



HARRISBURG, OREGON

Annual Financial Report

June 30, 2017

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

CITY OF HARRISBURG

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P.O. Box 378
Harrisburg, Oregon 97446
(541) 995-6655

CITY OFFICIALS

- ROBERT DUNCAN Mayor
P.O. Box 224, Harrisburg, Oregon 97446
- MIKE CAUGHEY Council President
1052 Whitledge Place, Harrisburg, Oregon 97446
- ADAM KEATON Council Member
550 N 6th Place, Harrisburg, Oregon 97446
- KIM DOWNEY Council Member
P.O. Box 651, Harrisburg, Oregon 97446
- ROBERT BOESE Council Member
460 North 7th Street, Harrisburg, Oregon 97446
- SARAH PULS Council Member
P.O. Box 214, Junction City, OR 97448
- JOHN LOSHBAUGH. Council Member
340 North 7th Street, Harrisburg, OR 97446

CITY ADMINISTRATION

- BRIAN LATTA City Administrator
P.O. Box 378, Harrisburg, OR 97446
- TIM GAINES Financial Officer
P.O. Box 378, Harrisburg, OR 97446

CITY OF HARRISBURG

AUDIT REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Harrisburg, Oregon

I 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 Harrisburg as of and for the year ended June 30, 2017 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 standards 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Harrisburg as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-13, the schedules of revenues, expenditures and changes in fund balances – budget and actuals on pages 50-52, and pension schedules on pages 53-54 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.

I have applied certain limited procedures to the management's discussion and analysis and the pension schedules in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals described above on pages 50 - 52 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedules of revenues, expenditures and changes in fund balances – budget and actuals are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

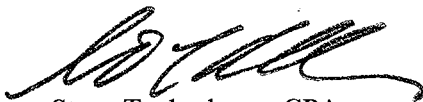
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisburg's basic financial statements. The other supplementary information on pages 55-83 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Harrisburg.

The other supplementary information on pages 55-83 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 other 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 my opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, I have issued my report dated October 31, 2017, on my consideration of the City of Harrisburg'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 my testing of compliance and the results of that testing and not to provide an opinion on the City's compliance.



Steve Tuhscherer, CPA
October 31, 2017

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

The management discussion and analysis of the City of Harrisburg, Oregon (the City) financial performance provides an overview of the City's financial activities for the fiscal year that ended June 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2017 are as follows:

- The City's net position increased by \$613,533 which represents a 4.4 percent increase from the previous year.
- Total revenue for the City was \$3,546,845. That is a 7.7 percent increase from the previous year. General revenues accounted for \$1,899,361 of revenue, or 53.6 percent of all revenues. Program specific revenues in the form of charges for services accounted for \$1,647,484 or 46.4 percent of total revenues. Operating grants received a total \$20,688 or 0.6 percent of total revenues. There were no capital grants received this year.
- The City had \$3,021,312 in program expenses. Of the program expenses, \$639,562 was for providing water service and \$796,659 was for providing sewer service.
- The City's long-term liabilities increased \$397,491, an 11.2 percent increase from the previous year mainly due to the increase of the net pension liability of \$514,452 and principle payments on current debt.
- Among the governmental funds, the General Fund had \$1,168,864 in revenues, which primarily consisted of property taxes and franchise taxes. The Street Fund had \$246,516 in revenues, which primarily consisted of intergovernmental revenues. The Harrisburg Redevelopment Agency Fund had \$276,122 in revenues, which primarily consisted of property taxes.
- Among proprietary funds, the Water Fund had \$622,956 in operating revenues, which primarily consisted of user fees. The Sewer Fund had \$799,493 in operating revenues, which primarily consisted of user fees.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as the condition of buildings, and water and sewer systems facilities.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions of the City that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues. The governmental activities of the City include general government activities, street construction and maintenance, police services, and providing resources for library, culture and recreation. The proprietary activities of the City include water and sewer utilities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The City reports two types of funds:

Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison schedules are included in the basic financial statements for the General Fund, the Community and Economic Development Fund, the System Development Reserve Fund, and the Harrisburg Redevelopment Agency Fund. Budgetary comparison schedules for the other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are used to report the functions presented as business-type activities in the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund - enterprise funds. The City uses enterprise funds to account for water and sewer operations. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund. Included in the Water Fund for the Proprietary Statements on pages 20-22 is the Water System Reserve Fund. Included in the Sewer Fund is the Sewer System Reserve Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Notes to the Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund, the Street Fund, and the Harrisburg Redevelopment Agency Fund. The required supplementary information immediately follows the notes to the financial statements.

Other supplementary information includes combining statements, individual fund statements and schedules, and other schedules. These statements and schedules immediately follow the required supplementary information in this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The City's net position at fiscal year-end is \$14,626,371 this is an increase of \$613,533 or 4.4%.

A significant portion of the City's net position (63.97 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Although the City'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.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

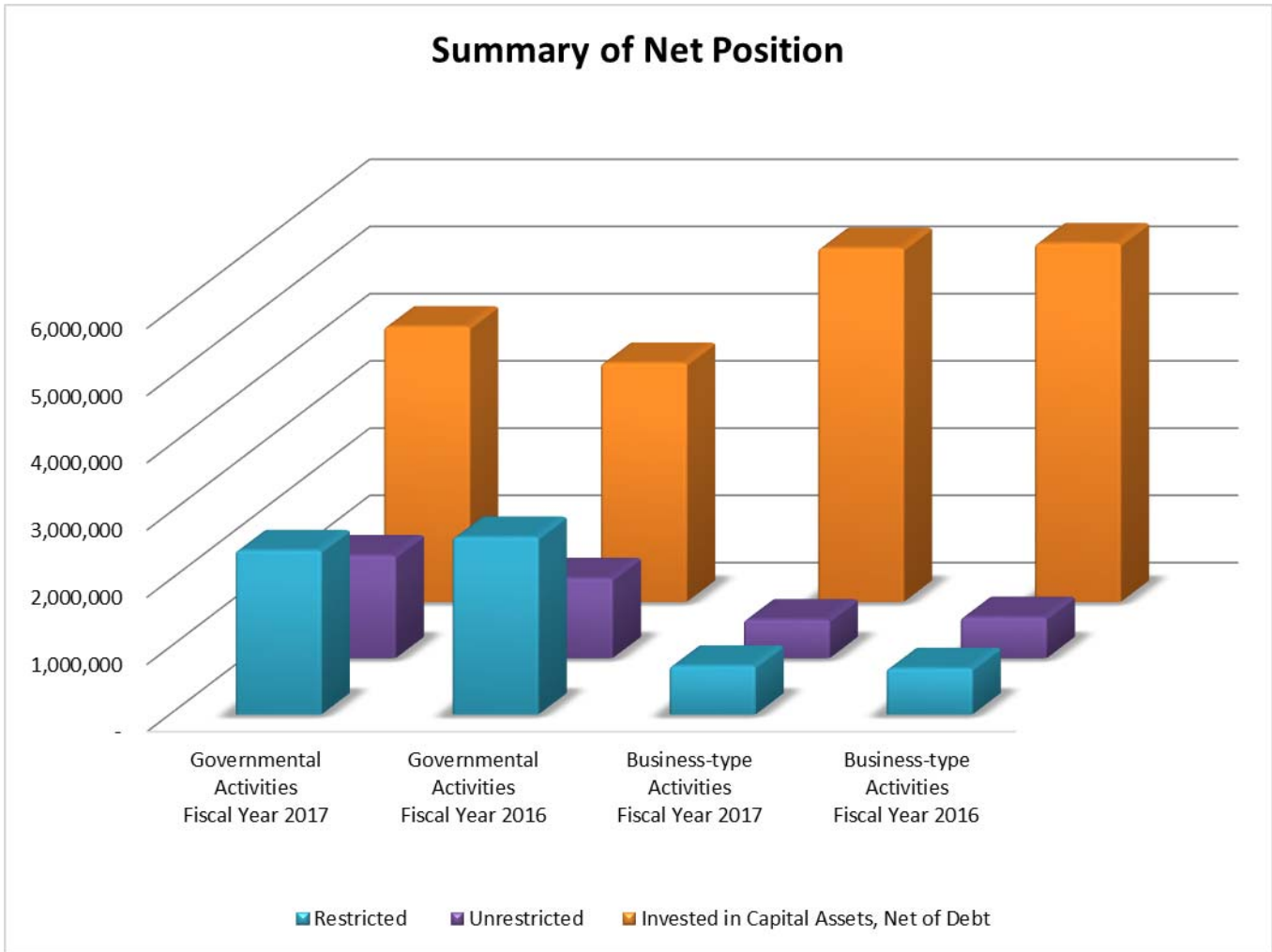
CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

The following table provides a summary of the City's net position for the current and prior year.

	<u>Summary of Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and Other Assets	\$ 4,447,085	\$ 4,341,230	\$ 1,749,184	\$ 1,757,030	\$ 6,196,269	\$ 6,098,260
Capital Assets	<u>5,029,476</u>	<u>4,508,719</u>	<u>7,356,411</u>	<u>7,463,933</u>	<u>12,385,887</u>	<u>11,972,652</u>
Total Assets	<u>9,476,561</u>	<u>8,849,949</u>	<u>9,105,595</u>	<u>9,220,963</u>	<u>18,582,156</u>	<u>18,070,912</u>
Deferred Outflow of Resources	<u>272,791</u>	<u>13,854</u>	<u>295,982</u>	<u>13,888</u>	<u>568,773</u>	<u>27,742</u>
Liabilities						
Current Liabilities	224,942	214,775	192,543	177,566	417,485	392,341
Long-Term Liabilities	<u>1,379,156</u>	<u>1,191,397</u>	<u>2,561,532</u>	<u>2,351,800</u>	<u>3,940,688</u>	<u>3,543,197</u>
Total Liabilities	<u>1,604,098</u>	<u>1,406,172</u>	<u>2,754,075</u>	<u>2,529,366</u>	<u>4,358,173</u>	<u>3,935,538</u>
Deferred Inflow of Resources	<u>79,800</u>	<u>75,049</u>	<u>86,584</u>	<u>75,230</u>	<u>166,384</u>	<u>150,279</u>
Net Position						
Net Investment in Capital Assets	4,094,996	3,553,514	5,262,147	5,332,438	9,357,143	8,885,952
Restricted	2,442,512	2,639,959	723,894	687,359	3,166,406	3,327,318
Unrestricted	<u>1,527,945</u>	<u>1,189,109</u>	<u>574,877</u>	<u>610,458</u>	<u>2,102,822</u>	<u>1,799,567</u>
Total Net Position	<u>\$ 8,065,453</u>	<u>\$ 7,382,583</u>	<u>\$ 6,560,918</u>	<u>\$ 6,630,255</u>	<u>\$ 14,626,371</u>	<u>\$ 14,012,838</u>

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

See the chart below to gain an understanding of the City's actual financial position and how each component relates to the activities performed.



CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Changes in net position - The City's total revenues for the fiscal year ended June 30, 2017 were \$3,546,845. The total cost of all programs and services was \$3,021,312. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net position.

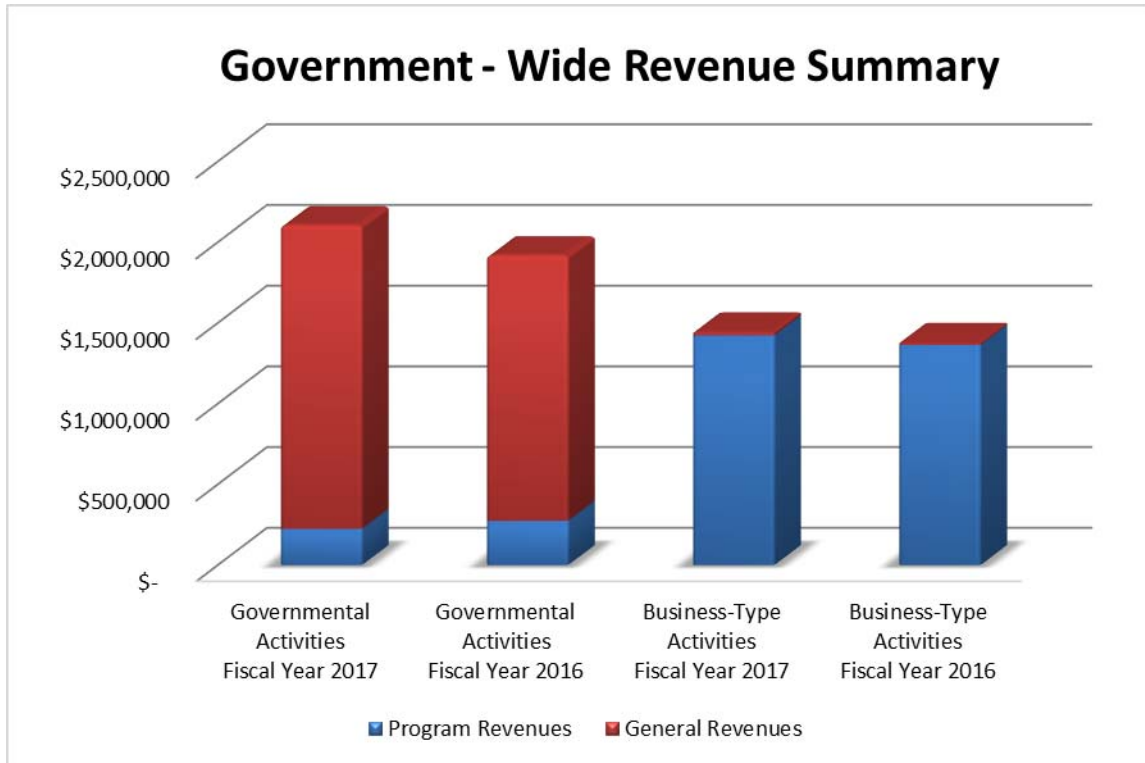
Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
Revenues						
Program Revenues						
Charges for Services	\$ 204,347	\$ 228,035	\$ 1,422,449	\$ 1,364,071	\$1,626,796	\$1,592,106
Operating Grants and Contributions	20,688	46,256	-	-	20,688	46,256
Total Program Revenues	225,035	274,291	1,422,449	1,364,071	1,647,484	1,638,362
General Revenues						
Local Sources						
Property Taxes, Franchise Fees, & Public Service Taxes	1,838,075	1,622,427	-	-	1,838,075	1,622,427
Interest & Investment Earnings	42,329	22,541	18,957	9,623	61,286	32,164
Total General Revenues	1,880,404	1,644,968	18,957	9,623	1,899,361	1,654,591
Total Revenues	2,105,439	1,919,259	1,441,406	1,373,694	3,546,845	3,292,953
Program Expenses						
General Government	904,324	1,102,757	-	-	904,324	1,102,757
Public Safety	280,448	280,448	-	-	280,448	280,448
Public Works	174,939	183,800	-	-	174,939	183,800
Culture and Recreation	83,690	114,296	-	-	83,690	114,296
Urban Renewal Projects	10,570	9,696	-	-	10,570	9,696
Interest on Long-Term Debt	44,598	48,867	86,522	89,553	131,120	138,420
Utility Services						
Water Utilities	-	-	639,562	729,183	639,562	729,183
Sewer Utilities	-	-	796,659	834,753	796,659	834,753
Total Program Expenses	1,498,569	1,739,864	1,522,743	1,653,489	3,021,312	3,393,353
Transfers	76,000	55,000	(76,000)	(55,000)	-	-
Special Items	-	(35,730)	88,000	35,730	88,000	-
Change in Net Position	<u>\$ 682,870</u>	<u>\$ 198,665</u>	<u>\$ (69,337)</u>	<u>\$ (299,065)</u>	<u>\$ 613,533</u>	<u>\$ (100,400)</u>

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the City. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
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The following chart analyzes the revenue between governmental activities and business-type activities from prior to current year.



