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 introductory section (pages 1 through 10); other supplementary information (pages 85 through 128); other supplementary schedules (page 129 through 131) and statistical tables section (pages 133 through 152) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (pages 166 through 168) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The other supplementary information, other supplementary schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

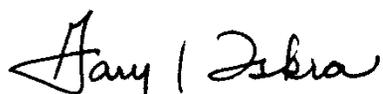
Other Reporting Required by Government Auditing Standards

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

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated November 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 on pages 155 to 156 is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

ISLER CPA



By Gary Iskra, CPA, a member

Eugene, Oregon
November 21, 2016

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Management's Discussion and Analysis

The management of the City of Eugene, Oregon (City) presents this narrative overview to facilitate both a short and a long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2016. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Additional information outside the scope of this analysis can be found in the Letter of Transmittal.

Financial Highlights

- The City's total assets and deferred outflows of resources at June 30, 2016 increased \$3.4 million from \$997.3 million to \$1,000.7 million.
- The City's total liabilities and deferred inflows of resources increased \$26.9 million from \$198.8 million to \$225.7 million. The increase was primarily due an increase of \$75.4 million in net pension liability offset by a \$40.2 million decrease in deferred inflows of resources related to pensions.
- The net position of the City (assets less liabilities) at June 30, 2016 decreased \$23.5 million from \$798.6 million to \$775.1 million. The City's unrestricted portion of net position is \$22.7 million.
- At June 30, 2016, the General Fund's fund balance was \$58.2 million, an increase of \$17.2 million from the previous year. Of the General Fund's fund balance \$19.3 million is unassigned.

The City's pension liability at June 30, 2016 increased \$105.9 million from a pension asset of \$30.5 million to a pension liability of \$75.4 million. The increase in the pension liability was the result of lower than projected investment earnings on pension plan assets and the Oregon Supreme Court's *Moro* decision. The Court's decision reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future cost of living adjustments. The reversal increased the benefits projected to be paid compared to those developed in the prior actuarial valuation, and consequently increased the plan liabilities.

Overview of the Financial Statements

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

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

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

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period. Examples of such items include earned, but uncollected property taxes, and earned, but unused compensated absences.

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

The governmental activities of the City include the following:

- Central services
- Fire and emergency medical services
- Library, recreation, and cultural services
- Planning and development
- Police
- Public works

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

- Ambulance transport
- Municipal airport
- Parking services
- Stormwater utility
- Wastewater utility

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Urban Renewal Agency (URA) for which the City is financially accountable. Although legally separate, the URA's governing body is identical to the City's, and because the services of the URA are exclusively for the benefit of the City, it is included as an integral part of the primary government.

The government-wide financial statements can be found at Exhibits 1 and 2 in the basic financial statements.

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

Governmental funds. Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found at Exhibits 3 and 5 in the basic financial statements.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report five major funds: General Fund, Community Development Special Revenue Fund, General Obligation Debt Service Fund, General Capital Projects Fund, and the Systems Development Capital Projects Fund. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Summary fund data by fund-type for these nonmajor governmental funds is provided as other supplementary information in the form of combining statements at B-1 and B-2 of this report. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements at C-1, C-2, D-1, D-2, E-1, and E-2.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General Fund and the Community Development Fund as required supplementary information at A-1 and A-2. Budgetary comparisons for all other governmental funds have been provided as other supplementary information at C-3 through C-12, D-3 through D-5, and E-3 through E-8.

The governmental fund financial statements can be found at Exhibits 3 and 4 in the basic financial statements.

Proprietary funds. Proprietary funds are used to account for activities where the emphasis is placed on net position. The City maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its ambulance transport, municipal airport, parking services, stormwater utility, and wastewater utility operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for engineering services, facilities services, fleet services, information systems and services, and risk and benefits management activities. Because internal service funds predominantly benefit governmental rather than business-type functions, their assets, deferred outflows of resources, liabilities, and deferred inflows of resources have been included with the governmental activities in the government-wide financial statements.

The enterprise funds, all of which are considered to be major funds of the City, are reported separately as proprietary fund financial statements in the basic financial statements. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided as other supplementary information in the form of combining statements at G-1, G-2, and G-3.

The City adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise funds as other supplementary information at F-1 through F-5. Budgetary comparisons for the internal service funds are provided as other supplementary information at G-4 through G-8. The proprietary fund financial statements can be found at Exhibits 6, 7, and 8 in the basic financial statements.

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

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the General Fund and Community Development Fund, information about the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees, and the budget to GAAP reconciliation schedule.

Other supplementary information. The combining statements and schedules referred to earlier and the schedule of bonded debt transactions follow the required supplementary information in this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial health. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$775.1 million at the close of the fiscal year ending June 30, 2016, a decrease of \$23.5 million.

City of Eugene's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital assets	\$ 430,260,782	432,274,656	251,116,579	245,767,377	681,377,361	678,042,033
Other assets	263,714,528	261,400,086	36,710,019	45,807,263	300,424,547	307,207,349
Deferred outflows	15,319,776	9,762,262	3,607,995	2,336,194	18,927,771	12,098,456
Total assets and deferred outflows	<u>709,295,086</u>	<u>703,437,004</u>	<u>291,434,593</u>	<u>293,910,834</u>	<u>1,000,729,679</u>	<u>997,347,838</u>
Noncurrent liabilities	130,044,903	75,640,894	24,390,961	10,325,085	154,435,864	85,965,979
Other liabilities	44,161,698	44,929,747	7,347,625	7,973,450	51,509,323	52,903,197
Deferred inflows	15,972,039	48,323,888	3,761,612	11,564,324	19,733,651	59,888,212
Total liabilities and deferred inflows	<u>190,178,640</u>	<u>168,894,529</u>	<u>35,500,198</u>	<u>29,862,859</u>	<u>225,678,838</u>	<u>198,757,388</u>
Net position:						
Net investment in capital assets	410,543,209	412,174,294	251,116,579	245,767,377	661,659,788	657,941,671
Restricted	82,996,072	78,549,692	7,675,141	11,391,051	90,671,213	89,940,743
Unrestricted	25,577,165	43,818,489	(2,857,325)	6,889,547	22,719,840	50,708,036
Total net position	<u>\$ 519,116,446</u>	<u>534,542,475</u>	<u>255,934,395</u>	<u>264,047,975</u>	<u>775,050,841</u>	<u>798,590,450</u>

The largest portion of the City's net position, \$661.7 million, is its investment in capital assets. The City's investment in capital assets is reported net of related debt. Capital assets do not represent readily available resources to be used for ongoing operations or to liquidate existing liabilities.

The remaining portion of the City's net position consists of restricted and unrestricted resources. The restricted portion of the City's net position is \$90.7 million which represents resources that are subject to external restrictions as to how they may be used. This category increased \$0.7 million in the fiscal year ending June 30, 2016. The City's unrestricted portion of net position is \$22.7 million.

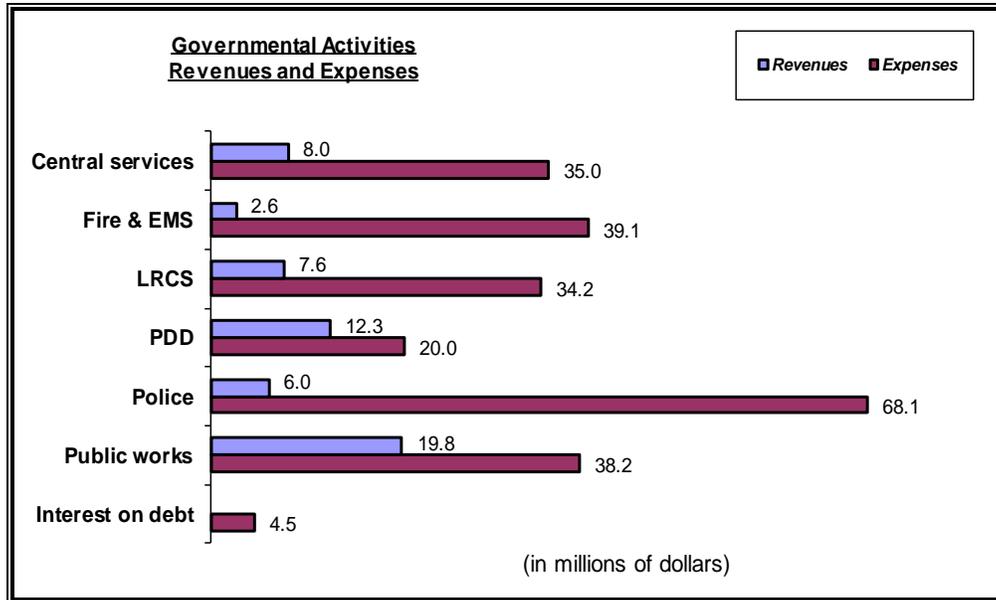
City of Eugene's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Fees, fines, and charges for services	\$ 39,856,055	43,322,836	66,229,808	63,287,964	106,085,863	106,610,800
Operating grants and contributions	14,585,696	13,914,474	141,927	563,211	14,727,623	14,477,685
Capital grants and contributions	1,844,022	2,647,314	7,764,290	6,693,012	9,608,312	9,340,326
General revenues:						
Taxes	116,242,752	111,255,923	0	0	116,242,752	111,255,923
Grants and contributions not restricted to specific programs	4,153,928	4,095,171	0	0	4,153,928	4,095,171
Contributions in lieu of taxes	12,674,782	12,204,263	0	0	12,674,782	12,204,263
Franchise fees on telecom providers revenues	27,751,459	8,482,827	0	0	27,751,459	8,482,827
Unrestricted investment earnings	1,120,714	765,440	151,851	119,126	1,272,565	884,566
Total revenues	<u>218,229,408</u>	<u>196,688,248</u>	<u>74,287,876</u>	<u>70,663,313</u>	<u>292,517,284</u>	<u>267,351,561</u>
Direct expenses:						
Central services	35,039,865	30,648,110	0	0	35,039,865	30,648,110
Fire and emergency medical services	39,074,212	19,204,495	0	0	39,074,212	19,204,495
Library, recreation, and cultural services	34,208,707	23,232,540	0	0	34,208,707	23,232,540
Planning and development	20,039,945	13,403,633	0	0	20,039,945	13,403,633
Police	68,070,650	37,337,514	0	0	68,070,650	37,337,514
Public works	38,204,116	28,492,704	0	0	38,204,116	28,492,704
Interest on long-term debt	4,480,488	4,463,026	0	0	4,480,488	4,463,026
Ambulance transport	0	0	9,754,470	5,093,141	9,754,470	5,093,141
Municipal airport	0	0	14,688,010	11,003,962	14,688,010	11,003,962
Parking services	0	0	5,366,061	4,031,580	5,366,061	4,031,580
Stormwater utility	0	0	18,313,800	12,588,689	18,313,800	12,588,689
Wastewater utility	0	0	28,816,569	19,976,428	28,816,569	19,976,428
Total direct expenses	<u>239,117,983</u>	<u>156,782,022</u>	<u>76,938,910</u>	<u>52,693,800</u>	<u>316,056,893</u>	<u>209,475,822</u>
Indirect expense allocation*	<u>(3,660,000)</u>	<u>(3,534,000)</u>	<u>3,660,000</u>	<u>3,534,000</u>	<u>0</u>	<u>0</u>
Total expenses	<u>235,457,983</u>	<u>153,248,022</u>	<u>80,598,910</u>	<u>56,227,800</u>	<u>316,056,893</u>	<u>209,475,822</u>
Change in net position before transfers	(17,228,575)	43,440,226	(6,311,034)	14,435,513	(23,539,609)	57,875,739
Transfers	<u>1,802,546</u>	<u>2,202,900</u>	<u>(1,802,546)</u>	<u>(2,202,900)</u>	<u>0</u>	<u>0</u>
Change in net position after transfers	<u>(15,426,029)</u>	<u>45,643,126</u>	<u>(8,113,580)</u>	<u>12,232,613</u>	<u>(23,539,609)</u>	<u>57,875,739</u>
Net position July 1	<u>534,542,475</u>	<u>488,899,349</u>	<u>264,047,975</u>	<u>251,815,362</u>	<u>798,590,450</u>	<u>740,714,711</u>
Net position June 30	<u>\$ 519,116,446</u>	<u>534,542,475</u>	<u>255,934,395</u>	<u>264,047,975</u>	<u>775,050,841</u>	<u>798,590,450</u>

* The direct expenses above do not include the indirect expense allocation that is reported in the Statement of Activities (Exhibit 2).

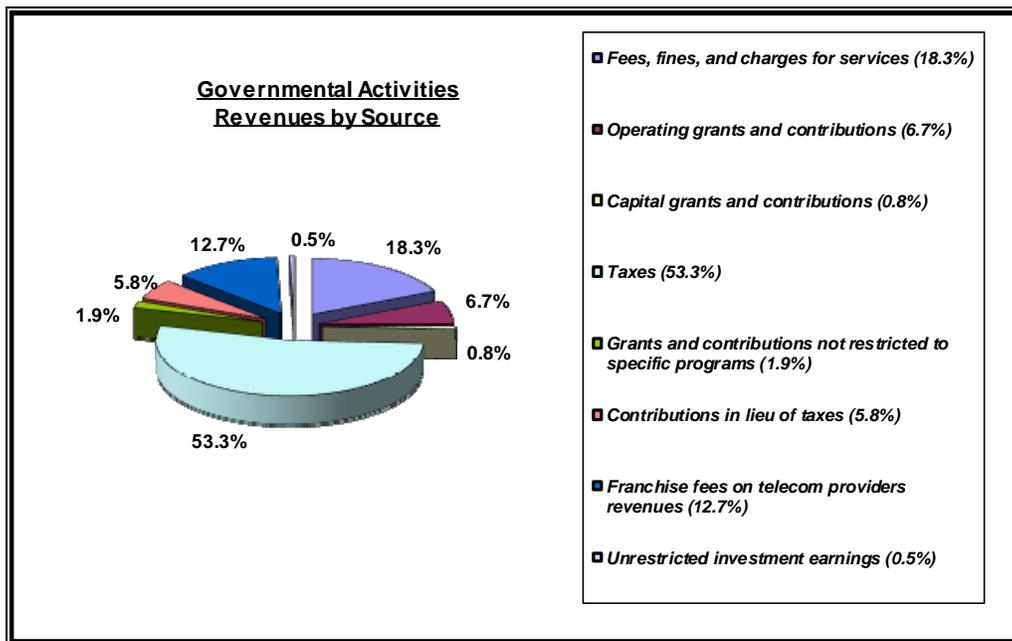
Governmental activities. The change in net position for governmental activities before transfers decreased by \$60.7 million. The decrease was driven by:

- Revenues increased by \$21.5 million, primarily due to a \$19.3 million legal settlement for franchise fees on telecom providers.
- Direct expenses increased by \$82.3 million in total, which was primarily due to an increase in pension expense.

This next chart compares revenues and expenses for the individual governmental activities for the current year.



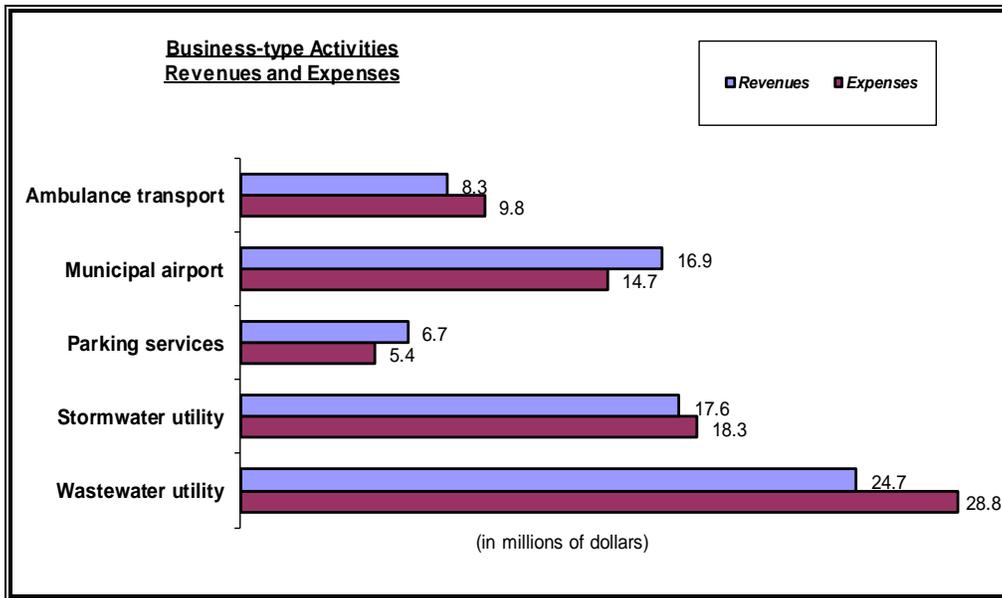
The next chart shows the percent of the total for each source of revenue supporting governmental activities. As the chart reflects, most governmental activities relied on taxes for support.



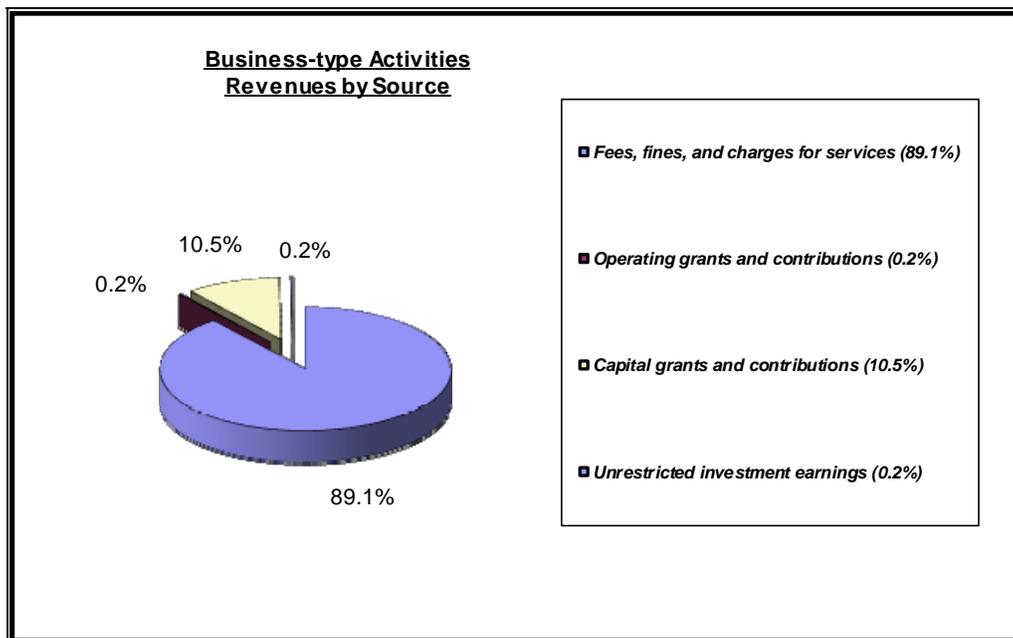
Business-type activities. The change in net position for business-type activities, before transfers, decreased \$20.7 million. The decrease was driven by:

- Program revenues increased by \$3.6 million, primarily due to a \$2.9 million increase in fees, fines, and charges for services.
- Direct expenses increased by \$24.2 million, which was primarily due to a \$19.6 million increase in pension expense.

The following chart compares revenues to expenses by individual business-type activity for the fiscal year. In comparison to governmental activities, business-type activities typically recover their costs through program revenues.



The chart below shows that 89.1% of revenues for business-type activities are generated from fees, fines, and charges for services. Capital grants and contributions were derived predominantly from grants from the Federal Aviation Administration and the donation of infrastructure stemming from the development of new residential areas



Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$681.2 million (net of accumulated depreciation). The investment in capital assets includes land, rights-of-way, construction in progress, buildings and equipment, improvements other than buildings (such as parks and park improvements), storm sewers and trunk sewers (stormwater and wastewater systems), and infrastructure (such as roads and sidewalks).

City of Eugene's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 73,650,738	71,767,284	17,202,640	17,202,640	90,853,378	88,969,924
Construction in progress	13,785,632	10,783,059	20,384,465	9,003,215	34,170,097	19,786,274
Buildings and equipment	140,792,683	146,135,111	39,555,109	40,428,114	180,347,792	186,563,225
Improvements other than buildings	39,812,034	39,843,002	42,201,889	45,955,622	82,013,923	85,798,624
Storm sewers and trunk sewers	0	0	131,772,476	133,177,786	131,772,476	133,177,786
Infrastructure	162,219,695	163,746,200	0	0	162,219,695	163,746,200
	<u>\$ 430,260,782</u>	<u>432,274,656</u>	<u>251,116,579</u>	<u>245,767,377</u>	<u>681,377,361</u>	<u>678,042,033</u>

Major capital asset changes during the fiscal year include additions of \$14.4 million in construction in progress and deletions of \$6.2 million in buildings and equipment.

Additional information on the City's capital assets can be found in the Notes to Basic Financial Statements (Note 4E).

Bonded Debt. At the end of the fiscal year, the City had total liabilities and deferred inflows of resources of \$225.7 million. Of this amount, \$76.6 million represented outstanding bonded indebtedness. Outstanding bonded debt included \$16.6 million in general obligation bonds to be serviced by general property taxes, \$0.2 million in limited tax improvement bonds to be serviced by payments from property owners benefitting from the improvements, and \$58.2 million in limited tax pension bonds to be repaid from existing revenue sources, all backed by the full faith and credit of the City. The remainder of the City's bonded debt includes \$0.4 million in certificates of participation serviced by specific fund revenues and \$1.2 million in tax increment bonds to be repaid from tax increment revenues.

City of Eugene's Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 15,625,000	18,990,300	0	0	15,625,000	18,990,300
Certificates of participation	390,000	570,000	0	0	390,000	570,000
Limited tax bonds	48,267,928	49,893,214	10,137,540	10,489,166	58,405,468	60,382,380
Tax increment bonds	1,222,000	3,300,000	0	0	1,222,000	3,300,000
Deferred amounts	949,320	154,306	0	(13,865)	949,320	140,441
	<u>\$ 66,454,248</u>	<u>72,907,820</u>	<u>10,137,540</u>	<u>10,475,301</u>	<u>76,591,788</u>	<u>83,383,121</u>

The City's bonded debt decreased \$6.8 million during the year as the result of debt service payments.

Moody's Investors Service rates the City's publicly offered bond issues. The City's most recent ratings from Moody's are as follows:

- Aa1 for general obligation bonds (June 2016) with the following exceptions:
- Aa2 for the Atrium full faith and credit obligations.
- The Oregon Local Governments Limited Tax Pension Obligations, Series 2002, are insured by Ambac Assurance and were rated Aaa at issuance. Subsequent to issuance, Ambac Assurance was downgraded by Moody's Investors Service to Caa2. In January 2014, Moody's Investors Service downgraded the underlying rating on Oregon Local Governments Limited Tax Pension Obligations, Series 2002 to A3 from Aa3 in conjunction with a rating methodology change related to pool financings. In April 2011, Ambac Assurance severed their relationship with Moody's requesting that Ambac ratings be withdrawn. Moody's ratings on securities insured by Ambac will be maintained at the published underlying rating, or Aa3. The pension obligations were issued as one offering for certain Oregon cities, counties, and special districts. The City of Eugene's share of the total pension obligations on which the rating was based is 29.7%.

Under Oregon Revised Statutes, general obligation debt issues are limited to 3.0% of the real market value of all taxable property within the City's boundaries. The \$15.6 million in general obligation debt applicable to this limit is well below the \$688.0 million ceiling. The City's net direct general obligation bonded debt per capita is \$96.

Additional information on the City's bonded debt can be found in the Notes to Basic Financial Statements (Note 4H).

Fund-based Financial Analysis

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's requirements for funding day-to-day operations. Significant issues regarding the governmental funds are listed below.

As of the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$149.0 million, an increase of \$20.3 million in comparison to the prior year. \$3.2 million of the fund balance is nonspendable because it consists of the following: 1) prepaid expenditures, 2) debt service, 3) inventories, and 4) assets held for resale. The remaining \$145.8 million of fund balance was classified as follows.

- \$61.2 million was restricted due to external limits on how the resources may be used.
- \$13.3 million was committed as a result of specific constraints placed on the use of the resources per City ordinance.
- \$51.5 million was assigned per City Council's intent to use these resources for a specific purpose: unappropriated ending fund balance, reserve for revenue shortfall, balancing the next year's budget, and uncompleted capital projects are the primary components.
- \$19.8 million was unassigned and is available to be used at the government's discretion, subject to fund limitations.

The fund balance of the City's General Fund increased \$17.2 million from \$41.0 million to \$58.2 million during the current fiscal year. The increase was primarily due to an \$18.75 million legal settlement of Franchise fees on telecom providers.

The fund balance in the Community Development Fund decreased \$0.5 million from \$3.7 million to \$3.2 million during the fiscal year. The decrease was in part due to a \$1.5 million decrease in revolving loan repayments, which was offset by a \$1.2 million decrease in debt service payments.

The fund balance in the General Obligation Debt Service Fund decreased \$0.1 million from \$0.4 million to \$0.3 million during the fiscal year. The decrease was due to the issuance of the General Obligation and Refunding Bonds, Series 2016.

The fund balance in the General Capital Projects Fund increased \$0.4 million from \$17.1 million to \$17.5 million during the fiscal year. The increase in fund balance was primarily the result of a \$2.5 million increase in proceeds from debt issuance that were offset by a \$2.3 million decrease in transfers from the General Fund for capital projects.

The fund balance in the Systems Development Capital Projects Fund increased \$3.0 million from \$20.9 million to \$23.9 million during the fiscal year. The increase was primarily due to the accumulation of resources for future park developments.

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

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

Fund Name	Unrestricted Net Position	Percent of Total Net Position
Ambulance Transport	\$ (4.0) million	(124.8)%
Municipal Airport	0.1 million	0.1 %
Parking Services	0.9 million	5.6 %
Stormwater Utility	1.0 million	1.6 %
Wastewater Utility	(5.1) million	(6.1)%

Total business-type net position (excluding the consolidation of internal service fund activities) decreased \$7.9 million in the fiscal year. The decrease in net position was primarily due to a \$19.6 million increase in pension expense that was offset by a \$2.5 million increase in operating revenues.

Significant issues regarding proprietary funds are as follows:

- The Ambulance Transport Fund had a negative net position of \$3.2 million. The net deficit is the result of a \$4.1 million increase in the Fund's pension liability, which went from a \$1.2 million pension asset to a \$2.9 million pension liability.
- The Wastewater Utility Fund had a negative change in net position of \$5.5 million. The negative change is the result of a \$7.4 million increase in the Fund's pension liability, which went from a \$2.3 million pension asset to a \$5.1 million pension liability.

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

General Fund Budgetary Highlights

The City's final General Fund budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during FY 2016. As a result, the final fiscal year 2016 budget for the General Fund increased by \$3.8 million. The primary reasons for this increase were as follows:

- \$2.3 million in contractual obligations to vendors
- \$1.5 million for one-time funding requests

These changes were partially funded by increases of \$1.2 million in taxes, \$1.0 million in intergovernmental revenues (grant funding), \$0.5 million in charges for services, and \$0.1 million in fines and forfeitures. The remaining funding of \$1.0 million is from unspent resources from the prior year.

The difference between the budget and actual FY16 results is recorded as an adjustment to budgeted FY17 Beginning Working Capital (BWC). The FY17 BWC adjustment is an increase of \$20.3 million. This means that the aggregated beginning resources for FY17 were under-estimated by that amount when the budget was prepared in early 2016. The under-estimate was primarily due to a legal settlement on franchise fees of \$18.75 million.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following were the major assumptions used in developing the FY17 budget:

- Property tax revenues were expected to increase 4.5%.
- Salaries for non-represented employees and employees covered under collective bargaining agreements were expected to increase 2.1%.
- Health benefit rates were increased by 4.9%.
- Retirement costs were expected to range from 22.05% to 29.5% of payroll, depending on which pension plan the employee participates in.
- Interest rates on investments were projected to be 1.60%.

Requests for Information

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

Douglas Lauderbach, CPA
Financial Reporting Manager, AIC
City of Eugene
100 West 10th Avenue, Suite 400
Eugene, Oregon 97401

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BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2016

(amounts in dollars)

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Assets</u>			
<u>Current assets</u>			
Equity in pooled cash and investments	204,402,154	21,894,888	226,297,042
Receivables (net of allowance)	53,319,864	6,650,460	59,970,324
Internal balances	(4,258,049)	4,258,049	0
Due from other governments	5,498,395	2,775,673	8,274,068
Inventories	1,659,866	538,871	2,198,737
Prepays and deposits	2,100,492	59,466	2,159,958
Wetlands mitigation credits	0	130,369	130,369
Assets held for resale	991,806	0	991,806
Total current assets	263,714,528	36,307,776	300,022,304
<u>Noncurrent assets</u>			
Loans and notes receivable	0	402,243	402,243
Capital assets:			
Land and construction in progress	87,436,370	37,587,105	125,023,475
Other capital assets (net of accumulated depreciation)	342,824,412	213,529,474	556,353,886
Total noncurrent assets	430,260,782	251,518,822	681,779,604
<u>Deferred outflows of resources</u>			
Related to pensions	15,319,776	3,607,995	18,927,771
Total deferred outflows of resources	15,319,776	3,607,995	18,927,771
Total assets and deferred outflows of resources	709,295,086	291,434,593	1,000,729,679
<u>Liabilities</u>			
<u>Current liabilities</u>			
Accounts payable	3,252,988	1,454,508	4,707,496
Wages payable	6,765,701	1,596,368	8,362,069
Compensated absences payable	9,170,829	2,009,713	11,180,542
Due to other governments	1,453,632	1,092,529	2,546,161
Notes and contracts payable	191,000	0	191,000
Claims payable	12,566,534	0	12,566,534
Deposits	2,002,035	761,247	2,763,282
Interest payable	351,689	48,234	399,923
Unearned revenue	3,054,839	206,023	3,260,862
Bonds payable	5,352,451	179,003	5,531,454
Total current liabilities	44,161,698	7,347,625	51,509,323
<u>Noncurrent liabilities</u>			
Compensated absences payable	167,248	55,985	223,233
Notes and contracts payable	5,677,000	0	5,677,000
General obligation bond and revolving credit facility	50,000	0	50,000
Bonds payable (net of unamortized discount/premium)	61,051,797	9,958,537	71,010,334
Net pension liability	61,043,253	14,376,439	75,419,692
Net OPEB obligation	2,055,605	0	2,055,605
Total noncurrent liabilities	130,044,903	24,390,961	154,435,864
<u>Deferred inflows of resources</u>			
Related to pensions	15,972,039	3,761,612	19,733,651
Total deferred inflows of resources	15,972,039	3,761,612	19,733,651
Total liabilities and deferred inflows of resources	190,178,640	35,500,198	225,678,838
<u>Net position</u>			
Net investment in capital assets	410,543,209	251,116,579	661,659,788
Restricted for:			
Capital projects	46,145,952	7,675,141	53,821,093
Debt service	1,895,999	0	1,895,999
Community development	13,418,343	0	13,418,343
Urban renewal	16,307,150	0	16,307,150
Other purposes	5,228,628	0	5,228,628
Unrestricted	25,577,165	(2,857,325)	22,719,840
Total net position	519,116,446	255,934,395	775,050,841

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

Statement of Activities

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Direct Expenses	Indirect Expenses Allocation	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs								
Governmental activities:								
Central services	35,039,865	(24,292,967)	7,779,910	122,427	80,303	(2,764,258)	0	(2,764,258)
Fire and emergency medical services	39,074,212	5,053,010	2,609,853	25,550	0	(41,491,819)	0	(41,491,819)
Library, recreation, and cultural services	34,208,707	3,311,398	7,257,449	336,303	0	(29,926,353)	0	(29,926,353)
Planning and development	20,039,945	1,763,263	9,688,738	2,618,996	258	(9,495,216)	0	(9,495,216)
Police	68,070,650	8,416,902	4,767,887	1,189,477	0	(70,530,188)	0	(70,530,188)
Public works	38,204,116	2,088,394	7,752,218	10,292,943	1,763,461	(20,483,888)	0	(20,483,888)
Interest on long term debt	4,480,488	0	0	0	0	(4,480,488)	0	(4,480,488)
Total governmental activities	239,117,983	(3,660,000)	39,856,055	14,585,696	1,844,022	(179,172,210)	0	(179,172,210)
Business-type activities:								
Ambulance transport	9,754,470	552,000	8,263,092	0	0	0	(2,043,378)	(2,043,378)
Municipal airport	14,688,010	520,000	10,124,799	0	6,747,892	0	1,664,681	1,664,681
Parking services	5,366,061	252,000	6,663,765	0	0	0	1,045,704	1,045,704
Stormwater utility	18,313,800	951,000	16,936,261	125,945	535,591	0	(1,667,003)	(1,667,003)
Wastewater utility	28,816,569	1,385,000	24,241,891	15,982	480,807	0	(5,462,889)	(5,462,889)
Total business-type activities	76,938,910	3,660,000	66,229,808	141,927	7,764,290	0	(6,462,885)	(6,462,885)
Total activities	316,056,893	0	106,085,863	14,727,623	9,608,312	(179,172,210)	(6,462,885)	(185,635,095)
General revenues:								
Property taxes						110,728,701	0	110,728,701
Transient room tax						2,463,206	0	2,463,206
Local motor vehicle fuel tax						3,050,845	0	3,050,845
Contributions in lieu of taxes						12,674,782	0	12,674,782
Franchise fees on telecom provider's revenues						27,751,459	0	27,751,459
Grants and contributions not restricted to specific programs						4,153,928	0	4,153,928
Unrestricted investment earnings						1,120,714	151,851	1,272,565
Transfers						1,802,546	(1,802,546)	0
Total general revenues and transfers						163,746,181	(1,650,695)	162,095,486
Change in net position						(15,426,029)	(8,113,580)	(23,539,609)
Net position, July 1, 2015						534,542,475	264,047,975	798,590,450
Net position, June 30, 2016						519,116,446	255,934,395	775,050,841

