COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

CITY OF CORVALLIS, OREGON

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

Prepared by the City of Corvallis
Department of Finance

CITY OF CORVALLIS, OREGON
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CORVALLIS
ENHANCING COMMUNITY LIVABILITY

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November 14, 2014

To the Honorable Mayor, City Council, City Manager, and Citizens of Corvallis, Oregon

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Corvallis for the fiscal year ended June 30, 2014 in compliance with state law. State law requires that a CAFR be published within six months of fiscal year end and be audited in accordance with generally accepted auditing standards by independent certified public accountants.

Responsibility for the completeness and reliability of the information contained in this report rests with the City's management and is based on an internal control structure designed for this purpose. The internal control structure is designed to provide reasonable, rather than absolute, assurance that these objectives are met because the cost of the internal control should not exceed the related benefits.

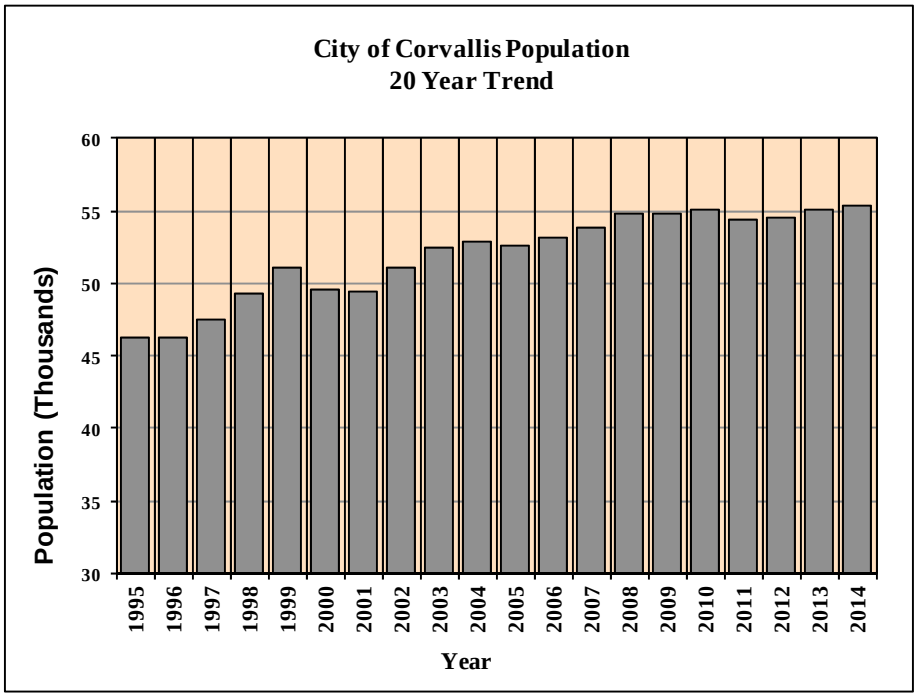
The City's financial statements were audited by Pauly Rogers and Co. PC, a firm of independent certified public accountants. The independent auditors have issued an unmodified opinion on the City of Corvallis' financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is presented in the Financial Section of this report.

Management's Discussion and Analysis (MD&A) is located in its own Management's Discussion and Analysis section of this report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

THE CITY OF CORVALLIS AND ITS SERVICES

The City of Corvallis, Oregon (population 55,345) is Oregon's 10th largest City and the county seat of Benton County. Corvallis is located in the central Willamette Valley, approximately 80 miles south of Portland and 50 miles from the Pacific Ocean. The name Corvallis means "Heart of the Valley" and was arrived at by compounding the Latin words for heart and valley.

The City of Corvallis, Oregon is a municipal corporation governed by an elected Mayor and nine Councilors. The nine City Councilors are elected in the November general election by ward for two year terms. The Mayor is elected at-large and serves a four-year term. The City Manager is appointed by the City Council and is responsible to the City Council for the day-to-day management of the City. The City Council is assisted in their policy making role by over 20 standing advisory boards and commissions. The City has no component units as defined by accounting principles generally accepted in the United States of America.



The City provides a full range of municipal services including: police and fire protection; emergency communications for all of Benton County; parks and recreation programs; library; public infrastructure improvements; planning and housing; building plan inspections and reviews; water, wastewater, and storm water utilities; bus transit system; municipal airport; and general administrative services.