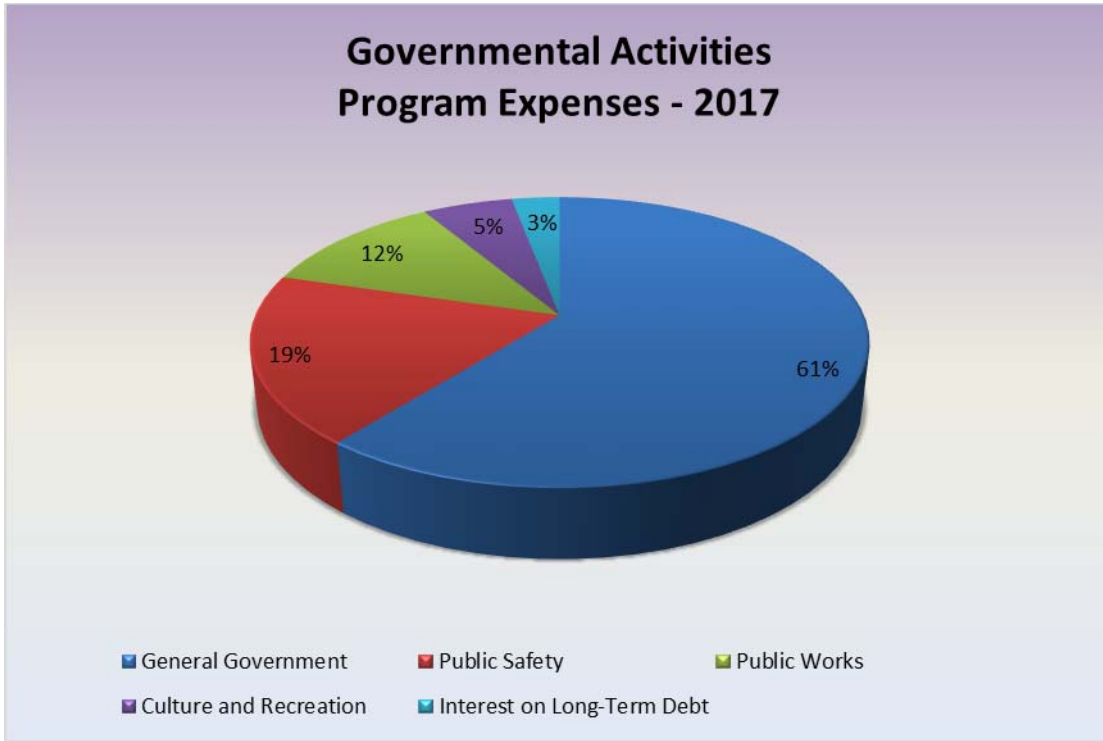
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
General Government	\$ 904,324	\$1,102,757	\$ (861,092)	\$ (1,064,903)
Public Safety	280,448	280,448	(260,443)	(252,431)
Public Works	174,939	183,800	(33,829)	(26,936)
Culture and Recreation	83,690	114,296	(63,002)	(62,740)
Urban Renewal Projects	10,570	9,696	(10,570)	(9,696)
Interest Expense	44,598	48,867	(44,598)	(48,867)
Total Program Expenses	<u>\$1,498,569</u>	<u>\$1,739,864</u>	<u>\$(1,273,534)</u>	<u>\$(1,465,573)</u>

The dependence on general revenues for general government activities is apparent. For 2016-17, 85 percent of general government activities are supported through general revenues

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

This graph represents the cost of the City's Program expenses by governmental activities.



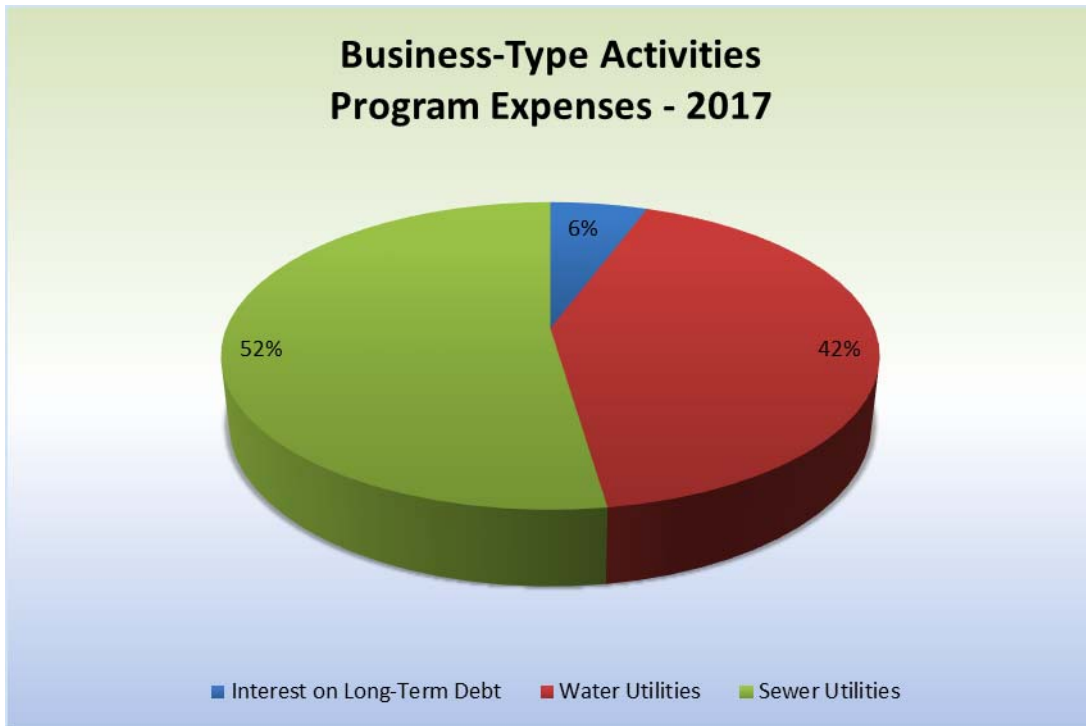
Business-Type Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
Utility Services	\$1,436,221	\$1,563,936	\$ (13,772)	\$ (199,865)
Interest on Long-Term Debt	86,522	89,553	(86,522)	(89,553)
Total Program Expenses	<u>\$1,522,743</u>	<u>\$1,653,489</u>	<u>\$ (100,294)</u>	<u>\$ (289,418)</u>

Business type activities decreased the City's net position by approximately \$69,337. Of the business-type activities, the Water and Sewer funds accounted for approximately 44% and 56% of revenues, respectively.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

This graph represents the cost of the City's Program expenses by business-type activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

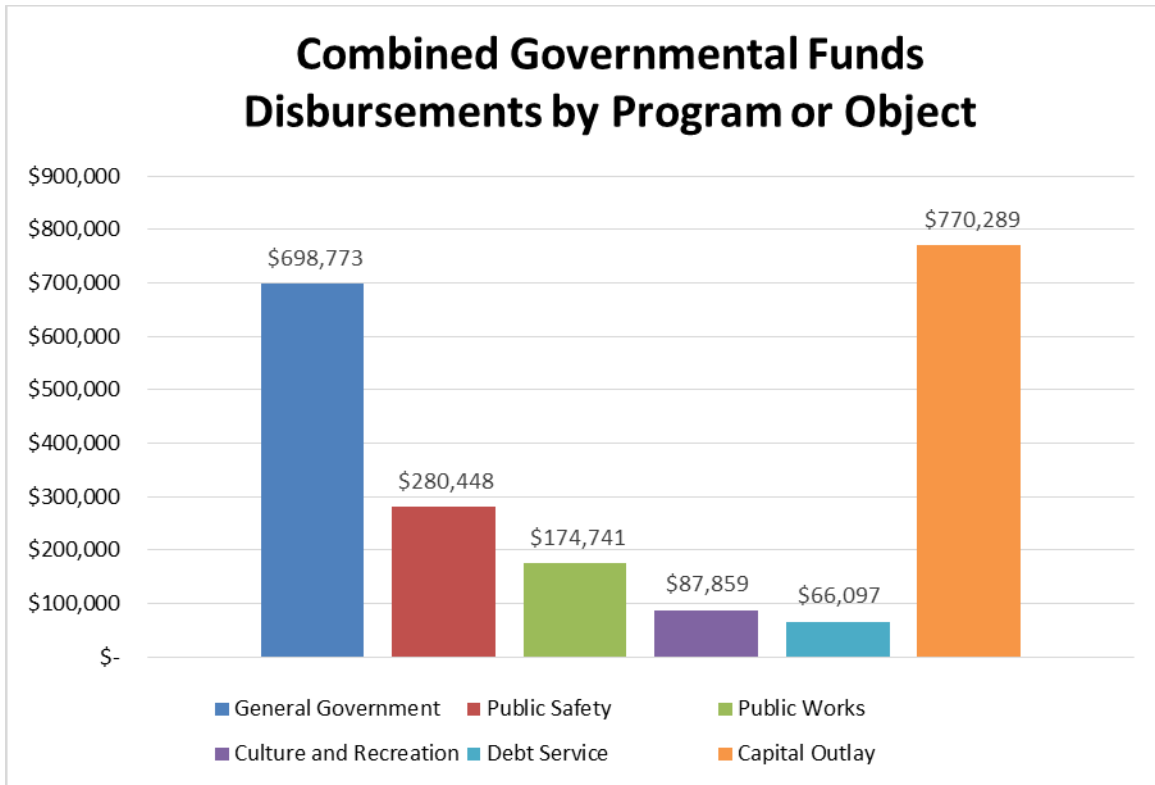
Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$3,961,207, a decrease of \$81,653. The fund balance constitutes restricted, committed, and unassigned amounts. Of the current fund balances, \$394,555 is restricted for public works projects, \$72,695 is restricted for debt service, \$1,695,333 is restricted for capital projects, \$279,929 is restricted for urban renewal projects, \$717,340 is committed for various programs, and \$801,355 is unassigned and available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$801,355, an increase of \$52,318.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Following is a comparison of current expenditures by program of the governmental funds.

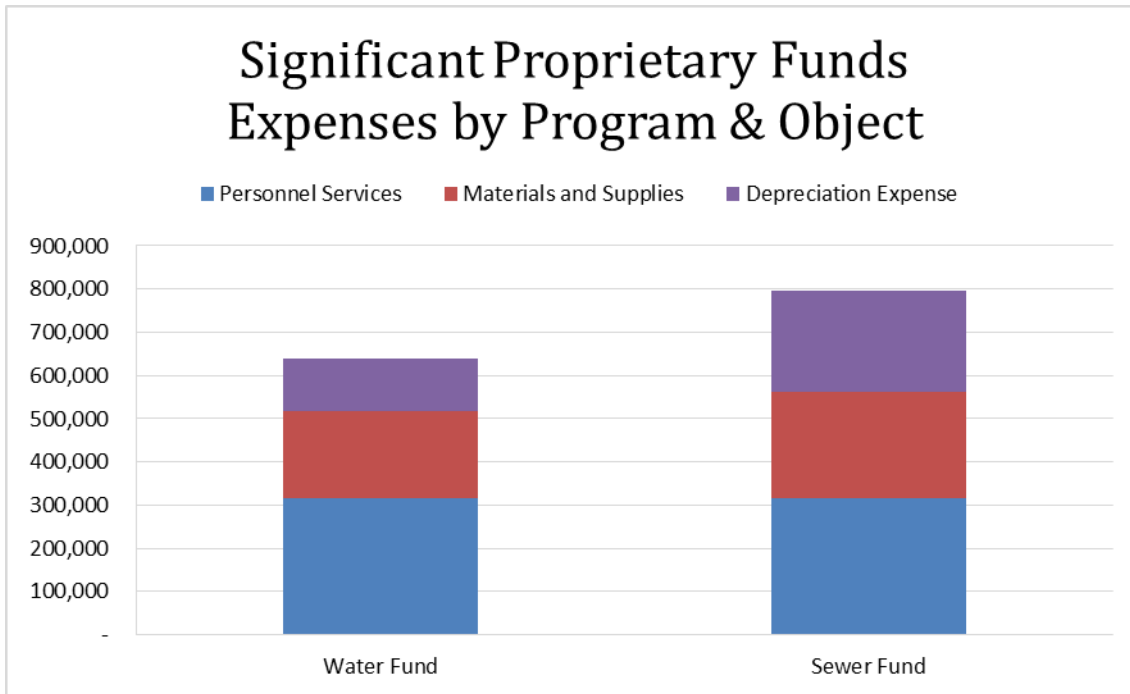


Proprietary Funds

The City's enterprise funds reported unrestricted net position of \$574,877, a decrease of \$35,581. The enterprise funds also report \$125,155 in restricted net position for debt service, \$598,739 in restricted net position for public works projects and \$5,262,147 in net position invested in capital assets, net of related debt.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Following is a comparison of current expenses by program of the proprietary funds.



