

“SANDY STYLE”



Sandy High School

COMPREHENSIVE ANNUAL FINANCE REPORT CITY OF SANDY



Sandy Historical Museum



Sandy Police Station



FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Facade Improvement Program ~ The façade program continues to encourage businesses within the downtown corridor to upgrade building exteriors to follow the “Sandy Style” design standards found in the city’s development code. Since the start of the facade enhancement program about 49 projects have been completed in the downtown corridor. All conform to the style outlined in the City’s development code and are excellent additions to the downtown corridor.

CITY OF SANDY, OREGON

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2016

Prepared by

City of Sandy, Finance Department

CITY OF SANDY, OREGON
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INTRODUCTORY SECTION



CITY OF SANDY

39250 PIONEER BOULEVARD ♦ SANDY, OR 97055

PHONE (503) 668-5533

FAX (503) 668-8714

Gateway to Mt. Hood

October 31, 2016

Honorable Mayor William King, Members of the City Council and Citizens of the City of Sandy:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. The Comprehensive Annual Financial Report of the City of Sandy, Oregon for the fiscal year ended June 30, 2016 is hereby submitted.

Management assumes full responsibility for the completeness and responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introductions, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY AND THE GOVERNMENTAL STRUCTURE

Location ~ The City is located about 26 miles from downtown Portland and approximately 10 miles from the Portland Urban Area. Portland is the largest city in the State of Oregon. Over the past several decades, Sandy has gone through a change from being timber dependent to a more diversified economy.

Sandy is becoming increasingly popular as a recreational community. It serves as the last full service city before entering the Mt. Hood recreational area. As such, Sandy has become recognized as the "Gateway to Mt. Hood." Skiing, hiking, hunting and fishing are very popular in this area and the City is able to attract many visitors to do business in the City. Sandy has also been selected because of its location to serve as a hub for many events. Sandy is the home of the Sandy Mountain Festival which is estimated to attract over 50,000 people. Each year, tourism has become more important in stabilizing Sandy's economy. The City of Sandy has a population of 10,395 and is the commercial center of a rural area with a population of approximately 20,000.

Government ~ The City was incorporated in 1911. The governing body for the City of Sandy is the City Council. The Council is composed of the Mayor and six City Council members. They are all elected at-large (i.e., by all city voters); the Mayor serves a two-year term and the Council members serve four-year terms, with half the positions elected in the November general election of even-numbered years.

As with most Oregon cities, Sandy uses the "council-manager" form of government. The City Council members are unpaid volunteers who typically hold full-time jobs in other areas. They are responsible for all city policies, legislation, and the city budget. The City Council appoints a city manager, who is assigned responsibility of day-to-day operation of the city and a staff of 7 department heads with approximately 67 full-time equivalent employees (FTE).

The City provides a full range of municipal services which include police, a municipal court, community services, planning, building permit and inspection activities, economic development, library, recreation, water, sewer, stormwater, construction and maintenance of streets, sidewalks, and other public facilities. The City also operates a wireless and fiber optic internet service. Fire service for the City of Sandy is provided by a special service district and is autonomous from the City. Financial data for the Sandy Fire District is not included in this report.

In addition to the above general government activities, the City has a Sandy Urban Renewal Agency (SURA). SURA is a legally separate entity first established in 1998 to address redevelopment of the $\frac{3}{4}$ mile area of downtown Sandy. In 2008, the City adopted new design standards known as the "Sandy Style" and the debt limitation increased to \$18 million. The guidelines promote more attractive and appealing architecture in Sandy. In 2015 SURA has had three adopted amendments, the most recent dated July 7, 2015 with the debt limitation increased to \$67 million. The accompanying financial statements include the activities of SURA.

Budget ~ The City's budget is prepared for a 24-month period beginning July 1 of odd-numbered years. The City's budget is prepared in accordance with provisions of the Oregon Local Budget Law (ORS Chapter 294), which provides standard procedures for the preparation, presentation, administration and appraisal of budgets. The law mandates public involvement in budget preparation and public exposure of its proposed programs. More information on the budget is listed in the Notes on page 71.

ECONOMIC CONDITION AND OUTLOOK

Since 2009, the economic growth and investment in Sandy has been \$198.2 million dollars in a mix of residential and commercial development. This development increase is a combination with an easy commute to the nearby cities and the presence of high recreation, and education facilities has strengthened the city's economic base. Single family and commercial permits by increase 27.78% and 26.67% respectively. The housing market is continuing to show signs of improvement with 54 new homes built and a 75% increase in land use applications.

The City continues to examine opportunities to incrementally invest in services which

meet the need of the growing community, while also maintaining existing capital assets in a manner that ensures future years are not overly burdened with costs of our most basic and vital infrastructure.

LONG-TERM FINANCIAL PLANNING

The City’s current and on-going planning efforts include annual goals set by the City Council, a comprehensive plan (the “Sandy 2040 Plan”), and rolling six-year capital improvement plan supporting shorter-term strategic decisions. Developing and utilizing these plans enhances the City’s ability to address future fiscal needs in a proactive and measured approach.

MAJOR INITIATIVES

A number of significant initiatives, outlined below, ensures the City’s continued economic health and ability to provide service to its residents and businesses.

Parks ~ Competition of a one-mile trail extension of the North Trail in Sandy River Park. Purchased 1.49 acre of land that is an ideal location for the future eastern connection of the Tickle Creek Trail. Updated the City of Sandy Bike Map and installed a new bike self-service bike repair station and additional bike racks behind city hall.

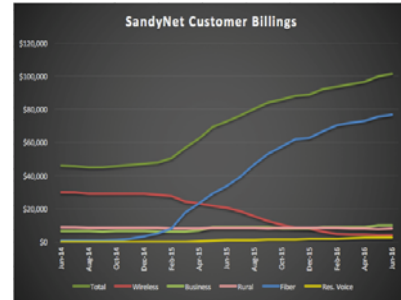
Libraries ~ Sandy and Hoodland Libraries implemented a new Radio Frequency Identification (RFID) system with self-checkout units, RFID pads and security gates. The new system will increase staff’s ability to manage inventory and increased security of all items. In addition, Hoodland Library moved to a new building location and received \$250,000 of lease building improvements funded by Clackamas County. To better service Hoodland patrons, the Hoodland Library is now connected to the City’s fiber network infrastructure therefore offering ultra-high internet connectivity.

SandyNet ~ The City of Sandy has come a long way in the last 13 years as an Internet Service Provider (ISP), known as SandyNet, a combination of fiber access for businesses, Wi-Fi, fiber-optic service, and phone service to residential fiber customers. SandyNet continues to be recognized at the regional and national level;



- 2016 – Community Broadband Network podcast, featuring the SandyNet Fiber project. Next Centuries Cities conference presentation in Seattle, Washington as the trend is the desire to offer fiber to their communities.
- 2015 - National Association for Telecommunication Officers and Advisors (NATOA) Broadband Heroes of the Year Award, an article in the OSP magazine highlighting case studies for municipal fiber, and our IT Director speaking at the Calix User Group Conference in Las Vegas, NV.

Fiber-To-The-Home (FTTH) Project ~ September 2015, the City completed the Fiber-To-The-Home (FTTH) project. Sandy is now a fiber connected community offering an improved quality of life and will provide a foundation of fiber fueled economic development for years to come. The City provides services to a total of 3,400 premises locations. SandyNet has experienced a consistent level of sign-ups. Currently, 65% of homes in the service area have requested connections to the fiber network and 55% of the homes are active on the service.



Urban Renewal Business Fiber Project ~ October 2015, construction was underway on the distribution network portion of the urban renewal district for fiber services. The next phase of the project includes engineering to verify conduit paths and design new building drop connections. Project completion is estimated to be March 2017.

Transit ~ Sandy Area Metro, a local bus system continues to enhance our community and surrounding areas by offering exceptional and diversified transportation options. Purchased a 2 new replacement vehicles (88% coverage by grant). One vehicle is specifically for persons with a disability with an automatic lift stored in the floor of the vehicle for ease of loading and unloading. The second vehicle increased the seating capacity by 220% and will be used for the dial-a-ride program which serves the elderly individuals.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The firm, Merina & Company, LLP, was selected by the City. The auditors have issued an unqualified (“clean”) opinion on the City’s financial statements for the fiscal year ended June 30, 2016. The independent auditor’s opinion is located at front of the financial section of this report.

CERTIFICICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sandy for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 25th year that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only and to obtain it the City must publish an easily readable and efficiently organized comprehensive annual financial report. 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.

ACKNOWLEDGEMENTS

The preparation of this report was made possible by the dedicated service of the finance and administrative department. We wish to thank all government departments for their

assistance in providing the data necessary to prepare this report.

Credit also is due to the mayor, City Council and the Budget Committee for their interest and support in planning and conducting the operations of the City in a responsible and professional manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Seth Atkinson". The signature is fluid and extends to the right with a long horizontal stroke.

Seth Atkinson
City Manager

A handwritten signature in cursive script that reads "Lisa Young". The signature is fluid and extends to the right with a long horizontal stroke.

Lisa Young
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Sandy
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



ELECTED CITY OFFICIALS

NAME

TERM EXPIRES

Mayor

Bill King

December 2016

Councilors

Jeremy Pietzold

December 2018

John Hamblin

December 2016

Preston Farner

December 2016

Lois Coleman

December 2018

Carl Exner

December 2018

Olga Gerberg

December 2016

CITY STAFF

City Manager

Seth Atkinson

Finance Director

Lisa Young

Police Chief

Kim Yamashita

Library Director

Sarah McIntyre

Planning Director

Tracy Brown

Public Works Director

Mike Walker

Community Services Director

Nancy Enabnit

IT Director

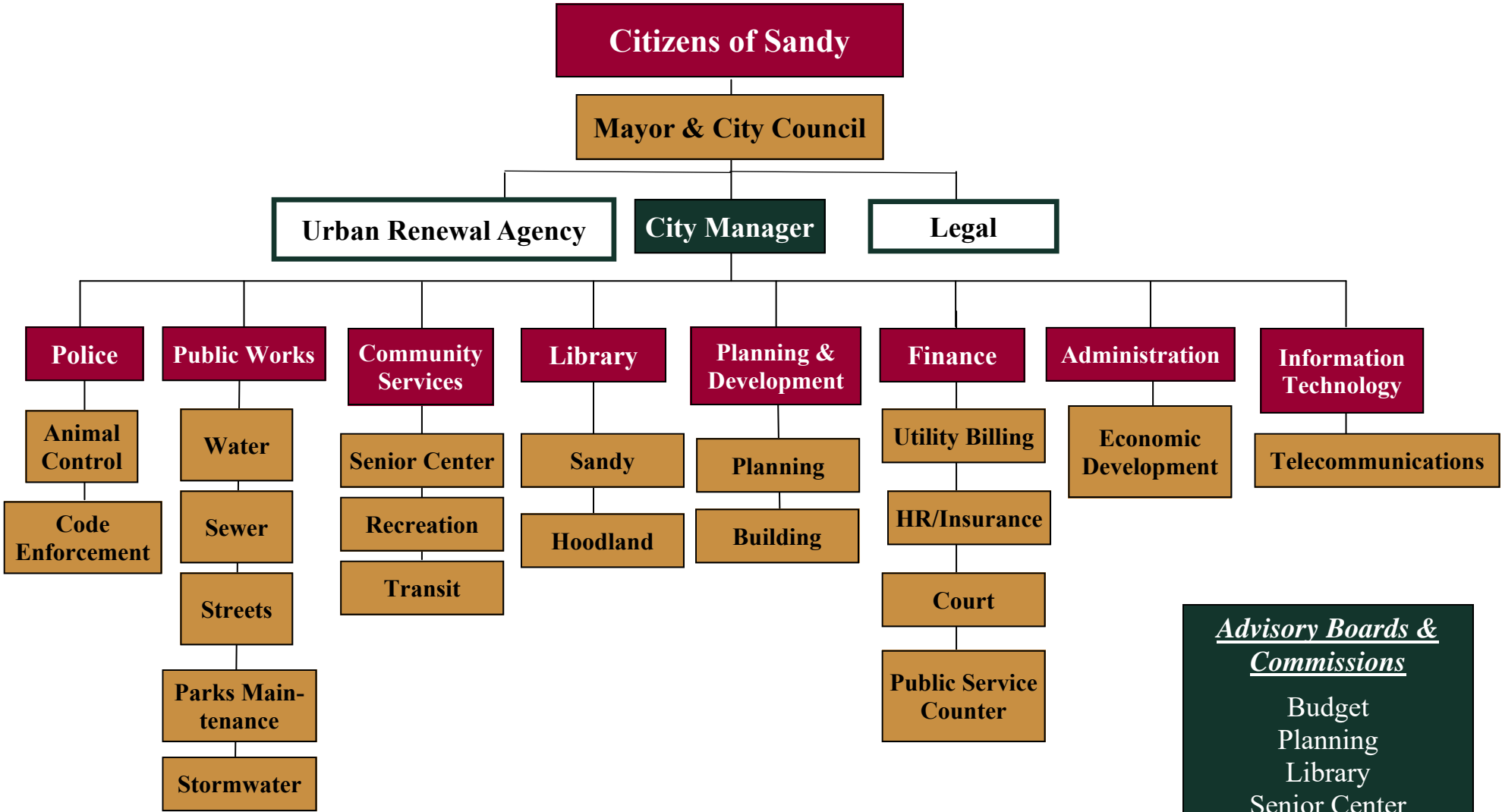
Joe Knapp

MAILING ADDRESS

39250 Pioneer Blvd.
Sandy, Oregon 97055

www.ci.sandy.or.us

CITY OF SANDY ORGANIZATIONAL CHART



Advisory Boards & Commissions

- Budget
- Planning
- Library
- Senior Center
- Parks
- Urban Renewal
- Transit
- Historic Review
- SandyNet

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Sandy, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandy, Oregon (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated October 31, 2016, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised

Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
October 31, 2016

CITY OF SANDY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The Management's Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Sandy for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the letter of transmittal on pages i-v and the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Sandy exceeded its liabilities at the close of the most recent fiscal year by \$43,778,146. Of this amount \$5,266,022 which represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$135,358. This is mainly attributed to the increase in capital assets. See Table 1 – Summary of Net Position for more details.
- The City's governmental activities reported total net position of \$28,552,578, which is an increase of \$127,266. Approximately 9% of the total, or \$2,528,643, is unrestricted and thus available for spending at the City's discretion.
- The City's business-type activities reported total net position of \$15,225,568, which is a decrease of \$262,264 from the prior year. Approximately 18% of the total, or \$2,737,379, is unrestricted and thus available for spending at the City's discretion.
- The City of Sandy's total outstanding debt decreased by \$811,964 during the current fiscal year. New debt of \$260,585 was issued for new police vehicles, server, computers and telecommunication equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Statement of Position* presents information on all assets of the City (including infrastructure) as well as all liabilities (including long term debt). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sandy is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's position changed during the 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 only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

**CITY OF SANDY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, referred to as government activities, from business functions intended to recover their costs through user fees and charges. The governmental-wide financial statements can be found on pages 14 and 15 of this report

Governmental activities of the City include the following:

- ❖ General government
- ❖ Public safety
- ❖ Highways and streets
- ❖ Culture and recreation
- ❖ Economic development

Business-type activities of the City include the following:

- ❖ Water
- ❖ Sewer
- ❖ Telecommunications
- ❖ Storm Water

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sandy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds are divided into three categories:

- ❖ Governmental funds
- ❖ Proprietary funds
- ❖ Fiduciary funds

Governmental funds are used to account for City functions that are supported primarily by taxes and intergovernmental revenues. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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 City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sandy maintains five 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 the General Fund, Street Fund, Transit Fund, Parks Capital Projects Fund, and Urban Renewal Agency Fund.

**CITY OF SANDY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

All of the funds considered to be major funds are shown on page 18.

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent four segments of operations: Water, Sewer, Storm Water and Telecommunications.

Additionally, the government reports the Operations Center Internal Service Fund as a proprietary fund. An internal service fund is used to account for an activity that provides goods or services to other departments on a cost-reimbursement basis. This internal service fund is to pool resources from departments that occupy the Operations Center building to allocate costs associated with shared invoices. Revenue sources are transfers from the Water, Sewer, Storm Water, Street, Transit, and General Funds.

The basic proprietary fund financial statements begin on page 22 of this report.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

The fiduciary fund financial statements begin on page 29 of this report.

Notes to the Basic Financial Statements. The Notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements and are found on pages 32 through 59 of this report.

Required Supplementary Information. Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Budgetary comparison schedule for the general fund and major special revenue funds are presented immediately following the notes to the basic financial statements. Required supplementary information can be found on page 60 of this report.

Other Supplementary Information. The budgetary comparison schedules for capital projects and the proprietary funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Statement of Net Position:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the current year, the City's assets and deferred outflows of resources exceeded liabilities by \$43,778,146. Table 1, on the next page, reflects a Summary of Net Position compared to prior fiscal year.

**CITY OF SANDY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

**Table 1
Summary of Net Position
(in thousands)**

	Governmental Activities		Business-type Activities		Total		
	2016	2015	2016	2015	2016	2015	+ (-)
Current assets	\$ 10,933	\$ 9,071	\$ 3,646	\$ 3,664	\$ 14,579	\$ 12,735	\$1,844
Other assets	-	995	313	887	313	1,882	(1,569)
Capital assets	23,532	23,862	30,506	30,784	54,038	54,646	(608)
Total assets	34,465	33,928	34,465	35,335	68,931	69,263	(333)
Deferred outflows of resources	575	397	106	43	681	440	241
Other liabilities	1,229	1,216	940	1,365	2,169	2,581	(412)
Long term debt outstanding	4,611	2,686	18,292	18,314	22,903	21,000	1,903
Total liabilities	5,840	3,902	19,232	19,679	25,073	23,581	1,491
Deferred inflows of resources	647	1,999	114	210	761	2,209	(1,448)
Net position:							
Net investment in capital	20,958	20,860	12,114	12,026	33,072	32,885	187
Restricted for:							
Debt Service	-	-	167	167	167	167	-
System Development Charges	2,554	1,158	207	623	2,761	1,781	981
State/Local Gas Tax	546	1,319	-	-	546	1,319	(774)
Grants	3	-	-	-	3	-	3
Parks Projects	-	41	-	-	-	41	(41)
Peg fees	8	-	-	-	8	-	8
Urban renewal projects	1,954	1,354	-	-	1,954	1,354	600
Unrestricted	2,529	3,693	2,737	2,672	5,266	6,365	(1,099)
Total net position	\$ 28,553	\$ 28,425	\$ 15,226	\$ 15,488	\$ 43,778	\$ 43,914	\$ (135)

By far the largest portion of the City of Sandy's net position (76% percent or \$33,072,417) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Sandy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sandy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, portion of the City of Sandy's net position 12.43% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,266,022 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sandy is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

However, the City of Sandy's overall net position decreased by \$135,358 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

**CITY OF SANDY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Analysis of Changes in Net Position:

The Table 2 below summarizes revenues and expenses for the current fiscal year and provides a comparison to prior year.

