

City of Prineville, Oregon
Comprehensive Annual Financial Report
Year Ended June 30, 2017



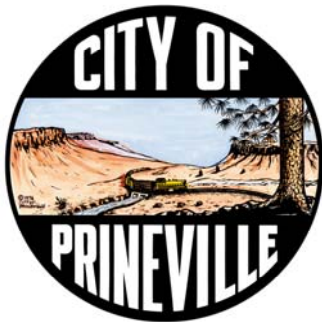


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**City of Prineville, Oregon
Comprehensive Annual Financial Report
Year Ended June 30, 2017**

Prepared by:
Finance Department
City of Prineville, Oregon

Available online at
<https://www.cityofprineville.com>



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Table of Contents

| | |
|--|-----------|
| I. Introductory Section | 1 |
| Letter of Transmittal | 3 |
| Elected and Appointed Officials | 7 |
| Organization Chart | 8 |
| Certificate of Achievement | 9 |
| | |
| II. Financial Section | 11 |
| Independent Auditor's Report | 13 |
| Management's Discussion and Analysis | 16 |
| Basic Financial Statements | 27 |
| Government-wide Financial Statements | |
| Statement of Net Position | 29 |
| Statement of Activities | 30 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 31 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 32 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 33 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities | 34 |
| Proprietary Funds | |
| Statement of Net Position | 37 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | 38 |
| Statement of Cash Flows | 39 |
| Notes to Financial Statements | 41 |
| Required Supplementary Information | |
| Schedule of Contributions and Proportionate Share of Net Pension Liability | 71 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual | |
| General Fund | 72 |
| Transportation Fund | 73 |
| Emergency Dispatch Fund | 74 |
| Other Supplementary Information | |
| Governmental Funds | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | |
| Community Development Fund | 78 |
| Transportation SDC Fund | 79 |
| LID Debt Service Fund | 80 |
| Pension Obligation Debt Service Fund | 81 |
| Enterprise Funds | |
| Combining Schedule of Net Position – Water Fund | 82 |
| Combining Schedule of Revenues, Expenses, and Changes in Net Position – Water Fund | 83 |
| Combining Schedule of Cash Flows – Water Fund | 84 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | |
| Water Fund | 85 |
| Water SDC Fund | 86 |
| Combining Schedule of Net Position – Wastewater Fund | 87 |
| Combining Schedule of Revenues, Expenses and Changes in Net Position – Wastewater Fund | 88 |
| Combining Schedule of Cash Flows – Wastewater Fund | 89 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | |
| Wastewater Fund | 90 |
| Wastewater SDC Fund | 91 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | |
| Railroad Fund | 92 |

| | |
|--|------------|
| Airport Fund | 93 |
| Golf Course Fund | 94 |
| Internal Service Funds | |
| Combining Balance Sheet – Internal Service Funds | 95 |
| Combining Schedule of Revenues, Expenditures and Changes in Net Position – Internal Service Funds | 96 |
| Combining Schedule of Cash Flows – Internal Service Funds | 97 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | |
| Administrative Services Fund | 98 |
| Combining Balance Sheet – City Hall Funds | 99 |
| Combining Schedule of Revenues, Expenditures and Changes in Net Position – City Hall Funds | 100 |
| Combining Schedule of Cash Flows – City Hall Funds | 101 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | |
| Building Facilities Fund | 102 |
| Plaza Maintenance Fund | 103 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | |
| Public Works Support Services Fund | 104 |
| Other Financial Schedules | |
| Schedule of Property Tax Transactions – General Fund | 105 |
| | |
| III. Statistical Section | 106 |
| Financial Trends | |
| Net Position by Component – Last 10 Fiscal Years | 108 |
| Changes in Net Position – Last 10 Fiscal Years | 109 |
| Fund Balances of Governmental Funds – Last 10 Fiscal Years | 110 |
| Changes in Fund Balances of Governmental Funds – Last 10 Fiscal Years | 111 |
| Program Revenue by Function/Program – Last 10 Fiscal Years | 112 |
| Revenue Capacity | |
| Governmental Activities Tax Revenue by Source – Last 10 Fiscal Years | 113 |
| Assessed Value and Actual Value of Taxable Property – Last 10 Fiscal Years | 114 |
| Property Tax Rates – Direct and Overlapping Governments – Last 10 Fiscal Years | 115 |
| Principal Property Taxpayers – Current and Nine Years Ago | 116 |
| Property Tax Levies and Collections – Last 10 Fiscal Years | 117 |
| Debt Capacity | |
| Ratio of Outstanding Debt by Type – Last 10 Fiscal Years | 118 |
| Direct and Overlapping Debt – As of June 30, 2016 | 119 |
| Legal Debt Margin Information – Last 10 Fiscal Years | 120 |
| Pledged Revenue Coverage – Last 10 Fiscal Years | 121 |
| Demographic and Economic Information | |
| Demographic and Economic Statistics – Last 10 Fiscal Years | 122 |
| Principal Employers – Current and Nine Years Ago | 123 |
| Operating Information | |
| Full-time Equivalent Employees by Function – Last 10 Fiscal Years | 124 |
| Operating Indicators by Function – Last 10 Fiscal Years | 125 |
| Capital Asset Statistics by Activity – Last 10 Fiscal Years | 126 |
| | |
| IV. Compliance Section | |
| Independent Auditors’ Comments as Required by State of Oregon Regulations | 129 |
| Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards | 132 |
| Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 134 |
| Schedule of Expenditures of Federal Awards | 136 |
| Schedule of Findings and Questioned Costs | 137 |



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Introductory Section

Letter of Transmittal
Elected and Appointed Officials
Organization Chart
Certificate of Achievement



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City of Prineville

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December 21, 2017

To the Honorable Mayor, City Councilors, Finance Committee Members and Citizens of Prineville, Oregon:

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Prineville, Oregon (the “City”) for the fiscal year ended June 30, 2017.

This report presents the financial position of the City as of June 30, 2017 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

The accuracy of the City’s financial statements and the completeness and fairness of their presentation is the responsibility of the City’s management. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

Pauly, Rogers, and Co. P.C., has issued an unmodified or “clean” opinion on the City’s financial statements for the fiscal year ended June 30, 2017. The independent auditor’s opinion is located at page 13 in the “Financial Section” of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City’s MD&A is located on page 16, immediately following the independent auditor’s report.

Prineville and Its Services

Prineville is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life, and its natural beauty. The City incorporated in 1880, and today serves a population of 9,245. It is close to the region’s business core and more urban amenities, with Bend approximately thirty miles to the southwest and the regional airport in Redmond approximately twenty miles west. The City provides a small-town atmosphere with its historic county courthouse building, other pioneer-era buildings and residential dwellings, and the contemporary architecture of newer homes. Prineville is the gateway to recreation in the Ochoco National Forest and Prineville Reservoir.

The City is a full-service municipality that operates under a council/manager form of government. The elected Prineville City Council consists of a mayor and six councilors who act as the board of directors. The Council sets policies for city government, enacts ordinances and hires, and directs and evaluates the city manager. In

turn, the city manager is the City's chief executive officer, responsible for overall management and administration.

Municipal services provided by the City include police, emergency dispatch, water and wastewater utilities, street operations, planning, engineering, railroad and freight depot facilities, golf course and restaurant, and airport management services.

The Crook County Fire & Rescue District provides fire and emergency services to the community, the Crook County Parks and Recreation District provides parks and recreation services, and Crook County provides library services. Prineville is the county seat of Crook County.

Local Economy

The City's economy is linked with that of the entire Central Oregon region. Recently, Facebook and Apple constructed major data centers in Prineville, which help to diversify the economy. Prineville serves as a hub-community for residents of Crook County, with significant commercial and industrial development. The largest employers in Prineville include Les Schwab Distribution Facility, Crook County School District, Brasada Ranch, Contact Industries, St. Charles Health Systems, Crook County, Facebook Data Center, Western Heavy Haul & SMAF, Ochoco National Forest, and Bureau of Land Management. Additionally, agriculture plays a significant cultural and economic role in Prineville.

Long-term Financial Planning

Long-term financial planning is performed on an ongoing basis. The City prepares 5-, 10- and 20- year financial plans for its general fund, golf course, utilities and railroad, and is preparing various long-term financial analysis of its transportation system to inform decision makers. The financial plans include reserves by fund that fall within the policy guidelines set by the City Council and reviewed by the City's Finance Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenses and generally range between 15 percent and 25 percent depending on the fund.

Along with the adoption of the fiscal year 2018 budget, certain utility rate fee increases were approved by the City Council with the support of the Citizens' Budget Committee and the Finance Committee. Effective in July 2017 rate increases of 3 percent for water and 3.7 percent for wastewater were approved. Similar annual incremental cost-of-living increases are anticipated in the future.

In regards to the City's long-term debt obligations, the City had a total of \$22.1 million in long-term debt obligations including \$16.9 million in full faith and credit obligations, which includes \$5.2 million in revenue bonds, and \$4 million in interim borrowing as of June 30, 2017.

City's Credit Ratings

In August of fiscal year 2015 Standard and Poor's rating services affirmed the City's "A+" long term rating, their rationale was cited as the City has "strong financial management, very strong budgetary flexibility, very strong liquidity, strong budgetary performance, adequate debt and contingent liabilities, and a strong institutional framework".

Major Initiatives

The City continues its incremental strategic planning process for the community and organization. The foundation has been established with the creation of a financial planning and decision making framework for its major operations: water, wastewater, and transportation systems, police and emergency dispatch, railroad and freight facilities, and golf and restaurant facilities. The Council and management are working toward clearly

defined goals and objectives. During the budget review process, goals and objectives are developed and prioritized by the City Council and staff. The process is a continuing cycle of setting goals and objectives, reviewing short- and long-term goals, evaluating results, and reassessing the goals and their priority.

In preparing the budget for fiscal year 2018, the City Council updated and adopted various goals that were incorporated into budgeted operations. The City Council also established guidelines to achieve goals in the following major areas: support for county jail, urban and growth management, utility infrastructure, finances, downtown enhancement, recreation and culture, and partnerships with other agencies. Additionally, the City's Finance Committee, consisting of Councilors Steve Uffelman, Gail Merritt and Jack Seley, continue their focus on long-range financial stability, sustainability and audit oversight, and improving all finance processes.

Awards

Comprehensive Annual Financial Reporting Award. The City received the *Certificate of Achievement for Excellence in Financial Reporting* (CAEFR) award from the Government Finance Officers Association (GFOA) for its fiscal year 2016 report. The CAEFR is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports. In order to receive this award, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Distinguished Budget Presentation Award. The City received the *Distinguished Budget Presentation Award* for its fiscal year 2016-17 budget document from the GFOA, making it the eleventh consecutive City budget document to receive this award. The award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. This international award program was first established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. Budget proficiency is rated in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was a combined effort of the dedicated Finance staff under the direction of Liz Schuette. We wish to express our appreciation to everyone who contributed to the preparation of this report. Lastly, we wish to recognize the mayor, councilors, and the Finance Committee for their full support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Steve Forrester
City Manager



Liz Schuette
Finance Director

City of Prineville Elected Officials

Mission Statement Adopted February 9, 2016

The City of Prineville provides quality municipal services and programs which contribute to our reputation as a desirable place to live, work and play.

We strive to improve our quality of life through transparency; open communication; investment in essential infrastructure; public safety; community programs; and business, while staying within the constraints of fiscally responsible government.



Mayor Betty Roppe



Councilor Jason Beebe



Councilor Gail Merritt



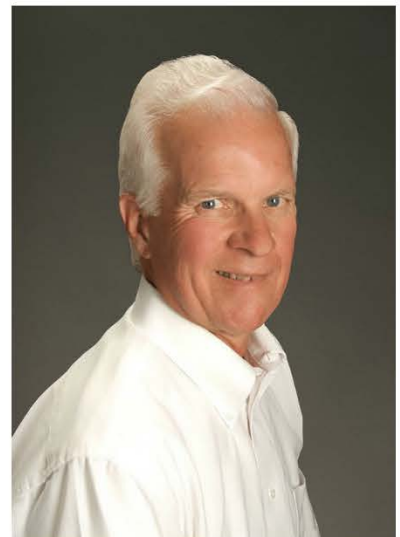
Councilor Jeff Papke



Councilor Teresa Rodriguez



Councilor Jack Seley



Councilor Steve Uffelman

| Elected Officials | Term Expires |
|-----------------------------|---------------------|
| Betty Roppe, Mayor | December 31, 2018 |
| Jason Beebe, Councilor | December 31, 2020 |
| Gail Merritt, Councilor | December 31, 2020 |
| Jeff Papke, Councilor | December 31, 2018 |
| Teresa Rodriguez, Councilor | December 31, 2020 |
| Jack Seley, Councilor | December 31, 2018 |
| Steve Uffelman, Councilor | December 31, 2018 |

| Appointed Officials | Position |
|----------------------------|-----------------|
| Steve Forrester | City Manager |
| Carl Dutli | City Attorney |

| Management Team | Position |
|------------------------|---|
| Dale Cummins | Police Chief |
| Kelly Coffelt | Airport Manager |
| James Wilson | IT Director |
| Phil Stenbeck | Planning Director |
| Eric Klann, P.E. | Public Works Director/City Engineer |
| Zach Lampert | Head Golf Professional/Facility Manager |
| Darla Rhoden | Human Resource Director |
| Liz Schuette | Finance Director |
| Matt Wiederholt | Railroad and Freight Depot Manager |

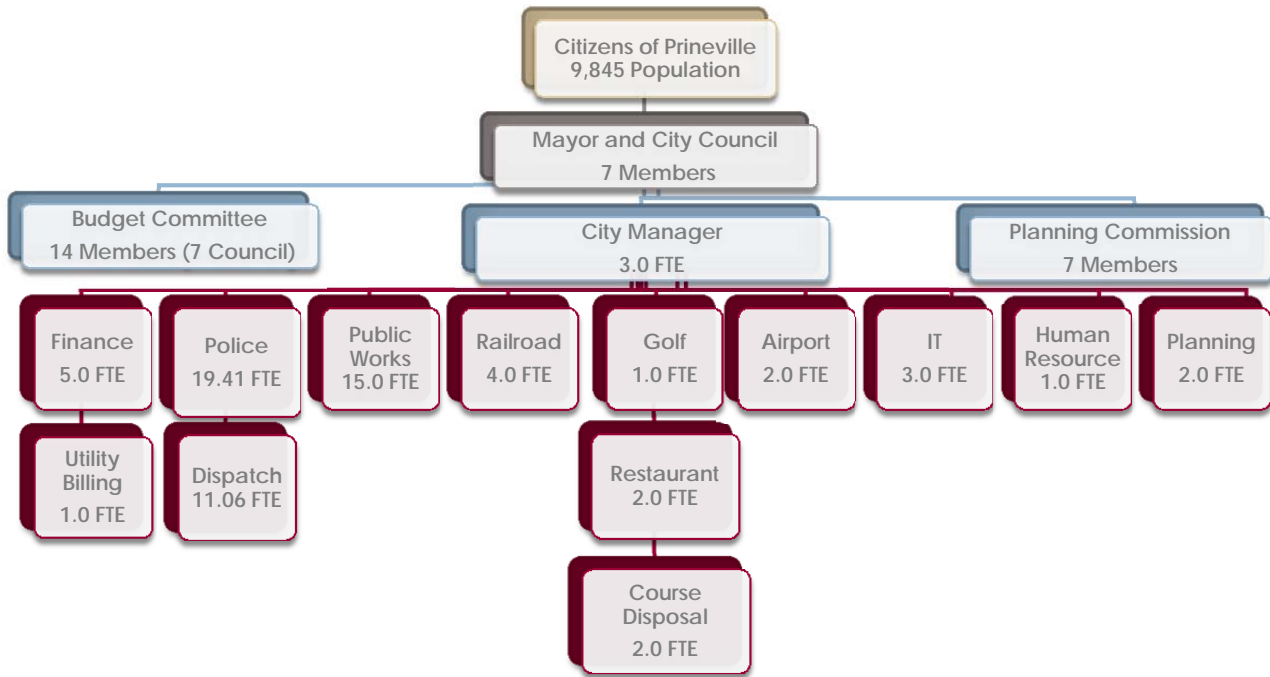
City Hall

387 NE Third St.
 Prineville, Oregon 97754
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<https://www.cityofprineville.com>

City of Prineville, Oregon Organization Chart

Year Ended June 30, 2017





Government Finance Officers Association

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

Presented to

**City of Prineville
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



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Financial Section

Independent Auditor's Report Management's Discussion and Analysis



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November 18, 2017

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prineville as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 77, Tax Abatements, for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, 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 records used to prepare the 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of council members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 18, 2017, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Kenneth Allen, CPA
Municipal Auditor

PAULY, ROGERS AND CO., P.C.

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

Management's Discussion and Analysis ("MD&A") is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Prineville (the "City") for the fiscal year ended June 30, 2017. Information in the MD&A is based on currently known facts, decisions and conditions. Please read the MD&A in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

- The City's assets and deferred outflows of resources totaled \$85.1 million at June 30, 2017, consisting of \$70 million in capital assets, \$8 million in cash and investments, \$409,000 in restricted cash and investments, and \$6.7 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$8.2 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$30.2 million at June 30, 2017 consisting of \$27.2 million in long-term liabilities and \$1.6 million in accounts payable and other liabilities, and \$1,351,640 in deferred inflows related to pensions.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$54.9 million at the close of fiscal year 2016-17. Unrestricted net position totaled \$3.2 million with the remainder of the City's net position invested in capital assets totaling \$50.4 million, capital projects \$47,491, streets and highways and debt service \$1.2 million.
- For its governmental activities, the City generated \$571,166 in charges for services and received \$1.9 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$127,172 for the year, resulting in a net direct expense of \$127,172. \$6 million of general revenues received and \$2.2 million of transfers out resulted in a change in net position of \$1,203,187.
- For its business-type activities, the City generated \$12.7 million in charges for services, operating and capital grants and contributions to fund direct expenses totaling \$800,000.
- Fund balance in the City's governmental funds was \$3.5 million at June 30, 2017, an increase of \$994,971 from June 30, 2016.
- The City's total long term debt decreased \$691,727 during the fiscal year ended June 30, 2017. The City issued a \$720,000 debt obligation for the acquisition of the Ironhorse property, and \$2,204,578 in interim financing for the Wetlands project during the fiscal year, while paying principal of \$2.2 million for previously issued debt
- Debt per capita increased from \$2,222 to \$2,247 (1%), with a City population of 9,845.

Overview of the Financial Statements

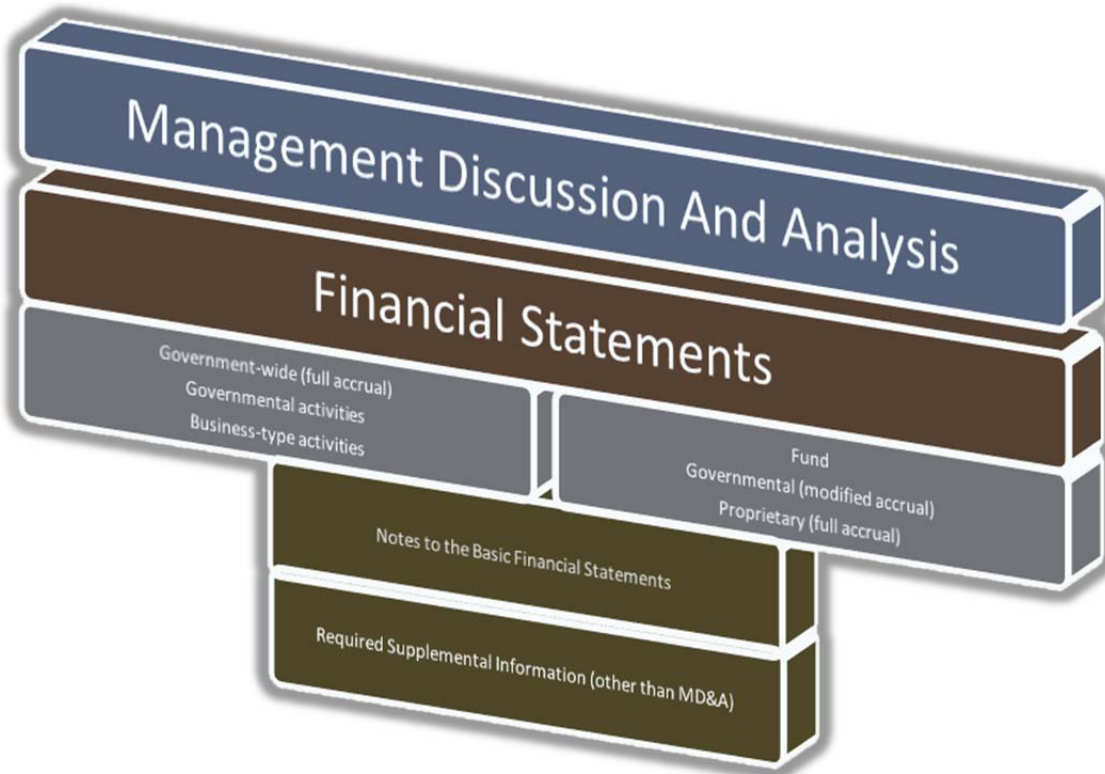
In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information, and other supplementary information*, including the *combining statements and schedules* of the nonmajor funds.

The basic financial statements also include *notes* that explain the information in the financial statements and provide additional details. The following chart illustrates how the various sections of this report are arranged to one another.

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

Required Elements of the Comprehensive Annual Financial Report



Government-wide financial statements

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

The *Statement of Net Position* presents information on all City assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the fiscal year ended June 30, 2017. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash, or other financial assets, flows. Thus, revenues and expenses are reported in this statement for some items, such as property taxes and accrued vacation that will result in cash flows in future fiscal periods.

Each of these government-wide financial statements, *Statement of Net Position* and *Statement of Activities*, distinguish functions of the City that are supported primarily by taxes and inter-governmental revenues (*government activities*) from other functions that are intended to recover all, or a significant portion of, their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and interest on long-term debt. The business-type activities include railroad, golf, airport, and public works, including water and wastewater.

The City's government-wide financial statements begin on page 29 and the government-wide financial policies are included in the notes to financial statements.

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Prineville, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each of the funds of the City is classified in one of three categories: government funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations from the *Government Funds Balance Sheet to the Government-wide Statement of Net Position* and from the *Government Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities* are included in this report.

The City reported activity in six individual governmental funds and three internal service funds performing governmental activities during the fiscal year ended June 30, 2017. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* for the general fund and the City's other major funds (emergency dispatch, transportation, transportation system development charges, local improvement district debt service, and pension obligation debt service). Data from all other governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major governmental funds, if applicable, is provided in the form of combining statements in the "Other Supplementary Data" section of this report and in the budget to actual comparison schedules.

The City adopts an annual budget for each of its funds. A budget to actual schedule has been provided for each fund to communicate budgetary compliance.

The "Basic Governmental Fund Financial Statements" can be found beginning on page 31 of this report.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its railroad and freight depot, water, wastewater, airport, and golf and restaurant operations. Internal service funds are used to report the administrative and facility operations of the City where charges for services are primarily recovered from other operations and functions of the City.

Proprietary funds financial statements provide similar, but more detailed, information as the government-wide financial statements. The proprietary fund financial statements provide information separately for the railroad and freight depot, water, wastewater, airport, and golf and restaurant operations.

The "Basic Proprietary Funds Financial Statements" can be found beginning on page 37.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 41.

The combining statements referred to above in connection with non-major governmental funds and business-type funds are presented in the "Additional Supplementary Information" section of this report.

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

Statement of Net Position

Net position, at a specific point in time, serves as a useful indicator of an entity's financial position. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$54.9 million at June 30, 2017.

The City's net position is heavily allocated to its investment in capital assets (land, infrastructure, buildings and equipment) less the related outstanding debt issued to acquire those capital assets and accumulated depreciation, \$50.4 million, 92 percent (91.9%) of total position. The City's net investment in capital assets in water and wastewater utilities represent approx. 53 percent (52.6%) of total capital assets.

- The net position of the governmental funds equaled \$13.3 million, an increase of \$1.2 million or 10 percent (9.9%) over the prior year-end balance.
- The net position in the water utility totaled \$11.1 million, an increase of \$757,537 or approximately 7 percent (7.3%) over the prior year-end balance.
- The net position in the wastewater utility totaled \$18.9 million, an increase of \$3.3 million or roughly 21 percent (20.9%) over the prior year-end balance.
- The net position in the railroad totaled \$8.5 million, a increase of \$85,978 over prior year, or 1 percent (1%) from the prior year-end balance.
- The net position in the golf course fund totaled \$1.2 million, an increase of \$53,430 or roughly 5 percent (4.6%) from the prior year-end balance.

Net Position at June 30, 2017 and 2016

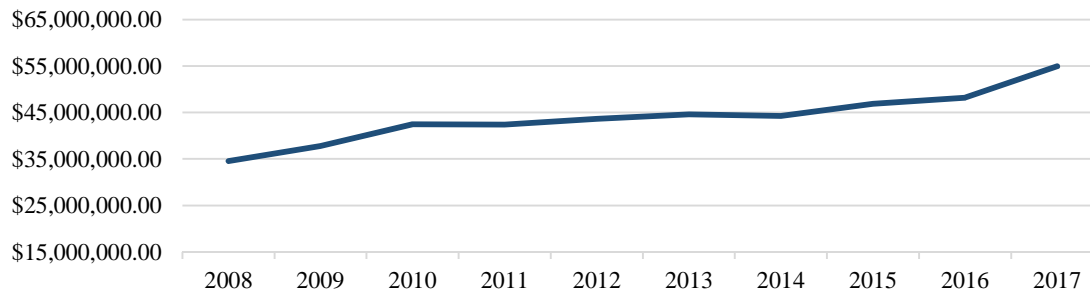
| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current assets | \$ 5,967,336 | \$ 5,583,707 | \$ 5,060,312 | \$ 6,371,886 | \$ 11,027,648 | \$ 11,955,593 |
| Non-current assets | 105,000 | 848,013 | 304,000 | 202,088 | 409,000 | 1,050,101 |
| Capital assets | 15,204,093 | 14,037,812 | 54,773,549 | 47,492,625 | 69,977,642 | 61,530,437 |
| Total assets | 21,276,429 | 20,469,532 | 60,137,861 | 54,066,599 | 81,414,290 | 74,536,131 |
| Deferred outflows | 3,647,384 | 2,349,243 | - | - | 3,647,384 | 2,349,243 |
| Total assests and deferred outflows | 24,923,813 | 22,818,775 | 60,137,861 | 54,066,599 | 85,061,674 | 76,885,374 |
| Current liabilities | 614,469 | 962,659 | 986,374 | 1,829,820 | 1,600,843 | 2,792,479 |
| Long-term debt - net of current portion | 9,646,703 | 8,922,192 | 17,561,318 | 16,194,799 | 27,208,021 | 25,116,991 |
| Total liabilities | 10,261,172 | 9,884,851 | 18,547,692 | 18,024,619 | 28,808,864 | 27,909,470 |
| Deferred inflows | 1,351,640 | 826,110 | - | - | 1,351,640 | 826,110 |
| Total liabilities and deferred inflows | 11,612,812 | 10,710,961 | 18,547,692 | 18,024,619 | 30,160,504 | 28,735,580 |
| Net investment in capital assets | 13,042,818 | 11,345,910 | 37,382,458 | 31,448,889 | 50,425,276 | 42,794,799 |
| Restricted | 893,567 | 868,940 | 351,491 | 374,107 | 1,245,058 | 1,243,047 |
| Unrestricted | (625,384) | (107,036) | 3,856,220 | 4,218,984 | 3,230,836 | 4,111,948 |
| Total net position | 13,311,001 | 12,107,814 | 41,590,169 | 36,041,980 | 54,901,170 | 48,149,794 |
| Total net position, liabilities and deferred inflows | \$ 24,923,813 | \$ 22,818,775 | \$ 60,137,861 | \$ 54,066,599 | \$ 85,061,674 | \$ 76,885,374 |

Overall, the City increased its net position by \$6.8 million during fiscal year 2017 while also continuing to make investments in capital infrastructure, reduce its other outstanding debt obligations, and control operational spending. The \$5.5 million increase in business-type activities is largely due to the Wetlands project.

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

Total Net Position



The City's net position includes approximately \$1.2 million (2.3%) that is restricted, debt service \$409,000, transportation operations \$788,567, and capital projects \$47,491. The remaining net position of \$3.23 million may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2017, the City reports positive balances in all three categories of net position for the government as a whole. For its governmental activities, the City has a negative balance in the unrestricted category of net position.

Statement of Activities

As with the *Statement of Net Position*, the City reports governmental activities on a consolidated basis. A summary of the *Statement of Activities* follows:

| | Governmental Activities | | Business-type Activities | | Total | | Change |
|--|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Revenue | | | | | | | |
| Property taxes | \$ 1,966,681 | \$ 1,842,104 | \$ - | \$ - | \$ 1,966,681 | \$ 1,842,104 | \$ 124,577 |
| Transient room taxes | 329,514 | 315,677 | - | - | 329,514 | 315,677 | 13,837 |
| Franchise fees | 2,756,972 | 2,085,847 | - | - | 2,756,972 | 2,085,847 | 671,125 |
| Intergovernmental | 1,950,468 | 1,646,108 | 796,804 | 542,362 | 2,747,272 | 2,188,470 | 558,802 |
| Charges for services | 571,166 | 732,494 | 12,673,958 | 9,110,390 | 13,245,124 | 9,842,884 | 3,402,240 |
| Interest | 25,758 | 12,324 | 29,878 | 18,290 | 55,636 | 30,614 | 25,022 |
| Capital contributions | - | - | - | - | - | - | - |
| Miscellaneous | 908,805 | 811,036 | 118,482 | (88,126) | 1,027,287 | 722,910 | 304,377 |
| Total revenue | 8,509,364 | 7,445,590 | 13,619,122 | 9,582,916 | 22,128,486 | 17,028,506 | 5,099,980 |
| Expenses | | | | | | | |
| General government | 2,142,141 | 1,111,185 | - | - | 2,142,141 | 1,111,185 | 1,030,956 |
| Public safety | 6,412,132 | 7,639,414 | - | - | 6,412,132 | 7,639,414 | (1,227,282) |
| Streets and highways | 790,414 | 1,273,699 | - | - | 790,414 | 1,273,699 | (483,285) |
| Interest | 127,172 | 132,677 | - | - | 127,172 | 132,677 | (5,505) |
| Railroad | - | - | 990,133 | 906,269 | 990,133 | 906,269 | 83,864 |
| Water | - | - | 1,052,820 | 957,293 | 1,052,820 | 957,293 | 95,527 |
| Wastewater | - | - | 1,859,666 | 1,695,870 | 1,859,666 | 1,695,870 | 163,796 |
| Golf and restaurant | - | - | 1,285,732 | 1,361,170 | 1,285,732 | 1,361,170 | (75,438) |
| Other non-major | - | - | 716,900 | 699,764 | 716,900 | 699,764 | 17,136 |
| | 9,471,859 | 10,156,975 | 5,905,251 | 5,620,366 | 15,377,110 | 15,777,341 | (400,231) |
| Increase (decrease) in net position before transfers | (962,495) | (2,711,385) | 7,713,871 | 3,962,550 | 6,751,376 | 1,251,165 | 5,500,211 |
| Transfers in (out) | 2,165,682 | 2,117,427 | (2,165,682) | (2,117,427) | - | - | - |
| Increase (decrease) in net position | 1,203,187 | (593,958) | 5,548,189 | 1,845,123 | 6,751,376 | 1,251,165 | 5,500,211 |
| Net position, July 1, Restated | 12,107,814 | 12,701,772 | 36,041,980 | 34,196,857 | 48,149,794 | 46,898,629 | 1,251,165 |
| Net position, June 30 | \$ 13,311,001 | \$ 12,107,814 | \$ 41,590,169 | \$ 36,041,980 | \$ 54,901,170 | \$ 48,149,794 | \$ 6,751,376 |

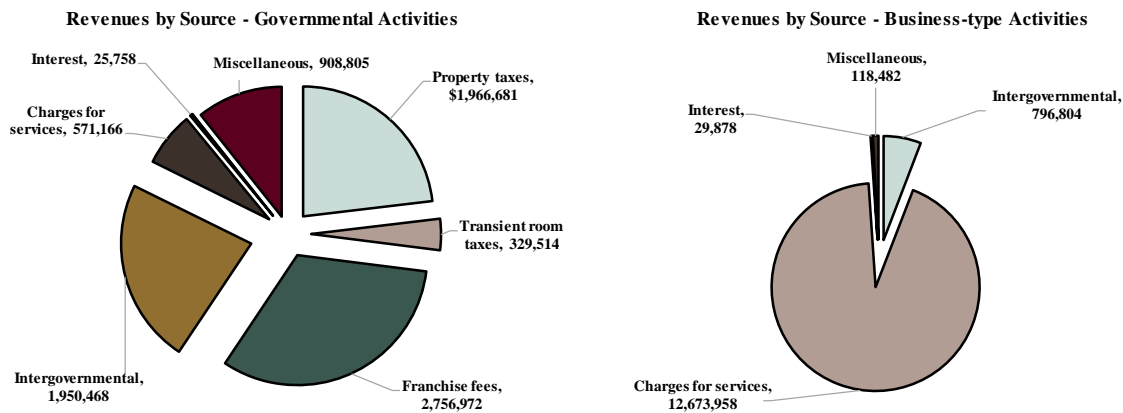
City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

Governmental activities increased Prineville's net position by \$1.2 million during fiscal year ended June 30, 2017 as compared to a decrease of approximately a \$600,000 in the prior year. Revenue increased by \$1.06 million and expenses, excluding transfers, decreased by \$685,000. Key elements of these changes as illustrated in the summary of activities table on the prior page are primarily the results of an increase of electrical franchise fees from data center activities, an increase of E-911 dollars from the state, and a rate credit from PERS.

The revenues charted in the pie chart below in the sources for governmental activities include all program and general revenues for governmental activities such as property and transient room taxes, franchise fees, charges for services, intergovernmental revenue, and miscellaneous revenues.