Budgetary Highlights

General Fund resources were budgeted and anticipated to be collected in the amount of \$1,635,528 during the fiscal year. Actual resources of \$1,917,901 were available, \$282,373 more than budgeted. General Fund expenditures budget was under-spent by \$453,982. The ending fund balance was greater than what was budgeted by \$736,355 and greater than the prior year by \$52,318.

The Water Fund balance increased during the fiscal year while the Sewer Fund balance decreased. Both funds remained within the expenditure budgets in all appropriation areas. The Water Fund's actual resources were more than budgeted by \$177,201. The Sewer Fund's actual resources were more than budgeted by \$199,374.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the City had invested, before net reduction for accumulated depreciation, \$21,894,730 in capital assets, including buildings, land, vehicles, water and sewer utility systems, construction in progress and other equipment. This amount represents an increase of \$973,692 from the prior year due to additions in the governmental funds of \$724,300 and in the enterprise funds of \$249,392.

Total depreciation expense for the year was \$560,457; of which \$203,543 is associated with general government activities, \$121,509 from water utilities, and \$235,405 from sewer utilities. Additional information on the City's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements section of this report.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Long-Term Debt

At June 30, 2017 the City had total long-term debt outstanding of \$3,028,744. The long-term debt obligations include a General Obligation Bond for water system improvements and a Revenue Bond for sewer system improvements. Existing debt was reduced by \$57,956. Interest paid on the debt amounted to \$133,296. Additional information on the City's long-term debt can be found in Note 4 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

A number of factors were considered by the City's officials during the process of developing the fiscal year 2017-18 budget. The City's budget for the fiscal year ending June 30, 2018 represents an overall increase of 10 percent when compared with the current fiscal year. The City considered the current economic environment, an increase in property tax revenues as a result of an increase in assessed property values, limited growth in other revenues (i.e. building permits, land use application fees, systems development charges), and expected inflationary increases in expenditures when establishing the budget. Public Works projects for the next fiscal year are primarily limited to maintenance and projects for which outside funding has been obtained through grants.

Amounts available for appropriation in the General Fund are \$1,872,509 for the fiscal year 2017-18, an increase of \$236,981 or 14.5 percent. The increase is largely attributable to anticipated proceeds from the sale of two pieces of property, an improvement in beginning fund balance, as well as a property tax revenue increase from the prior fiscal year.

The City is budgeting a \$21,900 or 2.3 percent increase in total Water Fund revenues. This is largely the result of a 7 percent increase in beginning fund balance. The City is budgeting a \$7,800 or 0.7 percent decrease in Sewer Fund Revenue. This is largely the result of a 3.4 percent decrease in budgeted sewer use charges. The City is budgeting a \$157,660 or 24.8 percent increase in total Street Fund revenues. This is largely the result of a 43 percent increase in budgeted intergovernmental revenue.

With the exceptions noted above, operating costs of both governmental activities and business-type activities are expected to be similar to those of the 2016-17 period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the City of Harrisburg at (541) 995-6655. The office is located inside City Hall at 120 Smith Street, Harrisburg, Oregon 97446.

BASIC FINANCIAL
STATEMENTS

Government -Wide
Financial Statements

CITY OF HARRISBURG
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>	<u>Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	3,901,598	1,447,199	5,348,797
Receivables	406,571	131,424	537,995
Inventory	-	45,406	45,406
Deposits	138,916	-	138,916
Total Current Assets	4,447,085	1,624,029	6,071,114
Restricted Assets:			
Sinking Funds for Debt Service	-	125,155	125,155
Total Restricted Assets	-	125,155	125,155
Capital Assets:			
Land and Construction In Progress	1,359,682	795,323	2,155,005
Depreciable Assets, Net of Depreciation	3,669,794	6,561,088	10,230,882
Total Capital Assets, Net of Depreciation	5,029,476	7,356,411	12,385,887
Total Assets	\$ 9,476,561	\$ 9,105,595	\$ 18,582,156
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	272,791	295,982	568,773
Total Deferred Outflows of Resources	\$ 272,791	\$ 295,982	\$ 568,773
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	80,593	35,062	115,655
Payroll Payable	56,335	-	56,335
Accrued Compensated Absences	34,009	17,802	51,811
Interest Payable	29,308	65,324	94,632
Deposits	2,989	35,588	38,577
Current Portion of Long-Term Liabilities:			
Bonds Payable	21,708	38,767	60,475
Total Current Liabilities	224,942	192,543	417,485
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Bonds Payable	912,772	2,055,497	2,968,269
Net Pension Liability	466,384	506,035	972,419
Total Long-Term Liabilities	1,379,156	2,561,532	3,940,688
Total Liabilities	\$ 1,604,098	\$ 2,754,075	\$ 4,358,173
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	79,800	86,584	166,384
Total Deferred Inflow of Resources	\$ 79,800	\$ 86,584	\$ 166,384
<u>NET POSITION:</u>			
Net Investment in Capital Assets	4,094,996	5,262,147	9,357,143
Restricted for:			
Debt Service	72,695	125,155	197,850
Public Works	394,555	598,739	993,294
Capital Projects	1,695,333	-	1,695,333
Urban Renewal Projects	279,929	-	279,929
Unrestricted	1,527,945	574,877	2,102,822
Total Net Position	\$ 8,065,453	\$ 6,560,918	\$ 14,626,371

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

CITY OF HARRISBURG

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

	<u>(Expenses)</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>GOVERNMENTAL ACTIVITIES:</u>					
General Government	\$ 904,324	\$ 43,232	\$ -	\$ -	\$ (861,092)
Public Safety	280,448	20,005	-	-	(260,443)
Public Works	174,939	141,110	-	-	(33,829)
Culture and Recreation	83,690	-	20,688	-	(63,002)
Urban Renewal Projects	10,570	-	-	-	(10,570)
Interest Expense	44,598	-	-	-	(44,598)
Total Governmental Activities	\$ 1,498,569	\$ 204,347	\$ 20,688	\$ -	\$ (1,273,534)
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Utilities	\$ 639,562	\$ 622,956	\$ -	\$ -	\$ (16,606)
Sewer Utilities	796,659	799,493	-	-	2,834
Interest on Long-Term Debt	86,522	-	-	-	(86,522)
Total Business-type Activities	\$ 1,522,743	\$ 1,422,449	\$ -	\$ -	\$ (100,294)
Total Primary Government	\$ 3,021,312	\$ 1,626,796	\$ 20,688	\$ -	\$ (1,373,828)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>CHANGES IN NET POSITION:</u>			
Net (expense) revenue	\$ (1,273,534)	\$ (100,294)	\$ (1,373,828)
General Revenues:			
Property Taxes, levied for general purposes	586,274	-	586,274
Property Taxes, levied for debt service	64,787	-	64,787
Property Taxes, levied for urban renewal programs	281,743	-	281,743
Intergovernmental Tax Turnovers	343,726	-	343,726
Franchise Taxes	334,350	-	334,350
Other Taxes and Assessments	227,195	-	227,195
Interest and Investment Earnings	42,329	18,957	61,286
Subtotal - General Revenues	1,880,404	18,957	1,899,361
<i>Special Item</i> - Gain (Loss) on Disposition of Assets	-	88,000	88,000
Interfund Transfers	76,000	(76,000)	-
Total general revenues, special items, and transfers	1,956,404	30,957	1,987,361
Change in Net Position	682,870	(69,337)	613,533
Net Position, July 1, 2016	7,382,583	6,630,255	14,012,838
Net Position, June 30, 2017	\$ 8,065,453	\$ 6,560,918	\$ 14,626,371

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

BASIC FINANCIAL
STATEMENTS

Governmental Fund
Financial Statements

CITY OF HARRISBURG

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2017

	<u>Component Unit</u>				
	<u>General Fund</u>	<u>Street Fund</u>	<u>Harrisburg Redevelopment Agency Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>					
Cash and Investments	\$ 856,132	\$ 415,643	\$ 100,801	\$ 2,529,022	\$ 3,901,598
Receivables:					
Accounts, net	46,715	585	-	7,508	54,808
Assessments	-	175,601	-	86,036	261,637
Property Tax	59,550	-	24,303	6,273	90,126
Deposits	-	-	-	138,916	138,916
Total Assets	\$ 962,397	\$ 591,829	\$ 125,104	\$ 2,767,755	\$ 4,447,085
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>					
LIABILITIES:					
Accounts Payable	\$ 45,787	\$ 21,673	\$ 8,895	\$ 4,238	\$ 80,593
Payroll Payable	56,335	-	-	-	56,335
Deposits	2,989	-	-	-	2,989
Total Liabilities	105,111	21,673	8,895	4,238	139,917
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Deferred Property Tax Revenue	55,931	-	22,513	5,880	84,324
Uncollected Assessments	-	175,601	-	86,036	261,637
Total Deferred Inflows of Resources	55,931	175,601	22,513	91,916	345,961
FUND BALANCES:					
Restricted for:					
Debt Service	-	-	-	72,695	72,695
Public Works	-	394,555	-	-	394,555
Capital Projects	-	-	-	1,695,333	1,695,333
Urban Renewal Projects	-	-	93,696	186,233	279,929
Committed for:					
Parks and Recreation Programs	-	-	-	28,257	28,257
Community Development Projects	-	-	-	36,846	36,846
Equipment Acquisition	-	-	-	652,237	652,237
Unassigned	801,355	-	-	-	801,355
Total Fund Balances	801,355	394,555	93,696	2,671,601	3,961,207
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 962,397	\$ 591,829	\$ 125,104	\$ 2,767,755	\$ 4,447,085

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

CITY OF HARRISBURG

RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total Fund Balances - Governmental Funds \$ 3,961,207

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

The cost of the assets is -	\$ 7,292,520	
The accumulated depreciation is -	<u>(2,263,044)</u>	
Net Value of Assets		5,029,476

Net pension assets/liabilities reported in governmental activities are not financial
resources and therefore are not reported in the governmental funds. (466,384)

Certain receivables that will not be available to pay for current-period
expenditures are deferred in the governmental funds:

Property Taxes	84,325	
Assessments	<u>261,637</u>	
		345,962

Deferred inflows and outflows of pension contributions and earnings are
not reported in the governmental funds

Deferred Pension Contributions	272,791
Deferred Earnings on Pension Assets	(79,800)

Interest Payable is not recorded in the governmental funds: (29,308)

Accrued Compensated Absences are not recorded in the governmental funds: (34,009)

Long-term liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the governmental funds. (934,480)

Net Position of Governmental Activities \$ 8,065,455

CITY OF HARRISBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2017

	<u>Component Unit</u>				
	<u>General</u>	<u>Street</u>	<u>Agency</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Redevelopment</u>	<u>Funds</u>	<u>Funds</u>
REVENUES:					
Taxes and Assessments	\$ 582,944	\$ 1,985	\$ 270,859	\$ 129,894	\$ 985,682
Intergovernmental	124,087	217,291	-	2,348	343,726
Franchise Taxes	334,350	-	-	-	334,350
Licenses & Permits	57,234	-	-	-	57,234
Charges for Service	-	-	-	60,891	60,891
Fines and Forfeitures	20,005	-	-	-	20,005
Investment Revenue	7,012	4,255	5,261	25,801	42,329
Other Revenue	43,232	22,985	2	20,688	86,907
Total Revenues	1,168,864	246,516	276,122	239,622	1,931,124
EXPENDITURES:					
Current Operating:					
General Government	646,858	-	-	51,915	698,773
Public Safety	280,448	-	-	-	280,448
Public Works	-	161,330	-	13,411	174,741
Culture and Recreation	-	-	-	87,859	87,859
Urban Renewal Projects	-	-	10,570	-	10,570
Debt Service:					
Principal	-	-	-	20,725	20,725
Interest	-	-	-	45,372	45,372
Capital Outlay	59,240	78,829	603,770	28,450	770,289
Total Expenditures	986,546	240,159	614,340	247,732	2,088,777
Excess (Deficiency) of Revenues Over Expenditures	182,318	6,357	(338,218)	(8,110)	(157,653)
OTHER FINANCING SOURCES (USES):					
Interfund Transfers In	-	30,000	-	194,000	224,000
Interfund Transfers (Out)	(130,000)	(18,000)	-	-	(148,000)
Total Other Financing Sources (Uses)	(130,000)	12,000	-	194,000	76,000
Net Change in Fund Balances	52,318	18,357	(338,218)	185,890	(81,653)
Fund Balances - July 1, 2016	749,037	376,198	431,914	2,485,711	4,042,860
Fund Balances - June 30, 2017	\$ 801,355	\$ 394,555	\$ 93,696	\$ 2,671,601	\$ 3,961,207

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

CITY OF HARRISBURG

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

For the Fiscal Year Ended June 30, 2017

Net Changes in Fund Balances - Total Governmental Funds \$ (81,653)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 724,300	
Less current year depreciation	<u>(203,543)</u>	
		520,757

Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.

The changes in amounts deferred are as follows:		
Property Taxes	13,690	
Assessments	<u>160,628</u>	
		174,318

Expense accruals in the governmental funds do not include all accrued interest expense payable.

The change in payables from the prior year to the current year is reconciled here.	774
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Additions to certain payroll liabilities are reported as an expense in the Statement of Activities.

Vacation Payable	3,234
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Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Position.