**Table 2
City of Sandy's Changes in Net Position
(in thousands)**

	Governmental Activities		Business-type Activities		Total		Total Change + (-)
	2016	2015	2016	2015	2016	2015	
REVENUES							
Program revenues							
Charges for services	\$ 2,326	\$ 2,183	\$ 4,484	\$ 3,602	\$ 6,810	\$ 5,786	\$ 1,024
Operating grants and contributions	1,087	1,385	16	363	1,103	1,747	(645)
Capital grants and contributions	-	254	-	-	-	254	(254)
General revenues	-	-	-	-	-	-	-
Property taxes	4,428	4,222	-	-	4,428	4,222	206
Franchise fees and public services taxes	3,645	3,405	-	-	3,645	3,405	240
Interest and investment earnings	63	41	48	50	111	91	20
Other	90	278	92	153	183	431	(249)
T total revenues	<u>11,639</u>	<u>11,768</u>	<u>4,640</u>	<u>4,168</u>	<u>16,279</u>	<u>15,936</u>	<u>343</u>
EXPENSES							
General Government	1,914	775	-	-	1,914	775	1,138
Highways and streets	1,133	937	-	-	1,133	937	196
Public transportation	1,336	1,315	-	-	1,336	1,315	21
Economic development	975	1,075	-	-	975	1,075	(100)
Public safety	3,602	2,161	-	-	3,602	2,161	1,441
Culture and recreation	2,660	1,860	-	-	2,660	1,860	799
Interest on long-term debt	63	68	-	-	63	68	(5)
Water	-	-	1,739	1,485	1,739	1,485	254
Wastewater	-	-	1,628	1,350	1,628	1,350	277
Stormwater	-	-	288	180	288	180	108
Telecommunications	-	-	1,077	528	1,077	528	550
T total Expenses	<u>11,683</u>	<u>8,191</u>	<u>4,731</u>	<u>3,542</u>	<u>16,414</u>	<u>11,733</u>	<u>4,681</u>
Increase in net position before transfers	(44)	3,577	(92)	626	(135)	4,203	(4,338)
Transfers	171	80	(171)	(80)	-	-	-
Changes in net position	<u>127</u>	<u>3,658</u>	<u>(263)</u>	<u>546</u>	<u>(135)</u>	<u>4,203</u>	<u>(4,338)</u>
Net position, July 1	28,425	26,627	15,488	14,943	43,914	41,569	2,344
Change in accounting principle	-	(1,878)	-	-	-	(1,878)	1,878
Beginning net position, restated	<u>28,425</u>	<u>24,749</u>	<u>15,488</u>	<u>14,943</u>	<u>43,914</u>	<u>39,691</u>	<u>4,222</u>
Prior period adjustment	-	19	-	-	-	19	(19)
Net position, June 30	<u>\$ 28,553</u>	<u>\$ 28,425</u>	<u>\$ 15,226</u>	<u>\$ 15,488</u>	<u>\$ 43,778</u>	<u>\$ 43,914</u>	<u>\$ (135)</u>

*Restated

Governmental activities. During the current fiscal year, net position for government activities increased \$127,266 from the prior year for an ending balance of \$28,552,578. The net change is a result of maintaining revenues and having to accounting for pension related expenditures due to 2 year of GASB 68 implementation which is main result for the expense increase of \$3.4 million.

Business-type activities. For the City of Sandy's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$15,225,568. The total decrease in net position for business-type activities (water, sewer, storm Water and telecommunications) was \$262,624 or -1.7% from prior year. The Sewer Fund and Storm Water Fund had a negative change in net position of \$243,527 and \$70,676, respectively. With the Water Fund's annual incremental rate increases, its net position increase

**CITY OF SANDY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

by \$48,318. The Telecommunications Fund increased by \$3,261. Compared to prior year operating revenues increased 55% and operating expenses by 49% due to the consistent level of signups for service to SandyNet, fiber connections to residential homes. Acquisitions of capital assets and principal payments on long-term debt are not reported as direct expenses, but are reported as additions to assets and reductions to liabilities respectively on the Statement of Net Positions.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Governmental funds. The focus of the City of Sandy'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 of Sandy's financing requirements. In particular, unassigned and assigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Although assigned fund balance has been allocated for some purpose, the amount can be reallocated according to the City Council's discretion.

At the end of the fiscal year, the City of Sandy's governmental funds reported combined ending fund balances of \$9,649,664. Approximately 47% percent of this total amount (\$4,584,227) constitutes assigned and unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been designated as non-spendable or restricted. For more information about fund balance designations, see Note 1 L. in the Notes to the Financial Statements beginning on page 38.

The *General Fund* is the chief operating fund of the City. At the end of the audited fiscal year, the General Fund increased \$219,169 from the prior year.

The *Street Fund* provides for the maintenance and construction of City streets. The fund had an increase of \$379,155 from high revenues received from local gas tax, street system development charges and delay of major street expenses.

The *Parks Capital Projects Fund* balance increased by \$125,552 due in part to payments of in lieu of land dedication for various developments totaling \$45,191.

The *Transit Fund* balance increase \$315,656 as Federal grants assisted in covering operational expenses and the no major capital outlay expenses.

The *Urban Renewal Fund* increased by \$600,274 is a result of a 4.14% increase in property tax revenues even with a slight increase in capital outlay and debt service costs compared to prior year.

Proprietary funds. The City's proprietary funds are comprised of the enterprise funds. An enterprise fund is used to account for activities for which a fee is charged to external users for services. These funds provide the same type of information found in the government-wide financial statements, but in more detail.

**CITY OF SANDY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The Water Fund's fund balance decreased \$175,742. The overall deficit is a result of a one-time high debt service interest payment for the OBDD water intertie loan. The Sewer Fund's fund balance increased by \$27,275 even with an unanticipated major sewer line repair during the current fiscal year. The Storm Water Fund's fund balance decreased by \$2,867. The Telecommunications Fund's fund balance decreased by \$469,375. When the Fiber-To-The-Home project was completed in October 2015, SandyNet experienced a higher home drop demand than initially projected. In addition, the actual cost of a home drop greatly exceeded the installation fee charged to the customer which resulted in higher capital expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was no need for any significant amendments to the original budget appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Sandy's investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$54,038,236 (net of accumulated depreciation). This investment in capital assets includes land, buildings, motor vehicles and equipment, office furniture and equipment, infrastructure and construction in progress. The total decrease in capital assets for the current fiscal year was approximately 1.1%.

The following Tables 3 and 4 summarizes capital assets and changes as of June 30, 2016.

**Table 3
City of Sandy's Capital Assets, Net of Accumulated Depreciation
as of June 30
(in thousands)**

	Governmental Activities		Business-Type Activities		Total		Change + (-)
	2016	2015	2016	2015	2016	2015	
Land	\$ 3,207	\$ 3,155	\$ 1,100	\$ 1,100	\$ 4,307	\$ 4,255	\$ 52
Construction in Progress	545	228	-	8,327	545	8,555	(8,010)
Improvements	7,792	7,914	27,528	19,675	35,320	27,589	7,731
Buildings	10,734	11,178	693	680	11,427	11,858	(431)
Furniture and equipment	290	237	1,062	839	1,352	1,076	276
Vehicles	949	1,119	123	164	1,072	1,283	(210)
Intangible Assets	15	31	-	-	15	31	(16)
Total	\$ 23,532	\$23,862	\$ 30,506	\$30,784	\$ 54,038	\$54,646	\$ (608)

Major capital asset events during the fiscal year included the following:

- ❖ Governmental Activities
 - Public Safety radio system upgrade and vehicles - \$146,185
 - Parks – Tickle Creek Trail land and improvements to Dog Park - \$55,629
- ❖ Business-Type Activities
 - Completion of the Fiber-To-The-Home project - \$8,326,559
 - Generator - \$42,695

**CITY OF SANDY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

**Table 4
City of Sandy's Changes in Capital Assets
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Beginning balance	\$ 23,862	\$ 24,490	\$ 30,784	\$ 24,971	\$ 54,646	\$ 49,461
Additions	1,092	614	9,681	6,781	10,773	7,395
Depreciation	(1,181)	(1,158)	(1,163)	(968)	(2,344)	(2,126)
Deletions	(241)	(84)	(8,796)	-	(9,037)	(84)
Ending balance	\$ 23,532	\$ 23,862	\$ 30,506	\$ 30,784	\$ 54,038	\$ 54,646

Additional information on the City's capital assets can be found in the notes to the basic financial statements – Note 4.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$21,306,229. The City's total debt decreased by \$811,964 (3.7%). During the fiscal year ended June 30, 2016 all scheduled debt payments were met. No significant issuance of new debt.

The Table 5 summarizes outstanding debt as of June 30, 2016.

**Table 5
City of Sandy's Outstanding Debt
as of June 30
(in thousands)**

	Government Activities		Business Activities		Total		Total Change
	2016	2015	2016	2015	2016	2015	+ (-)
Bonds payable	\$ 1,420	\$ 1,847	\$ 8,857	\$ 8,998	\$ 10,277	\$ 10,845	\$ (567)
Bond premium	-	-	246	258	246	258	(13)
Notes payable	1,071	1,156	9,175	9,501	10,246	10,658	(412)
Compensated absences	327	312	46	46	373	357	15
Lease payable	50	-	115	-	165	-	165
Total	\$ 2,868	\$ 3,315	\$ 18,438	\$ 18,804	\$ 21,306	\$ 22,118	\$ (812)

State statutes limit the amount of general obligation debt an Oregon city may issue to 3% of total real market value of all taxable property within its boundary. The current debt amount is well within the limits set by state statute.

Additional information on the City's long-term debt can be found in the Note 7.

REQUESTS FOR INFORMATION

This financial report is designed to provide users with a general overview of the City of Sandy's financial condition and demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed the Finance Department at 39250 Pioneer Blvd, Sandy, Oregon 97055.

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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

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

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



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CITY OF SANDY, OREGON
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 9,312,946	\$ 3,883,032	\$ 13,195,978
Property taxes receivable	257,303	-	257,303
Due from other governments	14,844	-	14,844
Accounts receivable, net	340,828	366,871	707,699
Inventories	-	129,912	129,912
Prepaid	-	5,849	5,849
Long term receivable	89,564	-	89,564
Internal balances	739,577	(739,577)	-
Grants receivable	161,453	-	161,453
Notes receivable	16,803	-	16,803
Total current assets	<u>10,933,318</u>	<u>3,646,087</u>	<u>14,579,405</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	142,596	142,596
Notes receivable	-	170,336	170,336
Capital assets:			
Nondepreciable	3,752,231	1,099,674	4,851,905
Depreciable, net	19,779,636	29,406,695	49,186,331
Total noncurrent assets	<u>23,531,867</u>	<u>30,819,301</u>	<u>54,351,168</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflow related to pension	574,779	106,399	681,178
Total assets & deferred outflows of resources	<u>\$ 35,039,964</u>	<u>\$ 34,571,787</u>	<u>\$ 69,611,751</u>
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 434,242	\$ 121,758	\$ 556,000
Interest payable	19,286	219,168	238,454
Deposits	89,471	3,646	93,117
Current portion of accrued compensated absences payable	65,384	9,139	74,523
Current portion of long-term debt	620,630	586,606	1,207,236
Total current liabilities	<u>1,229,013</u>	<u>940,317</u>	<u>2,169,330</u>
Noncurrent liabilities:			
Noncurrent portion of accrued compensated absences payable	261,536	36,557	298,093
Net pension liability	2,429,161	449,668	2,878,829
Noncurrent portion of long-term obligations	1,920,533	17,805,844	19,726,377
Total noncurrent liabilities	<u>4,611,230</u>	<u>18,292,069</u>	<u>22,903,299</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refunding	32,206	-	32,206
Deferred inflow related to pension	614,937	113,833	728,770
Total deferred inflows of resources	<u>647,143</u>	<u>113,833</u>	<u>760,976</u>
NET POSITION:			
Net investment in capital assets	20,958,498	12,113,919	33,072,417
Restricted for:			
Debt service	-	167,211	167,211
System development charges	2,554,439	207,059	2,761,498
State/local gas tax	545,824	-	545,824
Grants	3,178	-	3,178
Peg fees	7,874	-	7,874
Urban renewal projects	1,954,122	-	1,954,122
Unrestricted	2,528,643	2,737,379	5,266,022
Total net position	<u>28,552,578</u>	<u>15,225,568</u>	<u>43,778,146</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 35,039,964</u>	<u>\$ 34,571,787</u>	<u>\$ 69,611,751</u>

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,913,544	\$ 259,553	\$ -	\$ -
Highways and streets	1,133,062	418,398	18,307	-
Public transportation	1,335,842	120,834	890,512	-
Economic development	975,279	454,169	-	-
Public safety	3,602,117	733,591	31,750	-
Culture and recreation	2,659,501	339,805	146,320	-
Interest on long-term debt	63,472	-	-	-
Total governmental activities	<u>11,682,817</u>	<u>2,326,350</u>	<u>1,086,889</u>	<u>-</u>
Business type activities:				
Water Fund	1,738,604	1,766,857	15,640	-
Sewer Operations	1,627,822	1,392,037	-	-
Storm Water Fund	287,860	230,640	-	-
Telecommunications Fund	1,077,097	1,094,076	-	-
Total business type activities	<u>4,731,383</u>	<u>4,483,610</u>	<u>15,640</u>	<u>-</u>
Total government	<u>\$ 16,414,200</u>	<u>\$ 6,809,960</u>	<u>\$ 1,102,529</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes				
Public service taxes				
Franchise fees				
Interest and investment earnings				
Other revenues				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Restated net position - beginning				
Net position - ending				

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

Net Expense Revenue and
Change in Net Position

Governmental Activities	Business Type Activities	Total
\$ (1,653,991)	\$ -	\$ (1,653,991)
(696,357)	-	(696,357)
(324,496)	-	(324,496)
(521,110)	-	(521,110)
(2,836,776)	-	(2,836,776)
(2,173,376)	-	(2,173,376)
(63,472)	-	(63,472)
<u>(8,269,578)</u>	<u>-</u>	<u>(8,269,578)</u>
-	43,893	43,893
-	(235,785)	(235,785)
-	(57,220)	(57,220)
-	16,979	16,979
<u>-</u>	<u>(232,133)</u>	<u>(232,133)</u>
<u>(8,269,578)</u>	<u>(232,133)</u>	<u>(8,501,711)</u>
4,427,851	-	4,427,851
3,081,377	-	3,081,377
563,226	-	563,226
63,158	48,107	111,265
90,329	92,305	182,634
170,903	(170,903)	-
<u>8,396,844</u>	<u>(30,491)</u>	<u>8,366,353</u>
127,266	(262,624)	(135,358)
<u>28,425,312</u>	<u>15,488,192</u>	<u>43,913,504</u>
<u>\$ 28,552,578</u>	<u>\$ 15,225,568</u>	<u>\$ 43,778,146</u>

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



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FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

This fund accounts for all activities not accounted for by other funds of the City. Principal sources of revenues are property taxes, franchise fees, state and county shared revenues, and licenses and permits. Primary expenditures are made for police protection, culture and recreation, and general government.

Street Fund

State Tax Street Fund accounts for revenue derived from the state gas tax that is used for repair, maintenance and construction of streets.

Urban Renewal Agency Fund

Urban Renewal Agency Fund accounts for revenues from tax increment financing (property taxes) that are used to fund the urban renewal plan.

Transit Fund

Transit Fund accounts for revenue from a 0.6% employer payroll tax and intergovernmental sources that are used to operate the Sandy Area Metro (SAM) transit service.

Parks Capital Project Fund

The Parks Capital Project Fund accounts for System Development Charges (SDC) and grant money to fund park projects.