Business-type activities increased the City of Prineville's net position by \$6.1 million. Wastewater fund revenues represent approximately 46 percent of total revenue with 18 percent of that total coming from intergovernmental revenue, and 28 percent coming from charges for service. The water fund revenue represents approx. 21 percent of business activities with intergovernmental, charges of service, and other. Capital contributions totaled approx. \$797 thousand with the majority going to update the City's water master plan, and the wetlands project. Other business type activities include the airport, railroad, and golf course, these activities represent approx. 33 percent of revenues during the year, generally these revenues fall into the charges for service, and intergovernmental revenue areas.



Financial Analysis of Prineville's Funds

The City of Prineville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Prineville's governmental funds is to provide information on near-term inflows, outflows and balances of available resources. Such information is useful in assessing Prineville's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year.

As of June 30, 2017, \$3.5 million is the reported combined ending fund balance for the City of Prineville's governmental funds, an increase of approximately \$1 million from June 30, 2016. The increase is primarily the result of an increase in electrical franchise fees from the data centers and a rate credit received from PERS as a result of the refunding of the City's UAL. Net increases in fund balance are as follows:

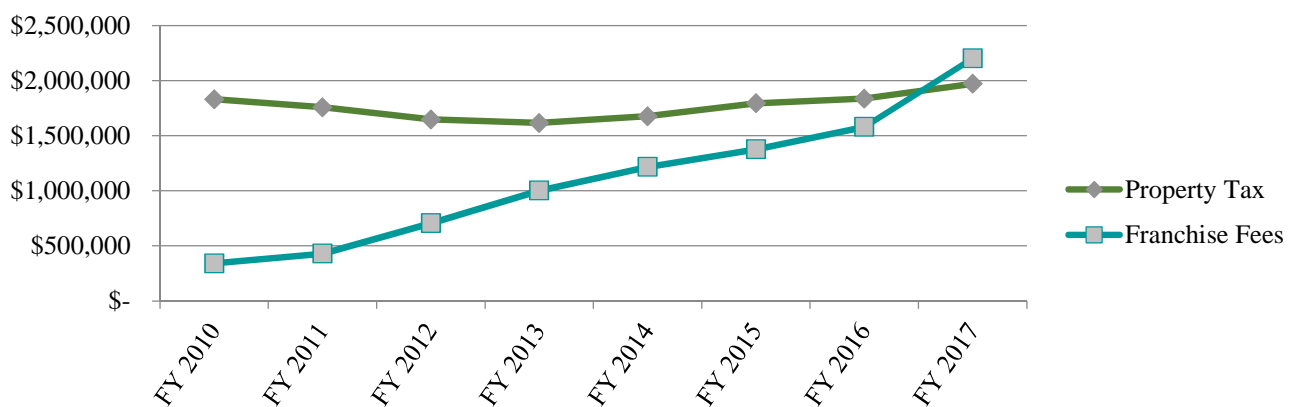
| | | |
|------------------------------------|-----------|------|
| General Fund/Community Development | \$663,148 | 64% |
| Emergency Dispatch | \$ 32,353 | 10% |
| Transportation fund | \$ 2,571 | 1% |
| Transportation SDC fund | \$ 22,056 | 4% |
| Pension debt service fund | \$304,023 | 120% |

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

General Fund Budgetary Highlights. The general fund is the chief operating fund of the City. As of June 30, 2017, total fund balance was \$1,705,020, an increase of \$663,148, (64%) from prior year. Within the general fund ending balance \$1.6 million is considered unassigned. General fund actual current year resources were more than budgeted by \$565,386. Positive variances in property taxes of \$43,049, transient room tax of \$29,514, and franchise fees of \$560,972. The additional franchise fee revenue was unanticipated at budget not knowing how slowly or quickly the data centers would complete and populate their projects. Beginning fund balance was \$91,992 more than budgeted also due to data center activity. A budget adjustment was made to accommodate the increased personnel at the police department for staffing during the eclipse event, the purchase of two new vehicles, and an additional expense in non-departmental totaling \$155,000. Total actual expenditures were \$2,828 over the original budget, as anticipated debt service did not materialize, and budgeted needs in non-departmental did not take place.

Below shows general fund property tax collection and electrical franchise fee trends from 2010 through 2017.



Emergency Dispatch. The dispatch fund revenue received for the year came in over budget due to a reimbursement from the State E-911 dollars for phone system upgrades. This project was unanticipated during the budget process and a budget adjustment to capital outlay for \$185,000 was necessary. Other expenditures were \$136,500 under budget with the majority of this in personal services due to staff turnovers.

Transportation and Transportation SDC Funds. In the transportation fund, revenues exceeded budget approx. \$144,000. This was largely due to an unanticipated grant from ODOT for sidewalks, and additional dollars from revenue sharing and Oregon gas tax. A budget adjustment was needed in both personnel and materials and services to cover overtime and operational needs due to the fierce winter snow events, and capital outlay for the sidewalk expenditures. In the transportation SDC fund a budget adjustment in capital outlay of \$50,000 was necessary to cover additional project costs for engineering not anticipated.

Pension Debt Service Fund. Miscellaneous revenue in the pension fund totaling approx. \$250,000 was the result of a rate credit from PERS due to the timing of the pension obligation bond and the payment of the cities unfunded liability. These dollars will be budgeted to the cities side account in the future to help offset future unfunded liabilities. Expenditures were as budgeted.

Proprietary funds. The focus of the City's proprietary funds is to provide information on the financial performance, i.e., ability for each fund to recover full costs of the services provided. Such information is useful in assessing Prineville's ability to continue to provide those services on a sustainable basis.

As of June 30, 2017, the City realized an increase in net position of \$5.5 million for the combined performance of all proprietary funds. Charges for service and other operating income from combined funds increased \$4.03

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

million over fiscal year 2016. The biggest factor to the increase in net position was due to the wetland's project in the wastewater fund, and the fuel project in the airport fund.

Railroad and Freight Depot Fund. Revenue collection for the railroad operation came in under budget approx. \$19,000 for the year. Expenditures budgeted compared to actual were also under budget, a budget adjustment was done to accomplish needed capital improvements unanticipated during the budget process, this changing priorities and focus of maintenance issues to improvements lowering actual dollars spent in materials and services. Net change in fund balance was an increase of \$198,000.

Golf and Restaurant Fund. Golf realized a drop in play and restaurant activity due to weather and smoke reducing anticipated revenue for the year, however, expenditures were also managed to reflect income. Net ending change in fund balance was approx. -\$29,000.

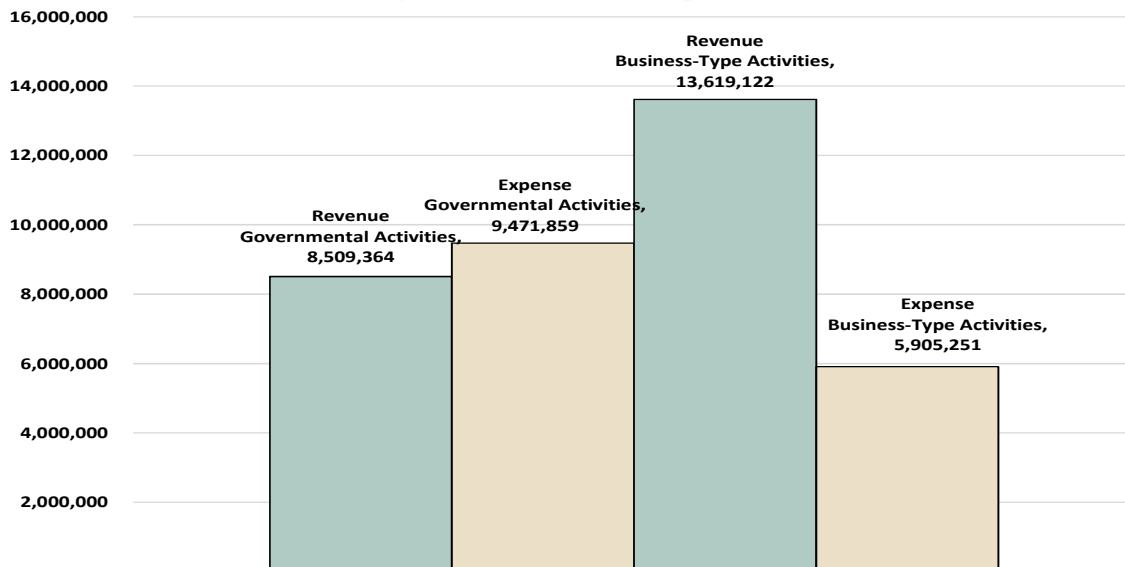
Airport Fund. The airport activity remained relatively flat from prior year, severe winter weather and smoke related issues affected business. The budgeted capital project for a new fuel system totaled approx. \$1.4 million in both revenues and expenditures. Net change in fund balance was a positive \$4,225.

Water Fund. Revenues budget to actual came in over projection approx. \$150,000. This due to an increase in residential and commercial building, use of water at the data centers, and the additional water use during the hot and dry summer. Expenditures were on track for this fund. Net change in fund balance was a decrease of approx. \$400,000. This largely due to the purchase of water rights and other capital projects not anticipated when the budget was adopted.

Wastewater Fund. Revenue budget to actual was approx. \$160,000 over budget. This due to continued growth in the community and data centers. Operating expenditures tracked with budget, capital outlay required a budget adjustment for the wetlands project as it was moving along faster than anticipated. Budgeted debt service for the refinancing of interim debt related to the wetlands project was not utilized in FY 2017, the project will close in FY 2018 and the interim debt will be paid off with a loan from USDA. Net change in fund balance was a positive \$190,000.

The City continues to actively pursue additional business for the airport, railroad and freight depot operations. It has also adjusted its utility rates incrementally to recover total costs of operations and provide adequate funding for debt service and capital replacement and expansion.

Program Revenues and Expenses



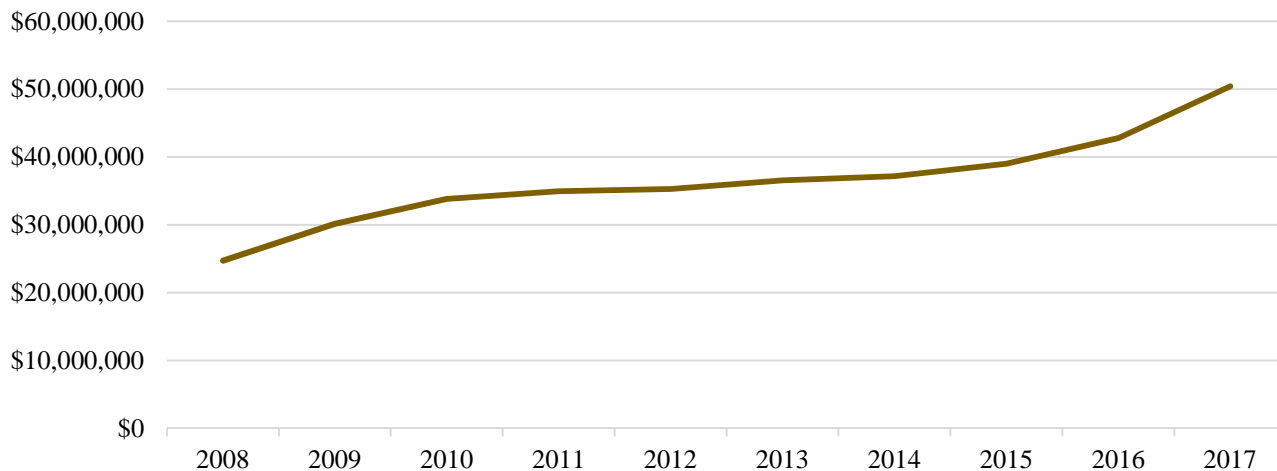
City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

Capital Asset and Debt Administration

Capital Assets. The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2017 is \$50.4 million. The investment in capital assets includes land, buildings, equipment and infrastructure such as roads, water and wastewater systems. The net increase in net capital assets for the year ended June 30, 2016 was \$7.6 million (17.8 percent).

Net Investment in Capital Assets



Additional information on capital assets is included in "Note 4" to the financial statements of this report on page 53.

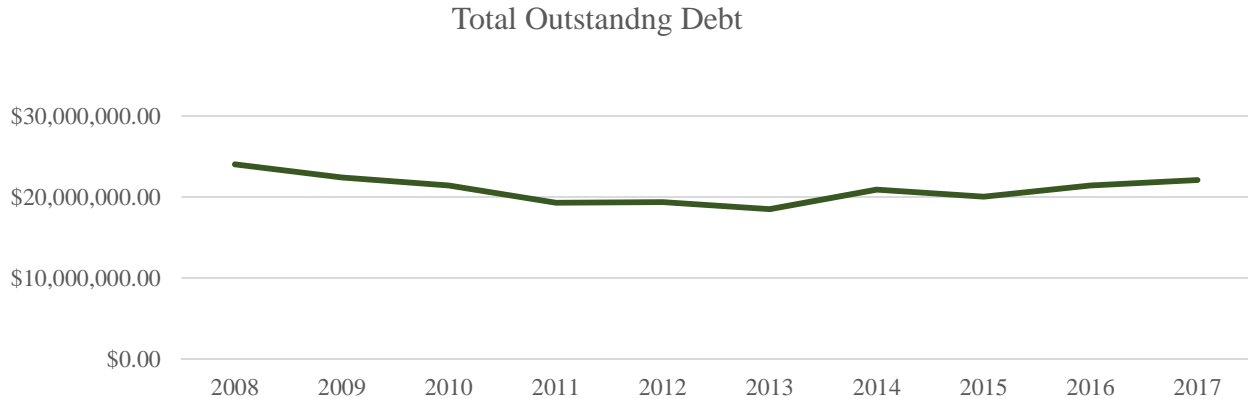
Long-term debt. As of June 30, 2017, the City's outstanding bonded debt was \$22.12 million, \$691,727 more than at June 30, 2016. Of this, \$17 million is backed by the full faith and credit of the City, including \$7.2 million for obligations repaid with water, wastewater and golf revenues, \$2.6 million for pension obligation repaid from all funds with employees subject Oregon Public Employees Retirement System (OPERS) retirement payments, \$1.3 million of federal debt issued to construct city hall, \$713,374 new debt for the Ironhorse property acquisition to add additional green space, water rights, and transportation improvements, and \$230,385 for notes payable repaid from various dedicated revenues. The City also had \$5.2 million of revenue bonds outstanding and drew down \$2.2 million on Oregon DEQ and IFA loans bringing that total to \$4,695,378. The City is liable for special assessment debt in the event of default by the property owners subject to assessment, and for notes payable with government commitment if other revenues are insufficient to repay the debt. There are no debt requirements, commitments or other limitations required by debt holders that significantly affect the availability of resources for current or future use.

Schedule of Outstanding Long-term Debt
June 30, 2017 and June 30, 2016

| | Governmental Activities | | Business Type Activities | | Total | | Change |
|-----------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Full faith and credit obligations | | | | | | | |
| Water, golf, wastewater | \$ - | \$ - | \$ 7,255,000 | \$ 7,525,000 | \$ 7,255,000 | \$ 7,525,000 | \$ (270,000) |
| Pension obligation | 2,570,000 | 2,695,000 | - | - | 2,570,000 | 2,695,000 | \$ (125,000) |
| Federal debt | 1,349,346 | 1,394,997 | - | - | 1,349,346 | 1,394,997 | \$ (45,651) |
| Special assessment debt | - | 1,167,081 | - | - | - | 1,167,081 | \$ (1,167,081) |
| Other notes payable | 811,929 | 129,824 | 131,830 | 228,406 | 943,759 | 358,230 | \$ 585,529 |
| Revenue bonds | | | 5,171,541 | 5,651,942 | 5,171,541 | 5,651,942 | \$ (480,401) |
| Oregon DEQ and IFA | | | 4,695,378 | 2,490,800 | 4,695,378 | 2,490,800 | \$ 2,204,578 |
| Bond issuance premium | | | 137,342 | 147,589 | 137,342 | 147,589 | \$ (10,247) |
| Totals | \$ 4,731,275 | \$ 5,386,902 | \$ 17,391,091 | \$ 16,043,737 | \$ 22,122,366 | \$ 21,430,639 | \$ 691,727 |

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017



Additional information on the City's long-term debt is included in "Note 5" to the financial statements on pages 56.

Key Economic Factors and Budget Information for the Future

- ***Unemployment and real estate*** – Oregon's unemployment rate has decreased slightly in fiscal year 2017, to a low of 3.7 percent. Unemployment has increased in the last few months to 4.3 percent, most likely due to the slowdown in the construction season. Real estate demand and housing development continued to increase in fiscal year 2017 by approximately 30 percent with 6 months left to go in the fiscal year. The last two fiscal years saw an 84 percent increase in dwelling approvals. There is potential that this level of development may continue in the coming years with the announcement of additional data center development, however housing prices and rental prices have hit highs not seen since 2005 that may indicate an overheated market.
- ***Apple*** – In October 2012, Apple initiated construction of a 338,000 square foot data center. In 2017 Apple is now constructing its 3rd such building as well as completing a logistics center with shipping and receiving and expanding infrastructure for future data centers.
- ***Facebook*** – In January 2010, Facebook chose to locate their first company-owned 334,000 square foot data center in Prineville. In 2017 Facebook has now completed 3 similar sized data centers and a smaller research facility. In December of 2017 Facebook has also announced that it will be constructing two additional data halls totaling approximately 900,000 square feet.
- ***Residential, Commercial and Public development*** – With the announcement of continued data center development and room for more growth due to available land and infrastructure improvements, residential development has the potential to continue at its current pace. In the event of a national market downturn, it is possible that Prineville may be insulated due to local demand. Commercially, new construction has been isolated to the east side of town on the Ochoco Lumber site. Most development elsewhere is coming in the form of re-purposing and rehabilitating older buildings. With many vacant structures such as the old Ford garage, bank building, Brothers restaurant and old bowling alley we are more apt to see re-development of these sites than purely new construction, with the exception of the Ochoco Lumber mixed use area. Public sector development saw a large increase in 2016 and 2017 with Housing Works converting the Ochoco School to residential, the construction of a new elementary school, the start of a new County jail, and two new public recreation areas (Wetlands

City of Prineville, Oregon
Management's Discussion and Analysis

Year Ended June 30, 2017

and Barnes Butte). Several public works projects are on schedule for 2018, including the Tom McCall roundabout, Bike Path extension and the Fairview water line extension and paving.

- **PERS** – OPERS costs, related legislation and market volatility has increased the variability of costs passed through to OPERS employers, including the City of Prineville. The City has an unfunded actuarial liability (UAL) of \$3.815 million as of December 31, 2016, which reflects an increase of \$2.663 million from December 31, 2014. Legislature held a special session in early October 2013 that resulted in further benefit cuts. Moro filed a suit challenging the benefit cuts, the suit was referred directly to the Oregon Supreme Court which ruled the Moro decision unconstitutional on April 30, 2015. This decision has affected the cities current UAL.

Effective July 1, 2019, the City's OPERS contribution rate is 15.68 percent, one key factor which will affect this rate in the future would be the funded ratio as of December 31, 2017.

Historically, OPERS contribution rates have fluctuated based upon earnings, the amount of the City's UAL, and the percentage of the UAL to covered payroll. Generally, OPERS rates have decreased as the City approached or exceeded full funding, only to have market conditions change, leading to an increase in the UAL.

To address the UAL on a long-term basis, and provide stability to the City's retirement contributions, the City chose to take advantage of low interest rates (4.94 %) and enter into a loan obligation of \$2.95 million to be repaid over 15 years. The loan proceeds were invested with OPERS in a side account, which will result in reduced OPERS contribution rates beginning in fiscal year 2016. The actuarial report shows rates reduced by -6 percent and a rate credit of 6 percent was received in FY 17.

See "Note 7" on pages 61-66 in the financial statements for additional discussion related to OPERS.

Requests for Information

This financial report is designed to provide a general overview to those parties interested in Prineville's finances. Questions concerning the information provided in the report or requests for additional information should be addressed to the City's finance department at 387 NE Third Street, Prineville, Oregon 97754.

Financial Section

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Governmental Funds



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City of Prineville, Oregon

Statement of Net Position

June 30, 2017

| Assets | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| Cash and investments | \$ 4,365,043 | \$ 3,592,134 | \$ 7,957,177 |
| Receivables (net of allowances for uncollectibles) | | | |
| Property taxes | 120,149 | - | 120,149 |
| Accounts | 523,074 | 1,862,775 | 2,385,849 |
| Notes | - | 53,828 | 53,828 |
| Inventory | 20,321 | 487,624 | 507,945 |
| Prepaid expenses | - | 2,700 | 2,700 |
| Internal balances | 938,749 | (938,749) | - |
| Restricted cash and investments | 105,000 | 304,000 | 409,000 |
| Capital assets: | | | |
| Non-depreciable | 1,660,178 | 1,652,026 | 3,312,204 |
| Other (net of accumulated depreciation) | 13,543,915 | 53,121,523 | 66,665,438 |
| <i>Total assets</i> | 21,276,429 | 60,137,861 | 81,414,290 |
| Deferred outflows of resources | | | |
| Pension related deferrals | 3,647,384 | - | 3,647,384 |
| Liabilities, deferred inflows and net position | | | |
| <i>Liabilities</i> | | | |
| Accounts payable | 458,891 | 762,769 | 1,221,660 |
| Accrued payroll and taxes payable | 6,544 | - | 6,544 |
| Accrued interest | 74,720 | 80,702 | 155,422 |
| Deposits payable | 1,500 | 84,649 | 86,149 |
| Other liabilities | 18,986 | 58,254 | 77,240 |
| Note payable | 53,828 | - | 53,828 |
| Non-current liabilities: | | | |
| Due within one year: | | | |
| Bonds payable | 47,591 | 843,544 | 891,135 |
| Notes payable | 203,565 | 24,481 | 228,046 |
| Due in more than one year: | | | |
| Proportionate share of net pension liability | 4,368,284 | - | 4,368,284 |
| Bonds payable | 1,301,755 | 11,709,315 | 13,011,070 |
| Notes payable | 3,178,364 | 4,813,751 | 7,992,115 |
| Accrued compensated absences | 547,144 | 170,227 | 717,371 |
| <i>Total liabilities</i> | 10,261,172 | 18,547,692 | 28,808,864 |
| Deferred inflows | | | |
| Pension related deferrals | 1,351,640 | - | 1,351,640 |
| <i>Net position</i> | | | |
| Net investment in capital assets | 13,042,818 | 37,382,458 | 50,425,276 |
| Restricted for: | | | |
| Streets and highways | 788,567 | - | 788,567 |
| Debt service | 105,000 | 304,000 | 409,000 |
| Capital projects | - | 47,491 | 47,491 |
| Unrestricted | (625,384) | 3,856,220 | 3,230,836 |
| <i>Total net position</i> | \$ 13,311,001 | \$ 41,590,169 | \$ 54,901,170 |

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

City of Prineville, Oregon
Statement of Activities
For the Year Ended June 30, 2017

| Function / program | Expenses | Program revenues | | | Net (expense) revenue and changes in net position | | Total |
|---|----------------------|-------------------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Fees and charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | |
| Governmental activities | | | | | | | |
| General government | \$ 2,142,141 | 224,543 | \$ - | \$ - | \$ (1,917,598) | | \$ (1,917,598) |
| Public safety | 6,412,132 | - | 997,562 | - | (5,414,570) | | (5,414,570) |
| Highways and streets | 790,414 | 346,623 | 952,906 | - | 509,115 | | 509,115 |
| Interest on long-term debt | 127,172 | - | - | - | (127,172) | | (127,172) |
| Total governmental activities | 9,471,859 | 571,166 | 1,950,468 | - | (6,950,225) | | (6,950,225) |
| Business-type activities | | | | | | | |
| Railroad | 990,133 | 1,160,350 | - | - | - | \$ 170,217 | 170,217 |
| Water | 1,052,820 | 2,597,543 | - | 379,063 | - | 1,923,786 | 1,923,786 |
| Wastewater | 1,859,666 | 5,850,679 | - | 417,741 | - | 4,408,754 | 4,408,754 |
| Golf and restaurant | 1,285,732 | 1,092,074 | - | - | - | (193,658) | (193,658) |
| Airport | 716,900 | 1,973,312 | - | - | - | 1,256,412 | 1,256,412 |
| Total business-type activities | 5,905,251 | 12,673,958 | - | 796,804 | - | 7,565,511 | 7,565,511 |
| Total activities | \$ 15,377,110 | \$ 13,245,124 | \$ 1,950,468 | \$ 796,804 | (6,950,225) | 7,565,511 | 615,286 |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 1,966,681 | - | 1,966,681 |
| Transient room taxes | | | | | 329,514 | - | 329,514 |
| Franchise fees | | | | | 2,756,972 | - | 2,756,972 |
| Earnings on investments | | | | | 25,758 | 29,878 | 55,636 |
| Miscellaneous | | | | | 908,805 | 118,482 | 1,027,287 |
| Total general revenues | | | | | 5,987,730 | 148,360 | 6,136,090 |
| Transfers | | | | | 2,165,682 | (2,165,682) | - |
| Changes in net position | | | | | 1,203,187 | 5,548,189 | 6,751,376 |
| Net position, July 1, 2016 | | | | | 12,107,814 | 36,041,980 | 48,149,794 |
| Net position, June 30, 2017 | | | | | \$ 13,311,001 | \$ 41,590,169 | \$ 54,901,170 |

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

City of Prineville, Oregon

Balance Sheet Governmental Funds

June 30, 2017

| | Emergency | | Transportation | | Pension | LID Debt | Total |
|---|---------------------|-------------------|---------------------|-------------------------|-------------------|------------------|---------------------|
| | General Fund | Dispatch Fund | Transportation Fund | Transportation SDC Fund | Debt Service Fund | Service Fund | Governmental Funds |
| Assets | | | | | | | |
| Cash and investments | \$ 1,358,673 | \$ 194,560 | \$ 506,946 | \$ 537,796 | \$ 556,703 | \$ 72,485 | \$ 3,227,163 |
| Receivables: | | | | | | | |
| Property taxes | 120,149 | - | - | - | - | - | 120,149 |
| Accounts | 250,458 | 187,379 | 81,635 | - | - | - | 519,472 |
| Due from other funds | 938,749 | - | - | - | - | - | 938,749 |
| Total assets | \$ 2,668,029 | \$ 381,939 | \$ 588,581 | \$ 537,796 | \$ 556,703 | \$ 72,485 | \$ 4,805,533 |
| Liabilities and fund balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 80,361 | \$ 10,380 | \$ 318,824 | \$ - | \$ - | \$ - | \$ 409,565 |
| Accrued salaries and payroll taxes | 6,544 | - | - | - | - | - | 6,544 |
| Other liabilities | - | - | - | 18,986 | - | - | 18,986 |
| Total liabilities | 86,905 | 10,380 | 318,824 | 18,986 | - | - | 435,095 |
| Deferred inflows of resources | | | | | | | |
| Unavailable revenue - property taxes | 104,253 | - | - | - | - | - | 104,253 |
| Unavailable revenue - other | 771,851 | - | - | - | - | - | 771,851 |
| Total deferred inflows of resources | 876,104 | - | - | - | - | - | 876,104 |
| Fund balance | | | | | | | |
| Restricted | - | - | 269,757 | 518,810 | - | - | 788,567 |
| Committed | - | 371,559 | - | - | 556,703 | 72,485 | 1,000,747 |
| Assigned to: | | | | | | | |
| Other purposes | 121,280 | - | - | - | - | - | 121,280 |
| Unassigned | 1,583,740 | - | - | - | - | - | 1,583,740 |
| Total fund balances | 1,705,020 | 371,559 | 269,757 | 518,810 | 556,703 | 72,485 | 3,494,334 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,668,029 | \$ 381,939 | \$ 588,581 | \$ 537,796 | \$ 556,703 | \$ 72,485 | \$ 4,805,533 |

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

City of Prineville, Oregon
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2017

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

| | |
|---|----------------------|
| Fund balance - total governmental funds | \$ 3,494,334 |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in funds. | 15,204,093 |
| Unavailable revenues are deferred on the budgetary financial statements, but in the government wide state they are considered revenues. | 876,104 |
| The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | 1,215,977 |
| The Net Pension Asset (Liability), and deferred inflows and outflows related to the Net Pension Asset is the difference between the total pension liability and assets set aside to pay benefits earned to past and current employees and beneficiaries | (2,072,540) |
| Long-term liabilities, including bonds payable, capital leases and accrued vacation, are not due and payable in the current period, and therefore, are not reported in the funds. | (5,278,419) |
| Note payable | (53,828) |
| Bond interest is not accrued as a liability in the government funds. | (74,720) |
| | (74,720) |
| Net position of governmental activities | \$ 13,311,001 |

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

City of Pringle, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2017

| | General Fund | Emergency Dispatch Fund | Transportation Fund | Transportation SDC Fund | Pension Debt Service Fund | LID Debt Service Fund | Total Governmental Funds |
|--|---------------------|-------------------------------|------------------------|----------------------------|---------------------------------|--------------------------|--------------------------------|
| Revenues | | | | | | | |
| Taxes | \$ 2,292,563 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,292,563 |
| Intergovernmental | 243,864 | 908,848 | 952,906 | - | - | - | 2,105,618 |
| Franchise fees | 2,479,972 | - | 277,000 | - | - | - | 2,756,972 |
| Licenses and permits | 66,542 | - | 12,075 | - | - | - | 78,617 |
| Charges for services | 158,001 | - | - | - | 557,954 | - | 715,955 |
| Systems development charges | - | - | - | 334,548 | - | - | 334,548 |
| Interest | 9,767 | 2,490 | 2,689 | 4,235 | 4,202 | 2,375 | 25,758 |
| Miscellaneous | 73,858 | - | 6,136 | - | - | 1,269,851 | 1,349,845 |
| Total revenues | 5,324,567 | 911,338 | 1,250,806 | 338,783 | 562,156 | 1,272,226 | 9,659,876 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | 1,228,918 | - | - | - | - | - | 1,228,918 |
| Public safety | 2,646,614 | 1,031,941 | - | - | - | - | 3,678,555 |
| Highways and streets | - | - | 453,450 | - | - | - | 453,450 |
| Capital outlay | - | 199,544 | 493,285 | 300,000 | - | - | 992,829 |
| Debt service: | | | | | | | |
| Principal | 59,389 | - | - | - | 125,000 | 1,164,016 | 1,348,405 |
| Interest | 7,176 | - | - | - | 133,133 | 62,315 | 202,624 |
| Total expenditures | 3,942,097 | 1,231,485 | 946,735 | 300,000 | 258,133 | 1,226,331 | 7,904,781 |
| Excess (deficiency) of Revenues over expenditures | 1,382,470 | (320,147) | 304,071 | 38,783 | 304,023 | 45,895 | 1,755,095 |
| Other financing sources (uses) | | | | | | | |
| Debt Proceeds | 720,000 | - | - | - | - | - | 720,000 |
| Transfers in | 97,878 | 521,400 | 100,000 | - | - | - | 719,278 |
| Transfers out | (1,537,200) | (168,900) | (401,500) | (16,727) | - | (75,075) | (2,199,402) |
| Total other financing sources (uses) | (719,322) | 352,500 | (301,500) | (16,727) | - | (75,075) | (760,124) |
| Net change in fund balances | 663,148 | 32,353 | 2,571 | 22,056 | 304,023 | (29,180) | 994,971 |
| Fund balance, July 1, 2016 | 1,041,872 | 339,206 | 267,186 | 496,754 | 252,680 | 101,665 | 2,499,363 |
| Fund balance, June 30, 2017 | \$ 1,705,020 | \$ 371,559 | \$ 269,757 | \$ 518,810 | \$ 556,703 | \$ 72,485 | \$ 3,494,334 |

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

City of Prineville, Oregon
Reconciliation of Statement of Revenue
Expenditures, and Changes in Fund Balance, Governmental
Funds to Statement of Activities
Year Ended June 30, 2017

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 994,971 |
|--|----|---------|

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was greater than depreciation and actual additions.

| | | |
|----------------|-----------|-----------|
| Capital outlay | 992,829 | |
| Additions | 567,660 | |
| Depreciation | (386,500) | |
| | (386,500) | 1,173,989 |

| | | |
|---|--|-------------|
| Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenue in the fund statements: | | (1,150,511) |
|---|--|-------------|

| | | |
|--|--|-----------|
| Internal service funds are used to account for all costs arising from the operations of the City's central services activities and insurance programs. The primary funding sources are charges to the other funds. This is the net gain of the funds for the year. | | (129,180) |
|--|--|-----------|

| | | |
|--|--|---------|
| Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt proceeds exceeds principal payments: | | 631,470 |
|--|--|---------|

| | | |
|--|--|-----------|
| The Pension Expense and the changes in deferred inflows and outflows related to the Net Pension Asset represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits. | | (389,939) |
|--|--|-----------|

| | | |
|---|--------|--------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. | | |
| Accrued compensated absences | 72,387 | |
| Accrued interest payable | - | |
| | 72,387 | 72,387 |

| | | |
|--|-----------|------------------|
| Change in net position of governmental activities | \$ | 1,203,187 |
|--|-----------|------------------|