Retirement of debt principal is as follows:	
General Obligations Bonds	20,725

Adjustment for pension costs on accrued basis	44,718
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Change in Net Position of Governmental Activities	<u>\$ 682,873</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Proprietary Fund
Financial Statements

CITY OF HARRISBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Water Utility	Sewer Utility	Total Enterprise Funds
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 536,648	\$ 910,551	\$ 1,447,199
Receivables	55,923	75,501	131,424
Inventory	39,475	5,931	45,406
Total Current Assets	632,046	991,983	1,624,029
Restricted Assets:			
Sinking Funds for Debt Service	-	125,155	125,155
Total Restricted Assets	-	125,155	125,155
Capital Assets:			
Land and Construction In Progress	290,506	504,817	795,323
Depreciable Assets, Net of Depreciation	2,345,685	4,215,403	6,561,088
Total Capital Assets	2,636,191	4,720,220	7,356,411
Total Assets	3,268,237	5,837,358	9,105,595
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	147,993	147,989	295,982
Total Deferred Outflow of Resources	\$ 147,993	\$ 147,989	\$ 295,982
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	17,222	17,840	35,062
Accrued Compensated Absences	8,901	8,901	17,802
Interest Payable	-	65,324	65,324
Customer Deposits	17,969	17,619	35,588
Current Portion of Long-Term Liabilities:			
Bond Payable	-	38,767	38,767
Total Current Liabilities	44,092	148,451	192,543
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Bond Payable	-	2,055,497	2,055,497
Net Pension Liability	253,021	253,014	506,035
Total Long-Term Liabilities	253,021	2,308,511	2,561,532
Total Liabilities	297,113	2,456,962	2,754,075
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	43,293	43,291	86,584
Total Deferred Inflow of Resources	\$ 43,293	\$ 43,291	\$ 86,584
<u>NET POSITION:</u>			
Net Investment in Capital Assets	2,636,191	2,625,956	5,262,147
Restricted for Debt Service	-	125,155	125,155
Restricted for Public Works	149,687	449,052	598,739
Unrestricted	289,946	284,931	574,877
Total Net Position	\$ 3,075,824	\$ 3,485,094	\$ 6,560,918

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

CITY OF HARRISBURG

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<u>OPERATING REVENUES:</u>			
Charges for Services & Fees	\$ 574,954	\$ 792,571	\$ 1,367,525
Other Revenue	48,002	6,922	54,924
Total Operating Revenues	622,956	799,493	1,422,449
<u>OPERATING EXPENSES:</u>			
Personnel Services	316,457	315,174	631,631
Materials and Supplies	201,596	246,080	447,676
Depreciation Expense	121,509	235,405	356,914
Total Operating Expenses	639,562	796,659	1,436,221
Operating Income (Loss)	(16,606)	2,834	(13,772)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Gain on Sale of Water Tower Land	88,000	-	88,000
Investment Revenue	6,560	12,397	18,957
Interest Expense	-	(86,522)	(86,522)
Total Non-Operating Revenues (Expenses)	94,560	(74,125)	20,435
Income Before Other Revenues, Expenses, and Transfers	77,954	(71,291)	6,663
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>			
Transfers to Other Funds	(138,000)	(188,000)	(326,000)
Transfers from Other Funds	100,000	150,000	250,000
Total Capital Contributions and Transfers	(38,000)	(38,000)	(76,000)
Changes in Net Position	39,954	(109,291)	(69,337)
Net Position, July 1, 2016	3,035,870	3,594,385	6,630,255
Net Position, June 30, 2017	\$ 3,075,824	\$ 3,485,094	\$ 6,560,918

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

CITY OF HARRISBURG

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Water Utility	Sewer Utility	Total Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash Received from User Charges	\$ 624,890	\$ 804,166	\$ 1,429,056
Cash Payments for Employee Services	(327,539)	(326,261)	(653,800)
Cash Payments to Suppliers	(206,123)	(228,572)	(434,695)
Net Cash Provided (Used) by Operating Activities	91,228	249,333	340,561
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>			
Transfer to Other Funds	(138,000)	(188,000)	(326,000)
Transfer from Other Funds	100,000	150,000	250,000
Net Cash Provided (Used) by Non-capital Financing Activities	(38,000)	(38,000)	(76,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Proceeds from Sale of Assets	88,000	-	88,000
Acquisition of Capital Assets	(192,772)	(56,620)	(249,392)
Principal Paid on Long Term Debt	-	(37,231)	(37,231)
Interest Paid on Long Term Debt	-	(87,924)	(87,924)
Net Cash Provided (Used) by Capital and Related Financing Activities	(104,772)	(181,775)	(286,547)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment Income	6,560	12,397	18,957
Net Cash Provided (Used) by Investing Activities	6,560	12,397	18,957
Cash and Cash Equivalents at July 1, 2016	581,632	993,751	1,575,383
Cash and Cash Equivalents at June 30, 2017	\$ 536,648	\$ 1,035,706	\$ 1,572,354

Reconciliation of income (loss) from operations

to net cash provided (used) by operating activities:

Income (loss) from operations	\$ (16,606)	\$ 2,834	\$ (13,772)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	121,509	235,405	356,914
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	305	3,028	3,333
Decrease (increase) in inventory	(7,593)	9,077	1,484
Increase (decrease) in deposits	1,629	1,645	3,274
Increase (decrease) in payables	3,102	8,467	11,569
Increase (decrease) in pension related accounts	(11,118)	(11,123)	(22,241)
Net cash provided (used) by operating activities	\$ 91,228	\$ 249,333	\$ 340,561

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

BASIC FINANCIAL
STATEMENTS

Notes to the Basic
Financial Statements

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Harrisburg, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected six member council. Administration officials are appointed by the council and are responsible for the day-to-day operations of the City.

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.

The following is a summary of the more significant policies of the City:

A. Reporting Entity

In determining the financial reporting entity, the City of Harrisburg complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the City's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the City holds the corporate powers of the organization; 3) the City appoints a voting majority of the organization's board; 4) the City is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the City; and 6) there is fiscal dependency by the organization on the City. Based on the aforementioned criteria, the City of Harrisburg has one component unit, the Urban Renewal Agency.

Blended Component Unit. The City has included the financial operations of its Redevelopment Agency as a blended component unit in the basic financial statements. The Agency is a legally separate entity, which is governed by a board comprised of the members of the City Council as stipulated in the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. The Agency is reported as a special revenue fund and a debt service fund. Complete financial statements for the Agency can be obtained from the Finance Department of the City.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net position are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

Fund Financial Statements: The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund - This fund accounts for activities related to the construction and maintenance of City streets. Revenues for this fund come from state highway taxes and grants.

Harrisburg Redevelopment Agency Fund – This fund accounts for the General Fund revenues and expenditures of the Redevelopment Agency.

Additionally the City also reports non-major funds within the governmental fund type.

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include Community & Economic Development Fund, Office Equipment Fund, Equipment Reserve Fund, Library Fund, Bike Path Reserve Fund, Storm Drain Reserve Fund, Transportation SDC Fund, Parks SDC Fund, Storm SDC Fund, Water SDC Fund, and Sewer SDC Fund.

Debt Service Funds account for the accumulation of resources and the payment of debt including principal, interest and other costs. Non-major debt service funds include the Debt Service Fund.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

B. Basis of Presentation (Cont.)

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities.

Sewer Fund - The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities.

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 principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

C. Measurement Focus/Basis of Accounting (Cont.)

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 principal ongoing operations. The principal operating revenues of the city's Sewer and Water 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgeting

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

E. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The City has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the City to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer.

In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

G. Accumulated Compensated Absences

Accumulated vested vacation and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with the current resources are reported as liabilities in the government-wide statements and represent a reconciling item between the fund level and government-wide presentations. In business-type funds both the current and long-term liabilities are recorded. Sick pay, which does not vest, is recognized in applicable funds when leave is taken.

H. Receivables

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the City. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts.

Receivables are also recognized for property taxes and intergovernmental grants. Property taxes receivable consist of uncollected taxes levied and payable at the end of the fiscal year. All taxes are considered collectible. Consequently no allowance for uncollectible taxes has been established. In the governmental fund financial statements, property taxes not collected within sixty days of the end of the fiscal year are reported as a deferred inflow or resources. (See note 1.J.)

I. Deferred Inflows/Outflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has only one item that qualifies for reporting in this category, deferred pension contributions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, deferred earnings on pension assets. In the governmental funds balance sheet, a different category of deferred inflow of resources, delinquent property tax revenue not available, is reported. Property taxes levied and considered receivable at the end of the fiscal year, but not collected within sixty days of the end of the fiscal year are reported in this category. These amounts are recognized as an inflow of resources (revenue) in the period that the amounts become available.

J. Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The costs of proprietary fund type inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Restricted Assets and Liabilities

Certain resources are set aside and restricted for future bond payments and the related liability; these resources are segregated in the statement of net position and are classified as restricted assets on the Statement of Net Position because their use is limited. For the fiscal year ended June 30, 2017 the City had sinking funds for debt service of \$100,125 in restricted assets.

L. Long-Term Debt

All bonds and capital leases to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

M. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The estimated useful lives are as follows:

Buildings and Improvements	10-50 years
Machinery and Equipment	3-20 years
Vehicles	5-10 years
Water and Sewer Systems	20-50 years
Infrastructure	25-35 years

N. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures 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 estimates.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

O. Equity Classifications:

Government-wide Statements and Proprietary Fund Financial Statements

Equity is classified as net position, which represents the difference between assets and liabilities, and deferred accounts. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The City’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Governmental Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City did not have any nonspendable resources as of June 30, 2017.
- **Restricted**: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for public works projects, capital projects and debt service.
- **Committed**: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the City Council, and does not lapse at year-end. The City has committed resources as of June 30, 2017.
- **Assigned**: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned**: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City’s policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

F. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

P. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

P. 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 Fund (OPERF) and the Oregon Public Service Retirement Plan (OPSRP) and additions to/deductions from OPERF's and OPSRP's fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

2. CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Note 1.E.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

Investments, including amounts held in pool cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

2. CASH AND INVESTMENTS (CONT.):

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. ORS 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Oregon Public Funds Collateralization Program (PFCP). Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer’s website.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2017, the reported amount of the City’s deposits was \$67,650 and the bank balance was \$133,566. Of the bank balance, the entire amount was insured by the FDIC or covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer.

Investments - Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker’s acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2017, the City’s investment in the Oregon State Treasurer’s Local Government Investment Pool (LGIP) was unrated.

At June 30, 2017, the City's investments in financial institutions are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 5,406,300</u>	N/A
Total Investments	<u>\$ 5,406,300</u>	

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the City's total investments.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

3. CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2017:

Governmental Activities	June 30, 2016	Additions	Deletions	June 30, 2017
Assets not being depreciated:				
Land	\$ 582,361	\$ -	\$ -	\$ 582,361
Construction In Progress	116,186	661,135	-	777,321
Assets being depreciated:				
Buildings	1,090,757	-	-	1,090,757
Park Improvements	622,956	-	-	622,956
Machinery & Equipment	445,787	37,581	-	483,368
Vehicles	79,329	-	-	79,329
Infrastructure*	3,630,844	25,584	-	3,656,428
Total Depreciable Assets	5,869,673	63,165	-	5,932,838
Less: Accumulated Depreciation				
Buildings	382,260	23,722	-	405,982
Park Improvements	238,234	22,762	-	260,996
Machinery & Equipment	190,801	26,357	-	217,158
Vehicles	62,048	3,567	-	65,615
Infrastructure*	1,186,158	127,135	-	1,313,293
Total Accumulated Depreciation	2,059,501	203,543	-	2,263,044
Net Value of Capital Assets Being Depreciated	3,810,172	(140,378)	-	3,669,794
Total Governmental Activities--Net Value of Capital Assets	\$ 4,508,719	\$ (140,378)	\$ -	\$ 5,029,476
Business-type Activities				
Assets not being depreciated:				
Land	\$ 533,872	\$ -	\$ -	\$ 533,872
Construction In Progress	12,059	249,392	-	261,451
Assets being depreciated:				
Utility Plant	13,357,733	-	-	13,357,733
Machinery & Equipment	449,154	-	-	449,154
Total Depreciable Assets	13,806,887	-	-	13,806,887
Less: Accumulated Depreciation				
Utility Plant	6,565,489	332,194	-	6,897,683
Machinery & Equipment	323,397	24,720	-	348,117
Total Accumulated Depreciation	6,888,886	356,914	-	7,245,800
Net Value of Capital Assets Being Depreciated	6,918,001	(356,914)	-	6,561,087
Total Business-type Activities--Net Value of Capital Assets	\$ 7,463,932	\$ (107,522)	\$ -	\$ 7,356,410
Total Net Value of Capital Assets of Primary Government	\$ 11,972,651	\$ (247,900)	\$ -	\$ 12,385,886

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	Business-Type Activities:
General Government	Water Utilities
\$ 203,543	\$ 121,509
	Sewer Utilities
	235,405
Total depreciation expense - governmental activities	Total depreciation expense - business-type activities
\$ 203,543	\$ 356,914

*With the implementation of GASB #34, the City elected the prospective reporting approach for infrastructure assets.

Accordingly, only infrastructure assets acquired on July 1, 2003 and thereafter will be presented in the financial statements.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

4. LONG-TERM DEBT:

In the following paragraphs, long-term debt information is presented separately with respect to governmental and business-type activities. The table below presents current year changes in those obligations and the current portions due for each issue.

	<u>Outstanding Balance July 1, 2016</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2017</u>	<u>Due within One Year</u>
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GOVERNMENTAL ACTIVITIES:

General Obligation Bonds held by USDA Rural Development for Water System Improvements. Original balance \$1,174,000. Interest rate 4.75%. Dated November 1, 2000.

Principal	\$ 955,205	\$ -	\$ 20,725	\$ 934,480	\$ 21,709
Interest	-	45,372	45,372	-	44,388
Totals	<u>\$ 955,205</u>	<u>\$ 45,372</u>	<u>\$ 66,097</u>	<u>\$ 934,480</u>	<u>\$ 66,097</u>

TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:

Principal	\$ 955,205	\$ -	\$ 20,725	\$ 934,480	\$ 21,709
Interest	-	45,372	45,372	-	44,388
Totals	<u>\$ 955,205</u>	<u>\$ 45,372</u>	<u>\$ 66,097</u>	<u>\$ 934,480</u>	<u>\$ 66,097</u>

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds held by USDA Rural Development for Sewer System Improvements. Original balance \$2,431,600. Interest rate 4.125%. Dated September 27, 2005

Principal	\$ 2,131,495	\$ -	\$ 37,231	\$ 2,094,264	\$ 38,767
Interest	-	87,924	87,924	-	86,388
Totals	<u>\$ 2,131,495</u>	<u>\$ 87,924</u>	<u>\$ 125,155</u>	<u>\$ 2,094,264</u>	<u>\$ 125,155</u>

TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:

Principal	\$ 2,131,495	\$ -	\$ 37,231	\$ 2,094,264	\$ 38,767
Interest	-	87,924	87,924	-	86,388
Totals	<u>\$ 2,131,495</u>	<u>\$ 87,924</u>	<u>\$ 125,155</u>	<u>\$ 2,094,264</u>	<u>\$ 125,155</u>

TOTAL DEBT AGREEMENTS:

Principal	\$ 3,086,700	\$ -	\$ 57,956	\$ 3,028,744	\$ 60,476
Interest	-	133,296	133,296	-	130,776
Totals	<u>\$ 3,086,700</u>	<u>\$ 133,296</u>	<u>\$ 191,252</u>	<u>\$ 3,028,744</u>	<u>\$ 191,252</u>

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

4. LONG-TERM DEBT (CONT.):

The debt service requirements on the above debt is as follows:

	<u>Due Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Governmental Activities:</u>				
Water Construction Bonds	2018	21,709	44,388	66,097
	2019	22,740	43,357	66,097
	2020	23,820	42,277	66,097
	2021	24,952	41,145	66,097
	2022	26,137	39,960	66,097
	2023-2027	150,529	179,956	330,485
	2028-2032	189,839	140,646	330,485
	2033-2037	239,420	91,065	330,485
	2038-2040	235,334	28,562	263,896
	Total	\$ 934,480	\$ 651,356	\$ 1,585,836
<u>Business-Type Activities:</u>				
Sewer Revenue Bonds	2018	38,767	86,388	125,155
	2019	40,366	84,789	125,155
	2020	42,031	83,124	125,155
	2021	43,764	81,391	125,155
	2022	45,570	79,585	125,155
	2023-2027	257,646	368,129	625,775
	2028-2032	315,353	310,422	625,775
	2033-2037	385,986	239,789	625,775
	2038-2040	472,441	153,334	625,775
	2041-2046	452,340	88,551	540,891
	Total	<u>\$ 2,094,264</u>	<u>\$ 1,575,502</u>	<u>\$ 3,669,766</u>

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN:

A. Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a cost-sharing multiple-employer defined benefit pension plan.