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CITY OF SANDY, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	General Fund	Street Fund	Urban Renewal Agency Fund	Transit Fund	Parks Capital Project Fund	Total Governmental
ASSETS						
Cash and cash equivalents	\$ 2,287,662	\$ 2,863,238	\$ 2,037,283	\$ 1,799,040	\$ 165,298	\$ 9,152,521
Property taxes receivable	171,548	-	85,755	-	-	257,303
Due from other governments	9,846	-	4,998	-	-	14,844
Accounts receivable, net	182,498	32,156	-	124,484	1,690	340,828
Notes receivable	-	16,803	-	-	-	16,803
Long term receivable	89,564	-	-	-	-	89,564
Grants receivable	-	-	-	161,453	-	161,453
Due from other funds	819,577	-	-	-	-	819,577
Total assets	<u>\$ 3,560,695</u>	<u>\$ 2,912,197</u>	<u>\$ 2,128,036</u>	<u>\$ 2,084,977</u>	<u>\$ 166,988</u>	<u>\$ 10,852,893</u>
LIABILITIES:						
Accounts payable and other current liabilities	\$ 321,925	\$ 27,936	\$ 14,107	\$ 68,109	\$ -	\$ 432,077
Deposits	89,471	-	-	-	-	89,471
Interfund loan payable	-	-	80,000	-	-	80,000
Total liabilities	<u>411,396</u>	<u>27,936</u>	<u>94,107</u>	<u>68,109</u>	<u>-</u>	<u>601,548</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	161,702	-	79,807	-	-	241,509
Unavailable revenue - receivables	114,182	28,020	-	217,970	-	360,172
Total deferred inflows of resources	<u>275,884</u>	<u>28,020</u>	<u>79,807</u>	<u>217,970</u>	<u>-</u>	<u>601,681</u>
FUND BALANCES:						
Restricted:						
System development charges	-	2,310,417	-	77,034	166,988	2,554,439
Street and roadside maintenance	-	545,824	-	-	-	545,824
Grants	3,178	-	-	-	-	3,178
Peg fees	7,874	-	-	-	-	7,874
Urban renewal projects	-	-	1,954,122	-	-	1,954,122
Assigned:						
Public transportation	-	-	-	1,721,864	-	1,721,864
Park district	64,250	-	-	-	-	64,250
Youth scholarship	1,500	-	-	-	-	1,500
Contributions	32,000	-	-	-	-	32,000
Grant	4,811	-	-	-	-	4,811
Fiber extension and various equipment	114,277	-	-	-	-	114,277
Unassigned, reported in:						
General fund	2,645,525	-	-	-	-	2,645,525
Total fund balance	<u>2,873,415</u>	<u>2,856,241</u>	<u>1,954,122</u>	<u>1,798,898</u>	<u>166,988</u>	<u>9,649,664</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,560,695</u>	<u>\$ 2,912,197</u>	<u>\$ 2,128,036</u>	<u>\$ 2,084,977</u>	<u>\$ 166,988</u>	

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,531,867
Pension related changes.	(2,469,319)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred outflows in the funds. Unavailable revenue	601,681
Internal service funds are used by management to charge the costs of administrative services department to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	158,260
The difference between the reacquisition price and the net carrying amount of the old debt is a deferred inflow of resources and is not reported in the funds.	(32,206)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,887,369)
Net position	<u>\$ 28,552,578</u>

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

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

	General Fund	Street Fund	Urban Renewal Agency Fund
REVENUES:			
Property taxes	\$ 2,920,002	\$ -	\$ 1,492,005
Public service taxes	1,470,262	970,317	-
Franchise fees	578,703	-	-
Grants	178,070	-	-
Charges for services	1,003,643	-	-
Licenses and permits	346,636	-	-
Fines and forfeitures	270,353	-	-
Special assessments	-	63,880	-
System development charges	-	354,518	-
Interest	21,837	17,785	12,747
Contributions and donations	10,807	-	-
Miscellaneous	40,012	9,528	-
Indirect service	-	-	-
	<u>6,840,325</u>	<u>1,416,028</u>	<u>1,504,752</u>
EXPENDITURES:			
Current:			
General government	787,433	-	-
Highways and streets	-	720,894	-
Public transportation	-	-	-
Economic development	720,480	-	86,649
Public safety	2,652,119	-	-
Culture and recreation	2,114,542	-	-
Capital outlay	558,176	195,774	342,794
Debt service:			
Principal	117,541	53,603	426,836
Interest	25,215	7,053	41,948
	<u>6,975,506</u>	<u>977,324</u>	<u>898,227</u>
Total expenditures	<u>6,975,506</u>	<u>977,324</u>	<u>898,227</u>
Revenues over (under) expenditures	(135,181)	438,704	606,525
OTHER FINANCING SOURCES (USES):			
Issuance of debt	136,222	-	-
Transfers in	260,628	-	-
Transfers out	(42,500)	(59,549)	(6,251)
	<u>354,350</u>	<u>(59,549)</u>	<u>(6,251)</u>
Total other financing sources (uses)	<u>354,350</u>	<u>(59,549)</u>	<u>(6,251)</u>
Net changes in fund balances	219,169	379,155	600,274
FUND BALANCES, BEGINNING	<u>2,654,246</u>	<u>2,477,086</u>	<u>1,353,848</u>
FUND BALANCES, ENDING	<u>\$ 2,873,415</u>	<u>\$ 2,856,241</u>	<u>\$ 1,954,122</u>

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

Transit Fund	Parks Capital Project Fund	Total Governmental
\$ -	\$ -	\$ 4,412,007
640,798	-	3,081,377
-	-	578,703
672,542	-	850,612
120,834	-	1,124,477
-	-	346,636
-	-	270,353
-	-	63,880
-	162,757	517,275
9,586	466	62,421
-	-	10,807
35	-	49,575
-	45,192	45,192
1,443,795	208,415	11,413,315
-	-	787,433
-	-	720,894
1,037,452	-	1,037,452
-	-	807,129
-	-	2,652,119
-	9,135	2,123,677
1,293	73,728	1,171,765
-	-	597,980
-	-	74,216
1,038,745	82,863	9,972,665
405,050	125,552	1,440,650
-	-	136,222
-	-	260,628
(89,394)	-	(197,694)
(89,394)	-	199,156
315,656	125,552	1,639,806
1,483,242	41,436	8,009,858
\$ 1,798,898	\$ 166,988	\$ 9,649,664

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

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

Amounts reported in the statement of activities are different because:

Net changes in fund balance		\$ 1,639,806
Governmental funds report pension contributions as expenditures. However, in the statements of activities, the cost of pension benefits earned net of employee contributions is reports as pension expense.		(1,905,872)
The statement of revenues, expenditures, and changes if fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Current year depreciation	(1,180,735)	
Capital assets	<u>850,152</u>	(330,583)
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.		217,628
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest expense		10,744
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeded repayments.		
Change in compensated absences	(15,322)	
Debt service principal payments	597,980	
Debt proceeds	<u>(136,222)</u>	446,436
Internal service funds are used by management to charge the costs of the administrative services department to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>49,107</u>
Change in net position of governmental activities		<u><u>\$ 127,266</u></u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

Enterprise Funds

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

Water Fund

The Water Fund accounts for the financial activities of the city-owned water utility operations. Sales of water and related charges are the major revenue sources.

Sewer Operations

Sewer Fund

The Sewer Fund accounts for the financial activities of the city-owned sewer service. Wastewater charges are the major revenue source.

Sewer Bond Reserve Fund

The Sewer Bond Reserve Fund accounts for the establishment of a sinking fund to allow the City to retire the debt on the sewer treatment plant by 2019.

Storm Water Fund

The Storm Water Fund accounts for the city-owned storm drainage system. Revenues consist primarily of storm drainage charges.

Telecommunications Fund

The Telecommunications Funds accounts for the city-owned internet data access system. User charges are the major revenue sources.

For Generally Accepted Accounting Principles purposes, these aforementioned funds are consolidated and included as four separate Enterprises funds.

Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Operations Center Internal Service Fund

The Operations Center Internal Service Fund pools resources from departments that occupy the Operations Center building to allocate costs associated with shared invoices. Revenue sources are transfers from the public works and transit departments.

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

	Enterprise Funds		
	Water Fund	Sewer Operations	Storm Water Fund
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,962,538	\$ 1,432,614	\$ 487,880
Accounts receivables, net	144,918	99,345	19,725
Interfund loan receivable	-	542,973	-
Inventories	-	-	-
Prepaid	-	-	-
Total current assets	2,107,456	2,074,932	507,605
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets, net	13,966,534	6,626,922	676,041
Notes receivable	154,050	16,286	-
Total noncurrent assets	14,120,584	6,643,208	676,041
Total assets	16,228,040	8,718,140	1,183,646
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflow related to pension asset	22,254	22,429	10,684
Total assets & deferred outflows of resources	\$ 16,250,294	\$ 8,740,569	\$ 1,194,330
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 37,115	\$ 45,764	\$ 8,769
Accrued compensated absences payable	2,806	2,806	743
Accrued interest payable	111,572	9,141	2,223
Deposits	3,646	-	-
Interfund loan payable	-	-	-
Loans payable within one year	387,648	57,525	35,000
Due to other funds	-	-	-
Total current liabilities	542,787	115,236	46,735
Noncurrent liabilities:			
Net pension liability	94,049	94,790	45,154
Loans payable, net of current portion	7,185,257	2,251,667	615,000
Accrued compensated absences payable	11,224	11,224	2,974
Total noncurrent liabilities	7,290,530	2,357,681	663,128
Total liabilities	7,833,317	2,472,917	709,863
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflow related to pension liability	23,808	23,996	11,431
NET POSITION:			
Net investment in capital assets	6,393,629	4,317,730	26,041
Restricted for:			
Debt service	-	167,211	-
System development charges	-	207,059	-
Unrestricted	1,999,540	1,551,656	446,995
Total net position	8,393,169	6,243,656	473,036
Total liabilities, deferred inflows of resources, and net position	\$ 16,250,294	\$ 8,740,569	\$ 1,194,330

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

Telecommunications Fund	Total	Governmental Activities
		Operations Center Internal Service Fund
\$ -	\$ 3,883,032	\$ 160,425
102,883	366,871	-
-	542,973	-
129,912	129,912	-
5,849	5,849	-
<u>238,644</u>	<u>4,928,637</u>	<u>160,425</u>
142,596	142,596	-
9,236,872	30,506,369	-
-	170,336	-
<u>9,379,468</u>	<u>30,819,301</u>	<u>-</u>
<u>9,618,112</u>	<u>35,747,938</u>	<u>160,425</u>
51,032	106,399	-
<u>\$ 9,669,144</u>	<u>\$ 35,854,337</u>	<u>\$ 160,425</u>
\$ 30,110	\$ 121,758	\$ 2,165
2,784	9,139	-
96,232	219,168	-
-	3,646	-
462,973	462,973	-
106,433	586,606	-
819,577	819,577	-
<u>1,518,109</u>	<u>2,222,867</u>	<u>2,165</u>
215,675	449,668	-
7,753,920	17,805,844	-
11,135	36,557	-
<u>7,980,730</u>	<u>18,292,069</u>	<u>-</u>
<u>9,498,839</u>	<u>20,514,936</u>	<u>2,165</u>
54,598	113,833	-
1,376,519	12,113,919	-
-	167,211	-
-	207,059	-
(1,260,812)	2,737,379	158,260
<u>115,707</u>	<u>15,225,568</u>	<u>158,260</u>
<u>\$ 9,669,144</u>	<u>\$ 35,854,337</u>	<u>\$ 160,425</u>

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

CITY OF SANDY, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

	Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Operations</u>	<u>Storm Water Fund</u>
OPERATING REVENUES:			
Charges for services	\$ 1,558,214	\$ 1,181,242	\$ 230,640
Special assessments and surcharges	208,643	210,795	-
Miscellaneous	43,787	33,159	410
Grants	15,640	-	-
	<u>1,826,284</u>	<u>1,425,196</u>	<u>231,050</u>
OPERATING EXPENSES:			
Salaries, fringe benefits and payroll taxes	283,059	284,688	139,513
Utilities	-	-	-
Operating supplies	-	-	-
Insurance	-	-	-
Operating costs	746,293	917,651	61,748
Contract services	-	-	-
Depreciation	506,000	313,406	59,019
	<u>1,535,352</u>	<u>1,515,745</u>	<u>260,280</u>
Operating income (loss)	290,932	(90,549)	(29,230)
NON-OPERATING INCOME (EXPENSE):			
Interest income	19,928	25,154	3,025
Interest expense	(203,252)	(112,077)	(27,580)
	<u>(183,324)</u>	<u>(86,923)</u>	<u>(24,555)</u>
Net income (loss) before transfers	107,608	(177,472)	(53,785)
TRANSFERS:			
Transfers in (out)	(59,290)	(66,055)	(16,891)
Change in net position	48,318	(243,527)	(70,676)
NET POSITION, BEGINNING	<u>8,344,851</u>	<u>6,487,183</u>	<u>543,712</u>
NET POSITION, ENDING	<u>\$ 8,393,169</u>	<u>\$ 6,243,656</u>	<u>\$ 473,036</u>

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

		Governmental Activities	
Telecommunications Fund	Total	Operations Center Internal Service Fund	
\$ 1,094,076	\$ 4,064,172	\$ -	
-	419,438	-	
14,949	92,305	-	
-	15,640	7,500	
<u>1,109,025</u>	<u>4,591,555</u>	<u>7,500</u>	
510,719	1,217,979	-	
-	-	28,370	
-	-	4,668	
-	-	4,817	
(7,949)	1,717,743	18,771	
-	-	10,473	
284,423	1,162,848	-	
<u>787,193</u>	<u>4,098,570</u>	<u>67,099</u>	
321,832	492,985	(59,599)	
-	48,107	737	
(289,904)	(632,813)	-	
<u>(289,904)</u>	<u>(584,706)</u>	<u>737</u>	
31,928	(91,721)	(58,862)	
<u>(28,667)</u>	<u>(170,903)</u>	<u>107,969</u>	
3,261	(262,624)	49,107	
112,446	15,488,192	109,153	
<u>\$ 115,707</u>	<u>\$ 15,225,568</u>	<u>\$ 158,260</u>	

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

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

	Water Fund	Sewer Operations
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,771,128	\$ 1,430,131
Cash paid to employees and others for salaries and benefits	(207,200)	(131,462)
Cash paid to suppliers and others	(731,670)	(951,101)
Net cash provided by operating activities	<u>832,258</u>	<u>347,568</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payment from (to) other funds for interfund loans and interest	-	186,124
Transfers in (out)	(59,290)	(66,055)
Advances to/from other funds	-	-
Net cash provided by non-capital financing activities	<u>(59,290)</u>	<u>120,069</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(33,059)	(43,650)
Proceeds from loans	-	-
Principal paid on loans	(382,553)	(54,917)
Interest paid on loans	(447,393)	(112,294)
Net cash provided by capital and related financing activities	<u>(863,005)</u>	<u>(210,861)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	19,928	25,154
Notes receivable	(146,167)	(279)
Net cash provided by investing activities	<u>(126,239)</u>	<u>24,875</u>
Net increase (decrease) in cash and cash equivalents	(216,276)	281,651
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,178,814</u>	<u>1,150,963</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,962,538</u>	<u>\$ 1,432,614</u>
COMPRISED AS FOLLOWS:		
Unrestricted	\$ 1,962,538	\$ 1,432,614
Restricted	-	-
Total	<u>\$ 1,962,538</u>	<u>\$ 1,432,614</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 290,932	\$ (90,549)
Adjustments:		
Depreciation	506,000	313,406
Decrease (increase) in:		
Accounts receivable	(55,656)	4,935
Inventories	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	14,623	43,163
Accrued compensated absences	(1,025)	(1,025)
Deposits	500	-
Net pension liability	76,884	77,638
Net cash provided by operating activities	<u>\$ 832,258</u>	<u>\$ 347,568</u>

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

Enterprise Funds			Activities	
Storm Water Fund	Telecommunications Fund	Total	Operations Center Internal Service Fund	
\$ 238,795	\$ 1,086,382	\$ 4,526,436	\$ 7,500	
(60,021)	(231,795)	(630,478)	-	
(93,946)	(555,129)	(2,331,846)	(66,470)	
84,828	299,458	1,564,112	(58,970)	
-	(126,124)	60,000	-	
(16,891)	(28,667)	(170,903)	107,969	
-	819,577	819,577	-	
(16,891)	664,786	708,674	107,969	
(956)	(807,627)	(885,292)	-	
-	124,363	124,363	-	
(30,000)	(22,480)	(489,950)	-	
(27,580)	(289,601)	(876,868)	-	
(58,536)	(995,345)	(2,127,747)	-	
3,025	-	48,107	737	
-	-	(146,446)	-	
3,025	-	(98,339)	737	
12,426	(31,101)	46,700	49,736	
475,454	173,697	3,978,928	110,689	
\$ 487,880	\$ 142,596	\$ 4,025,628	\$ 160,425	
\$ 487,880	\$ -	\$ 3,883,032	\$ 160,425	
-	142,596	142,596	-	
\$ 487,880	\$ 142,596	\$ 4,025,628	\$ 160,425	
\$ (29,230)	\$ 321,832	\$ 492,985	\$ (59,599)	
59,019	284,423	1,162,848	-	
7,745	(22,643)	(65,619)	-	
-	(129,912)	(129,912)	-	
7,548	(358,660)	(293,326)	629	
85	2,024	59	-	
-	-	500	-	
39,661	202,394	396,577	-	
\$ 84,828	\$ 299,458	\$ 1,564,112	\$ (58,970)	

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



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FUND FINANCIAL STATEMENTS

Fiduciary Funds

This fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Private-Purpose Trust Fund

Trust Fund

The Trust Fund accounts for contributions from private sources that are held by the City in a fiduciary capacity. Expenditures are made for the benefit of the library, senior center, recreation, emergency services, and Sandy Times.

CITY OF SANDY, OREGON
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Private-Purpose Trust Fund
ASSETS:	
Cash and cash equivalents	\$ 97,153
Total assets	<u>\$ 97,153</u>
LIABILITIES:	
Accounts payable and other current liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
NET POSITION:	
Held in trust for:	
Library	7,846
Adopt a book	1,360
Seniors	43,660
Meinig park	11,549
Recreation	934
Fantasy forest	8,791
Youth basketball	7,726
GREAT	3,082
Police explorers	3,187
Riparian	4,311
Emergency services	270
EASEY	5,995
Sandy times	(64)
Noah's Quest	(1,054)
DARE	(991)
Shop with a cop	41
Community garden rental	<u>510</u>
Total net position	<u>97,153</u>
Total liabilities and net position	<u>\$ 97,153</u>

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

CITY OF SANDY, OREGON
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2016

	<u>Private-Purpose Trust Fund</u>
ADDITIONS:	
Donations:	
Library	\$ 142
Seniors	2,700
Meinig park	50
Noah's Quest	2,506
Watershed council	510
Interest:	
Library	585
Seniors	(92)
Meinig park	2,826
	<hr/>
Total additions	9,227
	<hr/>
DEDUCTIONS:	
Seniors	2,969
EASEY	10
Noah's Quest	4,513
Shop with a cop	3,608
	<hr/>
Total deductions	11,100
	<hr/>
Change in net position	(1,873)
NET POSITION, BEGINNING	<hr/> 99,026
NET POSITION, ENDING	<hr/> <u>\$ 97,153</u>

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

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the government and its component unit (Sandy Urban Renewal Agency), entities for which the government is considered to be financially accountable.