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

Financial Section

Basic Financial Statements

Fund Financial Statements

Proprietary Funds

Enterprise Funds

Railroad

Water

Wastewater

Golf and Restaurant

Internal Service Funds



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City of Prineville, Oregon
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | | | Governmental |
|---|---|----------------------|---------------------|---------------------|---------------------|----------------------|-----------------------------------|
| | Water | Wastewater | Golf Course | Railroad | Non-major Funds | Total | Activities Internal Service Funds |
| Assets | | | | | | | |
| Current assets | | | | | | | |
| Cash and investments | \$ 1,045,013 | \$ 1,170,337 | \$ 509,342 | \$ 867,442 | \$ - | \$ 3,592,134 | \$ 1,137,880 |
| Accounts receivable, net | 406,730 | 1,148,770 | 16,030 | 90,439 | 200,806 | 1,862,775 | 3,602 |
| Inventory | 202,197 | 29,408 | 49,567 | 164,155 | 42,297 | 487,624 | 20,321 |
| Prepaid expenses | - | - | 2,700 | - | - | 2,700 | - |
| Total current assets | 1,653,940 | 2,348,515 | 577,639 | 1,122,036 | 243,103 | 5,945,233 | 1,161,803 |
| Non-current assets | | | | | | | |
| Restricted cash and investments | - | 304,000 | - | - | - | 304,000 | 105,000 |
| Note receivable | 53,828 | - | - | - | - | 53,828 | - |
| Capital assets: | | | | | | | |
| Non-depreciable | 476,603 | 1,029,290 | - | 146,133 | - | 1,652,026 | - |
| Capital assets (net of accumulated depreciation) | 11,743,418 | 30,100,815 | 1,364,541 | 8,017,826 | 1,894,923 | 53,121,523 | 2,294,007 |
| Total non-current assets | 12,273,849 | 31,434,105 | 1,364,541 | 8,163,959 | 1,894,923 | 55,131,377 | 2,399,007 |
| Total assets | \$ 13,927,789 | \$ 33,782,620 | \$ 1,942,180 | \$ 9,285,995 | \$ 2,138,026 | \$ 61,076,610 | \$ 3,560,810 |
| Deferred outflows of resources | | | | | | | |
| Pension Related Deferrals | - | - | - | - | - | - | 1,481,154 |
| Total assets & deferred outflows | \$ 13,927,789 | \$ 33,782,620 | \$ 1,942,180 | \$ 9,285,995 | \$ 2,138,026 | \$ 61,076,610 | \$ 5,041,964 |
| Liabilities and net position | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ 121,659 | \$ 548,305 | \$ 12,187 | \$ 28,178 | \$ 52,440 | \$ 762,769 | \$ 49,326 |
| Accrued interest payable | 15,121 | 64,085 | 1,496 | - | - | 80,702 | 33,218 |
| Deposits payable | 26,627 | 58,022 | - | - | - | 84,649 | 1,500 |
| Other liabilities | - | - | 44,240 | - | 14,014 | 58,254 | - |
| Bonds payable, current portion | 178,871 | 623,448 | 41,225 | - | - | 843,544 | - |
| Notes payable, current portion | - | - | 24,481 | - | - | 24,481 | 79,638 |
| Proportionate share of net pension liability | - | - | - | - | - | - | 1,773,902 |
| Total current liabilities | 342,278 | 1,293,860 | 123,629 | 28,178 | 66,454 | 1,854,399 | 1,937,584 |
| Non-current liabilities | | | | | | | |
| Accrued compensated absences | - | 13,212 | 117,685 | 34,237 | 5,093 | 170,227 | 168,866 |
| Due to general fund | - | 61,230 | - | 771,851 | 105,668 | 938,749 | - |
| Bonds payable, net of current portion | 2,480,323 | 8,855,217 | 373,775 | - | - | 11,709,315 | - |
| Notes payable, net of current portion | - | 4,695,378 | 118,373 | - | - | 4,813,751 | 1,368,263 |
| Total non-current liabilities | 2,480,323 | 13,625,037 | 609,833 | 806,088 | 110,761 | 17,632,042 | 1,537,129 |
| Total liabilities | 2,822,601 | 14,918,897 | 733,462 | 834,266 | 177,215 | 19,486,441 | 3,474,713 |
| Deferred Inflows of Resources | | | | | | | |
| Pension Related Deferrals | - | - | - | - | - | - | 548,883 |
| Total liabilities & deferred inflows | 2,822,601 | 14,918,897 | 733,462 | 834,266 | 177,215 | 19,486,441 | 4,023,596 |
| Net position | | | | | | | |
| Net Investment in Capital Assets | 9,560,827 | 16,956,062 | 806,687 | 8,163,959 | 1,894,923 | 37,382,458 | 846,106 |
| Restricted | | | | | | | |
| Debt service | - | 304,000 | - | - | - | 304,000 | 105,000 |
| Capital projects | 47,491 | - | - | - | - | 47,491 | - |
| Unrestricted | 1,496,870 | 1,603,661 | 402,031 | 287,770 | 65,888 | 3,856,220 | 67,262 |
| Total net position | 11,105,188 | 18,863,723 | 1,208,718 | 8,451,729 | 1,960,811 | 41,590,169 | 1,018,368 |
| Total liabilities, deferred inflows and net position | \$ 13,927,789 | \$ 33,782,620 | \$ 1,942,180 | \$ 9,285,995 | \$ 2,138,026 | \$ 61,076,610 | \$ 5,041,964 |

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

City of Prineville, Oregon
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities Internal Service Funds |
|--|---|----------------------|---------------------|---------------------|---------------------|----------------------|---|
| | Water | Wastewater | Golf Course | Railroad | Non-major Funds | Total | |
| Operating revenues | | | | | | | |
| Intergovernmental | \$ - | \$ 2,205,961 | \$ - | \$ - | \$ 1,426,300 | \$ 3,632,261 | \$ - |
| Charges for services | 2,496,588 | 3,584,419 | 1,084,652 | 1,091,512 | 547,012 | 8,804,183 | 210,648 |
| Other operating revenues | 100,955 | 60,299 | 7,422 | 68,838 | - | 237,514 | 17,685 |
| Total operating revenues | <u>2,597,543</u> | <u>5,850,679</u> | <u>1,092,074</u> | <u>1,160,350</u> | <u>1,973,312</u> | <u>12,673,958</u> | <u>228,333</u> |
| Operating expenses | | | | | | | |
| Salaries and wages | - | 117,047 | 683,035 | 303,560 | 144,068 | 1,247,710 | 2,677,054 |
| Materials and supplies | 614,750 | 831,945 | 504,010 | 409,736 | 523,040 | 2,883,481 | 1,112,761 |
| Depreciation | 319,394 | 563,091 | 76,557 | 276,796 | 49,792 | 1,285,630 | 185,358 |
| Total operating expenses | <u>934,144</u> | <u>1,512,083</u> | <u>1,263,602</u> | <u>990,092</u> | <u>716,900</u> | <u>5,416,821</u> | <u>3,975,173</u> |
| Operating income (loss) | <u>1,663,399</u> | <u>4,338,596</u> | <u>(171,528)</u> | <u>170,258</u> | <u>1,256,412</u> | <u>7,257,137</u> | <u>(3,746,840)</u> |
| Non-operating revenues (expenses) | | | | | | | |
| Miscellaneous | - | - | - | (49,221) | - | (49,221) | - |
| Interest income | 9,318 | 11,615 | 3,263 | 5,682 | - | 29,878 | 7,966 |
| Interest expense | (118,676) | (347,583) | (22,130) | (41) | - | (488,430) | (63,624) |
| Bond premium amortization | 3,870 | 5,151 | 1,225 | - | - | 10,246 | - |
| Sale of assets | - | 157,457 | - | - | - | 157,457 | 27,512 |
| Total non-operating revenues (expenses) | <u>(105,488)</u> | <u>(173,360)</u> | <u>(17,642)</u> | <u>(43,580)</u> | <u>-</u> | <u>(340,070)</u> | <u>(28,146)</u> |
| Capital contributions | 379,063 | 417,741 | - | - | - | 796,804 | - |
| Transfers in | 168,886 | 43,155 | 370,000 | 50,500 | 230,000 | 862,541 | 3,829,606 |
| Transfers out | <u>(1,348,323)</u> | <u>(1,371,500)</u> | <u>(127,400)</u> | <u>(91,200)</u> | <u>(89,800)</u> | <u>(3,028,223)</u> | <u>(183,800)</u> |
| Change in net position | 757,537 | 3,254,632 | 53,430 | 85,978 | 1,396,612 | 5,548,189 | (129,180) |
| Net position, July 1, 2016 | <u>10,347,651</u> | <u>15,609,091</u> | <u>1,155,288</u> | <u>8,365,751</u> | <u>564,199</u> | <u>36,041,980</u> | <u>1,147,548</u> |
| Net position, June 30, 2017 | <u>\$ 11,105,188</u> | <u>\$ 18,863,723</u> | <u>\$ 1,208,718</u> | <u>\$ 8,451,729</u> | <u>\$ 1,960,811</u> | <u>\$ 41,590,169</u> | <u>\$ 1,018,368</u> |

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

City of Prineville, Oregon

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities Internal Service Funds |
|---|---|---------------------|---------------------|-------------------|---------------------|---------------------|---|
| | Water | Wastewater | Golf Course | Railroad | Non-major Funds | Total | |
| Cash flow from operating activities | | | | | | | |
| Cash received for services | \$ 2,564,830 | \$ 6,375,771 | \$ 1,099,183 | \$ 1,176,343 | \$ 1,837,613 | \$ 13,053,740 | \$ 228,352 |
| Cash paid to suppliers for goods and services | (587,245) | (1,579,682) | (552,895) | (399,549) | (405,267) | (3,524,638) | (1,259,227) |
| Cash paid to employees for services | - | (113,409) | (681,599) | (296,148) | (142,997) | (1,234,153) | (2,387,079) |
| Net cash from operating activities | <u>1,977,585</u> | <u>4,682,680</u> | <u>(135,311)</u> | <u>480,646</u> | <u>1,289,349</u> | <u>8,294,949</u> | <u>(3,417,954)</u> |
| Cash flow from non-capital activities | | | | | | | |
| Transfers in | 168,886 | 43,155 | 370,000 | - | 230,000 | 812,041 | 3,829,606 |
| Transfers out | (1,348,323) | (1,371,500) | (127,400) | (91,200) | (89,800) | (3,028,223) | (183,800) |
| Interfund loan repayments | 52,763 | - | - | - | - | 52,763 | - |
| Net cash from non-capital activities | <u>(1,126,674)</u> | <u>(1,328,345)</u> | <u>242,600</u> | <u>(91,200)</u> | <u>140,200</u> | <u>(2,163,419)</u> | <u>3,645,806</u> |
| Cash flow from capital and related financing activities | | | | | | | |
| Debt proceeds | - | 2,204,578 | - | 50,500 | - | 2,255,078 | - |
| Bond/Debt principal paid | (160,000) | (560,401) | (77,100) | (49,221) | - | (846,722) | (76,920) |
| Interest paid | (120,015) | (352,063) | (22,681) | (156) | - | (494,915) | (62,521) |
| Acquisition of capital assets | (944,258) | (5,154,910) | (22,799) | (205,604) | (1,442,179) | (7,769,750) | (177,649) |
| Sale of assets | - | 157,457 | - | - | - | 157,457 | 27,512 |
| Net cash from capital and related financing activities | <u>(1,224,273)</u> | <u>(3,705,339)</u> | <u>(122,580)</u> | <u>(204,481)</u> | <u>(1,442,179)</u> | <u>(6,698,852)</u> | <u>(289,578)</u> |
| Cash flow from investing activities | | | | | | | |
| Interest earnings | 9,318 | 11,615 | 3,263 | 5,682 | - | 29,878 | 7,966 |
| Net cash from investing activities | <u>9,318</u> | <u>11,615</u> | <u>3,263</u> | <u>5,682</u> | <u>-</u> | <u>29,878</u> | <u>7,966</u> |
| Net change in cash and investments | <u>(364,044)</u> | <u>(339,389)</u> | <u>(12,028)</u> | <u>190,647</u> | <u>(12,630)</u> | <u>(537,444)</u> | <u>(53,760)</u> |
| Cash and investments, July 1, 2016 | <u>1,409,057</u> | <u>1,813,726</u> | <u>521,370</u> | <u>676,795</u> | <u>12,630</u> | <u>4,433,578</u> | <u>1,296,640</u> |
| Cash and investments, June 30, 2017 | <u>\$ 1,045,013</u> | <u>\$ 1,474,337</u> | <u>\$ 509,342</u> | <u>\$ 867,442</u> | <u>\$ -</u> | <u>\$ 3,896,134</u> | <u>\$ 1,242,880</u> |
| Reconciliation of operating income (loss) to net cash from operating activities | | | | | | | |
| Operating income/(loss) | \$ 1,663,399 | \$ 4,338,596 | \$ (171,528) | \$ 170,258 | \$ 1,256,412 | \$ 7,257,137 | \$ (3,746,840) |
| Adjustments to reconcile operating income/(loss) to net cash from operating activities: | | | | | | | |
| Depreciation | 319,394 | 563,091 | 76,557 | 276,796 | 49,792 | 1,285,630 | 185,358 |
| Change in assets and liabilities: | | | | | | | |
| Accounts receivable | (32,443) | 524,573 | 7,109 | 15,993 | (135,699) | 379,533 | 19 |
| Inventory | 18,080 | 8,997 | (10,612) | 4,545 | 2,792 | 23,802 | 62 |
| Deposits payable | (270) | 519 | - | - | - | 249 | - |
| Net Pension Asset, Deferred Inflows | - | - | - | - | - | - | (527,158) |
| Net Pension Asset, Deferred Outflows | - | - | - | - | - | - | 793,779 |
| Accounts payable | 9,425 | (817,964) | (45,316) | 6,453 | 10,422 | (836,980) | (146,528) |
| Other accrued expenses | - | 3,638 | 7,043 | 7,412 | 1,071 | 19,164 | 23,354 |
| Other liabilities | - | 61,230 | 1,436 | (811) | 104,559 | 166,414 | - |
| Total adjustments | <u>314,186</u> | <u>344,084</u> | <u>36,217</u> | <u>310,388</u> | <u>32,937</u> | <u>1,037,812</u> | <u>328,886</u> |
| Net cash from operating activities | <u>\$ 1,977,585</u> | <u>\$ 4,682,680</u> | <u>\$ (135,311)</u> | <u>\$ 480,646</u> | <u>\$ 1,289,349</u> | <u>\$ 8,294,949</u> | <u>\$ (3,417,954)</u> |
| Noncash investing, capital, and financing activities | | | | | | | |
| Contributions of capital assets | 379,063 | 417,741 | - | - | - | 796,804 | - |

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

Financial Section

Notes to Financial Statements

City of Prineville, Oregon

Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Prineville, Oregon is a municipal corporation, incorporated in 1880. It operates under its own charter with a council/manager form of government. The Prineville City Council, composed of the mayor and six council members, comprises the legislative branch of the government. The City Council appoints a city manager who serves as the administrative head of the entity. As required by GAAP in the United States of America, all significant activities of the City have been included in the basic financial statements. The City qualifies as a primary government since the City has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts, which provide public services within the City's boundaries. The City is not financially accountable for any of these entities; therefore, none of them are considered component units, nor are they included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements, the *Statement of Net Position* and the *Statement of Activities*, report information on all of the City's activities. For the most part, the effect of interfund activity has been removed from the government-wide statements. An exception to this is services or goods provided by an activity and used by another activity. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are segregated from business-type activities, which are primarily supported by charges for services and fees.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific activity. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular activity. Indirect expenses are recovered through internal service fund charges. These indirect expenses are allocated based on a full-cost approach, thereby allocating indirect expenses among functions with the objective of allocating all expenses. Taxes and other revenues that are not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General fund – This fund accounts for the activity of the police department and non-departmental activities. Additionally, activity accounted for in a sub-fund for community development is combined with the general fund for financial statement presentation.

Emergency dispatch fund – Accounts for the emergency dispatch services provided to all public safety agencies within Crook County. Resources include a transfer from the Prineville Police Department, 911 telephone taxes administered by Crook County, and the other public safety agencies utilizing the services.

Transportation fund – Accounts for the City's transportation systems, including street, sidewalk and bike paths, operations and maintenance. The primary revenue source is the state gas tax allocated to cities.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Transportation SDC fund – Accounts for the receipt and expenditures of system development charges (SDC) that are dedicated for transportation system expansion improvements.

LID debt service fund – Accounts for the payment of debt issued to fund infrastructure improvements completed at the request of property owners. The primary revenue source is assessment payments made by benefited property owners.

Pension obligation debt service fund – Accounts for the payment of debt issued to fund a pension retirement unfunded actuarial liability. The primary revenue source is a charge to all City funds that have employees with earnings subject to OPERS retirement contributions.

Major Proprietary funds are:

Railroad fund – Accounts for the operation and maintenance of the City’s railroad and freight depot operations. The primary source of revenue is charges for services to utilize the rail system and storage facilities.

Water fund – This fund accounts for the operation and maintenance of water service and distribution facilities. The principal source of revenue is charges for water consumption. Additionally, a water SDC sub-fund, which accounts for the receipt and expenditures of system development charges that are dedicated for water system expansion improvements, is consolidated for reporting purposes.

Wastewater fund – This fund accounts for the operation and maintenance of the wastewater collection and treatment system. The principal source of revenue is charges for service. Additionally, a wastewater SDC sub-fund, which accounts for the receipt and expenditures of system development charges that are dedicated for wastewater system expansion improvements, is consolidated to the wastewater fund for financial reporting purposes.

Golf course fund – Accounts for the operation and maintenance of the golf course, restaurant and wastewater treatment. The principal sources of revenue are green fees, cart rentals, food and beverage sales, and charge to the wastewater fund.

Additionally the City reports the following:

Internal Service Funds

Internal service funds account for services provided for departmental units within the City.

Services provided by the internal service funds include facility maintenance, fleet maintenance, technology and communications, administrative services, and risk management. The cost of the services provided is recovered by charges to the department receiving the service. The reporting for the internal service funds are consolidated in the reporting of the proprietary statements.

Administrative services fund – Accounts for the City Council, city manager’s office, finance department and information technology operations. The principal source of revenue is charges to City departments and operations.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Building facilities fund – Accounts for the operations, maintenance, debt service and replacement costs of the city hall building, public works building and police department facilities. The principal source of revenue is rent. The Plaza Maintenance sub-fund is combined with the building facilities for financial statement presentation.

Public works support services fund - Accounts for the public works department staff and vehicle/equipment maintenance operations. The principal source of revenue is charges to City operations utilizing public works staff, such as water, wastewater, and streets.

Non-major Funds

The City also reports the following non-major funds:

Non-major Governmental Funds

Special Revenue Funds

Community development fund – Accounts for the City’s community development and planning activities. The principal sources of revenue are planning fees and charges and transfer from the general fund. This fund is combined with the general fund.

Non-major Proprietary Funds

Airport fund – Accounts for the operation of the Prineville-Crook County Airport. The City operates the County-owned airport as provided in an intergovernmental agreement. Principal sources of revenue include fuel sales, and hangar, building and ground leases.

Internal Service Fund

Plaza maintenance fund - Accounts for the operation of the plaza located between city hall and a county office building. Principal sources of revenue include intergovernmental revenue from Crook County and City payments. This sub-fund is combined with the building facilities fund.

The City’s government-wide and proprietary statements are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Interfund transfers, interfund services provided and used, interfund reimbursements and interfund payables and receivables are all interfund activities. The effect of interfund activities and administrative charges are eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated from the government-wide statements since elimination would distort the program revenues and direct costs of the City’s functions.

Amounts reported as program revenues in the government-wide statement of activities include: fees, charges to users for services provided, goods produced or privileges provided; operating grants and contributions; and capital grants and contributions. Taxes, grants and contributions that are not restricted are reported as general revenues. Transient room taxes and franchise fees are based on gross receipts and are reported as general revenues.

City of Prineville, Oregon

Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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 primary ongoing operations. The primary operating revenues of the water fund, wastewater fund, railroad fund, golf and restaurant fund, and airport fund are charges to customers for sales and services. The primary revenue of the City's internal service funds are charges for services to other City funds, received in the form of transfers.

The water fund and wastewater fund also receive fees, which are intended to recover the cost of providing new customers to the utility systems. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full-accrual basis of accounting with an economic resource measurement focus, as are the proprietary fund financial statements. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). Measurable means the amount of the transaction can be determined and revenues are considered available when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes, intergovernmental revenues, and investment income.

An unearned revenue liability arises on the balance sheets of the governmental funds when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue, is eliminated. Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

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 sales and services, administrative overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

Assets Liabilities and Net Position

Cash and Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, certificates of deposit, U.S. government agency securities, instrumentalities of U.S. government-sponsored corporations, commercial paper, bankers' acceptances, repurchase agreements and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Additionally, Oregon Revised Statutes require that deposits be made with approved depository banks. Local Government Investment Pool balances are backed by the full faith and credit of the State of Oregon.

The City maintains a cash and investment pool for all of the City's funds. Monies within the cash and investment pool are identified by fund and by type. Interest earned on the cash and investment pool is allocated to the individual funds based on the individual fund's average cash balance for the period in which the interest was earned. For the *Statement of Cash Flow* purposes, the City considers "cash" to include the pooled cash and investments. The cash and investment pool possesses the general characteristics of a demand deposit account since the cash and investment pool has sufficient liquidity in that any fund may deposit or withdraw cash at any time without notice or penalty.

Inventory

The City accounts for inventories using the purchases method, the basis used to value inventories is the cost basis, and the method used to apply that basis is first-in first-out at lower of cost or market.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Receivables

Real and personal property taxes receivable that are collected within 60 days after year-end are considered measurable and available, and therefore, are recognized as revenue. The remaining balance is recorded as unavailable or unearned revenue because it is not deemed available to finance the operations of the current period. Property taxes are levied and become a lien on the property as of July 1. Taxes are payable in three installments on November 15, February 15 and May 15. Taxes unpaid as of May 16 are considered delinquent. All property taxes are billed and collected by Crook County, Oregon and then turned over to the City.

Grant proceeds are recorded as revenue in the period in which qualified program expenditures are incurred. Franchise fees and transient room taxes are recorded as revenue in the period in which they are earned, provided they are remitted to the City within 60 days after year-end.

All governmental type accounts receivable, property taxes, grants, notes, assessments and other receivables are shown net of an allowance for uncollectible accounts, and as of June 30, 2017, no uncollectible amounts are anticipated or have been recognized by management.

Prepaid Expenses

In both government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future City accounting periods and are recorded as prepaid expenses. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets for governmental activities are recorded at estimated historical cost prior to fiscal year 2007 with subsequent additions at cost. Business-type capital assets are recorded at cost. Donated capital assets are recorded at their acquisition value. Infrastructure (bridges, roads, water and sewer improvements, and drainage systems) acquired during the year have been recorded at cost or fair value if contributed by developers. The City defines capital assets as assets with an initial cost of more than \$10,000 and an estimated life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and structures | 25-50 |
| Improvements other than buildings | 10-20 |
| Machinery and equipment | 5-30 |
| Vehicles | 5-10 |
| Infrastructure | 30-40 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Accrued Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave within limits set by collective bargaining agreements, personnel policies and employment agreements. All employees with accrued paid leave are paid the outstanding accrued vacation balance at separation of employment. Employees with sick leave accruals that meet longevity requirements are paid, within limits, for their sick leave accruals. All vacation and sick pay is accrued when incurred in the government-wide and proprietary statements. Compensated absences are paid by the individual funds when they become due. The general fund, emergency dispatch fund, transportation fund and the community development fund are governmental funds that have primarily incurred and paid compensated absences in prior years.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund-type *Statement of Net Position*. Prepaid assets, and deferred amounts on refunding, if significant, are deferred and amortized over the life of the bond using straight-line amortization. Bond premiums and discounts are amortized using the straight-line method. In the fund financial statements, governmental fund-types recognize bond premiums, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the *Statement of Net 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.

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 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.

City of Prineville, Oregon

Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Fund Equity

The City implemented GASB Statement No. 54 for the year ended June 30, 2011. GASB Statement No. 54 requires analysis and presentation of fund balance in five categories. The new fund balance categories are:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items that have committed funding for specific purposes or uses by the governing board.
- *Assigned* – Includes items assigned by specific uses, authorized by the city manager and or finance director.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category in the general fund. Deficit fund balances in other governmental funds are also presented as unassigned.

GASB Statement No. 54 implementation requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. The City Council makes commitments through Resolutions. The city manager is authorized to make assignments of fund balance per City Resolution Number 1247.

GASB Statement No. 54 also requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. The spending policy provides that restricted balances are spent first, followed by committed, then unassigned.

Pension Plan

Substantially all of the City's employees, except for Railroad Fund employees, are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS'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. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations. They are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources.

Budget

The City adopts an annual budget in accordance with Oregon Revised Statutes (ORS) 294.305 through 294.565. The adopted budget is on a modified accrual basis for all funds. Minor reclassifications are made between the budgetary and the GAAP statements. The Oregon Constitution and ORS require that the budget must be balanced and that the fiscal year for local governments is from July 1 through June 30.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

The Prineville Budget Committee, consisting of seven citizen representatives, the six city councilors and mayor, is required by ORS as part of the budget process. Through a process of public hearings and deliberations, the Budget Committee reviews, and then recommends a budget to City Council for approval. The budget sets forth City Council's goals and objectives, and identifies the resources necessary to accomplish the goals and objectives. The City's budget is legally adopted by City Council resolution before July 1.

The City maintains budgetary controls to ensure compliance with legal provisions of the City's annual appropriations resolution adopted by the City Council as part of the budget process. The legal level of budgetary control, by City Council resolution, is by department within the general fund and administrative services internal service fund, by program within the golf and restaurant fund and the public works support services internal service fund and by major function, i.e., personal services, material and services, capital outlay, transfers, debt service and other requirements in the remaining funds. The City cannot legally exceed appropriations at these respective levels. Departments may transfer appropriations within a department. All such transfers are reviewed by finance department staff for appropriateness with approval by the city manager as appropriate.

Appropriations lapse at fiscal year-end; projects not completed in the current fiscal year must be re-appropriated in the next fiscal year as part of the adoption of the annual budget.

City Council may change the budget throughout the fiscal year by transferring appropriations between levels of legal compliance. Unexpected additional resources may be budgeted by adopting supplemental budgets as authorized by ORS. A supplemental budget requires newspaper publications, and City Council approval at a minimum, and may require public comments or hearings over a certain dollar threshold. The City Council also approved one resolution adjusting appropriations during the year.

All expenditures were within authorized appropriations.

Net Position Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to have been applied. It is the City's policy to deplete restricted net position first, then committed, then assigned, and lastly unrestricted.

Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted second, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Fair Value Inputs and Methodologies and Hierarchy

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

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. Cash and Investments

The City maintains a pooled cash and investment account for all City funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a council-adopted investment policy. Authorized investments include U.S. Treasury obligations including treasury notes, bond and strips; federal instrumentality securities from specific federal agencies; commercial paper rated at least A-1 or an equivalent rating; corporate bonds rated at least Aa or an equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; the Oregon State Treasurer’s LGIP limited by state statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

At June 30, 2017, the City’s cash and investments were comprised of the following:

| | | |
|----------------------------------|-----------|------------------|
| Cash on hand | \$ | 3,000 |
| Demand checking accounts | | 2,536,143 |
| Local government investment pool | | 5,827,034 |
| | <u>\$</u> | <u>8,366,177</u> |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

2. Cash and Investments (continued)

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------|----------------------------|-----------------------------|-----------|
| Restricted cash and investments | \$ 105,000 | 304,000 | 409,000 |
| Cash and investments | 4,365,043 | 3,592,134 | 7,957,177 |
| Total cash and investments | 4,470,043 | 3,896,134 | 8,366,177 |

Deposits with Financial Institutions

Deposits with financial institutions are comprised of demand checking accounts. Effective July 1, 2008, the State of Oregon formed the Oregon Public Funds Collateralization Program under ORS 295. The collateralization program creates a state-wide pool of qualified bank depositories for local governments, providing collateralization for bank balances that exceed the limits of Federal Depository Insurance Corporation (FDIC), and eliminating the need for certificates of participation. As of June 30, 2017, the City had a total bank balance of \$2,918,543, of which \$500,000 was covered by FDIC and the NCUA, with the remaining amount collateralized by the Oregon Public Collateralization Program.

Custodial Credit Risk

Custodial credit risk is the risk that deposits with a financial institution may not be returned to the City. The City's policy, in compliance with state statutes, requires that bank deposits be covered by FDIC and deposited in a financial institution that is qualified in the Oregon Public Funds Collateralization Program. Additionally, deposits in the LGIP are administered by the Oregon State Treasury with the advice of other state agencies and is not rated or registered with the U.S. Securities and Exchange Commission.

The LGIP is an open-ended, no-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 public funds. The LGIP is commingled with the State of Oregon's short-term funds. 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 of the LGIP.

The board established portfolio diversification percentages based on the types and maturities of investments. LGIP must manage and invest its funds as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. A copy of the State's Comprehensive Annual Financial Report may be obtained at <http://www.ost.state.or.us/>.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

2. Cash and Investments (continued)

Investments

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2017. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2017, the fair value of the position in the LGIP is 100.57% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Interest Rate Risk

The City's investment policy limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the City did not hold any individual investments. As such, its interest rate risk is limited to adjustments in its money market accounts, including the LGIP.

Credit Risk

As mentioned above, Oregon Revised Statutes limits the investments that the City may have to high quality bonds with limited exposure to credit risk. The City is in compliance with these statutes at June 30, 2017.

3. Receivables

Accounts Receivable

The City maintains security deposits for utility accounts and writes off uncollectible accounts as they occur. Past write-off experience is insignificant to the balance of accounts receivable therefore no allowance for doubtful accounts has been recorded.

As of June 30, 2017, accounts receivable consisted of the following:

| | |
|---|---------------------|
| Accounts receivable-governmental activities | \$ 643,223 |
| Accounts receivable- business type | <u>1,862,775</u> |
| Total | <u>\$ 2,505,998</u> |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

3. Receivables (continued)

Amounts Due from Other Funds

An amount due to the general fund from the railroad fund in the amount of \$771,851, including an increase in the fiscal year ended June 30, 2017 of \$49,221 is recorded. The amount due is the result of transfers from the general fund to the freight depot fund through June 30, 2017 to pay debt service related to industrial park development, with the intent for the transfers to be repaid at a future date. However, repayment terms have not been established pending the railroad demonstrating the ability to generate sufficient positive cash flow to discontinue the transfers and repay the debt on a recurring basis. Accordingly, unearned revenue of \$771,851 has been recorded in the general fund. There are also amounts due to the general fund from the wastewater SDC fund and airport fund in the amounts of \$61,230 and \$105,668, respectively. These are the result of a negative balance in the claim on pooled cash.

4. Capital Assets

Purchased or constructed capital assets acquired prior to June 30, 2007 are recorded at estimated historical cost with subsequent additions at cost. Donated or contributed capital assets are recorded at their estimated fair value at the time of donation or contribution. Infrastructure (roads, water, wastewater, sidewalks and other similar improvements) acquired during the year are recorded at cost or fair value if contributed by developers. The City defines capital assets as assets with an initial cost of more than \$10,000 and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add value of the asset or materially extend the assets' useful lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

| | Years |
|-----------------------------------|-------|
| Buildings and structures | 25-50 |
| Improvements other than buildings | 10-20 |
| Machinery and equipment | 5-30 |
| Vehicles | 5-10 |
| Infrastructure | 30-40 |

Governmental activities: Capital asset activity for governmental activities for the year ended June 30, 2017, was as follows:

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|--|--------------------------|------------|-----------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and Easements | \$ 1,360,178 | \$ 300,000 | \$ - | \$ 1,660,178 |
| Work in progress | 51,917 | - | (51,917) | - |
| Total capital assets not being depreciated | 1,412,095 | 300,000 | (51,917) | 1,660,178 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

4. Capital Assets (continued)

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|--|--------------------------|-----------|-----------|--------------------------|
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 2,489,394 | \$ - | \$ - | \$ 2,489,394 |
| Vehicles and equipment | 4,064,278 | 224,207 | - | 4,288,485 |
| Infrastructure | 25,811,968 | 1,265,848 | - | 27,077,816 |
| Total capital assets being depreciated | 32,365,640 | 1,490,055 | - | 33,855,695 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 747,016 | 81,864 | - | 828,880 |
| Vehicles and equipment | 3,414,098 | 109,024 | - | 3,523,122 |
| Infrastructure | 15,578,809 | 380,969 | - | 15,959,778 |
| Total accumulated depreciation | 19,739,923 | 571,857 | - | 20,311,780 |
| Total Capital Assets Net of Depreciation | \$ 14,037,812 | | | \$ 15,204,093 |

Depreciation expense was charged to the functions of governmental activities as follows:

| | |
|----------------------|-------------------|
| Public Safety | \$ 392,397 |
| Highways and streets | 48,370 |
| General government | 131,090 |
| Total | \$ 571,857 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

4. Capital Assets (continued)

Business-type activities: Capital asset activity for business-type activities, by fund, for the year ended June 30, 2017, is as follows:

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|--|--------------------------|------------|-------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and Easements | \$ 1,309,131 | \$ - | \$ - | \$ 1,309,131 |
| Work in progress | 2,818,272 | 342,895 | (2,818,272) | 342,895 |
| Total capital assets not being depreciated | 4,127,403 | 342,895 | (2,818,272) | 1,652,026 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 9,866,569 | \$ 971,073 | \$ - | \$ 10,837,642 |
| Vehicles and equipment | 4,636,484 | 73,155 | - | 4,709,639 |
| Infrastructure | 50,497,153 | 9,997,703 | - | 60,494,856 |
| Total capital assets being depreciated | 65,000,206 | 11,041,931 | - | 76,042,137 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,953,978 | 737,111 | - | 3,691,089 |
| Vehicles and equipment | 3,905,108 | 106,817 | - | 4,011,925 |
| Infrastructure | 14,775,898 | 441,702 | - | 15,217,600 |
| Total accumulated depreciation | 21,634,984 | 1,285,630 | - | 22,920,614 |
| Total Capital Assets Net of Depreciation | \$ 47,492,625 | | | \$ 54,773,549 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

5. Long-term Debt

In the following schedules, long-term debt information is presented separately with respect to governmental and business-type activities, including individual fund information for business-type activity. The schedules present current year changes in these obligations and the current portions, amount due within one year, for each issue. For the governmental activities, compensated absences are liquidated by the fund that pays for the employee costs associated with the services received. Compensated absences are due and payable on demand upon an employee's retirement or other separation from employment. There are two known employee retirements or separations as of June 30, 2017. The amount due to these employees including benefits, as of June 30, 2017, is presented as a current liability, with the balance of the compensated obligation shown as a non-current liability.

| | Amount of Original Issue | Interest Rates | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amount Due Within One Year |
|-----------------------------------|-----------------------------|-------------------|-------------------------|---------------------|---------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | | | |
| Full faith and credit obligations | | | | | | | |
| Note payable - Ironhorse LID 2006 | \$ 1,750,000 | 5.50% | \$ 1,167,081 | \$ - | \$ 1,167,081 | \$ - | \$ - |
| Note payable - Ironhorse LID 2017 | 720,000 | 3.14% | - | 720,000 | 6,626 | 713,374 | 26,518 |
| USDA 2006 - City Hall | 1,760,700 | 4.25% | 1,394,997 | - | 45,651 | 1,349,346 | 47,591 |
| Note payable - Pension | | | | | | | |
| Obligation | 2,950,000 | 4.94% | 2,695,000 | - | 125,000 | 2,570,000 | 145,000 |
| Note Payable - Street Sweeper | 164,325 | 4.98% | 129,824 | - | 31,269 | 98,555 | 32,047 |
| Long-term debt obligations | <u>7,345,025</u> | | <u>5,386,902</u> | <u>720,000</u> | <u>1,375,627</u> | <u>4,731,275</u> | <u>251,156</u> |
| Compensated absences | - | | 596,177 | 27,175 | 76,208 | 547,144 | - |
| Total governmental activities | <u>\$ 7,345,025</u> | | <u>\$ 5,983,079</u> | <u>\$ 747,175</u> | <u>\$ 1,648,221</u> | <u>\$ 5,278,419</u> | <u>\$ 251,156</u> |
| Business-Type Activities | | | | | | | |
| Revenue Bonds | | | | | | | |
| Series 2003 - water | \$ 840,000 | 5.50% | \$ 380,000 | \$ - | \$ 45,000 | \$ 335,000 | \$ 50,000 |
| State CWSRL - wastewater | 8,876,287 | 2.94% | 5,271,942 | | 435,401 | 4,836,541 | 448,297 |
| Full faith and credit obligations | | | | | | | |
| FFCO - Series 2011 - water, golf | | | | | | | |
| wastewater | 8,225,000 | .66-3% | 7,525,000 | - | 270,000 | 7,255,000 | 335,000 |
| Note Payable - Bank of Cascades | | | | | | | |
| golf | 176,725 | 2.74% | 155,610 | - | 23,780 | 131,830 | 24,481 |
| Plus: Bond issuance premium | 203,951 | | 147,589 | - | 10,247 | 137,342 | 10,245 |
| DEQ 2016 - wastewater | 4,000,000 | 0.92% | 2,235,242 | 1,764,758 | - | 4,000,000 | - |
| IFA 2016 - wastewater | 750,000 | 1.00% | 255,558 | 439,820 | - | 695,378 | - |
| Note Payable - US Bank | | | | | | | |
| golf and railroad | <u>666,000</u> | <u>4.40%</u> | <u>72,796</u> | <u>-</u> | <u>72,796</u> | <u>-</u> | <u>-</u> |
| Total business type activities | <u>\$ 23,737,963</u> | | <u>\$ 16,043,737</u> | <u>\$ 2,204,578</u> | <u>\$ 857,224</u> | <u>\$ 17,391,091</u> | <u>\$ 868,023</u> |

Governmental Activities

Long-term debt associated with governmental activities include, two separate special assessment debt obligations, one of which matured in fiscal year 2017. Proceeds of these obligations were used to finance street, sidewalk and wastewater improvements and are secured by liens on benefitted property. The special assessment debts are limited general obligations of the City and taxes can be levied to meet the obligations if collections are insufficient to meet the debt service requirements. The interest rate on these obligations ranges from 4.25 percent to 5.5 percent.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

5. Long-term Debt (continued)

A United States Department of Agriculture (USDA) debt obligation was utilized to finance the construction of city hall in 2006. The annual debt service requirement is \$104,938, including interest of 4.25 percent annually. A debt reserve of \$105,000 is fully funded.