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

Balance Sheet

Governmental Funds

June 30, 2016

(amounts in dollars)

	Community		General	General	Systems	Other	Total
	General	Development	Obligation	Capital	Development	Governmental	Governmental
	General	Development	Obligation	Projects	Capital	Funds	Funds
Assets							
Equity in pooled cash and investments	45,079,114	3,201,896	280,923	18,155,628	23,775,420	43,948,646	134,441,627
Receivables:							
Interest	1,662,282	32,201	258,353	0	0	65,717	2,018,553
Taxes	7,371,890	0	1,115,653	0	0	253,824	8,741,367
Accounts	20,649,233	17,243	0	0	1,866,985	957,060	23,490,521
Assessments	0	0	0	0	0	347,875	347,875
Loans and notes	238,938	17,555,888	0	9,985	0	2,396,588	20,201,399
Allowance for uncollectibles	(1,484)	(17,243)	0	0	0	(154,376)	(173,103)
Due from other governments	2,703,976	202,143	44,191	0	0	2,157,595	5,107,905
Interfund loans receivable	0	0	0	0	0	65,000	65,000
Inventories	0	0	0	0	0	1,138,749	1,138,749
Prepays and deposits	953,774	0	0	0	0	31,649	985,423
Assets held for resale	0	0	0	0	0	991,806	991,806
Total assets	78,657,723	20,992,128	1,699,120	18,165,613	25,642,405	52,200,133	197,357,122
Liabilities							
Accounts payable	960,587	45,342	34,669	640,910	50,239	960,069	2,691,816
Wages payable	5,246,264	30,659	0	0	6,498	677,167	5,960,588
Due to other governments	900,613	75,488	0	337	147	205,477	1,182,062
Deposits	792,996	0	0	0	0	1,124,244	1,917,240
Interfund loans payable	0	65,000	0	0	0	0	65,000
Unearned revenue	2,615,316	107,517	0	0	0	263,251	2,986,084
Total liabilities	10,515,776	324,006	34,669	641,247	56,884	3,230,208	14,802,790
Deferred inflows of resources							
Unavailable revenue	9,951,853	17,502,878	1,374,006	9,985	1,681,585	3,046,782	33,567,089
Total deferred inflows of resources	9,951,853	17,502,878	1,374,006	9,985	1,681,585	3,046,782	33,567,089
Fund balances							
Nonspendable	953,774	0	0	0	0	2,242,204	3,195,978
Restricted	1,168,970	3,165,244	290,445	2,339,644	23,903,936	30,343,073	61,211,312
Committed	0	0	0	0	0	13,337,866	13,337,866
Assigned	36,263,402	0	0	15,174,737	0	0	51,438,139
Unassigned	19,803,948	0	0	0	0	0	19,803,948
Total fund balances	58,190,094	3,165,244	290,445	17,514,381	23,903,936	45,923,143	148,987,243
Total liabilities, deferred inflows of resources, and fund balances	78,657,723	20,992,128	1,699,120	18,165,613	25,642,405	52,200,133	

Reconciliation to the Statement of Net Position:

The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	32,216,903
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.	409,483,686
All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	(70,402,962)
Net pension asset (liability) and deferred inflows and outflows of resources related to pensions are reported in the Statement of Net Position. These items represent a consumption or acquisition of net position that applies to future periods.	(54,998,289)
Internal service funds are proprietary funds and not reported with governmental funds. However, because internal service funds primarily benefit governmental activities, their assets, liabilities, and net position are reported along with governmental activities in the Statement of Net position.	53,829,865
Net position of governmental activities	519,116,446

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

Statement of Revenues, Expenditures, and Changes in Fund Balances*Governmental Funds*

For the fiscal year ended June 30, 2016

(amounts in dollars)

				Systems			Total Governmental Funds
	General	Community Development	General Obligation	General Capital Projects	Development Capital Projects	Other Governmental Funds	
Revenues							
Taxes	107,289,570	0	14,507,420	0	0	6,621,201	128,418,191
Licenses and permits	24,092,719	0	0	0	0	9,247,406	33,340,125
Intergovernmental	4,744,171	2,020,080	0	0	2,500	12,018,452	18,785,203
Rental income	145,728	0	0	22,501	163,503	218,956	550,688
Charges for services	13,047,119	6,088	0	0	5,798,768	5,669,691	24,521,666
Fines and forfeits	2,426,712	0	0	0	0	13,734	2,440,446
Special assessments	0	0	0	0	0	103,170	103,170
Repayment of revolving loans	0	2,053,458	0	0	0	261,811	2,315,269
Miscellaneous	787,636	551,427	30,873	133,895	206,074	1,477,942	3,187,847
Total revenues	152,533,655	4,631,053	14,538,293	156,396	6,170,845	35,632,363	213,662,605
Expenditures							
Current - departmental:							
Central services	15,457,458	123,000	0	0	39,000	3,748,765	19,368,223
Fire and emergency medical services	28,192,239	0	0	0	0	289,948	28,482,187
Library, recreation, and cultural services	26,891,476	0	0	4,308	0	349,164	27,244,948
Planning and development	5,597,597	4,523,840	0	0	99,537	7,525,275	17,746,249
Police	50,036,830	0	0	0	0	2,430,889	52,467,719
Public works	6,003,420	0	0	0	232,238	12,686,538	18,922,196
Debt service:							
Principal	0	210,000	22,770,000	0	0	2,155,066	25,135,066
Interest	0	117,642	673,280	0	0	190,610	981,532
Issuance costs	0	0	89,435	22,375	0	5,680	117,490
Capital outlay	0	143,259	0	8,572,391	2,780,933	10,318,068	21,814,651
Total expenditures	132,179,020	5,117,741	23,532,715	8,599,074	3,151,708	39,700,003	212,280,261
Excess (deficiency) of revenues over expenditures	20,354,635	(486,688)	(8,994,422)	(8,442,678)	3,019,137	(4,067,640)	1,382,344
Other financing sources (uses)							
Proceeds of debt issuance	0	0	0	4,403,278	0	6,879,700	11,282,978
Proceeds of refunding bonds issuance	0	0	8,929,918	0	0	0	8,929,918
Transfers in	2,081,145	0	0	4,409,323	0	3,146,000	9,636,468
Transfers out	(5,279,300)	0	0	0	0	(5,664,826)	(10,944,126)
Total other financing sources (uses)	(3,198,155)	0	8,929,918	8,812,601	0	4,360,874	18,905,238
Net change in fund balances	17,156,480	(486,688)	(64,504)	369,923	3,019,137	293,234	20,287,582
Fund balances, July 1, 2015	41,033,614	3,651,932	354,949	17,144,458	20,884,799	45,629,909	128,699,661
Fund balances, June 30, 2016	58,190,094	3,165,244	290,445	17,514,381	23,903,936	45,923,143	148,987,243

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the fiscal year ended June 30, 2016

(amounts in dollars)

Net change in fund balances - total governmental funds	20,287,582
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	(840,976)
Donations of capital assets are reported as capital contributions in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. In addition, the Statement of Activities reports gains and losses arising from the disposal of existing capital assets, while governmental funds do not.	(306,905)
Governmental funds do not report expenditures for unpaid compensated absences, net pension asset (liability), interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	(41,272,268)
Capital outlay is reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.	106,781
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Position.	4,922,170
Transfers of capital assets are often made between proprietary funds and governmental funds when the use of an asset changes. Transfers of liabilities are sometimes made between proprietary funds and governmental funds when the fund responsible for repayment changes. Such transfers will provide or use economic resources in proprietary funds, but may not necessarily provide or use spendable financial resources in governmental funds.	(169,791)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, facilities, and fleet services to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.	1,847,378
Change in net position of governmental activities	<u><u>(15,426,029)</u></u>

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

Statement of Fund Net Position

Proprietary Funds

June 30, 2016

(amounts in dollars)

	Business-type Activities Enterprise Funds						Governmental Activities
	Ambulance Transport	Municipal Airport	Parking Services	Stormwater Utility	Wastewater Utility	Totals	Total Internal Service Funds
<u>Assets</u>							
<u>Current assets</u>							
Equity in pooled cash and investments	33,555	10,695,658	1,682,937	5,523,800	3,958,938	21,894,888	69,960,528
Receivables:							
Accounts	1,789,434	1,198,472	344,132	2,084,591	1,805,214	7,221,843	51,918
Allowance for uncollectibles	(303,632)	(132,489)	(121,669)	(8,507)	(5,086)	(571,383)	(8,479)
Due from other governments	48,078	1,191,715	175,934	11,908	1,348,038	2,775,673	390,490
Inventories	0	0	47,448	0	491,423	538,871	521,117
Prepays and deposits	0	12,000	95	10,884	36,487	59,466	1,115,069
Wetlands mitigation credits	0	0	0	130,369	0	130,369	0
Total current assets	1,567,435	12,965,356	2,128,877	7,753,045	7,635,014	32,049,727	72,030,643
<u>Noncurrent assets</u>							
Loans and notes receivable	0	0	0	391,239	11,004	402,243	0
Capital assets:							
Land	0	6,502,960	2,130,235	7,146,208	1,423,237	17,202,640	455,834
Improvements other than buildings	379,107	100,936,582	1,005,967	4,882,367	2,368,471	109,572,494	51,913
Trunk sewers	0	339,320	0	1,815,755	163,416,431	165,571,506	0
Storm sewers	0	738,060	0	66,190,953	2,255,379	69,184,392	0
Buildings and equipment	1,160,544	42,455,041	29,236,289	1,361,152	1,378,411	75,591,437	53,542,825
Construction in progress	0	18,206,640	0	959,708	1,218,117	20,384,465	564,234
Accumulated depreciation	(751,659)	(81,794,771)	(17,610,683)	(22,383,536)	(83,849,706)	(206,390,355)	(33,837,710)
Total noncurrent assets	787,992	87,383,832	14,761,808	60,363,846	88,221,344	251,518,822	20,777,096
<u>Deferred outflows of resources</u>							
Related to pensions	736,318	560,785	132,759	893,409	1,284,724	3,607,995	1,663,005
Total deferred outflows of resources	736,318	560,785	132,759	893,409	1,284,724	3,607,995	1,663,005
Total assets and deferred outflows of resources	3,091,745	100,909,973	17,023,444	69,010,300	97,141,082	287,176,544	94,470,744

continued

	Business-type Activities Enterprise Funds						Governmental Activities
	Ambulance Transport	Municipal Airport	Parking Services	Stormwater Utility	Wastewater Utility	Totals	Total Internal Service Funds
<u>Liabilities</u>							
<u>Current liabilities</u>							
Accounts payable	57,273	389,665	70,186	199,079	738,305	1,454,508	561,172
Wages payable	312,633	244,325	58,566	388,547	592,297	1,596,368	805,113
Compensated absences payable	283,628	394,148	65,455	508,744	757,738	2,009,713	859,370
Due to other governments	0	43,068	2,164	17,444	1,029,853	1,092,529	271,570
Claims payable	0	0	0	0	0	0	12,566,534
Deposits	0	25,269	16,012	522	719,444	761,247	84,795
Interest payable	9,023	8,134	2,041	11,529	17,507	48,234	49,891
Unearned revenue	0	104,909	57,620	43,494	0	206,023	68,755
Certificates of participation payable	0	0	0	0	0	0	190,000
Bonds payable	33,530	30,271	7,604	42,674	64,924	179,003	180,215
Total current liabilities	696,087	1,239,789	279,648	1,212,033	3,920,068	7,347,625	15,637,415
<u>Noncurrent liabilities</u>							
Compensated absences payable	0	31,601	19,195	5,189	0	55,985	103,488
Certificates of participation payable	0	0	0	0	0	0	200,000
Bonds payable (net of unamortized discount/premium)	1,865,409	1,684,071	423,038	2,374,084	3,611,935	9,958,537	10,026,090
Net pension liability	2,933,936	2,234,508	528,993	3,559,883	5,119,119	14,376,439	6,626,420
Net OPEB obligation	0	0	0	0	0	0	2,055,605
Total noncurrent liabilities	4,799,345	3,950,180	971,226	5,939,156	8,731,054	24,390,961	19,011,603
<u>Deferred inflows of resources</u>							
Related to pensions	767,668	584,662	138,412	931,447	1,339,423	3,761,612	1,733,812
Total deferred inflows of resources	767,668	584,662	138,412	931,447	1,339,423	3,761,612	1,733,812
Total liabilities and deferred inflows of resources	6,263,100	5,774,631	1,389,286	8,082,636	13,990,545	35,500,198	36,382,830
<u>Net position</u>							
Net investment in capital assets	787,992	87,383,832	14,761,808	59,972,607	88,210,340	251,116,579	20,387,096
Restricted for capital projects	0	7,675,141	0	0	0	7,675,141	0
Unrestricted	(3,959,347)	76,369	872,350	955,057	(5,059,803)	(7,115,374)	37,700,818
Total net position	(3,171,355)	95,135,342	15,634,158	60,927,664	83,150,537	251,676,346	58,087,914
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						4,258,049	
Net position of business-type activities						<u>255,934,395</u>	

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

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Statement of Revenues, Expenses, and Changes in Fund Net Position*Proprietary Funds*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Business-type Activities Enterprise Funds						Governmental Activities
	Ambulance <u>Transport</u>	Municipal <u>Airport</u>	Parking <u>Services</u>	Stormwater <u>Utility</u>	Wastewater <u>Utility</u>	Totals	Total Internal Service <u>Funds</u>
<u>Operating revenues</u>							
Licenses and permits	0	0	0	116,420	0	116,420	0
Rental income	0	1,061,267	539,605	33,321	23,139	1,657,332	637,998
Charges for services	8,094,301	8,981,761	4,645,822	16,731,080	24,155,160	62,608,124	65,534,581
Fines and forfeits	0	1,549	1,473,179	480	5,725	1,480,933	0
Miscellaneous	168,791	80,222	5,159	54,960	57,867	366,999	245,859
Total operating revenues	8,263,092	10,124,799	6,663,765	16,936,261	24,241,891	66,229,808	66,418,438
<u>Operating expenses</u>							
Personnel services	4,618,426	4,574,474	1,242,953	7,298,860	10,782,620	28,517,333	14,405,132
Contractual services	305,183	968,816	1,006,887	2,592,699	2,195,101	7,068,686	2,954,001
Materials and supplies	701,618	1,049,764	174,680	516,133	3,325,223	5,767,418	4,123,517
Maintenance	914,729	395,913	993,578	1,768,225	1,825,620	5,898,065	1,998,842
Utilities	70,995	526,600	443,529	100,194	984,924	2,126,242	2,954,381
Rent	0	3,624	46,080	50,952	55,349	156,005	409,342
Taxes	0	0	42,032	0	0	42,032	394
Insurance	16,669	133,795	96,637	60,442	140,863	448,406	2,938,045
Claims	0	0	0	0	0	0	26,147,507
Central business functions	552,000	520,000	252,000	951,000	1,385,000	3,660,000	1,747,000
Depreciation	53,159	4,764,100	800,746	1,933,036	4,033,457	11,584,498	3,720,105
Pension expense	2,916,481	2,049,170	458,392	3,698,643	5,120,863	14,243,549	6,622,573
Total operating expenses	10,149,260	14,986,256	5,557,514	18,970,184	29,849,020	79,512,234	68,020,839
Operating income (loss)	(1,886,168)	(4,861,457)	1,106,251	(2,033,923)	(5,607,129)	(13,282,426)	(1,602,401)
<u>Nonoperating revenues (expenses)</u>							
Interest revenue	3,122	78,749	9,063	34,873	26,044	151,851	471,178
Interest expense	(138,647)	(124,839)	(31,295)	(177,951)	(297,496)	(770,228)	(770,736)
Gain (loss) on sale of capital assets	0	(118,985)	0	0	0	(118,985)	124,416
Intergovernmental	0	0	0	125,945	15,982	141,927	147,463
Total nonoperating revenues (expenses)	(135,525)	(165,075)	(22,232)	(17,133)	(255,470)	(595,435)	(27,679)
Income (loss) before capital contributions and transfers	(2,021,693)	(5,026,532)	1,084,019	(2,051,056)	(5,862,599)	(13,877,861)	(1,630,080)
Capital contributions	0	6,747,892	0	607,058	480,807	7,835,757	98,324
Transfers in	0	0	0	0	44,204	44,204	3,402,847
Transfers out	(380,390)	(17,072)	(1,250,755)	(135,000)	(135,000)	(1,918,217)	(221,176)
Change in net position	(2,402,083)	1,704,288	(166,736)	(1,578,998)	(5,472,588)	(7,916,117)	1,649,915
Total net position, July 1, 2015	(769,272)	93,431,054	15,800,894	62,506,662	88,623,125		56,437,999
Total net position, June 30, 2016	(3,171,355)	95,135,342	15,634,158	60,927,664	83,150,537		58,087,914
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(197,463)	
Change in net position of business-type activities						(8,113,580)	

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

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Business-type Activities Enterprise Funds					Totals	Governmental Activities
	Ambulance Transport	Municipal Airport	Parking Services	Stormwater Utility	Wastewater Utility		Total Internal Service Funds
<u>Cash flows from operating activities</u>							
Cash received from customers	8,046,716	9,796,436	6,649,733	17,122,598	33,217,464	74,832,947	17,496,518
Cash received from interfund services provided	0	0	0	0	0	0	49,574,958
Cash received from MWMC for operating reimbursements	0	0	0	0	14,335,775	14,335,775	0
Cash paid to MWMC for sewer user and septic hauler fees collected	0	0	0	0	(23,367,407)	(23,367,407)	0
Cash paid to suppliers for goods and services	(1,021,476)	(2,924,698)	(1,747,976)	(3,254,084)	(6,069,076)	(15,017,310)	(38,886,011)
Cash paid to employees for services	(4,545,193)	(4,057,008)	(1,018,977)	(6,439,295)	(9,473,415)	(25,533,888)	(13,655,067)
Cash paid for interfund services used	(1,587,367)	(1,465,245)	(1,421,340)	(3,645,286)	(4,228,247)	(12,347,485)	(6,029,517)
Cash paid for central business functions	(552,000)	(520,000)	(252,000)	(951,000)	(1,385,000)	(3,660,000)	(1,747,000)
Net cash provided by (used for) operating activities	340,680	829,485	2,209,440	2,832,933	3,030,094	9,242,632	6,753,881
<u>Cash flows from noncapital financing activities</u>							
Transfers in	0	0	0	0	0	0	3,343,826
Transfers out	(380,390)	0	(1,250,755)	(135,000)	(135,000)	(1,901,145)	(164,636)
Principal payments on pension bonds	(86,077)	(83,202)	(20,739)	(52,627)	(192,258)	(434,903)	(399,307)
Interest payments on pension bonds	(115,755)	(97,902)	(24,600)	(206,916)	(227,913)	(673,086)	(576,621)
Subsidy from grant	0	0	0	125,945	15,982	141,927	147,463
Net cash provided by (used for) noncapital financing activities	(582,222)	(181,104)	(1,296,094)	(268,598)	(539,189)	(2,867,207)	2,350,725
<u>Cash flows from capital and related financing activities</u>							
Principal payments on notes, bonds, and certificates	0	0	0	0	0	0	(180,000)
Interest payments on notes, bonds, and certificates	0	0	0	0	0	0	(31,700)
Contributions from other funds and governments	0	6,757,646	0	9,420	0	6,767,066	0
Proceeds from sale of capital assets	0	0	0	0	0	0	228,825
Acquisition and construction of capital assets	0	(11,693,781)	0	(1,842,867)	(2,410,460)	(15,947,108)	(2,079,230)
Net cash provided by (used for) capital and related financing activities	0	(4,936,135)	0	(1,833,447)	(2,410,460)	(9,180,042)	(2,062,105)
<u>Cash flows from investing activities</u>							
Interest revenue	3,122	78,749	9,063	34,873	26,044	151,851	471,178
Net cash provided by (used for) investing activities	3,122	78,749	9,063	34,873	26,044	151,851	471,178
Net increase (decrease) in cash	(238,420)	(4,209,005)	922,409	765,761	106,489	(2,652,766)	7,513,679
Cash, July 1, 2015	271,975	14,904,663	760,528	4,758,039	3,852,449	24,547,654	62,446,849
Cash, June 30, 2016	33,555	10,695,658	1,682,937	5,523,800	3,958,938	21,894,888	69,960,528

continued

	Business-type Activities Enterprise Funds					Governmental Activities	Total Internal Service Funds
	Ambulance Transport	Municipal Airport	Parking Services	Stormwater Utility	Wastewater Utility	Totals	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	(1,886,168)	(4,861,457)	1,106,251	(2,033,923)	(5,607,129)	(13,282,426)	(1,602,401)
<u>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</u>							
Depreciation	53,159	4,764,100	800,746	1,933,036	4,033,457	11,584,498	3,720,105
(Increase) Decrease in accounts receivable	344,134	(443,363)	70,569	(61,908)	42,512	(48,056)	449,283
(Increase) Decrease in loans and notes receivable	0	0	0	150,000	0	150,000	0
Increase (Decrease) in allowance for uncollectibles	(100,493)	14,419	(12,658)	547	(874)	(99,059)	(2,128)
(Increase) Decrease in due from other governments	(15,163)	6,593	(77,104)	180,952	275,596	370,874	221,472
(Increase) Decrease in prepaids and deposits	0	(12,000)	1,433	2,143	11,950	3,526	(737,783)
(Increase) Decrease in wetlands mitigation credits	0	0	0	(130,369)	0	(130,369)	0
(Increase) Decrease in inventories	0	0	(7,850)	0	(26,530)	(34,380)	(58,856)
(Increase) Decrease in deferred outflows related to pensions	(279,224)	(218,781)	(49,369)	(290,483)	(433,944)	(1,271,801)	(578,978)
Increase (Decrease) in deferred inflows related to pensions	(1,494,978)	(1,108,282)	(274,377)	(2,053,078)	(2,871,997)	(7,802,712)	(3,632,195)
(Increase) Decrease in net pension asset	1,161,863	690,904	147,115	1,742,716	2,282,127	6,024,725	2,830,437
Increase (Decrease) in net pension liability	2,933,936	2,234,508	528,993	3,559,883	5,119,119	14,376,439	6,626,420
Increase (Decrease) in accounts payable	27,755	(432,889)	(41,782)	(105,337)	495,322	(56,931)	(94,118)
Increase (Decrease) in wages payable	61,514	35,649	7,853	41,686	58,199	204,901	126,139
Increase (Decrease) in compensated absences payable	(10,830)	65,754	3,786	(3,999)	22,938	77,649	59,062
Increase (Decrease) in net OPEB obligation	0	0	0	0	0	0	(994,519)
Increase (Decrease) in claims payable	0	0	0	0	0	0	393,946
Increase (Decrease) in deposits	0	20,000	4,812	0	0	24,812	4,438
Increase (Decrease) in due to other governments	(9,971)	342	673	(15,679)	(370,652)	(395,287)	10,690
Increase (Decrease) in unearned revenue	(444,854)	73,988	349	(83,254)	0	(453,771)	12,867
Net cash provided by (used for) operating activities	340,680	829,485	2,209,440	2,832,933	3,030,094	9,242,632	6,753,881

Noncash capital and related financing activities

During the year, the Stormwater Utility Fund capitalized \$526,171 in assets contributed from customers and \$71,467 in assets contributed from governmental funds.

During the year, the Wastewater Utility Fund capitalized \$480,807 in assets contributed from customers.

During the year, \$37,228 of assets purchased by governmental funds were transferred to the Information Systems and Services Fund.

During the year, \$61,096 and \$53,420 of capital assets purchased by governmental funds and proprietary funds, respectively, were transferred to the Fleet Services Fund. In addition, \$44,204 of assets purchased by the fund were transferred to the Wastewater Utility Fund.

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

CITY OF EUGENE, OREGON
Notes to Basic Financial Statements

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CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

The City has implemented GASB Statement No. 72 *Fair Value Measurement and Application*, which establishes a framework for measuring fair value and a reporting hierarchy to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The more significant of the City's accounting policies are described below:

(A) The Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City of Eugene, Oregon (the primary government) and its component unit. The City of Eugene is a municipal corporation governed by a council comprised of eight members, each elected by and representing the citizens of a different ward of the City, and a Mayor, who is elected at large. The component unit discussed in the next paragraph is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

Blended Component Unit. The Urban Renewal Agency of the City of Eugene (Agency) is a legally separate public body, corporate and politic, created by ordinance of the City, and governed by the City Council, acting in its capacity as the Urban Renewal Agency Board. Because the Agency's governing body is identical to the City's, and because City management is responsible for the Agency's operations, the funds of the Agency are blended with those of the City by including them in the appropriate statements and schedules of this Comprehensive Annual Financial Report, which can be viewed on the City's website at www.eugene-or.gov. Separate financial statements for the Agency can be obtained from the Finance Division of the City of Eugene or viewed on the City's website.

(B) Organization and Operation

The City operates under the Eugene Charter of 1976, a general grant of powers charter. The City Council, composed of the Mayor and eight council members, forms the legislative branch of the City government, while the City Manager acts as the administrative head.

The accounts of the City are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances (net position), revenues, and expenditures (expenses).

The government-wide financial statements (Exhibits 1 and 2) report information on all activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees, fines, and charges for services.

(C) Government-wide and Fund Financial Statements

The Statement of Activities (Exhibit 2) demonstrates the degree to which the direct and allocated indirect expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(C) Government-wide and Fund Financial Statements, continued

Fund financial statements (Exhibits 3 through 8) are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are accounted for using an economic resources measurement focus, whereby all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position and the Statement of Fund Net Position. The increases and decreases in net position are presented in the government-wide Statement of Activities and in the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues in the Statement of Activities include 1) fees, fines, and charges for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Grants and contributions not restricted to specific programs are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Operating revenues and operating expenses are intermediate components within the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position, and include only those transactions that constitute their principal, ongoing activities exclusive of investing or financing transactions. Significant operating revenues include charges for services, rental income, and intergovernmental revenue. Significant operating expenses include personnel, materials and supplies, outside services, depreciation, and pension expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements

The governmental fund financial statements are accounted for using a current financial resources measurement focus. The Balance Sheet reports current assets, current liabilities, and deferred inflows of resources; and the Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases and decreases in net fund balance. These funds use the modified accrual basis of accounting whereby revenues are recorded only when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures, other than interest on noncurrent obligations, are recorded when the fund liability is incurred.

Real and personal property taxes are levied as of July 1 for each fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Lane County and remitted to the City. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources. Property taxes which are held at year-end by the collecting agency, Lane County, and are remitted to the City within the 60-day period are reported as "Due from other governments."

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

- (1) Summary of Significant Accounting Policies, continued
- (D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental Fund Financial Statements, continued

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

Special assessments receivable and repayment of revolving loans expected to be collected within 60 days after year-end are considered measurable and available and are recognized as revenue. Assessment installments that are long-term are recorded as deferred inflows of resources.

Governmental Funds

Governmental funds finance most governmental functions of the City. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities, excluding those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is upon determination of changes in current financial resources, rather than upon net position determination. The following are the City's major governmental funds:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are property taxes, charges for services, licenses and permits, and intergovernmental revenues. Primary expenditures of the General Fund are made for fire and emergency medical services, library, recreation, and cultural services, planning and development, police, public works, and general administration.

Community Development Fund

The Community Development Fund is used to account for proceeds of specific revenue sources that are restricted, committed, or assigned, including grant revenues received from the federal government under provisions of Title I of the Community Development Act of 1974. Major expenditures include development loans to individuals and businesses, as well as capital improvements benefiting low-income persons.

General Obligation Debt Service Fund

The General Obligation Debt Service Fund is used to account for the accumulation of resources for, and the payment of, voter-approved general obligation indebtedness of the City, excluding debt accounted for as proprietary fund or special assessment debt. The debt service is financed through property taxes and interest income.

General Capital Projects Fund

The General Capital Projects Fund is used to account for the financial resources that are restricted, committed, or assigned for capital outlay including construction of capital facilities not financed by proprietary or other capital projects funds. General Fund transfers, federal and state grants, and bond proceeds provide the financing for the expenditures of this fund.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental Funds, continued

Systems Development Capital Projects Fund

The Systems Development Capital Projects Fund is used to account for resources that are restricted, committed, or assigned for construction of the non-assessable portion of capacity-enhancing capital projects. Financing is provided by a systems development charge levied against developing properties. Expenditures are restricted by state law to capacity-enhancing projects for the following systems: transportation, sanitary sewers, storm sewers, and parks facilities.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing operations and activities which are similar to those found in the private sector. The measurement focus is economic resources and upon the determination of net position.

The following are the City's major proprietary funds:

Ambulance Transport Fund

The Ambulance Transport Fund accounts for the operation of emergency medical services provided to the public. Revenues are provided by user charges.

Municipal Airport Fund

The Municipal Airport Fund accounts for the operations of the municipal airport. Principal sources of revenues are rental of terminal space to airlines and other service providers, landing fees, and parking fees. The fund receives Airport Improvement Program monies from the Federal Aviation Administration for capital improvements. The fund also imposes passenger facility charges on passengers utilizing the airport, the proceeds of which are restricted for use in financing eligible projects as determined by regulation.

Parking Services Fund

The Parking Services Fund accounts for the operations of City-owned parking facilities. Revenue sources include parking fees and fines, meter receipts, and rentals. The revenue is used to operate and maintain the parking facilities and to supplement the General Fund through interfund transfers.

Stormwater Utility Fund

The Stormwater Utility Fund accounts for the operation and maintenance of the stormwater drainage system and the wetland resource protection and enhancement program. Primary revenues are stormwater user fees and the sale of wetland mitigation credits.

Wastewater Utility Fund

The Wastewater Utility Fund accounts for the operation, construction, and maintenance of the wastewater collection and treatment system. Primary revenues are wastewater user fees.

Additionally, the City reports the following fund type:

Internal Service Funds

Internal service funds account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City's internal service funds include facilities services, fleet services, information systems and services, professional services, and risk and benefits. The aggregate of all internal service funds is reflected in the fund financial statements.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Other Governmental Funds

Other governmental funds include all nonmajor special revenue, debt service, and capital projects funds of the City. The following lists all other governmental funds by governmental fund type:

Special Revenue Funds:

- Construction and Rental Housing
- Library, Parks, and Recreation
- Public Safety Communications
- Road
- Solid Waste and Recycling
- Special Assessment Management
- Telecom Registration and Licensing
- Urban Renewal Agency General
- Urban Renewal Agency Riverfront
- Urban Renewal Agency Riverfront Program Revenue

Debt Service Funds:

- Special Assessment Bond
- Urban Renewal Agency

Capital Projects Funds:

- Special Assessment
- Transportation
- Urban Renewal Agency
- Urban Renewal Agency Riverfront

(E) Risk Management

The City retains a portion of the risk of loss for workers' compensation, general liability, and medical, dental, and vision employee benefits. The amount estimated to be payable is based on an actuarial report of the estimated ultimate loss, including incurred but not reported claims as of the Statement of Fund Net Position date. Claims payable include all incremental costs directly incurred as a result of a claim, and consider estimated recoveries on both settled and unsettled claims. Claims expense is reduced by amounts recovered or expected to be recovered. Claims liability/expense are accounted for in the City's basic financial statements in an internal service fund.

(F) Equity in Pooled Cash and Investments

Policies adopted by the Investment Advisory Board and the Eugene City Council authorize the City to invest in obligations of the U.S. Treasury and its agencies, time certificates of deposit, governmental money market bank deposit accounts, bankers' acceptances, municipal bonds, corporate bonds, commercial paper, repurchase agreements, reverse repurchase agreements, and the Oregon Local Government Investment Pool.

It is the City's policy to report at amortized cost all short-term, highly-liquid money market investments (including corporate bonds, commercial paper, bankers' acceptances, municipal bonds, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts with a remaining maturity at time of purchase of one year or less. Such investments are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method. Callable investments purchased at a discount are amortized to the maturity date, and callable investments purchased at a premium are amortized to the first call date. Investments with a remaining maturity at time of purchase of more than one year are valued at fair value.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(F) Equity in Pooled Cash and Investments, continued

The City maintains a common cash and investments pool for all City funds. Interest earned on the pooled cash and investments is allocated quarterly based on each fund's average cash and investments balance as a proportion of the City's total pooled cash and investments. For purposes of the Statement of Cash Flows, the City considers "cash" to include the pooled cash and investments, since the pool has the general characteristics of a demand deposit account, in that any participating fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

(G) Receivables

Unbilled City services that are significant and meet the measurable and available criteria for revenue recognition are accrued as revenue in the governmental fund financial statements at year-end. Significant unbilled service accounts receivable relating to the government-wide and proprietary fund financial statements are accrued as revenue when earned.

(H) Interfund Receivables and Payables

In the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" in the fund financial statements.

During the year, borrowings that occur between funds are classified as interfund loans or advances. In the fund financial statements, the short-term portion of such borrowings are classified as "Interfund loans receivable" or "Interfund loans payable". The noncurrent portion is classified as "Advances to other funds" or "Advances from other funds." The governmental fund financial statements report this as nonspendable fund balance to indicate funds are not available for appropriation and are not expendable financial resources.

In the government-wide financial statements, all interfund receivables and payables are combined and any residual balances between the governmental and business-type activities are reported as "Internal balances."

(I) Inventories and Prepaid Items

Inventories of materials and supplies are valued at cost or average cost using the first-in/first-out method. Inventories are capitalized and charged to operations as consumed in both the government-wide and fund financial statements.