B. Description of Benefit Terms

Plan Benefits

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

1. Tier One/Tier Two Retirement Benefit (Chapter 238). Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

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

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

Disability Benefits

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

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

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 2017 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 Defined Benefit Pension Program (OPSRP DB). The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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 2017 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. IAP Plan Description:

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)

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

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

Death Benefits

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

Recordkeeping

PERS 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. The rates based on a percentage of payroll, first became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2017 were \$123,456, excluding amounts to fund employer specific liabilities.

D. Pension Plan CAFR

Oregon PERS produces an independently audited CAFR which can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

E. Actuarial Valuations

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

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>
<p>1 At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.</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.

Discount Rate

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

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

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 of 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.

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>OIC Policy Range</u>	<u>OIC Target Allocation</u>	<u>Asset Class/Strategy</u>	<u>Actual Allocation</u>
Cash	0.0% - 3.0%	0.0%	Cash	3.9%
Debt Securities	15.0% - 25.0%	20.0%	Debt Securities	20.7%
Public Equity	32.5% - 42.5%	37.5%	Public Equity	37.9%
Real estate	9.5% - 15.5%	12.5%	Real estate	12.0%
Private Equity	13.5% - 21.5%	17.5%	Private Equity	19.5%
Alternative Equity	0.0% - 12.5%	12.5%	Alternative Equity	4.1%
Opportunity Portfolio	0.0% - 3.0%	0.0%	Opportunity Portfolio	1.9%
Total		<u>100%</u>	Total	<u>100%</u>

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

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 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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. 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.

Asset Class	Target Allocation*	Annual Arithmetic Mean	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00%	4.10%	4.00%	4.68%
Short-Term Bonds	8.00%	3.65%	3.61%	2.74%
Bank/Leveraged Loans	3.00%	5.69%	5.42%	7.82%
High Yield Bonds	1.00%	6.67%	6.20%	10.28%
Large/Mid Cap US Equities	15.75%	7.96%	6.70%	17.07%
Small Cap US Equities	1.31%	8.93%	6.99%	21.35%
Micro Cap US Equities	1.31%	9.37%	7.01%	23.72%
Developed Foreign Equities	13.13%	8.34%	6.73%	19.40%
Emerging Foreign Equities	4.13%	10.56%	7.25%	28.45%
Non-US Small Cap Equities	1.88%	9.01%	7.22%	20.55%
Private Equity	17.50%	11.60%	7.97%	30.00%
Real Estate (Property)	10.00%	6.48%	5.84%	12.00%
Real Estate (REITS)	2.50%	8.74%	6.69%	22.02%
Hedge Fund of Funds - Diversified	2.50%	4.94%	4.64%	8.09%
Hedge Fund - Event-driven	0.63%	7.07%	6.72%	8.90%
Timber	1.88%	6.60%	5.85%	13.00%
Farmland	1.88%	7.11%	6.37%	13.00%
Infrastructure	3.75%	8.31%	7.13%	16.50%
Commodities	1.88%	6.07%	4.58%	18.40%
Assumed Inflation - Mean			2.50%	1.85%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

G. Sensitivity Analysis

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

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 1,570,132	\$ 972,419	\$ 472,835

H. Summary of Significant Accounting Policies

Reporting Entity

PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the State of Oregon Comprehensive Annual Financial Report.

Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements and generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

Basis of Accounting

The accrual basis of accounting is used. Revenues are recognized when earned. Contributions are recognized when due, pursuant to formal commitments, as well as statutory and Board requirements. Expenses are recognized when incurred. Benefits are recognized when currently due and payable. Withdrawals are recognized in the month they are due and payable.

Investments

Oregon Revised Statute (ORS) 293.706 established the Oregon Investment Council (OIC), which consists of five voting members. Four members of the council, who are qualified by training and experience in the field of investment or finance, are appointed by the governor subject to state Senate confirmation. The state treasurer serves as the council's remaining voting member. In addition, the director of the Public Employees Retirement System serves as a non-voting OIC member.

OIC ensures moneys in the investment funds are invested and reinvested to achieve the investment objective of making the moneys as productive as possible. Furthermore, the investments of those funds are managed as a prudent investor would do under the prevailing circumstances and in light of the purposes, terms, distribution requirements, and laws governing each investment fund. This standard requires the exercise of reasonable care, skill, and caution and is applied to investments not in isolation, but in the context of each fund's portfolio as part of an overall investment strategy. The strategy should incorporate risk and return objectives reasonably suitable to the particular investment fund.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

When implementing investment decisions, OIC has a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so. In addition, OIC must act with prudence when selecting agents and delegating authority.

Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price, and generally values debt securities by using evaluated bid prices. For securities that do not have an active market, such as private placements or commingled investment vehicles, a market price is calculated by either the custodian's pricing agent or the investment manager. For example, a similar benchmark security may be used to derive the fair value. The benchmark will typically have a coupon rate and maturity date comparable to the debt security being valued, and its market risk will be similar, considering current market conditions. The fair value of real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services.

Investments in private equities are recorded at fair value, as of June 30, 2015, as determined by management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets) and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITS, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2014, as determined by management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years, and between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the opportunity and alternatives portfolios are recorded at fair value as of June 30, 2015 by the respective general partner or account manager. Investments in the opportunity and alternatives portfolios representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation, and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets); (2) the income approach (e.g. the discounted cash flow method).

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

Due to the inherent uncertainty and the degree of judgment involved in determining private equity, opportunity, alternatives, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed and the difference could be material. In addition, these investments are generally considered to be illiquid long-term investments, and the recorded fair values may materially differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

OIC has approved the following asset classes for the PERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, PERF invests in the Opportunity Portfolio which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. OIC must approve, in advance, the purchase of investments in a new asset class not described above.

As of June 30, 2015, PERS did not hold investments in any one organization that represent 5 percent or more of PERS' fiduciary net position.

I. Changes in Assumptions

A summary of key changes implemented since the December 31, 2014 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at:

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

Changes in Actuarial Methods and Allocation Procedures

There were no changes to actuarial methods and procedures since the December 31, 2014 valuation.

Changes in Economic Assumptions

There were no changes to economic assumptions since the December 31, 2014 valuation.

Changes in Demographic Assumptions

There were no changes to economic assumptions since the December 31, 2014 valuation.

Changes in Benefit Terms and Assumptions

Benefit Terms: The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

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

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

Mortality Rates

A summary of the current assumed mortality rates and recommended changes is shown below:

Assumption	December 31, 2013 Valuation	Recommended December 31, 2014 and 2015 Valuations
Healthy Annuitant Mortality	RP2000 Generational with Scale AA, Combined Active/Healthy Annuitant, Sex Distinct	RP2000 Generational with Scale BB, Combined Active/Healthy Annuitant, Sex Distinct
School District male	No collar, set back 24 months	No change to collar adjustment or set back
Other General Service male (and male beneficiary)	Blended 25% blue collar/75% white collar, set back 12 months	No change to collar adjustment or set back
Police & Fire male	Blended 25% blue collar/75% white collar, set back 12 months	No change to collar adjustment or set back
School District female	White collar, set back 24 months	No collar, set back 24 months
Other female (and female beneficiary)	White collar, no setback	Blended 25% blue collar/75% white collar, no setback
Disabled Retiree Mortality	RP 2000 Static, Disabled, No Collar, Sex distinct	RP 2000 Generational with Scale BB, Disabled, No Collar, Sex distinct
Male	65% of Disabled table, but not less than corresponding healthy annuitant rates	70% of Disabled table, but not less than corresponding healthy annuitant rates
Female	90% of Disabled table, but not less than corresponding healthy annuitant rates	95% of Disabled table, but not less than corresponding healthy annuitant rates
Non-Annuitant Mortality	Fixed Percentage of Healthy Annuitant Mortality	No change
School District male	70%	60%
Other General Service male	85%	75%
Police & Fire male	95%	75%
School District female	60%	55%
Other female	55%	60%

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ending June 30, 2015, employers will report the following deferred items:

- A difference between expected and actual experience, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- Changes in employer proportion since the prior measurement date, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- A Net difference between projected and actual earnings which is being amortized over a closed five year period. One year's amortization is being recognized in the employer's total pension expense for the measurement period.

I. Employer Contributions

PERS includes accrued contributions when due pursuant to legal requirements, as of June 30 in its Statement of Changes in Fiduciary Net Position. These are normally included in the employer statements cut off as of the fifth of the following month. PERS does not try to accrue contributions based on payday.

Beginning with fiscal year 2016, PERS will be able to report cash contributions and UAL side account amortization by employer, and will publish this information on the PERS Website. Prior to fiscal year 2016, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

J. Elements of Changes in Net Position

This information can be found in the Schedule of Changes in Net Pension Liability found on page 69, of the June 30, 2016 PERS CAFR.

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

At June 30, 2017, the employer reported a liability of \$972,419 for its proportionate share of the net pension liability. The net pension liability/(asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

5. PENSION PLAN (Cont.):

At June 30, 2016, the employer's proportion was 0.00647747 percent.

For the year ended June 30, 2017, the employer recognized pension expense of \$136,618. At June 30, 2017, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,172	\$ -
Changes of assumptions	207,394	-
Net difference between projected and actual earnings on investments	192,109	-
Changes in proportionate share	-	141,492
Differences between employer contributions and employer's proportionate share of system contributions	<u>13,641</u>	<u>24,892</u>
Total Deferred Outflows/Inflows	\$ 445,316	\$ 166,384
Post-measurement date contributions	123,456	N/A
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 568,772</u>	<u>\$ 166,384</u>
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		<u>\$ 278,932</u>

\$278,932 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

<u>Employer subsequent fiscal years</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)</u>
1st Fiscal Year	\$ 40,061
2nd Fiscal Year	40,061
3rd Fiscal Year	111,040
4th Fiscal Year	80,509
5th Fiscal Year	7,261
Thereafter	-
Total	<u>\$ 278,932</u>

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

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

Plan Description

The City contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. The plan was closed to new entrants hired on or after August 29, 2003.

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

A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

Funding Policy

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.53% of annual covered PERS payroll and 0.45% for OPSRP payroll. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Contributions

The City's contributions to PERS' RHIA for the years ended June 30, 2017, 2016, and 2015 were \$3,324, \$3,282, and \$2,736 respectively, which equaled the required contributions for the year.

Retiree Healthcare Insurance Premiums

Plan Description

The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the City does not pay any portion of the retiree's healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized amount the premium cost of coverage for active employee. GASB Statement 45 is applicable to the City due only to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Cont.):

Funding Policy

Although the City does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The City will then pay healthcare insurance premiums for all retirees at the applicable rate for each family classification. Since the existing coverage is through a multiple-employee plan, given the City's small size in relation to the other employers, the City's rate is not affected by the age of its participants in the Plan. Therefore, there is no implicit benefit considered by management to be earned by current employees. As a result, the City does not report a liability for any potential accrued liability under GASB Statement 45.

7. CONTINGENT LIABILITIES:

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

The City of Harrisburg has elected the "reimbursement" basis for unemployment claims to the State of Oregon Department of Human Resources Employment Division. If a terminated employee collects unemployment compensation based upon earnings from the City, the City will be required to reimburse the State of Oregon for the amount of unemployment compensation paid. Amounts billed by the State of Oregon are charged to expenditures, but amounts for which the City is potentially liable as a result of claims not yet filed are unknown.

8. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of City-County Insurance Services (CIS), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CIS for insurance coverage.

Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or it may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy. There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

CITY OF HARRISBURG

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

9. COMMITMENT:

The City negotiated an agreement in 2007 with Morse Bros. Inc. (dba Knife River Corporation – Northwest) to purchase 100 acres of property in the amount of \$190,916. \$138,916 of payments made to conclude this transaction are recorded as deposits (an asset) for the City in the Parks SDC Fund. The balance remaining, \$52,000, originally due October 1, 2014, was modified in an addendum to the original agreement, signed on October 1, 2014. Based on the addendum, the final payment date necessary to fully conclude the purchase is now October 1, 2019.

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfers <u>Out</u>	Transfers <u>In</u>
General Fund	\$ 130,000	-
Library Fund	-	95,000
Office Equipment Fund	-	30,000
Equipment Reserve Fund	-	69,000
Sewer Fund	188,000	-
Sewer System Reserve Fund	-	150,000
Street Fund	18,000	30,000
Water Fund	138,000	-
Water System Reserve Fund	-	100,000
Total	<u>\$ 474,000</u>	<u>\$ 474,000</u>

These transfers occur on a routine basis and are used by the recipient funds for the normal operations of the funds.