A \$2.95 million note payable entered into in 2014 was utilized to fund the City's actuarial unfunded pension liability. Annual debt service is \$248,567 in fiscal year 2017, increasing by an average of 3.7 percent annually, consistent with the projected annual increase in payroll obligations. The obligation matures in 15 years, fiscal year 2028, and includes taxable interest of 4.94 percent annually. Additionally, an internal borrowing to finance police vehicles was completed in FY 14. The total borrowed from the City's Water Fund is \$258,700. The obligation matures in fiscal year 2018, with annual payments of \$54,413, including interest of 2.00 percent.

Future maturities of governmental long term debt at June 30, 2017, are as follows:

Governmental Activities

| Year | Note Payable Ironhorse | | USDA - City Hall | | Pension Bonds | |
|--------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 26,518 | \$ 22,090 | \$ 47,591 | \$ 57,347 | \$ 145,000 | \$ 126,958 |
| 2019 | 27,360 | 21,247 | 49,614 | 55,325 | 160,000 | 119,795 |
| 2020 | 28,230 | 20,378 | 51,722 | 53,216 | 180,000 | 111,891 |
| 2021 | 29,127 | 19,481 | 53,920 | 51,018 | 200,000 | 102,999 |
| 2022 | 30,051 | 18,556 | 56,212 | 48,726 | 220,000 | 93,119 |
| 2023-2027 | 572,088 | 74,572 | 318,993 | 205,699 | 1,470,000 | 279,110 |
| 2028-2032 | - | - | 392,790 | 131,901 | 195,000 | 9,633 |
| 2033-2036 | - | - | 378,504 | 41,040 | - | - |
| Total | \$ 713,374 | \$ 176,324 | \$ 1,349,346 | \$ 644,272 | \$ 2,570,000 | \$ 843,505 |

| Year | Street Sweeper | | Total | |
|---------------|------------------|-----------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 32,047 | \$ 2,454 | \$ 251,156 | \$ 208,849 |
| 2019 | 32,845 | 1,656 | 269,819 | 198,023 |
| 2020 | 33,663 | 838 | 293,615 | 186,323 |
| 2021 | - | - | 283,047 | 173,498 |
| 2022 | - | - | 306,263 | 160,401 |
| 2023-2027 | - | - | 2,361,081 | 559,381 |
| 2028-2032 | - | - | 587,790 | 141,534 |
| 2033-2036 | - | - | 378,504 | 41,040 |
| Totals | \$ 98,555 | \$ 4,948 | \$ 4,731,275 | \$ 1,669,049 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

5. Long-term Debt (continued)

Business-type Activities

In addition to the schedule presented above, long-term debt, for each of the business-type activities for the year ended June 30, 2017, by the business activity responsible for the repayment of the debt obligation, are presented below. The City issued \$8.225 million in full faith and credit obligations to refinance six outstanding obligations totaling \$7.07 million (\$1.625 million water related and \$5.45 million of wastewater related debt) and borrowed an additional \$1.49 million in fiscal year 2011 (\$1.0 million for water infrastructure and \$490,000 for golf course improvements). The full faith and credit obligations mature in fiscal year 2031, and have effective interest rates of 0.60 percent to 3.77 percent. Sources of repayment include water utility, wastewater utility, and golf and restaurant revenues.

Wastewater. The wastewater utility has financed the City's sewer treatment plant, golf course treatment facility, and collection system improvements through several debt obligations. These obligations are described as follows:

Several wastewater issues were refunded with proceeds of the full faith and credit obligation noted above; Series 1998 refunding bonds, State of Oregon Department of Environmental Quality (DEQ) obligation, State Special Public Works Financing Program (SPWFP), State Clean Water Systems Revolving Loan (CWSRL) Loan Number 1, and a note payable. A second CWSRL obligation requires annual debt service payments of \$587,220, including interest of approximately 3 percent (2.94 percent). The summary of wastewater outstanding obligations and their future maturities including principal and interest at June 30, 2017, are as follows:

| <u>Wastewater</u> | Balance June 30, 2016 | New Issues | Principal Paid | Balance June 30, 2017 |
|--|--------------------------|-------------------------|-----------------------|--------------------------|
| State CWSRL | \$ 5,271,942 | \$ - | \$ 435,401 | \$ 4,836,541 |
| Full Faith and Credit Obligations 2011 | 4,695,000 | - | 125,000 | 4,570,000 |
| DEQ Loan 2016 | 2,235,242 | 1,764,758 | - | 4,000,000 |
| IFA Loan 2016 | 255,558 | 439,820 | - | 695,378 |
| Total Debt | 12,457,742 | 2,204,578 | 560,401 | 14,101,919 |
| Plus: Bond Issuance Premium | 77,275 | - | 5,151 | 72,124 |
| Total Wastewater | <u>\$ 12,535,017</u> | <u>\$ 2,204,578</u> | <u>\$ 565,552</u> | <u>\$ 14,174,043</u> |

| Year | State CWSRL | | Full Faith 2011 | | Totals | |
|-----------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 448,297 | \$ 138,923 | \$ 170,000 | \$ 195,244 | \$ 618,297 | \$ 334,167 |
| 2019 | 461,574 | 125,646 | 200,000 | 188,444 | 661,574 | 314,090 |
| 2020 | 475,244 | 111,976 | 220,000 | 180,444 | 695,244 | 292,420 |
| 2021 | 489,318 | 97,902 | 235,000 | 171,644 | 724,318 | 269,546 |
| 2022 | 503,810 | 83,410 | 250,000 | 162,244 | 753,810 | 245,654 |
| 2023-2027 | 2,458,298 | 184,201 | 1,490,000 | 651,355 | 3,948,298 | 835,556 |
| 2028-2031 | - | - | 2,005,000 | 238,192 | 2,005,000 | 238,192 |
| Total | <u>\$ 4,836,541</u> | <u>\$ 742,058</u> | <u>\$ 4,570,000</u> | <u>\$ 1,787,567</u> | <u>\$ 9,406,541</u> | <u>\$ 2,529,625</u> |

The City entered into a loan agreement with Oregon DEQ, the total amount to received is \$4,000,000, at an interest rate of .92%. At June 30, 2017, the City has drawn down all of the \$4,000,000 and is classified as due in more than one year. The City also entered into a loan agreement with IFA, the total amount to be received is \$750,000, at an interest rate of 1.0%. At June 30, 2017, the City has drawn down \$695,378, all of which is classified as due in more than one year.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

5. Long-term Debt (continued)

Water. In addition to the full faith and credit obligations noted above, the City issued water revenue bonds in 2003 to finance utility infrastructure improvements. The bonds mature in 2023 and have an interest rate of 2.55 percent. A summary of outstanding debt payable from water system revenues including future maturities of water-related debt principal and interest, at June 30, 2017, are as follows:

| | June 30, 2016 | | Issues | Paid | | June 30, 2017 | | |
|--|---------------|------------------|-----------|----------|-----------|----------------|-----------|------------------|
| Series 2003 | \$ | 380,000 | \$ | - | \$ | 45,000 | \$ | 335,000 |
| Full Faith and Credit Obligations 2011 | | 2,385,000 | | - | | 115,000 | | 2,270,000 |
| Total Debt | | 2,765,000 | | - | | 160,000 | | 2,605,000 |
| Plus: Bond Issuance Premium | | 58,064 | | - | | 3,870 | | 54,194 |
| Total Water | \$ | 2,823,064 | \$ | - | \$ | 163,870 | \$ | 2,659,194 |

| Year | Series 2003 | | Full Faith 2011 | | Totals | |
|--------------|-------------------|------------------|---------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 50,000 | \$ 17,085 | \$ 125,000 | \$ 96,036 | \$ 175,000 | \$ 113,121 |
| 2019 | 50,000 | 14,535 | 125,000 | 91,036 | 175,000 | 105,571 |
| 2020 | 55,000 | 11,985 | 135,000 | 86,036 | 190,000 | 98,021 |
| 2021 | 55,000 | 9,180 | 135,000 | 80,636 | 190,000 | 89,816 |
| 2022 | 60,000 | 6,375 | 140,000 | 75,236 | 200,000 | 81,611 |
| 2023-2027 | 65,000 | 3,315 | 820,000 | 284,615 | 885,000 | 287,930 |
| 2028-2031 | - | - | 790,000 | 91,706 | 790,000 | 91,706 |
| Total | \$ 335,000 | \$ 62,475 | \$ 2,270,000 | \$ 805,301 | \$ 2,605,000 | \$ 867,776 |

Golf. In addition to the full faith and credit obligation issued in fiscal year 2011 as described above, the City refinanced the outstanding note payable in 2011. The term on the new note payable is five years with interest of 4.4 percent. In FY 2016 the Golf Course obtained a 5 year loan for golf carts that bears a 2.74% interest rate. The Golf Course's debt obligations, including future maturities of principal and interest at June 30, 2017, are as follows:

| Golf | Balance June 30, 2016 | | New Issues | Principal Paid | | Balance June 30, 2017 | | |
|--|-----------------------|----------------|------------|----------------|-----------|-----------------------|-----------|----------------|
| Note payable - US Bank | \$ | 23,460 | \$ | - | \$ | 23,460 | \$ | - |
| Full Faith and Credit Obligations 2011 | | 445,000 | | - | | 30,000 | | 415,000 |
| Note payable - Bank of the Cascades | | 155,610 | | - | | 23,780 | | 131,830 |
| Total Debt | | 624,070 | | - | | 77,240 | | 546,830 |
| Plus: Bond Issuance Premium | | 12,249 | | - | | 1,225 | | 11,024 |
| Total Golf | \$ | 636,319 | \$ | - | \$ | 78,465 | \$ | 557,854 |

| Year | Full Faith 2011 | | Note Payable - Bank of Cascades | | Total | |
|--------------|-------------------|------------------|---------------------------------|-----------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 40,000 | \$ 16,750 | \$ 24,481 | \$ 3,352 | \$ 64,481 | \$ 20,102 |
| 2019 | 40,000 | 15,150 | 25,170 | 2,663 | 65,170 | 17,813 |
| 2020 | 45,000 | 13,550 | 25,873 | 1,960 | 70,873 | 15,510 |
| 2021 | 45,000 | 11,750 | 56,306 | 129 | 101,306 | 11,879 |
| 2022 | 45,000 | 9,950 | - | - | 45,000 | 9,950 |
| 2023-2026 | 200,000 | 20,245 | - | - | 200,000 | 20,245 |
| Total | \$ 415,000 | \$ 87,395 | \$ 131,830 | \$ 8,104 | \$ 546,830 | \$ 95,499 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

5. Long-term Debt (continued)

Railroad. During fiscal year 2011 the City refinanced an existing note payable from freight depot revenues, which the City consolidated with the City's railroad operation in fiscal year 2014, with the new obligation payable over five years with interest of 4.4 percent. Current year activity and future maturities of interest and principal for the railroad at June 30, 2017, are as follows:

| <u>Railroad</u> | Balance June 30, 2016 | New Issues | Principal Paid | Balance June 30, 2017 |
|------------------------|--------------------------|---------------|-------------------|--------------------------|
| Note payable - US Bank | \$ 49,336 | \$ - | \$ 49,336 | \$ - |

6. Interfund Transfers

Interfund transfers between governmental and business-type activities are reported as net transfers in the *Statement of Activities*. Details of the transfers between governmental and business-type activities are as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------|---------------------|----------------------|
| General Fund | \$ 97,878 | \$ 1,537,200 |
| Transportation Fund | 100,000 | 401,500 |
| Emergency Dispatch Fund | 521,400 | 168,900 |
| Transportation SDC Fund | - | 16,727 |
| LID Debt Service Fund | - | 75,075 |
| Water | 168,886 | 1,348,323 |
| Wastewater | 43,155 | 1,371,500 |
| Railroad | 50,500 | 91,200 |
| Golf | 370,000 | 127,400 |
| Non-major Enterprise Funds | 230,000 | 89,800 |
| Internal Service Funds | <u>3,829,606</u> | <u>183,800</u> |
| Total | <u>\$ 5,411,425</u> | <u>\$ 5,411,425</u> |

Transfers from the general fund to the emergency dispatch fund reflect the City's share of the contracted service, to transportation fund for capital improvements, to the railroad fund for the debt service payment, to the airport fund for the operational funding agreement between the City and Crook County, and to the other governmental funds transfers reflect contributions to fund community development operations and pay for internal services such as administration, finance, information technology, and building facilities. Transfers from other funds to internal service funds reflect the internal cost allocation of internal services such as administration, finance, information technology, facilities, pension liabilities, and public works personnel and support services. The transfer from the wastewater fund to golf and restaurant fund is for payment for treatment services, and the transfers to water and wastewater are reimbursements from SDC funds for qualified infrastructure improvements paid for by utility funds. The transfer from the LID debt service fund to general fund was to cover debt service for the property acquisition for the purchase of the Ironhorse property that was part of the LID.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

7. Defined Benefit Pension Plan

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **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, and 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 benefits results.
 - ii. **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 on or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii. **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.
 - iv. **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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
 - i. **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.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

7. Defined Benefit Pension Plan (continued)

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 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.

- ii. **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.
- iii. **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.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The 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, 2014 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were \$434,885, excluding amounts to fund employer specific liabilities. In addition approximately \$243,647 in employee contributions were paid or picked up by the City in fiscal 2017. At June 30, 2017, the City reported a net pension liability of \$4,368,284 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the City's proportion was .029 percent.

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Difference between expected and actual experience | \$ 144,522 | \$ - |
| Changes in assumptions | 931,650 | - |
| Net difference between projected and actual earnings on pension plan investments | 862,990 | - |
| Net changes in proportionate share | 10,635 | 1,189,364 |
| Differences between City contributions and proportionate share of contributions | 1,262,702 | 162,276 |
| Subtotal - Amortized Deferrals (below) | 3,212,499 | 1,351,640 |
| City contributions subsequent to measuring date | 434,885 | - |
| Deferred outflow (inflow) of resources | \$ 3,647,384 | \$ 1,351,640 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

7. Defined Benefit Pension Plan (continued)

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2017 | \$ 511,663 |
| 2018 | 511,663 |
| 2019 | 637,380 |
| 2020 | 212,089 |
| 2021 | (11,936) |
| Thereafter | - |
| Total | <u>\$ 1,860,859</u> |

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 8, 2017. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/EMP/Documents/GASB/2016/Oregon-PERS-GASB-68-Report.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal 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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer 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 actuarially determined amount for funding a disability benefit component, and (c) 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.

Actuarial Methods and Assumptions:

| | |
|---------------------------|--|
| Valuation Date | December 31, 2014 rolled forward to June 30, 2016 |
| Experience Study Report | 2014, Published September 18, 2015 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset valuation method | Market value of assets |
| Inflation rate | 2.50 percent (decrease from 2.75 percent) |
| Investment rate of return | 7.50 percent (decrease from 7.75 percent) |
| Projected salary increase | 3.5 percent overall payroll growth; salaries for individuals are assumed to grow at 3.25 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.5 percent). |
| Cost of Living Adjustment | Blend of 2% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision, blend based on service. |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

7. Defined Benefit Pension Plan (continued)

| | |
|-----------|--|
| Mortality | Healthy retirees and beneficiaries: |
| | RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table. |

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts 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 method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

Assumed Asset Allocation:

| Asset Class/Strategy | Low Range | High Range | OIC Target |
|-----------------------------|------------------|-------------------|-------------------|
| Cash | 0.0% | 3.0% | 0.0% |
| Debt Securities | 15.0% | 25.0% | 20.0% |
| Public Equity | 32.5% | 42.5% | 37.5% |
| Private Equity | 16.0% | 24.0% | 20.0% |
| Real Estate | 9.5% | 15.5% | 12.5% |
| Alternative Equity | 0.0% | 10.0% | 10.0% |
| Opportunity Portfolio | 0.0% | 3.0% | 0.0% |
| Total | | | 100% |

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

Long-Term Expected Rate of Return:

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

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

7. Defined Benefit Pension Plan (continued)

| Asset Class | Target | Compound Annual Return (Geometric) |
|-----------------------------------|--------|------------------------------------|
| Core Fixed Income | 7.20% | 4.50% |
| Short-term Bonds | 8.00% | 3.70% |
| Intermediate-Term Bonds | 3.00% | 4.10% |
| High Yield Bonds | 1.80% | 6.66% |
| Large Cap US Equities | 11.65% | 7.20% |
| Mid Cap US Equities | 3.88% | 7.30% |
| Small Cap US Equities | 2.27% | 7.45% |
| Developed Foreign Equities | 14.21% | 6.90% |
| Emerging Foreign Equities | 5.49% | 7.40% |
| Private Equity | 20.00% | 8.26% |
| Opportunity Funds/Absolute Return | 5.00% | 6.01% |
| Real Estate (Property) | 13.75% | 6.51% |
| Real Estate (REITS) | 2.50% | 6.76% |
| Commodities | 7.71% | 6.07% |
| <i>Assumed Inflation</i> | | <i>2.75%</i> |

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 the 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.

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

| | Decrease (6.50%) | Rate (7.50%) | Increase (8.50%) |
|---|---------------------|-----------------|---------------------|
| City's proportionate share of the net pension liability | \$ 7,053,322 | \$ 4,368,284 | \$ 2,124,062 |

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

7. Defined Benefit Pension Plan (continued)

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan that is invested in the IAP. The City makes this contribution on behalf of its employees.

8. Other Information

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There was no change in commercial insurance coverage from fiscal year 2016 to 2017. Workers compensation claims are insured through incurred loss retrospective policies. Settled claims have not exceeded this commercial coverage for any of the past three years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

8. Other Information (continued)

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(g). The plan is administered by independent plan administrators through administrative service agreements. The plan is available to all employees of the City. Employees may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the plan participants.

Accordingly, these plan assets and related liability are not recorded in the City's basic financial statements.

Post-employment Healthcare Plan (Implicit Subsidy)

Plan Description. The City does not have a formal post-employment benefits plan for employees; however, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB Statement No. 45 is applicable to the City due to the implicit rate subsidy. This "plan" is a single-employer plan that does not stand alone, and therefore, does not issue its own financial statements.

Funding Policy. When applicable, the City's insurance provider bills and collects insurance premiums from all retirees who choose to utilize the City's health care plans. For the fiscal year ended June 30, 2017, there is one City retiree that elected to purchase the City's group health and dental benefits.

Additionally, as a result of a negotiated agreement, there is an employee whose post-employment health care benefits are paid by the City that may be accounted for under GASB Statement No. 47.

Funded Status. As of June 30, 2017, the estimated GASB 45 valuation of OPEB is immaterial to the City's overall financial position and has not been recorded. The GASB 47 liability noted above is also considered immaterial to the overall financial statements and has been omitted. The benefit terminated May 31, 2013.

City of Prineville, Oregon
Notes to Financial Statements

Year Ended June 30, 2017

10. Fund Balances

Below is a schedule of fund balances as of June 30, 2017, based on GASB Statement No. 54 implementation:

| Fund Balances: | General Fund | Emergency Dispatch Fund | Transportation Fund | Transportation SDC Fund | LID Debt Service Fund | POB Debt Service Fund | Total |
|-----------------------------|---------------------|----------------------------|------------------------|----------------------------|--------------------------|--------------------------|---------------------|
| <u>Restricted:</u> | | | | | | | |
| Highways and streets | - | - | 269,757 | 518,810 | - | - | 788,567 |
| | - | - | 269,757 | 518,810 | - | - | 788,567 |
| <u>Committed to:</u> | | | | | | | |
| Public safety | - | 371,559 | - | - | - | - | 371,559 |
| Debt service | - | - | - | - | 556,703 | 72,485 | 629,188 |
| | - | 371,559 | - | - | 556,703 | 72,485 | 1,000,747 |
| Assigned to: Other purposes | 121,280 | - | - | - | - | - | 121,280 |
| Unassigned: | 1,583,740 | - | - | - | - | - | 1,583,740 |
| Total Fund Balances | \$ 1,705,020 | \$ 371,559 | \$ 269,757 | \$ 518,810 | \$ 556,703 | \$ 72,485 | \$ 3,494,334 |

Financial Section

Required Supplementary Information

Schedule of Contributions and the Proportionate Share of the Net Pension Liability

General Fund

Emergency Dispatch Fund

Transportation Fund



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City of Prineville, Oregon
Required Supplementary Information
For the fiscal year ended June 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Year Ended June 30, | (a) Employer's proportion of the net pension liability (NPL) | (b) Employer's proportionate share of the net pension liability (NPL) | (c) covered payroll | (b/c) NPL as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------------|--|---|---------------------------|--|--|
| 2017 | 0.03 % | \$ 4,368,284 | \$ 4,020,150 | 108.7 % | 80.5 % |
| 2016 | 0.05 % | \$ 2,939,113 | \$ 3,748,420 | 78.4 % | 91.9 % |
| 2015 | 0.05 % | \$ (1,142,184) | \$ 3,895,646 | (29.3) % | 103.6 % |
| 2014 | 0.05 % | \$ 2,571,446 | \$ 3,404,867 | 75.5 % | 92.0 % |

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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

SCHEDULE OF CONTRIBUTIONS

| Year Ended June 30, | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered payroll | Contributions as a percent of covered payroll |
|---------------------------|---|---|--|----------------------------------|--|
| 2017 | \$ 434,885 | \$ 434,885 | \$ - | \$ 4,060,780 | 10.71 % |
| 2016 | \$ 444,858 | \$ 444,858 | \$ - | \$ 4,020,150 | 11.07 % |
| 2015 | \$ 317,320 | \$ 317,320 | \$ - | \$ 3,748,420 | 8.5 % |
| 2014 | \$ 318,177 | \$ 318,177 | \$ - | \$ 3,895,646 | 8.5 % |

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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

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

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|---|--------------------|----------------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Property taxes | \$ 1,920,000 | \$ 1,920,000 | \$ 1,963,049 | \$ 43,049 |
| Transient room taxes | 300,000 | 300,000 | 329,514 | 29,514 |
| Franchise taxes | 1,919,000 | 1,919,000 | 2,479,972 | 560,972 |
| Licenses and permits | 10,700 | 10,700 | 9,218 | (1,482) |
| Intergovernmental | 233,000 | 233,000 | 228,639 | (4,361) |
| Charges for service | 231,500 | 231,500 | 150,662 | (80,838) |
| Interest | 4,000 | 4,000 | 8,974 | 4,974 |
| Miscellaneous | 60,300 | 60,300 | 73,858 | 13,558 |
| Total revenues | 4,678,500 | 4,678,500 | 5,243,886 | 565,386 |
| Expenditures | | | | |
| Current | | | | |
| Police | 2,618,200 | 2,693,200 (1) | 2,646,614 | 46,586 |
| Non-departmental | 965,500 | 1,055,500 (1) | 972,193 | 83,307 |
| Debt service | | | | |
| Principal | 104,500 | 104,500 (2) | 59,389 | 45,111 |
| Interest | - | - (2) | 7,176 | (7,176) |
| Contingency | 978,459 | 813,459 (1) | - | 813,459 |
| Total expenditures | 4,666,659 | 4,666,659 | 3,685,372 | 981,287 |
| Excess of revenues over/ (under) expenditures | 11,841 | 11,841 | 1,558,514 | 1,546,673 |
| Other financing sources/(uses) | | | | |
| Transfers in | 100,000 | 100,000 | 75,075 | (24,925) |
| Transfers out | (1,683,700) | (1,683,700) (1) | (1,733,700) | (50,000) |
| Debt proceeds | 700,000 | 700,000 | 720,000 | 20,000 |
| Total other financing sources (uses) | (883,700) | (883,700) | (938,625) | (54,925) |
| Net change in fund balance | (871,859) | (871,859) | 619,889 | 1,491,748 |
| Fund balance, July 1, 2016 | 871,859 | 871,859 | 963,851 | 91,992 |
| Fund balance, June 30, 2017 | \$ - | \$ - | 1,583,740 | \$ 1,583,740 |
| Reconciliation to GAAP fund balance: | | | | |
| Consolidation of community development fund balance | | | 121,280 | |
| Total fund balance | | | \$ 1,705,020 | |

(1) Appropriation Level

(2) Principal and interest are budgeted together as one line item

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Transportation Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|---|--------------------|----------------------------|------------------|-------------------------------|
| Revenues | | | | |
| Franchise taxes | \$ 277,000 | \$ 277,000 | \$ 277,000 | \$ - |
| Licenses and permits | - | - | 12,075 | 12,075 |
| Intergovernmental | 820,000 | 820,000 | 952,906 | 132,906 |
| Interest | 1,200 | 1,200 | 2,689 | 1,489 |
| Miscellaneous | 8,500 | 8,500 | 6,136 | (2,364) |
| Total revenues | 1,106,700 | 1,106,700 | 1,250,806 | 144,106 |
| Expenditures | | | | |
| Current | | | | |
| Personal services | 217,400 | 237,400 (1) | 231,494 | 5,906 |
| Materials and services | 206,400 | 246,400 (1) | 221,956 | 24,444 |
| Capital outlay | 410,400 | 505,400 (1) | 493,285 | 12,115 |
| Contingency | 176,281 | 21,281 (1) | - | 21,281 |
| Total expenditures | 1,010,481 | 1,010,481 | 946,735 | 63,746 |
| Excess of revenue over/ (under) expenditures | 96,219 | 96,219 | 304,071 | 207,852 |
| Other financing sources/(uses) | | | | |
| Transfers in | 100,000 | 100,000 | 100,000 | - |
| Transfers out | (401,500) | (401,500) (1) | (401,500) | - |
| Total other financing sources (uses) | (301,500) | (301,500) | (301,500) | - |
| Net change in fund balance | (205,281) | (205,281) | 2,571 | 207,852 |
| Fund balance, July 1, 2016 | 205,281 | 205,281 | 267,186 | 61,905 |
| Fund balance, June 30, 2017 | \$ - | \$ - | \$ 269,757 | \$ 269,757 |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Emergency Dispatch Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|------------------|----------------------|------------------|----------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 693,300 | \$ 693,300 | \$ 908,848 | \$ 215,548 |
| Miscellaneous | 3,500 | 3,500 | - | (3,500) |
| Interest | 2,000 | 2,000 | 2,490 | 490 |
| Total revenues | 698,800 | 698,800 | 911,338 | 212,538 |
| Expenditures | | | | |
| Current | | | | |
| Personal services | 926,000 | 926,000 (1) | 832,223 | 93,777 |
| Materials and services | 182,500 | 200,500 (1) | 199,718 | 782 |
| Capital outlay | 30,000 | 215,000 (1) | 199,544 | 15,456 |
| Contingency | 229,497 | 26,497 (1) | - | 26,497 |
| Total expenditures | 1,367,997 | 1,367,997 | 1,231,485 | 136,512 |
| Excess of revenues over/ (under) expenditures | (669,197) | (669,197) | (320,147) | 349,050 |
| Other financing sources (uses) | | | | |
| Transfers out | (168,900) | (168,900) (1) | (168,900) | - |
| Transfers in | 521,400 | 521,400 | 521,400 | - |
| Total other financing sources (uses) | 352,500 | 352,500 | 352,500 | - |
| Net change in fund balance | (316,697) | (316,697) | 32,353 | 349,050 |
| Fund balance, July 1, 2016 | 316,697 | 316,697 | 339,206 | 22,509 |
| Fund balance, June 30, 2017 | \$ - | \$ - | \$ 371,559 | \$ 371,559 |

(1) Appropriation Level



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Financial Section

Supplementary Information

Governmental Funds

- Community Development Fund
- Transportation SDC Fund
- Local Improvement District Debt Service Fund
- Pension Obligation Debt Service Fund

Proprietary Funds

Enterprise Funds

- Water Fund
- Wastewater Fund
- Railroad Fund
- Airport Fund
- Golf Course Fund
- Freight Depot Fund

Internal Service Funds

- Internal Service Funds
- City Hall Funds
- Public Works Support Services Fund

Other Financial Schedules

- Property Tax Collection



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City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Fund
Year Ended June 30, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|-----------------|-----------------|----------------|-------------------------------|
| Revenues | | | | |
| Licenses and permits | \$ 40,000 | \$ 40,000 | \$ 57,324 | \$ 17,324 |
| Intergovernmental | 5,300 | 5,300 | 15,225 | 9,925 |
| Charges for services | 38,900 | 38,900 | 7,339 | (31,561) |
| Interest | 400 | 400 | 793 | 393 |
| Total revenues | 84,600 | 84,600 | 80,681 | (3,919) |
| Expenditures | | | | |
| Current | | | | |
| Personal services | 242,000 | 242,000 (1) | 238,712 | 3,288 |
| Materials and services | 27,800 | 27,800 (1) | 18,013 | 9,787 |
| Capital outlay | - | - (1) | - | - |
| Contingency | 69,680 | 69,680 (1) | - | 69,680 |
| Total expenditures | 339,480 | 339,480 | 256,725 | 82,755 |
| Excess of revenues over/ (under) expenditures | (254,880) | (254,880) | (176,044) | 78,836 |
| Other financing sources (uses) | | | | |
| Transfers out | (118,500) | (118,500) (1) | (118,500) | - |
| Transfers in | 315,000 | 315,000 | 337,803 | 22,803 |
| Total other financing sources (uses) | 196,500 | 196,500 | 219,303 | 22,803 |
| Net change in fund balance | (58,380) | (58,380) | 43,259 | 101,639 |
| Fund balance, July 1, 2016 | 58,380 | 58,380 | 78,021 | 19,641 |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | 121,280 | <u>\$ 121,280</u> |
| Reconciliation to GAAP fund balance: | | | | |
| Consolidation of fund balance with general fund | | | (121,280) | |
| Total fund balance | | | <u>\$ -</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Transportation SDC Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|--------------------|----------------------------|-------------------|-------------------------------|
| Revenues | | | | |
| Interest | \$ 2,000 | \$ 2,000 | \$ 4,235 | \$ 2,235 |
| System development charges | 350,000 | 350,000 | 334,548 | (15,452) |
| Total revenues | 352,000 | 352,000 | 338,783 | (13,217) |
| Expenditures | | | | |
| Current | | | | |
| Capital outlay | 250,000 | 300,000 (1) | 300,000 | - |
| Contingency | 543,594 | 493,594 (1) | - | 493,594 |
| Total expenditures | 793,594 | 793,594 | 300,000 | 493,594 |
| Excess of revenues over/ (under) expenditures | (441,594) | (441,594) | 38,783 | 480,377 |
| Other financing sources (uses) | | | | |
| Transfers out | (17,500) | (17,500) (1) | (16,727) | 773 |
| Net change in fund balance | (459,094) | (459,094) | 22,056 | 481,150 |
| Fund balance, July 1, 2016 | 459,094 | 459,094 | 496,754 | 37,660 |
| Fund balance, June 30, 2017 | \$ - | \$ - | \$ 518,810 | \$ 518,810 |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Local Improvement District Debt Service Fund
Year Ended June 30, 2017

| | Original and Final Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|------------------------------|----------------------------|------------------|-------------------------------|
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ 2,375 | \$ 2,375 |
| Assessment payments | 1,200,000 | 1,200,000 | 1,269,851 | 69,851 |
| Total revenues | 1,200,000 | 1,200,000 | 1,272,226 | 72,226 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 1,200,000 | 1,200,000 (2) | 1,164,016 | 35,984 |
| Interest | - | 26,400 (2) | 62,315 | (35,915) |
| Contingency | - | - (1) | - | - |
| Total expenditures | 1,200,000 | 1,226,400 | 1,226,331 | 69 |
| Excess of revenues over/ (under) expenditures | - | (26,400) | 45,895 | 72,295 |
| Other financing sources/(uses) | | | | |
| Transfers out | (101,475) | (75,075) (1) | (75,075) | - |
| Total other financing sources (uses) | (101,475) | (75,075) | (75,075) | - |
| Net change in fund balance | (101,475) | (101,475) | (29,180) | 72,295 |
| Fund balance, July 1, 2016 | 101,475 | 101,475 | 101,665 | 190 |
| Fund balance, June 30, 2017 | \$ - | \$ - | \$ 72,485 | \$ 72,485 |