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

(J) Capital Assets

Capital assets are defined by the government as tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The City's capitalization threshold for tangible assets is \$5,000. Tangible assets include land, rights-of-way (included with land), buildings, improvements, equipment, and infrastructure. The capitalization threshold for intangible assets is set at 0.5% of total capital assets for both governmental and business-type activities. Intangible assets include copyrights, trademarks, and computer software.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(J) Capital Assets, continued

Infrastructure capital assets are those that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. The City has a transportation infrastructure system reported in governmental activities consisting of roads, bridges, sidewalks, and traffic and lighting systems. Infrastructure reported in business-type activities includes a regional airfield, parking lots, and stormwater and wastewater collection systems. Except for governmental activities infrastructure placed in service prior to July 1, 1980, all capital assets have been capitalized in the government-wide and proprietary fund financial statements. In accordance with the current financial resources measurement focus, capital assets are not capitalized in the governmental fund financial statements. All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Historical cost is measured by the cash or cash equivalent price of obtaining an asset, including ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Amounts expended for maintenance and repairs are charged to expenditures/expenses in the appropriate funds as incurred and are not capitalized. Capital improvements financed by special assessments which provide assets to the City's Stormwater Utility Fund and Wastewater Utility Fund are capitalized in the proprietary fund Statement of Fund Net Position.

Capital assets are depreciated unless they are inexhaustible in nature or have an indefinite useful life (e.g., land and rights-of-way). Depreciation is an accounting process which allocates the cost of capital assets, in a systematic and rational manner, to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Infrastructure assets are depreciated using a composite depreciation method. All other categories of assets are depreciated on the straight-line basis of accounting. The estimated useful lives of the various categories of assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>
Buildings	40-50 years
Improvements other than buildings	20 years
Infrastructure	25-40 years
Equipment	3-15 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized.

Capital assets of proprietary funds are reported net of accumulated depreciation in the government-wide Statement of Net Position and the proprietary funds Statement of Fund Net Position. Capital assets not specifically related to activities reported in proprietary funds are reported net of accumulated depreciation in the governmental activities column in the government-wide Statement of Net Position. Depreciation expense on proprietary fund capital assets is reported in the government-wide Statement of Activities and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. Depreciation expense on general capital assets is reported in the government-wide Statement of Activities as a direct expense.

(K) Capitalized Interest

Interest is capitalized on constructed assets in proprietary funds. For the year ended June 30, 2016, no interest was capitalized on proprietary fund capital assets.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(L) Compensated Absences

Liabilities for accumulated or vested vacation leave and compensation time benefits (compensated absences) are recorded in the government-wide financial statements and proprietary fund financial statements. The governmental fund financial statements do not report liabilities for compensated absences unless they are due for payment. Sick leave does not vest and is recorded in all funds as taken.

(M) Noncurrent Obligations

Noncurrent obligations are reported in the government-wide and proprietary fund financial statements as liabilities. The governmental fund financial statements do not report noncurrent obligations because they do not require the use of current financial resources. Bond discounts and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method in the government-wide and proprietary fund financial statements, but are recognized during the current period in the governmental fund financial statements. The bonds-outstanding method does not differ significantly from the effective interest method. Bond issuance costs are expensed in the period incurred.

The limited tax pension obligations are deep discount bonds that increase in value based on the initial yield to maturity. This increase in value is reflected as an increase in noncurrent liabilities on the Statement of Net Position and as interest expense on the Statement of Activities.

(N) Deferred Inflows/Outflows of Resources

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

In addition to liabilities, the government-wide Statement of Net Position, the proprietary funds Statement of Net Position, and the governmental funds Balance Sheet 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenue from property taxes and other receivables is reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City recognizes pension income, and is reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

(O) Pensions

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

(P) Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(P) Fund Balance, continued

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

Fund balance is reported as committed when the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The policies that address the designation of "reserves" are included in the City's financial management goals and policies adopted by the Council. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Comprehensive Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. Unassigned fund balance is primarily comprised of the difference between budget and actual results for the current fiscal year. This classification is also used to report any negative fund balance amounts in other governmental funds. Unassigned fund balance is typically appropriated or placed into a reserve by the City Council on the first supplemental budget of the following year.

When both restricted and unrestricted (committed, assigned, or unassigned) resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred where an unrestricted fund balance classification could be used, the City's practice is to use committed resources first, assigned resources second, and then unassigned amounts as they are needed.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(P) Fund Balance, continued

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

Fund balances	General			General Capital Projects	Systems		Other Governmental Funds	Total Governmental Funds
	General	Community Development	Obligation Debt Service		Development Capital Projects			
Nonspendable:								
Inventories	\$ 0	0	0	0	0	1,138,749	1,138,749	
Prepays and deposits	953,774	0	0	0	0	31,649	985,423	
Assets held for resale	0	0	0	0	0	991,806	991,806	
Permanent balance	0	0	0	0	0	80,000	80,000	
Restricted:								
Capital projects	0	0	0	2,339,644	23,903,936	5,505,880	31,749,460	
Community development	0	3,165,244	0	0	0	0	3,165,244	
Rental housing program	0	0	0	0	0	388,372	388,372	
Cultural services	1,168,970	0	0	0	0	4,621,431	5,790,401	
Debt service	0	0	290,445	0	0	71,823	362,268	
Road maintenance	0	0	0	0	0	3,350,642	3,350,642	
Public safety								
communications	0	0	0	0	0	1,734,347	1,734,347	
Solid waste and recycling	0	0	0	0	0	706,568	706,568	
Urban renewal	0	0	0	0	0	13,964,010	13,964,010	
Committed:								
Construction permits	0	0	0	0	0	5,570,646	5,570,646	
Special assessments	0	0	0	0	0	2,355,002	2,355,002	
Telecommunications	0	0	0	0	0	5,412,218	5,412,218	
Assigned:								
Unappropriated								
ending fund balance	23,930,000	0	0	0	0	0	23,930,000	
Capital projects	0	0	0	15,174,737	0	0	15,174,737	
Cultural services	1,615,600	0	0	0	0	0	1,615,600	
Encumbrances	2,027,252	0	0	0	0	0	2,027,252	
Reserve for next year's								
spending	768,507	0	0	0	0	0	768,507	
Reserve for revenue								
shortfall	6,530,703	0	0	0	0	0	6,530,703	
Other reserves	1,391,340	0	0	0	0	0	1,391,340	
Unassigned	19,803,948	0	0	0	0	0	19,803,948	
Total fund balances	<u>\$ 58,190,094</u>	<u>3,165,244</u>	<u>290,445</u>	<u>17,514,381</u>	<u>23,903,936</u>	<u>45,923,143</u>	<u>148,987,243</u>	

(Q) Indirect Expenses Allocation

In the fund financial statements, the City allocates certain indirect costs incurred by the central services function of the General Fund to other funds in order to recover expenditures made on behalf of those other City funds. This allocation has been removed from the direct expenses column in the government-wide Statement of Activities and a separate column titled indirect expenses allocation has been presented. Indirect costs allocated to business-type activities are equal to the amount actually paid by the function. The remaining indirect costs are allocated to governmental activities based on personnel service costs. The remaining net expense in the central services function represents direct program activity of that function including its share of allocated indirect costs.

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(2) Reconciliation of Government-wide and Governmental Fund Financial Statements

(A) Explanation of Differences Between the Government-wide Statement of Net Position and the Governmental Fund Balance Sheet

The Balance Sheet for governmental funds (Exhibit 3) includes a reconciliation between total fund balances and total net position of governmental activities in the Statement of Net Position (Exhibit 1). The following are selected elements of that reconciliation.

The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds. The details of this \$32,216,903 difference are as follows:

Receivables:		
Interest	\$	1,976,529
Taxes		8,429,173
Systems development charges		1,681,585
Municipal court		990,937
Assessments		349,378
Loans and notes		20,139,487
		<u>33,567,089</u>
Subtotal		33,567,089
Allowance for uncollectibles		(1,350,186)
		<u>(1,350,186)</u>
Net adjustment	\$	<u>32,216,903</u>

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value. The details of this \$409,483,686 difference are as follows:

Capital assets (net of accumulated depreciation) reported in the Statement of Net Position - governmental activities column:		
Land and construction in progress	\$	87,436,370
Other capital assets (net of accumulated depreciation)		342,824,412
		<u>430,260,782</u>
Capital assets (net of accumulated depreciation) reported in internal service funds included in the Statement of Net Position - governmental activities column		(20,777,096)
		<u>(20,777,096)</u>
Net adjustment	\$	<u>409,483,686</u>

All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds. The details of this \$70,402,962 difference are as follows:

Bonds payable	\$	(55,857,943)
Notes and contracts payable		(5,868,000)
Accrued interest payable		(301,798)
Compensated absences		(8,375,221)
		<u>(70,402,962)</u>
Net adjustment	\$	<u>(70,402,962)</u>

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(2) Reconciliation of Government-wide and Governmental Fund Financial Statements, continued

(A) Explanation of Differences Between the Government-wide Statement of Net Position and the Governmental Fund Balance Sheet, continued

Net pension asset (liability) and deferred inflows and outflows of resources related to pensions are reported in the Statement of Net Position. These items represent a consumption or acquisition of net position that applies to future periods. The details of the \$54,998,289 difference are as follows:

Deferred inflows related to pensions	\$ (14,238,227)
Deferred outflows related to pensions	13,656,771
Net pension asset (liability)	<u>(54,416,833)</u>
Net adjustment	<u>\$ (54,998,289)</u>

(B) Explanation of Differences Between the Government-wide Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances

The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities is provided at Exhibit 5. The following are selected elements of that reconciliation:

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. The details of this \$840,976 difference are as follows:

Change in unavailable revenue from the following sources:	
Property taxes receivable	\$ 499,343
Special assessments receivable	(111,545)
System development charges receivable	(13,223)
Municipal court receivables	172,046
Notes receivable	<u>(835,283)</u>
Subtotal	<u>(288,662)</u>
Change in the allowance for uncollectibles	<u>(552,314)</u>
Net adjustment	<u>\$ (840,976)</u>

Donations of capital assets are reported as capital contributions in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. In addition, the Statement of Activities reports gains and losses arising from the disposal of existing capital assets, while governmental funds do not. The details of this \$306,905 difference are as follows:

Donations of capital assets	\$ (304,260)
Sale of capital assets	<u>(2,645)</u>
Net adjustment	<u>\$ (306,905)</u>

Governmental funds do not report expenditures for unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs. The details of this \$41,272,268 difference are as follows:

Compensated absences	\$ (182,538)
Net pension asset (liability)	(38,382,763)
Accrued interest	<u>(2,706,967)</u>
Net adjustment	<u>\$ (41,272,268)</u>

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(2) Reconciliation of Government-wide and Governmental Fund Financial Statements, continued

(B) Explanation of Differences Between the Government-wide Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances, continued

Capital outlay is reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense. The details of this \$106,781 difference are as follows:

Capital outlay	\$ 20,920,759
Depreciation expense	(20,813,978)
Net adjustment	<u>\$ 106,781</u>

Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. The payment of debt principal affects the Statement of Activities and is reported as a decrease in noncurrent liabilities in the Statement of Net Position. The details of this \$4,922,170 difference are as follows:

Debt issued:	
Issuance of general obligation bonds	<u>\$ (20,212,896)</u>
Principal payments:	
General obligation debt	\$ 22,770,000
Limited tax bonds	77,066
Tax increment bonds	2,078,000
Notes payable	210,000
Subtotal	<u>25,135,066</u>
Net adjustment	<u>\$ 4,922,170</u>

Transfers of capital assets are often made between proprietary funds and governmental funds when the use of an asset changes. Transfers of liabilities are sometimes made between proprietary funds and governmental funds when the fund responsible for repayment changes. Such transfers will provide or use economic resources in proprietary funds, but may not necessarily provide or use spendable financial resources in governmental funds.

Transfer of governmental capital assets to proprietary funds	<u>\$ (169,791)</u>
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(3) Stewardship, Compliance, and Accountability

(A) Budgetary Information

The City Manager submits to the Budget Committee a proposed operating and capital budget a sufficient length of time in advance to allow adoption of the budget prior to July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain community comments.

Prior to July 1, the City legally adopts its annual budget for all funds through passage of a resolution. The resolution authorizes fund appropriations as current annual departmental requirements, debt service, capital outlay, interfund transfers, interfund loans, and special payments.

Expenditures cannot legally exceed appropriations at these control levels. Appropriations which have not been spent at year-end lapse, although an amending resolution passed in the subsequent year specifically provides for the reappropriation of prior-year lapsed encumbrances.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(3) Stewardship, Compliance, and Accountability, continued

(A) Budgetary Information, continued

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by passage of a Council resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 294.565. Supplemental appropriations, permitted by Oregon Budget Law, were authorized by the City Council during the fiscal year. The net effect of amending resolutions passed during the fiscal year was an appropriation increase of \$22,386,192.

(B) Deficit Net Position

The Ambulance Transport and Professional Services Funds have a deficit net position of \$3,171,355 and \$50,333, respectively. The deficit net position is the result of the recognition of each fund's proportionate share of the City's net pension liability.

(4) Detailed Notes on All Funds

(A) Equity in Pooled Cash and Investments

The City maintains a common cash and investments pool that is available for use by all funds. Each fund's portion of this pool is displayed in the Statement of Net Position, the Statement of Fund Net Position, or the Balance Sheet as "Equity in pooled cash and investments." Cash and investments are comprised of the following at June 30, 2016:

Cash on hand	\$	40,704
Cash with fiscal agent		186,821
Deposits with banks		17,833,423
Investments		<u>208,236,094</u>
	\$	<u><u>226,297,042</u></u>

Deposits

At June 30, 2016, the City's deposits with various financial institutions were \$17,833,423, which included time certificates of deposits. The City's investment policy limits investments in time certificates of deposits to 50% of the City's total investment portfolio with a maximum length to maturity of three years.

All City deposits not covered by Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating depositories, better protecting public funds, though not guaranteeing that all funds are 100% protected. A depository is required to pledge collateral securities with a total market value equal to at least 10% of their last reported uninsured public fund deposits. The Office of State Treasurer (OST) has identified the following exceptions to the collateral calculation and any exception requires 100% collateralization.

- A depository may not accept public fund deposits from one depositor in excess of their net worth. If the depository has a drop in net worth that takes them out of compliance, they are required to post 100% collateral on any amount the depositor has in excess of the depository's net worth while working to eliminate that excess.
- A depository may not hold aggregate public funds in excess of a percentage of their net worth based on their capitalization category (100% for undercapitalized, 150% for adequately capitalized, 200% for well capitalized) unless approved, for a period of 90 days or less, by OST.
- A depository may only hold in excess of 30% of all aggregate public funds reported by all depositories holding Oregon public funds if the excess is collateralized at 100%.

The OST, at the advice of the Director of Consumer and Business Services, may also, at any time, require depositories to pledge additional collateral up to 110% of the value of the uninsured public fund deposits. In the event of a depository failure, the entire pool of collateral pledged by all qualified Oregon public funds depositories is available to repay deposits of public funds of government entities.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(A) Equity in Pooled Cash and Investments, continued

Deposits, continued

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository failure, the government's deposits may not be returned to it. At June 30, 2016, the City had deposits of \$500,000 insured by the FDIC, \$500,000 insured by the NCUA, and \$21,466,263 collateralized under the PFCP.

At June 30, 2016, the City had \$186,821 in deposits (cash with fiscal agent) held by escrow companies that were uninsured and uncollateralized.

Investments

As of June 30, 2016, the City held the following investments:

<u>Investment type</u>	<u>Carrying value</u>	<u>Weighted average maturity in years</u>	<u>% of investment portfolio</u>
Corporate indebtedness	\$ 41,271,424	0.596	19.8%
Local government investment pool	29,070,665	0.003	14.0%
Municipal bonds	18,196,748	0.739	8.7%
U.S. agency securities	89,372,075	0.741	42.9%
U.S. treasury securities	30,325,182	0.833	14.6%
Total	\$ 208,236,094	0.713	100.0%

Interest Rate Risk

As a means of limiting its exposure to losses from rising interest rates, the City's investment policy limits investment as follows:

<u>Investment type</u>	<u>Maximum length to maturity</u>
Bankers' acceptances	6 months
Corporate indebtedness	18 months
Local government investment pool	1 day
State and local government obligations	3 years
U.S. agency securities	3 years
U.S. treasury securities	3 years

With the exception of pass-through funds, the maximum amount of pooled investments to be placed in the Local Government Investment Pool is limited by Oregon Statute to \$47,012,858, which increases periodically proportionately to the Portland Consumer Price Index. The limit can be temporarily exceeded for ten business days and does not apply either to pass-through funds or to funds invested on behalf of another governmental unit.

Credit Risk

The City's policy, which adheres to State of Oregon law, is to limit its Corporate and Municipal investments as follows: Issuers within Oregon must be rated "A" (bonds) or A-2 / P-2 (commercial paper) or better by Standard and Poor's, Moody's Investors Service or any other nationally recognized statistical rating organization at time of purchase. Issuers not in Oregon must be rated AA / Aa (bonds) or A-1 / P-1 (commercial paper) or better at time of purchase.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(A) Equity in Pooled Cash and Investments, continued

Investments, continued

As of June 30, 2016, the City's investments were rated as follows:

<u>Investment type</u>	<u>Total</u>	<u>Highest Rating From</u>				<u>Not rated</u>
		<u>Moody's Investors Service or Standard & Poor's Corporation</u>				
		<u>Aaa/AAA</u>	<u>Aa/AA</u>	<u>A</u>		
Corporate indebtedness	\$ 41,271,424	2,982,838	27,946,180	10,342,406	0	
Local government investment pool	29,070,665	0	0	0	29,070,665	
Municipal bonds	18,196,748	2,538,308	14,971,692	686,748	0	
U.S. agency securities	89,372,075	74,443,344	0	0	14,928,731	
U.S. treasury securities	30,325,182	30,325,182	0	0	0	
Total	\$ 208,236,094	110,289,672	42,917,872	11,029,154	43,999,396	

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2016, the fair value of the City's deposits with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us/>.

The LGIP's portfolio concentration of credit risk at June 30, 2016 included: Corporate Notes (43.1%), U.S. Treasury and Agency Securities (29.4%), Asset Backed Securities (13.3%), Municipal Bonds (2.3%), Non-US Government Debt (4.7%), Commercial Paper (1.7%), Certificates of Deposits (5.1%), and cash (0.4%). The credit risk associated with the investments was: AAA rating (16.5%), AA rating (18.9%), A rating (35.4%), BBB rating (2.6%), and not rated (26.6%).

Concentration of Credit Risk

The City's policy for investing in individual issuers varies depending on the type of investments. U.S. Government Agency Securities are restricted to no more than 25.0% for any one issuer. No more than 25.0% of the total portfolio of investments may be invested in a single issuer of bankers' acceptances or repurchase agreements. Investments in commercial paper or corporate bonds may not exceed more than 35.0% of the portfolio and investments in any one issuer may not exceed 5.0% of the investment portfolio. Investments are limited to 5.0% per depository name and may not exceed more than 25.0% of the investment portfolio. The combined limit for each depository in certificates of deposits, bankers' acceptances, and corporate indebtedness is 10.0%.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

As of June 30, 2016, the City's investments, excluding the Local Government Investment Pool which is not in the leveling hierarchy are classified as Level 2.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(B) Receivables

As of June 30, 2016, the City had two outstanding loans receivable from a private developer under the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee program totaling \$5,868,000. The private developer payments are used to repay the HUD loan, for which the City is contingently liable. Further information on the City's obligation under these two loans is available in the Notes Payable section of Note 4H Noncurrent Liabilities. Receivables for individual major funds, internal service funds, and other governmental funds in the aggregate, including the applicable allowances for uncollectible accounts at June 30, 2016, are as follows:

<u>Fund description</u>	<u>Interest</u>	<u>Taxes</u>	<u>Accounts</u>	<u>Assessments</u>	<u>Loans and notes</u>	<u>Total gross receivables</u>	<u>Less Allowance for uncollectibles</u>	<u>Total net receivables</u>
General	\$ 1,662,282	7,371,890	20,649,233	0	238,938	29,922,343	(1,484)	29,920,859
Community Development	32,201	0	17,243	0	17,555,888	17,605,332	(17,243)	17,588,089
General Obligation Debt Service	258,353	1,115,653	0	0	0	1,374,006	0	1,374,006
General Capital Projects	0	0	0	0	9,985	9,985	0	9,985
Systems Development Capital	0	0	1,866,985	0	0	1,866,985	0	1,866,985
Ambulance Transport	0	0	1,789,434	0	0	1,789,434	(303,632)	1,485,802
Municipal Airport	0	0	1,198,472	0	0	1,198,472	(132,489)	1,065,983
Parking Services	0	0	344,132	0	0	344,132	(121,669)	222,463
Stormwater Utility	0	0	2,084,591	0	391,239	2,475,830	(8,507)	2,467,323
Wastewater Utility	0	0	1,805,214	0	11,004	1,816,218	(5,086)	1,811,132
Internal service funds	0	0	51,918	0	0	51,918	(8,479)	43,439
Other governmental funds	65,717	253,824	957,060	347,875	2,396,588	4,021,064	(154,376)	3,866,688
	<u>\$ 2,018,553</u>	<u>8,741,367</u>	<u>30,764,282</u>	<u>347,875</u>	<u>20,603,642</u>	<u>62,475,719</u>	<u>(752,965)</u>	<u>61,722,754</u>
Government-wide adjustment for uncollectibles								<u>(1,350,186)</u>
Receivables (net of allowance) - Government-wide Statement of Net Position								<u>60,372,568</u>

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(C) Interfund Transfers

<u>Fund description</u>	<u>General</u>	<u>General Capital Projects</u>	<u>Wastewater Utility</u>	<u>Internal service funds</u>	<u>Other governmental funds</u>	<u>Total transfers out</u>
General	\$ 0	3,869,300	0	1,380,000	30,000	5,279,300
Ambulance Transport	380,390	0	0	0	0	380,390
Municipal Airport	0	0	0	17,072	0	17,072
Parking Services	1,250,755	0	0	0	0	1,250,755
Stormwater Utility	0	135,000	0	0	0	135,000
Wastewater Utility	0	135,000	0	0	0	135,000
Internal service funds	0	135,023	44,204	41,949	0	221,176
Other governmental funds	<u>450,000</u>	<u>135,000</u>	<u>0</u>	<u>1,963,826</u>	<u>3,116,000</u>	<u>5,664,826</u>
Total transfers in	\$ <u>2,081,145</u>	<u>4,409,323</u>	<u>44,204</u>	<u>3,402,847</u>	<u>3,146,000</u>	<u>13,083,519</u>

Transfers are routinely made for the following purposes:

- To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
- To move unrestricted revenues collected in the General Fund to finance various programs and activities accounted for in other funds in accordance with budgetary authorizations.
- To move revenues collected from restricted sources to other funds to pay for direct expenses.

Other transfers include \$1.3 million transferred from the Parking Services Fund to the General Fund to support general operations, \$1.4 million transferred from the General Fund to the Fleet Services Fund for future replacement of equipment, \$1.5 million transferred from the Telecom Registration and Licensing Fund, to the Information Systems and Services Fund for new corporate software.

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(D) Due From Other Governments

Amounts due from other governments at June 30, 2016, are presented below:

<u>Fund description</u>	<u>State</u>	<u>Federal</u>	<u>County</u>	Eugene Water and Electric <u>Board</u>	<u>MWMC</u>	<u>Other</u>	<u>Total</u>
General	\$ 743,540	2,913	321,946	949,943	0	685,634	2,703,976
Community Development	2,553	199,590	0	0	0	0	202,143
General Obligation Debt Service	0	0	44,191	0	0	0	44,191
Ambulance Transport	32,920	0	0	0	0	15,158	48,078
Municipal Airport	0	1,191,715	0	0	0	0	1,191,715
Parking Services	175,934	0	0	0	0	0	175,934
Stormwater Utility	0	3,588	7,991	0	0	329	11,908
Wastewater Utility	637	0	7,991	0	1,271,204	68,206	1,348,038
Internal service funds	24,668	0	9,609	0	0	356,213	390,490
Other governmental funds	<u>1,511,451</u>	<u>0</u>	<u>450,178</u>	<u>31,780</u>	<u>0</u>	<u>164,186</u>	<u>2,157,595</u>
Total due from other governments - Government-wide Statement of Net Position	<u>\$ 2,491,703</u>	<u>1,397,806</u>	<u>841,906</u>	<u>981,723</u>	<u>1,271,204</u>	<u>1,289,726</u>	<u>8,274,068</u>

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(E) Capital Assets

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

<u>Governmental activities:</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land	\$ 71,767,284	18,812,366	(16,928,912)	73,650,738
Construction in progress	10,783,059	8,377,092	(5,374,519)	13,785,632
Total capital assets, not being depreciated	<u>82,550,343</u>	<u>27,189,458</u>	<u>(22,303,431)</u>	<u>87,436,370</u>
Capital assets, being depreciated:				
Buildings and equipment	241,080,866	25,609,976	(23,286,107)	243,404,735
Improvements other than buildings	88,057,072	26,261,709	(22,644,282)	91,674,499
Infrastructure	335,620,006	55,774,507	(45,422,697)	345,971,816
Total capital assets being depreciated	<u>664,757,944</u>	<u>107,646,192</u>	<u>(91,353,086)</u>	<u>681,051,050</u>
Less accumulated depreciation for:				
Buildings and equipment	(94,945,755)	(9,007,373)	1,341,076	(102,612,052)
Improvements other than buildings	(48,214,070)	(3,648,395)	0	(51,862,465)
Infrastructure	(171,873,806)	(11,878,315)	0	(183,752,121)
Total accumulated depreciation	<u>(315,033,631)</u>	<u>(24,534,083)</u>	<u>1,341,076</u>	<u>(338,226,638)</u>
Total capital assets, being depreciated, net	<u>349,724,313</u>	<u>83,112,109</u>	<u>(90,012,010)</u>	<u>342,824,412</u>
Governmental activities capital assets, net	<u>\$ 432,274,656</u>	<u>110,301,567</u>	<u>(112,315,441)</u>	<u>430,260,782</u>

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(E) Capital Assets, continued

<u>Business-type activities:</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land	\$ 17,202,640	0	0	17,202,640
Construction in progress	9,003,215	12,550,546	(1,169,296)	20,384,465
Total capital assets, not being depreciated	<u>26,205,855</u>	<u>12,550,546</u>	<u>(1,169,296)</u>	<u>37,587,105</u>
Capital assets, being depreciated:				
Buildings and equipment	74,534,683	1,263,685	(206,930)	75,591,437
Improvements other than buildings	109,306,106	266,388	0	109,572,494
Storm sewers	67,467,564	1,716,827	0	69,184,392
Trunk sewers	163,146,971	2,424,535	0	165,571,506
Total capital assets being depreciated	<u>414,455,324</u>	<u>5,671,435</u>	<u>(206,930)</u>	<u>419,919,829</u>
Less accumulated depreciation for:				
Buildings and equipment	(34,106,569)	(2,017,705)	87,945	(36,036,329)
Improvements other than buildings	(63,350,484)	(4,020,121)	0	(67,370,605)
Storm sewers	(19,733,044)	(1,693,509)	0	(21,426,553)
Trunk sewers	(77,703,705)	(3,853,163)	0	(81,556,868)
Total accumulated depreciation	<u>(194,893,802)</u>	<u>(11,584,498)</u>	<u>87,945</u>	<u>(206,390,355)</u>
Total capital assets, being depreciated, net	<u>219,561,522</u>	<u>(5,913,063)</u>	<u>(118,985)</u>	<u>213,529,474</u>
Business-type activities capital assets, net	\$ <u>245,767,377</u>	<u>6,637,483</u>	<u>(1,288,281)</u>	<u>251,116,579</u>

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(E) Capital Assets, continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Central services	\$ 258,110
Fire and emergency medical services	1,273,488
Library, recreation, and cultural services	2,457,022
Planning and development	313,061
Police	1,091,516
Public works	15,420,781
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,720,105
	\$ 24,534,083

Business-type activities:

Ambulance Transport	\$ 53,159
Municipal Airport	4,764,100
Parking Services	800,746
Stormwater Utility	1,933,036
Wastewater Utility	4,033,457
	\$ 11,584,498

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(F) Unavailable/Unearned Revenue

Unavailable revenues are reported as a deferred inflow of resources in the governmental funds Balance Sheet. Unavailable revenues are reported in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Unearned revenues are reported as a liability in the proprietary funds Statement of Net Position and governmental funds Balance Sheet. Unearned revenues are reported in connection with resources that have been received but not yet earned. The various components of unavailable/unearned revenue at June 30, 2016 consist of the following:

<u>Fund by type</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable:			
General	\$ 8,721,978	0	8,721,978
General Obligation Debt Service	1,374,006	0	1,374,006
Other governmental funds	309,718	0	309,718
Assessments receivable:			
Other governmental funds	347,571	0	347,571
Systems development charges receivable:			
Systems Development Capital	1,681,585	0	1,681,585
Notes receivable:			
General	238,938		238,938
Community Development	17,502,878	0	17,502,878
General Capital Projects	9,985	0	9,985
Other governmental funds	2,387,686	0	2,387,686
Other:			
General	990,937	2,615,316	3,606,253
Community Development	0	107,517	107,517
Municipal Airport	0	104,909	104,909
Parking Services	0	57,620	57,620
Stormwater Utility	0	43,494	43,494
Internal service funds	0	68,755	68,755
Other governmental funds	1,807	263,251	265,058
Total unavailable/unearned revenue	\$ <u>33,567,089</u>	<u>3,260,862</u>	<u>36,827,951</u>

(G) Operating Leases

The City conducts some of its operations from leased facilities located throughout the City. All such leases for facilities are classified as operating leases and expire within the next six years. The total rental expense for the year ended June 30, 2016 for operating leases was \$1,183,402. Most of these leases for facilities contain an option whereby the City can, after the initial lease term, renew its lease for periods of one to ten years.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(G) Operating Leases, continued

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2016:

<u>Fiscal year ending June 30</u>	<u>Rentals</u>
2017	\$ 1,414,911
2018	1,299,580
2019	1,067,724
2020	795,471
2021	761,514
Total minimum future rentals	<u>\$ 5,339,200</u>

(H) Noncurrent Liabilities

General Obligation (G.O.) Bonds

The City issues general obligation bonds to finance major construction projects in governmental activities. G.O. bonds in governmental activities are approved by voters, backed by the full faith and credit and unlimited taxing power of the City, and are serviced by general property tax revenues. The City's G.O. bonded debt is subject to a debt limit of 3.0% of real market value per Oregon Revised Statutes 287A.050. For the fiscal year ended June 30, 2016, the City had 98.0% of its legal debt capacity available.

On June 28, 2016, the City issued \$10,125,000 of General Obligation and Refunding Bonds, Series 2016, bearing a fixed interest rate of 2.0% to 5.0%, and maturing on June 1, 2026. The bonds were sold at a premium of \$808,196. The proceeds of the Bonds were used to refund \$2,350,000 of the General Obligation Bond and Revolving Credit Facility (POS) and advance refund \$2,060,000 of the Parks and Open Spaces Bonds, Series 2004 bearing interest rates ranging from 4.100% to 4.650% and \$4,360,000 of the General Obligation Refunding Bonds, Series 2006 bearing interest rates ranging from 4.000% to 4.125%. In addition, \$2,000,000 of the Bond proceeds will be used for the purchase of land for parks and open space, and the construction and improvement of athletic fields.

Bond proceeds in the amount of \$6,462,114 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the outstanding Parks and Open Spaces Bonds, Series 2004, dated December 1, 2016 through June 1, 2023 and General Obligation Refunding Bonds, Series 2006, dated December 1, 2016 through March 1, 2019. As a result, these portions of the 2004 and 2006 Series bonds are considered to be defeased and the liability for these bonds has been reduced by the amounts stated above.

The City advance refunded the 2004 and 2006 Series bonds to reduce its total debt service payments over the next 7 years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$417,580.

<u>Governmental activities</u>	<u>Original issuance</u>	<u>Interest rates (%)</u>	<u>Ending balance</u>
General obligation bonds serviced by general property taxes:			
General Obligation Refunding Bonds, Series 2011	\$ 10,975,000	2.000% to 3.000%	5,450,000
General Obligation and Refunding Bonds, Series 2016	<u>10,125,000</u>	2.000% to 5.000%	<u>10,125,000</u>
Total general obligation bonds	<u>\$ 21,100,000</u>		<u>15,575,000</u>

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(H) Noncurrent Liabilities, continued

General Obligation (G.O.) Bonds, continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal year ending June 30	Governmental activities	
	Principal	Interest
2017	\$ 3,390,000	511,188
2018	3,490,000	398,025
2019	2,805,000	222,525
2020	1,395,000	159,875
2021	1,405,000	131,975
2022-2026	<u>3,090,000</u>	<u>207,175</u>
	<u>\$ 15,575,000</u>	<u>1,630,763</u>

General Obligation Bond and Revolving Credit Facility (Streets 2012)

On November 6, 2012, Eugene voters passed Measure 20-197, authorizing the City to issue a maximum of \$43,000,000 of general obligation (G.O.) bonds. The proceeds from the sale of the bonds are to be used for street preservation. The bonds can be issued to provide interim financing and to refund the bonds that provide interim financing. As of June 30, 2016, the City had \$26,620,300 in authorized but unissued borrowing remaining.

These bonds are issued through a G.O. and revolving credit facility with Bank of America, N.A. which matures on June 1, 2017 and has an authorized limit of \$5,000,000. The City elects from either a LIBOR based taxable or tax exempt interest rate for each draw. As of June 30, 2016, the City had a \$0 balance on the credit facility.

Draws on this credit facility are recorded as a financing source in the Transportation Capital Projects Fund. The debt will be repaid from general property tax revenues or by the future issuance of long-term general obligation bonds, which can be issued at the City's discretion. The General Obligation Bond and Revolving Credit Facility (Streets and Off-Street Bike and Pedestrian Paths) is backed by the full faith and credit of the City and is included in the City's G.O. debt limit.