Sandy Urban Renewal Agency – The Agency was formed to plan, direct, and manage certain projects within Sandy. Pursuant to ORS 457.055, the City Council has been appointed governing body of the Agency. The Urban Renewal Agency Capital Projects Fund and Urban Renewal Agency Debt Service Fund are reported as governmental fund types.

Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. The Sandy Urban Renewal Agency has a June 30 year-end. The Sandy Urban Renewal Agency is governed by the City Council of The City of Sandy and representatives from the Sandy Fire District and the Sandy Area Chamber of Commerce. Complete financial statements for the Agency may be obtained at: City of Sandy - City Hall 39250 Pioneer Blvd. Sandy, OR 97055-8001.

B. Basic Financial Statements

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

Government-wide statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information. The City has no non-major funds.

C. Basis of Presentation

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

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section. The City has no non-major funds.

The City reports the following major governmental funds:

The *General Fund* accounts for all activities not accounted for by other funds of the City. Principal sources of revenues are property taxes, state and county shared revenues, and licenses and permits. Primary expenditures are made for police protection, culture and recreation, and general government.

The *Street Fund* accounts for revenue derived from the state gas tax that is used for repair, maintenance, and construction of streets.

The *Transit Fund* accounts for revenue from a 0.6% employer payroll tax and intergovernmental sources that are used to operate the Sandy Area Metro (SAM) transit service.

The *Urban Renewal Agency Fund* accounts for revenues from tax increment financing (property taxes) that are used to fund the urban renewal plan.

The *Parks Capital Project Fund* accounts for System Development Charges (SDC) and grant money to fund park projects.

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

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

represent four segments of operations – Water, Sewer, Storm Water, and Telecommunications. The City reports the following proprietary funds:

- *Water Fund*
- *Sewer Fund Operations*
- *Storm Water Fund*
- *Telecommunications Fund*

Additionally, the government reports the following internal service fund also classified as a proprietary fund. An internal service fund is used to account for an activity that provides goods or services to other departments on a cost-reimbursement basis. This internal service fund is used to pool resources from departments that occupy the Operations Center building to allocate costs associated with shared invoices. Revenue sources are transfers from the Water, Sewer, Storm Water, Street, Transit, and General Funds.

- *Operations Center Internal Service Fund*

Fiduciary Funds reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only fiduciary fund is a private-purpose trust fund. Private-purpose trust funds are used to report contributions from private sources held in trust for the use of making purchases for the benefit of the library, senior center, recreation, emergency services, and Sandy Times and thus do not involve measurement of results of operations. The City reports the following fiduciary fund:

- *Trust Fund*

D. Measurement Focus and Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement *focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

CITY OF SANDY, OREGON
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current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

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

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

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

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The

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principle operating revenues of the City's Water, Sewer, Storm Water, and Telecommunications Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary financial statements have incorporated all applicable GASB pronouncements.

E. Cash and Cash Equivalents

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

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

F. Investments

Investments are stated at share value, which approximates fair value.

G. Receivables

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

Assessments receivable are recognized at the time property owners are assessed for property improvements. Assessments receivable expected to be collected within thirty days following year end and are considered measurable and available and are recognized as revenue. All other assessments receivable are offset by unavailable revenues and, accordingly, have not been recorded as revenue.

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

CITY OF SANDY, OREGON
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H. Interfund Loans Receivables/Payables

Long-term interfund loans are classified as “interfund loan receivable” and “interfund loan payable.”

I. Capital Assets

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Asset</u>	<u>Years</u>
Buildings	40
Improvements	7 - 20
Infrastructure	10 - 50
Vehicles	5 - 10
Furniture and equipment	5 - 20

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

J. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has one item that qualifies for reporting in this category. It is the deferred amount relating to pensions. This amount is

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deferred and recognized as an outflow of resources in the period when the City's recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports a deferred amount related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

K. Compensated Absences

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

Funds used to liquidate accrued compensated absences included the general fund, street fund, transit fund, urban renewal fund, water fund, sewer fund, storm water fund, and telecommunications fund.

L. Pensions

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

M. Net Position and Fund Balance

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

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portion of permanent funds is reported as a component of restricted net position. The City's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

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

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

Restricted – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by enabling legislation.

Committed – Includes amounts that have been committed by resolution by the City Council which is the City's "highest level of decision-making authority." Committed amounts may not be used for any other purpose unless the City Council removes the constraint by similar council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by council action who authorizes, by resolution, the City Manager to assign fund balance. Assigned fund balance is also established by the Council through adoption or amendment of the budget as intended for specific purpose.

Unassigned – This is the residual classification used for those balances not assigned to another category.

N. Use of Restricted Resources

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

The general fund is the only fund to report a positive unassigned fund balance. In other governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, these funds may report a negative unassigned fund balance.

O. Accounting Estimates

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

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. Cash and Cash Equivalents

At June 30, 2016 the cash equivalents of the City and its component unit consist of the following:

	Weighted Average Maturity	Fair Value
	<u> </u>	<u> </u>
Investments in the State Treasurer’s Local Government Investment Pool	0.00	\$8,983,043
US Treasuries	1.15	738,939
US agencies	1.01	2,697,385
Corporate bonds	<u>1.09</u>	<u>307,130</u>
 Total cash equivalents	<u><u>0.31</u></u>	<u><u>\$12,726,497</u></u>

Cash and cash equivalents are displayed on the financial statements as:

Cash and cash equivalents - government-wide	\$ 13,195,978
Restricted cash and cash equivalents – government-wide	142,596
Cash and cash equivalents - fiduciary funds	<u>97,153</u>
 Total cash and cash equivalents	<u><u>\$ 13,435,727</u></u>

A. Interest Rate Risk

In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio to 36 months.

B. Credit Risk

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

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

C. Concentration of Credit Risk

The City’s investment policy allows the City to have a maximum of up to 35% of total portfolio in either Commercial paper or Corporate Indebtedness to limit concentration of credit risk. The City’s investments were rated A or AA by Moody’s Investors Service.

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

D. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2016, the book value of the City's deposits was \$562,498 and the bank balance was \$840,061. The City's bank balances of \$447,465 were exposed to custodial credit risk as they were collateralized under PFCP.

3. Property Taxes and Assessments Receivable

Uncollected taxes and assessments are deemed to be substantially collectible or recoverable through liens. Therefore, no allowance for uncollectible accounts has been established.

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. Capital Assets

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

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,155,088	\$ 52,000	\$ -	\$ 3,207,088
Construction in progress	228,438	558,164	(241,459)	545,143
Total capital assets, not being depreciated	<u>3,383,526</u>	<u>610,164</u>	<u>(241,459)</u>	<u>3,752,231</u>
 <i>Capital assets, being depreciated:</i>				
Improvements	10,463,820	245,088	-	10,708,908
Buildings	13,463,282	10,286	-	13,473,568
Furniture and equipment	1,311,706	100,548	-	1,412,254
Vehicles	3,313,808	125,525	-	3,439,333
Intangible assets	96,326	-	-	96,326
Total capital assets, being depreciated	<u>28,648,942</u>	<u>481,447</u>	<u>-</u>	<u>29,130,389</u>
 <i>Less accumulated depreciation for:</i>				
Improvements	(2,549,688)	(367,122)	-	(2,916,810)
Buildings	(2,285,200)	(454,689)	-	(2,739,889)
Furniture and equipment	(1,074,801)	(47,705)	-	(1,122,506)
Vehicles	(2,194,764)	(295,660)	-	(2,490,424)
Intangible assets	(65,565)	(15,559)	-	(81,124)
Total accumulated depreciation	<u>(8,170,018)</u>	<u>(1,180,735)</u>	<u>-</u>	<u>(9,350,753)</u>
Total capital assets, being depreciated, net	<u>20,478,924</u>	<u>(699,288)</u>	<u>-</u>	<u>19,779,636</u>
Governmental activities capital assets, net	<u>\$ 23,862,450</u>	<u>\$ (89,124)</u>	<u>\$ (241,459)</u>	<u>\$ 23,531,867</u>

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,099,674	\$ -	\$ -	\$ 1,099,674
Construction in progress	8,326,559	469,369	(8,795,928)	-
Total capital assets, not being depreciated	9,426,233	469,369	(8,795,928)	1,099,674
<i>Capital assets, being depreciated:</i>				
Improvements	28,822,965	8,795,928	-	37,618,893
Buildings	944,698	32,103	-	976,801
Furniture and equipment	2,424,116	383,820	-	2,807,936
Vehicles	608,926	-	-	608,926
Total capital assets, being depreciated	32,800,705	9,211,851	-	42,012,556
<i>Less accumulated depreciation for:</i>				
Improvements	(9,147,960)	(943,261)	-	(10,091,221)
Buildings	(264,469)	(19,052)	-	(283,521)
Furniture and equipment	(1,585,411)	(160,218)	-	(1,745,629)
Vehicles	(445,173)	(40,317)	-	(485,490)
Total accumulated depreciation	(11,443,013)	(1,162,848)	-	(12,605,861)
Total capital assets, being depreciated, net	21,357,692	8,049,003	-	29,406,695
Business-type activities capital assets, net	30,783,925	8,518,372	(8,795,928)	30,506,369

CITY OF SANDY, OREGON
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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	Depreciation
General government	\$ 150,638
Public safety	174,245
Highways and streets	147,021
Public transportation	235,937
Economic development	140,002
Culture and recreation	332,892
Total depreciation expense - governmental activities	<u>\$ 1,180,735</u>
Business-type activities:	
Water	\$ 506,000
Sewer	313,406
Stormwater	59,019
Telecommunications	284,423
Total depreciation expense - business-type activities	<u>\$ 1,162,848</u>

5. Interfund Receivables, Payables, and Transfers

A. Interfund Receivables and Payables

On June 18, 2012 the Sewer Bond Reserve Fund loaned the Urban Renewal Fund \$200,000. The loan is to be repaid within five years with an annual interest rate of two percent.

On December 17, 2013 the Sewer Bond Reserve Fund loaned the Telecommunications Fund \$150,000. The loan is to be repaid within five years with an annual interest rate of 2.1 percent.

On June 1, 2015 the Sewer Bond Reserve Fund loaned the Telecommunications Fund \$500,000. The loan is to be repaid within five years with an annual interest rate of 2.0 percent.

The Interfund loan receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Bond Reserve	Urban Renewal Fund	\$ 80,000
Sewer Bond Reserve	Telecommunications Fund	462,973
Total		<u>\$ 542,973</u>

B. Interfund Transfers

Interfund transfers are used to pay for administrative services provided by the general fund, provide funds for debt service, and contribute to the cost of capital projects.

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General Fund	\$ 260,628	\$ 42,500
Street Fund	-	59,549
Transit Fund	-	89,394
Urban Renewal Agency Fund	-	6,251
Operations Center Internal Service Fund	107,969	-
Total Major Governmental Funds	<u>368,597</u>	<u>197,694</u>
Proprietary Funds:		
Water Fund	-	59,290
Sewer Fund	-	66,055
Storm Water Fund	-	16,891
Telecommunications Fund	-	28,667
Total Proprietary Funds	<u>-</u>	<u>170,903</u>
Total All Funds	<u>\$ 368,597</u>	<u>\$ 368,597</u>

6. Unavailable Revenues

Unavailable revenues on June 30, 2016 consisted of the following:

Property taxes receivable	\$ 241,509
Other receivables	<u>360,172</u>
Total unavailable revenue	<u>\$ 601,681</u>

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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7. Long Term Debt

During the year ended June 30, 2016, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities					
Bonds and notes payable:					
Bonds payable	\$ 1,846,624	\$ -	\$ 426,836	\$ 1,419,788	\$ 448,357
Notes payable	1,156,297	69,225	154,366	1,071,156	156,080
Total bonds and notes payable	3,002,921	69,225	581,202	2,490,944	604,437
Compensated absences	311,598	19,728	4,406	326,920	65,384
Lease payable	-	66,997	16,778	50,219	16,193
Total governmental activities	<u>\$ 3,314,519</u>	<u>\$ 155,950</u>	<u>\$ 602,386</u>	<u>\$ 2,868,083</u>	<u>\$ 686,014</u>
Business-type Activities					
Bonds payable	\$ 8,998,158	\$ -	\$ 140,661	\$ 8,857,497	\$ 213,224
Bond premium	258,470	-	12,924	245,546	12,924
Notes payable	9,501,409	-	326,809	9,174,600	336,949
Total bonds and notes payable	18,758,037	-	480,394	18,277,643	563,097
Compensated absences	45,637	2,109	2,050	45,696	9,139
Lease payable	-	124,363	9,556	114,807	23,509
Total business-type activities	<u>\$ 18,803,674</u>	<u>\$ 126,472</u>	<u>\$ 492,000</u>	<u>\$ 18,438,146</u>	<u>\$ 595,745</u>

A. Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year.

Governmental Activities

Series 2014: original amount 2,279,741; interest rate 1.85%; final payment due June 2019.

Total bonds payable \$ 1,419,788

CITY OF SANDY, OREGON
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Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Bonds Payable Governmental Activities</u>		
Fiscal Year	UR Series 2014	
	Principal	Interest
2017	\$ 448,357	\$ 31,704
2018	473,564	23,546
2019	497,867	14,862
	<u>\$ 1,419,788</u>	<u>\$ 70,112</u>

Business-Type Activities

Series 2014: original amount \$947,154; interest rate 1.85%; final payment due June 2022.	\$ 707,497
Series 2011: original amount \$800,000; interest rate 4.60%; final payment due June 2031.	650,000
Series 2014: original amount \$7,500,000; interest rate 1.375 to 4.00%; final payment due March 2035.	<u>7,500,000</u>
Total bonds payable	<u><u>\$ 8,857,497</u></u>

Fiscal Year	<u>Bonds Payable Business-Type Activities</u>					
	Water Fund Series 2014		Storm Water Series 2011		TC Revenue Bond Series 2014	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 108,224	\$ 7,651	\$ 35,000	\$ 26,680	\$ 70,000	\$ 287,788
2018	110,834	5,512	35,000	25,543	135,000	286,825
2019	113,369	3,385	35,000	24,318	185,000	284,968
2020	122,817	6,939	35,000	22,918	230,000	282,425
2021	125,280	4,667	40,000	21,763	255,000	273,225
2022-26	126,973	2,350	210,000	86,058	1,700,000	1,195,300
2027-31	-	-	260,000	36,570	2,430,000	806,000
2032-36	-	-	-	-	2,495,000	254,200
	<u>\$ 707,497</u>	<u>\$ 30,504</u>	<u>\$ 650,000</u>	<u>\$ 243,850</u>	<u>\$ 7,500,000</u>	<u>\$ 3,670,731</u>

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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B. General Obligation Notes Payable

Governmental Activities	
Washington Federal Loan: original amount \$605,000; interest rate 2.62%; final payment due January 2020.	\$ 228,927
Clackamas County Bank Loan - Library: original amount \$799,999; interest rate 2.75%; final payment due June 2037.	687,569
Clackamas County Bank - Police: original amount \$112,500; interest rate 2.50%; final payment due June 2017.	28,511
Kansas State Bank: original amount \$173,769; interest rate 3.344%; final payment due October 2017.	71,865
Kansas State Bank: original amount \$69,225; interest rate 3.96%; final payment due June 2020.	54,284
Total bonds payable	\$ 1,071,156

Fiscal Year	Notes Payable Governmental Activities			
	Washington Federal		CCB - Library	
	Principal	Interest	Principal	Interest
2017	\$ 55,017	\$ 5,640	\$ 25,312	\$ 18,776
2018	56,468	4,189	26,065	18,023
2019	57,957	2,699	26,787	17,301
2020	59,485	1,171	27,529	16,559
2021	-	-	28,246	15,842
2022-26	-	-	153,604	66,836
2027-31	-	-	176,091	44,349
2032-36	-	-	201,868	18,570
2037-41	-	-	22,067	298
	\$ 228,927	\$ 13,699	\$ 687,569	\$ 216,554

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Notes Payable Governmental Activities						
Fiscal Year	CCB - Police		Kansas State Bank		Kansas State Bank	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 28,511	\$ 653	\$ 34,449	\$ 2,343	\$ 12,791	\$ 2,150
2018	-	-	37,416	1,191	13,298	1,643
2019	-	-	-	-	13,824	1,117
2020	-	-	-	-	14,371	569
	<u>\$ 28,511</u>	<u>\$ 653</u>	<u>\$ 71,865</u>	<u>\$ 3,534</u>	<u>\$ 54,284</u>	<u>\$ 5,479</u>

Business-Type Activities

USDA Sewer Facility Loan: Original amount \$2,970,000; interest amount 4.75%; final payment due June 2039.	\$ 2,309,192
OBDD water intertie loan: original amount 7,500,000; interest amount 2.77%; final payment due June 2035.	<u>6,865,408</u>
Total notes payable	<u>\$ 9,174,600</u>

Notes Payable Business-Type Activities					
Fiscal Year	USDA		OBDD Water Intertie		
	Principal	Interest	Principal	Interest	
2017	\$ 57,525	\$ 109,686	\$ 279,424	\$ 190,172	
2018	60,258	106,953	287,164	182,432	
2019	63,120	104,091	295,118	174,477	
2020	66,118	101,093	303,293	166,303	
2021	69,259	97,952	311,694	157,901	
2022-26	398,877	437,178	1,692,862	655,113	
2027-31	503,050	333,005	1,940,677	407,297	
2032-36	634,425	201,630	1,755,176	123,205	
2037-41	456,560	43,992	-	-	
	<u>\$ 2,309,192</u>	<u>\$ 1,535,580</u>	<u>\$ 6,865,408</u>	<u>\$ 2,056,900</u>	

8. Net Position

The government-wide statement of net position reports \$5,439,707 of restricted net position, of which \$5,261,444 is restricted by enabling legislation.

9. Deferred Inflows of Resources

In fiscal year 2013-2014, the City refunded revenue bonds which resulted in a difference between the reacquisition price and the net carrying value of the old debt that was deferred and will be amortized over the life of the bond. The balance at June 30, 2016 is \$32,206.