(1) Appropriation Level

(2) Appropriation level is Principal and Interest Combined

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Pension Obligation Debt Service Fund
Year Ended June 30, 2017

| | Original and Final Budget | Actual | Variance with Final Budget |
|-----------------------------|------------------------------|-------------------|-------------------------------|
| Revenues | | | |
| Charges for Services | \$ 313,000 | \$ 557,954 | \$ 244,954 |
| Interest | 1,000 | 4,202 | 3,202 |
| Total revenues | <u>314,000</u> | <u>562,156</u> | <u>248,156</u> |
| Expenditures | | | |
| Debt service | | | |
| Principal | 125,000 (1) | 125,000 | - |
| Interest | 133,200 (1) | 133,133 | 67 |
| Contingency | <u>241,142 (1)</u> | <u>-</u> | <u>241,142</u> |
| Total expenditures | <u>499,342</u> | <u>258,133</u> | <u>241,209</u> |
| Net change in fund balance | (185,342) | 304,023 | 489,365 |
| Fund balance, July 1, 2016 | <u>185,342</u> | <u>252,680</u> | <u>67,338</u> |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ 556,703</u> | <u>\$ 556,703</u> |

(1) Appropriation Level

City of Prineville, Oregon
Combining Schedule of Net Position
Water Fund
June 30, 2017

| | Water Fund | Water SDC Fund | Totals |
|---------------------------------------|----------------------|-------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and investments | \$ 994,522 | \$ 50,491 | \$ 1,045,013 |
| Accounts receivable | 406,730 | - | 406,730 |
| Inventory | 202,197 | - | 202,197 |
| Total current assets | <u>1,603,449</u> | <u>50,491</u> | <u>1,653,940</u> |
| Non-current assets | | | |
| Due from general fund | 53,828 | - | 53,828 |
| Capital assets: | | | |
| Non-depreciable | 476,603 | - | 476,603 |
| Other capital assets | 15,774,586 | - | 15,774,586 |
| Accumulated depreciation | <u>(4,031,168)</u> | <u>-</u> | <u>(4,031,168)</u> |
| Net non-current assets | <u>12,273,849</u> | <u>-</u> | <u>12,273,849</u> |
| Total assets | <u>\$ 13,877,298</u> | <u>\$ 50,491</u> | <u>\$ 13,927,789</u> |
| Liabilities and net position | | | |
| Current liabilities | | | |
| Accounts payable | \$ 118,659 | \$ 3,000 | \$ 121,659 |
| Deposits | 26,627 | - | 26,627 |
| Accrued interest | 15,121 | - | 15,121 |
| Bonds payable, current portion | <u>178,871</u> | <u>-</u> | <u>178,871</u> |
| Total current liabilities | <u>339,278</u> | <u>3,000</u> | <u>342,278</u> |
| Long-term liabilities | | | |
| Bond premium | 50,323 | - | 50,323 |
| Bonds payable, net of current portion | <u>2,430,000</u> | <u>-</u> | <u>2,430,000</u> |
| Total long-term liabilities | <u>2,480,323</u> | <u>-</u> | <u>2,480,323</u> |
| Total liabilities | <u>2,819,601</u> | <u>3,000</u> | <u>2,822,601</u> |
| Net position | | | |
| Net Investment in Capital Assets | 9,560,827 | - | 9,560,827 |
| Restricted | - | 47,491 | 47,491 |
| Unrestricted | <u>1,496,870</u> | <u>-</u> | <u>1,496,870</u> |
| Total net position | <u>11,057,697</u> | <u>47,491</u> | <u>11,105,188</u> |
| Total liabilities and net position | <u>\$ 13,877,298</u> | <u>\$ 50,491</u> | <u>\$ 13,927,789</u> |

City of Prineville, Oregon
Combining Schedule of Revenues, Expenses and Changes in Net Position
Water Fund
Year Ended June 30, 2017

| | Water Fund | Water SDC Fund | Totals |
|---|----------------------|-------------------|----------------------|
| Operating revenue | | | |
| Charges for services | \$ 2,343,857 | \$ - | \$ 2,343,857 |
| System development charges | - | 152,731 | 152,731 |
| Other | 100,955 | - | 100,955 |
| Total operating revenue | <u>2,444,812</u> | <u>152,731</u> | <u>2,597,543</u> |
| Operating expenses | | | |
| Materials and services | 614,750 | - | 614,750 |
| Depreciation | 319,394 | - | 319,394 |
| Total operating expenses | <u>934,144</u> | <u>-</u> | <u>934,144</u> |
| Operating income (loss) | 1,510,668 | 152,731 | 1,663,399 |
| Non-operating revenues (expenses) | | | |
| Interest income | 8,142 | 1,176 | 9,318 |
| Interest expense | (118,676) | - | (118,676) |
| Bond premium amortization | 3,870 | - | 3,870 |
| Contributed capital | 379,063 | - | 379,063 |
| Transfers in | 168,886 | - | 168,886 |
| Transfers out | (1,171,800) | (176,523) | (1,348,323) |
| Total non-operating revenues (expenses) | <u>(730,515)</u> | <u>(175,347)</u> | <u>(905,862)</u> |
| Change in net position | 780,153 | (22,616) | 757,537 |
| Net position, July 1, 2016 | <u>10,277,544</u> | <u>70,107</u> | <u>10,347,651</u> |
| Net position, June 30, 2017 | <u>\$ 11,057,697</u> | <u>\$ 47,491</u> | <u>\$ 11,105,188</u> |

City of Prineville, Oregon

Combining Schedule of Cash Flows

Water Fund

Year Ended June 30, 2017

| | Water Fund | Water SDC Fund | Totals |
|---|---------------------|-------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 2,412,099 | \$ 152,731 | \$ 2,564,830 |
| Cash payments for goods and services | (587,245) | - | (587,245) |
| Net cash flows from operating activities | <u>1,824,854</u> | <u>152,731</u> | <u>1,977,585</u> |
| Cash flows from non-capital activities | | | |
| Transfers out | (1,171,800) | (176,523) | (1,348,323) |
| Transfers in | 168,886 | - | 168,886 |
| Interfund loan repayments | 52,763 | - | 52,763 |
| Net cash flows from non-capital activities | <u>(950,151)</u> | <u>(176,523)</u> | <u>(1,126,674)</u> |
| Cash flows from capital financing activities | | | |
| Acquisition of capital assets | (944,258) | - | (944,258) |
| Debt reduction | (160,000) | - | (160,000) |
| Interest paid on debt | (120,015) | - | (120,015) |
| Net cash flows from capital financing activities | <u>(1,224,273)</u> | <u>-</u> | <u>(1,224,273)</u> |
| Cash flows from investing activities | | | |
| Interest earned | 8,142 | 1,176 | 9,318 |
| Net increase (decrease) in cash | (341,428) | (22,616) | (364,044) |
| Cash - July 1, 2016 | 1,335,950 | 73,107 | 1,409,057 |
| Cash - June 30, 2017 | <u>\$ 994,522</u> | <u>\$ 50,491</u> | <u>\$ 1,045,013</u> |
| Reconciliation of operating income to net cash flows from operations | | | |
| Operating income (loss) | \$ 1,510,668 | \$ 152,731 | \$ 1,663,399 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | |
| Depreciation | 319,394 | - | 319,394 |
| Changes in assets and liabilities | | | |
| Increase/(decrease) in accounts payable | 9,425 | - | 9,425 |
| Increase/(decrease) in deposits | (270) | - | (270) |
| Decrease/(increase) in inventory | 18,080 | - | 18,080 |
| Decrease/(increase) in accounts receivable | (32,443) | - | (32,443) |
| Total adjustments | <u>314,186</u> | <u>-</u> | <u>314,186</u> |
| Net cash from operating activities | <u>\$ 1,824,854</u> | <u>\$ 152,731</u> | <u>\$ 1,977,585</u> |
| Noncash investing, capital, and financing activities | | | |
| Contributions of capital assets | 379,063 | - | |

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Water Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|--------------------|----------------------------|----------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 35,000 | \$ 35,000 | \$ 25,000 | \$ (10,000) |
| Charges for service | 2,256,000 | 2,256,000 | 2,343,857 | 87,857 |
| Interest | 5,000 | 5,000 | 8,142 | 3,142 |
| Other | 5,500 | 5,500 | 75,955 | 70,455 |
| Total revenues | 2,301,500 | 2,266,500 | 2,452,954 | 151,454 |
| Expenditures | | | | |
| Materials and services | 613,100 | 623,100 (1) | 614,750 | 8,350 |
| Capital outlay | 735,000 | 995,000 (1) | 944,258 | 50,742 |
| Debt service | | | | |
| Principal | 160,000 | 160,000 (1) | 160,000 | - |
| Interest | 120,100 | 120,100 (1) | 118,676 | 1,424 |
| Contingency | 1,150,441 | 880,441 (1) | - | 880,441 |
| Total expenditures | 2,778,641 | 2,778,641 | 1,837,684 | 940,957 |
| Excess of revenues over/ (under) expenditures | (477,141) | (477,141) | 615,270 | 1,092,411 |
| Other financing sources (uses) | | | | |
| Transfers in | 124,000 | 124,000 | 168,886 | 44,886 |
| Transfers out | (1,171,800) | (1,171,800) (1) | (1,171,800) | - |
| Total other financing sources (uses) | (1,047,800) | (1,047,800) | (1,002,914) | 44,886 |
| Net change in fund balance | (1,524,941) | (1,524,941) | (387,644) | 1,137,297 |
| Fund balance, July 1, 2016 | 1,524,941 | 1,524,941 | 1,884,514 | 359,573 |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | 1,496,870 | <u>\$ 1,496,870</u> |
| Reconciliation to net position - GAAP Basis: | | | | |
| Adjustment for capital assets, net of accumulated depreciation | | | 12,273,849 | |
| Adjustment for note payable - due within one year | | | (175,000) | |
| Adjustment for unamortized bond premium | | | (54,194) | |
| Adjustment for amount due from general fund | | | (53,828) | |
| Adjustment for note payable | | | (2,430,000) | |
| Net position - GAAP Basis | | | <u>\$ 11,057,697</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Water SDC Fund
Year Ended June 30, 2017

| | Original and Final Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|------------------------------|----------------------------|------------------|-------------------------------|
| Revenues | | | | |
| Interest | \$ 600 | \$ 600 | \$ 1,176 | \$ 576 |
| System development charges | 200,000 | 200,000 | 152,731 | (47,269) |
| Total revenues | <u>200,600</u> | <u>200,600</u> | <u>153,907</u> | <u>(46,693)</u> |
| Expenditures | | | | |
| Contingency | 87,192 | 25,892 (1) | - | 25,892 |
| Total expenditures | <u>87,192</u> | <u>25,892</u> | <u>-</u> | <u>25,892</u> |
| Excess of revenues over/ (under) expenditures | 113,408 | 174,708 | 153,907 | (20,801) |
| Other financing sources (uses) | | | | |
| Transfers out | (124,000) | (185,300) (1) | (176,523) | 8,777 |
| Total other financing sources (uses) | <u>(124,000)</u> | <u>(185,300)</u> | <u>(176,523)</u> | <u>8,777</u> |
| Net change in fund balance | (10,592) | (10,592) | (22,616) | (12,024) |
| Fund balance, July 1, 2016 | <u>10,592</u> | <u>10,592</u> | <u>70,107</u> | <u>59,515</u> |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | 47,491 | <u>\$ 47,491</u> |
| Reconciliation to net position - GAAP Basis: | | | <u>-</u> | |
| Net position - GAAP Basis | | | <u>\$ 47,491</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Combining Schedule of Net Position
Wastewater Fund
June 30, 2017

| | Wastewater Fund | Wastewater SDC Fund | Totals |
|---------------------------------------|----------------------|------------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and investments | \$ 1,170,337 | \$ - | \$ 1,170,337 |
| Accounts receivable | 541,104 | 607,666 | 1,148,770 |
| Inventory | 29,408 | - | 29,408 |
| Total current assets | <u>1,740,849</u> | <u>607,666</u> | <u>2,348,515</u> |
| Non-current assets | | | |
| Restricted cash and investments | 304,000 | - | 304,000 |
| Capital assets: | | | |
| Non-depreciable | 1,029,290 | - | 1,029,290 |
| Other capital assets, Net | 30,100,815 | - | 30,100,815 |
| Net non-current assets | <u>31,434,105</u> | <u>-</u> | <u>31,434,105</u> |
| Total assets | <u>\$ 33,174,954</u> | <u>\$ 607,666</u> | <u>\$ 33,782,620</u> |
| Liabilities and net position | | | |
| Current liabilities | | | |
| Accounts payable | \$ 62,673 | \$ 485,632 | \$ 548,305 |
| Accrued interest | 64,085 | - | 64,085 |
| Deposits | 58,022 | - | 58,022 |
| Accrued compensated absences | 13,212 | - | 13,212 |
| Bonds payable, current portion | 623,448 | - | 623,448 |
| Total current liabilities | <u>821,440</u> | <u>485,632</u> | <u>1,307,072</u> |
| Long-term liabilities | | | |
| Due to General Fund | - | 61,230 | 61,230 |
| Bond premium | 66,973 | - | 66,973 |
| Notes Payable | - | 4,695,378 | 4,695,378 |
| Bonds payable, net of current portion | 8,788,244 | - | 8,788,244 |
| Total long-term liabilities | <u>8,855,217</u> | <u>4,756,608</u> | <u>13,611,825</u> |
| Total liabilities | <u>9,676,657</u> | <u>5,242,240</u> | <u>14,918,897</u> |
| Net position | | | |
| Net Investment in Capital Assets | 21,651,440 | - | 21,651,440 |
| Restricted for debt service | 304,000 | - | 304,000 |
| Restricted for capital projects | - | - | - |
| Unrestricted | 1,542,857 | (4,634,574) | (3,091,717) |
| Total net position | <u>23,498,297</u> | <u>(4,634,574)</u> | <u>18,863,723</u> |
| Total liabilities and net position | <u>\$ 33,174,954</u> | <u>\$ 607,666</u> | <u>\$ 33,782,620</u> |

City of Prineville, Oregon
Combining Schedule of Revenues, Expenses and Changes in Net Position
Wastewater Fund
Year Ended June 30, 2017

| | Wasterwater Fund | Wastewater SDC Fund | Totals |
|---|----------------------|------------------------|----------------------|
| Operating revenue | | | |
| Intergovernmental | \$ - | \$ 2,205,961 | \$ 2,205,961 |
| Charges for services | 3,419,401 | 165,018 | 3,584,419 |
| Other | 58,300 | 1,999 | 60,299 |
| Total operating revenue | <u>3,477,701</u> | <u>2,372,978</u> | <u>5,850,679</u> |
| Operating expenses | | | |
| Salaries and fringe benefits | 117,047 | - | 117,047 |
| Materials and services | 831,520 | 425 | 831,945 |
| Depreciation | 563,091 | - | 563,091 |
| Total operating expenses | <u>1,511,658</u> | <u>425</u> | <u>1,512,083</u> |
| Operating income (loss) | 1,966,043 | 2,372,553 | 4,338,596 |
| Non-operating revenues (expenses) | | | |
| Interest income | 9,545 | 2,070 | 11,615 |
| Interest expense | (347,583) | - | (347,583) |
| Bond premium amortization | 5,151 | - | 5,151 |
| Sale of Assets | 157,457 | - | 157,457 |
| Transfers in | 43,155 | - | 43,155 |
| Transfers out | (1,315,200) | (56,300) | (1,371,500) |
| Total non-operating revenues (expenses) | <u>(1,447,475)</u> | <u>(54,230)</u> | <u>(1,501,705)</u> |
| Other non-operating items | | | |
| Contributed capital | 5,245,660 | (4,827,919) | 417,741 |
| Change in net position | 5,764,228 | (2,509,596) | 3,254,632 |
| Net position, July 1, 2016 | <u>17,734,069</u> | <u>(2,124,978)</u> | <u>15,609,091</u> |
| Net position, June 30, 2017 | <u>\$ 23,498,297</u> | <u>\$ (4,634,574)</u> | <u>\$ 18,863,723</u> |

City of Prineville, Oregon

Combining Schedule of Cash Flows

Wastewater Fund

Year Ended June 30, 2017

| | Wastewater Fund | Wastewater SDC Fund | Totals |
|---|--------------------|------------------------|--------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 3,370,043 | \$ 3,005,728 | \$ 6,375,771 |
| Cash payments for goods and services | (808,859) | (770,823) | (1,579,682) |
| Cash payments to employees | (113,409) | - | (113,409) |
| Net cash flows from operating activities | 2,447,775 | 2,234,905 | 4,682,680 |
| Cash flows from non-capital activities | | | |
| Transfers out | (1,315,200) | (56,300) | (1,371,500) |
| Transfers in | 43,155 | - | 43,155 |
| Net cash flows from non-capital activities | (1,272,045) | (56,300) | (1,328,345) |
| Cash flows from capital financing activities | | | |
| Sale of Assets | 157,457 | - | 157,457 |
| Acquisition of capital assets | (326,991) | (4,827,919) | (5,154,910) |
| Debt proceeds | - | 2,204,578 | 2,204,578 |
| Debt reduction | (560,401) | - | (560,401) |
| Interest paid on debt | (352,063) | - | (352,063) |
| Net cash flows from capital financing activities | (1,081,998) | (2,623,341) | (3,705,339) |
| Cash flows from investing activities | | | |
| Interest earned | 9,545 | 2,070 | 11,615 |
| Net decrease in cash | 103,277 | (442,666) | (339,389) |
| Cash - July 1, 2016 | 1,371,060 | 442,666 | 1,813,726 |
| Cash - June 30, 2017 | \$ 1,474,337 | \$ - | \$ 1,474,337 |
| Reconciliation of operating income to net cash flows from operations | | | |
| Operating income | \$ 1,966,043 | \$ 2,372,553 | 4,338,596 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | |
| Depreciation | 563,091 | - | 563,091 |
| Changes in assets and liabilities | | | |
| Increase/(decrease) in accounts payable | 13,664 | (831,628) | (817,964) |
| Increase/(decrease) in other liabilities | - | 61,230 | 61,230 |
| Increase/(decrease) in accrued expenses | 3,638 | - | 3,638 |
| Increase/(decrease) in deposits | 519 | - | 519 |
| Decrease/(increase) in accounts receivable | (108,177) | 632,750 | 524,573 |
| Decrease/(increase) in inventory | 8,997 | - | 8,997 |
| Total adjustments | 481,732 | (137,648) | 344,084 |
| Net cash from operating activities | \$ 2,447,775 | \$ 2,234,905 | \$ 4,682,680 |
| Noncash investing, capital, and financing activities | | | |
| Contributions of capital assets | 5,245,660 | (4,827,919) | 417,741 |

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Wastewater Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|--------------------|----------------------------|----------------------|-------------------------------|
| Revenues | | | | |
| Charges for service | \$ 3,297,500 | \$ 3,297,500 | \$ 3,419,401 | \$ 121,901 |
| Interest | 4,000 | 4,000 | 9,545 | 5,545 |
| Other | 25,100 | 25,100 | 58,300 | 33,200 |
| Total revenues | 3,326,600 | 3,326,600 | 3,487,246 | 160,646 |
| Expenditures | | | | |
| Personal services | 113,200 | 120,200 (1) | 117,047 | 3,153 |
| Materials and services | 733,500 | 772,500 (1) | 758,122 | 14,378 |
| Capital outlay | 135,000 | 375,000 (1) | 374,029 | 971 |
| Debt service | | | | |
| Principal | 5,060,400 | 5,060,400 (1) | 560,401 | 4,499,999 |
| Interest | 407,200 | 407,200 (1) | 347,583 | 59,617 |
| Other requirements | | | | |
| Loan fees | 26,400 | 26,400 (1) | 26,360 | 40 |
| Contingency | 1,336,650 | 1,050,650 (1) | - | 1,050,650 |
| Total expenditures | 7,812,350 | 7,812,350 | 2,183,542 | 5,628,808 |
| Excess of revenues over/ (under) expenditures | (4,485,750) | (4,485,750) | 1,303,704 | 5,789,454 |
| Other financing sources (uses) | | | | |
| Sale of Assets | - | - | 157,457 | 157,457 |
| Debt Proceeds | 4,500,000 | 4,500,000 | - | (4,500,000) |
| Transfers in | 50,000 | 50,000 | 43,155 | (6,845) |
| Transfers out | (1,315,200) | (1,315,200) (1) | (1,315,200) | - |
| Total other financing sources (uses) | 3,234,800 | 3,234,800 | (1,114,588) | (4,349,388) |
| Net change in fund balance | (1,250,950) | (1,250,950) | 189,116 | 1,440,066 |
| Fund balance, July 1, 2016 | 1,554,950 | 1,554,950 | 1,657,741 | 102,791 |
| Fund balance, June 30, 2017 | 304,000 | 304,000 | 1,846,857 | 1,542,857 |
| Other requirements | | | | |
| Restricted for debt service | 304,000 | 304,000 | 304,000 | - |
| Ending unassigned, unrestricted fund balance | <u>\$ -</u> | <u>\$ -</u> | 1,542,857 | <u>\$ 1,542,857</u> |
| Reconciliation to fund balance - modified accrual budgetary basis | | | | |
| Adjustment for beginning fund balance | | | 9,574 | |
| Adjustment for current year change in accrued absences | | | <u>3,638</u> | |
| Fund balance - modified accrual budgetary basis | | | 1,556,069 | |
| Reconciliation to net position - GAAP Basis: | | | | |
| Adjustment for capital assets, net of accumulated depreciation | | | 31,130,105 | |
| Adjustment for accrued compensated absences payable | | | (13,212) | |
| Adjustment for note payable - due within one year | | | (618,297) | |
| Adjustment for unamortized bond premium | | | (72,124) | |
| Adjustment for notes payable | | | <u>(8,788,244)</u> | |
| Net position - GAAP Basis | | | <u>\$ 23,498,297</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Wastewater SDC Fund
Year Ended June 30, 2017

| | Original and Final Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|------------------------------|----------------------------|-----------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 2,410,000 | \$ 2,410,000 | \$ 2,205,961 | \$ (204,039) |
| Interest | 1,000 | 1,000 | 2,070 | 1,070 |
| Miscellaneous | - | - | 1,999 | 1,999 |
| System development charges | 350,000 | 350,000 | 165,018 | (184,982) |
| Total revenues | 2,761,000 | 2,761,000 | 2,375,048 | (385,952) |
| Expenditures | | | | |
| Material and services | 10,000 | 10,000 (1) | 425 | 9,575 |
| Capital outlay | 4,810,000 | 5,039,500 (1) | 4,827,919 | 211,581 |
| Contingency | 191,707 | 11,707 (1) | - | 11,707 |
| Total expenditures | 5,011,707 | 5,061,207 | 4,828,344 | 232,863 |
| Excess of revenues over/ (under) expenditures | (2,250,707) | (2,300,207) | (2,453,296) | (153,089) |
| Other financing sources (uses) | | | | |
| Debt proceeds | 2,250,000 | 2,250,000 | 2,204,578 | (45,422) |
| Transfers out | (114,500) | (65,000) (1) | (56,300) | 8,700 |
| Total other financing sources (uses) | 2,135,500 | 2,185,000 | 2,148,278 | (36,722) |
| Net change in fund balance | (115,207) | (115,207) | (305,018) | (189,811) |
| Fund balance, July 1, 2016 | 115,207 | 115,207 | 365,822 | 250,615 |
| Fund balance, June 30, 2017 | \$ - | \$ - | 60,804 | \$ 60,804 |
| Adjustment for note payable | | | (4,695,378) | |
| Net position - GAAP Basis | | | <u>\$ (4,634,574)</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Railroad Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|--------------------|----------------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Charges for services | \$ 723,500 | \$ 987,500 | \$ 1,091,512 | \$ (104,012) |
| Interest | - | - | 5,682 | (5,682) |
| Miscellaneous | 197,100 | 197,100 | 68,838 | 128,262 |
| Total revenues | 920,600 | 1,184,600 | 1,166,032 | 18,568 |
| Expenditures | | | | |
| Personal services | 373,900 | 373,900 (1) | 303,560 | 70,340 |
| Materials and services | 386,100 | 511,100 (1) | 409,736 | 101,364 |
| Capital outlay | - | 250,000 (1) | 205,604 | 44,396 |
| Debt service | | | | |
| Principal | 49,400 | 49,400 (1) | 49,221 | 179 |
| Interest | 1,100 | 1,100 (1) | 156 | 944 |
| Contingency | 854,049 | 743,049 (1) | - | 743,049 |
| Total expenditures | 1,664,549 | 1,928,549 | 968,277 | 960,272 |
| Excess of revenues over/ (under) expenditures | (743,949) | (743,949) | 197,755 | 941,704 |
| Other financing sources (uses) | | | | |
| Transfers in | 50,500 | 50,500 | 50,500 | - |
| Transfers out | (91,200) | (91,200) (1) | (91,200) | - |
| Total other financing sources (uses) | (40,700) | (40,700) | (40,700) | - |
| Net change in fund balance | (784,649) | (784,649) | 157,055 | 941,704 |
| Fund balance, July 1, 2016 | 784,649 | 784,649 | 902,566 | 117,917 |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | 1,059,621 | <u>\$ 1,059,621</u> |
| Reconciliation to fund balance - modified accrual budgetary basis | | | | |
| Adjustment for beginning fund balance | | | 26,825 | |
| Adjustment for current year change in accrued absences | | | 7,412 | |
| Fund balance - modified accrual budgetary basis | | | 1,093,858 | |
| Reconciliation to net position - GAAP Basis: | | | | |
| Adjustment for capital assets, net of accumulated depreciation | | | 8,163,959 | |
| Adjustment for accrued compensated absences payable | | | (34,237) | |
| Adjustment for amount due from general fund | | | (771,851) | |
| Net position - GAAP Basis | | | <u>\$ 8,451,729</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Airport Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|---|--------------------|----------------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 3,730,000 | \$ 3,730,000 | \$ 1,426,300 | \$ (2,303,700) |
| Charges for services | 881,000 | 881,000 | 547,012 | (333,988) |
| Interest | 100 | 100 | - | (100) |
| Total revenues | <u>4,611,100</u> | <u>4,611,100</u> | <u>1,973,312</u> | <u>(2,637,788)</u> |
| Expenditures | | | | |
| Personal services | 159,100 | 159,100 (1) | 144,068 | 15,032 |
| Materials and services | 789,000 | 789,000 (1) | 523,040 | 265,960 |
| Capital outlay | 3,760,000 | 3,760,000 (1) | 1,442,179 | 2,317,821 |
| Contingency | 30,649 | 30,649 (1) | - | 30,649 |
| Total expenditures | <u>4,738,749</u> | <u>4,738,749</u> | <u>2,109,287</u> | <u>2,629,462</u> |
| Excess of revenues over/ (under) expenditures | (127,649) | (127,649) | (135,975) | (8,326) |
| Other financing sources (uses) | | | | |
| Transfers in | 180,000 | 180,000 | 230,000 | 50,000 |
| Transfers out | (89,800) | (89,800) (1) | (89,800) | - |
| Total other financing sources (uses) | <u>90,200</u> | <u>90,200</u> | <u>140,200</u> | <u>50,000</u> |
| Net change in fund balance | (37,449) | (37,449) | 4,225 | 41,674 |
| Fund balance, July 1, 2016 | <u>37,449</u> | <u>37,449</u> | <u>61,663</u> | <u>24,214</u> |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | 65,888 | <u>\$ 65,888</u> |
| Reconciliation to fund balance - modified accrual budgetary basis | | | | |
| Adjustment for beginning fund balance | | | 4,022 | |
| Adjustment for current year change in accrued absences | | | <u>1,071</u> | |
| Fund balance - modified accrual budgetary basis | | | 70,981 | |
| Reconciliation to net position - GAAP Basis: | | | | |
| Adjustment for accrued compensated absences | | | (5,093) | |
| Adjustment for capital assets, net of accumulated depreciation | | | <u>1,894,923</u> | |
| Net position - GAAP Basis | | | <u>\$ 1,960,811</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Golf Course Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|--------------------|----------------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Charges for service | \$ 1,322,400 | \$ 1,322,400 | \$ 1,084,652 | \$ (237,748) |
| Interest | 2,500 | 2,500 | 3,263 | 763 |
| Miscellaneous | 7,000 | 7,000 | 7,422 | 422 |
| Total revenues | 1,331,900 | 1,331,900 | 1,095,337 | (236,563) |
| Expenditures | | | | |
| Waste disposal | 409,600 | 409,600 (1) | 397,426 | 12,174 |
| Golf course | 422,500 | 422,500 (1) | 359,446 | 63,054 |
| Restaurant | 471,400 | 471,400 (1) | 452,972 | 18,428 |
| Debt service: Principal | 76,700 | 76,700 (2) | 77,100 | (400) |
| Debt service: Interest | 24,200 | 24,200 (2) | 22,270 | 1,930 |
| Contingency | 373,162 | 373,162 (1) | - | 373,162 |
| Total expenditures | 1,777,562 | 1,777,562 | 1,309,214 | 468,348 |
| Excess of revenues over/ (under) expenditures | (445,662) | (445,662) | (213,877) | 231,785 |
| Other financing sources (uses) | | | | |
| Transfers in | 370,000 | 370,000 | 370,000 | - |
| Transfers out | (127,400) | (127,400) (1) | (127,400) | - |
| Total other financing sources (uses) | 242,600 | 242,600 | 242,600 | - |
| Net change in fund balance | (203,062) | (203,062) | 28,723 | 231,785 |
| Fund balance, July 1, 2016 | 330,462 | 330,462 | 373,308 | 42,846 |
| Fund balance, June 30, 2017 | <u>\$ 127,400</u> | <u>\$ 127,400</u> | 402,031 | <u>\$ 274,631</u> |
| Reconciliation to fund balance - modified accrual budgetary basis | | | | |
| Adjustment for beginning fund balance | | | 110,642 | |
| Adjustment for current year change in accrued absences | | | 7,043 | |
| Fund balance - modified accrual budgetary basis | | | 519,716 | |
| Reconciliation to net position - GAAP Basis: | | | | |
| Adjustment for capital assets, net of accumulated deprecia | | | 1,364,541 | |
| Adjustment for accrued compensated absences payable | | | (117,685) | |
| Adjustment for unamortized bond premium | | | (11,024) | |
| Adjustment for bond payable | | | (415,000) | |
| Adjustment for note payable | | | (131,830) | |
| Net position - GAAP Basis | | | \$ 1,208,718 | |

(1) Appropriation Level

(2) Appropriation level is Principal and Interest Combined

City of Prineville, Oregon

Combining Balance Sheet

Internal Service Funds

June 30, 2017

| | Governmental Type Activities | | | |
|--|---------------------------------|----------------------------|----------------------------------|----------------------------|
| | Internal Services Funds | | | |
| | Administrative Services Fund | City Hall Maintenance | Public Works Support Services | Total |
| Assets | | | | |
| Current assets | | | | |
| Cash and investments | \$ 529,760 | \$ 212,625 | \$ 395,495 | \$ 1,137,880 |
| Restricted cash and investments | - | 105,000 | - | 105,000 |
| Accounts receivable | 3,602 | - | - | 3,602 |
| Inventory | - | - | 20,321 | 20,321 |
| Total current assets | <u>533,362</u> | <u>317,625</u> | <u>415,816</u> | <u>1,266,803</u> |
| Capital Assets (net of accumulated depreciation) | <u>91,055</u> | <u>1,565,442</u> | <u>637,510</u> | <u>2,294,007</u> |
| Total assets | <u>624,417</u> | <u>1,883,067</u> | <u>1,053,326</u> | <u>3,560,810</u> |
| Deferred outflows of resources | | | | |
| Pension related deferrals | <u>783,139</u> | <u>-</u> | <u>698,015</u> | <u>1,481,154</u> |
| Total assets and deferred outflows | <u><u>1,407,556</u></u> | <u><u>1,883,067</u></u> | <u><u>1,751,341</u></u> | <u><u>5,041,964</u></u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 33,054 | 8,799 | 7,473 | 49,326 |
| Accrued interest payable | - | 31,063 | 2,155 | 33,218 |
| Deposits | - | - | 1,500 | 1,500 |
| Current portion notes payable | - | 47,591 | 32,047 | 79,638 |
| Proportionate share of net pension liability | <u>937,925</u> | <u>-</u> | <u>835,977</u> | <u>1,773,902</u> |
| Total current liabilities | <u>970,979</u> | <u>87,453</u> | <u>879,152</u> | <u>1,937,584</u> |
| Long-term liabilities | | | | |
| Accrued compensated absences payable | 66,853 | - | 102,013 | 168,866 |
| Notes payable | <u>-</u> | <u>1,301,755</u> | <u>66,508</u> | <u>1,368,263</u> |
| Total long-term liabilities | <u>66,853</u> | <u>1,301,755</u> | <u>168,521</u> | <u>1,537,129</u> |
| Total liabilities | <u>1,037,832</u> | <u>1,389,208</u> | <u>1,047,673</u> | <u>3,474,713</u> |
| Deferred inflows of resources | | | | |
| Pension related deferrals | <u>290,214</u> | <u>-</u> | <u>258,669</u> | <u>548,883</u> |
| Net Position | | | | |
| Net investment in capital assets | 91,055 | 216,096 | 538,955 | 846,106 |
| Restricted - Debt Service | - | 105,000 | - | 105,000 |
| Unrestricted | | | | |
| Unassigned | <u>(11,545)</u> | <u>172,763</u> | <u>(93,956)</u> | <u>67,262</u> |
| Total net position | <u>\$ 79,510</u> | <u>\$ 493,859</u> | <u>\$ 444,999</u> | <u>\$ 1,018,368</u> |
| Total liabilities, deferred inflows and net position | <u><u>\$ 1,407,556</u></u> | <u><u>\$ 1,883,067</u></u> | <u><u>\$ 1,751,341</u></u> | <u><u>\$ 5,041,964</u></u> |