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF HARRISBURG

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

GENERAL FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes and Assessments	\$ 528,528	\$ 528,528	\$ 582,944	\$ 54,416
Intergovernmental	89,100	89,100	124,087	34,987
Franchise Fees	297,500	297,500	334,350	36,850
Licenses and Permits	55,500	55,500	57,234	1,734
Fines and Forfeitures	23,000	23,000	20,005	(2,995)
Investment Revenue	1,800	1,800	7,012	5,212
Other Revenue	33,700	33,700	43,232	9,532
Total Revenues	1,029,128	1,029,128	1,168,864	139,736
EXPENDITURES:				
Personnel Services	401,632	401,632	374,896	(26,736)
Materials and Services	674,100	674,100	552,410	(121,690)
Capital Outlay	25,000	25,000	59,240	34,240
Contingency	339,796	339,796	-	(339,796)
Total Expenditures	1,440,528	1,440,528	986,546	(453,982)
Excess (Deficiency) of Revenues Over Expenditures	(411,400)	(411,400)	182,318	593,718
OTHER FINANCING SOURCES / (USES):				
Operating Transfer (Out)	(130,000)	(130,000)	(130,000)	-
Total Other Financing Sources (Uses)	(130,000)	(130,000)	(130,000)	-
Net Change in Fund Balance	(541,400)	(541,400)	52,318	593,718
Fund Balance - July 1, 2016	606,400	606,400	749,037	142,637
Fund Balance - June 30, 2017	\$ 65,000	\$ 65,000	\$ 801,355	\$ 736,355

CITY OF HARRISBURG

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

STREET FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
<u>REVENUES:</u>				
Taxes and Assessments	\$ 1,840	\$ 1,840	\$ 1,985	\$ 145
Intergovernmental	251,170	251,170	217,291	(33,879)
Investment Revenue	750	750	4,255	3,505
Miscellaneous Revenue	200	200	22,985	22,785
Total Revenues	253,960	253,960	246,516	(7,444)
<u>EXPENDITURES:</u>				
Personnel Services	110,355	110,355	102,135	(8,220)
Materials and Services	84,400	84,400	59,195	(25,205)
Capital Outlay	350,300	350,300	78,829	(271,471)
Contingency	71,405	71,405	-	(71,405)
Total Expenditures	616,460	616,460	240,159	(376,301)
Excess (Deficiency) of Revenues Over Expenditures	(362,500)	(362,500)	6,357	368,857
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer In	30,000	30,000	30,000	-
Operating Transfer Out	(18,000)	(18,000)	(18,000)	-
Total Other Financing Sources (Uses)	12,000	12,000	12,000	-
Net Change In Fund Balance	(350,500)	(350,500)	18,357	368,857
Fund Balance - July 1, 2016	350,500	350,500	376,198	25,698
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 394,555	\$ 394,555

CITY OF HARRISBURG

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

HARRISBURG REDEVELOPMENT AGENCY FUND - A COMPONENT UNIT

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Taxes and Assessments	\$ 230,500	\$ 230,500	\$ 270,859	\$ 40,359
Investment Revenue	500	500	5,261	4,761
Other Revenue	-	-	2	2
Total Revenues	231,000	231,000	276,122	45,122
EXPENDITURES:				
Materials and supplies	17,000	17,000	10,570	(6,430)
Capital Outlay	655,000	655,000	603,770	(51,230)
Total Expenditures	672,000	672,000	614,340	(57,660)
Excess (Deficiency) of Revenues Over Expenditures	(441,000)	(441,000)	(338,218)	102,782
Fund Balance - July 1, 2016	441,000	441,000	431,914	(9,086)
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 93,696	\$ 93,696

CITY OF HARRISBURG

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	0.00647747%	0.00896029%	0.00955061%
Employer's proportionate share of the net pension liability (asset)	\$ 972,419	\$ 514,452	\$ (216,485)
Employer's covered - employee payroll	\$ 805,323	\$ 800,417	\$ 833,570
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	120.75%	64.27%	-25.97%
Plan fiduciary net position as a percentage of the total pension liability	80.5%	91.9%	103.6%

*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

CITY OF HARRISBURG
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 123,456	\$ 122,704	\$ 102,279	\$ 143,030	\$ 119,316	\$ 114,457	\$ 84,943	\$ 91,372	\$105,827	\$ 94,465
Contributions in relation to the contractually required contribution	<u>123,456</u>	<u>122,704</u>	<u>102,279</u>	<u>143,030</u>	<u>119,316</u>	<u>114,457</u>	<u>84,943</u>	<u>91,372</u>	<u>105,827</u>	<u>94,465</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Employer's covered - employee payroll	\$ 805,323	\$ 800,417	\$ 833,570	\$ 1,165,689	\$ 984,455	\$ 944,365	\$791,640	\$851,556	\$986,272	\$ 880,382
Contributions as a percentage of covered - employee payroll	15.33%	15.33%	12.27%	12.27%	12.12%	12.12%	10.73%	10.73%	10.73%	10.73%

OTHER
SUPPLEMENTARY
INFORMATION

Proprietary Funds

Water Funds

CITY OF HARRISBURG

COMBINING STATEMENT OF NET POSITION

WATER FUNDS

June 30, 2017

	<u>Water Fund</u>	<u>Water Reserve Fund</u>	<u>Total Water Utility</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 379,519	\$ 157,129	\$ 536,648
Accounts Receivable	55,923	-	55,923
Inventory	39,475	-	39,475
Total Current Assets	474,917	157,129	632,046
Capital Assets:			
Land and Construction In Progress	290,506	-	290,506
Capital Assets, Net of Depreciation	2,345,685	-	2,345,685
Total Capital Assets	2,636,191	-	2,636,191
Total Assets	\$ 3,111,108	\$ 157,129	\$ 3,268,237
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	147,993	-	147,993
Total Deferred Outflow of Resources	\$ 147,993	\$ -	\$ 147,993
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 9,780	\$ 7,442	\$ 17,222
Compensated Absences Payable	8,901	-	8,901
Customer Deposits	17,969	-	17,969
Total Current Liabilities	36,650	7,442	44,092
Long-Term Liabilities:			
Net Pension Liability	253,021	-	253,021
Total Long-Term Liabilities	253,021	-	253,021
Total Liabilities	\$ 289,671	\$ 7,442	\$ 297,113
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	43,293	-	43,293
Total Deferred Inflow of Resources	\$ 43,293	\$ -	\$ 43,293
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 2,636,191	\$ -	\$ 2,636,191
Restricted for:			
Capital Projects	-	149,687	149,687
Unrestricted	289,946	-	289,946
Total Net Position	\$ 2,926,137	\$ 149,687	\$ 3,075,824

CITY OF HARRISBURG

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

WATER FUNDS

For the Fiscal Year Ended June 30, 2017

	<u>Water Fund</u>	<u>Water Reserve Fund</u>	<u>Total Water Utility</u>
<u>OPERATING REVENUES:</u>			
Charges for Services:			
Water Charges	\$ 574,954	\$ -	\$ 574,954
Other Revenue	48,002	-	48,002
Total Operating Revenues	622,956	-	622,956
<u>OPERATING EXPENSES:</u>			
Personnel Services	316,457	-	316,457
Materials and Supplies	201,596	-	201,596
Depreciation	121,509	-	121,509
Total Operating Expenses	639,562	-	639,562
Operating Income (Loss)	(16,606)	-	(16,606)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest Income	4,460	2,100	6,560
Gain on Sale of Water Tower Land	88,000	-	88,000
Total Non-Operating Revenues (Expenses)	92,460	2,100	94,560
Income Before Other Revenues, Expenses, and Transfers	75,854	2,100	77,954
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>			
Transfers In	-	100,000	100,000
Transfers (Out)	(138,000)	-	(138,000)
Capital Asset Transfers In	166,724	-	166,724
Capital Asset Transfers (Out)	-	(166,724)	(166,724)
Total Capital Contributions and Transfers	28,724	(66,724)	(38,000)
Change in Net Position	104,578	(64,624)	39,954
Net Position, July 1, 2016	2,821,559	214,311	3,035,870
Net Position, June 30, 2017	\$ 2,926,137	\$ 149,687	\$ 3,075,824

CITY OF HARRISBURG

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

WATER FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
<u>REVENUES:</u>				
Charges for Services	\$ 578,000	\$ 578,000	\$ 574,954	\$ (3,046)
Investment Revenue	1,300	1,300	4,460	3,160
Other Revenue	8,850	8,850	136,002	127,152
Total Revenues	588,150	588,150	715,416	127,266
<u>EXPENDITURES:</u>				
Personnel Services	341,027	341,027	327,539	(13,488)
Materials and supplies	259,350	259,350	183,661	(75,689)
Capital Outlay	49,500	49,500	43,983	(5,517)
Contingency	175,273	175,273	-	(175,273)
Total Expenditures	825,150	825,150	555,183	(269,967)
Excess (Deficiency) of Revenues Over Expenditures	(237,000)	(237,000)	160,233	397,233
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer (Out)	(138,000)	(138,000)	(138,000)	-
Total Other Financing Sources (Uses)	(138,000)	(138,000)	(138,000)	-
Net Change In Fund Balance	(375,000)	(375,000)	22,233	397,233
Fund Balance - July 1, 2016	375,000	375,000	424,935	49,935
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 447,168	\$ 447,168

Reconciliation to generally accepted accounting principles basis

Net Change in Fund Balance - from above	22,233
Change in Compensated Absences	(36)
Change in Pension Expense	11,118
Capital outlay that is capitalized	26,048
Equity Transfer of Capital Assets	166,724
Depreciation Expense	(121,509)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 104,578</u>

CITY OF HARRISBURG

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

WATER RESERVE FUND

For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note 1)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
<u>REVENUES:</u>				
Investment Revenue	\$ 500	\$ 500	\$ 2,100	\$ 1,600
Total Revenues	500	500	2,100	1,600
<u>EXPENDITURES:</u>				
Capital Outlay	263,600	263,600	166,724	(96,876)
Total Expenditures	263,600	263,600	166,724	(96,876)
Excess (Deficiency) of Revenues Over Expenditures	(263,100)	(263,100)	(164,624)	98,476
<u>Other Financing Sources / (Uses)</u>				
Operating Transfer In	100,000	100,000	100,000	-
Total Other Financing Sources (Uses)	100,000	100,000	100,000	-
Net Change In Fund Balance	(163,100)	(163,100)	(64,624)	98,476
Fund Balance - July 1, 2016	163,100	163,100	214,311	51,211
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 149,687	\$ 149,687

OTHER
SUPPLEMENTARY
INFORMATION

Proprietary Funds

Sewer Funds

CITY OF HARRISBURG

COMBINING STATEMENT OF NET POSITION

SEWER FUNDS

June 30, 2017

	Sewer Fund	Sewer Reserve Fund	Total Sewer Utility
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 450,516	\$ 460,035	\$ 910,551
Accounts Receivable	75,501	-	75,501
Inventory	5,931	-	5,931
Total Current Assets	531,948	460,035	991,983
Non-Current Assets:			
Restricted Cash	-	125,155	125,155
Total Non-Current Assets	-	125,155	125,155
Capital Assets:			
Land and Construction In Progress	504,817	-	504,817
Depreciable Assets, Net of Depreciation	4,215,403	-	4,215,403
Total Capital Assets	4,720,220	-	4,720,220
Total Assets	\$ 5,252,168	\$ 585,190	\$ 5,837,358
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	147,989	-	147,989
Total Deferred Outflow of Resources	\$ 147,989	\$ -	\$ 147,989
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 6,857	\$ 10,983	\$ 17,840
Compensated Absences Payable	8,901	-	8,901
Accrued Interest Payable	65,324	-	65,324
Customer Deposits	17,619	-	17,619
Current Portion of Long-Term Liabilities:			
Bond Payable	38,767	-	38,767
Total Current Liabilities	137,468	10,983	148,451
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Bond Payable	2,055,497	-	2,055,497
Net Pension Liability	253,014	-	253,014
Total Long-Term Liabilities	2,308,511	-	2,308,511
Total Liabilities	\$ 2,445,979	\$ 10,983	\$ 2,456,962
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	43,291	-	43,291
Total Deferred Inflow of Resources	\$ 43,291	\$ -	\$ 43,291
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 2,625,956	\$ -	\$ 2,625,956
Restricted for:			
Debt Service	-	125,155	125,155
Capital Projects	-	449,052	449,052
Unrestricted	284,931	-	284,931
Total Net Position	\$ 2,910,887	\$ 574,207	\$ 3,485,094

CITY OF HARRISBURG

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

SEWER FUNDS

For the Fiscal Year Ended June 30, 2017

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total Sewer Utility</u>
<u>OPERATING REVENUES:</u>			
Charges for Services:			
Sewer Charges	\$ 792,571	\$ -	\$ 792,571
Other Revenue	6,922	-	6,922
Total Operating Revenues	799,493	-	799,493
<u>OPERATING EXPENSES:</u>			
Personnel Services	315,174	-	315,174
Materials and Supplies	246,080	-	246,080
Depreciation	235,405	-	235,405
Total Operating Expenses	796,659	-	796,659
Operating Income (Loss)	2,834	-	2,834
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest Income	6,870	5,527	12,397
Interest Expense	(86,522)	-	(86,522)
Total Non-Operating Revenues (Expenses)	(79,652)	5,527	(74,125)
Income Before Other Revenues, Expenses, and Transfers	(76,818)	5,527	(71,291)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>			
Transfers In	-	150,000	150,000
Transfers (Out)	(188,000)	-	(188,000)
Capital Asset Transfers In	54,368	-	54,368
Capital Asset Transfers (Out)	-	(54,368)	(54,368)
Total Capital Contributions and Transfers	(133,632)	95,632	(38,000)
Change In Net Position	(210,450)	101,159	(109,291)
Net Position, July 1, 2016	3,121,337	473,048	3,594,385
Net Position, June 30, 2017	\$ 2,910,887	\$ 574,207	\$ 3,485,094

CITY OF HARRISBURG

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

SEWER FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	(See Note 1)	
REVENUES:				
Charges for Services	\$ 725,450	\$ 725,450	\$ 792,571	\$ 67,121
Investment Revenue	2,300	2,300	6,870	4,570
Other Revenue	7,096	7,096	6,922	(174)
Total Revenues	734,846	734,846	806,363	71,517
EXPENDITURES:				
Personnel Services	341,027	341,027	326,261	(14,766)
Materials and supplies	231,400	231,400	197,884	(33,516)
Capital Outlay	90,750	90,750	50,448	(40,302)
Debt Service:				
Principal	37,232	37,232	37,231	(1)
Interest	87,925	87,925	87,924	(1)
Contingency	219,512	219,512	-	(219,512)
Total Expenditures	1,007,846	1,007,846	699,748	(308,098)
Excess (Deficiency) of Revenues Over Expenditures	(273,000)	(273,000)	106,615	379,615
OTHER FINANCING SOURCES / (USES):				
Operating Transfer (Out)	(188,000)	(188,000)	(188,000)	-
Total Other Financing Sources (Uses)	(188,000)	(188,000)	(188,000)	-
Net Change In Fund Balance	(461,000)	(461,000)	(81,385)	379,615
Fund Balance - July 1, 2016	461,000	461,000	588,857	127,857
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 507,472	\$ 507,472