<u>Governmental activities</u>	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
G.O. bond and revolving credit facility (Streets 2012)	\$ <u>1,410,300</u>	<u>6,879,700</u>	<u>(8,290,000)</u>	<u>0</u>

General Obligation Bond and Revolving Credit Facility (POS)

On November 7, 2006, Eugene voters passed Measure 20-110, authorizing the City to issue a maximum of \$27,490,000 of general obligation (G.O.) bonds. The proceeds from the sale of the bonds are to be used for the purchase of land for parks and open space, and the construction and improvement of athletic fields. The bonds can be issued to provide interim financing and to refund the bonds that provide interim financing. As of June 30, 2016, the City had \$3,920,000 in authorized but unissued borrowing remaining.

To issue these bonds, on May 31, 2007, the City entered into a General Obligation Bond and Revolving Credit Facility with Bank of America, N.A. with a variable interest rate with and a maturity date of June 1, 2017. The facility has an authorized limit of \$6,875,000 outstanding at any given time and is further limited to a maximum of the amount authorized under the bond measure. As of June 30, 2016, the City had a \$50,000 balance on the credit facility, in addition to \$2,185 in accrued interest expense.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(H) Noncurrent Liabilities, continued

General Obligation Bond and Revolving Credit Facility (POS), continued

Draws on this credit facility are recorded as a financing source in the General Capital Projects Fund. The debt will be repaid from general property tax revenues or by the future issuance of long-term general obligation bonds, which can be issued at the City's discretion. The General Obligation Bond and Revolving Credit Facility (Parks, Athletic Fields, and Open Spaces) is backed by the full faith and credit of the City and is included in the City's G.O. debt limit.

<u>Governmental activities</u>	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
G.O. bond and revolving credit facility (POS)	\$ 1,300,000	2,400,000	(3,650,000)	50,000

Certificates of Participation

The City issues certificates of participation (COPs) to finance major construction projects in governmental activities. The Atrium Obligations are backed by the full faith and credit of the City, and debt payments are to be paid from rental payments made by property occupants, including City departments.

<u>Governmental activities</u>	<u>Original issuance</u>	<u>Interest rates (%)</u>	<u>Ending balance</u>
Certificates of participation serviced by specific fund revenues:			
Atrium Obligations, Series 1998A (tax-exempt)	\$ 1,200,000	3.700% to 4.900%	185,000
Atrium Obligations, Series 1998B (taxable)	1,200,000	6.125% to 6.200%	205,000
Total certificates of participation	\$ 2,400,000		390,000

Annual debt service requirements to maturity for certificates of participation are as follows:

Fiscal year <u>ending June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 190,000	21,730
2018	200,000	11,165
	\$ 390,000	32,895

Limited Tax Bonds

The City issues limited tax bonds in governmental and business-type activities. Limited tax bonds in governmental activities include limited tax improvement bonds and limited tax pension bonds. Limited tax improvement bonds finance public improvements that benefit private parties. Improvement bonds are secured by the benefited properties and are to be repaid in installments from property owners. Limited tax pension bonds finance a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System. The pension bonds are to be repaid from existing revenue sources. All limited tax bonds are backed by the full faith and credit of the City, within the limitations of Article XI of the Oregon Constitution.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(H) Noncurrent Liabilities, continued

Limited Tax Bonds, continued

<u>Governmental activities</u>	<u>Original issuance</u>	<u>Interest rates (%)</u>	<u>Ending balance</u>
Limited tax bonds:			
Limited Tax Pension Bonds, Series 2002	\$ 69,613,281	2.000% to 7.410%	48,050,963
Limited Tax Improvement Bonds, Series 2011	<u>580,000</u>	7.050%	<u>216,965</u>
Total limited tax bonds governmental activities	<u>\$ 70,193,281</u>		<u>48,267,928</u>
 <u>Business-type activities</u>			
Limited tax bonds:			
Limited Tax Pension Bonds, Series 2002	<u>\$ 14,721,179</u>	2.000% to 7.410%	<u>10,137,540</u>
Total limited tax bonds business-type activities	<u>\$ 14,721,179</u>		<u>10,137,540</u>
Total limited tax bonds	<u>\$ 84,914,460</u>		<u>58,405,468</u>

The Limited Tax Pension Bonds, Series 2002 are deep discount bonds and reported net of accretion. However, the annual debt service requirements to maturity are reported on a cash basis and do not account for accreted amounts. The following table reconciles the ending balance of limited tax bonded debt and the annual debt service requirements to maturity schedule:

Total limited tax bonds	\$ 58,405,468
Less: Accretion of deep discount	<u>(6,292,819)</u>
Total debt service requirements for limited tax bonds	<u>\$ 52,112,649</u>

Annual debt service requirements to maturity for limited tax improvement bonds are as follows:

<u>Fiscal year ending June 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 0	15,296	0	0
2018	0	15,296	0	0
2019	0	15,296	0	0
2020	0	15,296	0	0
2021	0	15,296	0	0
2022-2026	0	76,480	0	0
2027	<u>216,965</u>	<u>7,648</u>	<u>0</u>	<u>0</u>
Improvement bonds	<u>\$ 216,965</u>	<u>160,608</u>	<u>0</u>	<u>0</u>

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(H) Noncurrent Liabilities, continued

Limited Tax Bonds, continued

Annual debt service requirements to maturity for limited tax pension bonds are as follows:

Fiscal year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2017	\$ 848,472	4,407,230	178,982	929,689
2018	868,672	4,643,027	183,243	979,430
2019	879,387	4,900,696	185,504	1,033,785
2020	2,490,964	3,569,893	525,460	753,056
2021	3,761,521	2,587,107	793,479	545,741
2022-2026	21,962,160	8,681,103	4,632,840	1,831,248
2027-2028	12,044,298	1,104,478	2,540,702	232,986
Pension bonds	<u>42,855,474</u>	<u>29,893,534</u>	<u>9,040,210</u>	<u>6,305,935</u>
Total limited tax bonds	\$ <u>43,072,439</u>	<u>30,054,142</u>	<u>9,040,210</u>	<u>6,305,935</u>

Tax Increment Bonds

The City's Urban Renewal Agency issues tax increment bonds to finance major construction projects in governmental activities. The purpose of the Urban Renewal Agency is to stimulate economic development by financing public improvements within designated districts. Tax increment bonds are serviced by property tax increment revenues. When an urban renewal district is first created, the property assessed value within the district boundaries is established as a "frozen base." The Urban Renewal Agency receives property taxes related to the incremental increase in the property assessed value that are in excess of the "frozen base."

<u>Governmental activities</u>	<u>Original issuance</u>	<u>Interest rates (%)</u>	<u>Ending balance</u>
Tax increment bonds:			
URA Tax Increment Bonds, Series 2011	\$ <u>7,900,000</u>	5.200%	<u>1,222,000</u>

Annual debt service requirements to maturity for tax increment bonds are as follows:

Fiscal year ending June 30	Governmental activities	
	Principal	Interest
2017	\$ 924,000	63,544
2018	<u>298,000</u>	<u>15,496</u>
	\$ <u>1,222,000</u>	<u>79,040</u>

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(H) Noncurrent Liabilities, continued

Conduit Debt

On December 27, 2010, the City issued \$6,900,000 of Bank Loan Revenue Bonds, dated December 30, 2010, bearing a variable interest rate, and maturing on December 27, 2035. The bonds were issued to provide access to tax-exempt interest rates to Woolworth Properties, LLC for the construction of the Woolworth Building, which is located within the City's Downtown Urban Renewal District. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, \$6,228,302 of the bonds were outstanding.

Notes Payable

The City has entered into contracts with the U.S. Department of Housing and Urban Development (HUD) as a guarantor for loan guarantees made under HUD's Section 108 Loan Guarantee Program (Program). The Program is a source of financing for economic development.

HUD contracts for loan guarantee assistance contain certain security provisions. The primary security is a pledge by the City of its current and future Community Development Block Grant funds. The City provides additional security for each Guaranteed Loan in the form of property liens.

In July 2008, the City borrowed \$2,706,000 from HUD to finance the purchase of the historic Washburne and Centre Court buildings in the Urban Renewal Downtown District. On May 28, 2015, the City entered into an agreement with HUD to refinance this loan. The loan has an interest rate ranging from 0.280% to 3.150%, maturing on August 1, 2027.

On November 16, 2010, the City entered into a contract with HUD to borrow \$5,189,000 to support the rehabilitation of the historic Washburne and Centre Court buildings in the Urban Renewal Downtown District. On May 28, 2015, the City entered into an agreement with HUD to refinance this loan, pay down the balance, and remove the Washburne building as collateral. The loan has an interest rate ranging from 0.280% to 3.550%, maturing on August 1, 2030.

<u>Governmental activities</u>	<u>Loan amount</u>	<u>Interest rates (%)</u>	<u>Ending balance</u>
Notes payable:			
Housing and Urban Development -			
Centre Court Building	\$ 2,706,000	0.280% to 3.150%	979,000
Centre Court Building Rehabilitation	<u>5,189,000</u>	0.280% to 3.550%	<u>4,889,000</u>
	<u>\$ 7,895,000</u>		<u>5,868,000</u>

Annual debt service requirements to maturity for notes payable are as follows:

<u>Fiscal year ending June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 191,000	173,339
2018	193,000	171,649
2019	204,000	169,395
2020	204,000	166,120
2021	204,000	162,183
2022-2026	1,020,000	735,744
2027-2031	<u>3,852,000</u>	<u>541,803</u>
	<u>\$ 5,868,000</u>	<u>2,120,233</u>

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(H) Noncurrent Liabilities, continued

Notes Payable, continued

The HUD notes will be repaid from principal and interest payments received from a loan to Beam Properties Eugene LLC, who purchased the property from the City. The loan proceeds from the Beam Properties Eugene LLC loan will be received in the Community Development Special Revenue Fund.

Compensated Absences

At June 30, 2016, the City reported compensated absences of \$9,338,077 in governmental activities. The General Fund, internal service funds, and other governmental funds are typically used to liquidate these liabilities.

Internal Service Fund Debt

Based on an analysis of billings, governmental activities have been determined to be the predominant source of revenue for all internal service funds. Therefore, noncurrent liabilities of the internal service funds are reported in governmental activities. As of June 30, 2016, internal service fund debt included the Atrium Obligations of \$390,000, Limited Tax Pension Bonds (net of unamortized discount) of \$10,206,305, a net OPEB obligation of \$2,055,605, and \$962,858 in compensated absences.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(H) Noncurrent Liabilities, continued

Changes in Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2016 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year	Due after one year
<u>Governmental activities</u>						
General obligation bonds	\$ 16,280,000	10,125,000	(10,830,000)	15,575,000	3,390,000	12,185,000
Limited tax bonds	49,893,213	0	(1,625,285)	48,267,928	848,451	47,419,477
Tax increment bonds	3,300,000	0	(2,078,000)	1,222,000	924,000	298,000
Certificates of participation payable	570,000	0	(180,000)	390,000	190,000	200,000
Deferred issuance discount/premium	154,306	808,196	(13,183)	949,320	0	949,320
Total bonds payable	70,197,520	10,933,196	(14,726,468)	66,404,248	5,352,451	61,051,797
General obligation bond and revolving credit facility	2,710,300	9,279,700	(11,940,000)	50,000	0	50,000
Compensated absences payable	9,096,477	9,285,464	(9,043,864)	9,338,077	9,170,829	167,248
Notes and contracts payable	6,078,000	0	(210,000)	5,868,000	191,000	5,677,000
Net OPEB obligation	3,050,124	997,553	(1,992,072)	2,055,605	0	2,055,605
Governmental activities - noncurrent liabilities	\$ <u>91,132,421</u>	<u>30,495,913</u>	<u>(37,912,404)</u>	<u>83,715,930</u>	<u>14,714,280</u>	<u>69,001,650</u>
<u>Business-type activities</u>						
Limited tax bonds	\$ 10,489,166	0	(351,626)	10,137,540	179,003	9,958,537
Deferred issuance discount/premium	(13,865)	0	13,865	0	0	0
Total bonds payable	10,475,301	0	(337,761)	10,137,540	179,003	9,958,537
Compensated absences payable	1,988,049	1,718,196	(1,640,547)	2,065,698	2,009,713	55,985
Business-type activities - noncurrent liabilities	\$ <u>12,463,350</u>	<u>1,718,196</u>	<u>(1,978,308)</u>	<u>12,203,238</u>	<u>2,188,716</u>	<u>10,014,522</u>

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information

(A) Risk Management

The City has established an internal service fund to account for and finance its risks of loss. The City has a self-insured liability program which covers personal injury, public official's errors and omissions, automobile, and employer's liability, with a maximum self-insured retention of \$1,000,000 per occurrence for automobile liability, general liability, and employee benefit and employment practice liability. In addition, the City has a self-insured workers' compensation program which covers employees' work-related illnesses and injuries, including employer's liability, with a maximum self-insured retention of \$1,000,000 per occurrence. During the previous three fiscal years, there were no liability claims that exceeded the insurance coverage levels.

All regular full and part-time City employees are eligible for medical, dental, and vision insurance coverage. Employees may choose between two self-insured plans: the City Health Plan, a Preferred Provider Organization (PPO) plan or the City Managed Care Plan, a Point of Service (POS) plan. A third self-insured medical plan, the City Hybrid Plan, is available to non-represented and IATSE-represented employees. The City has established a self-insurance fund to pay medical, dental, and vision claims of employees and their dependents on the City Health Plan, up to the self-insurance retention limit of \$250,000 per employee.

Coverage for workers' compensation, general liability, and employees' health claims in excess of the self-insurance retention limit is purchased from commercial insurers. The City also purchases all-risk property insurance coverage from a commercial insurer. The property insurance policy has a basic \$25,000 deductible, with earthquake and flood insurance coverages subject to the following deductibles: flood – \$100,000 deductible per occurrence except that buildings in Flood Zones A and V have a \$500,000 deductible per building; earthquake – 2% of the combined value of the property at the location, subject to a minimum deductible of \$100,000 per location and the deductible applies separately to each location.

At June 30, 2016, a total claims liability of \$12,566,534 is reported in the Risk and Benefits Internal Service Fund. Claims liabilities reported by the City are based on an actuarial estimate of the ultimate cost of settling claims incurred, including incurred but not reported (IBNR) claims. Claims liabilities include all incremental costs incurred directly as a result of a claim, and consider estimated recoveries on both settled and unsettled claims. Claims expense has been reduced by amounts recovered, or expected to be recovered through excess insurance.

The following changes occurred in the claims liability in the current and previous fiscal year:

Fiscal year ended <u>June 30</u>	Liability balance at beginning <u>of year</u>	Current-year claims and changes in <u>estimates</u>	Claim <u>payments</u>	Liability balance at <u>end of year</u>
2015	\$ 11,565,571	24,310,777	(23,703,760)	12,172,588
2016	12,172,588	26,147,507	(25,753,561)	12,566,534

(B) Joint Ventures

The City is a participant with Lane County and the City of Springfield in the Metropolitan Wastewater Management Commission (MWMC), a joint venture established by intergovernmental agreement to construct, maintain, and operate regional sewerage facilities. The MWMC consists of a seven-member board to which the City appoints three voting members. The City has no explicit, measurable equity interest in the MWMC. However, the City has an ongoing financial responsibility for the operations of the MWMC in that the City is obligated to adopt disposal rates and charges not less than those adopted by the MWMC, and to forward to the MWMC, its share of the revenues as specified in the adopted financing plan, which requires that all MWMC administrative, operational, and maintenance expenses be financed through a uniform district-wide monthly fee.

MWMC contracts with the City for operation of the regional sewerage facilities on a cost reimbursement basis which is accounted for in the Wastewater Utility Fund. For the fiscal year ended June 30, 2016, the City provided billable operations to MWMC costing \$14,060,179 and MWMC owed the City \$1,271,204 for unreimbursed costs at year-end. The City of Springfield includes the MWMC as a component unit of its financial reporting entity. MWMC's most recently published financial statement was for the year ended June 30, 2015, which reflected net income of \$6,468,251 and net position of \$140,326,224. Separate financial statements for MWMC can be obtained from the City of Springfield Finance Department.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(C) Retirement Plan – Oregon PERS (OPERS)

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Plan Benefits

Tier One/Tier Two Retirement Benefit ORS Chapter 238.

The Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% 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:

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

Disability Benefits

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

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living (COLA) changes. All monthly pension and annuity benefits except unit purchases are eligible for postretirement adjustments. As a result of the Senate Bills 822 and 861 and the Oregon Supreme Court decision in *Moro v. State of Oregon*, automatic postretirement adjustments are based on a blended COLA rate.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(C) Retirement Plan – Oregon PERS (OPERS), continued

Benefit Changes After Retirement, continued

The Supreme Court decision in *Moro* requires that members “will be entitled to receive during retirement a blended COLA rate that reflects the different COLA provisions applicable to benefits earned at different times.” The Supreme Court did not articulate a specific methodology for determining the blended COLA. For purposes of this valuation, PERS has determined the blend based on creditable service earned before and after October 2013. This approach is consistent with OAR 459-005- 0510 adopted by the PERS Board in September 2015.

Automatic COLA for benefits earned prior to SB 822 and SB 861

Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year’s benefit, except for 2013 when the adjustment is limited to 1.5 percent. Any CPI change in excess of the limit is accumulated for future benefit adjustments that would otherwise be less than the limit. No benefit will be decreased below its original amount.

Automatic Adjustments for benefits earned Post-2013

In 2014 and future years benefits will be increased annually based on a marginal rate schedule. The increase is calculated as 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on amounts above \$60,000 of annual benefit.

Plan Benefits

OPSRP Pension Program (OPSRP DB)

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

Pension Benefits

This portion of the OPSRP pension program 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% 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% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(C) Retirement Plan – Oregon PERS (OPERS), continued

Benefit Changes After Retirement

Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living (COLA) changes. All monthly pension and annuity benefits are eligible for postretirement adjustments. As a result of the Senate Bills 822 and 861 and the Oregon Supreme Court decision in *Moro v. State of Oregon*, automatic postretirement adjustments are based on a blended COLA rate based on when the benefits were earned.

Automatic COLA for benefits earned prior to SB 822 and SB 861

Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year's benefit, except for 2013 when the adjustment is limited to 1.5 percent. Any CPI change in excess of the limit is accumulated for future benefit adjustments that would otherwise be less than the limit. No benefit will be decreased below its original amount.

Automatic Adjustments for benefits earned Post-2013

In 2014 and future years benefits will be increased annually based on a marginal rate schedule. The increase is calculated as 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on amounts above \$60,000 of annual benefit.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. 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 which became effective July 1, 2015. The rates in effect for the fiscal year ended June 30, 2016 were 17.50% for Tier One/Tier Two covered members, 10.05% for OPSRP Pension Program General Service Members, and 14.16% for OPSRP Pension Program Police and Fire Members. The City also charged an internal rate of 6.00% of payroll to departments to fund the repayment of the City's pension obligation bonds, which were issued in 2002. Employer contributions for the year ended June 30, 2016 were \$14,860,759.

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

At June 30, 2016, the City reported (\$75,419,692) for its proportionate share of the net pension asset (liability). The net pension asset (liability) was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset (liability) was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension asset (liability) was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 1.3136%, which was a decrease from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense (income) of \$73,801,307. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(C) Retirement Plan – Oregon PERS (OPERS), continued

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

		<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in proportion and differences between City contributions and proportionate shares of contributions	\$	0	3,923,974
Contributions subsequent to the measurement date		14,860,759	0
Difference between expected and actual experience with regard to economic or demographic factors		4,067,012	0
Net difference between projected and actual earnings on pension plan investments		0	15,809,677
	\$	<u>18,927,771</u>	<u>19,733,651</u>

The \$14,860,759 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension income (expense) as follows:

<u>Fiscal year ending June 30</u>		<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2017	\$	(924,321)	8,475,718
2018		(924,321)	8,475,718
2019		(924,321)	8,475,721
2020		(924,321)	(5,977,203)
2021		(369,728)	283,697

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 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 16 years.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(C) Retirement Plan – Oregon PERS (OPERS), continued

Actuarial Valuations, continued

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

Valuation Date:	December 31, 2013
Measurement Date:	June 30, 2015
Experience Study Report:	2014, published September 2015
Actuarial cost method	Entry Age Normal
Amortization method:	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method:	Market value of assets

Actuarial assumptions

Inflation rate:	2.75%
Investment rate of return:	7.75%
Projected salary increases:	3.75%
Cost of living adjustments	Blend of 2.00% COLA and graded COLA
Mortality:	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct 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.

GASB Statement No. 68 reporting requirements allows for the measurement date (June 30, 2015) to be 12 months prior to the reporting date (June 30, 2016) and the actuarial valuation date (December 31, 2013) to be 30 months prior to the reporting date. The new pension asset (liability) for the June 30, 2017 reporting data will be based on the December 31, 2015 actuarial valuation date.

Discount Rate

The discount rate used to measure the total pension liability was 7.75% 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.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(C) Retirement Plan – Oregon PERS (OPERS), 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.

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.

<u>Asset class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	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</u>	<u>Compound annual return (geometric)</u>
Core fixed income	7.20%	4.50%
Short-term bonds	8.00%	3.70%
Intermediate-term bonds	3.00%	4.10%
High yield bonds	1.80%	6.66%
Large cap US equities	11.65%	7.20%
Mid cap US equities	3.88%	7.30%
Small cap US equities	2.27%	7.45%
Developed foreign equities	14.21%	6.90%
Emerging foreign equities	5.49%	7.40%
Private equity	20.00%	8.26%
Opportunity funds/absolute return	5.00%	6.01%
Real estate (Property)	13.75%	6.51%
Real estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
	<u>100.00%</u>	
Assumed inflation – mean		2.75%

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(C) Retirement Plan – Oregon PERS (OPERS), continued

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

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

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

The following presents the City's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

	1% decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% increase <u>(8.75%)</u>
City's proportionate share of the net pension asset (liability)	\$ (182,022,620)	(75,419,692)	14,418,570

Pension plan fiduciary net position

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

Changes in Plan Provisions Subsequent to Measurement Date

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 7.50%, which became effective January 1, 2016.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(D) Retirement Plan – OPSRP IAP

Plan Description

OPSRP Individual Account Program (IAP) is a defined contribution pension plan for Tier One/Tier Two and OPSRP plan members. All benefits of the system are established by the legislature pursuant to ORS Chapters 238 and 238A.

Plan 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 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, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

State statute requires that covered employees contribute 6.0% of their annual covered salary to the IAP plan effective January 1, 2004. Statute allows that the employer may elect to pay the employees' required IAP contributions.

The City has elected to pay all of the employees' required IAP contributions, except for employees who are members of the City's International Association of Fire Fighters (IAFF) union. Beginning July 1, 2012, IAFF covered employees elected to pay the employees' required IAP contribution.

For the fiscal year ended June 30, 2016, the City's contributions and IAFF covered employees' contributions to the IAP were \$4,893,076 and \$1,122,334, respectively (a total of 6.01% of covered payroll).

(E) Other Post-employment Benefits (OPEB)

Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA)

Plan Description

The City contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(E) Other Post-employment Benefits (OPEB), continued

Funding Policy

Participating employers are contractually required to contribute to the RHIA at a rate assessed bi-annually by the OPERB, currently 0.35% of annual covered payroll. The OPERB sets the employer contribution rate based on the annual required contribution (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 the plan over a period not to exceed thirty years. The City's contributions to the PERS RHIA for the past three years were as follows, all of which equaled the required contributions for that year:

<u>Fiscal year</u> <u>ending June 30</u>	<u>Contribution</u>
2014	\$ 510,982
2015	355,476
2016	318,176

City Healthcare Plan

Plan Description

The City administers a single-employer defined benefit healthcare plan that provides post-retirement medical, dental, and vision coverage for eligible retirees, their spouses, domestic partners, and dependents on a self-pay basis. Benefit provisions are established through negotiations between the City and representatives of collective bargaining units. Eligible participants may select from one of the City's two self-insured healthcare plans: the City Health Plan or the City Managed Care Plan. The level of benefits provided by the plans are the same as those afforded to active employees. Coverage is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and to eligible dependents until age 26.

The City's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. Due to the effect of age, retiree claim costs are generally higher than claim costs for all members as a whole. The difference between retiree claims costs and the amount of retiree healthcare premiums represents the City's implicit employer contribution.

The City also provides post-employment life insurance benefits to fully disabled employees through a single employer defined benefit plan. The plan provides a waiver of life insurance premiums for employees who participate in the City's life insurance plan who become totally disabled; the plan is underwritten by Standard Insurance Company, whereby the City pays a premium rate for active and disabled employees, and Standard Insurance Company provides term life insurance coverage. In the event the City changes life insurance carriers, Standard Insurance Company does not retain any liability for future death benefits. In changing life insurance carriers, if the new carrier was unwilling to accept the liability for the disabled employees, the City would be responsible for any future death benefits.

The City's post-employment life insurance benefit for disabled employees is an elective benefit offered by the City, this benefit is subject to collective bargaining agreements. The amount of life insurance benefits that a disabled employee receives is based on the amount of coverage and the reduction pattern in effect at the time of disablement. The coverage amount varies per employer group; the maximum benefit is \$250,000.

The City did not establish an irrevocable trust (or equivalent arrangement) to account for either plan. Instead, the activities of the plans are reported in the City's Risk and Benefits Internal Service Fund. Neither plan issues a separate report.

Funding Policy

The City has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. Since the City's healthcare plan is self-insured, the annual required contributions can fluctuate. For the fiscal year ending June 30, 2016, the City's combined plan contributions were \$1,992,072.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(E) Other Post-employment Benefits (OPEB), continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance within the parameters of GASB 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) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2016, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,052,576
Interest on net OPEB obligation	119,870
Adjustment to the annual required contribution	<u>(174,893)</u>
Annual OPEB cost (expense)	997,553
Contributions made	<u>1,992,072</u>
Increase (decrease) in net OPEB obligation	<u>(994,519)</u>
Net OPEB obligation, beginning of year	<u>3,050,124</u>
Net OPEB obligation, end of year	<u><u>\$ 2,055,605</u></u>

The City's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2016 and the preceding two years were as follows:

<u>Fiscal year</u> <u>ending June 30</u>	<u>Annual</u> <u>OPEB cost</u>	<u>Contribution</u>	<u>Percentage of</u> <u>annual OPEB</u> <u>cost contributed</u>	<u>Net OPEB</u> <u>obligation</u>
2014	\$ 1,152,315	1,666,001	145%	3,249,619
2015	993,954	1,193,449	120%	3,050,124
2016	997,553	1,992,072	200%	2,055,605

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$13,181,876, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$13,181,876. The covered payroll (annual payroll of active employees covered by the plans) was \$97,086,746, and the ratio of the UAAL to the covered payroll was 13.6%.

As of June 30, 2016, the City has set aside \$3,753,997 to pay for future post-employment benefits, which is included in the unrestricted portion of net position in the Risk and Benefits Internal Service Fund. Since these assets have not been placed in a qualified trust (or equivalent arrangement) they have not been recognized as part of the actuarial valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(E) Other Post-employment Benefits (OPEB), 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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The June 30, 2015 actuarial valuations for the healthcare plan and the post-employment life insurance benefits for disabled employees were based on the entry age normal and the projected unit credit actuarial cost methods, respectively. The actuarial assumptions for both valuations included an investment return of 3.93%. The healthcare plan actuarial valuation included a healthcare cost inflation trend rate of -1.6% in 2015 increasing to 5.0% in 2020. The unfunded actuarially accrued liability and the gains and losses for both plans are amortized as a level dollar amount over an open period of 30 years.

(F) Contingencies

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the City's self-insurance internal service fund are reviewed and losses are accrued based upon the judgment of City management. Based upon the advice of legal counsel with respect to such litigation and claims, City management cannot determine what effect the ultimate disposition of these matters will have on the financial position or results of operations of City funds.

(G) Outstanding Encumbrances

At June 30, 2016, the City has encumbered the following significant commitments:

<u>Fund</u>	<u>Amount</u>
General	\$ 2,027,252
Community Development	617,982
General Capital Projects	1,659,057
Systems Development Capital	402,395
Ambulance Transport	27,000
Municipal Airport	4,556,972
Parking Services	12,554
Stormwater Utility	655,138
Wastewater Utility	2,160,084
Internal service funds	2,657,371
Other governmental funds	2,508,361
Total outstanding encumbrances	<u>\$ 17,284,166</u>

continued

CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(5) Other Information, continued

(H) Accounting Standards Issued but not yet Adopted

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 82, *An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Budget		Actual		GAAP basis
	Original	Final	Budget basis	Adjustment	
Revenues					
Taxes	106,999,000	108,199,000	107,289,570	0	107,289,570
Licenses and permits	6,170,000	6,170,000	24,092,719	0	24,092,719
Intergovernmental	4,560,357	5,588,544	4,744,171	0	4,744,171
Rental income	127,040	127,040	145,728	0	145,728
Charges for services	13,112,253	13,560,253	13,739,960	(692,841)	13,047,119
Fines and forfeits	2,474,200	2,601,200	2,426,712	0	2,426,712
Miscellaneous	477,947	477,947	759,605	28,031	787,636
Total revenues	133,920,797	136,723,984	153,198,465	(664,810)	152,533,655
Expenditures					
Current - departmental:					
Central services	22,906,243	25,049,398	22,995,115	(7,537,657)	15,457,458
Fire and emergency medical services	27,594,830	28,837,506	28,222,239	(30,000)	28,192,239
Library, recreation, and cultural services	27,348,754	27,781,821	26,874,805	16,671	26,891,476
Planning and development	5,919,055	7,004,768	5,860,617	(263,020)	5,597,597
Police	49,611,910	50,631,822	50,050,092	(13,262)	50,036,830
Public works	5,790,248	6,156,507	5,993,453	9,967	6,003,420
Special payments	700,000	700,000	430,071	(430,071)	0
Total expenditures	139,871,040	146,161,822	140,426,392	(8,247,372)	132,179,020
Excess (deficiency) of revenues over expenditures	(5,950,243)	(9,437,838)	12,772,073	7,582,562	20,354,635
Other financing sources (uses)					
Transfers in	9,519,145	9,519,145	9,519,145	(7,438,000)	2,081,145
Transfers out	(4,379,300)	(5,279,300)	(5,279,300)	0	(5,279,300)
Total other financing sources (uses)	5,139,845	4,239,845	4,239,845	(7,438,000)	(3,198,155)
Net change in fund balance	(810,398)	(5,197,993)	17,011,918	144,562	17,156,480
Fund balance, July 1, 2015	39,214,362	40,179,466	40,179,466	854,148	41,033,614
Fund balance, June 30, 2016	38,403,964	34,981,473	57,191,384	998,710	58,190,094

Community Development Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Budget		Actual		GAAP basis
	Original	Final	Budget basis	Adjustment	
Revenues					
Intergovernmental	4,728,957	7,832,415	2,020,080	0	2,020,080
Charges for services	83,950	83,950	6,088	0	6,088
Repayment of revolving loans	0	0	0	2,053,458	2,053,458
Miscellaneous	515,670	1,292,584	549,691	1,736	551,427
Total revenues	5,328,577	9,208,949	2,575,859	2,055,194	4,631,053
Expenditures					
Current - departmental:					
Central services	0	0	0	123,000	123,000
Planning and development	2,372,481	3,570,844	1,842,137	2,681,703	4,523,840
Debt service	368,000	368,000	327,642	0	327,642
Capital outlay	1,582,134	1,582,134	143,259	0	143,259
Special payments	9,329,959	8,459,068	2,681,703	(2,681,703)	0
Total expenditures	13,652,574	13,980,046	4,994,741	123,000	5,117,741
Excess (deficiency) of revenues over expenditures	(8,323,997)	(4,771,097)	(2,418,882)	1,932,194	(486,688)
Other financing sources (uses)					
Principal payments received	2,748,600	2,748,600	2,053,458	(2,053,458)	0
Interfund loan proceeds	0	65,000	65,000	(65,000)	0
Transfers out	(123,000)	(123,000)	(123,000)	123,000	0
Total other financing sources (uses)	2,625,600	2,690,600	1,995,458	(1,995,458)	0
Net change in fund balance	(5,698,397)	(2,080,497)	(423,424)	(63,264)	(486,688)
Fund balance, July 1, 2015	6,888,397	3,650,660	3,650,660	1,272	3,651,932
Fund balance, June 30, 2016	1,190,000	1,570,163	3,227,236	(61,992)	3,165,244

CITY OF EUGENE, OREGON

Notes to Required Supplementary Information

June 30, 2016

- (1) The City's proportionate share of the net pension asset (liability) is actuarially determined by comparing the City's projected long-term contributions to OPERS to the total projected long-term contributions to the plan from all employers.

Schedule of City's Proportionate Share of the Net Pension Asset (Liability)

	2016	2015	2014
Proportion of the net pension asset (liability)	1.31%	1.35%	1.35%
Proportionate share of the net pension asset (liability)	\$ (75,419,692)	30,504,733	(69,360,287)
Covered-employee payroll	100,127,793	95,710,435	92,451,727
Proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	-75.32%	31.87%	-75.02%
Plan fiduciary net position as a percentage of the total pension asset (liability)	91.90%	103.60%	N/A

Schedule of City contributions

	2016	2015	2014
Contractually required contribution	\$ 14,860,759	12,098,455	11,751,145
Contributions in relation to the contractually required contribution	(14,860,759)	(12,098,455)	(11,751,145)
Contribution deficiency (excesses)	\$ 0	0	0
Covered-employee payroll	100,127,793	95,710,435	92,451,727
Contributions as a percentage of covered-employee payroll	14.84%	12.64%	12.71%

Information about the significant methods and assumptions used in calculating the actuarially determined contributions may be found below.