City of Prineville, Oregon
Combining Schedule of Revenues, Expenses and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2017

| | Governmental Type Activities | | | Totals |
|---------------------------------------|---------------------------------|--------------------------|----------------------------------|---------------------|
| | Internal Services Funds | | | |
| | Administrative Services Fund | City Hall Maintenance | Public Works Support Services | |
| Operating revenue | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 67,640 | - | 143,008 | 210,648 |
| Other operating revenues | - | 14,342 | 3,343 | 17,685 |
| Total operating revenue | <u>67,640</u> | <u>14,342</u> | <u>146,351</u> | <u>228,333</u> |
| Operating expenses | | | | |
| Salaries and fringe benefits | 1,323,935 | - | 1,353,119 | 2,677,054 |
| Materials and services | 746,899 | 196,380 | 169,482 | 1,112,761 |
| Depreciation | 12,040 | 78,587 | 94,731 | 185,358 |
| Total operating expenses | <u>2,082,874</u> | <u>274,967</u> | <u>1,617,332</u> | <u>3,975,173</u> |
| Operating income (loss) | (2,015,234) | (260,625) | (1,470,981) | (3,746,840) |
| Non-operating revenues (expenses) | | | | |
| Interest income | 3,397 | 2,069 | 2,500 | 7,966 |
| Interest expense | - | (58,236) | (5,388) | (63,624) |
| Sale of assets | - | - | 27,512 | 27,512 |
| Transfer to other funds | (122,500) | (13,700) | (47,600) | (183,800) |
| Transfers from other funds | 2,038,306 | 369,200 | 1,422,100 | 3,829,606 |
| Total non-operating revenue (expense) | <u>1,919,203</u> | <u>299,333</u> | <u>1,399,124</u> | <u>3,617,660</u> |
| Change in net position | (96,031) | 38,708 | (71,857) | (129,180) |
| Net position, July 1, 2016 | <u>175,541</u> | <u>455,151</u> | <u>516,856</u> | <u>1,147,548</u> |
| Net position, June 30, 2017 | <u>\$ 79,510</u> | <u>\$ 493,859</u> | <u>\$ 444,999</u> | <u>\$ 1,018,368</u> |

City of Prineville, Oregon

Combining Schedule of Cash Flows

Internal Service Funds

Year Ended June 30, 2017

| | Governmental Type Activities | | | |
|---|------------------------------|---------------------|--------------------------|-----------------------|
| | Internal Service Funds | | | |
| | Admin Services | City Hall Funds | Public Works Services | Totals |
| Cash flows from operating activities | | | | |
| Cash received from customers | \$ 67,659 | \$ 14,342 | \$ 146,351 | \$ 228,352 |
| Cash payments for goods and services | (827,056) | (192,917) | (239,254) | (1,259,227) |
| Cash payments to employees | (1,155,788) | - | (1,231,291) | (2,387,079) |
| Net cash flows from operating activities | <u>(1,915,185)</u> | <u>(178,575)</u> | <u>(1,324,194)</u> | <u>(3,417,954)</u> |
| Cash flows from non-capital activities | | | | |
| Transfers from other funds | 2,038,306 | 369,200 | 1,422,100 | 3,829,606 |
| Transfers to other funds | (122,500) | (13,700) | (47,600) | (183,800) |
| Net cash flows from non-capital activities | <u>1,915,806</u> | <u>355,500</u> | <u>1,374,500</u> | <u>3,645,806</u> |
| Cash flows from capital financing activities | | | | |
| Acquisition of capital assets | (39,406) | - | (138,243) | (177,649) |
| Debt reduction | - | (45,651) | (31,269) | (76,920) |
| Interest paid on loans | - | (59,287) | (3,234) | (62,521) |
| Sale of assets | - | - | 27,512 | 27,512 |
| Net cash flows from capital financing activities | <u>(39,406)</u> | <u>(104,938)</u> | <u>(145,234)</u> | <u>(289,578)</u> |
| Cash flows from investing activities | | | | |
| Interest earned | 3,397 | 2,069 | 2,500 | 7,966 |
| Net increase (decrease) in cash | (35,388) | 74,056 | (92,428) | (53,760) |
| Cash - July 1, 2016 | 565,148 | 243,569 | 487,923 | 1,296,640 |
| Cash - June 30, 2017 | <u>\$ 529,760</u> | <u>\$ 317,625</u> | <u>\$ 395,495</u> | <u>\$ 1,242,880</u> |
| Reconciliation of operating income to net cash flows from operations | | | | |
| Operating income (loss) | \$ (2,015,234) | \$ (260,625) | \$ (1,470,981) | \$ (3,746,840) |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | | |
| Depreciation | 12,040 | 78,587 | 94,731 | 185,358 |
| Changes in assets and liabilities | | | | |
| Increase/(decrease) in accounts payable | (80,157) | 3,463 | (69,834) | (146,528) |
| Increase/(decrease) in payroll payable | - | - | - | - |
| Decrease/(increase) in Net Pension Asset, Deferred Outflows | (278,727) | - | (248,431) | (527,158) |
| Increase/(decrease) in Net Pension Liabilities, Deferred Inflows | 419,699 | - | 374,080 | 793,779 |
| Decrease/(increase) in accounts receivable | 19 | - | - | 19 |
| Decrease/(increase) in inventory | - | - | 62 | 62 |
| Increase (decrease) in accrued expenses | 27,175 | - | (3,821) | 23,354 |
| Net cash flows from operating activities | <u>\$ (1,915,185)</u> | <u>\$ (178,575)</u> | <u>\$ (1,324,194)</u> | <u>\$ (3,417,954)</u> |

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Administrative Services Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|---|--------------------|----------------------------|------------------|-------------------------------|
| Revenues | | | | |
| Charges for service | \$ 106,700 | \$ 106,700 | \$ 67,640 | \$ (39,060) |
| Interest | 1,500 | 1,500 | 3,397 | 1,897 |
| Total revenues | 108,200 | 108,200 | 71,037 | (37,163) |
| Expenditures | | | | |
| City Council | 45,000 | 45,000 (1) | 33,148 | 11,852 |
| Administration/team services | 737,600 | 737,600 (1) | 692,967 | 44,633 |
| Financial services | 700,500 | 709,500 (1) | 682,251 | 27,249 |
| Information technology | 542,200 | 564,200 (1) | 560,902 | 3,298 |
| Contingency | 300,800 | 269,800 (1) | - | 269,800 |
| Total expenditures | 2,326,100 | 2,326,100 | 1,969,268 | 356,832 |
| Excess of revenues over/ (under) expenditures | (2,217,900) | (2,217,900) | (1,898,231) | 319,669 |
| Other financing sources (uses) | | | | |
| Transfers in | 2,015,800 | 2,015,800 | 2,038,306 | 22,506 |
| Transfers out | (122,500) | (122,500) (1) | (122,500) | - |
| Total other financing sources (uses) | 1,893,300 | 1,893,300 | 1,915,806 | 22,506 |
| Net change in fund balance | (324,600) | (324,600) | 17,575 | 342,175 |
| Fund balance, July 1, 2016 | 324,600 | 324,600 | 415,880 | 91,280 |
| Fund balance, June 30, 2017 | \$ - | \$ - | \$ 433,455 | \$ 433,455 |
| Reconciliation to fund balance - modified accrual budgetary basis | | | | |
| Adjustment for beginning fund balance | | | 39,678 | |
| Adjustment for current year change in accrued absences | | | 27,175 | |
| Fund balance - modified accrual budgetary basis | | | 500,308 | |
| Reconciliation to net position - GAAP Basis: | | | | |
| Adjustment for accrued compensated absences | | | (66,853) | |
| Adjustment for proportionate share of net pension asset, deferred outflows | | | 783,139 | |
| Adjustment for proportionate share of net pension liability, deferred inflows | | | (1,228,139) | |
| Adjustment for capital assets, net of accumulated depreciation | | | 91,055 | |
| Net position - GAAP Basis | | | \$ 79,510 | |

(1) Appropriation Level

City of Prineville, Oregon

Combining Balance Sheet

City Hall Funds

June 30, 2017

| | Building Facilities | Plaza Maintenance | Total |
|---------------------------------------|------------------------|----------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and investments | \$ 183,920 | \$ 28,705 | \$ 212,625 |
| Restricted cash and investments | 105,000 | - | 105,000 |
| Total current assets | <u>288,920</u> | <u>28,705</u> | <u>317,625</u> |
| Non-current assets | | | |
| Capital assets: | | | |
| Improvements | 2,357,617 | - | 2,357,617 |
| Accumulated depreciation | (792,175) | - | (792,175) |
| Net non-current assets | <u>1,565,442</u> | <u>-</u> | <u>1,565,442</u> |
| Total assets | <u>\$ 1,854,362</u> | <u>\$ 28,705</u> | <u>\$ 1,883,067</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 8,799 | \$ - | \$ 8,799 |
| Accrued interest payable | 31,063 | - | 31,063 |
| Notes payable, current portion | 47,591 | - | 47,591 |
| Total current liabilities | <u>87,453</u> | <u>-</u> | <u>87,453</u> |
| Long-term liabilities | | | |
| Notes payable, net of current portion | 1,301,755 | - | 1,301,755 |
| Total liabilities | <u>1,389,208</u> | <u>-</u> | <u>1,389,208</u> |
| Net position | | | |
| Net Investment in Capital Assets | 216,096 | - | 216,096 |
| Restricted for debt service | 105,000 | - | 105,000 |
| Unrestricted | | | |
| Unreserved | 144,058 | 28,705 | 172,763 |
| Total net position | <u>465,154</u> | <u>28,705</u> | <u>493,859</u> |
| Total liabilities and net position | <u>\$ 1,854,362</u> | <u>\$ 28,705</u> | <u>\$ 1,883,067</u> |

City of Prineville, Oregon
Combining Schedule of Revenue, Expenses and Changes in Net Position
City Hall Funds
Year Ended June 30, 2017

| | Building Facilities | Plaza Maintenance | Total |
|---|------------------------|----------------------|-------------------|
| Operating revenue | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Other | 14,342 | - | 14,342 |
| Total operating revenue | <u>14,342</u> | <u>-</u> | <u>14,342</u> |
| Operating expenses | | | |
| Materials and services | 189,542 | 6,838 | 196,380 |
| Depreciation | 78,587 | - | 78,587 |
| Total operating expenses | <u>268,129</u> | <u>6,838</u> | <u>274,967</u> |
| Operating income (loss) | (253,787) | (6,838) | (260,625) |
| Non-operating revenues (expenses) | | | |
| Interest income | 1,878 | 191 | 2,069 |
| Interest expense | (58,236) | - | (58,236) |
| Transfers from other funds | 359,200 | 10,000 | 369,200 |
| Transfers to other funds | (10,000) | (3,700) | (13,700) |
| Total non-operating revenues (expenses) | <u>292,842</u> | <u>6,491</u> | <u>299,333</u> |
| Change in net position | 39,055 | (347) | 38,708 |
| Net position, July 1, 2016 | <u>426,099</u> | <u>29,052</u> | <u>455,151</u> |
| Net position, June 30, 2017 | <u>\$ 465,154</u> | <u>\$ 28,705</u> | <u>\$ 493,859</u> |

City of Prineville, Oregon
Combining Schedule of Cash Flows
City Hall Funds
Year Ended June 30, 2017

| | Building Facilities | Plaza Maintenance | Total |
|---|------------------------|----------------------|--------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 14,342 | \$ - | \$ 14,342 |
| Cash payments for goods and services | (186,079) | (6,838) | (192,917) |
| Net cash flows from operating activities | (171,737) | (6,838) | (178,575) |
| Cash flows from non-capital activities | | | |
| Transfers from other funds | 359,200 | 10,000 | 369,200 |
| Transfers to other funds | (10,000) | (3,700) | (13,700) |
| Net cash flows from non-capital activities | 349,200 | 6,300 | 355,500 |
| Cash flows from capital financing activities | | | |
| Debt reduction | (45,651) | - | (45,651) |
| Interest paid on loans | (59,287) | - | (59,287) |
| Net cash flows from capital financing activities | (104,938) | - | (104,938) |
| Cash flows from investing activities | | | |
| Interest earned | 1,878 | 191 | 2,069 |
| Net decrease in cash | 74,403 | (347) | 74,056 |
| Cash - July 1, 2016 | 214,517 | 29,052 | 243,569 |
| Cash - June 30, 2017 | \$ 288,920 | \$ 28,705 | \$ 317,625 |
| Reconciliation of operating income to net cash flows from operations | | | |
| Operating income/(loss) | \$ (253,787) | \$ (6,838) | \$ (260,625) |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | |
| Depreciation | 78,587 | - | 78,587 |
| Changes in assets and liabilities | | | |
| Increase/(decrease) in accounts payable | 3,463 | - | 3,463 |
| Net cash flows from operating activities | \$ (171,737) | \$ (6,838) | \$ (178,575) |

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Building Facilities Fund
Year Ended June 30, 2017

| | Original and Final Budget | Actual | Variance with Final Budget |
|--|------------------------------|-------------------|-------------------------------|
| Revenues | | | |
| Interest | \$ 800 | \$ 1,878 | \$ 1,078 |
| Miscellaneous income | 11,000 | 14,342 | 3,342 |
| Total revenues | 11,800 | 16,220 | 4,420 |
| Expenditures | | | |
| Materials and services | 206,600 (1) | 189,542 | 17,058 |
| Capital Outlay | 500,000 (1) | | 500,000 |
| Debt service | | | |
| Principal | 94,000 (1) | 45,651 | 48,349 |
| Interest | 62,000 (1) | 58,236 | 3,764 |
| Other requirements | | | |
| Debt service reserve | 105,000 (1) | - | 105,000 |
| Contingency | 63,399 (1) | - | 63,399 |
| Total expenditures | 1,030,999 | 293,429 | 737,570 |
| Excess of revenues over/ (under) expenditures | (1,019,199) | (277,209) | 741,990 |
| Other financing sources (uses) | | | |
| Debt Proceeds | 500,000 | - | |
| Transfers out | (10,000) (1) | (10,000) | - |
| Transfers in | 359,200 | 359,200 | - |
| Total other financing sources (uses) | 849,200 | 349,200 | - |
| Net change in fund balance | (169,999) | 71,991 | 741,990 |
| Fund balance, July 1, 2016 | 169,999 | 177,067 | 7,068 |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>249,058</u> | <u>\$ 749,058</u> |
| Reconciliation to net position - GAAP Basis: | | | |
| Adjustment for capital assets, net of accumulated depreciation | | 1,565,442 | |
| Adjustment for note payable - due within one year | | (47,591) | |
| Adjustment for note payable | | (1,301,755) | |
| Net position - GAAP Basis | | <u>\$ 465,154</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Plaza Maintenance Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|--|--------------------|----------------------------|------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 10,000 | \$ 10,000 | \$ - | \$ (10,000) |
| Interest | 100 | 100 | 191 | 91 |
| Other | - | - | - | - |
| Total revenues | <u>10,100</u> | <u>10,100</u> | <u>191</u> | <u>(9,909)</u> |
| Expenditures | | | | |
| Materials and services | 15,900 | 15,900 (1) | 6,838 | 9,062 |
| Contingency | 16,416 | 16,416 (1) | - | 16,416 |
| Total expenditures | <u>32,316</u> | <u>32,316</u> | <u>6,838</u> | <u>25,478</u> |
| Excess of revenues over/ (under) expenditures | (22,216) | (22,216) | (6,647) | 15,569 |
| Other financing sources (uses) | | | | |
| Transfers out | (3,700) | (3,700) (1) | (3,700) | - |
| Transfers in | 10,000 | 10,000 | 10,000 | - |
| Total other financing sources (uses) | <u>6,300</u> | <u>6,300</u> | <u>6,300</u> | <u>-</u> |
| Net change in fund balance | (15,916) | (15,916) | (347) | 15,569 |
| Fund balance, July 1, 2016 | <u>15,916</u> | <u>15,916</u> | <u>29,052</u> | <u>13,136</u> |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,705</u> | <u>\$ 28,705</u> |
| Reconciliation to net position - GAAP Basis: | | | | |
| No adjustment | | | - | |
| Net position - GAAP Basis | | | <u>\$ 28,705</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Works Support Services Fund
Year Ended June 30, 2017

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget |
|---|--------------------|----------------------------|-------------------|-------------------------------|
| Revenues | | | | |
| Charges for service | \$ - | \$ - | \$ 143,008 | \$ 143,008 |
| Interest | 1,600 | 1,600 | 2,500 | 900 |
| Other | 22,000 | 22,000 | 3,343 | (18,657) |
| Total revenues | 23,600 | 23,600 | 148,851 | 125,251 |
| Expenditures | | | | |
| Public works support services | 1,377,200 | 1,377,200 (1) | 1,264,621 | 112,579 |
| Public works fleet and vehicles | 286,500 | 316,500 (1) | 307,232 | 9,268 |
| Contingency | 245,334 | 215,334 (1) | - | 215,334 |
| Total expenditures | 1,909,034 | 1,909,034 | 1,571,853 | 337,181 |
| Excess of revenues over/ (under) expenditures | (1,885,434) | (1,885,434) | (1,423,002) | 462,432 |
| Other financing sources (uses) | | | | |
| Sale of assets | - | - | 27,512 | 27,512 |
| Transfers out | (47,600) | (47,600) (1) | (47,600) | - |
| Transfers in | 1,584,100 | 1,584,100 | 1,422,100 | (162,000) |
| Total other financing sources (uses) | 1,536,500 | 1,536,500 | 1,402,012 | (134,488) |
| Net change in fund balance | (348,934) | (348,934) | (20,990) | 327,944 |
| Fund balance, July 1, 2016 | 348,934 | 348,934 | 323,665 | (25,269) |
| Fund balance, June 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | 302,675 | <u>\$ 302,675</u> |
| Reconciliation to fund balance - modified accrual budgetary basis | | | | |
| Adjustment for beginning fund balance | | | 105,834 | |
| Adjustment for current year change in accrued absences | | | (3,821) | |
| Fund balance - modified accrual budgetary basis | | | 404,688 | |
| Reconciliation to net position - GAAP Basis: | | | | |
| Adjustment for accrued compensated absences | | | (102,013) | |
| Adjustment for note payable | | | (98,555) | |
| Adjustment for proportionate share of net pension asset, deferred outflows | | | 698,015 | |
| Adjustment for proportionate share of net pension liability, deferred inflows | | | (1,094,646) | |
| Adjustment for capital assets, net of accumulated depreciation | | | 637,510 | |
| Net position - GAAP Basis | | | <u>\$ 444,999</u> | |

(1) Appropriation Level

City of Prineville, Oregon
Schedule of Property Tax Transactions
Year Ended June 30, 2017

| Tax Year | Beginning Balance and Current Levy | Adjustments | Interest (Discounts) | Turnovers from County Treasurer | Taxes Receivable June 30, 2017 |
|----------|--|--------------------|-------------------------|---------------------------------------|--------------------------------------|
| 2016-17 | \$ 2,009,478 | \$ (9,227) | \$ (49,020) | \$ 1,887,285 | \$ 63,946 |
| 2015-16 | 65,791 | (1,602) | 2,789 | 38,638 | 28,340 |
| 2014-15 | 30,504 | (932) | 2,845 | 16,697 | 15,720 |
| 2013-14 | 17,192 | (72) | 3,426 | 14,384 | 6,162 |
| 2012-13 | 4,386 | 2,319 | 2,104 | 7,651 | 1,158 |
| Prior | 6,987 | (592) | 1,139 | 2,711 | 4,823 |
| | <u>\$ 2,134,338</u> | <u>\$ (10,106)</u> | <u>\$ (36,717)</u> | 1,967,366 | <u>\$ 120,149</u> |

Reconciliation to Revenue

| | |
|---------------|---------------------|
| Other Taxes | 4,028 |
| Tax accrual | |
| June 30, 2016 | (24,240) |
| June 30, 2017 | <u>15,895</u> |
| | <u>\$ 1,963,049</u> |



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Statistical Section

Financial Trends

Net Position by Component - Last Ten Fiscal Years
Changes in Net Position - Last Ten Fiscal Years
Fund Balances, Governmental Funds - Last Ten Fiscal Years
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years
Program Revenues by Function/Program - Last Ten Fiscal Years
Tax and Franchise Fee Revenues by Source - Last Ten Fiscal Years

Revenue Capacity

Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years
Principal Property Taxpayers - Current and Nine Years Ago
Property Tax Levies and Collections - Last Ten Fiscal Years

Debt Capacity

Ratios of Outstanding Debt by Type - Last Ten Fiscal Years
Direct and Overlapping Debt - As of June 30, 2012
Legal Debt Margin Information - Last Ten Fiscal Years
Pledged-Revenue Coverage - Last Ten Fiscal Years

Demographic and Economic Information

Demographic and Economic Statistics - Last Ten Fiscal Years
Principal Employers - Current Year and Nine Years Ago

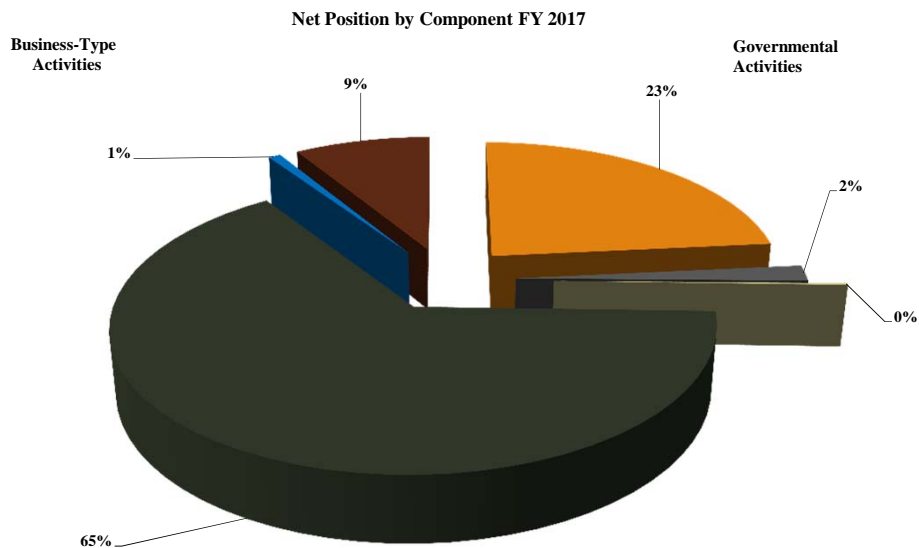
Operating Information

Full Time Equivalent Employees by Activity - Last Ten fiscal Years
Operating Indicators by Function - Last Ten Fiscal Years
Capital Asset Statistics by Activity - Last Ten Fiscal Years

City of Prineville, Oregon
Net Position by Component
Unaudited
For the Last 10 Fiscal Years

| | Fiscal Year Ended | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 10,372,013 | \$ 10,554,469 | \$ 10,760,761 | \$ 10,781,113 | \$ 10,712,120 | \$ 10,486,118 | 7,344,752 | 9,892,711 | 11,345,910 | 13,042,818 |
| Restricted | 1,248,998 | 1,016,455 | 757,363 | 380,200 | 247,542 | 455,491 | 676,131 | 574,874 | 868,940 | 893,567 |
| Unrestricted | 2,649,155 | 3,129,774 | 3,816,719 | 3,767,585 | 3,509,544 | 3,327,657 | 2,945,908 | 2,234,187 | (107,036) | (625,384) |
| Total governmental activities net position | \$ 14,270,166 | \$ 14,700,698 | \$ 15,334,843 | \$ 14,928,898 | \$ 14,469,206 | \$ 14,269,266 | \$ 10,966,791 | \$ 12,701,772 | \$ 12,107,814 | \$ 13,311,001 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 16,339,270 | \$ 19,577,799 | \$ 23,044,076 | \$ 24,154,385 | \$ 24,581,764 | \$ 26,084,499 | \$ 29,806,882 | \$ 30,067,137 | \$ 31,448,889 | \$ 37,382,458 |
| Restricted | - | - | 748,266 | 748,266 | 1,262,067 | 498,958 | 493,156 | 530,699 | 374,107 | 351,491 |
| Unrestricted (deficit) | 3,938,209 | 3,492,596 | 3,337,143 | 2,549,972 | 3,303,674 | 3,717,413 | 2,988,864 | 3,599,021 | 4,218,984 | 3,856,220 |
| Total business-type activities net position | \$ 20,277,479 | \$ 23,070,395 | \$ 27,129,485 | \$ 27,452,623 | \$ 29,147,505 | \$ 30,300,870 | \$ 33,288,902 | \$ 34,196,857 | \$ 36,041,980 | \$ 41,590,169 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 26,711,283 | \$ 30,132,268 | \$ 33,804,837 | \$ 34,935,498 | \$ 35,293,884 | \$ 36,570,617 | \$ 37,151,634 | \$ 39,959,848 | \$ 42,794,799 | \$ 50,425,276 |
| Restricted | 1,248,998 | 1,016,455 | 1,505,629 | 1,128,466 | 1,509,609 | 954,449 | 1,169,287 | 1,105,573 | 1,243,047 | 1,245,058 |
| Unrestricted (deficit) | 6,587,364 | 6,622,370 | 7,153,862 | 6,317,557 | 6,813,218 | 7,045,070 | 5,934,772 | 5,833,208 | 4,111,948 | 3,230,836 |
| Total primary government net position | \$ 34,547,645 | \$ 37,771,093 | \$ 42,464,328 | \$ 42,381,521 | \$ 43,616,711 | \$ 44,570,136 | \$ 44,255,693 | \$ 46,898,629 | \$ 48,149,794 | \$ 54,901,170 |

Source: Annual financial statements of the City of Prineville



City of Prineville, Oregon
Changes in Net Position
Unaudited
For the Last 10 Fiscal Years

| | Fiscal Year Ended | | | | | | | | | |
|---|-----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,669,469 | \$ 2,259,964 | \$ 2,114,509 | \$ 2,477,866 | \$ 2,476,287 | \$ 3,095,427 | \$ 6,284,109 | \$ 416,640 | \$ 1,111,185 | \$ 2,142,141 |
| Public safety | 2,559,573 | 2,815,348 | 2,410,005 | 2,667,665 | 2,892,172 | 3,307,976 | 3,450,549 | 2,921,115 | 7,639,414 | 6,412,132 |
| Highways and streets | 440,022 | 413,027 | 466,497 | 537,446 | 545,421 | 1,322,898 | 1,245,218 | 1,112,590 | 1,273,699 | 790,414 |
| Interest on long term debt | 254,883 | 234,976 | 205,514 | 172,340 | 159,550 | 143,408 | 210,106 | 189,358 | 132,677 | 127,172 |
| Unallocated depreciation | 874,947 | 888,219 | 903,526 | 938,563 | 1,192,056 | - | - | - | - | - |
| Total governmental activities expenses | \$ 6,798,894 | \$ 6,611,534 | \$ 6,100,051 | \$ 6,793,880 | \$ 7,265,486 | \$ 7,869,709 | \$ 11,189,982 | \$ 4,639,703 | \$ 10,156,975 | \$ 9,471,859 |
| Business-type activities: | | | | | | | | | | |
| Railroad | \$ 1,036,782 | \$ 983,320 | \$ 935,425 | \$ 902,757 | \$ 841,917 | \$ 755,747 | \$ 813,586 | \$ 797,044 | \$ 906,269 | \$ 990,133 |
| Public Works | - | - | - | - | - | - | - | - | - | - |
| Water | 974,176 | 933,598 | 1,019,350 | 1,026,160 | 1,147,332 | 918,606 | 937,947 | 916,365 | 957,293 | 1,052,820 |
| Wastewater | 1,944,770 | 2,216,674 | 1,799,877 | 1,779,296 | 1,988,549 | 1,865,971 | 1,909,784 | 1,653,325 | 1,695,870 | 1,859,666 |
| Golf and Restaurant | 1,809,607 | 1,556,638 | 1,409,735 | 1,411,174 | 1,260,944 | 1,263,133 | 1,317,873 | 1,305,927 | 1,361,170 | 1,285,732 |
| Airport | 689,338 | 302,372 | - | - | 316,056 | 533,317 | 711,440 | 685,166 | 699,764 | 716,900 |
| Freight Depot | - | 98,824 | 188,870 | 370,885 | 332,607 | 310,926 | 194,071 | - | - | - |
| Total business-type activities expenses | 6,454,673 | 6,091,426 | 5,353,257 | 5,490,272 | 5,887,405 | 5,647,700 | 5,884,701 | 5,357,827 | 5,620,366 | 5,905,251 |
| Total primary government expenses | \$ 13,253,567 | \$ 12,702,960 | \$ 11,453,308 | \$ 12,284,152 | \$ 13,152,891 | \$ 13,517,409 | \$ 17,074,683 | \$ 9,997,530 | \$ 15,777,341 | \$ 15,377,110 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for service: | | | | | | | | | | |
| General government | \$ 277,130 | \$ 276,405 | \$ 407,783 | \$ 222,037 | \$ 238,335 | \$ 304,693 | \$ 413,761 | \$ 165,927 | \$ 203,993 | \$ 224,543 |
| Public safety | - | - | - | - | - | - | - | 37,884 | 33,671 | - |
| Highways and streets | 96,580 | 31,828 | 47,008 | 55,946 | 84,884 | 172,494 | 316,398 | 353,328 | 494,830 | 346,623 |
| Operating grants and contributions | 1,272,537 | 1,795,197 | 1,741,665 | 1,858,227 | 1,659,849 | 1,609,122 | 1,695,455 | 1,637,916 | 1,646,108 | 1,950,468 |
| Capital grants and contributions | - | 143,265 | 21,100 | - | 252,000 | 216,224 | - | - | - | - |
| Total governmental activities program revenues | \$ 1,646,247 | \$ 2,246,695 | \$ 2,217,556 | \$ 2,136,210 | \$ 2,235,068 | \$ 2,302,533 | \$ 2,425,614 | \$ 2,195,055 | \$ 2,378,602 | \$ 2,521,634 |
| Business-type activities: | | | | | | | | | | |
| Charges for service: | | | | | | | | | | |
| Railroad | \$ 317,107 | \$ 432,546 | \$ 698,145 | \$ 650,754 | \$ 395,050 | \$ 445,302 | \$ 455,849 | \$ 586,937 | \$ 943,182 | \$ 1,160,350 |
| Public Works | - | - | - | - | - | - | - | - | - | - |
| Water | 1,463,193 | 1,511,361 | 1,996,173 | 1,680,770 | 1,785,307 | 2,001,024 | 2,001,548 | 2,183,160 | 2,554,213 | 2,597,543 |
| Wastewater | 2,894,296 | 3,070,875 | 3,698,450 | 3,237,114 | 3,725,711 | 3,269,055 | 3,164,486 | 3,208,361 | 3,952,199 | 5,850,679 |
| Golf and Restaurant | 1,395,946 | 1,279,683 | 1,068,103 | 1,038,372 | 982,824 | 1,018,414 | 1,059,556 | 1,132,478 | 1,143,167 | 1,092,074 |
| Airport | - | 60,433 | 132,124 | 131,188 | 95,584 | 138,045 | 803,978 | 517,629 | 1,973,312 | - |
| Freight Depot | - | - | - | - | - | - | - | - | - | - |
| Other Non-major | 1,153,841 | 255,352 | - | - | 373,886 | - | - | - | - | - |
| Operating grants and contributions | - | - | - | - | 51,243 | 65,929 | - | - | 186,718 | - |
| Capital grants and contributions | 510,300 | 3,775,051 | 3,119,030 | 376,787 | 1,500,990 | 1,207,451 | 3,434,821 | - | 355,644 | 796,804 |
| Total business-type activities program revenues | 7,734,683 | 10,385,301 | 10,712,025 | 7,114,985 | 8,910,595 | 8,667,143 | 10,762,203 | 7,914,914 | 9,652,752 | 13,470,762 |
| Total primary government program revenues | \$ 9,380,930 | \$ 12,631,996 | \$ 12,929,581 | \$ 9,251,195 | \$ 11,145,663 | \$ 10,969,676 | \$ 13,187,817 | \$ 10,109,969 | \$ 12,031,354 | \$ 15,992,396 |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | (5,152,647) | (4,364,839) | (3,882,495) | (4,657,670) | (5,030,418) | (5,567,176) | (8,764,368) | (2,444,648) | (7,778,373) | (6,950,225) |
| Business-type activities | 1,280,010 | 4,293,875 | 5,358,768 | 1,624,713 | 3,023,190 | 3,019,443 | 4,877,502 | 2,557,087 | 4,032,386 | 7,565,511 |
| Total primary government expenses | \$ (3,872,637) | \$ (70,964) | \$ 1,476,273 | \$ (3,032,957) | \$ (2,007,228) | \$ (2,547,733) | \$ (3,886,866) | \$ 112,439 | \$ (3,745,987) | \$ 615,286 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes levied for: | | | | | | | | | | |
| General purposes | 1,701,584 | 1,809,817 | 1,818,957 | 1,763,077 | 1,614,099 | 1,571,558 | 1,667,437 | 1,777,841 | 1,842,104 | 1,966,681 |
| Debt Service | 78,531 | 80,363 | 83,905 | 65,726 | - | - | - | - | - | - |
| Transient room taxes | 194,401 | 164,130 | 149,374 | 176,156 | 179,945 | 206,988 | 191,015 | 253,174 | 315,677 | 329,514 |
| Franchise Fees | 661,478 | 680,305 | 779,429 | 700,965 | 1,117,583 | 1,455,369 | 1,462,295 | 1,864,413 | 2,085,847 | 2,756,972 |
| Earnings on investments | 113,136 | 52,137 | 21,624 | 14,644 | 7,223 | 10,117 | 13,739 | 11,268 | 12,324 | 25,758 |
| Intergovernmental | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 270,366 | 439,269 | 339,351 | 217,537 | 301,891 | 220,782 | 225,107 | 375,864 | 811,036 | 908,805 |
| Total governmental activities | \$ 3,019,496 | \$ 3,226,021 | \$ 3,192,640 | \$ 2,938,105 | \$ 3,220,741 | \$ 3,464,814 | \$ 3,559,593 | \$ 4,282,560 | \$ 5,066,988 | \$ 5,987,730 |
| Business-type activities: | | | | | | | | | | |
| Earnings on investments | 202,093 | 68,391 | 24,324 | 12,042 | 8,857 | 14,144 | 14,535 | 13,812 | 18,290 | 29,878 |
| Intergovernmental | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 72,181 | 10,248 | 10,247 | 487,394 | (88,126) | 118,482 |
| Total business-type activities | 202,093 | 68,391 | 24,324 | 12,042 | 81,038 | 24,392 | 24,782 | 501,206 | (69,836) | 148,360 |
| Total primary government | \$ 3,221,589 | \$ 3,294,412 | \$ 3,216,964 | \$ 2,950,147 | \$ 3,301,779 | \$ 3,489,206 | \$ 3,584,375 | \$ 4,783,766 | \$ 4,997,152 | \$ 6,136,090 |
| Transfers | | | | | | | | | | |
| Governmental activities | \$ 1,326,613 | \$ 1,569,350 | \$ 1,324,000 | \$ 1,313,620 | \$ 1,378,440 | \$ 1,902,421 | \$ 1,902,301 | \$ 2,150,338 | \$ 2,117,427 | \$ 2,165,682 |
| Business-type activities | (1,326,613) | (1,569,350) | (1,324,000) | (1,313,620) | (1,378,440) | (1,902,421) | (1,902,301) | (2,150,338) | (2,117,427) | (2,165,682) |
| Total Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ (806,538) | \$ 430,532 | \$ 634,145 | \$ (405,945) | \$ (431,237) | \$ (199,941) | \$ (3,302,474) | \$ 3,988,250 | \$ (593,958) | \$ 1,203,187 |
| Business-type activities | 155,490 | 2,792,916 | 4,059,092 | 323,135 | 1,725,788 | 1,141,414 | 2,999,983 | 907,955 | 1,845,123 | 5,548,189 |
| Total primary government | \$ (651,048) | \$ 3,223,448 | \$ 4,693,237 | \$ (82,810) | \$ 1,294,551 | \$ 941,473 | \$ (302,491) | \$ 4,896,205 | \$ 1,251,165 | \$ 6,751,376 |

Source: Annual financial statements of the City of Prineville
Changes in net position is intended to provide the user with summary data to analyze changes in the activities.