10. Pension Plan

A. Plan Description

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

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

B. Benefits Provided

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

Pension Benefits

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

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

Death Benefits

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

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

Disability Benefits

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

Benefit Changes

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

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

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

five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

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

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

CITY OF SANDY, OREGON
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Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

C. Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$499,561, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 16.91 percent for Tier One/Tier Two General Service Member, 16.91 percent for Tier One/Tier Two Police, 10.23 percent for OPSRP Pension Program General Service Members, 14.34 percent for OPSRP Pension Program Police Members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2016, the City reported a liability of \$2,878,829 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.05014 percent, which was increased from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's recognized pension expense (income) of \$2,809,677. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SANDY, OREGON
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June 30, 2016

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 155,241	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	603,468
Changes in proportion	26,376	-
Differences between employer contributions and proportionate share of contributions	-	125,302
Total (prior to post-MD contributions)	<u>181,617</u>	<u>728,770</u>
Contributions subsequent to the MD	<u>499,561</u>	-
 Total	 <u>\$ 681,178</u>	 <u>\$ 728,770</u>

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

<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
Amortization Period		Amortization Period	
FY2017	\$ 540,837	FY2017	\$ 317,986
FY2018	41,276	FY2018	317,986
FY2019	41,276	FY2019	317,986
FY2020	41,276	FY2020	(233,746)
FY2021	16,513	FY2021	8,558
Total	<u>\$ 681,178</u>	Total	<u>\$ 728,770</u>

E. Actuarial Assumptions

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

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

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

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

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

F. Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC)

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

G. Depletion Date Projection

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

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

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

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

H. Discount Rate

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

I. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 6,947,947	\$ 2,878,829	\$ (550,368)

J. Pension Plan Fiduciary Net Position

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

K. Changes in Plan Provisions During the Measurement Period

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

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

This change in benefit terms were reflected in the current valuation.

L. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

11. Risk Management

The City is exposed to various risks of loss related to errors and omissions; automobile; damage to a destruction of assets; bodily injury; and worker's compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

12. Contingencies

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowance, if any, will be immaterial.

CITY OF SANDY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

13. Subsequent Event

On October 3, 2016, the City Council authorized the City Manager to sign the Purchase and Sale Agreement, Promissory Note, and Lease Agreement for the purchase of the Cedar Ridge Middle School and Olin Y. Bignall Aquatic Center for \$3,000,000.



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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedules
 - General Fund
 - Street Fund
 - Urban Renewal Agency Fund
 - Transit Fund
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions

CITY OF SANDY, OREGON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget	
	Original	Final
REVENUES:		
Property taxes	\$ 5,733,400	\$ 5,733,400
Public service taxes	478,890	478,890
Franchise fees	1,104,830	1,104,830
Grants	40,000	40,000
Charges for services	27,600	27,600
Licenses and permits	114,370	114,370
Fines and forfeitures	-	-
Interest	31,700	31,700
Contributions and donations	-	-
Miscellaneous	12,000	12,000
Total revenues	<u>7,542,790</u>	<u>7,542,790</u>
EXPENDITURES:		
General government	1,810,581	1,810,581
Economic development	1,471,782	1,471,782
Public safety	5,210,372	5,210,372
Culture and recreation	4,465,969	4,465,969
Capital outlay	801,700	801,700
Debt service:		
Principal	220,195	220,195
Interest	32,269	32,269
Contingency	1,343,027	1,343,027
Indirect service	1,169,634	1,169,634
Total expenditures	<u>16,525,529</u>	<u>16,525,529</u>
Revenues over (under) expenditures	(8,982,739)	(8,982,739)
OTHER FINANCING SOURCES (USES):		
Issuance of debt	-	-
Transfers in	1,690,893	1,690,893
Transfers out	(85,000)	(85,000)
Total other financing sources (uses)	<u>1,605,893</u>	<u>1,605,893</u>
Net changes in fund balance	(7,376,846)	(7,376,846)
FUND BALANCE, BEGINNING	<u>2,309,688</u>	<u>2,309,688</u>
FUND BALANCE, ENDING	<u>\$ (5,067,158)</u>	<u>\$ (5,067,158)</u>

	Actual			Variance with
FY 2016	FY 2017	Biennial	Final Budget	
\$ 2,920,002	\$ -	\$ 2,920,002	\$ (2,813,398)	
1,470,262	-	1,470,262	991,372	
578,703	-	578,703	(526,127)	
178,070	-	178,070	138,070	
1,003,643	-	1,003,643	976,043	
346,636	-	346,636	232,266	
270,353	-	270,353	270,353	
21,837	-	21,837	(9,863)	
10,807	-	10,807	10,807	
40,012	-	40,012	28,012	
<u>6,840,325</u>	<u>-</u>	<u>6,840,325</u>	<u>(702,465)</u>	
787,433	-	787,433	1,023,148	
720,480	-	720,480	751,302	
2,652,119	-	2,652,119	2,558,253	
2,114,542	-	2,114,542	2,351,427	
558,176	-	558,176	243,524	
117,541	-	117,541	102,654	
25,215	-	25,215	7,054	
-	-	-	1,343,027	
584,816	-	584,816	584,818	
<u>7,560,322</u>	<u>-</u>	<u>7,560,322</u>	<u>8,965,207</u>	
(719,997)	-	(719,997)	8,262,742	
136,222	-	136,222	136,222	
845,444	-	845,444	(845,449)	
(42,500)	-	(42,500)	42,500	
<u>939,166</u>	<u>-</u>	<u>939,166</u>	<u>(666,727)</u>	
219,169	-	219,169	7,596,015	
<u>2,654,246</u>	<u>-</u>	<u>2,654,246</u>	<u>344,558</u>	
<u>\$ 2,873,415</u>	<u>\$ -</u>	<u>\$ 2,873,415</u>	<u>\$ 7,940,573</u>	

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

	Biennial Budget	
	Original	Final
REVENUES:		
Public service taxes	\$ 1,640,000	\$ 1,640,000
Grants	60,000	60,000
Special assessments	234,000	234,000
System development charges	230,000	230,000
Interest	8,000	8,000
Miscellaneous	23,050	23,050
Total revenues	2,195,050	2,195,050
EXPENDITURES:		
Personnel services	404,931	404,931
Materials and services	1,025,025	1,025,025
Capital outlay	2,609,229	2,609,229
Debt service:		
Principal	108,620	108,620
Interest	12,693	12,693
Contingency	22,993	22,993
Total expenditures	4,183,491	4,183,491
Revenues over (under) expenditures	(1,988,441)	(1,988,441)
OTHER FINANCING SOURCES (USES):		
Transfers out	(119,097)	(119,097)
Total other financing sources (uses)	(119,097)	(119,097)
Net changes in fund balance	(2,107,538)	(2,107,538)
FUND BALANCE, BEGINNING	2,107,538	2,107,538
FUND BALANCE, ENDING	\$ -	\$ -

<u>FY 2016</u>	<u>Actual FY 2017</u>	<u>Biennial</u>	<u>Variance with Final Budget</u>
\$ 970,317	\$ -	\$ 970,317	\$ (669,683)
-	-	-	(60,000)
63,880	-	63,880	(170,120)
354,518	-	354,518	124,518
17,785	-	17,785	9,785
9,528	-	9,528	(13,522)
<u>1,416,028</u>	<u>-</u>	<u>1,416,028</u>	<u>(779,022)</u>
193,045	-	193,045	211,886
527,849	-	527,849	497,176
195,774	-	195,774	2,413,455
53,603	-	53,603	55,017
7,053	-	7,053	5,640
-	-	-	22,993
<u>977,324</u>	<u>-</u>	<u>977,324</u>	<u>3,206,167</u>
438,704	-	438,704	2,427,145
<u>(59,549)</u>	<u>-</u>	<u>(59,549)</u>	<u>59,548</u>
<u>(59,549)</u>	<u>-</u>	<u>(59,549)</u>	<u>59,548</u>
379,155	-	379,155	2,486,693
<u>2,477,086</u>	<u>-</u>	<u>2,477,086</u>	<u>369,548</u>
<u>\$ 2,856,241</u>	<u>\$ -</u>	<u>\$ 2,856,241</u>	<u>\$ 2,856,241</u>

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

	Biennial Budget	
	Original	Final
REVENUES:		
Property taxes	\$ 2,843,615	\$ 2,843,615
Interest	3,000	3,000
Total revenues	2,846,615	2,846,615
EXPENDITURES:		
Personnel services	159,017	159,017
Materials and services	16,752	16,752
Capital outlay	2,558,000	2,558,000
Debt service:		
Principal	875,193	875,193
Interest	70,852	70,852
Contingency	49,839	49,839
Total expenditures	3,729,653	3,729,653
Revenues over (under) expenditures	(883,038)	(883,038)
OTHER FINANCING SOURCES (USES):		
Interfund loan payments	(144,400)	(144,400)
Transfers out	(6,251)	(6,251)
Total other financing sources (uses)	(150,651)	(150,651)
Net changes in fund balance	(1,033,689)	(1,033,689)
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,033,689	1,033,689
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -
Interfund loan payable		
FUND BALANCE, ENDING		

<u>FY 2016</u>	<u>Actual FY 2017</u>	<u>Biennial</u>	<u>Variance with Final Budget</u>
\$ 1,492,005	\$ -	\$ 1,492,005	\$ (1,351,610)
12,747	-	12,747	9,747
<u>1,504,752</u>	<u>-</u>	<u>1,504,752</u>	<u>(1,341,863)</u>
76,522	-	76,522	82,495
10,127	-	10,127	6,625
342,794	-	342,794	2,215,206
426,836	-	426,836	448,357
41,948	-	41,948	28,904
-	-	-	49,839
<u>898,227</u>	<u>-</u>	<u>898,227</u>	<u>2,831,426</u>
606,525	-	606,525	1,489,563
(60,000)	-	(60,000)	84,400
(6,251)	-	(6,251)	-
<u>(66,251)</u>	<u>-</u>	<u>(66,251)</u>	<u>84,400</u>
540,274	-	540,274	1,573,963
<u>1,493,848</u>	<u>-</u>	<u>1,493,848</u>	<u>460,159</u>
2,034,122	-	<u>\$ 2,034,122</u>	<u>\$ 2,034,122</u>
<u>(80,000)</u>	<u>-</u>		
<u>\$ 1,954,122</u>	<u>\$ -</u>		

CITY OF SANDY, OREGON
TRANSIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget	
	Original	Final
REVENUES:		
Public service taxes	\$ 1,000,000	\$ 1,000,000
Grants	2,580,000	2,580,000
Charges for services	297,400	297,400
Interest	10,000	10,000
Miscellaneous	10,100	10,100
Indirect service	47,334	47,334
Total revenues	<u>3,944,834</u>	<u>3,944,834</u>
EXPENDITURES:		
Personnel services	360,713	360,713
Materials and services	1,856,570	1,856,570
Capital outlay	1,168,000	1,168,000
Contingency	1,818,879	1,818,879
Total expenditures	<u>5,204,162</u>	<u>5,204,162</u>
Revenues over (under) expenditures	(1,259,328)	(1,259,328)
OTHER FINANCING SOURCES (USES):		
Transfers out	<u>(178,789)</u>	<u>(178,789)</u>
Total other financing sources (uses)	<u>(178,789)</u>	<u>(178,789)</u>
Net changes in fund balance	(1,438,117)	(1,438,117)
FUND BALANCE, BEGINNING	<u>1,438,117</u>	<u>1,438,117</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>

FY 2016	Actual FY 2017	Biennial	Variance with Final Budget
\$ 640,798	\$ -	\$ 640,798	\$ (359,202)
672,542	-	672,542	(1,907,458)
120,834	-	120,834	(176,566)
9,586	-	9,586	(414)
35	-	35	(10,065)
-	-	-	(47,334)
<u>1,443,795</u>	<u>-</u>	<u>1,443,795</u>	<u>(2,501,039)</u>
168,403	-	168,403	192,310
869,049	-	869,049	987,521
1,293	-	1,293	1,166,707
-	-	-	1,818,879
<u>1,038,745</u>	<u>-</u>	<u>1,038,745</u>	<u>4,165,417</u>
405,050	-	405,050	1,664,378
<u>(89,394)</u>	<u>-</u>	<u>(89,394)</u>	<u>89,395</u>
<u>(89,394)</u>	<u>-</u>	<u>(89,394)</u>	<u>89,395</u>
315,656	-	315,656	1,753,773
<u>1,483,242</u>	<u>-</u>	<u>1,483,242</u>	<u>45,125</u>
<u>\$ 1,798,898</u>	<u>\$ -</u>	<u>\$ 1,798,898</u>	<u>\$ 1,798,898</u>

CITY OF SANDY, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Three Fiscal Years

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.05014105%	\$ 2,878,829	\$ 3,743,111	76.91%	91.90%
2015	0.04860486%	(1,101,733)	3,678,613	-29.95%	103.60%
2014	0.05014105%	673,613	3,634,578	18.53%	91.97%

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

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

CITY OF SANDY, OREGON
SCHEDULE OF CONTRIBUTIONS
For the Last Three Fiscal Years

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2016	\$ 499,561	\$ 499,561	\$ -	\$ 4,182,946	11.94%
2015	439,953	733,439	-	3,743,111	19.59%
2014	400,323	764,158	-	3,678,613	20.77%

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

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

1. Stewardship, Compliance, and Accountability

A. Budgetary Information

On a biennial basis, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution. The City budgets all funds, except the Fiduciary Funds, as required by Oregon Local Budget Law. The basis of budgeting for all major funds is the modified accrual basis of accounting.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund. Total expenditures by program level for operations and capital outlay are the legal level of control for all other funds except for the Parks Capital Project Fund and the Urban Renewal Agency Fund. Expenditure categories of personnel services, materials and services, capital outlay, debt service, transfers, and contingency are the legal level of control for these funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council.

B. Deficit Fund Balance

At June 30, 2016, the Telecommunications Fund had a deficit budgetary basis fund balance of (\$598,359).

C. Changes in Benefit Terms

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

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

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

CITY OF SANDY, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

D. Changes of Assumptions

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

These reports can be found at:

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



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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

- Budgetary Comparisons
 - General Fund - Expenditures
 - Major Capital Project Fund
 - Enterprise Funds
 - Internal Service Fund

- Other Financial Schedules:

CITY OF SANDY, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget		FY 2016
	Original	Final	
Mayor and city council			
Materials and services	\$ 33,312	\$ 33,312	\$ 20,933
Capital outlay	500	500	-
Indirect service	23,996	23,996	11,998
Subtotal	57,808	57,808	32,931
Administration			
Personnel services	414,774	414,774	196,656
Materials and services	25,625	25,625	11,027
Capital outlay	10,000	10,000	66
Contingency	39,496	39,496	-
Subtotal	489,895	489,895	207,749
Legal			
Materials and services	248,778	248,778	85,560
Subtotal	248,778	248,778	85,560
Municipal court			
Personnel services	62,548	62,548	23,978
Materials and services	24,825	24,825	9,618
Capital outlay	-	-	2,321
Indirect services	26,440	26,440	13,220
Contingency	56,848	56,848	-
Subtotal	170,661	170,661	49,137
Finance			
Personnel services	430,118	430,118	205,195
Materials and services	111,200	111,200	52,260
Capital outlay	4,000	4,000	442
Contingency	97,837	97,837	-
Subtotal	643,155	643,155	257,897
Library			
Personnel services	1,956,747	1,956,747	904,981
Materials and services	423,155	423,155	206,092
Capital outlay	91,000	91,000	101,028
Debt service	88,176	88,176	44,088
Indirect service	286,230	286,230	143,115
Contingency	45,000	45,000	-
Subtotal	2,890,308	2,890,308	1,399,304

Actual FY 2017	Biennial	Variance with Final Budget
\$ -	\$ 20,933	\$ 12,379
-	-	500
-	11,998	11,998
-	32,931	24,877
-	196,656	218,118
-	11,027	14,598
-	66	9,934
-	-	39,496
-	207,749	282,146
-	85,560	163,218
-	85,560	163,218
-	23,978	38,570
-	9,618	15,207
-	2,321	(2,321)
-	13,220	13,220
-	-	56,848
-	49,137	121,524
-	205,195	224,923
-	52,260	58,940
-	442	3,558
-	-	97,837
-	257,897	385,258
-	904,981	1,051,766
-	206,092	217,063
-	101,028	(10,028)
-	44,088	44,088
-	143,115	143,115
-	-	45,000
-	1,399,304	1,491,004

CITY OF SANDY, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget		FY 2016
	Original	Final	
Continued			
Police			
Personnel services	4,090,974	4,090,974	2,097,201
Materials and services	887,605	887,605	456,599
Capital outlay	102,000	102,000	99,013
Debt service	132,008	132,008	80,945
Indirect service	425,797	425,797	212,899
Contingency	25,043	25,043	-
Subtotal	5,663,427	5,663,427	2,946,657
Animal control and code enforcement			
Personnel services	144,420	144,420	64,723
Indirect service	10,913	10,913	5,456
Subtotal	155,333	155,333	70,179
Recreation			
Personnel services	396,967	396,967	174,601
Materials and services	259,300	259,300	118,292
Capital outlay	13,500	13,500	6,584
Indirect service	60,619	60,619	30,309
Contingency	129,555	129,555	-
Subtotal	859,941	859,941	329,786
Seniors			
Personnel services	639,776	639,776	303,538
Materials and services	218,900	218,900	119,248
Capital outlay	56,500	56,500	4,719
Indirect service	89,196	89,196	44,598
Contingency	18,684	18,684	-
Subtotal	1,023,056	1,023,056	472,103
Parks maintenance			
Personnel services	432,044	432,044	203,570
Materials and services	139,080	139,080	84,220
Capital outlay	25,500	25,500	1,636
Indirect service	54,088	54,088	27,044
Contingency	5,928	5,928	-
Subtotal	656,640	656,640	316,470