Changes in Plan Provisions and Assumptions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Audit Report, which can be found at:

https://www.oregon.gov/pers/EMP/docs/gasb_68_report.pdf

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at:

https://www.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf

- (2) Schedule of Funding Progress – OPEB

Other Post Employment Benefits schedule of funding progress:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability	Funded ratio	Covered payroll	Unfunded actuarial accrued liability as a percentage of covered payroll
06/30/11	\$ 0	9,502,642	9,502,642	0%	91,224,907	10%
06/30/13	0	14,171,194	14,171,194	0%	93,916,203	15%
06/30/15	0	13,181,876	13,181,876	0%	97,086,746	14%

The City's other post employment benefits include retiree healthcare and waiver of life insurance premiums for disabled employees. The actuarial cost method for retiree healthcare benefits is entry age normal; the cost method for waiver of life insurance premiums for disabled employees is projected unit cost.

CITY OF EUGENE, OREGON

Notes to Required Supplementary Information

(3) Budget to GAAP Reconciliation

Sections of Oregon Revised Statutes (Oregon Budget Law) require most transactions be budgeted on the modified accrual basis of accounting. However, there are certain transactions where statutory budget requirements conflict with generally accepted accounting principles (GAAP). The following discusses the differences between the budget basis and GAAP basis of accounting for the General Fund and the Community Development Fund.

	<u>General</u>	<u>Community Development</u>
Net change in fund balance - budget basis	\$ 17,011,918	(423,424)
<i>Budget resources not qualifying as revenues or other financing sources under GAAP:</i>		
Indirect and other cost reimbursements received are reported as revenues or other financing sources on a budget basis. Such receipts are reclassified as a reduction of expenditures on a GAAP basis.	8,130,841	0
Interfund loan proceeds are reported as other financing sources on a budget basis. However, such receipts are reclassified as a liability on a GAAP basis.	0	(65,000)
<i>Revenues and other financing sources required by GAAP not qualifying as budget resources:</i>		
Adjustment for fair value of investments at year end is reported as miscellaneous revenue on a GAAP basis. Such revenues are not reflected on a budget basis.	28,030	1,736
<i>Budget expenditures not qualifying as expenditures or other financing uses under GAAP:</i>		
Indirect and other costs reimbursed are reported as expenditures on a budget basis. Such disbursements are reclassified as a reduction of revenues and other financing sources on a GAAP basis.	(8,130,841)	0
Prepaid expenses are recorded in the year paid on a budget basis. However, such expenses are matched to the accounting period benefited under GAAP.	<u>116,532</u>	<u>0</u>
Net change in fund balance - GAAP basis.	<u>\$ 17,156,480</u>	<u>(486,688)</u>

Principal payments received of \$2,053,458 and loans granted of \$2,681,703 are reported in the Community Development Fund as other financing sources and non-departmental expenditures, respectively. Such amounts have been reclassified as revenues and departmental expenditures on a GAAP basis. In addition, indirect cost reimbursements are reclassified from transfers to departmental administrative expenditures on a GAAP basis. Such reclassifications are not included in the above schedule.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

(amounts in dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
Assets				
Equity in pooled cash and investments	33,791,895	1,126,427	9,030,324	43,948,646
Receivables:				
Interest	28,768	36,949	0	65,717
Taxes	98,977	154,847	0	253,824
Accounts	957,060	0	0	957,060
Assessments	81,029	200,526	66,320	347,875
Loans and notes	2,396,588	0	0	2,396,588
Allowance for uncollectibles	(154,376)	0	0	(154,376)
Due from other governments	1,432,694	6,256	718,645	2,157,595
Interfund loans receivable	65,000	0	0	65,000
Inventories	1,138,749	0	0	1,138,749
Prepays and deposits	31,649	0	0	31,649
Assets held for resale	0	1,541	990,265	991,806
Total assets	39,868,033	1,526,546	10,805,554	52,200,133
Liabilities				
Accounts payable	395,764	0	564,305	960,069
Wages payable	677,167	0	0	677,167
Due to other governments	159,222	0	46,255	205,477
Deposits	32,111	0	1,092,133	1,124,244
Unearned revenue	65,940	0	197,311	263,251
Total liabilities	1,330,204	0	1,900,004	3,230,208
Deferred inflows of resources				
Unavailable revenue	2,586,636	393,560	66,586	3,046,782
Total deferred inflows of resources	2,586,636	393,560	66,586	3,046,782
Fund balances				
Nonspendable	1,250,398	1,541	990,265	2,242,204
Restricted	22,492,122	1,131,445	6,719,506	30,343,073
Committed	12,208,673	0	1,129,193	13,337,866
Total fund balances	35,951,193	1,132,986	8,838,964	45,923,143
Total liabilities, deferred inflows of resources, and fund balances	39,868,033	1,526,546	10,805,554	52,200,133

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<u>Revenues</u>				
Taxes	1,529,742	2,040,614	3,050,845	6,621,201
Licenses and permits	9,247,406	0	0	9,247,406
Intergovernmental	10,938,750	0	1,079,702	12,018,452
Rental income	179,249	0	39,707	218,956
Charges for services	5,425,283	0	244,408	5,669,691
Fines and forfeits	13,734	0	0	13,734
Special assessments	9,138	71,269	22,763	103,170
Repayment of revolving loans	261,811	0	0	261,811
Miscellaneous	1,370,879	52,955	54,108	1,477,942
Total revenues	28,975,992	2,164,838	4,491,533	35,632,363
<u>Expenditures</u>				
Current - departmental:				
Central services	3,748,765	0	0	3,748,765
Fire and emergency medical services	289,948	0	0	289,948
Library, recreation, and cultural services	349,164	0	0	349,164
Planning and development	6,665,115	0	860,160	7,525,275
Police	2,430,889	0	0	2,430,889
Public works	12,686,538	0	0	12,686,538
Debt service:				
Principal	0	2,155,066	0	2,155,066
Interest	0	190,610	0	190,610
Issuance costs	0	0	5,680	5,680
Capital outlay	109,137	0	10,208,931	10,318,068
Total expenditures	26,279,556	2,345,676	11,074,771	39,700,003
Excess (deficiency) of revenues over expenditures	2,696,436	(180,838)	(6,583,238)	(4,067,640)
<u>Other financing sources (uses)</u>				
Proceeds of debt issuance	0	0	6,879,700	6,879,700
Transfers in	3,116,000	0	30,000	3,146,000
Transfers out	(4,575,000)	(479,535)	(610,291)	(5,664,826)
Total other financing sources (uses)	(1,459,000)	(479,535)	6,299,409	4,360,874
Net change in fund balances	1,237,436	(660,373)	(283,829)	293,234
Fund balances, July 1, 2015	34,713,757	1,793,359	9,122,793	45,629,909
Fund balances, June 30, 2016	35,951,193	1,132,986	8,838,964	45,923,143

SPECIAL REVENUE FUNDS

Combining statements for all individual nonmajor special revenue funds are reported here. The combined totals are reported in the combining nonmajor governmental fund statements at B-1 and B-2. Fund statements for major special revenue funds are reported in Exhibits 3 and 4 of the basic financial statements.

Schedules of revenues, expenditures, and changes in fund balance - budget and actual are also presented here for each individual nonmajor special revenue fund. Budget and actual comparisons for major special revenue funds are reported as required supplementary information at A-2.

Major Special Revenue Fund:

Community Development Fund - To account for grant revenues received from the Federal government. Major expenditures include capital improvements benefiting low income persons and community development loans.

Nonmajor Special Revenue Funds:

Construction and Rental Housing Fund - To account for construction permit services and rental housing code fees related to all properties within the city limits and the urban growth boundary including compliance with applicable laws and regulations.

Library, Parks, and Recreation Fund - To account for contributions from private donors to support the public library and City-owned parks and recreation facilities.

Public Safety Communications Fund - To account for operations of the emergency dispatch center and the regional radio system. Resources are primarily from telephone excise taxes and intergovernmental revenue.

Road Fund - To account for the operation and maintenance of the City's street transportation system. Resources are provided from the City's share of State Highway Trust Fund allocations, State OTIA III monies, fees and permits, and other miscellaneous grants.

Solid Waste and Recycling Fund - To account for business license revenues which are used to regulate solid waste and recycling haulers and provide community education.

Special Assessment Management Fund - To account for operations of the property management and assessment hardship deferral programs.

Telecom Registration and Licensing Fund - To account for registration fees and business privilege taxes collected from providers of telecommunication services in Eugene. Resources are used for program administration and telecom projects that benefit the community.

Urban Renewal Agency Fund - To account for administration of the Urban Renewal Agency.

Urban Renewal Agency Riverfront Fund - To account for the accumulation of tax increment resources and rental income. Resources are used for improving the condition and appearance of the Riverfront District.

Urban Renewal Agency Riverfront Program Revenue Fund - To account for non-property tax resources in the Riverfront District. Expenditures, in the form of loans, provide funding assistance to projects that meet the goals and objectives of the Riverfront Urban Renewal District Plan, the EWEB Riverfront Master Plan, and the Eugene Downtown Plan.

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2016

(amounts in dollars)

	Construction and Rental <u>Housing</u>	Library, Parks, and <u>Recreation</u>	Public Safety <u>Communications</u>	<u>Road</u>	Solid Waste and <u>Recycling</u>	Special Assessment <u>Management</u>	Telecom Registration and <u>Licensing</u>	Urban Renewal <u>Agency</u>	Urban Renewal Agency <u>Riverfront</u>	Urban Renewal Agency Riverfront Program <u>Revenue</u>	<u>Total</u>
Assets											
Equity in pooled cash and investments	6,146,507	4,755,389	1,363,834	2,685,702	783,227	1,229,560	5,157,896	1,921,030	6,753,844	2,994,906	33,791,895
Receivables:											
Interest	0	0	0	0	0	0	0	9,823	18,945	0	28,768
Taxes	0	0	0	0	0	0	0	0	98,977	0	98,977
Accounts	83,530	4,500	0	310,785	0	0	412,505	145,740	0	0	957,060
Assessments	0	0	0	0	0	81,029	0	0	0	0	81,029
Loans and notes	0	16,000	0	0	0	0	0	2,380,588	0	0	2,396,588
Allowance for uncollectibles	(7,320)	0	0	(1,316)	0	0	0	(145,740)	0	0	(154,376)
Due from other governments	28,854	190	431,714	967,719	0	0	0	0	4,217	0	1,432,694
Interfund loans receivable	65,000	0	0	0	0	0	0	0	0	0	65,000
Inventories	0	0	0	1,138,749	0	0	0	0	0	0	1,138,749
Prepays and deposits	0	0	0	4,046	0	0	27,603	0	0	0	31,649
Total assets	6,316,571	4,776,079	1,795,548	5,105,685	783,227	1,310,589	5,598,004	4,311,441	6,875,983	2,994,906	39,868,033
Liabilities											
Accounts payable	21,635	57,844	775	174,959	51,348	0	87,260	1,523	420	0	395,764
Wages payable	269,178	717	58,533	314,125	20,793	3,751	10,070	0	0	0	677,167
Due to other governments	66,740	0	1,893	86,053	4,518	0	0	0	18	0	159,222
Deposits	0	0	0	32,111	0	0	0	0	0	0	32,111
Unearned revenue	0	87	0	5,000	0	0	60,853	0	0	0	65,940
Total liabilities	357,553	58,648	61,201	612,248	76,659	3,751	158,183	1,523	438	0	1,330,204
Deferred inflows of resources											
Unavailable revenue	0	16,000	0	0	0	81,029	0	2,371,685	117,922	0	2,586,636
Total deferred inflows of resources	0	16,000	0	0	0	81,029	0	2,371,685	117,922	0	2,586,636
Fund balances											
Nonspendable	0	80,000	0	1,142,795	0	0	27,603	0	0	0	1,250,398
Restricted	388,372	4,621,431	1,734,347	3,350,642	706,568	0	0	1,938,233	6,757,623	2,994,906	22,492,122
Committed	5,570,646	0	0	0	0	1,225,809	5,412,218	0	0	0	12,208,673
Total fund balances	5,959,018	4,701,431	1,734,347	4,493,437	706,568	1,225,809	5,439,821	1,938,233	6,757,623	2,994,906	35,951,193
Total liabilities, deferred inflows of resources, and fund balances	6,316,571	4,776,079	1,795,548	5,105,685	783,227	1,310,589	5,598,004	4,311,441	6,875,983	2,994,906	39,868,033

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Construction and Rental <u>Housing</u>	Library, Parks, and <u>Recreation</u>	Public Safety <u>Communications</u>	<u>Road</u>	Solid Waste and <u>Recycling</u>	Special Assessment <u>Management</u>	Telecom Registration <u>and Licensing</u>	Urban Renewal <u>Agency</u>	Urban Renewal Agency <u>Riverfront</u>	Urban Renewal Agency Riverfront <u>Program</u> Revenue	<u>Total</u>
Revenues											
Taxes	0	0	0	0	0	0	0	0	1,529,742	0	1,529,742
Licenses and permits	3,889,830	0	0	1,888,571	878,312	0	2,590,693	0	0	0	9,247,406
Intergovernmental	0	32,268	892,164	10,014,318	0	0	0	0	0	0	10,938,750
Rental income	0	37,658	0	75,441	0	0	0	0	66,150	0	179,249
Charges for services	3,419,483	35,591	1,741,086	184,795	646	43,682	0	0	0	0	5,425,283
Fines and forfeits	13,734	0	0	0	0	0	0	0	0	0	13,734
Special assessments	0	0	0	0	0	9,138	0	0	0	0	9,138
Repayment of revolving loans	0	0	0	0	0	0	0	261,811	0	0	261,811
Miscellaneous	47,000	953,369	7,413	174,041	7,381	17,339	35,784	63,941	59,705	4,906	1,370,879
Total revenues	7,370,047	1,058,886	2,640,663	12,337,166	886,339	70,159	2,626,477	325,752	1,655,597	4,906	28,975,992
Expenditures											
Current - departmental:											
Central services	820,000	0	197,000	728,000	74,000	94,168	1,835,597	0	0	0	3,748,765
Fire and emergency medical services	289,948	0	0	0	0	0	0	0	0	0	289,948
Library, recreation, and cultural services	0	349,164	0	0	0	0	0	0	0	0	349,164
Planning and development	5,589,032	16,000	0	0	731,915	0	0	133,796	194,372	0	6,665,115
Police	0	0	2,430,889	0	0	0	0	0	0	0	2,430,889
Public works	411,801	0	0	12,274,737	0	0	0	0	0	0	12,686,538
Capital outlay	0	109,137	0	0	0	0	0	0	0	0	109,137
Total expenditures	7,110,781	474,301	2,627,889	13,002,737	805,915	94,168	1,835,597	133,796	194,372	0	26,279,556
Excess (deficiency) of revenues over expenditures	259,266	584,585	12,774	(665,571)	80,424	(24,009)	790,880	191,956	1,461,225	4,906	2,696,436
Other financing sources (uses)											
Transfers in	0	0	0	0	0	0	0	126,000	0	2,990,000	3,116,000
Transfers out	0	0	0	(135,000)	0	0	(1,450,000)	0	(2,990,000)	0	(4,575,000)
Total other financing sources (uses)	0	0	0	(135,000)	0	0	(1,450,000)	126,000	(2,990,000)	2,990,000	(1,459,000)
Net change in fund balances	259,266	584,585	12,774	(800,571)	80,424	(24,009)	(659,120)	317,956	(1,528,775)	2,994,906	1,237,436
Fund balances, July 1, 2015	5,699,752	4,116,846	1,721,573	5,294,008	626,144	1,249,818	6,098,941	1,620,277	8,286,398	0	34,713,757
Fund balances, June 30, 2016	5,959,018	4,701,431	1,734,347	4,493,437	706,568	1,225,809	5,439,821	1,938,233	6,757,623	2,994,906	35,951,193

Construction and Rental Housing Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
Revenues				
Licenses and permits	3,598,529	3,889,830	0	3,889,830
Charges for services	4,362,554	3,996,773	(577,290)	3,419,483
Fines and forfeits	41,103	13,734	0	13,734
Miscellaneous	281,150	42,906	4,094	47,000
Total revenues	8,283,336	7,943,243	(573,196)	7,370,047
Expenditures				
Current - departmental:				
Central services	0	0	820,000	820,000
Fire and emergency medical services	303,275	289,948	0	289,948
Planning and development	6,532,035	5,589,032	0	5,589,032
Public works	440,639	411,801	0	411,801
Special payments	865,000	642,290	(642,290)	0
Total expenditures	8,140,949	6,933,071	177,710	7,110,781
Excess (deficiency) of revenues over expenditures	142,387	1,010,172	(750,906)	259,266
Other financing sources (uses)				
Transfers out	(820,000)	(820,000)	820,000	0
Total other financing sources (uses)	(820,000)	(820,000)	820,000	0
Net change in fund balance	(677,613)	190,172	69,094	259,266
Fund balance, July 1, 2015	5,697,714	5,697,714	2,038	5,699,752
Fund balance, June 30, 2016	5,020,101	5,887,886	71,132	5,959,018

Library, Parks, and Recreation Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Intergovernmental	0	32,268	0	32,268
Rental income	16,920	37,658	0	37,658
Charges for services	43,000	35,591	0	35,591
Miscellaneous	505,308	950,134	3,235	953,369
Total revenues	565,228	1,055,651	3,235	1,058,886
<u>Expenditures</u>				
Current - departmental:				
Library, recreation, and cultural services	617,000	349,164	0	349,164
Planning and development	0	0	16,000	16,000
Capital outlay	1,037,143	109,137	0	109,137
Special payments	162,000	16,000	(16,000)	0
Total expenditures	1,816,143	474,301	0	474,301
Excess (deficiency) of revenues over expenditures	(1,250,915)	581,350	3,235	584,585
<u>Other financing sources (uses)</u>				
Principal payments received	60,000	0	0	0
Total other financing sources (uses)	60,000	0	0	0
Net change in fund balance	(1,190,915)	581,350	3,235	584,585
Fund balance, July 1, 2015	4,115,337	4,115,337	1,509	4,116,846
Fund balance, June 30, 2016	2,924,422	4,696,687	4,744	4,701,431

Public Safety Communications Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
Revenues				
Intergovernmental	809,571	892,164	0	892,164
Charges for services	2,155,495	1,741,086	0	1,741,086
Miscellaneous	4,590	7,413	0	7,413
Total revenues	2,969,656	2,640,663	0	2,640,663
Expenditures				
Current - departmental:				
Central services	0	0	197,000	197,000
Police	2,782,694	2,430,889	0	2,430,889
Total expenditures	2,782,694	2,430,889	197,000	2,627,889
Excess (deficiency) of revenues over expenditures	186,962	209,774	(197,000)	12,774
Other financing sources (uses)				
Transfers out	(197,000)	(197,000)	197,000	0
Total other financing sources (uses)	(197,000)	(197,000)	197,000	0
Net change in fund balance	(10,038)	12,774	0	12,774
Fund balance, July 1, 2015	1,721,573	1,721,573	0	1,721,573
Fund balance, June 30, 2016	1,711,535	1,734,347	0	1,734,347

Road Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Licenses and permits	1,796,500	1,888,571	0	1,888,571
Intergovernmental	9,342,423	10,014,318	0	10,014,318
Rental income	55,000	75,441	0	75,441
Charges for services	76,000	184,795	0	184,795
Miscellaneous	182,500	172,854	1,187	174,041
Total revenues	11,452,423	12,335,979	1,187	12,337,166
<u>Expenditures</u>				
Current - departmental:				
Central services	0	0	728,000	728,000
Public works	13,549,485	12,461,833	(187,096)	12,274,737
Total expenditures	13,549,485	12,461,833	540,904	13,002,737
Excess (deficiency) of revenues over expenditures	(2,097,062)	(125,854)	(539,717)	(665,571)
<u>Other financing sources (uses)</u>				
Transfers out	(863,000)	(863,000)	728,000	(135,000)
Total other financing sources (uses)	(863,000)	(863,000)	728,000	(135,000)
Net change in fund balance	(2,960,062)	(988,854)	188,283	(800,571)
Fund balance, July 1, 2015	4,336,816	4,336,816	957,192	5,294,008
Fund balance, June 30, 2016	1,376,754	3,347,962	1,145,475	4,493,437

Solid Waste and Recycling Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Actual			GAAP basis
	<u>Budget</u>	<u>Budget basis</u>	<u>Adjustment</u>	
Revenues				
Licenses and permits	850,133	878,312	0	878,312
Charges for services	0	646	0	646
Miscellaneous	5,000	6,848	533	7,381
Total revenues	855,133	885,806	533	886,339
Expenditures				
Current - departmental:				
Central services	0	0	74,000	74,000
Planning and development	798,340	706,915	25,000	731,915
Total expenditures	798,340	706,915	99,000	805,915
Excess (deficiency) of revenues over expenditures	56,793	178,891	(98,467)	80,424
Other financing sources (uses)				
Transfers out	(74,000)	(74,000)	74,000	0
Total other financing sources (uses)	(74,000)	(74,000)	74,000	0
Net change in fund balance	(17,207)	104,891	(24,467)	80,424
Fund balance, July 1, 2015	600,895	600,895	25,249	626,144
Fund balance, June 30, 2016	583,688	705,786	782	706,568

Special Assessment Management Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Actual			GAAP basis
	Budget	Budget basis	Adjustment	
Revenues				
Charges for services	45,380	43,682	0	43,682
Special assessments	0	0	9,138	9,138
Miscellaneous	49,671	16,568	771	17,339
Total revenues	95,051	60,250	9,909	70,159
Expenditures				
Current - departmental:				
Central services	130,758	87,168	7,000	94,168
Special payments	30,000	0	0	0
Total expenditures	160,758	87,168	7,000	94,168
Excess (deficiency) of revenues over expenditures	(65,707)	(26,918)	2,909	(24,009)
Other financing sources (uses)				
Principal payments received	4,900	9,138	(9,138)	0
Transfers in	30,000	0	0	0
Transfers out	(7,000)	(7,000)	7,000	0
Total other financing sources (uses)	27,900	2,138	(2,138)	0
Net change in fund balance	(37,807)	(24,780)	771	(24,009)
Fund balance, July 1, 2015	1,249,362	1,249,362	456	1,249,818
Fund balance, June 30, 2016	1,211,555	1,224,582	1,227	1,225,809

Telecom Registration and Licensing Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Licenses and permits	2,950,000	2,590,693	0	2,590,693
Miscellaneous	32,000	32,783	3,001	35,784
Total revenues	2,982,000	2,623,476	3,001	2,626,477
<u>Expenditures</u>				
Current - departmental:				
Central services	3,958,908	1,797,756	37,841	1,835,597
Capital outlay	169,850	0	0	0
Total expenditures	4,128,758	1,797,756	37,841	1,835,597
Excess (deficiency) of revenues over expenditures	(1,146,758)	825,720	(34,840)	790,880
<u>Other financing sources (uses)</u>				
Transfers out	(1,493,000)	(1,493,000)	43,000	(1,450,000)
Total other financing sources (uses)	(1,493,000)	(1,493,000)	43,000	(1,450,000)
Net change in fund balance	(2,639,758)	(667,280)	8,160	(659,120)
Fund balance, July 1, 2015	6,074,352	6,074,352	24,589	6,098,941
Fund balance, June 30, 2016	3,434,594	5,407,072	32,749	5,439,821

Urban Renewal Agency General Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Repayment of revolving loans	0	0	261,811	261,811
Miscellaneous	55,000	62,607	1,334	63,941
Total revenues	55,000	62,607	263,145	325,752
<u>Expenditures</u>				
Current - departmental:				
Planning and development	134,654	133,796	0	133,796
Special payments	2,093,598	0	0	0
Total expenditures	2,228,252	133,796	0	133,796
Excess (deficiency) of revenues over expenditures	(2,173,252)	(71,189)	263,145	191,956
<u>Other financing sources (uses)</u>				
Principal payments received	450,000	261,811	(261,811)	0
Transfers in	126,000	126,000	0	126,000
Total other financing sources (uses)	576,000	387,811	(261,811)	126,000
Net change in fund balance	(1,597,252)	316,622	1,334	317,956
Fund balance, July 1, 2015	1,619,694	1,619,694	583	1,620,277
Fund balance, June 30, 2016	22,442	1,936,316	1,917	1,938,233

Urban Renewal Agency Riverfront Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Taxes	1,415,500	1,529,742	0	1,529,742
Rental income	63,000	66,150	0	66,150
Miscellaneous	40,100	55,982	3,723	59,705
Total revenues	1,518,600	1,651,874	3,723	1,655,597
<u>Expenditures</u>				
Current - departmental:				
Planning and development	333,360	194,372	0	194,372
Total expenditures	333,360	194,372	0	194,372
Excess (deficiency) of revenues over expenditures	1,185,240	1,457,502	3,723	1,461,225
<u>Other financing sources (uses)</u>				
Transfers out	(2,990,000)	(2,990,000)	0	(2,990,000)
Total other financing sources (uses)	(2,990,000)	(2,990,000)	0	(2,990,000)
Net change in fund balance	(1,804,760)	(1,532,498)	3,723	(1,528,775)
Fund balance, July 1, 2015	8,283,383	8,283,383	3,015	8,286,398
Fund balance, June 30, 2016	6,478,623	6,750,885	6,738	6,757,623

Urban Renewal Agency Riverfront Program Revenue Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Miscellaneous	5,000	1,918	2,988	4,906
Total revenues	5,000	1,918	2,988	4,906
<u>Expenditures</u>				
Special payments	1,000,000	0	0	0
Total expenditures	1,000,000	0	0	0
Excess (deficiency) of revenues over expenditures	(995,000)	1,918	2,988	4,906
<u>Other financing sources (uses)</u>				
Transfers in	2,990,000	2,990,000	0	2,990,000
Total other financing sources (uses)	2,990,000	2,990,000	0	2,990,000
Net change in fund balance	1,995,000	2,991,918	2,988	2,994,906
Fund balance, July 1, 2015	0	0	0	0
Fund balance, June 30, 2016	1,995,000	2,991,918	2,988	2,994,906

DEBT SERVICE FUNDS

Combining statements for all individual nonmajor debt service funds are reported here. The combined totals are reported in the combining nonmajor governmental fund statements at B-1 and B-2. Fund statements for major debt service funds are reported in Exhibits 3 and 4 of the basic financial statements.

Schedules of revenues, expenditures, and changes in fund balance - budget and actual are also presented here for each individual debt service fund.

Major Debt Service Funds:

General Obligation Debt Service Fund - To account for the accumulation of resources for, and the payment of, general obligation indebtedness of the City, excluding debt accounted for as proprietary fund or special assessment debt. The debt service is financed through property taxes and interest income.

Nonmajor Debt Service Funds:

Special Assessment Bond Debt Service Fund - To account for special assessment receivables and the servicing of the related bonded debt. The debt service is financed through special assessment principal and interest collections and interest income.

Urban Renewal Agency Debt Service Fund - To account for the accumulation of tax increment resources and payment of Tax Increment Bonds.

Combining Balance Sheet*Nonmajor Debt Service Funds*

June 30, 2016

(amounts in dollars)

	Special Assessment <u>Bond</u>	Urban Renewal <u>Agency</u>	<u>Total</u>
<u>Assets</u>			
Equity in pooled cash and investments	73,061	1,053,366	1,126,427
Receivables:			
Interest	0	36,949	36,949
Taxes	0	154,847	154,847
Assessments	200,526	0	200,526
Due from other governments	0	6,256	6,256
Assets held for resale	1,541	0	1,541
Total assets	275,128	1,251,418	1,526,546
<hr/>			
Total liabilities	0	0	0
<hr/>			
<u>Deferred inflows of resources</u>			
Unavailable revenue	201,764	191,796	393,560
Total deferred inflows of resources	201,764	191,796	393,560
<hr/>			
<u>Fund balances</u>			
Nonspendable	1,541	0	1,541
Restricted	71,823	1,059,622	1,131,445
Total fund balances	73,364	1,059,622	1,132,986
Total liabilities, deferred inflows of resources, and fund balances	275,128	1,251,418	1,526,546

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Special Assessment <u>Bond</u>	Urban Renewal <u>Agency</u>	<u>Total</u>
<u>Revenues</u>			
Taxes	0	2,040,614	2,040,614
Special assessments	71,269	0	71,269
Miscellaneous	15,988	36,967	52,955
Total revenues	87,257	2,077,581	2,164,838
<u>Expenditures</u>			
Debt service:			
Principal	77,066	2,078,000	2,155,066
Interest	19,010	171,600	190,610
Total expenditures	96,076	2,249,600	2,345,676
Excess (deficiency) of revenues over expenditures	(8,819)	(172,019)	(180,838)
<u>Other financing sources (uses)</u>			
Transfers out	(353,535)	(126,000)	(479,535)
Total other financing sources (uses)	(353,535)	(126,000)	(479,535)
Net change in fund balances	(362,354)	(298,019)	(660,373)
Fund balances, July 1, 2015	435,718	1,357,641	1,793,359
Fund balances, June 30, 2016	73,364	1,059,622	1,132,986

General Obligation Debt Service Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Taxes	14,268,159	14,507,420	0	14,507,420
Miscellaneous	12,000	30,689	184	30,873
Total revenues	14,280,159	14,538,109	184	14,538,293
<u>Expenditures</u>				
Debt service	14,635,011	23,532,715	0	23,532,715
Total expenditures	14,635,011	23,532,715	0	23,532,715
Excess (deficiency) of revenues over expenditures	(354,852)	(8,994,606)	184	(8,994,422)
<u>Other financing sources (uses)</u>				
Proceeds of refunding bonds issuance	0	8,929,918	0	8,929,918
Total other financing sources (uses)	0	8,929,918	0	8,929,918
Net change in fund balance	(354,852)	(64,688)	184	(64,504)
Fund balance, July 1, 2015	354,852	354,852	97	354,949
Fund balance, June 30, 2016	0	290,164	281	290,445

Special Assessment Bond Debt Service Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Actual			GAAP basis
	Budget	Budget basis	Adjustment	
Revenues				
Special assessments	0	0	71,269	71,269
Miscellaneous	49,500	16,071	(83)	15,988
Total revenues	49,500	16,071	71,186	87,257
Expenditures				
Debt service	380,921	96,076	0	96,076
Total expenditures	380,921	96,076	0	96,076
Excess (deficiency) of revenues over expenditures	(331,421)	(80,005)	71,186	(8,819)
Other financing sources (uses)				
Principal payments received	320,900	71,269	(71,269)	0
Transfers out	(363,535)	(353,535)	0	(353,535)
Total other financing sources (uses)	(42,635)	(282,266)	(71,269)	(353,535)
Net change in fund balance	(374,056)	(362,271)	(83)	(362,354)
Fund balance, July 1, 2015	435,562	435,562	156	435,718
Fund balance, June 30, 2016	61,506	73,291	73	73,364

Urban Renewal Agency Debt Service Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Taxes	1,985,000	2,040,614	0	2,040,614
Miscellaneous	11,000	36,406	561	36,967
Total revenues	1,996,000	2,077,020	561	2,077,581
<u>Expenditures</u>				
Debt service	2,253,000	2,249,600	0	2,249,600
Total expenditures	2,253,000	2,249,600	0	2,249,600
Excess (deficiency) of revenues over expenditures	(257,000)	(172,580)	561	(172,019)
<u>Other financing sources (uses)</u>				
Transfers out	(126,000)	(126,000)	0	(126,000)
Total other financing sources (uses)	(126,000)	(126,000)	0	(126,000)
Net change in fund balance	(383,000)	(298,580)	561	(298,019)
Fund balance, July 1, 2015	1,357,151	1,357,151	490	1,357,641
Fund balance, June 30, 2016	974,151	1,058,571	1,051	1,059,622

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CAPITAL PROJECTS FUNDS

Combining statements for all individual nonmajor capital projects funds are reported here. The combined totals are reported in the combining nonmajor governmental fund statements at B-1 and B-2. Fund statements for major capital projects funds are reported in Exhibits 3 and 4 of the basic financial statements.

Schedules of revenues, expenditures, and changes in fund balance - budget and actual are also presented here for each individual capital projects fund.

Major Capital Projects Funds:

General Capital Projects Fund - To account for the financing and construction of capital facilities not financed by proprietary or other capital projects funds. General Fund revenues, Federal and State grants, donations, and bond proceeds provide the financing for the expenditures of this fund.

Systems Development Capital Projects Fund - To account for construction of the non-assessable portion of capacity-enhancing capital projects. Financing is provided by a systems development charge levied against developing properties. Expenditures are restricted by state law to capacity-enhancing projects for the following systems: transportation, sanitary sewers, storm sewers, and parks facilities.

Nonmajor Capital Projects Funds:

Special Assessment Capital Projects Fund - To account for the interim financing and related costs of construction for public improvements which primarily benefit the property owners against whose properties special assessments are levied. Construction-period financing is obtained through issuance of bond anticipation notes, and the debt service thereon is financed through special assessment collections, proceeds of long-term bonded debt, and interest on investments.

Transportation Capital Projects Fund - To account for revenues from dedicated sources and related nondevelopment transportation capital project expenditures. Revenues are generated primarily from a \$0.05 per gallon local motor vehicle fuel tax, transportation grants, and the 2008 Street Bond.

Urban Renewal Agency Capital Projects Fund - To account for costs of constructing and improving capital facilities in the Downtown District. Financing is provided by transfers from the Urban Renewal Agency Fund and interest on investments.

Urban Renewal Agency Riverfront Capital Projects Fund - To account for costs of constructing and improving capital facilities in the Riverfront District. Financing is provided by transfers from the Urban Renewal Agency Riverfront Fund and interest on investments.