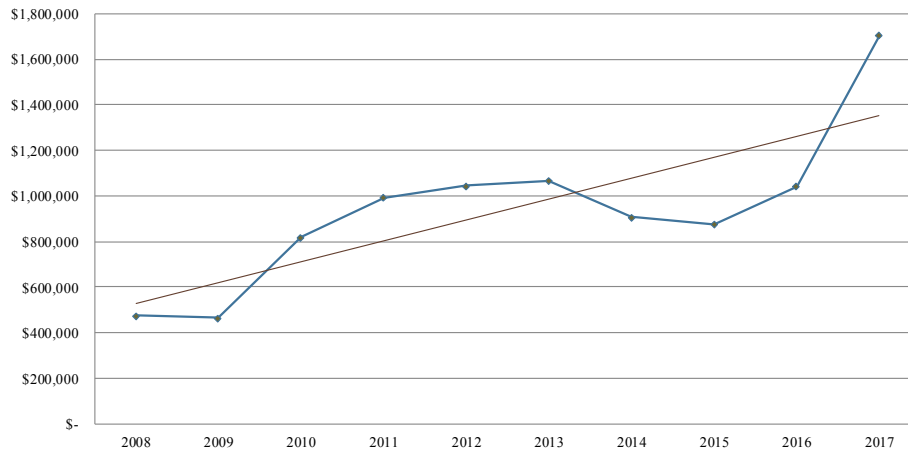
City of Prineville, Oregon
Fund Balances of Governmental Funds
Unaudited (Modified Accrual Basis of Accounting)
For the Last 10 Fiscal Years

| | Fiscal Year Ended | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | 105,569 | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | 94,069 | 87,672 | 78,380 | 78,021 | 121,280 |
| Unassigned | 475,311 | 465,841 | 819,315 | 992,278 | 938,926 | 973,273 | 820,598 | 797,059 | 963,851 | 1,583,740 |
| Total general fund | \$ 475,311 | \$ 465,841 | \$ 819,315 | \$ 992,278 | \$ 1,044,495 | \$ 1,067,342 | \$ 908,270 | \$ 875,439 | \$ 1,041,872 | \$ 1,705,020 |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | 438,186 | 571,131 | 469,874 | 763,940 | 788,567 |
| Committed | - | - | - | - | - | 289,086 | 413,182 | 480,014 | 693,551 | 1,000,747 |
| Assigned | 1,809,168 | 1,979,546 | 1,728,491 | 1,368,306 | 921,736 | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | \$ 1,809,168 | \$ 1,979,546 | \$ 1,728,491 | \$ 1,368,306 | \$ 921,736 | \$ 727,272 | \$ 984,313 | \$ 949,888 | \$ 1,457,491 | \$ 1,789,314 |
| Total all funds | \$ 2,284,479 | \$ 2,445,387 | \$ 2,547,806 | \$ 2,360,584 | \$ 1,966,231 | \$ 1,794,614 | \$ 1,892,583 | \$ 1,825,327 | \$ 2,499,363 | \$ 3,494,334 |

Source: Annual financial statements of the City of Prineville

(a) GASB 54 implemented in 2011 - requiring new fund balance categories. Over time, all fund balance will be reported under new GASB 54 fund balance categories.

Changes in Fund Balance General Fund



City of Prineville, Oregon
Changes in Fund Balances of Governmental Funds
Unaudited (Modified Accrual Basis of Accounting)
For the Last 10 Fiscal Years

| | Fiscal Year Ended | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenue | | | | | | | | | | |
| Taxes | \$ 1,925,957 | \$ 1,965,968 | \$ 2,058,557 | \$ 2,002,966 | \$ 1,827,068 | \$ 1,822,448 | \$ 1,867,531 | \$ 2,046,911 | \$ 2,159,083 | \$ 2,292,563 |
| Intergovernmental | 1,736,786 | 1,795,197 | 1,741,665 | 1,858,227 | 1,659,849 | 1,609,122 | 1,685,455 | 1,785,004 | 1,803,827 | 2,105,618 |
| Franchise fees | 661,478 | 680,305 | 779,429 | 700,965 | 1,117,583 | 1,455,369 | 1,703,395 | 1,864,413 | 2,085,847 | 2,756,972 |
| Licenses and permits | 56,800 | 59,156 | 36,701 | 33,917 | 36,613 | 61,201 | 49,121 | 59,926 | 67,301 | 78,617 |
| Charges for services | 184,536 | 168,919 | 115,670 | 94,412 | 64,333 | 117,645 | 173,432 | 425,954 | 584,742 | 715,955 |
| System development fees | 96,580 | 31,828 | 47,008 | 55,946 | 84,884 | 172,494 | 75,298 | 328,922 | 486,025 | 334,548 |
| Interest | 102,618 | 48,044 | 19,174 | 11,837 | 5,657 | 7,494 | 9,917 | 11,268 | 12,324 | 25,758 |
| Miscellaneous | 301,051 | 453,499 | 284,991 | 290,414 | 275,974 | 238,424 | 260,794 | 205,938 | 223,159 | 1,349,845 |
| Total Revenue | \$ 5,065,806 | \$ 5,202,916 | \$ 5,083,195 | \$ 5,048,684 | \$ 5,071,961 | \$ 5,484,197 | \$ 5,824,943 | \$ 6,728,336 | \$ 7,422,308 | \$ 9,659,876 |
| Expenditures | | | | | | | | | | |
| General government | \$ 725,460 | \$ 418,249 | \$ 317,937 | \$ 305,015 | \$ 297,885 | \$ 357,061 | \$ 3,335,032 | \$ 432,270 | \$ 509,906 | \$ 1,228,918 |
| Public Safety | 2,482,269 | 2,669,402 | 2,448,022 | 2,592,340 | 2,844,804 | 2,964,532 | 3,057,376 | 3,461,452 | 3,505,611 | 3,678,555 |
| Highways and streets | 440,022 | 413,027 | 466,497 | 532,880 | 539,650 | 525,241 | 369,670 | 392,512 | 584,481 | 453,450 |
| Capital Outlay | 403,350 | 383,960 | 622,138 | 621,414 | 571,452 | 501,797 | 791,430 | 967,133 | 541,551 | 992,829 |
| Debt Service | | | | | | | | | | |
| Principal | 416,965 | 497,068 | 263,446 | 252,034 | 156,335 | 155,660 | 174,654 | 224,417 | 240,906 | 1,348,405 |
| Interest | 193,030 | 166,702 | 124,469 | 107,337 | 94,935 | 87,485 | 136,152 | 223,417 | 211,988 | 202,624 |
| Total Expenditures | \$ 4,661,096 | \$ 4,548,408 | \$ 4,242,509 | \$ 4,411,020 | \$ 4,505,061 | \$ 4,591,776 | \$ 7,864,314 | \$ 5,701,201 | \$ 5,594,443 | \$ 7,904,781 |
| Excess of Revenues Over (Under) Expenditures | \$ 404,710 | \$ 654,508 | \$ 840,686 | \$ 637,664 | \$ 566,900 | \$ 892,421 | \$ (2,039,371) | \$ 1,027,135 | \$ 1,827,865 | \$ 1,755,095 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Proceeds - Issuance of debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,208,700 | \$ - | \$ - | \$ 720,000 |
| Operating transfer in | 289,200 | 451,800 | 655,477 | 561,160 | 269,855 | 647,587 | 941,840 | 671,453 | 652,670 | 719,278 |
| Operating transfer out | (945,929) | (945,400) | (1,393,744) | (1,386,046) | (1,065,046) | (1,585,725) | (1,912,300) | (1,765,844) | (1,806,499) | (2,199,402) |
| Transfers to record as amount due general fund | | | | | (75,000) | (125,900) | (100,900) | | | |
| Total Other Financing Sources (Uses) | (656,729) | (493,600) | (738,267) | (824,886) | (870,191) | (1,064,038) | 2,137,340 | (1,094,391) | (1,153,829) | (760,124) |
| Net Changes in Fund Balance | \$ (252,019) | \$ 160,908 | \$ 102,419 | \$ (187,222) | \$ (303,291) | \$ (171,617) | \$ 97,969 | \$ (67,256) | \$ 674,036 | \$ 994,971 |

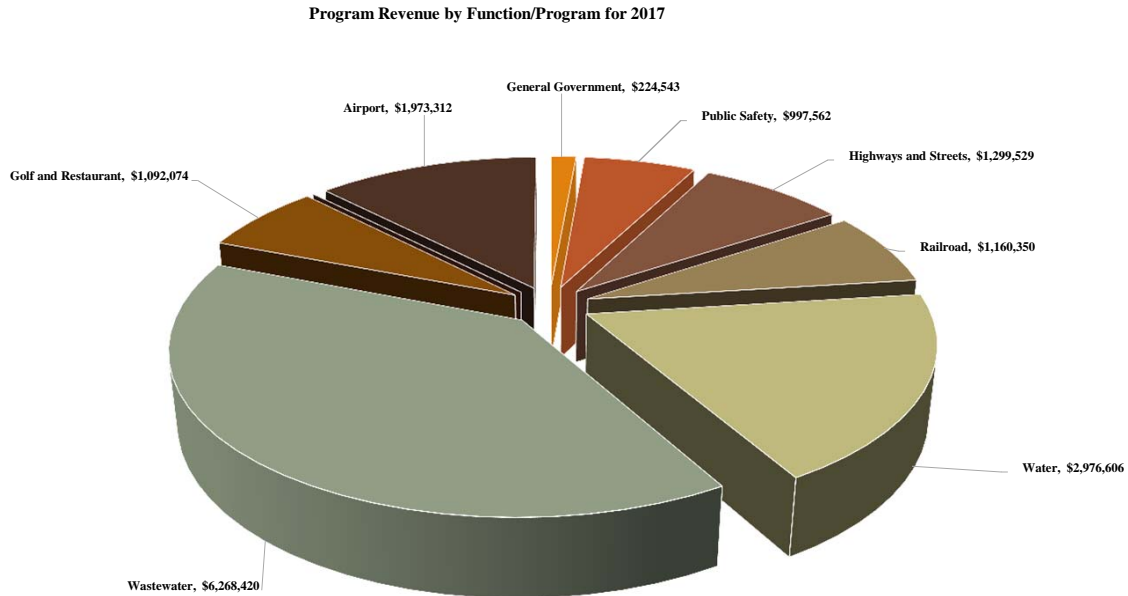
Source: Annual financial statements of the City of Prineville

Note: Proceeds from the issuance of debt are as follows: UAL Pension Obligation (OPERS 2014), Ironhorse Property Acquisition

City of Prineville, Oregon
Program Revenue by Function/Program
Unaudited (Modified Accrual Basis of Accounting)
For the Last 10 Fiscal Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 277,130 | \$ 551,409 | \$ 750,743 | \$ 610,763 | \$ 526,764 | \$ 575,793 | \$ 693,655 | \$ 165,927 | \$ 203,993 | \$ 224,543 |
| Public Safety | 407,266 | 518,957 | 530,450 | 575,645 | 647,987 | 645,333 | 598,721 | 807,171 | 811,367 | 997,562 |
| Highways and Streets | 961,851 | 1,176,329 | 936,363 | 949,802 | 1,060,317 | 1,081,407 | 1,133,238 | 1,221,957 | 1,363,242 | 1,299,529 |
| Total Governmental Activities | \$ 1,646,247 | \$ 2,246,695 | \$ 2,217,556 | \$ 2,136,210 | \$ 2,235,068 | \$ 2,302,533 | \$ 2,425,614 | \$ 2,195,055 | \$ 2,378,602 | \$ 2,521,634 |
| Business-type Activities | | | | | | | | | | |
| Railroad | \$ 317,107 | \$ 432,546 | \$ 1,791,054 | \$ 1,027,541 | \$ 1,167,515 | \$ 1,167,833 | \$ 1,073,395 | \$ 586,937 | \$ 943,182 | \$ 1,160,350 |
| Water | 1,463,193 | 1,955,044 | 2,018,223 | 1,680,770 | 2,128,207 | 2,254,944 | 4,438,792 | 2,183,160 | 2,781,035 | 2,976,606 |
| Wastewater | 2,894,296 | 3,363,587 | 3,706,050 | 3,237,114 | 4,111,336 | 3,500,055 | 3,164,476 | 3,208,361 | 4,081,021 | 6,268,420 |
| Golf and Restaurant | 1,395,946 | 1,279,683 | 1,068,103 | 1,038,372 | 982,824 | 1,018,414 | 1,059,556 | 1,132,478 | 1,143,167 | 1,092,074 |
| Freight Depot | - | 3,099,089 | 2,128,595 | 131,188 | 95,584 | 138,045 | - | - | - | - |
| Airport | - | - | - | - | - | 587,852 | 1,025,974 | 803,978 | 704,347 | 1,973,312 |
| Other non Major | 1,664,143 | 255,352 | - | - | 425,129 | - | - | - | - | - |
| Total Business-type Activities | \$ 7,734,685 | \$ 10,385,301 | \$ 10,712,025 | \$ 7,114,985 | \$ 8,910,595 | \$ 8,667,143 | \$ 10,762,193 | \$ 7,914,914 | \$ 9,652,752 | \$ 13,470,762 |
| Total Primary Government | \$ 9,380,932 | \$ 12,631,996 | \$ 12,929,581 | \$ 9,251,195 | \$ 11,145,663 | \$ 10,969,676 | \$ 13,187,807 | \$ 10,109,969 | \$ 12,031,354 | \$ 15,992,396 |

Source: Annual financial statements of the City of Prineville
FY 2009 The Freight Depot was built, it became part of the Railroad in 2014.
FY 2007 thru FY 2012 Prineville-Crook County Airport was managed and operated by the County.



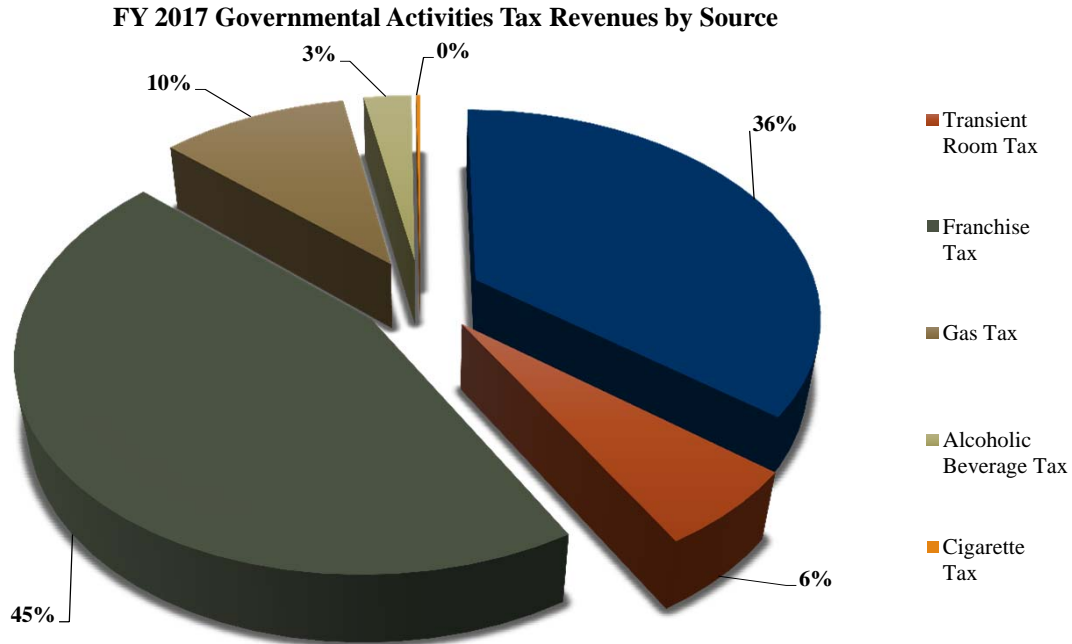
City of Prineville, Oregon
Governmental Activities Tax Revenue by Source
Unaudited (Modified Accrual Basis of Accounting)
For the Last 10 Fiscal Years

| Fiscal Year | Property Tax | Transient Room Tax | Franchise Tax | Gas Tax | Alcoholic Beverage Tax | Cigarette Tax | Total |
|-------------|--------------|--------------------|---------------|---------|------------------------|---------------|--------------|
| 2008 | 1,654,877 | 194,401 | 661,478 | 468,824 | 115,361 | 16,614 | \$ 3,111,555 |
| 2009 | 1,726,464 | 164,130 | 680,305 | 392,373 | 124,198 | 16,179 | \$ 3,103,649 |
| 2010 | 1,829,845 | 149,374 | 779,429 | 426,185 | 117,006 | 15,174 | \$ 3,317,013 |
| 2011 | 1,757,264 | 176,156 | 700,965 | 487,401 | 119,222 | 15,013 | \$ 3,256,021 |
| 2012 | 1,614,099 | 179,945 | 1,117,583 | 499,368 | 118,226 | 13,525 | \$ 3,542,746 |
| 2013 | 1,615,461 | 206,988 | 1,234,268 | 500,897 | 123,257 | 13,146 | \$ 3,694,017 |
| 2014 | 1,676,516 | 191,015 | 1,703,395 | 529,069 | 129,692 | 12,457 | \$ 4,242,144 |
| 2015 | 1,793,737 | 253,174 | 1,864,413 | 539,215 | 134,370 | 12,449 | \$ 4,597,357 |
| 2016 | 1,843,406 | 315,677 | 2,085,847 | 557,424 | 135,430 | 12,430 | \$ 4,950,215 |
| 2017 | 1,963,049 | 329,514 | 2,479,972 | 572,260 | 146,868 | 12,132 | \$ 5,503,796 |

Source: Annual financial statements of the City of Prineville

Gas, alcohol, and cigarette taxes are not directly assessed by the City of Prineville, but rather by the State of Oregon, then a portion is allocated to the City based upon population.

FY 2012 and 2017 the electrical franchise fees generated from the new data centers began making a significant impact.



City of Prineville, Oregon
Assessed Value and Actual Value of Taxable Property
Unaudited
For the Last 10 Fiscal Years

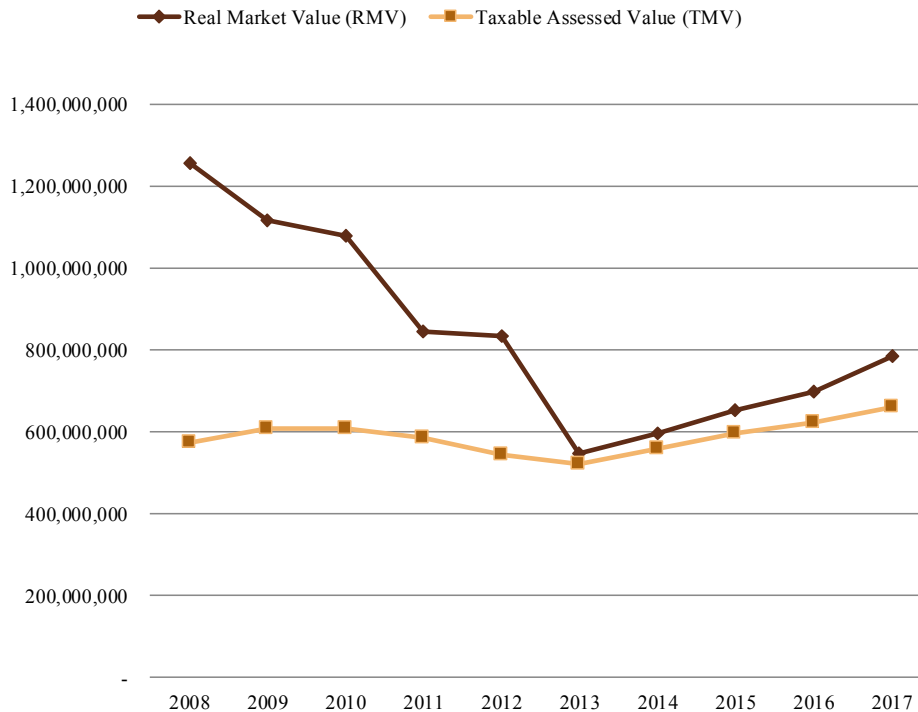
| Fiscal Year | Real Property | Personal Property | Manufactured Property | Utility Property | Total Taxable Assessed Value (TMV) | Total Direct Tax Rate | Real Market Value (RMV) | Assessed Value as a % of Real Market Value (RMV) |
|-------------|---------------|-------------------|-----------------------|------------------|------------------------------------|-----------------------|-------------------------|--|
| 2008 | - | - | - | - | 575,260,629 | 3.1615 | 1,254,614,495 | 45.852% |
| 2009 | - | - | - | - | 607,185,244 | 3.1615 | 1,116,543,323 | 54.381% |
| 2010 | - | - | - | - | 607,699,692 | 3.1541 | 1,078,578,670 | 56.343% |
| 2011 | - | - | - | - | 584,966,591 | 3.1421 | 845,651,805 | 69.173% |
| 2012 | - | - | - | - | 541,814,851 | 3.0225 | 835,246,297 | 64.869% |
| 2013 | - | - | - | - | 522,014,110 | 3.0225 | 546,110,980 | 95.588% |
| 2014 | 518,961,634 | 21,252,864 | 2,553,230 | 14,563,600 | 557,331,328 | 3.0225 | 596,659,061 | 93.409% |
| 2015 | 552,573,421 | 21,488,831 | 2,999,145 | 17,852,000 | 594,913,397 | 3.0225 | 651,077,035 | 91.374% |
| 2016 | 573,856,718 | 22,761,299 | 2,983,543 | 21,811,200 | 621,412,760 | 3.0225 | 698,143,446 | 89.009% |
| 2017 | 609,351,601 | 25,730,561 | 3,669,789 | 20,968,800 | 659,720,751 | 3.0225 | 784,464,701 | 84.098% |

Source: Crook County Assessor. Break down in property type from 2006 through 2013 is not available specific to the City.

The costs associated with breaking down the past information is not feasible, the assessor will begin breaking it down in 2014.

Note: The City's permanent tax rate is \$3.0225 per \$1,000 of assessed value.

The debt service levy is set annually in the amount required to fulfill debt obligations and is the difference between the total direct tax rate and the permanent rate. The City did not have an additional tax levy in FY 2012 thru FY 2017.



City of Prineville, Oregon
Property Tax Rates – Direct and Overlapping Governments
Unaudited
For the Last 10 Fiscal Years

| Fiscal Year | City direct rates | | | Overlapping rates (b) | | | | | | Total direct and overlapping rate |
|-------------|--------------------|-------------------------|--------------|------------------------------|--------------|------------------------------|-------------------------------|----------------------------------|--------|-----------------------------------|
| | Permanent tax rate | Bonded debt tax rate(a) | Total direct | Crook County School District | Crook County | Crook County Fire and Rescue | Parks and Recreation District | Central Oregon Community College | Other | |
| 2008 | 3.0225 | 0.1390 | 3.1615 | 5.6621 | 4.0650 | 1.5900 | 0.7569 | 0.7127 | 0.5279 | 16.4761 |
| 2009 | 3.0225 | 0.1317 | 3.1542 | 6.0944 | 4.0624 | 1.5900 | 0.7569 | 0.7093 | 0.5279 | 16.8951 |
| 2010 | 3.0225 | 0.1316 | 3.1541 | 5.8818 | 4.0496 | 1.5900 | 0.7569 | 0.6204 | 0.5279 | 16.5807 |
| 2011 | 3.0225 | 0.1196 | 3.1421 | 5.7755 | 4.0615 | 1.5900 | 0.7569 | 0.7338 | 0.5279 | 16.5877 |
| 2012 | 3.0225 | 0.0000 | 3.0225 | 5.8189 | 4.0088 | 1.5900 | 0.7569 | 0.7496 | 0.5879 | 16.5346 |
| 2013 | 3.0225 | 0.0000 | 3.0225 | 5.7059 | 4.0701 | 1.5900 | 0.7569 | 0.7539 | 0.5279 | 16.4272 |
| 2014 | 3.0225 | 0.0000 | 3.0225 | 5.7099 | 4.1617 | 1.5900 | 0.7569 | 0.7463 | 0.5495 | 16.5368 |
| 2015 | 3.0225 | 0.0000 | 3.0225 | 5.3817 | 4.5263 | 1.5900 | 0.7569 | 0.7400 | 0.6226 | 16.6400 |
| 2016 | 3.0225 | 0.0000 | 3.0225 | 5.5606 | 4.7052 | 1.5900 | 0.7569 | 0.7376 | 0.5754 | 16.9482 |
| 2017 | 3.0225 | 0.0000 | 3.0225 | 5.7504 | 4.1320 | 1.5900 | 0.7569 | 0.7425 | 0.3485 | 16.3428 |

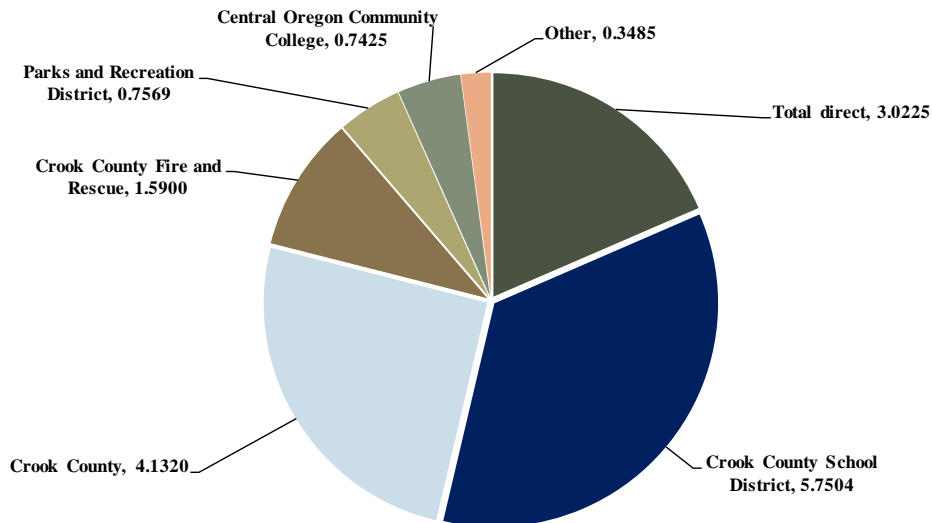
Source: Crook County Assessor's Office

Notes: The bonded debt service levy is set annually in the amount required to fulfill debt obligations and is the difference between the total direct tax rate and the permanent rate.

(a) In fiscal year 2011 the General Obligation Bond for the City was paid in full. Currently we have no plans to acquire bonded debt.

(b) Overlapping rates are those of local and county governments that apply to property owners within the City of Prineville. All of the above overlapping rates apply to the City of Prineville.

Property tax percentage split by Government Type FY 2017



City of Prineville, Oregon
Principal Property Taxpayers
Unaudited
Current and Nine Years Ago

| Taxpayer | FY 2017 | | | FY 2008 | | |
|--|-------------------------|------|--|-------------------------|------|---|
| | Taxable Assessed Value* | Rank | Percentage of Total City Taxable Assessed Value*** | Taxable Assessed Value* | Rank | Percentage of Total City Taxable Assessed Value |
| Les Schwab Warehouse & Tire Center Inc. | \$ 20,269,044 | 1 | 3.07% | \$ 41,547,417 | 1 | 7.222% |
| ET 101 LLC (Formally Contact Industries) | 9,004,767 | 2 | 1.36% | 11,619,595 | 2 | 2.020% |
| Apple Inc. | 8,436,261 | 3 | 1.28% | - | - | - |
| GA HC Reit II Prineville OR ALF LLC | 4,604,418 | 4 | 0.70% | 4,239,037 | 5 | 0.737% |
| New Systems Venture | 4,447,303 | 5 | 0.67% | 4,742,353 | 4 | 0.824% |
| Secure Storage of Prineville LLC | 3,771,025 | 6 | 0.57% | - | - | - |
| Amity Mtn. Development LLC | 3,227,440 | 7 | 0.49% | - | - | - |
| Brian & Laura Barney | 2,970,819 | 8 | 0.49% | 2,709,994 | 8 | 0.471% |
| Porfily Ventures Et al. | 2,708,273 | 9 | 0.41% | 1,790,951 | 6 | 0.311% |
| WG Prineville LLC | 2,575,767 | 10 | 0.39% | 4,803,254 | 3 | 0.835% |
| Stafford G W LLC | | | | 2,905,105 | 7 | 0.505% |
| Dale & Catherine Tompkins | | | | 2,439,402 | 9 | 0.424% |
| Cassidy Bayou Partners LLC | | | | 2,390,764 | 10 | 0.416% |
| Total | \$ 62,015,117 | | 9.439% | \$ 79,187,872 | | 13.766% |
| City Assessed Value | \$ 659,720,751 | | | \$ 575,260,629 | | |

*Taxable Assessed Values are estimates base on records provided by Crook County and research through the Property Assessment Taxation website <http://apps.lanecounty.org/PropertyAssessmentTaxationSearch/crook>

*Taxable Assessed Values only include property values within the City of Prineville's city limits.

***Percentage of Total City Taxable Assessed Value = Taxable assessed Value / City Assessed Value

Purpose: This schedule provide the user with basic information about the City's most significant revenue payers and the degree of dependence on a small number of payers.

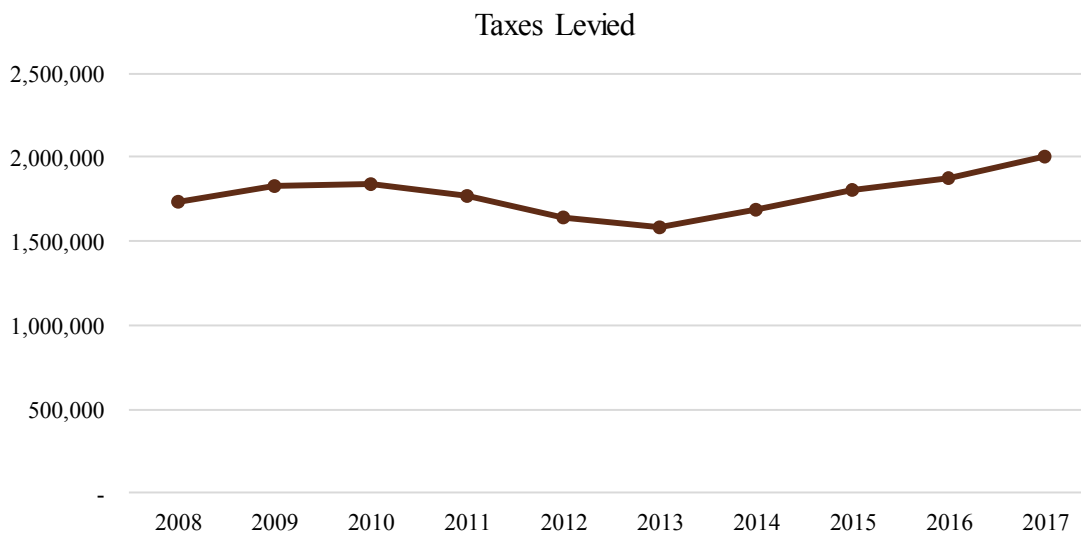
City of Prineville, Oregon
Property Tax Levies and Collections
Unaudited
For the Last 10 Fiscal Years

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the fiscal year of the levy | | Collections in subsequent years | Total collections to date | |
|-------------|----------------------------------|--|------------------------|---------------------------------|---------------------------|------------------------|
| | | Amount | Percentage of levy (a) | | Amount | Percentage of levy (b) |
| 2008 | 1,733,433 | 1,603,614 | 93% | 81,989 | 1,685,603 | 97% |
| 2009 | 1,831,272 | 1,640,293 | 90% | 142,148 | 1,782,441 | 97% |
| 2010 | 1,843,811 | 1,687,983 | 92% | 118,565 | 1,806,548 | 98% |
| 2011 | 1,767,835 | 1,613,133 | 91% | 117,039 | 1,730,172 | 98% |
| 2012 | 1,637,414 | 1,486,046 | 91% | 113,601 | 1,599,647 | 98% |
| 2013 | 1,577,563 | 1,476,165 | 94% | 67,374 | 1,543,539 | 98% |
| 2014 | 1,684,361 | 1,593,602 | 95% | 47,894 | 1,641,497 | 97% |
| 2015 | 1,803,653 | 1,713,778 | 95% | 47,344 | 1,761,122 | 98% |
| 2016 | 1,880,116 | 1,783,248 | 95% | 38,638 | 1,821,885 | 97% |
| 2017 | 2,009,479 | 1,900,706 | 95% | - | 1,900,706 | 95% |

Source: Annual financial statements of the City of Prineville and Crook County Assessor

- (a) Property tax levy adjustments include discounts taken plus or minus roll adjustments. Property taxpayers are granted a statutory 3% discount when taxes are paid in full by the November 15th due date.
- (b) Calculated as a percentage of the current year tax levy.