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	(81,385)
Change in Compensated Absences	(36)
Change in Accrued Interest	1,402
Change in Pension Expense	11,123
Debt Principal Payments	37,231
Equity transfer of capital assets	54,368
Capital outlay that is capitalized	2,252
Depreciation Expense	(235,405)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ (210,450)</u>

CITY OF HARRISBURG

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

SEWER RESERVE FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Investment Revenue	\$ 1,200	\$ 1,200	\$ 5,527	\$ 4,327
Total Revenues	1,200	1,200	5,527	4,327
EXPENDITURES:				
Capital Outlay	601,045	601,045	54,368	(546,677)
Debt Service:				
Principal	125,155	125,155	-	(125,155)
Total Expenditures	726,200	726,200	54,368	(671,832)
Excess (Deficiency) of Revenues Over Expenditures	(725,000)	(725,000)	(48,841)	676,159
OTHER FINANCING SOURCES / (USES):				
Operating Transfer In	150,000	150,000	150,000	-
Total Other Financing Sources (Uses)	150,000	150,000	150,000	-
Net Change In Fund Balance	(575,000)	(575,000)	101,159	676,159
Fund Balance - July 1, 2016	575,000	575,000	473,048	(101,952)
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 574,207	\$ 574,207

OTHER
SUPPLEMENTARY
INFORMATION

Non-Major
Governmental Funds

CITY OF HARRISBURG
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
(By Fund Type)
June 30, 2017

	Combined Non-Major Special Revenue Funds	Combined Non-Major Debt Service Funds	Total
<u>ASSETS:</u>			
Cash & Investments	\$ 2,456,720	\$ 72,302	\$ 2,529,022
Accounts Receivable	7,508	-	7,508
Assessment Receivable	86,036	-	86,036
Property Tax Receivable	-	6,273	6,273
Deposits	138,916	-	138,916
Total Assets	2,689,180	78,575	2,767,755
<u>LIABILITIES:</u>			
Accounts Payable	4,238	-	4,238
Total Liabilities	4,238	-	4,238
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Property Tax Revenue	-	5,880	5,880
Uncollected Assessments	86,036	-	86,036
Total Deferred Inflows of Resources	86,036	5,880	91,916
<u>FUND BALANCES:</u>			
Restricted for:			
Debt Service	-	72,695	72,695
Capital Projects	1,695,333	-	1,695,333
Committed for:			
Parks and Recreation Programs	28,257	-	28,257
Community Development Projects	36,846	-	36,846
Equipment Acquisition	652,237	-	652,237
Public Works	186,233	-	186,233
Total Fund Balances	2,598,906	72,695	2,671,601
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 2,689,180	\$ 78,575	\$ 2,767,755

CITY OF HARRISBURG

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

NON-MAJOR GOVERNMENTAL FUNDS

(By Fund Type)

For the Fiscal Year Ended June 30, 2017

	Combined Non-Major Special Revenue Funds	Combined Non-Major Debt Service Funds	Total
<u>REVENUES:</u>			
Taxes and Assessments	\$ 64,582	\$ 65,312	\$ 129,894
Intergovernmental	2,348	-	2,348
Charges for Services	60,891	-	60,891
Investment Revenue	25,161	640	25,801
Other Revenue	20,688	-	20,688
Total Revenues	173,670	65,952	239,622
<u>EXPENDITURES:</u>			
General Government	51,915	-	51,915
Highways and Streets	13,411	-	13,411
Culture and Recreation	87,859	-	87,859
Debt Service:			
Principal	-	20,725	20,725
Interest	-	45,372	45,372
Capital Outlay	28,450	-	28,450
Total Expenditures	181,635	66,097	247,732
Excess (Deficiency) of Revenues Over Expenditures	(7,965)	(145)	(8,110)
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	194,000	-	194,000
Total Other Financing Sources (Uses)	194,000	-	194,000
Net Change in Fund Balances	186,035	(145)	185,890
Fund Balances - July 1, 2016	2,412,871	72,840	2,485,711
Fund Balances - June 30, 2017	\$ 2,598,906	\$ 72,695	\$ 2,671,601

OTHER
SUPPLEMENTARY
INFORMATION

Non – Major
Special Revenue Funds

CITY OF HARRISBURG
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS

June 30, 2017

	Community & Economic Development Fund	Office Equipment Fund	Equipment Reserve Fund	Library Fund	Bike Path Reserve Fund	Storm Drain Reserve Fund	Trans- portation SDC Fund	Parks SDC Fund	Storm SDC Fund	Water SDC Fund	Sewer SDC Fund	Total
ASSETS:												
Cash & Investments	\$ 461,061	\$ 849	\$ 193,479	\$ 36,922	\$ 28,257	\$179,735	\$662,299	\$ 98,137	\$ 66,129	\$182,557	\$547,295	\$2,456,720
Accounts Receivable	795	-	-	-	-	6,713	-	-	-	-	-	7,508
Assessment Receivable	-	-	-	-	-	-	-	-	-	-	86,036	86,036
Deposits	-	-	-	-	-	-	-	138,916	-	-	-	138,916
Total Assets	\$ 461,856	\$ 849	\$ 193,479	\$ 36,922	\$ 28,257	\$186,448	\$662,299	\$237,053	\$ 66,129	\$182,557	\$633,331	\$2,689,180
LIABILITIES:												
Accounts Payable	1,700	330	1,917	76	-	215	-	-	-	-	-	4,238
Total Liabilities	1,700	330	1,917	76	-	215	-	-	-	-	-	4,238
DEFERRED INFLOW OF RESOURCES:												
Uncollected Assessments	-	-	-	-	-	-	-	-	-	-	86,036	86,036
Total Deferred Inflow of Resources	-	-	-	-	-	-	-	-	-	-	86,036	86,036
FUND BALANCES:												
Restricted for:												
Capital Projects	-	-	-	-	-	-	662,299	237,053	66,129	182,557	547,295	1,695,333
Committed for:												
Parks and Recreation Programs	-	-	-	-	28,257	-	-	-	-	-	-	28,257
Community Development Projects	-	-	-	36,846	-	-	-	-	-	-	-	36,846
Equipment Acquisition	460,156	519	191,562	-	-	-	-	-	-	-	-	652,237
Public Works	-	-	-	-	-	186,233	-	-	-	-	-	186,233
Total Fund Balances	460,156	519	191,562	36,846	28,257	186,233	662,299	237,053	66,129	182,557	547,295	2,598,906
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 461,856	\$ 849	\$ 193,479	\$ 36,922	\$ 28,257	\$186,448	\$662,299	\$237,053	\$ 66,129	\$182,557	\$633,331	\$2,689,180

CITY OF HARRISBURG
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2017

	& Economic Developme nt Fund	Office Equipment Fund	Equipment Reserve Fund	Library Fund	Bike Path Reserve Fund	Storm Drain Reserve Fund	Trans- portation SDC Fund	Parks SDC Fund	Storm SDC Fund	Water SDC Fund	Sewer SDC Fund	Total
REVENUES:												
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,582
Intergovernmental	-	-	-	-	2,348	-	-	-	-	-	-	2,348
Charges for Services	-	-	-	-	-	-	18,454	5,400	5,707	16,970	14,360	60,891
Investment Revenue	4,542	1	1,659	322	272	1,643	6,560	2,341	651	1,761	5,409	25,161
Other Revenue	18,511	-	-	2,177	-	-	-	-	-	-	-	20,688
Total Revenues	23,053	1	1,659	2,499	2,620	66,225	25,014	7,741	6,358	18,731	19,769	173,670
EXPENDITURES:												
General Government	8,134	43,781	-	-	-	-	-	-	-	-	-	51,915
Highways and Street	-	-	-	-	-	13,411	-	-	-	-	-	13,411
Culture and Recreation	-	-	-	87,859	-	-	-	-	-	-	-	87,859
Capital Outlay	-	12,388	8,195	-	-	7,867	-	-	-	-	-	28,450
Total Expenditures	8,134	56,169	8,195	87,859	-	21,278	-	-	-	-	-	181,635
Excess (Deficiency) of Revenues Over Expenditures	14,919	(56,168)	(6,536)	(85,360)	2,620	44,947	25,014	7,741	6,358	18,731	19,769	(7,965)
OTHER FINANCING SOURCES (USES):												
Operating Transfers In	-	30,000	69,000	95,000	-	-	-	-	-	-	-	194,000
Total Other Financing Sources (Uses)	-	30,000	69,000	95,000	-	-	-	-	-	-	-	194,000
Net Change in Fund Balances	14,919	(26,168)	62,464	9,640	2,620	44,947	25,014	7,741	6,358	18,731	19,769	186,035
Fund Balances - July 1, 2016	445,237	26,687	129,098	27,206	25,637	141,286	637,285	229,312	59,771	163,826	527,526	2,412,871
Fund Balances - June 30, 2017	\$ 460,156	\$ 519	\$ 191,562	\$ 36,846	\$ 28,257	\$ 186,233	\$ 662,299	\$ 237,053	\$ 66,129	\$ 182,557	\$ 547,295	\$ 2,598,906

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual COMMUNITY & ECONOMIC DEVELOPMENT FUND For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Investment Revenue	\$ 1,400	\$ 1,400	\$ 4,542	\$ 3,142
Other Revenue	16,000	16,000	18,511	2,511
Total Revenues	17,400	17,400	23,053	5,653
EXPENDITURES:				
Materials and Services	53,213	53,213	8,134	(45,079)
Capital Outlay	400,187	400,187	-	(400,187)
Total Expenditures	453,400	453,400	8,134	(445,266)
Excess (Deficiency) of Revenues Over Expenditures	(436,000)	(436,000)	14,919	450,919
Fund Balance - July 1, 2016	436,000	436,000	445,237	9,237
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 460,156	\$ 460,156

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual OFFICE EQUIPMENT RESERVE FUND For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Investment Revenue	\$ 40	\$ 40	\$ 1	\$ (39)
Total Revenues	40	40	1	(39)
EXPENDITURES:				
Materials and Services	45,340	45,340	43,781	(1,559)
Capital Outlay	15,200	15,200	12,388	(2,812)
Total Expenditures	60,540	60,540	56,169	(4,371)
Excess (Deficiency) of Revenues Over Expenditures	(60,500)	(60,500)	(56,168)	4,332
OTHER FINANCING SOURCES / (USES):				
Operating Transfer In	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	30,000	30,000	30,000	-
Net Change In Fund Balance	(30,500)	(30,500)	(26,168)	4,332
Fund Balance - July 1, 2016	30,500	30,500	26,687	(3,813)
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 519	\$ 519

CITY OF HARRISBURG

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

EQUIPMENT RESERVE FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Investment Revenue	\$ 500	\$ 500	\$ 1,659	\$ 1,159
Total Revenues	500	500	1,659	1,159
EXPENDITURES:				
Capital Outlay	197,300	197,300	8,195	(189,105)
Total Expenditures	197,300	197,300	8,195	(189,105)
Excess (Deficiency) of Revenues Over Expenditures	(196,800)	(196,800)	(6,536)	190,264
OTHER FINANCING SOURCES / (USES):				
Operating Transfer In	69,000	69,000	69,000	-
Total Other Financing Sources (Uses)	69,000	69,000	69,000	-
Net Change In Fund Balance	(127,800)	(127,800)	62,464	190,264
Fund Balance - July 1, 2016	127,800	127,800	129,098	1,298
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 191,562	\$ 191,562

CITY OF HARRISBURG

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

LIBRARY FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Investment Revenue	\$ 85	\$ 85	\$ 322	\$ 237
Miscellaneous Revenue	2,150	2,150	2,177	27
Total Revenues	2,235	2,235	2,499	264
EXPENDITURES:				
Personnel Services	81,148	81,148	76,388	(4,760)
Materials and Services	13,850	13,850	11,471	(2,379)
Capital Outlay	6,900	6,900	-	(6,900)
Contingency	17,637	17,637	-	(17,637)
Total Expenditures	119,535	119,535	87,859	(31,676)
Excess (Deficiency) of Revenues Over Expenditures	(117,300)	(117,300)	(85,360)	31,940
OTHER FINANCING SOURCES / (USES):				
Operating Transfer In	95,000	95,000	95,000	-
Total Other Financing Sources (Uses)	95,000	95,000	95,000	-
Net Change In Fund Balance	(22,300)	(22,300)	9,640	31,940
Fund Balance - July 1, 2016	22,300	22,300	27,206	4,906
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 36,846	\$ 36,846

CITY OF HARRISBURG

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

BIKE PATH RESERVE FUND

For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
<u>REVENUES:</u>				
Intergovernmental	\$ 2,000	\$ 2,000	\$ 2,348	\$ 348
Investment Revenue	70	70	272	202
Total Revenues	2,070	2,070	2,620	550
<u>EXPENDITURES:</u>				
Capital Outlay	27,470	27,470	-	(27,470)
Total Expenditures	27,470	27,470	-	(27,470)
Excess (Deficiency) of Revenues Over Expenditures	(25,400)	(25,400)	2,620	28,020
Fund Balance - July 1, 2016	25,400	25,400	25,637	237
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 28,257	\$ 28,257

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual STORM DRAIN RESERVE FUND For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note 1)</u>	<u>(Under)</u>
<u>REVENUES:</u>				
Taxes and Assessments	\$ 64,000	\$ 64,000	\$ 64,582	\$ 582
Investment Revenue	500	500	1,643	1,143
Total Revenues	64,500	64,500	66,225	1,725
<u>EXPENDITURES:</u>				
Materials and Services	14,500	14,500	13,411	(1,089)
Capital Outlay	187,000	187,000	7,867	(179,133)
Total Expenditures	201,500	201,500	21,278	(180,222)
Excess (Deficiency) of Revenues Over Expenditures	(137,000)	(137,000)	44,947	181,947
Fund Balance - July 1, 2016	137,000	137,000	141,286	4,286
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 186,233	\$ 186,233