Actual FY 2017	Biennial	Variance with Final Budget
-	2,097,201	1,993,773
-	456,599	431,006
-	99,013	2,987
-	80,945	51,063
-	212,899	212,898
-	-	25,043
-	2,946,657	2,716,770
-	64,723	79,697
-	5,456	5,457
-	70,179	85,154
-	174,601	222,366
-	118,292	141,008
-	6,584	6,916
-	30,309	30,310
-	-	129,555
-	329,786	530,155
-	303,538	336,238
-	119,248	99,652
-	4,719	51,781
-	44,598	44,598
-	-	18,684
-	472,103	550,953
-	203,570	228,474
-	84,220	54,860
-	1,636	23,864
-	27,044	27,044
-	-	5,928
-	316,470	340,170

CITY OF SANDY, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget		FY 2016
	Original	Final	
Continued			
Planning			
Personnel services	335,064	335,064	163,287
Materials and services	37,950	37,950	14,989
Capital outlay	7,000	7,000	2,144
Indirect service	60,837	60,837	30,418
Contingency	97,385	97,385	-
Subtotal	538,236	538,236	210,838
Building			
Personnel services	496,113	496,113	235,848
Materials and services	77,450	77,450	36,202
Capital outlay	10,500	10,500	2,424
Indirect service	109,489	109,489	54,745
Contingency	121,411	121,411	-
Subtotal	814,963	814,963	329,219
Main Street			
Personnel services	145,033	145,033	67,573
Materials and services	50,230	50,230	41,600
Capital outlay	200	200	2,822
Revenue Distribution	22,029	22,029	11,014
Contingency	2,389	2,389	-
Subtotal	219,881	219,881	123,009
Non departmental			
Personnel services	29,734	29,734	3,871
Materials and services	517,040	517,040	211,931
Capital outlay	462,000	462,000	249,547
Transfer	85,000	85,000	42,500
Contingency	703,287	703,287	-
Subtotal	1,797,061	1,797,061	507,849
Information Technology			
Personnel services	235,463	235,463	116,017
Materials and services	94,479	94,479	44,964
Capital outlay	19,000	19,000	85,430
Debt service	32,280	32,280	17,723
Contingency	164	164	-
Subtotal	381,386	381,386	264,134
Total expenditures	\$ 16,610,529	\$ 16,610,529	\$ 7,602,822

Actual FY 2017	Biennial	Variance with Final Budget
-	163,287	171,777
-	14,989	22,961
-	2,144	4,856
-	30,418	30,419
-	-	97,385
-	210,838	327,398
-	235,848	260,265
-	36,202	41,248
-	2,424	8,076
-	54,745	54,744
-	-	121,411
-	329,219	485,744
-	67,573	77,460
-	41,600	8,630
-	2,822	(2,622)
-	11,014	11,015
-	-	2,389
-	123,009	96,872
-	3,871	25,863
-	211,931	305,109
-	249,547	212,453
-	42,500	42,500
-	-	703,287
-	507,849	1,289,212
-	116,017	119,446
-	44,964	49,515
-	85,430	(66,430)
-	17,723	14,557
-	-	164
-	264,134	117,252
\$ -	\$ 7,602,822	\$ 9,007,707

**CITY OF SANDY, OREGON
PARKS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

	Biennial Budget	
	Original	Final
REVENUES:		
Grants	\$ 250,000	\$ 250,000
System development charges	350,000	350,000
Interest	-	-
Indirect service	100,000	100,000
	<hr/>	<hr/>
Total revenues	700,000	700,000
	<hr/>	<hr/>
EXPENDITURES:		
Materials and services	7,200	7,200
Capital outlay	680,871	680,871
	<hr/>	<hr/>
Total expenditures	688,071	688,071
	<hr/>	<hr/>
Revenues over (under) expenditures	11,929	11,929
	<hr/>	<hr/>
FUND BALANCE, BEGINNING	(11,929)	(11,929)
	<hr/>	<hr/>
FUND BALANCE, ENDING	\$ -	\$ -
	<hr/>	<hr/>

<u>FY 2016</u>	<u>Actual FY 2017</u>	<u>Biennial</u>	<u>Variance with Final Budget</u>
\$ -	\$ -	\$ -	\$ (250,000)
162,757	-	162,757	(187,243)
466	-	466	466
45,192	-	45,192	(54,808)
<u>208,415</u>	<u>-</u>	<u>208,415</u>	<u>(491,585)</u>
9,135	-	9,135	(1,935)
73,728	-	73,728	607,143
<u>82,863</u>	<u>-</u>	<u>82,863</u>	<u>605,208</u>
125,552	-	125,552	113,623
41,436	-	41,436	53,365
<u>\$ 166,988</u>	<u>\$ -</u>	<u>\$ 166,988</u>	<u>\$ 166,988</u>



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BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

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

Enterprise Budgetary Comparison schedules include the following:

- Water Fund
- Sewer Operations
 - Sewer Fund
 - Sewer Bond Reserve Fund
- Storm Water Fund
- Telecommunications Fund

CITY OF SANDY, OREGON
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget	
	Original	Final
REVENUES:		
Grants	\$ -	\$ -
Charges for services	2,311,000	2,311,000
System development charges	200,000	200,000
Interest	10,000	10,000
Miscellaneous	45,000	45,000
Total revenues	<u>2,566,000</u>	<u>2,566,000</u>
EXPENDITURES:		
Personnel services	438,201	438,201
Materials and services	1,295,525	1,295,525
Capital outlay	211,000	211,000
Debt service:		
Principal	770,201	770,201
Interest	645,217	645,217
Contingency	1,159,208	1,159,208
Total expenditures	<u>4,519,352</u>	<u>4,519,352</u>
Revenues over (under) expenditures	(1,953,352)	(1,953,352)
OTHER FINANCING SOURCES (USES):		
Transfers out	<u>(118,579)</u>	<u>(118,579)</u>
Total other financing sources (uses)	<u>(118,579)</u>	<u>(118,579)</u>
Changes in fund balance	(2,071,931)	(2,071,931)
FUND BALANCE, BEGINNING BUDGETARY BASIS	2,071,931	2,071,931
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

RECONCILIATION TO NET POSITION - GAAP BASIS

Capital assets, net
Deferred outflows related to pensions
Notes receivable
Accrued interest
Accrued compensated absence
Loans payable
Net pension liability
Deferred inflows of resources

NET POSITION

	Actual			Variance with
FY 2016	FY 2017	Biennial		Final Budget
\$ 15,640	\$ -	\$ 15,640	\$	15,640
1,412,048	-	1,412,048		(898,952)
208,643	-	208,643		8,643
19,928	-	19,928		9,928
43,787	-	43,787		(1,213)
<u>1,700,046</u>	<u>-</u>	<u>1,700,046</u>		<u>(865,954)</u>
207,200	-	207,200		231,001
769,897	-	769,897		525,628
9,455	-	9,455		201,545
382,553	-	382,553		387,648
447,393	-	447,393		197,824
-	-	-		1,159,208
<u>1,816,498</u>	<u>-</u>	<u>1,816,498</u>		<u>2,702,854</u>
(116,452)	-	(116,452)		1,836,900
<u>(59,290)</u>	<u>-</u>	<u>(59,290)</u>		<u>59,289</u>
<u>(59,290)</u>	<u>-</u>	<u>(59,290)</u>		<u>59,289</u>
(175,742)	-	(175,742)		1,896,189
2,259,981	-	2,259,981		188,050
<u>(17,544)</u>	<u>-</u>	<u>(17,544)</u>		<u>(17,544)</u>
2,066,695	<u>\$ -</u>	<u>\$ 2,066,695</u>	<u>\$</u>	<u>2,066,695</u>
13,966,534				
22,254				
154,050				
(111,572)				
(14,030)				
(7,572,905)				
(94,049)				
<u>(23,808)</u>				
<u>\$ 8,393,169</u>				

CITY OF SANDY, OREGON
SEWER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016

	<u>Sewer Fund</u>	<u>Sewer Bond Reserve Fund</u>	<u>Total Sewer Operations</u>
REVENUES:			
Charges for services	\$ 1,181,242	\$ -	\$ 1,181,242
System development charges	210,516	-	210,516
Interest	5,000	5,483	10,483
Miscellaneous	33,159	-	33,159
Total revenues	<u>1,429,917</u>	<u>5,483</u>	<u>1,435,400</u>
EXPENDITURES:			
Personnel services	208,075	-	208,075
Materials and services	807,097	-	807,097
Capital outlay	154,204	-	154,204
Debt service:			
Principal	54,917	-	54,917
Interest	112,294	-	112,294
Total expenditures	<u>1,336,587</u>	<u>-</u>	<u>1,336,587</u>
Revenues over (under) expenditures	93,330	5,483	98,813
OTHER FINANCING SOURCES (USES):			
Interfund loan receipts	-	200,795	200,795
Transfers out	(66,055)	-	(66,055)
Total other financing sources (uses)	<u>(66,055)</u>	<u>200,795</u>	<u>134,740</u>
Net changes in fund balance	27,275	206,278	233,553
FUND BALANCE, BEGINNING BUDGETARY BASIS	446,244	756,116	1,202,360
PRIOR PERIOD ADJUSTMENT	<u>50,282</u>	<u>-</u>	<u>50,282</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 523,801</u>	<u>\$ 962,394</u>	1,486,195
RECONCILIATION TO NET POSITION - GAAP BASIS			
Interfund Loan			542,973
Capital assets, net			6,626,922
Deferred outflows related to pensions			22,429
Notes receivable			16,286
Accrued interest			(9,141)
Accrued compensated absence			(14,030)
Loans payable			(2,309,192)
Net pension liability			(94,790)
Deferred inflows of resources			<u>(23,996)</u>
NET POSITION			<u>\$ 6,243,656</u>



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CITY OF SANDY, OREGON
SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget	
	Original	Final
REVENUES:		
Charges for services	\$ 2,409,500	\$ 2,409,500
System development charges	338,239	338,239
Interest	4,000	4,000
Miscellaneous	5,000	5,000
Total revenues	\$ 2,756,739	2,756,739
EXPENDITURES:		
Personnel services	438,191	438,191
Materials and services	1,469,365	1,469,365
Capital outlay	571,500	571,500
Debt service:		
Principal	112,444	112,444
Interest	221,979	221,979
Contingency	91,989	91,989
Total expenditures	\$ 2,905,468	2,905,468
Revenues over (under) expenditures	(148,729)	(148,729)
OTHER FINANCING SOURCES (USES):		
Transfers out	(232,110)	(232,110)
Total other financing sources (uses)	(232,110)	(232,110)
Net changes in fund balance	(380,839)	(380,839)
FUND BALANCE, BEGINNING BUDGETARY BASIS	380,839	380,839
PRIOR PERIOD ADJUSTMENT	-	-
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -

<u>FY 2016</u>	<u>Actual FY 2017</u>	<u>Biennial</u>	<u>Variance with Final Budget</u>
\$ 1,181,242	\$ -	\$ 1,181,242	\$ (1,228,258)
210,516	-	210,516	(127,723)
5,000	-	5,000	1,000
33,159	-	33,159	28,159
<u>1,429,917</u>	<u>-</u>	<u>1,429,917</u>	<u>(1,326,822)</u>
208,075	-	208,075	230,116
807,097	-	807,097	662,268
154,204	-	154,204	417,296
54,917	-	54,917	57,527
112,294	-	112,294	109,685
-	-	-	91,989
<u>1,336,587</u>	<u>-</u>	<u>1,336,587</u>	<u>1,568,881</u>
93,330	-	93,330	242,059
<u>(66,055)</u>	<u>-</u>	<u>(66,055)</u>	<u>166,055</u>
<u>(66,055)</u>	<u>-</u>	<u>(66,055)</u>	<u>166,055</u>
27,275	-	27,275	408,114
446,244	-	446,244	65,405
50,283	-	50,283	50,283
<u>\$ 523,802</u>	<u>\$ -</u>	<u>\$ 523,802</u>	<u>\$ 523,802</u>

CITY OF SANDY, OREGON
SEWER BOND RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget	
	Original	Final
REVENUES:		
Interest	\$ 303,832	\$ 303,832
Total revenues	303,832	303,832
EXPENDITURES:		
Contingency	1,557,120	1,557,120
Total expenditures	1,557,120	1,557,120
Revenues over (under) expenditures	(1,253,288)	(1,253,288)
OTHER FINANCING SOURCES (USES):		
Interfund loan receipts	-	-
Total other financing sources (uses)	-	-
Changes in fund balance	(1,253,288)	(1,253,288)
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,253,288	1,253,288
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -

<u>FY 2016</u>	<u>Actual FY 2017</u>	<u>Biennial</u>	<u>Variance with Final Budget</u>
\$ 5,483	\$ -	\$ 5,483	\$ (298,349)
<u>5,483</u>	<u>-</u>	<u>5,483</u>	<u>(298,349)</u>
-	-	-	1,557,120
-	-	-	1,557,120
5,483	-	5,483	1,258,771
<u>200,795</u>	<u>-</u>	<u>200,795</u>	<u>200,795</u>
<u>200,795</u>	<u>-</u>	<u>200,795</u>	<u>200,795</u>
206,278	-	206,278	1,459,566
<u>756,116</u>	<u>-</u>	<u>756,116</u>	<u>(497,172)</u>
<u>\$ 962,394</u>	<u>\$ -</u>	<u>\$ 962,394</u>	<u>\$ 962,394</u>

CITY OF SANDY, OREGON
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget	
	Original	Final
REVENUES:		
Charges for services	\$ 441,000	\$ 441,000
Interest	3,000	3,000
Miscellaneous	-	-
Total revenues	444,000	444,000
EXPENDITURES:		
Personnel services	202,358	202,358
Materials and services	58,965	58,965
Capital outlay	53,500	53,500
Debt service:		
Principal	65,000	65,000
Interest	54,260	54,260
Contingency	534,338	534,338
Total expenditures	968,421	968,421
Revenues over (under) expenditures	(524,421)	(524,421)
OTHER FINANCING SOURCES (USES):		
Transfers out	(33,782)	(33,782)
Total other financing sources (uses)	(33,782)	(33,782)
Changes in fund balance	(558,203)	(558,203)
FUND BALANCE, BEGINNING BUDGETARY BASIS	558,203	558,203
PRIOR PERIOD ADJUSTMENT	-	-
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -

* Appropriation level is at the program level

RECONCILIATION TO NET POSITION - GAAP BASIS

Capital assets, net
Deferred outflows related to pensions
Accrued interest
Accrued compensated absence
Loans payable
Net pension liability
Deferred inflows of resources

NET POSITION

	Actual			Variance with
FY 2016	FY 2017	Biennial		Final Budget
\$ 230,640	\$ -	\$ 230,640	\$	(210,360)
3,025	-	3,025		25
410	-	410		410
<u>234,075</u>	<u>-</u>	<u>234,075</u>		<u>(209,925)</u>
99,767	-	99,767		102,591
61,648	-	61,648		(2,683)
1,056	-	1,056		52,444
30,000	-	30,000		35,000
27,580	-	27,580		26,680
-	-	-		534,338
<u>220,051</u>	<u>-</u>	<u>220,051</u>		<u>748,370</u>
14,024	-	14,024		538,445
<u>(16,891)</u>	<u>-</u>	<u>(16,891)</u>		<u>16,891</u>
<u>(16,891)</u>	<u>-</u>	<u>(16,891)</u>		<u>16,891</u>
(2,867)	-	(2,867)		555,336
555,412	-	555,412		(2,791)
<u>(53,709)</u>	<u>-</u>	<u>-</u>		<u>-</u>
498,836	<u>\$ -</u>	<u>\$ 552,545</u>	<u>\$</u>	<u>552,545</u>
676,041				
10,684				
(2,223)				
(3,717)				
(650,000)				
(45,154)				
<u>(11,431)</u>				
<u>\$ 473,036</u>				

**CITY OF SANDY, OREGON
TELECOMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

	Biennial Budget	
	Original	Final
REVENUES:		
Charges for services	\$ 1,934,315	\$ 1,934,315
Miscellaneous	-	-
Total revenues	<u>1,934,315</u>	<u>1,934,315</u>
EXPENDITURES:		
Personnel services	638,951	638,951
Materials and services	532,230	532,230
Capital outlay	248,059	248,059
Debt service:		
Principal	70,000	70,000
Interest	575,575	575,575
Contingency	<u>12,074</u>	<u>12,074</u>
Total expenditures	<u>2,076,889</u>	<u>2,076,889</u>
Revenues over (under) expenditures	(142,574)	(142,574)
OTHER FINANCING SOURCES (USES):		
Issuance of debt	-	-
Interfund loan payments	(241,365)	(241,365)
Transfers in	150,000	150,000
Transfers out	<u>(57,335)</u>	<u>(57,335)</u>
Total other financing sources (uses)	<u>(148,700)</u>	<u>(148,700)</u>
Changes in fund balance	(291,274)	(291,274)
FUND BALANCE, BEGINNING BUDGETARY BASIS	291,274	291,274
PRIOR PERIOD ADJUSTMENT	-	-
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>

* Appropriation level is at the program level

RECONCILIATION TO NET POSITION - GAAP BASIS

Interfund loan payable
Inventory
Capital assets, net
Deferred outflows related to pensions
Accrued interest
Accrued compensated absence
Loans payable
Net pension liability
Deferred inflows of resources

NET POSITION

	Actual			Variance with
FY 2016	FY 2017	Biennial		Final Budget
\$ 1,094,076	\$ -	\$ 1,094,076	\$	(840,239)
14,949	-	14,949		14,949
<u>1,109,025</u>	<u>-</u>	<u>1,109,025</u>		<u>(825,290)</u>
436,213	-	436,213		202,738
266,579	-	266,579		265,651
533,099	-	533,099		(285,040)
9,556	-	9,556		60,444
290,654	-	290,654		284,921
-	-	-		12,074
<u>1,536,101</u>	<u>-</u>	<u>1,536,101</u>		<u>540,788</u>
(427,076)	-	(427,076)		(284,502)
124,363	-	124,363		124,363
(137,995)	-	(137,995)		103,370
-	-	-		(150,000)
(28,667)	-	(28,667)		28,668
<u>(42,299)</u>	<u>-</u>	<u>(42,299)</u>		<u>106,401</u>
(469,375)	-	(469,375)		(178,101)
79,252	-	79,252		(212,022)
<u>(208,236)</u>	<u>-</u>	<u>(208,236)</u>		<u>(208,236)</u>
(598,359)	<u>\$ -</u>	<u>\$ (598,359)</u>	<u>\$</u>	<u>(598,359)</u>
(462,973)				
129,912				
9,236,872				
51,032				
(96,232)				
(13,919)				
(7,860,353)				
(215,675)				
<u>(54,598)</u>				
<u>\$ 115,707</u>				