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2016

(amounts in dollars)

	<u>Special Assessment</u>	<u>Transportation</u>	<u>Urban Renewal Agency</u>	<u>Urban Renewal Agency Riverfront</u>	<u>Total</u>
Assets					
Equity in pooled cash and investments	2,221,592	5,582,035	540,129	686,568	9,030,324
Receivables:					
Assessments	66,320	0	0	0	66,320
Due from other governments	0	718,645	0	0	718,645
Assets held for resale	265	0	0	990,000	990,265
Total assets	2,288,177	6,300,680	540,129	1,676,568	10,805,554
Liabilities					
Accounts payable	0	551,234	0	13,071	564,305
Due to other governments	0	46,255	0	0	46,255
Deposits	1,092,133	0	0	0	1,092,133
Unearned revenue	0	197,311	0	0	197,311
Total liabilities	1,092,133	794,800	0	13,071	1,900,004
Deferred inflows of resources					
Unavailable revenue	66,586	0	0	0	66,586
Total deferred inflows of resources	66,586	0	0	0	66,586
Fund balances					
Nonspendable	265	0	0	990,000	990,265
Restricted	0	5,505,880	540,129	673,497	6,719,506
Committed	1,129,193	0	0	0	1,129,193
Total fund balances	1,129,458	5,505,880	540,129	1,663,497	8,838,964
Total liabilities, deferred inflows of resources, and fund balances	2,288,177	6,300,680	540,129	1,676,568	10,805,554

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Special Assessment	Transportation	Urban Renewal Agency	Urban Renewal Agency Riverfront	Total
Revenues					
Taxes	0	3,050,845	0	0	3,050,845
Intergovernmental	0	1,079,702	0	0	1,079,702
Rental income	0	39,707	0	0	39,707
Charges for services	103,816	140,592	0	0	244,408
Special assessments	22,763	0	0	0	22,763
Miscellaneous	13,705	31,504	3,669	5,230	54,108
Total revenues	140,284	4,342,350	3,669	5,230	4,491,533
Expenditures					
Current - departmental:					
Planning and development	0	0	860,160	0	860,160
Debt service:					
Issuance costs	0	5,680	0	0	5,680
Capital outlay	0	10,008,250	0	200,681	10,208,931
Total expenditures	0	10,013,930	860,160	200,681	11,074,771
Excess (deficiency) of revenues over expenditures	140,284	(5,671,580)	(856,491)	(195,451)	(6,583,238)
Other financing sources (uses)					
Proceeds of debt issuance	0	6,879,700	0	0	6,879,700
Transfers in	0	30,000	0	0	30,000
Transfers out	(610,291)	0	0	0	(610,291)
Total other financing sources (uses)	(610,291)	6,909,700	0	0	6,299,409
Net change in fund balances	(470,007)	1,238,120	(856,491)	(195,451)	(283,829)
Fund balances, July 1, 2015	1,599,465	4,267,760	1,396,620	1,858,948	9,122,793
Fund balances, June 30, 2016	1,129,458	5,505,880	540,129	1,663,497	8,838,964

General Capital Projects Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Rental income	15,000	22,501	0	22,501
Miscellaneous	1,665,000	122,111	11,784	133,895
Total revenues	1,680,000	144,612	11,784	156,396
<u>Expenditures</u>				
Current - departmental:				
Library, recreation, and cultural services	20,000	4,308	0	4,308
Debt service	50,000	22,375	0	22,375
Capital outlay	30,079,741	8,572,391	0	8,572,391
Total expenditures	30,149,741	8,599,074	0	8,599,074
Excess (deficiency) of revenues over expenditures	(28,469,741)	(8,454,462)	11,784	(8,442,678)
<u>Other financing sources (uses)</u>				
Proceeds of debt issuance	7,635,863	4,403,278	0	4,403,278
Transfers in	4,409,300	4,409,300	23	4,409,323
Total other financing sources (uses)	12,045,163	8,812,578	23	8,812,601
Net change in fund balance	(16,424,578)	358,116	11,807	369,923
Fund balance, July 1, 2015	17,138,128	17,138,128	6,330	17,144,458
Fund balance, June 30, 2016	713,550	17,496,244	18,137	17,514,381

Special Assessment Capital Projects Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Actual			GAAP basis
	Budget	Budget basis	Adjustment	
Revenues				
Charges for services	0	103,816	0	103,816
Special assessments	0	0	22,763	22,763
Miscellaneous	11,600	12,467	1,238	13,705
Total revenues	11,600	116,283	24,001	140,284
<hr/>				
Total expenditures	0	0	0	0
<hr/>				
Excess (deficiency) of revenues over expenditures	11,600	116,283	24,001	140,284
<u>Other financing sources (uses)</u>				
Principal payments received	11,900	22,763	(22,763)	0
Transfers out	(630,291)	(610,291)	0	(610,291)
Total other financing sources (uses)	(618,391)	(587,528)	(22,763)	(610,291)
<hr/>				
Net change in fund balance	(606,791)	(471,245)	1,238	(470,007)
Fund balance, July 1, 2015	1,598,487	1,598,487	978	1,599,465
Fund balance, June 30, 2016	991,696	1,127,242	2,216	1,129,458

Systems Development Capital Projects Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Actual			GAAP basis
	Budget	Budget basis	Adjustment	
<u>Revenues</u>				
Intergovernmental	0	2,500	0	2,500
Rental income	138,840	163,503	0	163,503
Charges for services	4,004,083	5,793,644	5,124	5,798,768
Miscellaneous	73,172	190,000	16,074	206,074
Total revenues	4,216,095	6,149,647	21,198	6,170,845
<u>Expenditures</u>				
Current - departmental:				
Central services	0	0	39,000	39,000
Planning and development	114,035	99,537	0	99,537
Public works	396,243	232,238	0	232,238
Capital outlay	9,397,847	2,780,933	0	2,780,933
Total expenditures	9,908,125	3,112,708	39,000	3,151,708
Excess (deficiency) of revenues over expenditures	(5,692,030)	3,036,939	(17,802)	3,019,137
<u>Other financing sources (uses)</u>				
Principal payments received	0	5,124	(5,124)	0
Transfers out	(39,000)	(39,000)	39,000	0
Total other financing sources (uses)	(39,000)	(33,876)	33,876	0
Net change in fund balance	(5,731,030)	3,003,063	16,074	3,019,137
Fund balance, July 1, 2015	20,877,152	20,877,152	7,647	20,884,799
Fund balance, June 30, 2016	15,146,122	23,880,215	23,721	23,903,936

Transportation Capital Projects Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Taxes	2,880,000	3,050,845	0	3,050,845
Intergovernmental	5,502,533	1,079,702	0	1,079,702
Rental income	0	39,707	0	39,707
Charges for services	57,200	140,592	0	140,592
Miscellaneous	10,000	27,635	3,869	31,504
Total revenues	8,449,733	4,338,481	3,869	4,342,350
<u>Expenditures</u>				
Debt service	10,000	5,680	0	5,680
Capital outlay	21,466,497	10,008,250	0	10,008,250
Total expenditures	21,476,497	10,013,930	0	10,013,930
Excess (deficiency) of revenues over expenditures	(13,026,764)	(5,675,449)	3,869	(5,671,580)
<u>Other financing sources (uses)</u>				
Proceeds of debt issuance	10,808,620	6,879,700	0	6,879,700
Transfers in	30,000	30,000	0	30,000
Total other financing sources (uses)	10,838,620	6,909,700	0	6,909,700
Net change in fund balance	(2,188,144)	1,234,251	3,869	1,238,120
Fund balance, July 1, 2015	4,266,060	4,266,060	1,700	4,267,760
Fund balance, June 30, 2016	2,077,916	5,500,311	5,569	5,505,880

Urban Renewal Agency Capital Projects Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
Revenues				
Miscellaneous	3,000	3,326	343	3,669
Total revenues	3,000	3,326	343	3,669
Expenditures				
Current - departmental:				
Planning and development	0	0	860,160	860,160
Capital outlay	515,972	0	0	0
Total expenditures	515,972	0	860,160	860,160
Excess (deficiency) of revenues over expenditures	(512,972)	3,326	(859,817)	(856,491)
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	(512,972)	3,326	(859,817)	(856,491)
Fund balance, July 1, 2015	536,264	536,264	860,356	1,396,620
Fund balance, June 30, 2016	23,292	539,590	539	540,129

Urban Renewal Agency Riverfront Capital Projects Fund*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Actual			GAAP basis
	<u>Budget</u>	<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Miscellaneous	4,000	4,861	369	5,230
Total revenues	4,000	4,861	369	5,230
<u>Expenditures</u>				
Capital outlay	472,886	200,681	0	200,681
Total expenditures	472,886	200,681	0	200,681
Excess (deficiency) of revenues over expenditures	(468,886)	(195,820)	369	(195,451)
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	(468,886)	(195,820)	369	(195,451)
Fund balance, July 1, 2015	868,632	868,632	990,316	1,858,948
Fund balance, June 30, 2016	399,746	672,812	990,685	1,663,497

ENTERPRISE FUNDS

All of the City's enterprise funds meet the criteria for major fund reporting and are reported in Exhibits 6, 7, and 8 of the basic financial statements.

Schedules of revenues, expenses, and changes in fund net position - budget and actual are presented here for each individual enterprise fund.

Major Enterprise Funds:

Ambulance Transport Fund - To account for the operations of emergency medical services provided to the public. Revenues are provided by user charges.

Municipal Airport Fund - To account for the operations of the municipal airport. Principal sources of revenues are rental of terminal space to airlines and other service providers, landing fees, and parking fees. The fund receives Airport Improvement Program monies from the Federal Aviation Administration for capital improvements. The fund also imposes passenger facility charges on passengers utilizing the airport, the proceeds of which are restricted for use in financing eligible projects, as determined by regulation.

Parking Services Fund - To account for operations of City-owned parking facilities. Revenue sources include parking fees and fines, meter receipts, and rentals. The revenue is used to operate and maintain the parking facilities.

Stormwater Utility Fund - To account for the operation, construction, and maintenance of the stormwater drainage system and the wetland resource protection and enhancement program. Primary revenues are stormwater user fees and the sale of wetland mitigation credits.

Wastewater Utility Fund - To account for the operation, construction, and maintenance of the wastewater collection and treatment system. Primary revenues are wastewater user fees.

Ambulance Transport Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Charges for services	7,414,494	8,094,301	0	8,094,301
Miscellaneous	75,758	171,979	(66)	171,913
Total revenues	7,490,252	8,266,280	(66)	8,266,214
<u>Expenses</u>				
Current - departmental:				
Central services	0	0	552,000	552,000
Fire and emergency medical services	7,435,184	7,435,167	2,108,934	9,544,101
Debt service	0	0	138,647	138,647
Depreciation	0	0	53,159	53,159
Total expenses	7,435,184	7,435,167	2,852,740	10,287,907
Excess (deficiency) of revenues over expenses	55,068	831,113	(2,852,806)	(2,021,693)
<u>Other financing sources (uses)</u>				
Transfers out	(932,390)	(932,390)	552,000	(380,390)
Total other financing sources (uses)	(932,390)	(932,390)	552,000	(380,390)
Change in net position	(877,322)	(101,277)	(2,300,806)	(2,402,083)
Total net position, July 1, 2015	1,298,773	1,298,773	(2,068,045)	(769,272)
Total net position, June 30, 2016	421,451	1,197,496	(4,368,851)	(3,171,355)

Municipal Airport Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Intergovernmental	9,880,059	6,739,428	(6,739,428)	0
Rental income	1,146,690	1,061,267	0	1,061,267
Charges for services	8,197,256	8,981,761	0	8,981,761
Fines and forfeits	6,500	1,549	0	1,549
Miscellaneous	10,000	162,191	(3,220)	158,971
Total revenues	19,240,505	16,946,196	(6,742,648)	10,203,548
<u>Expenses</u>				
Current - departmental:				
Central services	0	0	520,000	520,000
Fire and emergency medical services	848,932	830,289	310,604	1,140,893
Police	551,207	551,207	203,058	754,265
Public works	7,649,923	6,649,995	1,157,003	7,806,998
Debt service	0	0	124,839	124,839
Capital outlay	17,016,351	11,893,449	(11,893,449)	0
Depreciation	0	0	4,764,100	4,764,100
Loss on sale of capital asset	0	0	118,985	118,985
Total expenses	26,066,413	19,924,940	(4,694,860)	15,230,080
Excess (deficiency) of revenues over expenses	(6,825,908)	(2,978,744)	(2,047,788)	(5,026,532)
<u>Other financing sources (uses)</u>				
Capital contributions	0	0	6,747,892	6,747,892
Transfers out	(520,000)	(520,000)	502,928	(17,072)
Total other financing sources (uses)	(520,000)	(520,000)	7,250,820	6,730,820
Change in net position	(7,345,908)	(3,498,744)	5,203,032	1,704,288
Total net position, July 1, 2015	15,634,193	15,634,193	77,796,861	93,431,054
Total net position, June 30, 2016	8,288,285	12,135,449	82,999,893	95,135,342

Parking Services Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Rental income	513,400	540,672	(1,067)	539,605
Charges for services	4,262,780	4,645,822	0	4,645,822
Fines and forfeits	1,340,600	1,473,179	0	1,473,179
Miscellaneous	8,000	12,822	1,402	14,224
Total revenues	6,124,780	6,672,495	335	6,672,830
<u>Expenses</u>				
Current - departmental:				
Central services	428,331	394,324	303,556	697,880
Planning and development	4,200,280	3,729,652	243,330	3,972,982
Public works	90,237	76,401	9,507	85,908
Capital outlay	84,801	0	0	0
Debt service	0	0	31,295	31,295
Depreciation	0	0	800,746	800,746
Total expenses	4,803,649	4,200,377	1,388,434	5,588,811
Excess (deficiency) of revenues over expenses	1,321,131	2,472,118	(1,388,099)	1,084,019
<u>Other financing sources (uses)</u>				
Transfers out	(1,502,755)	(1,502,755)	252,000	(1,250,755)
Total other financing sources (uses)	(1,502,755)	(1,502,755)	252,000	(1,250,755)
Change in net position	(181,624)	969,363	(1,136,099)	(166,736)
Total net position, July 1, 2015	961,552	961,552	14,839,342	15,800,894
Total net position, June 30, 2016	779,928	1,930,915	13,703,243	15,634,158

Stormwater Utility Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
Revenues				
Licenses and permits	108,500	116,420	0	116,420
Intergovernmental	1,177,996	179,568	(53,623)	125,945
Rental income	4,000	33,321	0	33,321
Charges for services	16,872,882	16,881,430	(150,350)	16,731,080
Fines and forfeits	0	480	0	480
Miscellaneous	28,000	41,853	47,982	89,835
Total revenues	18,191,378	17,253,072	(155,991)	17,097,081
Expenses				
Current - departmental:				
Central services	0	0	951,000	951,000
Public works	14,427,451	13,291,306	2,794,844	16,086,150
Capital outlay	6,678,211	2,070,440	(2,070,440)	0
Debt service	0	0	177,951	177,951
Depreciation	0	0	1,933,036	1,933,036
Special payments	15,000	350	(350)	0
Total expenses	21,120,662	15,362,096	3,786,041	19,148,137
Excess (deficiency) of revenues over expenses	(2,929,284)	1,890,976	(3,942,032)	(2,051,056)
Other financing sources (uses)				
Capital contributions	0	0	607,058	607,058
Transfers out	(1,086,000)	(1,086,000)	951,000	(135,000)
Total other financing sources (uses)	(1,086,000)	(1,086,000)	1,558,058	472,058
Change in net position	(4,015,284)	804,976	(2,383,974)	(1,578,998)
Total net position, July 1, 2015	6,152,220	6,152,220	56,354,442	62,506,662
Total net position, June 30, 2016	2,136,936	6,957,196	53,970,468	60,927,664

Wastewater Utility Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
Revenues				
Intergovernmental	0	15,982	0	15,982
Rental income	0	23,139	0	23,139
Charges for services	55,494,941	48,844,875	(24,689,715)	24,155,160
Fines and forfeits	5,000	5,725	0	5,725
Miscellaneous	30,000	81,364	2,546	83,910
Total revenues	55,529,941	48,971,085	(24,687,169)	24,283,916
Expenses				
Current - departmental:				
Central services	0	0	1,385,000	1,385,000
Public works	25,658,165	20,662,901	3,767,661	24,430,562
Capital outlay	4,874,227	2,494,629	(2,494,629)	0
Debt service	0	0	297,496	297,496
Depreciation	0	0	4,033,457	4,033,457
Special payments	26,644,900	24,689,715	(24,689,715)	0
Total expenses	57,177,292	47,847,245	(17,700,730)	30,146,515
Excess (deficiency) of revenues over expenses	(1,647,351)	1,123,840	(6,986,439)	(5,862,599)
Other financing sources (uses)				
Capital contributions	0	0	480,807	480,807
Transfers in	0	0	44,204	44,204
Transfers out	(1,520,000)	(1,520,000)	1,385,000	(135,000)
Total other financing sources (uses)	(1,520,000)	(1,520,000)	1,910,011	390,011
Change in net position	(3,167,351)	(396,160)	(5,076,428)	(5,472,588)
Total net position, July 1, 2015	4,430,419	4,430,419	84,192,706	88,623,125
Total net position, June 30, 2016	1,263,068	4,034,259	79,116,278	83,150,537

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INTERNAL SERVICE FUNDS

Combining statements for all internal service funds are reported here. The combined totals are reported alongside the individual enterprise funds in Exhibits 6, 7, and 8 of the basic financial statements.

Schedules of revenues, expenses, and changes in fund net position - budget and actual are also presented here for each individual internal service fund.

Nonmajor Internal Service Funds:

Facilities Services Fund - To account for facility maintenance services on City buildings. Facility maintenance rates and rental rates are charged on the basis of square footage and are set to recover the full cost of services provided.

Fleet Services Fund - To account for the purchase of vehicles and equipment and the maintenance thereon. Fleet user charges cover vehicle and equipment maintenance expenses as well as the replacement of vehicles and equipment sold or removed from use.

Information Systems and Services Fund - To account for data processing and reproduction, equipment acquisition and maintenance, postage, telephone, and printing/graphic services provided to other City funds. The fund also accounts for the implementation and maintenance of public safety information systems and central business software applications. User charges cover the cost of operations and supplies.

Professional Services Fund - To account for engineering services performed by public works personnel for other City funds. Revenues are provided by charges for these services.

Risk and Benefits Fund - To account for costs of the City's self-insurance program. The City is self-insured for workers' compensation, unemployment compensation, general liability, and employee medical and dental insurance. An actuarial valuation is the basis for recording the claims liability. User charges are based on actual experience or an estimate, depending on the nature of the insurance. This fund also accounts for the accumulation of resources for and payment of the City's pension bonds and other post employment benefits.

Combining Statement of Net Position

All Internal Service Funds

June 30, 2016

(amounts in dollars)

	Facilities Services	Fleet Services	Information Systems and Services	Professional Services	Risk and Benefits	Total
Assets						
<u>Current assets</u>						
Equity in pooled cash and investments	4,097,518	20,490,833	10,221,936	3,798,269	31,351,972	69,960,528
Receivables:						
Accounts	2,045	5,255	0	25,395	19,223	51,918
Allowance for uncollectibles	0	(5,256)	0	(479)	(2,744)	(8,479)
Due from other governments	9,832	9,609	134,915	211,466	24,668	390,490
Inventories	0	521,117	0	0	0	521,117
Prepays and deposits	17,642	32,894	728,821	15,107	320,605	1,115,069
Total current assets	4,127,037	21,054,452	11,085,672	4,049,758	31,713,724	72,030,643
<u>Noncurrent assets</u>						
Capital assets:						
Land	0	455,834	0	0	0	455,834
Improvements other than buildings	0	51,913	0	0	0	51,913
Buildings and equipment	4,162,910	47,674,973	1,381,511	315,436	7,995	53,542,825
Construction in progress	564,234	0	0	0	0	564,234
Accumulated depreciation	(1,775,661)	(30,669,923)	(1,162,600)	(225,528)	(3,998)	(33,837,710)
Total noncurrent assets	2,951,483	17,512,797	218,911	89,908	3,997	20,777,096
<u>Deferred outflows of resources</u>						
Related to pensions	431,889	270,717	245,856	509,824	204,719	1,663,005
Total deferred outflows of resources	431,889	270,717	245,856	509,824	204,719	1,663,005
Total assets and deferred outflows of resources	7,510,409	38,837,966	11,550,439	4,649,490	31,922,440	94,470,744
<u>Liabilities</u>						
<u>Current liabilities</u>						
Accounts payable	120,621	152,535	106,331	95,467	86,218	561,172
Wages payable	189,210	119,970	122,469	242,097	131,367	805,113
Compensated absences payable	232,004	155,141	114,754	260,578	96,893	859,370
Due to other governments	171,291	19,834	10,042	50,153	20,250	271,570
Claims payable	0	0	0	0	12,566,534	12,566,534
Deposits	2,925	0	0	0	81,870	84,795
Interest payable	8,416	3,905	3,130	7,055	27,385	49,891
Unearned revenue	68,755	0	0	0	0	68,755
Certificates of participation payable	190,000	0	0	0	0	190,000
Bonds payable	24,569	14,486	11,587	26,159	103,414	180,215
Total current liabilities	1,007,791	465,871	368,313	681,509	13,113,931	15,637,415
<u>Noncurrent liabilities</u>						
Compensated absences payable	13,420	0	16,171	0	73,897	103,488
Certificates of participation payable	200,000	0	0	0	0	200,000
Bonds payable (net of unamortized discount/premium)	1,366,839	805,921	644,623	1,455,335	5,753,372	10,026,090
Net pension liability	1,720,903	1,078,702	979,641	2,031,448	815,726	6,626,420
Net OPEB obligation	0	0	0	0	2,055,605	2,055,605
Total noncurrent liabilities	3,301,162	1,884,623	1,640,435	3,486,783	8,698,600	19,011,603
<u>Deferred inflows of resources</u>						
Related to pensions	450,277	282,244	256,324	531,531	213,436	1,733,812
Total deferred inflows of resources	450,277	282,244	256,324	531,531	213,436	1,733,812
Total liabilities and deferred inflows of resources	4,759,230	2,632,738	2,265,072	4,699,823	22,025,967	36,382,830
<u>Net position</u>						
Net investment in capital assets	2,561,483	17,512,797	218,911	89,908	3,997	20,387,096
Unrestricted	189,696	18,692,431	9,066,456	(140,241)	9,892,476	37,700,818
Total net position	2,751,179	36,205,228	9,285,367	(50,333)	9,896,473	58,087,914

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Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

All Internal Service Funds

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Facilities Services	Fleet Services	Information Systems and Services	Professional Services	Risk and Benefits	Total
<u>Operating revenues</u>						
Rental income	606,488	31,510	0	0	0	637,998
Charges for services	9,166,229	9,318,571	6,930,032	5,904,649	34,215,100	65,534,581
Miscellaneous	6,698	134,292	1,493	10	103,366	245,859
Total operating revenues	9,779,415	9,484,373	6,931,525	5,904,659	34,318,466	66,418,438
<u>Operating expenses</u>						
Personnel services	3,906,774	2,433,116	2,138,918	4,408,207	1,518,117	14,405,132
Contractual services	681,690	580,514	825,486	251,884	614,427	2,954,001
Materials and supplies	735,757	1,606,600	1,418,759	218,638	143,763	4,123,517
Maintenance	688,402	624,761	293,294	314,224	78,161	1,998,842
Utilities	2,359,215	82,282	465,226	32,719	14,939	2,954,381
Rent	18,270	0	110,317	157,211	123,544	409,342
Taxes	394	0	0	0	0	394
Insurance	72,168	479,709	22,591	28,629	2,334,948	2,938,045
Claims	0	0	0	0	26,147,507	26,147,507
Central business functions	433,000	356,000	299,000	530,000	129,000	1,747,000
Depreciation	107,353	3,447,002	116,421	48,796	533	3,720,105
Pension expense	1,629,949	1,064,174	1,012,059	2,007,619	908,772	6,622,573
Total operating expenses	10,632,972	10,674,158	6,702,071	7,997,927	32,013,711	68,020,839
Operating income (loss)	(853,557)	(1,189,785)	229,454	(2,093,268)	2,304,755	(1,602,401)
<u>Nonoperating revenues (expenses)</u>						
Interest revenue	30,062	134,598	66,230	26,837	213,451	471,178
Interest expense	(132,378)	(60,148)	(48,118)	(108,640)	(421,452)	(770,736)
Gain (loss) on sale of capital assets	0	115,353	9,063	0	0	124,416
Intergovernmental	0	0	0	0	147,463	147,463
Total nonoperating revenues (expenses)	(102,316)	189,803	27,175	(81,803)	(60,538)	(27,679)
Income (loss) before capital contributions and transfers	(955,873)	(999,982)	256,629	(2,175,071)	2,244,217	(1,630,080)
Capital contributions	0	61,096	37,228	0	0	98,324
Transfers in	0	1,433,420	1,969,427	0	0	3,402,847
Transfers out	(8,612)	(50,939)	0	(140,601)	(21,024)	(221,176)
Change in net position	(964,485)	443,595	2,263,284	(2,315,672)	2,223,193	1,649,915
Total net position, July 1, 2015	3,715,664	35,761,633	7,022,083	2,265,339	7,673,280	56,437,999
Total net position, June 30, 2016	2,751,179	36,205,228	9,285,367	(50,333)	9,896,473	58,087,914

Combining Statement of Cash Flows*All Internal Service Funds*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Facilities Services</u>	<u>Fleet Services</u>	<u>Information Systems and Services</u>	<u>Professional Services</u>	<u>Risk and Benefits</u>	<u>Total</u>
<u>Cash flows from operating activities</u>						
Cash received from customers	1,091,019	346,281	5,552,438	5,907,672	4,599,108	17,496,518
Cash received from interfund services provided	8,707,105	9,199,449	1,587,918	0	30,080,486	49,574,958
Cash paid to suppliers for goods and services	(4,055,414)	(2,727,087)	(2,627,971)	(589,102)	(28,886,437)	(38,886,011)
Cash paid to employees for services	(3,282,121)	(2,138,174)	(1,955,042)	(3,940,951)	(2,338,779)	(13,655,067)
Cash paid for interfund services used	(1,422,023)	(1,451,839)	(1,588,712)	(1,166,603)	(400,340)	(6,029,517)
Cash paid for central business functions	(433,000)	(356,000)	(299,000)	(530,000)	(129,000)	(1,747,000)
Net cash provided by (used for) operating activities	605,566	2,872,630	669,631	(318,984)	2,925,038	6,753,881
<u>Cash flows from noncapital financing activities</u>						
Transfers in	0	1,380,000	1,963,826	0	0	3,343,826
Transfers out	(8,612)	0	0	(135,000)	(21,024)	(164,636)
Principal payments on pension bonds	(66,536)	(40,618)	(33,403)	(74,083)	(184,667)	(399,307)
Interest payments on pension bonds	(79,320)	(46,793)	(37,470)	(84,545)	(328,493)	(576,621)
Subsidy from grant	0	0	0	0	147,463	147,463
Net cash provided by (used for) noncapital financing activities	(154,468)	1,292,589	1,892,953	(293,628)	(386,721)	2,350,725
<u>Cash flows from capital and related financing activities</u>						
Principal payments on notes, bonds, and certificates	(180,000)	0	0	0	0	(180,000)
Interest payments on notes, bonds, and certificates	(31,700)	0	0	0	0	(31,700)
Proceeds from sale of capital assets	0	213,719	15,106	0	0	228,825
Acquisition and construction of capital assets	(134,695)	(1,923,828)	(15,106)	(5,601)	0	(2,079,230)
Net cash provided by (used for) capital and related financing activities	(346,395)	(1,710,109)	0	(5,601)	0	(2,062,105)
<u>Cash flows from investing activities</u>						
Interest revenue	30,062	134,598	66,230	26,837	213,451	471,178
Net cash provided by (used for) investing activities	30,062	134,598	66,230	26,837	213,451	471,178
Net increase (decrease) in cash	134,765	2,589,708	2,628,814	(591,376)	2,751,768	7,513,679
Cash, July 1, 2015	3,962,753	17,901,125	7,593,122	4,389,645	28,600,204	62,446,849
Cash, June 30, 2016	4,097,518	20,490,833	10,221,936	3,798,269	31,351,972	69,960,528

continued

	<u>Facilities Services</u>	<u>Fleet Services</u>	<u>Information Systems and Services</u>	<u>Professional Services</u>	<u>Risk and Benefits</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	(853,557)	(1,189,785)	229,454	(2,093,268)	2,304,755	(1,602,401)
<u>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</u>						
Depreciation	107,353	3,447,002	116,421	48,796	533	3,720,105
(Increase) Decrease in accounts receivable	12,891	1,794	0	94,554	340,044	449,283
Increase (Decrease) in allowance for uncollectibles	(210)	0	0	(1,918)	0	(2,128)
(Increase) Decrease in due from other governments	(9,832)	93,405	208,831	(89,623)	18,691	221,472
(Increase) Decrease in prepaids and deposits	1,922	(32,894)	(681,977)	(297)	(24,537)	(737,783)
(Increase) Decrease in inventories	0	(58,856)	0	0	0	(58,856)
(Increase) Decrease in deferred outflows related to pensions	(128,647)	(85,661)	(95,604)	(178,987)	(90,079)	(578,978)
(Increase) Decrease in net pension asset	743,141	483,020	403,498	840,586	360,192	2,830,437
Increase (Decrease) in deferred inflows related to pensions	(1,050,790)	(633,795)	(487,433)	(1,106,137)	(354,040)	(3,632,195)
Increase (Decrease) in net pension liability	1,720,903	1,078,702	979,641	2,031,448	815,726	6,626,420
Increase (Decrease) in accounts payable	8,147	(244,742)	(1,177)	82,370	61,284	(94,118)
Increase (Decrease) in wages payable	22,535	7,375	33,227	39,168	23,834	126,139
Increase (Decrease) in compensated absences payable	22,364	(3,505)	(24,851)	18,310	46,744	59,062
Increase (Decrease) in net OPEB obligation	0	0	0	0	(994,519)	(994,519)
Increase (Decrease) in claims payable	0	0	0	0	393,946	393,946
Increase (Decrease) in deposits	2,045	0	0	0	2,393	4,438
Increase (Decrease) in due to other governments	(6,514)	11,518	(10,399)	(3,986)	20,071	10,690
Increase (Decrease) in unearned revenue	13,815	(948)	0	0	0	12,867
Net cash provided by (used for) operating activities	605,566	2,872,630	669,631	(318,984)	2,925,038	6,753,881

Facilities Services Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Rental income	510,205	629,243	(22,755)	606,488
Charges for services	9,442,898	9,166,229	0	9,166,229
Miscellaneous	6,000	34,116	2,644	36,760
Total revenues	9,959,103	9,829,588	(20,111)	9,809,477
<u>Expenses</u>				
Current - departmental:				
Central services	9,283,708	8,665,980	1,558,450	10,224,430
Planning and development	343,206	249,520	51,669	301,189
Debt service	211,700	211,700	(79,322)	132,378
Capital outlay	448,874	157,367	(157,367)	0
Depreciation	0	0	107,353	107,353
Total expenses	10,287,488	9,284,567	1,480,783	10,765,350
Excess (deficiency) of revenues over expenses	(328,385)	545,021	(1,500,894)	(955,873)
<u>Other financing sources (uses)</u>				
Transfers out	(433,000)	(433,000)	424,388	(8,612)
Total other financing sources (uses)	(433,000)	(433,000)	424,388	(8,612)
Change in net position	(761,385)	112,021	(1,076,506)	(964,485)
Total net position, July 1, 2015	3,509,263	3,509,263	206,401	3,715,664
Total net position, June 30, 2016	2,747,878	3,621,284	(870,105)	2,751,179

Fleet Services Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Rental income	25,000	31,510	0	31,510
Charges for services	9,552,702	9,317,623	948	9,318,571
Miscellaneous	322,000	468,684	(199,793)	268,891
Total revenues	9,899,702	9,817,817	(198,845)	9,618,972
<u>Expenses</u>				
Current - departmental:				
Central services	0	0	356,000	356,000
Public works	11,703,935	8,135,384	(1,264,227)	6,871,157
Debt service	0	0	60,148	60,148
Depreciation	0	0	3,447,002	3,447,002
Total expenses	11,703,935	8,135,384	2,598,923	10,734,307
Excess (deficiency) of revenues over expenses	(1,804,233)	1,682,433	(2,797,768)	(1,115,335)
<u>Other financing sources (uses)</u>				
Capital contributions	0	0	61,096	61,096
Gain on sale of capital assets	0	0	115,353	115,353
Transfers in	1,380,000	1,380,000	53,420	1,433,420
Transfers out	(356,000)	(356,000)	305,061	(50,939)
Total other financing sources (uses)	1,024,000	1,024,000	534,930	1,558,930
Change in net position	(780,233)	2,706,433	(2,262,838)	443,595
Total net position, July 1, 2015	17,481,227	17,481,227	18,280,406	35,761,633
Total net position, June 30, 2016	16,700,994	20,187,660	16,017,568	36,205,228

Information Systems and Services Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Charges for services	7,374,248	6,930,032	0	6,930,032
Miscellaneous	29,600	60,289	16,497	76,786
Total revenues	7,403,848	6,990,321	16,497	7,006,818
<u>Expenses</u>				
Current - departmental:				
Central services	13,973,146	6,264,249	321,401	6,585,650
Debt service	0	0	48,118	48,118
Depreciation	0	0	116,421	116,421
Total expenses	13,973,146	6,264,249	485,940	6,750,189
Excess (deficiency) of revenues over expenses	(6,569,298)	726,072	(469,443)	256,629
<u>Other financing sources (uses)</u>				
Capital contributions	0	0	37,228	37,228
Transfers in	1,963,826	1,963,826	5,601	1,969,427
Transfers out	(299,000)	(299,000)	299,000	0
Total other financing sources (uses)	1,664,826	1,664,826	341,829	2,006,655
Change in net position	(4,904,472)	2,390,898	(127,614)	2,263,284
Total net position, July 1, 2015	7,716,912	7,716,912	(694,829)	7,022,083
Total net position, June 30, 2016	2,812,440	10,107,810	(822,443)	9,285,367