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual TRANSPORTATION SYSTEM DEVELOPMENT RESERVE FUND For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note 1)</u>	<u>(Under)</u>
<u>REVENUES:</u>				
System Development Charges	\$ 9,135	\$ 9,135	\$ 18,454	\$ 9,319
Investment Revenue	1,500	1,500	6,560	5,060
Total Revenues	10,635	10,635	25,014	14,379
<u>EXPENDITURES:</u>				
Capital Outlay	593,635	593,635	-	(593,635)
Total Expenditures	593,635	593,635	-	(593,635)
Excess (Deficiency) of Revenues Over Expenditures	(583,000)	(583,000)	25,014	608,014
Fund Balance - July 1, 2016	583,000	583,000	637,285	54,285
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 662,299	\$ 662,299

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual PARKS SYSTEM DEVELOPMENT RESERVE FUND For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note 1)</u>	<u>(Under)</u>
<u>REVENUES:</u>				
System Development Charges	\$ 5,400	\$ 5,400	\$ 5,400	\$ -
Investment Revenue	650	650	2,341	1,691
Total Revenues	6,050	6,050	7,741	1,691
<u>EXPENDITURES:</u>				
Capital Outlay	94,134	94,134	-	(94,134)
Total Expenditures	94,134	94,134	-	(94,134)
Excess (Deficiency) of Revenues Over Expenditures	(88,084)	(88,084)	7,741	95,825
Fund Balance - July 1, 2016	227,000	227,000	229,312	2,312
Fund Balance - June 30, 2017	\$ 138,916	\$ 138,916	\$ 237,053	\$ 98,137

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual STORM SYSTEM DEVELOPMENT RESERVE FUND For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis) (See Note 1)</u>	<u>Over (Under)</u>
<u>REVENUES:</u>				
System Development Charges	\$ 1,350	\$ 1,350	\$ 5,707	\$ 4,357
Investment Revenue	175	175	651	476
Total Revenues	1,525	1,525	6,358	4,833
<u>EXPENDITURES:</u>				
Capital Outlay	52,568	52,568	-	(52,568)
Total Expenditures	52,568	52,568	-	(52,568)
Excess (Deficiency) of Revenues Over Expenditures	(51,043)	(51,043)	6,358	57,401
Fund Balance - July 1, 2016	51,043	51,043	59,771	8,728
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 66,129	\$ 66,129

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual WATER SYSTEM DEVELOPMENT RESERVE FUND

For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note 1)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
System Development Charges	\$ 12,666	\$ 12,666	\$ 16,970	\$ 4,304
Investment Revenue	500	500	1,761	1,261
Total Revenues	13,166	13,166	18,731	5,565
<u>EXPENDITURES:</u>				
Capital Outlay	163,973	163,973	-	(163,973)
Total Expenditures	163,973	163,973	-	(163,973)
Excess (Deficiency) of Revenues Over Expenditures	(150,807)	(150,807)	18,731	169,538
Fund Balance - July 1, 2016	150,807	150,807	163,826	13,019
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 182,557	\$ 182,557

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual SEWER SYSTEM DEVELOPMENT RESERVE FUND For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
System Development Charges	\$ 10,770	\$ 10,770	\$ 14,360	\$ 3,590
Investment Revenue	1,500	1,500	5,409	3,909
Total Revenues	12,270	12,270	19,769	7,499
EXPENDITURES:				
Capital Outlay	527,270	527,270	-	(527,270)
Total Expenditures	527,270	527,270	-	(527,270)
Excess (Deficiency) of Revenues Over Expenditures	(515,000)	(515,000)	19,769	534,769
Fund Balance - July 1, 2016	515,000	515,000	527,526	12,526
Fund Balance - June 30, 2017	\$ -	\$ -	\$ 547,295	\$ 547,295

OTHER
SUPPLEMENTARY
INFORMATION

Debt Service Funds

CITY OF HARRISBURG

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

DEBT SERVICE FUND (A Non-Major Fund)

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Taxes and Assessments	\$ 63,432	\$ 63,432	\$ 65,312	\$ 1,880
Investment Revenue	300	300	640	340
Total Revenues	63,732	63,732	65,952	2,220
EXPENDITURES:				
Debt Service				
Principal	20,725	20,725	20,725	-
Interest	45,373	45,373	45,372	(1)
Total Expenditures	66,098	66,098	66,097	(1)
Excess (Deficiency) of Revenues Over Expenditures	(2,366)	(2,366)	(145)	2,221
Fund Balance - July 1, 2016	68,463	68,463	72,840	4,377
Fund Balance - June 30, 2017	\$ 66,097	\$ 66,097	\$ 72,695	\$ 6,598

OTHER
SUPPLEMENTARY
INFORMATION

Additional
Supporting Schedules

CITY OF HARRISBURG

SCHEDULE OF PROPERTY TAXES

For the Fiscal Year Ended June 30, 2017

	General Fund Permanent Rate Tax, Subject to Measure 5	Bonds	Total
Assessed Valuation, 2016-17 Tax Roll	\$ 186,823,043	\$ 186,823,043	\$ 186,823,043
General Fund Permanent Rate Levy, Per \$1,000	0.0031875	-	-
General Obligation Bond Levy Rate, Per \$1,000	-	0.0003522	-
Amount Levy Rates Will Raise	595,498	65,799	661,298
Gain From UR Division of Tax Rate Truncation	6	7	13
Loss Due to District's Compression	(13)	-	(13)
Net Tax Levy Imposed	<u>\$ 595,491</u>	<u>\$ 65,806</u>	<u>\$ 661,298</u>

	Uncollected Balance July 1, 2016	Collector's Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2017
2016-17	\$ 661,298	\$ (14,189)	\$ 625,217	\$ 21,892
2015-16	23,312	1,217	\$ 10,944	\$ 13,584
2014-15	13,445	829	\$ 4,609	\$ 9,665
2013-14	9,656	1,256	\$ 4,337	\$ 6,576
2012-13	5,719	440	\$ 1,845	\$ 4,314
2011-12	3,943	148	\$ 327	\$ 3,764
2010-11 & Prior	6,094	63	\$ 128	\$ 6,029
Total Cash Collections	<u>\$ 723,467</u>	<u>\$ (10,236)</u>	<u>\$ 647,407</u>	<u>\$ 65,823</u>
Less Accrued Revenue - June 30, 2016			(3,164)	
Add Accrued Revenue - June 30, 2017			4,012	
Total Property Tax Revenue			<u>\$ 648,255</u>	

	Current	Prior	Total	Property Taxes Receivable
Current Year Collections:				
General Fund	\$ 562,061	\$ 20,883	\$ 582,944	\$ 59,550
Debt Service Fund	63,060	2,252	65,312	6,273
TOTALS	<u>\$ 625,121</u>	<u>\$ 23,135</u>	<u>\$ 648,256</u>	<u>\$ 65,823</u>

CITY OF HARRISBURG

**SCHEDULE OF PROPERTY TAXES
HARRISBURG REDEVELOPMENT AGENCY**

(A Component Unit of the City of Harrisburg)

SCHEDULE OF PROPERTY TAXES

For the Fiscal Year Ended June 30, 2017

	Uncollected Balance July 1, 2016	Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2017
2016-17	\$ 275,587	\$ (5,914)	\$ 260,550	\$ 9,123
2015-16	9,732	1,311	\$ 5,497	\$ 5,546
2014-15	1,222	4,374	\$ 1,807	\$ 3,789
2013-14	924	3,552	\$ 1,779	\$ 2,697
2012-13	591	1,766	\$ 706	\$ 1,651
2011-12	250	1,207	\$ 116	\$ 1,340
2010-11 & Prior	300	(141)	\$ 3	\$ 156
Total Property Taxes	\$ 288,607	\$ 6,156	\$ 270,460	\$ 24,303
Less Accrued Revenue - June 30, 2016			(1,391)	
Add Accrued Revenue - June 30, 2017			1,790	
Total Property Tax Revenue			\$ 270,859	
Current Year Collections:	Current	Prior	Total	Property Taxes Receivable
Harrisburg Redevelopment Agency Fund	\$ 260,193	\$ 10,666	\$ 270,859	\$ 24,303
TOTALS	\$ 260,193	\$ 10,666	\$ 270,859	\$ 24,303

CITY OF HARRISBURG

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2017

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
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GOVERNMENTAL ACTIVITIES:

General Obligation Bonds held by USDA Rural Development for Water System Improvements. Original balance \$1,174,000. Interest rate 4.75%. Dated November 1, 2000.

Principal	\$ 955,205	\$ -	\$ 20,725	\$ 934,480	\$ 21,709
Interest	-	45,372	45,372	-	44,388
Totals	\$ 955,205	\$ 45,372	\$ 66,097	\$ 934,480	\$ 66,097

TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:

Principal	\$ 955,205	\$ -	\$ 20,725	\$ 934,480	\$ 21,709
Interest	-	45,372	45,372	-	44,388
Totals	\$ 955,205	\$ 45,372	\$ 66,097	\$ 934,480	\$ 66,097

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds held by USDA Rural Development for Sewer System Improvements. Original balance \$2,431,600. Interest rate 4.125%. Dated September 27, 2005

Principal	\$ 2,131,495	\$ -	\$ 37,231	\$ 2,094,264	\$ 38,767
Interest	-	87,924	87,924	-	86,388
Totals	\$ 2,131,495	\$ 87,924	\$ 125,155	\$ 2,094,264	\$ 125,155

TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:

Principal	\$ 2,131,495	\$ -	\$ 37,231	\$ 2,094,264	\$ 38,767
Interest	-	87,924	87,924	-	86,388
Totals	\$ 2,131,495	\$ 87,924	\$ 125,155	\$ 2,094,264	\$ 125,155

TOTAL DEBT AGREEMENTS:

Principal	\$ 3,086,700	\$ -	\$ 57,956	\$ 3,028,744	\$ 60,476
Interest	-	133,296	133,296	-	130,776
Totals	\$ 3,086,700	\$ 133,296	\$ 191,252	\$ 3,028,744	\$ 191,252

CITY OF HARRISBURG

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

For the Fiscal Year Ended June 30, 2017

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year-end Balance
<u>GOVERNMENTAL ACTIVITIES:</u>						
General Obligation Bonds USDA	2018	-	66,097	21,709	44,388	912,771
Original balance \$1,174,000	2019	-	66,097	22,740	43,357	890,031
Interest rate 4.75%	2020	-	66,097	23,820	42,277	866,211
Dated November 1, 2000	2021	-	66,097	24,952	41,145	841,259
	2022	-	66,097	26,137	39,960	815,122
	2023	-	66,097	27,378	38,719	787,744
	2024	-	66,097	28,679	37,418	759,065
	2025	-	66,097	30,041	36,056	729,024
	2026	-	66,097	31,468	34,629	697,556
	2027	-	66,097	32,963	33,134	664,593
	2028	-	66,097	34,528	31,569	630,065
	2029	-	66,097	36,168	29,929	593,897
	2030	-	66,097	37,886	28,211	556,011
	2031	-	66,097	39,686	26,411	516,325
	2032	-	66,097	41,571	24,526	474,754
	2033	-	66,097	43,546	22,551	431,208
	2034	-	66,097	45,614	20,483	385,594
	2035	-	66,097	47,781	18,316	337,813
	2036	-	66,097	50,051	16,046	287,762
	2037	-	66,097	52,428	13,669	235,334
	2038	-	66,097	54,918	11,179	180,416
	2039	-	66,097	57,527	8,570	122,889
	2040	-	66,097	60,259	5,838	62,630
	2041	-	65,605	62,630	2,975	-
Totals			\$1,585,836	\$ 934,480	\$ 651,356	

Continued

CITY OF HARRISBURG

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT (Continued)

For the Fiscal Year Ended June 30, 2017

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year-end Balance
<u>BUSINESS-TYPE ACTIVITIES:</u>						
Revenue Bonds, USDA	2018	125,155	125,155	38,767	86,388	2,055,497
Original balance \$2,431,600	2019	125,155	125,155	40,366	84,789	2,015,131
Interest rate 4.125%	2020	125,155	125,155	42,031	83,124	1,973,100
Dated September 27, 2005	2021	125,155	125,155	43,764	81,391	1,929,336
	2022	125,155	125,155	45,570	79,585	1,883,766
	2023	125,155	125,155	47,450	77,705	1,836,316
	2024	125,155	125,155	49,407	75,748	1,786,909
	2025	125,155	125,155	51,445	73,710	1,735,464
	2026	125,155	125,155	53,567	71,588	1,681,897
	2027	125,155	125,155	55,777	69,378	1,626,120
	2028	125,155	125,155	58,077	67,078	1,568,043
	2029	125,155	125,155	60,473	64,682	1,507,570
	2030	125,155	125,155	62,968	62,187	1,444,602
	2031	125,155	125,155	65,565	59,590	1,379,037
	2032	125,155	125,155	68,270	56,885	1,310,767
	2033	125,155	125,155	71,086	54,069	1,239,681
	2034	125,155	125,155	74,018	51,137	1,165,663
	2035	125,155	125,155	77,071	48,084	1,088,592
	2036	125,155	125,155	80,250	44,905	1,008,342
	2037	125,155	125,155	83,561	41,594	924,781
	2038	125,155	125,155	87,008	38,147	837,773
	2039	125,155	125,155	90,597	34,558	747,176
	2040	125,155	125,155	94,334	30,821	652,842
	2041	125,155	125,155	98,225	26,930	554,617
	2042	125,155	125,155	102,277	22,878	452,340
	2043	125,155	125,155	106,496	18,659	345,844
	2044	125,155	125,155	110,889	14,266	234,955
	2045	125,155	125,155	115,463	9,692	119,492
	2046	125,155	165,426	119,492	45,934	-
Totals			\$3,669,766	\$2,094,264	\$1,575,502	

ACCOMPANYING
INFORMATION

CITY OF HARRISBURG
INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS
As of June 30, 2017

To the Governing Body of the City of Harrisburg
Harrisburg, Oregon

I have audited the basic financial statements of the City of Harrisburg as of and for the year ended June 30, 2017, and have issued my report thereon dated October 31, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

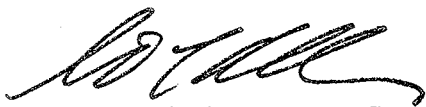
- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways and roads (ORS Chapters 294, 368 & 373).**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

OAR 162-10-0230 Internal Control

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

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



Steve Tuchscherer, CPA, PC
Roseburg, Oregon
October 31, 2017