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BUDGETARY COMPARISON SCHEDULES
Internal Service Funds

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

Proprietary Budgetary Comparison schedules include the following:

- Operations Center Internal Service Fund

CITY OF SANDY, OREGON
OPERATIONS CENTER INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Biennial Budget	
	Original	Final
REVENUES:		
Grants	\$ -	\$ -
Interest	500	500
Total revenues	<u>500</u>	<u>500</u>
EXPENDITURES:		
Materials and services	99,000	99,000
Capital outlay	53,000	53,000
Contingency	176,191	176,191
Total expenditures	<u>328,191</u>	<u>328,191</u>
Revenues over (under) expenditures	(327,691)	(327,691)
OTHER FINANCING SOURCES (USES):		
Transfers in	<u>215,936</u>	<u>215,936</u>
Total other financing sources (uses)	<u>215,936</u>	<u>215,936</u>
Changes in fund balance	(111,755)	(111,755)
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>111,755</u>	<u>111,755</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>

<u>FY 2016</u>	<u>Actual FY 2017</u>	<u>Biennial</u>	<u>Variance with Final Budget</u>
\$ 7,500	\$ -	\$ 7,500	\$ 7,500
737	-	737	237
<u>8,237</u>	<u>-</u>	<u>8,237</u>	<u>7,737</u>
56,813	-	56,813	42,187
10,286	-	10,286	42,714
-	-	-	176,191
<u>67,099</u>	<u>-</u>	<u>67,099</u>	<u>261,092</u>
(58,862)	-	(58,862)	268,829
<u>107,969</u>	<u>-</u>	<u>107,969</u>	<u>(107,967)</u>
<u>107,969</u>	<u>-</u>	<u>107,969</u>	<u>(107,967)</u>
49,107	-	49,107	160,862
<u>109,153</u>	<u>-</u>	<u>109,153</u>	<u>(2,602)</u>
<u>\$ 158,260</u>	<u>\$ -</u>	<u>\$ 158,260</u>	<u>\$ 158,260</u>



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OTHER FINANCIAL SCHEDULES

- Sewer Operations
 - Comparative Schedule of Net Position
 - Comparative Schedule of Revenues, Expenses, and Changes in Net Position
 - Comparative Schedule of Cash Flows

CITY OF SANDY, OREGON
SEWER FUND
COMPARATIVE SCHEDULE OF NET POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,432,614	\$ 527,904
Accounts receivables, net	99,345	104,280
Interfund loan receivable	542,973	729,097
Total current assets	<u>2,074,932</u>	<u>1,361,281</u>
Noncurrent assets:		
Restricted cash and cash equivalents	-	623,059
Capital assets, net	6,626,922	6,896,678
Notes receivable	16,286	16,007
Net pension asset	-	33,052
Total noncurrent assets	<u>6,643,208</u>	<u>7,568,796</u>
Total assets	<u>8,718,140</u>	<u>8,930,077</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflow related to pension asset	<u>22,429</u>	<u>13,199</u>
Total deferred outflows of resources	<u>22,429</u>	<u>13,199</u>
Total assets & deferred outflows of resources	<u>\$ 8,740,569</u>	<u>\$ 8,943,276</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 45,764	\$ 2,601
Accrued compensated absences payable	2,806	3,011
Accrued interest payable	9,141	9,358
Loans payable within one year	57,525	54,917
Total current liabilities	<u>115,236</u>	<u>69,887</u>
Noncurrent liabilities:		
Net pension liability	94,790	-
Accrued compensated absences payable	11,224	12,044
Loans payable, net of current portion	2,251,667	2,309,192
Total noncurrent liabilities	<u>2,357,681</u>	<u>2,321,236</u>
Total liabilities	<u>2,472,917</u>	<u>2,391,123</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflow related to pension liability	<u>23,996</u>	<u>64,970</u>
Total deferred inflows of resources	<u>23,996</u>	<u>64,970</u>
NET POSITION:		
Net investment in capital assets	4,317,730	4,532,569
Restricted for:		
Debt service	167,211	167,211
System development charges	207,059	623,059
Unrestricted	1,551,656	1,164,344
Total net position	<u>6,243,656</u>	<u>6,487,183</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,740,569</u>	<u>\$ 8,943,276</u>

CITY OF SANDY, OREGON
SEWER OPERATIONS
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the fiscal years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Charges for services	\$ 1,181,242	\$ 1,079,967
Special assessments and surcharges	210,795	263,474
Miscellaneous	33,159	20,163
	<u>1,425,196</u>	<u>1,363,604</u>
OPERATING EXPENSES:		
Salaries, fringe benefits and payroll taxes	284,688	154,133
Operating costs	917,651	-
General, administration, and other	-	737,195
Depreciation	313,406	316,703
Maintenance and repairs	-	25,543
	<u>1,515,745</u>	<u>1,233,574</u>
Total operating expenses	<u>1,515,745</u>	<u>1,233,574</u>
Operating income (loss)	<u>(90,549)</u>	<u>130,030</u>
NON-OPERATING INCOME (EXPENSE):		
Interest income	25,154	14,233
Interest expense	<u>(112,077)</u>	<u>(116,805)</u>
Total non-operating income (expenses)	<u>(86,923)</u>	<u>(102,572)</u>
Net income (loss) before transfers	(177,472)	27,458
TRANSFERS:		
Transfers in (out)	<u>(66,055)</u>	<u>(61,160)</u>
Change in net position	(243,527)	(33,702)
NET POSITION, BEGINNING	6,487,183	6,583,286
CHANGE IN ACCOUNTING PRINCIPAL	<u>-</u>	<u>(62,401)</u>
NET POSITION, ENDING	<u>\$ 6,243,656</u>	<u>\$ 6,487,183</u>

CITY OF SANDY, OREGON
SEWER FUND
COMPARATIVE SCHEDULE OF CASH FLOWS
For the fiscal years ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,430,131	\$ 1,380,380
Cash paid to employees and others for salaries and benefits	(131,462)	(242,115)
Cash paid to suppliers and others	(951,101)	(669,260)
Other cash receipts (disbursements)	-	(573)
Net cash provided by operating activities	<u>347,568</u>	<u>468,432</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payment from (to) other funds for interfund loans and interest	186,124	(430,573)
Transfers in (out)	(66,055)	(61,160)
Net cash provided by noncapital financing activities	<u>120,069</u>	<u>(491,733)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(43,650)	(10,006)
Principal paid on loans	(54,917)	(93,160)
Interest paid on loans	(112,294)	(116,805)
Net cash provided by capital and related financing activities	<u>(210,861)</u>	<u>(219,971)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	25,154	14,233
Notes receivable	(279)	(16,007)
Net cash provided by investing activities	<u>24,875</u>	<u>(1,774)</u>
Net increase in cash and cash equivalents	281,651	(245,046)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,150,963</u>	<u>1,396,009</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,432,614</u>	<u>\$ 1,150,963</u>
COMPRISED AS FOLLOWS:		
Cash and cash equivalents	\$ 1,432,614	\$ 527,904
Restricted cash and cash equivalents	-	623,059
Total cash and cash equivalents	<u>\$ 1,432,614</u>	<u>\$ 1,150,963</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (90,549)	\$ 130,030
Adjustments:		
Depreciation	313,406	316,703
Decrease (increase) in:		
Accounts receivable	4,935	16,776
Prepaid items	-	50,100
Increase (decrease) in:		
Accounts payable and accrued expenses	43,163	(613)
Accrued compensated absences	(1,025)	(309)
Accrued interest payable	-	(573)
Net pension liability	77,638	(43,682)
Net cash provided by operating activities	<u>\$ 347,568</u>	<u>\$ 468,432</u>

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

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

We have audited the basic financial statements of the City of Sandy, Oregon (the City), as of and for the year ended June 30, 2016 and have issued our report thereon dated October 31, 2016. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative

Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

Expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount</u>
Parks Capital Project Fund	Materials and Services	\$1,935

At June 30, 2016, the Telecommunications Fund had a deficit budgetary basis fund balance of (\$598,359).

OAR 162-10-0230 Internal Control

In planning and performing our audit, 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.

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



Merina & Company, LLP
West Linn, Oregon
October 31, 2016

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Government'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 government's overall financial health.

CONTENTS

Financial Trends

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

Revenue Capacity

- These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

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

Demographic and Economic Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF SANDY, OREGON
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 8,467	\$ 16,168	\$ 15,264	\$ 14,792
Restricted	-	-	95	226
Unrestricted	<u>4,543</u>	<u>798</u>	<u>2,968</u>	<u>4,418</u>
Total governmental activities net position	<u><u>13,009</u></u>	<u><u>16,966</u></u>	<u><u>18,327</u></u>	<u><u>19,436</u></u>
Business-type activities				
Invested in capital assets, net of related debt	9,685	10,126	10,537	10,811
Restricted	134	150	1,087	799
Unrestricted	<u>6,396</u>	<u>6,196</u>	<u>4,574</u>	<u>4,882</u>
Total business-type activities net position	<u><u>16,214</u></u>	<u><u>16,473</u></u>	<u><u>16,198</u></u>	<u><u>16,492</u></u>
Primary government				
Invested in capital assets, net of related debt	18,151	26,294	25,801	25,604
Restricted	134	150,498	1,182	1,024
Unrestricted	<u>10,938</u>	<u>6,994</u>	<u>7,542</u>	<u>9,300</u>
Total primary government net position	<u><u>\$ 29,224</u></u>	<u><u>\$ 183,786</u></u>	<u><u>\$ 34,524</u></u>	<u><u>\$ 35,928</u></u>

Fiscal Year (in thousands)					
2011	2012	2013	2014	2015	2016
\$ 17,295	\$ 20,290	\$ 20,840	\$ 20,935	\$ 20,860	\$ 20,958.50
1,041	1,401	1,669	2,565	3,872	5,065.44
2,755	1,987	2,247	3,127	3,693	2,528.64
<u>21,090</u>	<u>23,678</u>	<u>24,756</u>	<u>26,627</u>	<u>28,425</u>	<u>28,553</u>
10,895	10,640	11,209	11,534	12,026	12,113.92
652	717	701	717	790	374.27
5,080	4,874	3,366	2,893	2,672	2,737.38
<u>16,627</u>	<u>16,231</u>	<u>15,276</u>	<u>15,144</u>	<u>15,488</u>	<u>15,226</u>
28,189	30,930	32,049	32,469	32,885	33,072
1,693	2,118	2,371	3,282	4,663	5,440
7,835	6,861	5,613	6,020	6,365	5,266
<u>\$ 37,717</u>	<u>\$ 39,909</u>	<u>\$ 40,032</u>	<u>\$ 41,771</u>	<u>\$ 43,914</u>	<u>\$ 43,778</u>

CITY OF SANDY, OREGON
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year (in thousands)									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General government	\$ 1,235	\$ 1,058	\$ 1,406	\$ 1,788	\$ 1,769	\$ 1,563	\$ 1,380	\$ 1,142	\$ 775	\$ 1,914
Highways and streets	474	468	842	699	783	629	1,080	727	937	1,133
Public transportation	940	1,152	1,105	1,132	1,201	1,243	1,324	1,321	1,315	1,336
Economic development	501	522	561	531	654	842	878	954	1,075	975
Public safety	1,519	1,683	1,676	1,926	1,851	2,147	2,301	2,537	2,161	3,602
Culture and recreation	793	1,283	1,392	1,682	1,760	1,929	2,133	2,156	1,860	2,660
Interest on long-term debt	123	86	179	162	170	205	159	142	68	63
Total Governmental Activities	5,584	6,252	7,161	7,920	8,188	8,558	9,255	8,979	8,191	11,683
Business-type activities:										
Water	936	959	1,034	941	954	1,133	1,843	1,104	1,485	1,739
Sewer	1,082	1,197	1,208	1,239	1,304	1,364	1,344	1,341	1,350	1,628
Stormwater	44	41	55	103	129	161	185	193	180	288
Telecommunications	123	171	202	333	435	562	563	737	528	1,077
Total Business-type Activities	2,186	2,368	2,499	2,616	2,822	3,220	3,935	3,374	3,542	4,731
Total Expenses	\$ 7,770	\$ 8,621	\$ 9,660	\$ 10,536	\$ 11,010	\$ 11,778	\$ 13,190	\$ 12,354	\$ 11,733	\$ 16,414
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 140	\$ (43)	\$ 107	\$ 251	\$ 647	\$ 419	\$ 494	\$ 147	\$ 751	\$ 260
Highways and streets	660	481	87	185	210	913	707	202	316	418
Public transportation	8	9	6	11	12	13	12	125	136	121
Economic development	535	533	152	154	155	96	127	268	268	454
Public safety	192	192	171	171	171	22	20	591	591	734
Culture and recreation	557	304	206	234	171	231	285	358	122	340
Operating grants and contributions	976	1,843	919	881	586	2,196	853	831	1,385	1,087
Capital grants and contributions	1,123	1,205	1,096	836	1,209	303	509	254	254	-
Total Governmental Activities	4,189	4,524	2,742	2,722	3,160	4,193	3,007	2,776	3,822	3,413

	Fiscal Year (in thousands)									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type Activity:										
Charges for services:										
Water	1,259	1,109	1,084	1,142	1,044	1,088	1,250	1,309	1,405	1,767
Sewer	1,390	1,239	1,081	1,187	1,097	1,253	1,182	1,208	1,343	1,392
Stormwater	183	226	190	194	201	201	218	217	219	231
Telecommunications	104	132	178	186	250	368	453	552	635	1,094
Operating grants and contributions	-	-	-	-	413	96	-	-	363	16
Total Business-Type Activity	2,937	2,705	2,534	2,709	3,005	3,006	3,103	3,286	3,965	4,499
Total Program Revenues	\$ 7,126	\$ 7,229	\$ 5,276	\$ 5,430	\$ 6,166	\$ 7,198	\$ 6,109	\$ 6,063	\$ 7,787	\$ 7,912
Net (Expense)/Revenue										
Governmental Activities	\$ (1,395)	\$ (1,729)	\$ (4,419)	\$ (5,198)	\$ (5,028)	\$ (4,366)	\$ (6,248)	\$ (6,203)	\$ (4,369)	\$ (8,270)
Business-type Activity	751	337	35	93	183	(215)	(833)	(88)	423	(232)
Total Net Expense	\$ (644)	\$ (1,392)	\$ (4,384)	\$ (5,105)	\$ (4,845)	\$ (4,580)	\$ (7,081)	\$ (6,291)	\$ (3,946)	\$ (8,502)

General Revenues and Other Changes in Net Position

Governmental Activities:										
Taxes:										
Property taxes	\$ 2,466	\$ 2,808	\$ 3,058	\$ 3,445	\$ 3,555	\$ 3,735	\$ 3,779	\$ 3,965	\$ 4,222	\$ 4,428
Public service taxes	1,400	1,485	1,440	2,082	2,349	2,512	2,667	2,630	2,800	3,081
Franchise taxes	381	435	445	526	447	471	479	531	605	563
Investment earnings	405	225	87	48	54	28	23	34	41	63
Miscellaneous	121	273	199	208	122	115	218	832	278	90
Transfers	(46)	564	550	(2)	156	92	167	117	80	171
Total Governmental Activities	4,726	5,790	5,780	6,307	6,683	6,953	7,333	8,108	8,026	8,397
Business-type Activity:										
Investment earnings	235	313	218	117	85	62	28	37	50	48
Miscellaneous	59	39	22	83	23	56	33	103	153	92
Transfers	46	(564)	(550)	2	(156)	(92)	(167)	(117)	(80)	(171)
Total Business-type Activity	340	(212)	(310)	202	(49)	25	(106)	23	123	(30)
Total Primary Government	\$ 5,066	\$ 5,578	\$ 5,470	\$ 6,509	\$ 6,634	\$ 6,978	\$ 7,227	\$ 8,131	\$ 8,149	\$ 8,366
Change in Net Position										
Governmental Activities	\$ 3,331	\$ 4,061	\$ 1,361	\$ 1,109	\$ 1,655	\$ 2,588	\$ 1,085	\$ 1,905	\$ 3,658	\$ 127
Business-type Activity	1,091	125	(275)	295	135	(190)	(939)	(64)	546	(263)
Total Primary Government	\$ 4,422	\$ 4,186	\$ 1,086	\$ 1,404	\$ 1,789	\$ 2,398	\$ 146	\$ 1,840	\$ 4,203	\$ (135)

CITY OF SANDY, OREGON
Fund Balance of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year (in thousands)									
	2007	2008	2009	2010	2011 ¹	2012	2013	2014	2015	2016
General Fund										
Unreserved	\$ 3,372	\$ 2,585	\$ 1,618	\$ 1,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned					2,256	1,226	1,226	2,055	2,654	2,645.53
Total General Fund	<u>\$ 3,372</u>	<u>\$ 2,585</u>	<u>\$ 1,618</u>	<u>\$ 1,552</u>	<u>\$ 2,256</u>	<u>\$ 1,226</u>	<u>\$ 1,226</u>	<u>\$ 2,055</u>	<u>\$ 2,654</u>	<u>\$ 2,646</u>
All other governmental funds										
Reserved	\$ 687	\$ 639	\$ 95	\$ 226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-spendable					33	33	36	35	8	
Restricted					1,041	1,401	1,669	2,565	3,872	5,065.44
Committed										
Assigned					596	1,065	1,016	1,108	1,475	1,938.70
Unreserved, reported in:								-		
Special revenue funds	1,630	(131)	1,717	2,935						
Capital project funds	(1,259)	(2,284)	(370)	(212)						
Unassigned, reported in:										
Special revenue funds						(422)	(73)			
Capital project funds					(209)	(228)	(181)	(307)		
Total all other governmental funds	<u>\$ 1,058</u>	<u>\$ (1,776)</u>	<u>\$ 1,441</u>	<u>\$ 2,948</u>	<u>\$ 1,461</u>	<u>\$ 1,849</u>	<u>\$ 2,467</u>	<u>\$ 3,401</u>	<u>\$ 5,356</u>	<u>\$ 7,004</u>