Professional Services Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Licenses and permits	500	0	0	0
Charges for services	5,996,066	5,904,649	0	5,904,649
Miscellaneous	800	24,656	2,191	26,847
Total revenues	5,997,366	5,929,305	2,191	5,931,496
<u>Expenses</u>				
Current - departmental:				
Central services	0	0	530,000	530,000
Public works	6,177,049	5,978,436	1,440,695	7,419,131
Debt service	0	0	108,640	108,640
Depreciation	0	0	48,796	48,796
Total expenses	6,177,049	5,978,436	2,128,131	8,106,567
Excess (deficiency) of revenues over expenses	(179,683)	(49,131)	(2,125,940)	(2,175,071)
<u>Other financing sources (uses)</u>				
Transfers out	(665,000)	(665,000)	524,399	(140,601)
Total other financing sources (uses)	(665,000)	(665,000)	524,399	(140,601)
Change in net position	(844,683)	(714,131)	(1,601,541)	(2,315,672)
Total net position, July 1, 2015	4,357,276	4,357,276	(2,091,937)	2,265,339
Total net position, June 30, 2016	3,512,593	3,643,145	(3,693,478)	(50,333)

Risk and Benefits Fund*Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual*

For the fiscal year ended June 30, 2016

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Intergovernmental	229,275	295,781	(148,318)	147,463
Charges for services	39,754,385	39,822,736	(5,607,636)	34,215,100
Miscellaneous	111,397	1,012,478	(695,660)	316,818
Total revenues	40,095,057	41,130,995	(6,451,614)	34,679,381
<u>Expenses</u>				
Current - departmental:				
Central services	35,313,131	33,078,812	(1,065,633)	32,013,179
Debt service	6,069,400	6,069,373	(5,647,921)	421,452
Depreciation	0	0	533	533
Total expenses	41,382,531	39,148,185	(6,713,021)	32,435,164
Excess (deficiency) of revenues over expenses	(1,287,474)	1,982,810	261,407	2,244,217
<u>Other financing sources (uses)</u>				
Transfers out	(129,000)	(129,000)	107,976	(21,024)
Total other financing sources (uses)	(129,000)	(129,000)	107,976	(21,024)
Change in net position	(1,416,474)	1,853,810	369,383	2,223,193
Total net position, July 1, 2015	12,867,792	12,867,792	(5,194,512)	7,673,280
Total net position, June 30, 2016	11,451,318	14,721,602	(4,825,129)	9,896,473

OTHER SUPPLEMENTARY SCHEDULES

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Schedule of Bonded Debt Transactions

For the fiscal year ended June 30, 2016

(amounts in dollars)

	Issued interest rates	Issue date	Maturity date	Amount issued/ authorized	Outstanding June 30, 2015		Fiscal Year 2015-2016			Outstanding June 30, 2016	
					Matured	Unmatured	Incurred	Matured	Redeemed	Matured	Unmatured
<u>Governmental Activities</u>											
<u>General obligation bonds</u>											
Parks and Open Spaces Bonds, Series 2004	2.500 to	5/1/04	6/1/23	6,305,000	0	2,390,000	0	330,000	2,390,000	0	0
Interest	4.650%			2,610,314	0	117,276	0	117,276	117,276	0	0
General Obligation Refunding Bonds, Series 2006	3.500 to	3/9/06	3/1/19	24,990,000	0	7,145,000	0	2,785,000	7,145,000	0	0
Interest	4.125%			7,556,255	0	318,900	0	318,900	318,900	0	0
Premium				244,744	0	18,234	0	18,234	18,234	0	0
General Obligation Refunding Bonds, Series 2011	2.000 to	12/1/11	6/1/22	10,975,000	0	6,745,000	0	1,295,000	1,295,000	0	5,450,000
Interest	3.000%			1,418,138	0	584,675	0	183,275	183,275	0	401,400
Premium				489,606	0	201,763	0	60,639	60,639	0	141,124
General Obligation and Refunding Bonds, Series 2016	2.000%	6/28/16	6/1/26	10,125,000	0	0	10,125,000	0	0	0	10,125,000
Interest	5.000%			1,229,363	0	0	1,229,363	0	0	0	1,229,363
Premium				808,196	0	0	808,196	0	0	0	808,196
G.O. Bond and Revolving Credit Facility (POS)	0.750%	5/13/07	6/1/17	3,000,000	0	1,300,000	2,400,000	3,650,000	3,650,000	0	50,000
Interest				0	0	1,075	27,046	25,936	25,936	0	2,185
G.O. Bond and Revolving Credit Facility (Street 2012)	1.040%	5/6/14	6/1/17	5,000,000	0	1,410,300	6,879,700	8,290,000	8,290,000	0	0
Interest				0	0	2,123	25,770	27,893	27,893	0	0
Subtotal general obligation bonds				74,751,616	0	20,234,346	21,495,075	17,102,153	23,522,153	0	18,207,268
<u>Certificates of participation</u>											
Atrium Obligations Series 1998A (tax-exempt)	3.700 to	6/1/98	6/1/18	1,200,000	0	270,000	0	85,000	85,000	0	185,000
Interest	4.900%			676,913	0	26,775	0	13,100	13,100	0	13,675
Atrium Obligations Series 1998B (taxable)	6.125 to	6/1/98	6/1/18	1,200,000	0	300,000	0	95,000	95,000	0	205,000
Interest	6.200%			939,108	0	37,820	0	18,600	18,600	0	19,220
Subtotal certificates of participation				4,016,021	0	634,595	0	211,700	211,700	0	422,895
<u>Limited tax bonds</u>											
Limited Tax Pension Bonds, Series 2002	2.000 to	3/15/02	6/1/28	69,613,281	0	51,683,257	0	2,254,977	2,254,977	0	49,428,280
Interest	7.410%			85,352,417	0	34,061,616	0	4,168,082	4,168,082	0	29,893,534
Discount				(13,653,848)	0	(8,083,626)	0	(1,510,820)	(1,510,820)	0	(6,572,806)
Limited Tax Improvement Bonds, Series 2006	5.100%	6/13/06	6/1/16	1,036,427	0	26,489	0	26,489	26,489	0	0
Interest				526,818	0	977	0	977	977	0	0
Limited Tax Improvement Bonds, Series 2011	7.050%	6/28/11	12/1/26	580,000	0	267,542	0	50,577	50,577	0	216,965
Interest				633,795	0	178,641	0	18,033	18,033	0	160,608
Subtotal limited tax bonds				144,088,891	0	78,134,896	0	5,008,315	5,008,315	0	73,126,581

continued

	Issued interest rates	Issue date	Maturity date	Amount issued/ authorized	Outstanding June 30, 2015		Fiscal Year 2015-2016			Outstanding June 30, 2016	
					Matured	Unmatured	Incurred	Matured	Redeemed	Matured	Unmatured
<u>Governmental Activities, continued</u>											
<u>Tax increment bonds</u>											
URA Tax Increment Bonds, Series 2011	5.200%	5/25/11	6/1/20	7,900,000	0	3,300,000	0	878,000	2,078,000	0	1,222,000
Interest				2,185,439	0	250,640	0	171,600	171,600	0	79,040
Subtotal tax increment bonds				10,085,439	0	3,550,640	0	1,049,600	2,249,600	0	1,301,040
Total bonded debt - governmental activities				232,941,967	0	102,554,477	21,495,075	23,371,768	30,991,768	0	93,057,784
<u>Bonded debt - governmental activities</u>											
Principal				129,813,407	0	66,973,959	20,212,896	18,308,096	25,928,096	0	61,258,759
Interest				103,128,560	0	35,580,518	1,282,179	5,063,672	5,063,672	0	31,799,025
Total bonded debt - governmental activities				232,941,967	0	102,554,477	21,495,075	23,371,768	30,991,768	0	93,057,784
<u>Business-type Activities</u>											
<u>Limited tax bonds</u>											
Limited Tax Pension Bonds, Series 2002	2.000 to	3/15/02	6/1/28	14,721,719	0	10,926,743	0	500,023	500,023	0	10,426,720
Interest	7.410%			18,050,209	0	7,203,303	0	897,368	897,368	0	6,305,935
Discount				(2,887,496)	0	(1,706,324)	0	(319,814)	(319,814)	0	(1,386,510)
Subtotal limited tax bonds				29,884,431	0	16,423,722	0	1,077,577	1,077,577	0	15,346,145
Total bonded debt - business-type activities				29,884,431	0	16,423,722	0	1,077,577	1,077,577	0	15,346,145
<u>Bonded debt - business-type activities</u>											
Principal				11,834,222	0	9,220,419	0	180,209	180,209	0	9,040,210
Interest				18,050,209	0	7,203,303	0	897,368	897,368	0	6,305,935
Total bonded debt - business-type activities				29,884,431	0	16,423,722	0	1,077,577	1,077,577	0	15,346,145
<u>Total bonded debt</u>											
Principal				141,647,629	0	76,194,378	20,212,896	18,488,305	26,108,305	0	70,298,969
Interest				121,178,769	0	42,783,821	1,282,179	5,961,040	5,961,040	0	38,104,960
Total bonded debt				262,826,398	0	118,978,199	21,495,075	24,449,345	32,069,345	0	108,403,929

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STATISTICAL SECTION

This part of the City of Eugene's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends (Schedules I-1 to I-4)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (Schedules I-5 to I-8)

These schedules contain information to help the reader assess the factors affecting the City's ability to generate property taxes.

Debt Capacity (Schedules I-9 to I-12)

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (Schedules I-13 - I-14)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information (Schedules I-15 to I-17)

These schedules contain information about the City's operation and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Net Position by Component

Last ten fiscal years - unaudited

(amounts in dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Governmental activities</u>										
Net investment in capital assets	317,131,090	337,614,504	345,073,199	368,493,364	371,712,593	384,208,529	388,294,288	405,556,459	412,174,294	410,543,209
Restricted for:										
Capital projects	24,818,163	18,685,919	17,115,701	16,733,124	24,756,656	18,408,750	25,451,933	36,297,937	39,587,714	46,145,952
Debt service	1,698,134	1,479,458	815,360	2,128,503	2,971,915	2,666,763	2,405,391	1,997,355	2,260,458	1,895,999
Community development	11,072,272	12,345,467	15,559,285	16,817,966	20,259,962	23,219,052	23,435,739	20,167,456	14,882,218	13,418,343
Urban renewal	13,044,734	14,159,758	15,275,722	14,789,792	3,346,926	6,337,101	8,033,194	11,148,771	14,035,835	16,307,150
Other purposes	9,721,619	6,387,334	5,195,976	5,722,120	6,413,577	8,760,189	10,443,928	11,392,942	7,783,467	5,228,628
Unrestricted	93,170,976	92,606,219	86,891,871	81,804,405	92,174,866	91,155,599	85,756,720	82,279,867	43,818,489	25,577,165
Total governmental activities net position	<u>470,656,988</u>	<u>483,278,659</u>	<u>485,927,114</u>	<u>506,489,274</u>	<u>521,636,495</u>	<u>534,755,983</u>	<u>543,821,193</u>	<u>568,840,787</u>	<u>534,542,475</u>	<u>519,116,446</u>
<u>Business-type activities</u>										
Net investment in capital assets	223,163,869	229,495,712	232,335,631	239,045,916	241,534,490	243,029,332	240,442,993	242,024,310	245,767,377	251,116,579
Restricted for:										
Capital projects	4,919,041	7,819,508	7,222,609	8,435,242	11,625,345	12,568,710	14,149,495	13,220,650	11,391,051	7,675,141
Debt service	1,661,826	1,536,386	2,150,987	725,324	7,211	0	0	0	0	0
Unrestricted	29,141,077	25,321,148	20,076,992	23,942,080	24,982,466	26,709,243	25,999,492	26,792,901	6,889,547	(2,857,325)
Total business-type activities net position	<u>258,885,813</u>	<u>264,172,754</u>	<u>261,786,219</u>	<u>272,148,562</u>	<u>278,149,512</u>	<u>282,307,285</u>	<u>280,591,980</u>	<u>282,037,861</u>	<u>264,047,975</u>	<u>255,934,395</u>
<u>Total government</u>										
Net investment in capital assets	540,294,959	567,110,216	577,408,830	607,539,280	613,247,083	627,237,861	628,737,281	647,580,769	657,941,671	661,659,788
Restricted for:										
Capital projects	29,737,204	26,505,427	24,338,310	25,168,366	36,382,001	30,977,460	39,601,428	49,518,587	50,978,765	53,821,093
Debt service	3,359,960	3,015,844	2,966,347	2,853,827	2,979,126	2,666,763	2,405,391	1,997,355	2,260,458	1,895,999
Community development	11,072,272	12,345,467	15,559,285	16,817,966	20,259,962	23,219,052	23,435,739	20,167,456	14,882,218	13,418,343
Urban renewal	13,044,734	14,159,758	15,275,722	14,789,792	3,346,926	6,337,101	8,033,194	11,148,771	14,035,835	16,307,150
Other purposes	9,721,619	6,387,334	5,195,976	5,722,120	6,413,577	8,760,189	10,443,928	11,392,942	7,783,467	5,228,628
Unrestricted	122,312,053	117,927,367	106,968,863	105,746,485	117,157,332	117,864,842	111,756,212	109,072,768	50,708,036	22,719,840
Total government net position	<u>729,542,801</u>	<u>747,451,413</u>	<u>747,713,333</u>	<u>778,637,836</u>	<u>799,786,007</u>	<u>817,063,268</u>	<u>824,413,173</u>	<u>850,878,648</u>	<u>798,590,450</u>	<u>775,050,841</u>

Notes

- a) This schedule was modified with the implementation of GASB 63, effective FY13.
- b) Significant fluctuations between the current year and the prior year are discussed in the Management's Discussion and Analysis.
- c) Implementation of GASB 68 resulted in reductions in unrestricted net position for the governmental and business-type activities of \$79,941,438, \$30,222,499, respectively. The adjustment is reflected in FY15 net position. The prior year was not adjusted for the change.

Data source

City of Eugene Finance Division

Changes in Net Position

*Last ten fiscal years - unaudited
(amounts in dollars)*

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Central services	14,074,704	8,705,558	9,217,725	8,377,766	9,759,910	9,804,909	11,010,499	10,101,687	10,016,691	10,746,898
Fire and emergency medical services	25,625,315	27,597,155	27,345,006	26,737,259	27,260,063	28,641,938	29,471,662	28,734,323	23,051,781	44,127,222
Library, recreation, and cultural services	28,318,253	27,418,613	29,681,412	28,956,894	29,249,223	28,820,958	27,912,194	27,979,579	26,307,845	37,520,105
Planning and development	20,368,626	21,760,065	20,978,977	19,833,161	32,208,704	19,651,543	16,992,125	19,855,392	14,945,561	21,803,208
Police	44,649,822	46,876,021	48,533,017	44,801,367	47,645,365	52,725,185	54,150,123	53,536,877	44,175,829	76,487,552
Public works	26,796,673	29,077,493	29,139,235	28,550,511	29,775,680	30,285,866	31,360,921	32,665,528	30,287,289	40,292,510
Interest on long term debt	7,296,131	6,635,966	6,654,887	6,415,984	6,280,158	6,650,862	6,227,473	5,627,465	4,463,026	4,480,488
Total governmental activities expenses	<u>167,129,524</u>	<u>168,070,871</u>	<u>171,550,259</u>	<u>163,672,942</u>	<u>182,179,103</u>	<u>176,581,261</u>	<u>177,124,997</u>	<u>178,500,851</u>	<u>153,248,022</u>	<u>235,457,983</u>
Business-type activities:										
Ambulance transport	5,570,868	5,971,282	6,773,249	5,737,099	5,669,204	6,950,263	6,500,180	6,858,038	5,666,141	10,306,470
Municipal airport	9,506,496	9,910,114	10,261,598	10,404,018	11,031,434	11,969,227	12,333,384	12,760,263	11,511,962	15,208,010
Parking services	4,194,549	4,249,563	4,756,555	4,567,110	5,517,107	4,554,259	4,388,694	4,614,694	4,257,580	5,618,061
Stormwater utility	10,533,696	11,272,132	11,578,529	12,318,848	13,084,702	13,301,129	13,930,199	14,487,104	13,458,689	19,264,800
Wastewater utility	20,164,583	19,969,122	23,474,996	20,588,115	21,351,247	22,359,079	23,534,299	22,731,897	21,333,428	30,201,569
Total business-type activities expenses	<u>49,970,192</u>	<u>51,372,213</u>	<u>56,844,927</u>	<u>53,615,190</u>	<u>56,653,694</u>	<u>59,133,957</u>	<u>60,686,756</u>	<u>61,451,996</u>	<u>56,227,800</u>	<u>80,598,910</u>
Total government expenses	<u>217,099,716</u>	<u>219,443,084</u>	<u>228,395,186</u>	<u>217,288,132</u>	<u>238,832,797</u>	<u>235,715,218</u>	<u>237,811,753</u>	<u>239,952,847</u>	<u>209,475,822</u>	<u>316,056,893</u>
Program revenues										
Governmental activities:										
Fees, fines, and charges for services:										
Central services	5,541,010	5,522,788	5,966,891	6,611,740	7,865,208	7,414,102	8,435,743	7,751,439	8,016,986	7,779,910
Fire and emergency medical services	2,200,740	2,183,626	2,212,104	2,195,110	2,243,125	2,323,103	2,427,351	2,626,193	2,728,193	2,609,853
Library, recreation, and cultural services	5,523,221	6,043,182	5,713,783	5,522,563	6,175,973	5,636,053	5,481,909	5,888,579	5,973,060	7,257,449
Planning and development	9,130,553	8,822,469	11,193,007	8,379,827	15,265,547	12,067,636	9,106,904	10,077,395	10,876,148	9,688,738
Police	3,630,956	3,600,489	4,061,284	3,639,665	3,886,160	4,975,304	5,295,508	5,130,469	4,533,377	4,767,887
Public works	7,693,206	6,701,152	4,111,995	4,025,012	7,159,740	7,518,399	7,525,400	10,110,840	11,195,072	7,752,218
Operating grants and contributions	17,572,724	18,105,379	12,404,857	13,996,242	17,235,076	15,253,888	14,212,700	14,615,558	13,914,474	14,585,696
Capital grants and contributions	14,581,532	7,820,036	10,628,446	8,668,969	8,623,632	2,933,678	4,054,905	10,806,249	2,647,314	1,844,022
Total governmental activities program revenues	<u>65,873,942</u>	<u>58,799,121</u>	<u>56,292,367</u>	<u>53,039,128</u>	<u>68,454,461</u>	<u>58,122,163</u>	<u>56,540,420</u>	<u>67,006,722</u>	<u>59,884,624</u>	<u>56,285,773</u>
Business-type activities:										
Fees, fines, and charges for services:										
Ambulance transport	6,208,007	6,198,183	6,077,414	6,846,164	7,305,057	6,858,744	6,503,433	6,662,738	7,798,119	8,263,092
Municipal airport	7,146,352	7,930,588	6,982,760	7,454,423	7,955,702	8,068,953	8,463,832	9,045,654	9,440,676	10,124,799
Parking services	4,509,409	4,686,222	4,320,201	4,463,624	5,058,011	5,333,965	5,155,533	5,479,224	6,644,111	6,663,765
Stormwater utility	10,988,542	11,903,193	11,849,471	12,631,672	12,752,165	14,620,589	14,905,914	15,074,351	16,943,260	16,936,261
Wastewater utility	17,408,380	17,844,420	20,542,153	19,220,462	20,116,031	21,317,603	21,991,866	21,595,516	22,461,798	24,241,891
Operating grants and contributions	1,025,293	1,005,229	0	147,102	295,559	50,920	88,815	370,304	563,211	141,927
Capital grants and contributions	11,140,197	9,286,521	3,977,229	14,113,734	5,927,862	7,232,486	3,724,162	6,610,049	6,693,012	7,764,290
Total business-type activities program revenues	<u>58,426,180</u>	<u>58,854,356</u>	<u>53,749,228</u>	<u>64,877,181</u>	<u>59,410,387</u>	<u>63,483,260</u>	<u>60,833,555</u>	<u>64,837,836</u>	<u>70,544,187</u>	<u>74,136,025</u>
Total government program revenues	<u>124,300,122</u>	<u>117,653,477</u>	<u>110,041,595</u>	<u>117,916,309</u>	<u>127,864,848</u>	<u>121,605,423</u>	<u>117,373,975</u>	<u>131,844,558</u>	<u>130,428,811</u>	<u>130,421,798</u>

continued

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense) revenue										
Governmental activities	(101,255,582)	(109,271,750)	(115,257,892)	(110,633,814)	(113,724,642)	(118,459,098)	(120,584,577)	(111,494,129)	(93,363,398)	(179,172,210)
Business-type activities	8,455,988	7,482,143	(3,095,699)	11,261,991	2,756,693	4,349,303	146,799	3,385,840	14,316,387	(6,462,885)
Total government net (expense) revenue	<u>(92,799,594)</u>	<u>(101,789,607)</u>	<u>(118,353,591)</u>	<u>(99,371,823)</u>	<u>(110,967,949)</u>	<u>(114,109,795)</u>	<u>(120,437,778)</u>	<u>(108,108,289)</u>	<u>(79,047,011)</u>	<u>(185,635,095)</u>
General revenues and transfers										
Governmental activities:										
Property taxes	88,531,791	83,958,978	86,465,150	99,297,845	97,962,592	97,837,712	99,321,973	102,009,251	106,096,214	110,728,701
Transient room tax	1,668,940	1,772,968	1,678,566	1,518,030	1,658,169	1,686,458	1,747,280	1,898,464	2,162,751	2,463,206
Local motor vehicle fuel tax	3,359,536	3,083,605	2,976,107	3,138,296	3,118,882	3,045,192	2,908,491	2,868,768	2,996,958	3,050,845
Contributions in lieu of taxes	11,913,379	11,446,537	13,263,982	12,342,958	13,762,181	13,469,821	11,762,150	12,158,537	12,204,263	12,674,782
Franchise fees on telecom providers revenues	8,389,156	8,870,285	9,029,349	8,653,036	10,954,417	10,393,736	8,467,984	10,757,879	8,482,827	27,751,459
Grants and contributions not restricted to specific programs	2,926,084	3,308,742	752,602	3,230,928	3,291,002	3,573,073	3,778,264	3,938,301	4,095,171	4,153,928
Unrestricted investment earnings	6,697,857	6,221,900	3,720,245	1,823,094	1,170,778	1,219,164	543,569	812,369	765,440	1,120,714
Transfers	(1,295,320)	3,230,406	20,346	1,191,787	(3,046,158)	353,430	1,946,076	2,070,154	2,202,900	1,802,546
Total governmental activities general revenues and transfers	<u>122,191,423</u>	<u>121,893,421</u>	<u>117,906,347</u>	<u>131,195,974</u>	<u>128,871,863</u>	<u>131,578,586</u>	<u>130,475,787</u>	<u>136,513,723</u>	<u>139,006,524</u>	<u>163,746,181</u>
Business-type activities:										
Unrestricted investment earnings	1,168,535	1,035,204	729,510	292,139	198,099	161,900	83,972	130,195	119,126	151,851
Transfers	1,295,320	(3,230,406)	(20,346)	(1,191,787)	3,046,158	(353,430)	(1,946,076)	(2,070,154)	(2,202,900)	(1,802,546)
Total business-type activities general revenues and transfers	<u>2,463,855</u>	<u>(2,195,202)</u>	<u>709,164</u>	<u>(899,648)</u>	<u>3,244,257</u>	<u>(191,530)</u>	<u>(1,862,104)</u>	<u>(1,939,959)</u>	<u>(2,083,774)</u>	<u>(1,650,695)</u>
Total government general revenues and transfers	<u>124,655,278</u>	<u>119,698,219</u>	<u>118,615,511</u>	<u>130,296,326</u>	<u>132,116,120</u>	<u>131,387,056</u>	<u>128,613,683</u>	<u>134,573,764</u>	<u>136,922,750</u>	<u>162,095,486</u>
Change in net position:										
Governmental activities	20,935,841	12,621,671	2,648,455	20,562,160	15,147,221	13,119,488	9,891,210	25,019,594	45,643,126	(15,426,029)
Business-type activities	10,919,843	5,286,941	(2,386,535)	10,362,343	6,000,950	4,157,773	(1,715,305)	1,445,881	12,232,613	(8,113,580)
Total government change in net position	<u>31,855,684</u>	<u>17,908,612</u>	<u>261,920</u>	<u>30,924,503</u>	<u>21,148,171</u>	<u>17,277,261</u>	<u>8,175,905</u>	<u>26,465,475</u>	<u>57,875,739</u>	<u>(23,539,609)</u>

Notes

- a) This schedule was modified with the implementation of GASB 63, effective FY13.
b) Significant fluctuations between the current year and the prior year are discussed in the Management's Discussion and Analysis.

Data source

City of Eugene Finance Division

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Fund Balances - Governmental Funds*Last ten fiscal years - unaudited*

(amounts in dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:										
Reserved	371,847	441,011	405,650	0	0	0	0	0	0	0
Unreserved	30,788,707	30,005,614	32,109,937	0	0	0	0	0	0	0
Nonspendable	0	0	0	736,386	1,066,473	1,399,020	762,321	623,852	837,243	953,774
Restricted	0	0	0	833,887	914,813	1,041,185	1,058,040	1,088,331	1,107,064	1,168,970
Assigned	0	0	0	32,211,828	38,269,910	37,320,281	34,768,090	34,633,376	38,188,164	36,263,402
Unassigned	0	0	0	6,122,604	5,792,870	3,330,380	2,961,405	6,622,503	901,143	19,803,948
Total General Fund	<u>31,160,554</u>	<u>30,446,625</u>	<u>32,515,587</u>	<u>39,904,705</u>	<u>46,044,066</u>	<u>43,090,866</u>	<u>39,549,856</u>	<u>42,968,062</u>	<u>41,033,614</u>	<u>58,190,094</u>
All other governmental funds:										
Reserved	4,149,246	3,998,804	3,331,083	0	0	0	0	0	0	0
Unreserved, reported in:										
Special revenue funds	30,761,057	25,938,461	27,990,706	0	0	0	0	0	0	0
Debt service funds	7,023,344	6,394,515	5,790,008	0	0	0	0	0	0	0
Capital projects funds	23,715,035	19,975,502	14,603,402	0	0	0	0	0	0	0
Nonspendable	0	0	0	3,197,689	2,636,383	3,836,064	2,915,176	3,049,432	2,935,110	2,242,204
Restricted	0	0	0	34,464,276	31,260,095	35,767,355	42,856,626	48,547,775	53,834,774	60,042,342
Committed	0	0	0	7,793,449	11,257,256	12,413,934	12,315,054	13,842,075	14,293,990	13,337,866
Assigned	0	0	0	10,766,087	11,618,763	5,506,138	3,668,775	15,373,633	16,602,173	15,174,737
Unassigned	0	0	0	(108,342)	0	0	0	0	0	0
Total all other governmental funds	<u>65,648,682</u>	<u>56,307,282</u>	<u>51,715,199</u>	<u>56,113,159</u>	<u>56,772,497</u>	<u>57,523,491</u>	<u>61,755,631</u>	<u>80,812,915</u>	<u>87,666,047</u>	<u>90,797,149</u>

Notes

a) This schedule was modified with the implementation of GASB54, effective FY10.

b) Significant fluctuations between the current year and the prior year are discussed in the Management's Discussion and Analysis.

Data source

City of Eugene Finance Division

Changes in Fund Balances - Governmental Funds

Last ten fiscal years - unaudited

(amounts in dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	105,364,632	99,870,624	103,745,938	115,363,742	116,480,716	114,430,239	115,143,898	118,729,451	123,057,049	128,418,191
Licenses and permits	12,421,905	12,649,419	12,124,148	12,016,951	16,247,802	14,621,168	14,070,573	16,645,767	15,451,256	33,340,125
Intergovernmental	21,450,428	20,321,509	21,547,927	21,246,577	23,061,009	19,783,960	19,802,487	18,349,223	18,052,285	18,785,203
Rental income	278,748	314,334	377,621	355,002	383,266	432,660	470,709	473,986	510,614	550,688
Charges for services	20,195,253	19,603,598	17,277,036	16,546,585	18,161,552	23,333,482	20,781,787	26,586,566	23,599,385	24,521,666
Fines and forfeits	3,498,604	3,446,535	3,110,577	2,986,586	2,929,400	2,648,101	2,287,456	2,306,886	2,429,335	2,440,446
Special assessments	352,648	1,254,187	209,188	498,370	1,100,252	269,691	300,439	157,176	120,081	103,170
Repayment of revolving loans	1,075,399	1,391,553	1,725,978	1,316,158	1,419,907	1,577,023	1,359,759	2,049,212	4,374,927	2,315,269
Miscellaneous	7,499,141	6,395,831	4,812,046	3,754,441	4,081,989	2,643,789	3,990,028	3,171,788	6,134,603	3,187,847
Total revenues	172,136,758	165,247,590	164,930,459	174,084,412	183,865,893	179,740,113	178,207,136	188,470,055	193,729,535	213,662,605
Expenditures										
Central services	20,122,497	20,357,835	18,713,107	17,159,626	18,188,802	19,693,788	19,091,906	17,493,539	19,626,851	19,368,223
Fire and emergency medical services	21,982,727	23,449,090	22,667,961	22,977,955	23,507,369	24,666,748	25,551,463	25,647,949	26,273,059	28,482,187
Library, recreation, and cultural services	24,958,865	24,744,457	24,428,693	25,688,755	25,598,692	24,987,647	23,870,446	24,075,473	25,969,030	27,244,948
Planning and development	18,556,670	19,066,468	18,266,739	18,326,473	22,134,992	17,899,972	15,544,065	14,150,442	15,749,257	17,746,249
Police	41,962,140	42,862,037	41,877,715	39,781,729	42,544,795	46,724,924	48,112,485	47,648,196	50,855,001	52,467,719
Public works	14,292,723	15,140,126	16,387,652	15,857,207	15,162,759	15,891,864	16,785,203	16,354,843	16,674,300	18,922,196
Debt service:										
Principal	5,290,083	7,172,607	7,660,834	7,655,206	12,167,801	24,579,753	13,888,196	14,925,325	16,439,017	25,135,066
Interest	2,179,207	2,013,199	2,000,874	1,780,068	1,571,175	2,071,130	1,501,826	1,300,697	1,091,065	981,532
Arbitrage fee	8,132	1,813	6,900	15,070	0	0	0	0	0	0
Issuance costs	28,209	6,006	32,253	18,975	50,696	137,276	11,149	28,728	8,788	117,490
Capital outlay	20,346,939	28,962,548	24,501,530	31,526,686	23,382,608	28,481,716	21,368,508	23,323,366	25,812,060	21,814,651
Contribution of land held for resale	0	0	0	0	538,929	0	0	0	0	0
Intergovernmental	6,397,451	89,847	0	0	8,000,000	0	0	500,000	236,151	0
Total expenditures	176,125,643	183,866,033	176,544,258	180,787,750	192,848,618	205,134,818	185,725,247	185,448,558	198,734,579	212,280,261
Excess (deficiency) of revenues over expenditures	(3,988,885)	(18,618,443)	(11,613,799)	(6,703,338)	(8,982,725)	(25,394,705)	(7,518,111)	3,021,497	(5,005,044)	1,382,344

continued

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Other financing sources (uses)</u>										
Proceeds of debt issuance	0	5,200,000	4,345,000	500,000	17,765,000	8,540,000	9,495,000	10,580,000	8,700,000	11,282,978
Proceeds of note issuance	0	0	2,705,930	0	3,412,000	1,777,000	0	0	0	0
Proceeds of refunding bonds issuance	0	0	5,600,000	0	0	11,464,606	0	0	0	8,929,918
Refunded bonds redeemed	0	0	(5,593,800)	0	0	0	0	0	0	0
Transfers in	12,265,545	13,144,668	14,816,539	40,216,213	12,263,751	10,804,034	7,910,800	17,949,829	9,745,093	9,636,468
Transfers out	(10,795,454)	(11,206,554)	(12,782,991)	(22,225,797)	(17,659,327)	(10,253,301)	(8,536,559)	(9,075,836)	(8,521,365)	(10,944,126)
Total other financing sources (uses)	<u>1,470,091</u>	<u>7,138,114</u>	<u>9,090,678</u>	<u>18,490,416</u>	<u>15,781,424</u>	<u>22,332,339</u>	<u>8,869,241</u>	<u>19,453,993</u>	<u>9,923,728</u>	<u>18,905,238</u>
Net change in fund balances	<u>(2,518,794)</u>	<u>(11,480,329)</u>	<u>(2,523,121)</u>	<u>11,787,078</u>	<u>6,798,699</u>	<u>(3,062,366)</u>	<u>1,351,130</u>	<u>22,475,490</u>	<u>4,918,684</u>	<u>20,287,582</u>
Debt service as a percentage of noncapital expenditures	4.82%	5.94%	6.38%	6.34%	8.16%	15.16%	9.37%	10.03%	10.14%	13.77%

Data Source

City of Eugene Finance Division

Taxable Assessed Value and Actual Value of Property

Last ten fiscal years - unaudited

(amounts in dollars)

Fiscal year	Real property		Personal property		Total		Direct tax rate
	Taxable assessed value	Real market value	Taxable assessed value	Real market value	Taxable assessed value	Real market value	
2007	9,645,975,072	19,412,136,439	459,050,386	517,488,878	10,105,025,458	19,929,625,317	9.05
2008	10,143,358,303	22,088,733,093	473,274,763	506,349,012	10,616,633,066	22,595,082,105	8.15
2009	10,501,729,496	22,922,483,398	492,684,613	525,746,558	10,994,414,109	23,448,229,956	7.98
2010	11,006,944,202	22,077,562,997	459,543,562	483,196,072	11,466,487,764	22,560,759,069	8.56
2011	11,179,600,899	20,845,219,878	433,560,719	444,689,566	11,613,161,618	21,289,909,444	8.58
2012	11,460,819,092	20,777,602,912	423,318,352	430,903,340	11,884,137,444	21,208,506,252	8.29
2013	11,726,917,294	20,026,046,722	417,128,883	423,958,299	12,144,046,177	20,450,005,021	8.27
2014	12,094,523,637	20,325,443,248	407,291,102	413,828,210	12,501,814,739	20,739,271,458	8.28
2015	12,617,178,328	22,069,558,527	412,660,052	419,387,551	13,029,838,380	22,488,946,078	8.26
2016	13,249,156,562	22,995,929,078	436,321,744	446,812,582	13,685,478,306	23,442,741,660	8.25

Notes

- a) Assessed value is reported net of exemptions and net of Urban Renewal excess (incremental) value, and is the value used to establish the tax levy for the fiscal year.
- b) Real property includes utilities and personal property includes manufactured structures.
- c) Total direct tax rate is per \$1,000 of assessed value.