Purpose: Property taxes are the City's most significant own source of revenue. This schedule provides the user with basic information concerning property tax levy and collection ratios over time.



City of Prineville, Oregon
Ratio of Outstanding Debt by Type
Unaudited
For the Last 10 Fiscal Years

Governmental Activities

| Fiscal Year | General | Special | Capital | State | Notes | Full | Total |
|-------------|--------------|--------------|---------------|-----------------|----------------|--------------------|-------------------|
| | Obligation | Assessment | | | | Faith and | |
| | <u>bonds</u> | <u>bonds</u> | <u>Leases</u> | <u>Agencies</u> | <u>Payable</u> | <u>Obligations</u> | <u>Activities</u> |
| 2008 | 240,000 | 2,267,055 | 74,722 | 2,240,604 | 196,875 | - | 5,019,256 |
| 2009 | 165,000 | 2,122,137 | 52,051 | 2,153,181 | 9,375 | - | 4,501,744 |
| 2010 | 85,000 | 1,962,677 | 28,199 | 1,632,371 | - | - | 3,708,247 |
| 2011 | - | 1,798,419 | 3,105 | 1,596,809 | - | - | 3,398,333 |
| 2012 | - | - | - | - | - | 3,119,090 | 3,119,090 |
| 2013 | - | - | - | - | 258,700 | 2,924,780 | 3,183,480 |
| 2014 | - | - | - | - | 209,007 | 5,709,527 | 5,918,534 |
| 2015 | - | - | - | - | 158,311 | 5,491,382 | 5,649,693 |
| 2016 | - | - | - | - | 129,824 | 5,257,078 | 5,386,902 |
| 2017 | - | - | - | - | 98,555 | 4,632,720 | 4,731,275 |

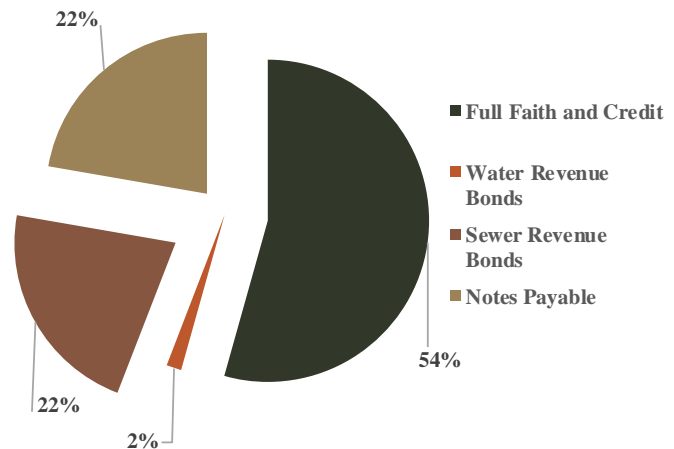
Business-type Activities

| Fiscal Year | Water | Sewer | Full | State | Notes | Capital | Total |
|-------------|--------------|--------------|---------------|-----------------|----------------|---------------|-------------------|
| | Revenue | Revenue | Faith and | | | | |
| | <u>bonds</u> | <u>Bonds</u> | <u>Credit</u> | <u>Agencies</u> | <u>Payable</u> | <u>Leases</u> | <u>Activities</u> |
| 2008 | 685,000 | 15,452,577 | - | - | 2,856,611 | 35,829 | 19,030,017 |
| 2009 | 650,000 | 14,479,972 | - | - | 2,807,730 | 2,637 | 17,940,339 |
| 2010 | 615,000 | 13,475,797 | - | 428,804 | 3,203,941 | - | 17,723,542 |
| 2011 | 580,000 | 12,430,465 | - | 367,253 | 2,541,793 | - | 15,919,511 |
| 2012 | 545,000 | 6,891,860 | 8,215,000 | - | 605,329 | - | 16,257,190 |
| 2013 | 505,000 | 6,504,435 | 8,085,000 | - | 480,220 | - | 15,574,655 |
| 2014 | 465,000 | 6,105,534 | 7,915,000 | - | 349,860 | - | 14,835,394 |
| 2015 | 425,000 | 5,694,820 | 7,882,841 | - | 390,869 | - | 14,393,530 |
| 2016 | 380,000 | 5,271,942 | 7,672,589 | - | 228,406 | - | 13,552,937 |
| 2017 | 335,000 | 4,836,541 | 7,392,342 | - | 4,827,208 | - | 17,391,091 |

Total Primary Government

| Fiscal Year | Total Primary government | Percentage of income | Per capita |
|-------------|--------------------------|----------------------|------------|
| 2008 | 24,049,273 | 7.01% | 2,319 |
| 2009 | 22,442,083 | 6.24% | 2,164 |
| 2010 | 21,431,789 | 6.56% | 2,300 |
| 2011 | 19,317,844 | 5.64% | 2,086 |
| 2012 | 19,376,280 | 5.20% | 2,096 |
| 2013 | 18,758,135 | 5.04% | 2,024 |
| 2014 | 20,753,928 | 5.32% | 2,211 |
| 2015 | 20,043,223 | 4.96% | 2,119 |
| 2016 | 18,939,839 | 4.60% | 1,964 |
| 2017 | 22,122,366 | * | 2,247 |

*Not available



Source: Annual financial statements of the City of Prineville

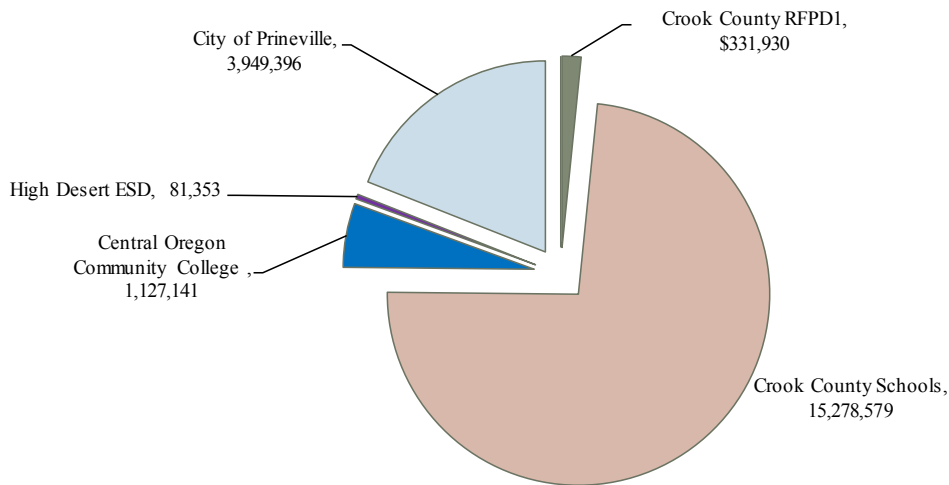
Details regarding the City's outstanding debt can be found in the Management's Discussion and Analysis, in the Notes to the Financial Statements, and in Other Financial Schedules.

City of Prineville, Oregon
Direct and Overlapping Debt
Unaudited
As of June 30, 2017

| Governmental unit | Overlapping district real market value | Tax-supported debt outstanding | Estimated percentage applicable | Estimated share of overlapping debt |
|--|--|--------------------------------|---------------------------------|-------------------------------------|
| Debt repaid with property taxes | | | | |
| Crook County | \$ 2,541,289,382 | \$ - | 30.87% | \$ - |
| Crook County RFPD1 | \$ 2,365,706,461 | \$ 1,001,000 | 33.16% | \$ 331,930 |
| Crook County Schools | 2,569,475,198 | 50,044,149 | 30.53% | 15,278,579 |
| Central Oregon Community College | 38,365,211,555 | 55,125,000 | 2.04% | 1,127,141 |
| High Desert ESD | 35,311,829,303 | 3,662,068 | 2.22% | 81,353 |
| Subtotal Overlapping Debt | \$ 81,153,511,899 | \$ 109,832,217 | | 16,819,003 |
| Direct debt outstanding: | | | | |
| City of Prineville | 784,464,701 | 3,949,396 | 100.00% | 3,949,396 |
| Total direct and overlapping debt | | | | \$ 20,768,399 |

Source: Numbers are consistent with Oregon State Treasury Overlapping Debt report for the City of Prineville as of 6/30/17

Direct and Overlapping Debt Applicable to the City of Prineville



City of Prineville, Oregon
Legal Debt Margin Information
Unaudited
For the Last 10 Fiscal Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt limit | \$ 37,638,435 | \$ 33,496,300 | \$ 32,357,360 | \$ 25,369,554 | \$ 25,057,389 | \$ 16,383,329 | \$ 17,899,772 | \$ 19,532,311 | \$ 20,944,303 | \$ 23,533,941 |
| Total net debt applicable to limit | 240,000 | 165,000 | 85,000 | - | - | - | 2,889,882 | 2,695,000 | 3,993,207 | 3,409,649 |
| Debt margin | \$ 37,398,435 | \$ 33,331,300 | \$ 32,272,360 | \$ 25,369,554 | \$ 25,057,389 | \$ 16,383,329 | \$ 15,009,890 | \$ 16,837,311 | \$ 16,951,096 | \$ 20,124,292 |
| Total net debt applicable to the limit as a percentage of debt limit | 0.6% | 0.5% | 0.3% | 0.0% | 0.0% | 0.0% | 16.1% | 13.8% | 19.1% | 14.5% |

Legal debt margin calculation for fiscal year 2017

| | |
|--|-----------------------|
| Total real market value of real estate within Prineville | \$784,464,701 |
| Debt limitation - 3% of total real market value | <u>3.0%</u> |
| Legal debt limit | \$ 23,533,941 |
| Amount of debt applicable to debt limit | \$ 18,005,235 |
| Less debt excluded from debt limit: | |
| Full faith and credit obligations | \$ (11,276,176) |
| Revenue bonds | <u>\$ (5,451,493)</u> |
| <i>Total general obligation bonded debt</i> | \$ 1,277,565.99 |
| Less: amount held for repayment of principal | <u>\$ (105,000)</u> |
| Net amount of debt applicable to debt limit | \$ 3,409,649 |
| Legal debt margin | \$ 20,124,292 |

- (1) Oregon Revised Statutes (ORS) 287A.050 states: "Unless a lesser limitation upon the issuance of bonds has otherwise been provided by law or charter, no city shall issue or have outstanding at any one time bonds in excess of three percent of real market value of all taxable property within its boundaries, computed in accordance with ORS 308.207, after deducting for outstanding bonds such cash funds and sinking funds as are applicable to the payment of principal thereof."
- (2) Oregon Revised Statutes (ORS) 287A.001(3) states: "Bonds" means (a) a contractual undertaking or instrument of a public body to repay borrowed moneys; (b) does not mean a credit enhancement device.

City of Prineville, Oregon
Pledged Revenue Coverage
Unaudited
For the Last 10 Fiscal Years

CITY OF PRINEVILLE, OREGON
Pledged-Revenue Coverage
Last Ten Fiscal Years-Unaudited
(accrual basis of accounting)

| Fiscal Year Ended <u>June 30,</u> | Gross <u>Revenues</u> | Less Direct Operating <u>Expenses</u> | Net Revenue Available for Debt <u>Service</u> | Debt Service Requirements | | | <u>Coverage</u> |
|---|--------------------------|--|--|---------------------------|-----------------|--------------|-----------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| Wastewater | | | | | | | |
| 2008 | 2,927,558 | 1,633,026 | 1,294,532 | 938,028 | 563,438 | 1,501,466 | 86% |
| 2009 | 3,070,875 | 1,712,805 | 1,358,070 | 972,605 | 486,976 | 1,459,581 | 93% |
| 2010 | 3,698,450 | 1,579,204 | 2,119,246 | 1,004,174 | 450,549 | 1,454,723 | 1.46% |
| 2011 | 3,237,114 | 1,704,222 | 1,532,892 | 1,045,332 | 413,764 | 1,459,096 | 1.05% |
| 2012 | 3,725,711 | 2,111,931 | 1,613,780 | 407,426 | 407,188 | 814,614 | 1.98% |
| 2013 | 3,269,055 | 2,068,006 | 1,201,049 | 407,500 | 407,200 | 814,700 | 1.47% |
| 2014 | 3,164,486 | 1,518,412 | 1,646,074 | 458,900 | 395,314 | 854,214 | 1.93% |
| 2015 | 3,208,361 | 1,663,175 | 1,545,186 | 490,714 | 385,642 | 876,356 | 1.76% |
| 2016 | 3,952,199 | 1,731,903 | 2,220,296 | 507,878 | 358,767 | 866,645 | 2.56% |
| 2017 | 5,850,679 | 1,938,683 | 3,911,996 | 560,401 | 352,063 | 912,464 | 4.29% |

Source: Annual financial statements of the City of Prineville

| Fiscal Year Ended <u>June 30,</u> | Gross <u>Revenues</u> | Direct Operating <u>Expenses</u> | Net Revenue Available for Debt <u>Service</u> | Debt Service Requirements | | | <u>Coverage</u> |
|---|--------------------------|--|--|---------------------------|-----------------|--------------|-----------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| Water | | | | | | | |
| 2008 | 1,404,315 | 1,108,428 | 295,887 | 35,000 | 132,016 | 167,016 | 1.77% |
| 2009 | 1,480,656 | 1,150,445 | 330,211 | 35,000 | 127,634 | 162,634 | 2.03% |
| 2010 | 1,525,123 | 1,204,948 | 320,175 | 35,000 | 126,444 | 161,444 | 1.98% |
| 2011 | 1,652,313 | 1,154,276 | 498,037 | 235,000 | 115,690 | 350,690 | 1.42% |
| 2012 | 1,756,619 | 1,268,119 | 488,500 | 35,000 | 138,525 | 173,525 | 2.82% |
| 2013 | 1,833,269 | 1,339,991 | 493,278 | 140,000 | 139,241 | 279,241 | 1.77% |
| 2014 | 2,001,548 | 1,262,506 | 739,042 | 140,000 | 135,541 | 275,541 | 2.68% |
| 2015 | 2,183,160 | 1,423,363 | 759,797 | 140,000 | 135,541 | 275,541 | 2.76% |
| 2016 | 2,554,213 | 1,491,150 | 1,063,063 | 150,000 | 124,243 | 274,243 | 3.88% |
| 2017 | 2,597,543 | 1,645,144 | 952,399 | 160,000 | 118,676 | 278,676 | 3.42% |

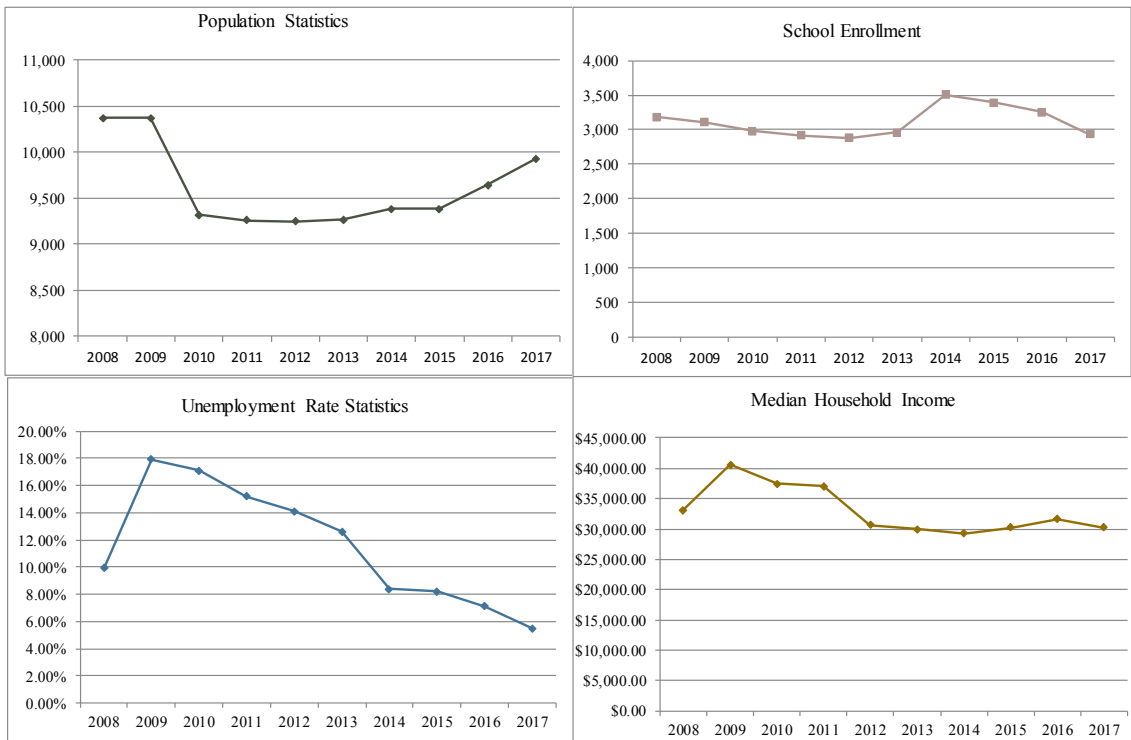
Source: Annual financial statements of the City of Prineville

City of Prineville, Oregon
Demographic and Economic Statistics
Unaudited
For the Last 10 Fiscal Years

| Fiscal Year | Population | Total RMV | Median Household Income | School Enrollment | Unemployment Rate |
|-------------|------------|---------------|-------------------------|-------------------|-------------------|
| 2008 | 10370 | 1,254,614,495 | 33073 | 3182 | 9.90% |
| 2009 | 10370 | 1,116,543,323 | 40618 | 3104 | 17.90% |
| 2010 | 9320 | 1,078,578,670 | 37424 | 2977 | 17.10% |
| 2011 | 9260 | 845,651,805 | 37034 | 2921 | 15.20% |
| 2012 | 9245 | 835,246,297 | 30628 | 2885 | 14.10% |
| 2013 | 9270 | 546,110,980 | 29959 | 2964 | 12.60% |
| 2014 | 9385 | 596,659,061 | 29249 | 3508 | 8.40% |
| 2015 | 9385 | 651,077,035 | 30291 | 3391 | 8.20% |
| 2016 | 9645 | 698,143,446 | 31669 | 3250 | 7.10% |
| 2017 | 9928 | 784,464,701 | 30291 | 2936 | 5.50% |

* Information not available yet

Source: Census Bureau, Oregon Employment Department, PSU Population Research Center, Business Oregon website, Crook County Assessor and Oregon Economic Development of Central



City of Prineville, Oregon
Principal Employers
Unaudited
Current and Nine Years Ago

| Employer | 2017 | | | 2008 | | |
|----------------------------------|-------------|------|--------------------------------|-----------|------|--------------------------------|
| | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Les Schwab Distribution Facility | 400 | 1 | 9.41% | 912 | 1 | * |
| Crook County School District | 388 | 2 | 9.13% | 360 | 4 | * |
| Contact Industries | 229 | 3 | 5.39% | * | | * |
| St. Charles Prineville | 221 | 4 | 5.20% | * | | * |
| Crook County | 207 | 5 | 4.87% | * | | * |
| Facebook Data Center | 200 | 6 | 4.70% | * | | * |
| Western Heavy Haul & SMAF | 129 | 7 | 3.03% | * | | * |
| Ochoco National Forest | 120 | 8 | 2.82% | * | | * |
| Bureau of Land Management | 92 | 9 | 2.16% | * | | * |
| City of Prineville | 81 | 10 | 1.90% | * | | * |
| Pioneer Cut Stock | | | 0.00% | 150 | 6 | * |
| American Pine Products | | | | 450 | 2 | * |
| Government | | | | 410 | 3 | * |
| Pioneer Memorial Hospital | | | | 160 | 5 | * |
| Total | 2067 | | 48.61% | * | | * |

* Information not available

Source: 2017 Prineville Area Profile by EDCO and FY 2007 and 2008 City of Prineville budget.

City of Prineville, Oregon
Full-time Equivalent City Government Employees by Function
Unaudited
For the Last 10 Fiscal Years

| Function/Program | Fiscal Year Ended | | | | | | | | | |
|------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Public Safety | | | | | | | | | | |
| Police | 20.66 | 21.66 | 19.66 | 17.66 | 18.41 | 18.16 | 18.73 | 18.73 | 19.07 | 19.41 |
| Dispatch | 9.33 | 9.33 | 10.33 | 9.33 | 9.33 | 9.08 | 9.08 | 9.08 | 10.40 | 11.06 |
| Planning | 4.50 | 4.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Public Works | | | | | | | | | | |
| Streets | 2.00 | 2.00 | 2.00 | 2.00 | 2.50 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Water | 4.00 | 3.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sewer | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 2.00 | 2.00 | 2.00 | 1.00 | 1.00 |
| PW Administration | 4.00 | 4.00 | 5.00 | 5.00 | 5.25 | 10.25 | 10.25 | 10.25 | 12.00 | 12.00 |
| Railroad | 6.00 | 5.00 | 5.00 | 4.00 | 3.00 | 3.00 | 2.00 | 3.00 | 3.00 | 4.00 |
| Freight Depot | 2.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 |
| Dinner Train | 1.00 | 3.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Airport | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 2.00 | 2.00 | 2.00 |
| Golf | 8.00 | 7.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 7.00 | 7.00 | 5.00 |
| General Government | | | | | | | | | | |
| Administration | 13.50 | 12.51 | 11.75 | 10.75 | 11.00 | 11.00 | 11.50 | 11.50 | 11.50 | 12.00 |
| Total FTEs | 78.99 | 76.50 | 69.74 | 64.74 | 66.49 | 65.49 | 65.56 | 67.56 | 69.97 | 70.47 |
| City Population | 10370 | 10370 | 9320 | 9260 | 9245 | 9270 | 9385 | 9385 | 9645 | 9928 |
| FTEs per 1,000 of Population | 0.0076 | 0.0074 | 0.0075 | 0.0070 | 0.0072 | 0.0071 | 0.0070 | 0.0072 | 0.0073 | 0.0071 |

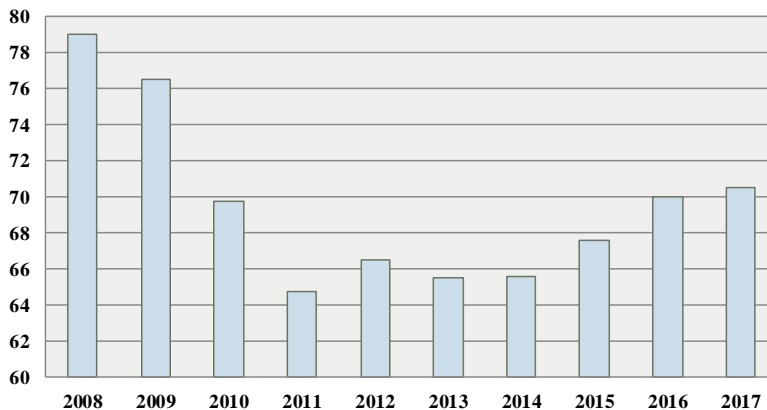
Source: City of Prineville's Finance department and EDCO website: <https://edcoinfo.com/communities/prineville/>

In FY 17 The golf course did an employee restructuring.

In FY 13 Utility workers non-specific to a certain PW department were moved to PW Administration in order to track time more efficiently

In FY 12 the City took over management of the City-County Airport, prior to this it did not have staff.

Full Time Employees By Year



City of Prineville, Oregon
Operating Indicators by Function
Unaudited
For the Last 10 Fiscal Years

| Function/Program | Fiscal Year Ended | | | | | | | | | |
|-----------------------------------|-------------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities: | | | | | | | | | | |
| Public Safety* | | | | | | | | | | |
| Seatbelt | 153 | 8 | 57 | 49 | 50 | 15 | 23 | 11 | 4 | 8 |
| Speeding | 61 | 47 | 67 | 59 | 42 | 40 | 33 | 17 | 26 | 20 |
| Motor vehicle accidents/accidents | 278 | 267 | 239 | 208 | 207 | 241 | 270 | 203 | 186 | 162 |
| Community development | | | | | | | | | | |
| Residential applications | 70 | 67 | 27 | 15 | 25 | 34 | 51 | 54 | 76 | 134 |
| Commercial applications | 48 | 36 | 27 | 27 | 26 | 40 | 34 | 44 | 27 | 43 |
| SDC Fees collected | \$ 179,258 | \$ 109,564 | \$ 1,190,765 | \$ 114,900 | \$ 614,827 | \$ 360,041 | \$ 254,850 | \$ 592,466 | \$ 843,658 | \$ 652,333 |
| Business-type activities: | | | | | | | | | | |
| Water | | | | | | | | | | |
| Service connections | 3,441 | 3,439 | 3,460 | 3,466 | 3,469 | 3,470 | 3,504 | 3,506 | 3,556 | 3,665 |
| Average mthly consumption (units) | 50,000 | 49,767 | 46,072 | 45,923 | 47,860 | 52,238 | 51,977 | 54,211 | 65,674 | 58,807 |
| Water Rates | \$ 12.68 | \$ 13.06 | \$ 13.45 | \$ 13.45 | \$ 14.88 | \$ 15.77 | \$ 16.24 | \$ 17.21 | \$ 17.73 | \$ 18.26 |
| Sanitary sewer | | | | | | | | | | |
| Service connections | 3,548 | 3,565 | 3,588 | 3,589 | 3,591 | 3,592 | 3,592 | 3,615 | 3,653 | 3,718 |
| Average daily sewage treatment | 971,000 | 934,000 | 1,028,000 | 1,165,000 | 961,000 | 947,000 | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 |
| Sewer Rates | \$ 47.65 | \$ 50.99 | \$ 50.99 | \$ 50.99 | \$ 48.44 | \$ 46.84 | \$ 48.25 | \$ 49.70 | \$ 51.81 | \$ 53.73 |
| Golf | | | | | | | | | | |
| Rounds of play | 31,782 | 31,486 | 28,631 | 27,262 | 26,433 | 26,707 | 27,900 | 28,044 | 27,135 | 23,313 |
| Pro shop sales | \$ 105,993 | \$ 93,757 | \$ 72,587 | \$ 56,308 | \$ 62,269 | \$ 72,650 | \$ 85,177 | \$ 98,716 | \$ 94,638 | \$ 90,725 |
| Railroad | | | | | | | | | | |
| Freight revenue | \$ 228,067 | \$ 263,453 | \$ 271,135 | \$ 341,315 | \$ 271,402 | \$ 278,673 | \$ 212,167 | \$ 236,040 | \$ 339,255 | \$ 336,765 |
| Airport** | | | | | | | | | | |
| Fuel Sales | \$ - | \$ - | \$ - | \$ - | \$ 293,684 | \$ 455,949 | \$ 566,868 | \$ 507,296 | \$ 519,490 | \$ 427,078 |

These are estimated statistics based upon the best historic information available.

Source: City of Prineville's Finance department, City of Prineville Planning Department and City of Prineville Police Department

**Public Safety records are based on a calendar year. Year to date information showing for 2016 as of November 30, 2016.*

*** The Airport is a joint venture between the City and Crook County. The operating responsibilities was given to the City in September 2011.*

City of Prineville, Oregon
Capital Asset Statistics by Activity
Unaudited
For the Last 10 Fiscal Years

| Activities | Fiscal Year Ended | | | | | | | | | |
|------------------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Public Safety | | | | | | | | | | |
| Station | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol vehicles | 11 | 12 | 12 | 12 | 11 | 12 | 15 | 15 | 15 | 17 |
| Streets | | | | | | | | | | |
| Street (center lane miles) | 55.0 | 55.0 | 55.0 | 55.0 | 55.6 | 55.6 | 56.9 | 56.9 | 56.9 | 56.9 |
| Sidewalks | 28.5 | 28.5 | 29.0 | 29.0 | 30.0 | 30.0 | 31.5 | 33.4 | 35.8 | 35.8 |
| Water | | | | | | | | | | |
| Lineal miles of system | 41 | 41 | 41 | 42 | 42 | 43 | 43 | 48 | 48 | 48 |
| Treatment capacity (1,000 gal MGD) | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.50 | 4.50 | 6.00 | 6.00 | 6.00 |
| Sewer | | | | | | | | | | |
| Lineal miles of system | 38 | 38 | 38 | 39 | 39 | 40 | 44 | 44 | 44 | 44 |
| Treatment capacity (MGD) | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 2.31 |
| Railroad | | | | | | | | | | |
| Diesel Locomotives | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Steam Locomotives** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Cars | 12 | 11 | 9 | 9 | 9 | 9 | 9 | 8 | 8 | 8 |
| Main track (miles) | 18.01 | 18.01 | 18.01 | 18.01 | 18.01 | 18.01 | 18.01 | 18.01 | 18.01 | 18.01 |
| Yard track (miles) | 2.28 | 2.28 | 2.17 | 2.12 | 2.46 | 2.46 | 2.46 | 2.46 | 2.46 | 2.46 |
| Industrial track (miles) | 1.88 | 2.18 | 2.18 | 2.18 | 2.18 | 2.45 | 2.45 | 2.45 | 2.45 | 2.45 |
| Transload facilities*** | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Public team track (acres) | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 |
| Airport**** | | | | | | | | | | |
| Runways | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Terminal | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Golf | | | | | | | | | | |
| Club House | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 18 Hole course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

**The Mount Emily Shay #1 Steam Powered Locomotive has been operated by the City of Prineville Railway since 1994, but is owned by the Oregon Historical Society.

***The construction of a second transload facility was completed in FY 13 at the Prineville Junction.

****The Prineville / Crook County Airport is a joint venture between the City and the County where the capital assets are owned by the County and the City currently manages the operations.

From 1998 to 2011 the airport was governed by a five member commission created in an agreement between the City and County.

Capital asset information provided by department heads.

Compliance Section

**Independent Auditor’s Comments as Required by State of Oregon Regulations
Government Auditing Standards Compliance Reports**



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City of Prineville, Oregon
Independent Auditor's Comments

Year Ended June 30, 2017



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 17, 2017

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Prineville as of and for the year ended June 30, 2017, and have issued our report thereon dated November 17, 2017. We conducted our 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 Prineville' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the City of Prineville 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 our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

City of Prineville, Oregon
Independent Auditor's Comments

Year Ended June 30, 2017

Independent Auditors' Report Required by Oregon State Regulations

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



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.



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City of Prineville, Oregon
Government Auditing Standards Compliance Reports

Year Ended June 30, 2017



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November 17, 2017

To the City Council
City of Prineville

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prineville as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 17, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

City of Prineville, Oregon
Government Auditing Standards Compliance Reports

Year Ended June 30, 2017

Compliance and Other Matters

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

Purpose of this Report

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



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City of Prineville, Oregon
Government Auditing Standards Compliance Reports

Year Ended June 30, 2017



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November 17, 2017

To the City Council
City of Prineville

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

Report on Compliance for Each Major Federal Program

We have audited the City of Prineville's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2017. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Prineville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

City of Prineville, Oregon
Government Auditing Standards Compliance Reports

Year Ended June 30, 2017

Report on Internal Control Over Compliance

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

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

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

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



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

City of Prineville, Oregon
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

| PROGRAM TITLE: | PASS THROUGH ORGANIZATION | FEDERAL CFDA NUMBER | IDENTIFYING NUMBER | PERIOD COVERED | EXPENDITURES | PASSED THROUGH TO SUBRECIPIENTS |
|--|------------------------------|---------------------------|-----------------------|-------------------|---------------------|---------------------------------------|
| US DEPARTMENT OF TRANSPORTATION | | | | | | |
| FEDERAL AVIATION ADMINISTRATION | | | | | | |
| Airport Improvement Plan | Direct | 20.106 | 3-41-0051-013-2016 | 7/1/16-6/30/17 | \$ 1,124,402 (1) | - |
| US DEPARTMENT OF JUSTICE | | | | | | |
| Bulletproof Vest Partnership | Direct | 16.607 | 3820047001 | 7/1/16-6/30/17 | 1,759 | - |
| US DEPARTMENT OF AGRICULTURE | | | | | | |
| RURAL UTILITIES SERVICE | | | | | | |
| Water and Waste Disposal | | | | | | |
| Systems for Rural Communities | Direct | 10.760 | 92-03, 92-04 | 7/1/16-6/30/17 | <u>894,995 (1)</u> | - |
| | | | | | <u>\$ 2,021,156</u> | |

(1) Major Programs

City of Prineville, Oregon
Government Auditing Standards Compliance Reports

Year Ended June 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of the Uniform Guidance? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

IDENTIFICATION OF MAJOR PROGRAMS

| <u>CFDA NUMBER</u> | <u>NAME OF FEDERAL PROGRAM CLUSTER</u> |
|---------------------------|--|
| 20.106 | Airport Improvement Program |
| 10.760 | Water and Waste Disposal Systems for Rural Communities |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

City of Prineville, Oregon
Government Auditing Standards Compliance Reports

Year Ended June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance.

3. FEDERAL LOAN PROGRAMS

The federal loan programs listed subsequently are administered directly by the entity and balances and transactions relating to the programs are included in the entity's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding as of June 30, 2017 consists of:

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Outstanding Balance at</u> <u>6/30/17</u> |
|--------------------|--|---|
| 10.760 | Water and Waste Disposal Systems for Rural Communities | \$ 4,000,000 |



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