¹ Information in subsequent years is presented in accordance with GASB 54: Fund Balance

CITY OF SANDY, OREGON
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year (in thousands)									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Property taxes	\$ 2,451	\$ 2,773	\$ 3,010	\$ 3,424	\$ 3,564	\$ 3,696	\$ 3,774	\$ 3,978	\$ 4,214	\$ 4,412
Public service taxes	1,400	1,485	1,440	2,082	2,349	2,512	2,667	2,630	2,800	3,081
Franchise fees	381	435	445	526	447	471	479	531	605	579
Grants	2,097	2,817	1,550	1,715	1,186	2,466	1,182	1,112	1,747	851
Charges for services	632	486	232	350	398	306	910	752	1,004	1,124
Licenses and permits	315	205	118	157	455	158	167	243	358	347
Fines and forfeitures	220	226	198	230	268	241	305	313	277	270
Special assessments	2	1	2	-	-	-	-	9	36	64
System development charges	923	567	177	265	241	985	253	372	472	517
Interest	405	225	87	48	54	27	23	33	40	62
Contributions and donations	2	175	522	1	608	33	15	-	-	11
Miscellaneous	28	67	194	133	78	84	87	768	47	50
Payment in lieu of land dedication	93	206	5	75	43	31	131	65	232	45
Total Revenues	8,947	9,669	7,981	9,007	9,690	11,011	9,993	10,804	11,833	11,413
EXPENDITURES										
Current:										
General government	\$ 1,073	\$ 758	\$ 802	\$ 825	\$ 980	\$ 851	\$ 851	\$ 794	\$ 728	\$ 787
Highways and streets	376	368	730	576	650	489	932	544	484	721
Public transportation	807	1,016	912	961	1,016	1,041	1,093	1,096	1,102	1,037
Economic and physical development	439	462	529	483	480	662	697	761	837	807
Public safety	1,475	1,623	1,614	1,868	1,776	2,045	2,137	2,358	2,374	2,652
Culture and recreation	1,096	1,204	1,318	1,613	1,690	1,845	1,901	1,846	2,051	2,124
Capital outlay:	3,895	8,079	2,074	2,738	3,322	4,595	1,280	1,253	1,169	1,172
Debt Service:										
Principal	335	126	1,028	505	543	620	1,040	2,713	552	598
Interest	113	87	173	170	172	195	161	166	82	74
Total Expenditures	9,610	13,721	9,180	9,740	10,630	12,344	10,093	11,531	9,378	9,973
Excess (Deficiency) of Revenues over Expenditures	(663)	(4,052)	(1,199)	(733)	(940)	(1,333)	(99)	(726)	2,455	1,441
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 594	\$ 2,822	\$ 2,658	\$ 258	\$ 258	\$ 277	\$ 270	\$ 265	\$ 282	\$ 261
Transfers out	(639)	(2,258)	(2,108)	(382)	(102)	(288)	(103)	(343)	(202)	(198)
Proceeds from bond	-	-	2,899	2,297	-	876	-	2,280	-	-
Proceeds from note	-	-	-	-	-	-	385	286	-	136
Total Other Financing Sources (Uses)	(46)	564	3,449	2,174	156	864	552	2,489	80	199
Net change in fund balances	\$ (709)	\$ (3,488)	\$ 2,250	\$ 1,441	\$ (783)	\$ (469)	\$ 452	\$ 1,762	\$ 2,535	\$ 1,640
Debt service as a percentage of noncapital expenditures	8.28%	3.61%	15.78%	8.75%	9.07%	9.89%	13.17%	27.30%	7.17%	7.37%

CITY OF SANDY, OREGON
Assessed Values and Estimated Actual Value
of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Manufactured Structure	Personal Property	Public Utility	Less Urban Renewal Excess	Total Assessed Value	Total M5 Value	Taxable Assessed Value As a Percentage of Estimated
								Actual Value
2016	771,821,532	3,580,913	17,849,834	24,394,900	87,184,331	730,462,848	1,032,175,837	70.77%
2015	733,190,302	3,350,268	19,136,695	22,033,200	83,248,892	694,461,573	931,218,558	74.58%
2014	698,952,246	3,270,241	17,205,910	19,987,180	76,680,367	662,735,210	817,332,995	81.09%
2013	666,954,675	3,306,018	18,491,458	20,552,300	73,943,011	635,361,440	776,203,139	81.86%
2012	654,881,300	3,251,093	17,820,060	22,712,390	70,662,947	628,001,896	819,168,170	76.66%
2011	630,020,828	3,498,390	17,929,701	20,867,500	67,539,433	604,776,986	862,772,904	70.10%
2010	604,737,137	4,545,224	18,847,145	21,402,130	63,734,945	585,796,691	944,171,169	62.04%
2009	568,216,289	4,688,694	18,522,380	18,289,930	58,243,479	551,473,814	1,050,613,214	52.49%
2008	518,860,617	4,884,668	17,403,515	16,804,220	52,025,602	505,927,418	947,449,253	53.40%
2007	464,412,414	4,786,844	17,761,971	15,186,040	42,722,816	459,424,453	789,451,125	58.20%

Source: Clackamas County Assessor's Office



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CITY OF SANDY, OREGON

Property Tax Rates - Direct and Overlapping Governments

(Per \$1,000 of Assessed Valuation)

Last Ten Fiscal Years

Fiscal Year Ended June 30	City of Sandy						Oregon Trail School District No. 46
	General Fund	Urban Renewal	Total	Port of Portland	Clackamas County		
2016	3.69	1.80	5.48	0.06	2.82	6.19	
2015	3.68	1.88	5.56	0.06	2.81	6.17	
2014	3.67	1.88	5.56	0.06	2.15	6.21	
2013	3.69	1.84	5.53	0.06	2.81	6.28	
2012	3.70	1.78	5.47	0.06	2.82	6.23	
2011	3.70	1.76	5.46	0.06	2.81	6.20	
2010	3.71	1.73	5.44	0.06	2.83	6.23	
2009	3.72	1.41	5.13	0.06	2.44	3.92	
2008	3.73	1.41	5.14	0.06	2.45	3.97	
2007	3.77	1.25	5.02	0.06	2.20	4.02	

Note: Prior to fiscal year 1998, the tax rate per \$1,000 was calculated using real market value; effective July 1, 1997,

the tax rate is calculated using assessed value. See Note 1 of the City's annual report.

Source: Clackamas County Assessor's Office, Tax Code 046-017

<http://www.clackamas.us/at/documents/2011/ratedetail.pdf>

* Rate after compression due to Measure 5

Overlapping Rates

Mt. Hood Community College	Clackamas County ESD	Vector Control	Fire District No. 72	Clackamas County Urban Renewal	Total Direct & Overlapping Rates
0.44	0.33	0.03	1.95	0.0047	17.31
0.44	0.33	0.03	1.94	0.0039	17.35
0.44	0.33	0.02	1.94	0.003	16.70
0.44	0.32	0.03	1.95	0.125	17.54
0.44	0.32	0.03	1.95	0.119	17.45
0.44	0.32	0.03	1.95	0.135	17.42
0.44	0.33	0.03	1.96	0.135	17.45
0.42	0.33	0.03	1.97	0.370	14.67
0.43	0.33	0.03	2.28	0.323	15.01
0.43	0.33	0.03	2.32	0.351	14.76

CITY OF SANDY, OREGON
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
FRED MEYER STORES INC	18,910,125	1	22.45%	13,861,403	1	22.31%
ACS SANDY MARKETPLACE	10,253,575	2	12.17%	6,979,454	3	11.23%
JAKSISH PROPERTIES LLC	9,632,006	3	11.43%	7,101,786	2	11.43%
SANDY SAFEWAY CENTER LLC	7,938,454	4	9.42%	5,656,279	4	9.10%
PORTLAND GENERAL ELEC CO	7,227,000	5	8.58%	5,324,000	5	8.57%
COMCAST CORPORATION	6,916,600	6	8.21%	5,248,500	6	8.45%
MOUNTAIN WEST RETIREMENT CORP	6,029,247	7	7.16%	4,802,283	7	7.73%
CASCADE CREST APARTMENTS LLC	5,979,179	8	7.10%	4,582,542	8	7.38%
PLR PROPERTIES LLC	5,685,731	9	6.75%	4,225,075	10	6.80%
VENTAS INC	5,666,671	10	6.73%	4,343,031	9	6.99%
Total Assessed Valuation	\$ 84,238,588			\$ 62,124,353		

Source: Clackamas County Assessor's Office

CITY OF SANDY, OREGON
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal year	Collected with the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2016	\$ 4,540,854	\$ 4,318,289	95.10%	82,971	4,401,260	96.93%
2015	4,328,297	4,110,192	94.96%	94,287	4,204,479	97.14%
2014	4,065,109	3,853,063	94.78%	105,515	3,958,578	97.38%
2013	3,882,695	3,660,054	94.27%	100,847	3,760,901	96.86%
2012	3,821,943	3,590,784	93.95%	93,767	3,684,551	96.41%
2011	3,674,144	3,438,155	93.58%	113,452	3,551,607	96.66%
2010	3,533,039	3,308,913	93.66%	104,885	3,413,798	96.62%
2009	3,136,139	2,919,723	93.10%	76,581	2,996,304	95.54%
2008	2,877,493	2,704,771	94.00%	59,610	2,764,381	96.07%
2007	2,526,288	2,392,064	94.69%	51,382	2,443,446	96.72%

Source: Clackamas County Assessor's Office

CITY OF SANDY, OREGON
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Outstanding Debt	Population ¹	Per Capita
	General Obligation Bonds	Local Improvement District Bonds	Special Assessment Bonds	Capital Leases and Notes Payable	Notes Payable	Bonds Payable			
2016	\$ 1,419,788			\$ 1,121,375	\$ 9,174,600	\$ 9,103,043	20,818,806	10,395	2,003
2015	1,846,624	-	-	1,156,297	9,501,409	9,256,628	21,760,958	9,990	2,178
2014	2,243,584	-	-	1,311,819	9,916,536	9,182,865	22,654,804	9,990	2,268
2013	2,584,285			1,192,331	7,025,861	1,080,000	11,882,477	9,880	1,203
2012		3,589,450	-	857,473	4,703,579	-	9,150,502	9,780	936
2011		4,184,455	-	26,746	4,202,822	-	8,414,023	9,570	879
2010		4,739,460	-	34,753	4,487,257	-	9,261,470	8,205	1,129
2009		2,957,114	-	-	4,470,076	-	7,427,190	-	-
2008		537,135	557,923	-	4,507,034	-	5,602,092	-	-
2007		566,530	603,470	50,000	4,648,018	-	5,868,018	-	-

¹ Portland State University, Population Research Center

CITY OF SANDY, OREGON
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population	Total Taxable Assessed Value	General Obligation Bonds	Percentage of Debt to Value of Property	Net Bonded Debt Per Capita Value
2016	10,395	\$ 730,462,848	\$ 1,846,624	0.25%	178
2015	10,395	694,461,573	1,846,624	0.27%	178
2014	9,990	662,735,210	2,243,584	0.34%	225
2013	9,880	635,361,440	2,584,285	0.41%	262
2012	9,780	628,001,896	3,184,895	0.51%	326
2011	9,570	604,776,986	3,745,505	0.62%	391
2010	8,205	585,796,691	4,266,115	0.73%	520
2009	8,005	551,473,814	2,449,374	0.44%	306
2008	7,595	505,927,418	-	0.00%	-
2007	7,030	459,424,453	-	0.00%	-

Source: Current and prior years' financials, Clackamas County Assessor's Office,
and Center of Population Research and Census at Portland State University

CITY OF SANDY, OREGON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

<u>Government Unit:</u>	<u>Outstanding Gross Property Tax-Backed Debt</u>	<u>Percentage Applicable to City</u>	<u>Gross General Obligation Bonded Debt Outstanding</u>
Clackamas County	\$ 103,175,136	1.81%	\$ 1,867,676
Mt. Hood Community College	62,842,792	3.05%	1,917,711
Clackamas County ESD	22,960,637	1.91%	437,584
Clackamas County SD 46 (Oregon Trail)	105,330,487	27.24%	28,690,023
Port of Portland	<u>63,760,760</u>	0.41%	<u>260,335</u>
Subtotal, overlapping debt	358,069,812		33,173,329
City of Sandy, direct debt	<u>10,700,415</u>	100.00%	<u>10,700,415</u>
Total direct and overlapping debt	<u><u>\$ 368,770,227</u></u>		<u><u>\$ 43,873,744</u></u>

Source: Oregon State Treasury

Note: Overlapping governments are those that coincide, at least in part with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Sandy. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden by the property taxpayers should be taken into account.

CITY OF SANDY, OREGON
Demographics and Economic Statistics
Last Ten Fiscal Years ¹

Fiscal Year	Population ¹	Personal Income ²	Per capita personal income ³	Unemployment Rate ⁴
2016	10,395	N/A	N/A	4.80%
2015	10,395	N/A	N/A	4.80%
2014	9,990	N/A	N/A	7.30%
2013	9,880	19,200,727	49,453	7.20%
2012	9,780	18,535,004	48,286	8.10%
2011	9,570	17,457,115	45,915	9.30%
2010	8,205	16,537,551	43,871	10.40%
2009	0	16,315,504	43,614	8.30%
2008	0	17,482,238	47,109	4.70%
2007	0	16,678,152	45,468	4.60%

Source:

¹ Portland State University, 2012 Oregon Population Report (Sandy), FY 2012 Population Figure from Portland State University, 2012 Oregon Population Report (Sandy), FY 2011 Population Figure from Census 2010

² Bureau of Economic Analysis (BEA) (Clackamas County in thousands of dollars)

³ Bureau of Economic Analysis (BEA) (Clackamas County)

⁴ Bureau of Labor Statistics (BLS) (Clackamas County not seasonally adjusted)

N/A - Information not available.

CITY OF SANDY, OREGON
Principal Employers
Current Year and Nine Years Ago

Employer¹	2016			2007*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Oregon Trail School District	420	1	13.7%			
Fred Meyer #663	233	2	7.6%			
AEC, Inc	75	3	2.5%			
Johnson RV	75	3	2.5%			
Mt. Hood Cleaners and Laundry	75	3	2.5%			
City of Sandy	67	4	2.2%			
Safeway #0782	60	5	2.0%			
Suburban Ford, Incd	59	6	1.9%			
Knoll Construction	53	7	1.7%			
Avamere	52	8	1.7%			
Total	749		24.5%			

Information for 2005-2006 is not readily available

Source:

1 Business License Data, Oregon Trail School District

* Data unavailable prior to 2012

CITY OF SANDY, OREGON
Full-time Equivalent City Government
By Functions
Last Ten Fiscal Years

FUNCTION	Full-Time Equivalent Employees as of June 30					
	2005-07	2007-09	2009-11	2011-13	2013-15	2015-17
Government activities:						
General Government	5.5	5.9	6.4	6.0	6.3	5.7
Public Safety						
Police						
Officers	11.0	12.0	13.0	14.0	14.0	16.0
Civilians	2.8	2.0	3.3	3.0	3.9	3.8
Economic Development	-	-	-	1.0	1.1	..9
Planning & Development	4.6	4.9	4.9	4.6	3.9	4.2
Urban Renewal	0.3	0.3	0.3	0.3	0.7	0.6
Culture & Recreation						
Library	7.1	7.9	11.4	12.6	13.2	12.6
Recreation & Senior Center	5.3	5.5	5.7	5.7	6.4	5.9
Parks Maintenance	1.8	1.8	2.3	2.3	2.3	2.3
Highways & Streets	2.0	2.0	2.4	2.4	2.5	2.3
Public Transportation	1.7	2.2	1.8	1.8	1.8	1.8
Business-type activities:						
Water	2.9	2.9	2.4	2.4	2.4	2.4
Sewer	2.1	2.1	2.4	2.4	2.4	2.4
Stormwater	0.5	1.0	0.7	0.7	1.0	1.2
Telecommunications	0.5	0.5	1.2	2.2	2.2	6.1
Total	48.0	51.0	58.2	61.4	64.1	67.3

Source: Various city departments

CITY OF SANDY, OREGON
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	827	766	657	727	618	723	620	876	650	371
Parking violations	140	42	55	57	79	114	420	105	150	152
Traffic violations	1,561	1,480	1,296	1,481	1,696	1,563	1,197	1,154	1,011	1,664
Highways and streets										
Street resurfacing (SF)	0	761,763	155,908	469,530	0	611,076	111,440	184,000	73,972	296,631
Water										
Meter connections	3,086	3,179	3,250	3,312	3,337	3,357	3,455	3,460	3,637	3,729
Average daily consumption (gallons)	790,000	1,113,011	1,114,467	1,119,488	1,028,334	1,081,000	1,068,000	824,887	930,000	1,190,000
Wastewater										
Average daily sewage treatment (gallons)	850,000	1,144,466	1,077,753	1,277,068	1,378,795	1,245,000	1,460,000	1,302,550	1,360,000	1,488,000

CITY OF SANDY, OREGON
Capital Asset Statistics by Function
Last Ten Fiscal Years

FUNCTION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government Activities:										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	11	11	11	14	14	14	14	14	14	14
Highways and streets										
Streets (miles)	33.0	34.0	34.0	34.0	34.0	34.0	34.6	34.6	34.7	34.9
Culture and recreation										
Parks acreage	156	156	165	165	165	165	165	172	172	172
Community centers	1	1	1	1	1	1	1	1	1	1
Business-type Activities:										
Water										
Maximum daily capacity (gallons)	1,840,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	3,700,000	3,700,000	3,700,000
Sewer										
Maximum wet weather treatment capacity (gallons)	1,250,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000

Source: City Departments



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**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***

**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***

Honorable Mayor and City Council
City of Sandy, Oregon
Sandy, Oregon

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandy, Oregon (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated October 31, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Merina & Company, LLP
West Linn, Oregon
October 31, 2016