Data source

Lane County Department of Assessment and Taxation

Direct and Overlapping Property Tax Rates

Last ten fiscal years - unaudited

(rate per \$1,000 of assessed value)

Tax Rates

Fiscal year	City direct rates			Overlapping rates				Total
	Operating	Debt service	Total direct rate	County	School districts	Community college	Total overlapping rate	
2007	8.68	0.36	9.05	1.39	7.96	0.84	10.18	19.23
2008	7.60	0.55	8.15	1.38	7.70	0.82	9.90	18.05
2009	7.40	0.58	7.98	1.38	7.74	0.86	9.98	17.96
2010	7.38	1.18	8.56	1.38	7.76	0.84	9.98	18.54
2011	7.38	1.20	8.58	1.37	7.66	0.85	9.88	18.46
2012	7.15	1.14	8.29	1.37	7.65	0.87	9.89	18.18
2013	7.15	1.12	8.27	1.37	7.50	0.85	9.72	17.99
2014	7.17	1.11	8.28	1.91	7.95	0.85	10.71	18.99
2015	7.17	1.09	8.26	1.91	7.93	0.85	10.69	18.95
2016	7.17	1.08	8.25	1.81	7.91	0.81	10.53	18.78

Notes

a) Tax rates are for a representative tax code area (4-00) within the City.

b) Overlapping rates are those of other local governments that apply to property owners within the City of Eugene who are located within the other local government's boundaries.

Data source

Lane County Department of Assessment and Taxation

Property Tax Levies and Collections

Last seven fiscal years - unaudited

(amounts in dollars)

Fiscal year	Taxes levied for the fiscal year		Total adjusted levy	Collected within the fiscal year of the levy			Collections/ adjustments in subsequent years	Total collections to date		Outstanding taxes	
	Amount	Adjustments		Percentage of gross levy	Percentage of adjusted levy	Amount		Percentage of adjusted levy	Amount	Percentage of adjusted levy	
2010	102,340,449	(3,052,244)	99,288,205	96,079,826	93.9%	96.8%	2,744,493	98,824,319	99.5%	463,886	0.5%
2011	101,032,799	(3,198,238)	97,834,561	95,139,974	94.2%	97.2%	2,194,919	97,334,893	99.5%	499,668	0.5%
2012	99,967,213	(2,358,226)	97,608,987	94,522,083	94.6%	96.8%	2,526,889	97,048,972	99.4%	560,015	0.6%
2013	101,892,411	(2,830,768)	99,061,643	95,995,981	94.2%	96.9%	2,305,984	98,301,965	99.2%	759,678	0.8%
2014	104,883,335	(2,967,388)	101,915,947	99,010,678	94.4%	97.1%	1,736,747	100,747,425	98.9%	1,168,522	1.1%
2015	109,269,488	(3,328,182)	105,941,306	103,161,668	94.4%	97.4%	1,002,250	104,163,918	98.3%	1,777,388	1.7%
2016	114,746,177	(3,558,988)	111,187,189	108,179,994	94.3%	97.3%	0	108,179,994	97.3%	3,007,195	2.7%

Notes

a) The Lane County Department of Assessment and Taxation reports seven years of property tax collections.

Data source

Lane County Department of Assessment and Taxation

Ten Principal Property Taxpayers*Current year and nine years ago - unaudited*

(amounts in dollars)

<u>Taxpayer</u>	FY 2016			FY2007		
	Total taxes paid	Total assessed value	Percentage of total assessed value	Total taxes paid	Total assessed value	Percentage of total assessed value
Comcast Corporation	2,490,731	132,618,300	0.97%	-	-	-
Valley River Center LLC	2,002,869	117,328,763	0.86%	1,627,094	84,629,867	0.84%
Verizon Communications	1,365,313	81,747,000	0.60%			-
CCC - Eugene LLC	1,249,689	66,539,333	0.49%			
Shepard Investment Group LLC	1,189,132	66,193,681	0.48%			-
McKay Investment Company	1,132,135	62,751,584	0.46%	408,384	21,877,484	0.22%
Century Link (formerly QWEST)	778,469	46,331,000	0.34%	1,169,604	70,996,900	0.70%
Chase Village LLC	727,086	38,713,494	0.28%	570,448	29,670,669	0.29%
Northwest Natural Gas Company	605,962	36,115,500	0.26%	651,521	39,323,300	0.39%
Molecular Probes, Inc.	598,098	35,549,729	0.26%	-	-	-
Hynix Semiconductor	-	-	-	6,448,537	614,685,640	6.08%
PeaceHealth	-	-	-	496,411	42,356,917	0.42%
Guard Publishing Company	-	-	-	523,588	30,777,873	0.30%
Metropolitan Life Insurance Company	-	-	-	372,145	19,907,157	0.20%
Kinder Morgan Energy Partner	-	-	-	359,932	18,721,100	0.19%
Subtotal	12,139,484	683,888,384	5.00%	12,627,664	972,946,907	9.63%
All other taxpayers		13,001,589,922	95.00%		9,132,078,551	90.37%
Total taxpayers		<u>13,685,478,306</u>	<u>100.00%</u>		<u>10,105,025,458</u>	<u>100.00%</u>

Notes

a) Total assessed value does not include exemptions.

b) Hynix Semiconductor is no longer in business. While most of the equipment was sold, Hynix continues to pay taxes on the building and remaining equipment.

Data source

Lane County Department of Assessment and Taxation

City of Eugene Finance Division

Ratio of Outstanding Debt by Type

Last ten fiscal years - unaudited

(amounts in dollars)

Fiscal year	Governmental activities					Business-type activities				Percentage of real market value	Debt per capita
	General obligation bonds	Certificates of participation	Limited tax bonds	Tax increment bonds	Notes and contracts payable	General obligation bonds	Limited tax bonds	Revenue bonds	Total government		
2007	39,445,633	9,785,000	64,710,964	0	841,554	415,000	5,770,982	590,000	121,559,133	0.61%	818
2008	40,299,150	7,365,000	64,851,428	0	513,838	0	5,489,006	0	118,518,422	0.52%	771
2009	40,315,402	4,840,000	64,892,939	0	2,880,318	0	5,166,851	0	118,095,510	0.50%	764
2010	35,500,680	2,160,000	64,733,158	0	2,706,000	0	4,799,493	0	109,899,331	0.49%	700
2011	32,930,437	1,820,000	64,910,734	7,900,000	6,118,000	0	0	0	113,679,171	0.53%	720
2012	29,430,457	1,465,000	64,180,566	7,183,000	7,895,000	0	0	0	110,154,023	0.52%	702
2013	26,225,122	1,105,000	63,157,983	6,429,000	7,767,000	0	0	0	104,684,105	0.51%	661
2014	23,549,830	735,000	61,886,023	5,135,000	7,639,000	0	0	0	98,944,853	0.48%	620
2015	19,210,297	570,000	49,827,523	3,300,000	6,078,000	0	10,475,301	0	89,461,121	0.43%	557
2016	16,574,320	390,000	48,267,928	1,222,000	5,868,000	0	10,137,540	0	82,459,788	0.35%	505

Notes

- a) Details regarding the City's outstanding debt can be found in the notes to basic financial statements.
- b) All debt is shown net of unamortized premiums and discounts.
- c) Percentage of real market value was calculated using property value information from Schedule I-5.
- d) Debt per capita was calculated using population data from Schedule I-13.
- e) As part of the implementation of GASB 68 in FY15, the Limited Tax Pension Bond Debt was proportionately allocated to all Government and Business activities.

Data source

Lane County Department of Assessment and Taxation

Ratio of General Bonded Debt Outstanding

Last ten fiscal years - unaudited

(amounts in dollars)

Fiscal year	General bonded debt outstanding					Funds available for principal repayment	Net general bonded debt	Percentage of real market value	Per capita
	General obligation bonds	Certificates of participation	Limited tax bonds	Tax increment bonds	Total				
2007	39,860,633	9,785,000	70,481,946	0	120,127,579	(3,359,960)	116,767,619	0.59%	786
2008	40,299,150	7,365,000	70,340,434	0	118,004,584	(3,015,844)	114,988,740	0.51%	748
2009	40,315,402	4,840,000	70,059,790	0	115,215,192	(2,966,347)	112,248,845	0.48%	726
2010	35,500,680	2,160,000	69,532,651	0	107,193,331	(2,853,827)	104,339,504	0.46%	664
2011	32,930,437	1,820,000	64,910,734	7,900,000	107,561,171	(2,979,126)	104,582,045	0.49%	663
2012	29,430,457	1,465,000	64,180,566	7,183,000	102,259,023	(2,666,763)	99,592,260	0.47%	634
2013	26,225,122	1,105,000	63,157,983	6,429,000	96,917,105	(2,405,391)	94,511,714	0.46%	597
2014	23,549,830	735,000	61,886,023	5,135,000	91,305,853	(1,997,355)	89,308,498	0.43%	560
2015	19,210,297	570,000	60,302,824	3,300,000	83,383,121	(2,260,458)	81,122,663	0.36%	505
2016	16,574,320	390,000	58,405,468	1,222,000	76,591,788	(1,895,999)	74,695,789	0.32%	457

Notes

- a) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- b) All debt is shown net of unamortized premiums and discounts.
- c) Percentage of real market value was calculated using property value information from Schedule I-5.
- d) Debt per capita was calculated using population data from Schedule I-13.

Direct and Overlapping Governmental Activities Debt

As of June 30, 2016 - unaudited

(amounts in dollars)

<u>Governmental unit</u>	<u>Debt outstanding</u>	<u>Percentage applicable to the City</u>	<u>City's share of overlapping debt</u>
City of Eugene (direct debt)	82,459,788	100.00%	82,459,788
Total direct debt			<u>82,459,788</u>
Lane Community College	128,020,000	46.14%	59,063,179
Lane County	89,442,011	46.85%	41,902,777
Lane Education Service District	6,790,000	46.91%	3,185,094
School District 4J	296,638,111	78.54%	232,991,438
School District 19	177,663,242	0.00%	0
School District 52	54,506,166	78.17%	42,605,181
River Road Park & Recreation District	270,000	0.00%	0
Total overlapping debt			<u>379,747,669</u>
Total direct and overlapping debt			<u><u>462,207,457</u></u>

Data source

Oregon State Treasury Debt Management Information System. The system collects data on new public entity debt issuances. The data from the system is used to create overlapping debt reports.

City of Eugene Finance Division

Legal Debt Margin - General Obligation Bonded Debt

Last ten fiscal years - unaudited

(amounts in dollars)

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real market value	19,929,625,317	22,595,082,105	23,448,229,956	22,560,759,069	21,289,909,444	21,208,506,252	20,450,005,021	20,739,271,458	22,488,946,078	23,442,741,660
Legal debt margin:										
Debt limit (3% of real market value)	597,888,760	677,852,463	703,446,899	676,822,772	638,697,283	636,255,188	613,500,151	622,178,144	674,668,382	703,282,250
Debt applicable to limit:										
General Obligation Bonds	39,660,000	40,130,000	40,176,200	35,389,414	32,844,164	28,910,000	25,820,000	23,245,000	18,990,300	15,625,000
Less: Amount reserved for repayment of general obligation debt	(276,840)	(136,909)	458,350	(619,761)	(961,919)	(552,614)	(395,162)	(76,235)	(354,949)	(290,445)
Total debt applicable to limit	<u>39,383,160</u>	<u>39,993,091</u>	<u>40,634,550</u>	<u>34,769,653</u>	<u>31,882,245</u>	<u>28,357,386</u>	<u>25,424,838</u>	<u>23,168,765</u>	<u>18,635,351</u>	<u>15,334,555</u>
Legal debt margin	<u>558,505,600</u>	<u>637,859,372</u>	<u>662,812,349</u>	<u>642,053,119</u>	<u>606,815,038</u>	<u>607,897,802</u>	<u>588,075,313</u>	<u>599,009,379</u>	<u>656,033,031</u>	<u>687,947,695</u>
Total debt applicable to the limit as a percentage of debt limit	<u>7%</u>	<u>6%</u>	<u>6%</u>	<u>5%</u>	<u>5%</u>	<u>4%</u>	<u>4%</u>	<u>4%</u>	<u>3%</u>	<u>2%</u>

Notes

- a) Oregon Revised Statutes 287A.050 provides a debt limit on general obligation bonds of 3% of the real market value of all taxable property within the City's boundaries.
- b) The legal debt margin is the difference between the debt limit and the City's net outstanding general obligation debt.
- c) In FY09, the General Obligation Debt Service Fund had a deficit balance due to borrowing \$485,000 from a short term revolving credit facility for transportation capital projects.

Data source

Lane County Department of Assessment and Taxation
City of Eugene Finance Division

Demographic and Economic Statistics*Last ten fiscal years - unaudited*

<u>Fiscal year</u>	<u>City of Eugene</u>		<u>Lane County</u>		
	<u>Population</u>	<u>Unemployment rate</u>	<u>Population</u>	<u>Personal income (thousands)</u>	<u>Per capita income</u>
2007	148,595	4.60%	344,844	11,272,793	32,690
2008	153,690	5.70%	348,176	11,690,848	33,577
2009	154,620	10.10%	350,850	11,385,410	32,451
2010	157,100	10.80%	351,852	11,547,065	32,818
2011	157,845	9.60%	353,491	12,047,023	34,080
2012	157,010	9.10%	354,481	12,545,269	35,391
2013	158,335	8.20%	355,661	12,724,475	35,777
2014	159,580	6.70%	358,337	13,392,647	37,374
2015	160,775	6.50%	358,805	13,409,978	37,374
2016	163,400	4.70%	362,150	13,534,994	37,374

Notes

- a) Personal income information is not available for the City.
- b) The 2015 and 2016 per capita income was not available and has been estimated to be the same as 2014.
- c) The 2015 and 2016 personal income was not available and has been estimated by multiplying population by per capita income.
- d) Population is certified as of July 1 of each fiscal year by Portland State University Population Research Center.
- e) Unemployment rates presented are annualized for the calendar year. The FY16 unemployment rate is as of June, 2016 (the most recent information available).

Data source*City of Eugene Information:*

Population: Portland State University's Center for Population Research and Census

Unemployment rate: Bureau of Labor Statistics, U.S. Department of Labor

Lane County Information:

Bureau of Economic Analysis, U.S. Department of Commerce

Lane County Financial Services

Ten Principal Employers*Current year and nine years ago - unaudited*

<u>Employer</u>	2016		2007	
	<u>Employees</u>	<u>Percentage of total employment</u>	<u>Employees</u>	<u>Percentage of total employment</u>
PeaceHealth Medical Group	5,500	3.33%	4,300	2.50%
University of Oregon	5,479	3.31%	3,676	2.14%
US Government	1,669	1.01%	-	-
State of Oregon	1,656	1.00%	1,100	0.64%
City of Eugene	1,394	0.84%	1,457	0.85%
Lane County	1,369	0.83%	1,786	1.04%
Springfield School District	1,242	0.75%	-	-
Eugene School District 4J	1,198	0.72%	1,477	0.86%
Lane Community College	943	0.57%	2,531	1.47%
McKenzie-Willamette Medical Center	880	0.53%	-	-
Hynix Semiconductor	-	-	1,156	0.67%
Bethel School District 52	-	-	704	0.41%
Datalogic Scanning	-	-	600	0.35%
Total	<u>21,330</u>	<u>12.90%</u>	<u>18,787</u>	<u>10.94%</u>

Notes

- a) There is no comprehensive source available to obtain this data. Therefore, prior year information may not be consistent with current data.
- b) Percent of employment is as of January 1st of each year.

Data source

Eugene Chamber of Commerce
Oregon Employment Department
Bureau of Labor Statistics
City of Eugene Finance Division

City Government Employees by Function/Program*Last ten fiscal years - unaudited*

<u>Fiscal year</u>	<u>Function/Program</u>						<u>Total</u>
	<u>Central services</u>	<u>Fire and emergency medical services</u>	<u>Library, recreation, and cultural services</u>	<u>Planning and development</u>	<u>Police</u>	<u>Public works</u>	
2007	239	204	195	113	303	403	1,457
2008	238	201	190	112	303	407	1,451
2009	230	203	190	111	296	410	1,440
2010	217	204	181	98	306	398	1,404
2011	210	200	180	94	300	396	1,380
2012	212	199	174	93	305	395	1,378
2013	201	197	166	93	299	391	1,347
2014	202	202	167	86	299	407	1,363
2015	204	198	167	92	300	408	1,369
2016	210	198	171	98	306	411	1,394

Notes

a) Number of employees is provided per Full-Time Equivalent (FTE) for full-time and part-time regular employees that are in an active status as of the last day of the fiscal year.

Data source

City of Eugene Finance Division

Operating Indicators by Function/Program

Last ten fiscal years - unaudited

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Central services:										
Number of risk claims managed	333	259	250	258	296	269	259	266	237	227
Number of purchase orders issued	20,975	21,983	17,434	15,513	15,936	15,544	15,625	15,485	15,910	15,364
Job applications processed	4,598	6,848	7,464	6,257	7,778	8,602	9,372	8,865	8,809	10,032
Building square footage maintained	1,917,643	1,918,643	2,014,217	2,014,217	1,932,261	1,919,698	2,034,058	2,034,058	1,926,676	1,926,676
Municipal Court cases processed	28,810	28,071	26,963	26,273	23,623	22,078	26,076	21,714	19,697	17,569
Fire and emergency medical services:										
Emergency responses	20,509	21,723	21,233	20,130	21,539	21,186	21,111	22,258	25,933	26,655
Fire inspections	812	973	839	943	1,576	2,393	2,270	4,816	4,989	3,042
Library, recreation, and cultural services:										
Number of library patron visits	1,267,109	1,527,239	1,542,183	1,469,860	1,380,951	1,386,601	1,213,547	1,159,425	1,074,504	1,054,313
Volume of library collection borrowed	2,582,101	2,791,737	2,909,908	2,928,143	2,859,748	2,826,998	2,801,669	2,737,196	2,554,320	2,597,267
Hult Center attendees	190,648	217,322	185,873	174,275	187,388	144,102	143,578	136,941	135,728	176,244
Recreation services	665,222	655,883	675,598	795,407	773,162	625,520	622,194	616,129	661,090	641,877
Planning and development:										
Construction permits issued	10,980	10,471	8,634	9,653	9,812	10,260	9,934	10,594	11,481	12,128
Land use applications reviewed	423	404	240	168	139	208	205	233	265	264
Parking permits issued	21,618	20,067	23,660	21,000	16,200	16,800	13,750	15,000	32,493	33,730
Parking citations issued	71,883	68,153	59,009	62,605	56,379	57,885	44,615	52,374	65,433	63,981
Police:										
Calls for service	106,972	104,552	107,836	102,426	103,219	109,097	123,099	127,782	125,867	126,770
Eugene crime index	6,039	5,581	6,864	6,009	4,857	5,282	5,337	5,209	5,251	4,515
U.S. median city crime index	2,785	2,698	2,640	2,520	2,419	3,769	3,845	3,618	3,591	3,419
Public works:										
Number of municipal airport passengers	724,662	773,213	659,641	724,855	789,620	806,541	840,048	891,936	907,810	938,895
Gallons of wastewater treated (in billions)	13.9	13.9	10.8	13.1	14.7	13.6	11.4	11.7	11.4	12.5

Notes

- The number of risk claims managed is based on the number of general and automobile liability cases and the number of workers' compensation claims managed during the year.
- The municipal court cases processed decreased due to less court filings.
- Library patrons visits decreased at the same time the volume of items borrowed increased.
- Recreation services include participants in the City's recreational programs and patron visits to the City's recreational facilities.
- Construction permits issued has a more comprehensive methodology starting in FY15 and going forward.
- Parking permits issued for monthly permits increased from FY15 to FY16 and parking citations decreased due to changes in staff availability.
- The Eugene crime index is based on the number of offenses, reported on a fiscal year basis (per 100,000 population).
- The U.S. median city crime index for FY16 changed to the National Incident-Based Reporting System (NIBRS) crime indices from the Uniform Crime Reporting (UCR) index.

Data source

Individual City Departments

Capital Asset Statistics by Function/Program

Last ten fiscal years - unaudited

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Fire and emergency medical services:</u>										
Ambulances	11	11	10	10	10	10	10	10	10	10
Fire stations	11	11	11	11	11	11	11	11	11	11
Fire apparatus	23	29	29	29	29	29	29	29	29	29
<u>Library, recreation, and cultural services:</u>										
Amphitheatre	1	1	1	1	1	1	1	1	1	1
Performing arts center	1	1	1	1	1	1	1	1	1	1
Community centers	8	8	8	8	8	8	8	8	8	8
9-hole golf course	1	1	1	1	1	1	1	1	1	1
Indoor/outdoor pool	3	3	3	3	3	3	3	3	3	3
<u>Police:</u>										
Patrol vehicles	63	65	42	42	43	43	43	52	52	52
<u>Public works:</u>										
Jogging and hiking trails (miles)	29	29	28	28	28	28	38	39	44	47
On/off street biking trails (miles)	130	132	153	157	157	159	159	159	304	248
Park acreage	3,150	3,670	3,671	3,671	3,987	4,283	4,506	4,576	4,677	4,800
Streets maintained (miles)	526	538	533	533	533	533	533	540	538	543
Alleys (miles)	42	42	42	42	42	43	43	43	43	43
Sidewalks (miles)	654	673	700	738	772	772	791	791	792	756
Drainage Lines (miles)	567	567	567	601	601	601	601	601	601	601
Wastewater collection lines (miles)	797	807	813	815	811	812	821	821	821	821

a) Beginning in FY15, bike lanes are being calculated based on lane miles as opposed to centerline miles.

b) Prior to FY16 the sidewalk and biking trails included the Urban Growth Boundary; starting with FY16 these are within City Limits.

Data source

Individual City Departments

AUDIT COMMENTS AND GOVERNMENT
AUDITING STANDARDS SECTIONS

AUDIT COMMENTS

AUDIT COMMENTS

(Comments and Disclosures Required by State Regulators)

Oregon Administrative Rules 162-10-000 through 162-10-320, of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth following.

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INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS



To the Honorable Mayor, Members of the
City Council and the City Manager
City of Eugene, Oregon

An Independently Owned Member
McGLADREY ALLIANCE



We have audited the basic financial statements of City of Eugene, Oregon as of and for the year ended June 30, 2016, and have issued our report thereon dated November 21, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Compliance

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

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

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

In connection with our testing nothing came to our attention that caused us to believe City of Eugene 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 as follows:

1. Deficit net position are described in Note (3) (B) to the financial statements, *Stewardship, Compliance, and Accountability*.

OAR 162-10-0230 Internal Control

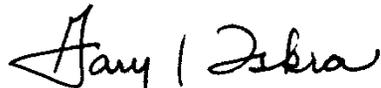
In planning and performing our audit, we considered City of Eugene's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Honorable Mayor, members of the City Council, the City Manager, management of the City of Eugene and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than those specified parties.

ISLER CPA

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

By: Gary Iskra, CPA, a member of the firm

Eugene, Oregon
November 21, 2016

GOVERNMENT AUDITING STANDARDS

Government Auditing Standards Report

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



To the Honorable Mayor and Members of the City Council
City of Eugene, Oregon

An Independently Owned Member
McGLADREY ALLIANCE



We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eugene, 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, and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

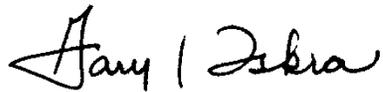
Compliance and Other Matters

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

Purpose of This Report

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

Isler CPA

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

By Gary Iskra, CPA, a member of the firm

Eugene, Oregon
November 21, 2016

OMB Uniform Guidance (Single Audit) Report

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE



To the Honorable Mayor and Members of the City Council
City of Eugene, Oregon

An Independently Owned Member
McGLADREY ALLIANCE

Report on Compliance for Each Major Federal Program



We have audited the City of Eugene's ("the City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audits requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying

schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

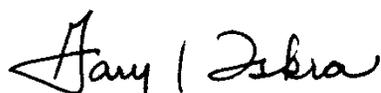
The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Isler CPA

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

By Gary Iskra, CPA, a member of the firm

Eugene, Oregon
November 21, 2016

CITY OF EUGENE, OREGON

Schedule of Findings and Questioned Costs

June 30, 2016

Section I - Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Eugene.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Eugene were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the City of Eugene expresses an unmodified opinion on all major federal programs.
6. An audit finding that is required to be reported in accordance with 2 CFR Section 200.516(a) is reported in this schedule.
7. The programs tested as a major programs were:

Community Development Block Grants/Entitlement Grants, CFDA #14.218
Airport Improvement Program, CFDA #20.106
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The City of Eugene qualified as a low-risk auditee.

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

Finding 2016-001

Program: Community Development Block grants/Entitlement Grants
CFDA No.: 14.218
Federal Grantor: Department of Housing and Urban Development
Award No.: B-15-MC-41-0001
Award Year: 2015-2016
Compliance Requirement: Subrecipient Monitoring

Criteria or Specific Requirement

2 CFR 200.331(a) requires that pass-through entities provide certain information to subrecipients including specific pieces of information identifying the subaward and the federal award from which it is sourced. 2 CFR 200.331(a) also requires that the certain information identifying the subrecipient agree to the subrecipients profile in the System for Award Management (SAM.gov).

Condition

It was noted that the City's agreements with subrecipients did not provide all information required by 2 CFR 200.331(a). It was also noted that one subrecipient did not appear to be registered on SAM.gov.

Cause

The City continued using subrecipient agreement formats that had not been updated to conform to 2 CFR 200.331(a). The City did not perform verification in SAM.gov of information provided by subrecipients.

continued

CITY OF EUGENE, OREGON

Schedule of Findings and Questioned Costs

Section III - Federal Award Findings and Questioned Costs, continued

Effect

Subrecipients may not have been notified of all required information needed to identify the federal awards and its compliance requirements.

Questioned Costs

None.

Context

The condition noted above was identified as part of our testing of subrecipient monitoring. We noted that the subrecipient agreements had indicated that the funds were CDBG program funds provided to the City by HUD. The information omitted consisted of items such as the Federal Award Identification Number, Federal Award Date, and the Subrecipient's DUNS number. Auditor noted that one subrecipient did not appear to be registered in SAM.gov, but had an active DUNS number issued by Dun and Bradstreet.

Repeat Finding Status

This finding is not a repeat finding from the prior year.

Recommendation

We recommend that the City implement policies and procedures to ensure that current and future subrecipient agreements include all required information. We also recommend that the City review and verify with SAM.gov specific identifying information received from subrecipients.

Views of Responsible Officials and Planned Corrective Action

The City is in the process of implementing the following corrective actions:

1. Update all subrecipient agreements to ensure all required information is included.
2. Amend procedures to ensure that subrecipient reporting requirements remain up to date.
3. Implement procedures to verify that all subrecipients are registered with SAM.gov.

Section IV – Summary Schedule of Prior Audit Findings

None

Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2016

(amounts in dollars)

<u>Federal Grantor Program Title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Passed through to subrecipients</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development				
Direct program:				
HOME Investment Partnerships Program	14.239	M-15-DC-41-0200	0	646,274
CDBG - Entitlement Grants Cluster:				
Direct program:				
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-41-0001	359,728	1,318,344
Total CDBG - Entitlement Grants Cluster			359,728	1,318,344
Total U.S. Department of Housing and Urban Development			359,728	1,964,618
U.S. Department of the Interior				
Direct program:				
BLM Wildland Urban Interface Community Fire Assistance	15.228	L15AC00129	0	35,005
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20366	0	27,894
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00189	0	2,143
Grants passed through State of Oregon:				
Historic Preservation Fund Grants-in-Aid	15.904	OR-16-08	0	5,450
Total U.S. Department of the Interior			0	70,492
U.S. Department of Justice				
Grants passed through Lane County, Oregon:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0645	0	9,948
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DE-BX-K014	0	2,913
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0626	0	36,977
Total U.S. Department of Justice			0	49,838
U.S. Department of Transportation				
Direct program:				
TSA Transaction Agreement	20.000	HSTS04-12-H-CT1067	0	21,780
Airport Improvement Program	20.106	3-41-0018-049	0	3,639
Airport Improvement Program	20.106	3-41-0018-050	0	3,278,988
Airport Improvement Program	20.106	3-41-0018-051	0	1,500,000
Airport Improvement Program	20.106	3-41-0018-052	0	60,218
Grants passed through Oregon Impact:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2015-2016	0	34,877
Grants passed through State of Oregon:				
National Highway Traffic Safety Administration	20.614	146898	0	4,995
Interagency Hazardous Materials Public Sector				
Training and Planning Grants	20.703	IGA-361-2014	0	5,000
Highway Planning and Construction Cluster:				
Grants passed through State of Oregon:				
Highway Planning and Construction	20.205	29809	0	550,053
Highway Planning and Construction	20.205	29983	0	42,137
Highway Planning and Construction	20.205	30045	0	6,665
Highway Planning and Construction	20.205	30162	0	3,037
Highway Planning and Construction	20.205	30218	0	402
Highway Planning and Construction	20.205	30312	0	82,487
Highway Planning and Construction	20.205	30316	0	17,879

Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2016

(amounts in dollars)

<u>Federal Grantor Program Title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Passed through to subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation, continued</u>				
Highway Planning and Construction Cluster, continued:				
Grants passed through State of Oregon, continued:				
Highway Planning and Construction	20.205	30385	0	65,057
Highway Planning and Construction	20.205	30394	0	75,086
Highway Planning and Construction	20.205	30440	0	399
Grants passed through Lane Transit District:				
Highway Planning and Construction	20.205	18755	0	20,000
Grants passed through Lane Council of Governments:				
Highway Planning and Construction	20.205	2016-00228	0	45,000
Total Highway Planning and Construction Cluster			<u>0</u>	908,202
Highway Safety Cluster:				
Grants passed through State of Oregon:				
State and Community Highway Safety	20.600	SC-15-35-12 AAA	0	5,000
State and Community Highway Safety	20.600	SC-16-35-12 AAA	0	4,000
National Priority Safety Programs	20.616	M1HVE-15-46-03 CCC	0	10,888
National Priority Safety Programs	20.616	M1HVE-16-46-03 JJJ	0	18,565
Grants passed through Oregon Impact:				
State and Community Highway Safety	20.600	2015-2016	0	2,746
National Priority Safety Programs	20.616	2014-2015	0	4,485
Total Highway Safety Cluster			<u>0</u>	45,684
Total U.S. Department of Transportation			0	5,863,383
<u>U.S. Environmental Protection Agency</u>				
Direct program:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00J66601	0	52,910
Total U.S. Environmental Protection Agency			0	52,910
<u>U.S. Department of Energy</u>				
Grants passed through State of Oregon:				
Bonneville Power Administration Agreement	81.000	KEW-4	0	190
Total U.S. Department of Energy			0	190
<u>U.S. Department of Education</u>				
Grants passed through Eugene School District 4J:				
Twenty-First Century Community Learning Centers	84.287	16923	0	80,907
Total U.S. Department of Education			0	80,907
<u>U.S. Department of Health and Human Services</u>				
Grants passed through State of Oregon:				
Hospital Preparedness Program (HPP)				
Ebola Preparedness and Response Activities	93.817	150072	0	4,870
Hospital Preparedness Program (HPP)				
Ebola Preparedness and Response Activities	93.817	150066	0	10,000
Grants passed through Lane County, Oregon:				
Block Grants for Community Mental Health Services	93.958	51582	0	18,100
Total U.S. Department of Health and Human Services			0	32,970

Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2016

(amounts in dollars)

<u>Federal Grantor Program Title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Passed through to subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>				
Grants passed through State of Oregon:				
Emergency Management Performance Grants	97.042	15-541	0	147,463
Homeland Security Grant Program	97.067	15-217	0	66,369
State Homeland Security Program (SHSP)	97.073	14-222	0	917
State Homeland Security Program (SHSP)	97.073	14-223	0	63,156
State Homeland Security Program (SHSP)	97.073	14-224	0	21,714
Total U.S. Department of Homeland Security			0	299,619
Total Federal Financial Assistance			359,728	8,414,927

CITY OF EUGENE, OREGON

Notes to Schedule of Expenditures of Federal Awards

June 30, 2016

(1) Purpose of the Schedule

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the City of Eugene's (City) basic financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the City, it is not intended to and does not present either the financial position, changes in fund balances, or the operating funds' revenues or expenditures of the City.

(2) Significant Accounting Policies

Basis of Presentation

The information in the Schedule is presented in accordance with the Uniform Guidance.

Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the City are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in Note 1A to the basic financial statements. Additionally, the Schedule includes all federal programs administered by the City for the year ended June 30, 2016.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.

Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