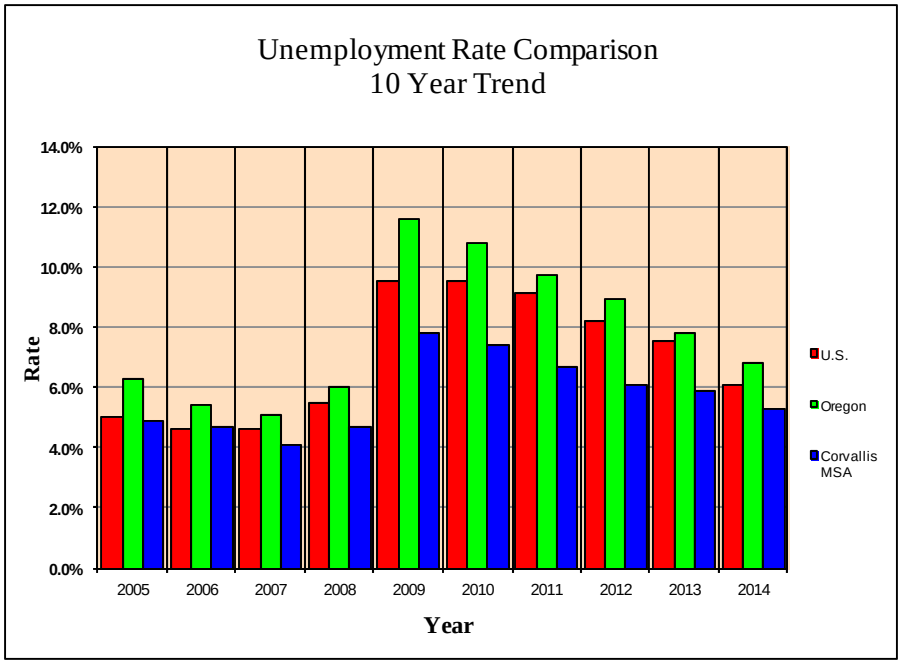
The Oregon Constitution and Oregon Revised Statutes require that the budget be balanced, adopted by July 1, and that the fiscal year for local governments is July 1 through June 30. The budget sets forth City Council's goals and objectives, and identifies the resources necessary to accomplish them. The legal level of budgetary control, as adopted by Council Resolution, is by department within each fund. Appropriations lapse at fiscal year end and incomplete projects must be re-appropriated in the following fiscal year as part of the adoption of the annual budget. The City did not exceed legally adopted budget appropriations during the 2013-14 fiscal year.

ASSESSING ECONOMIC CONDITION

Corvallis' primary employment bases are education, high-technology, and service industries. Corvallis is home to Oregon State University (OSU). OSU is one of only two universities in the country designated as a combined land, space, sea, and sun grant university. OSU enrolls approximately 27,930 students and employs approximately 9,450 people. OSU serves as Oregon's leading source of basic applied research in forestry, agriculture, fisheries, engineering, electronics, home economics and the sciences for the development of human, land, atmospheric and oceanic resources, and is one of the nation's leading research universities.

Corvallis is also home to high-tech industry. Hewlett-Packard (HP) employs approximately 1,550 people at its Corvallis location. ATS Systems Oregon, designs, builds and installs manufacturing automation systems solutions, employs approximately 190. CH_2M Hill, an international consulting firm of engineers, planners, economists and scientists, was founded in Corvallis in 1946. CH_2M Hill maintains a regional headquarters in Corvallis which employs approximately 400 people. Good Samaritan Regional Medical

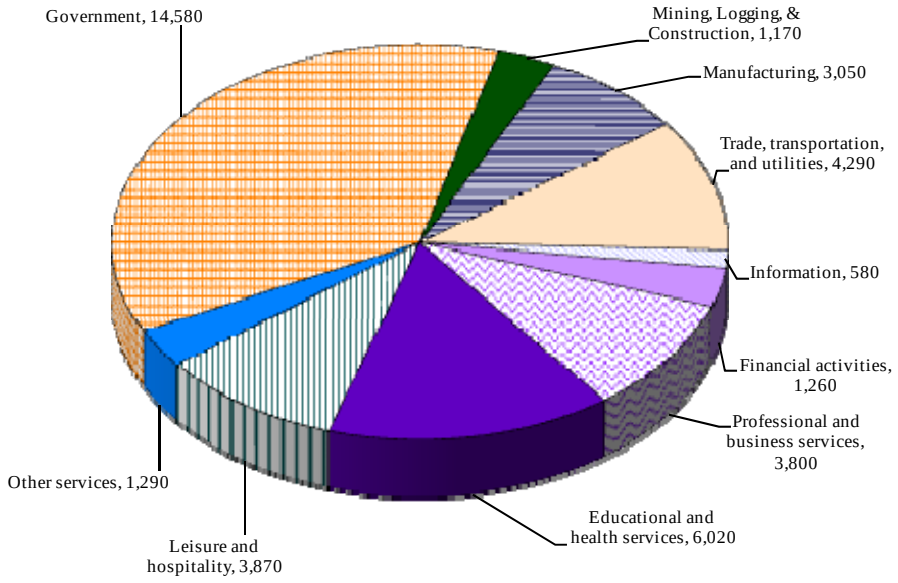
Center employs approximately 2,630 people and the Corvallis Clinic employs 540 people. Fiserv Corporation provides data processing systems created specifically for the credit union industry and employs approximately 250 at its Corvallis location. The Oregon Nanoscience and Mictrotechnologies Institute (ONAMI) is a collaboration among Oregon universities, including OSU, and regional industry for micro and nanotechnology research and development and is a leader in this field. ONAMI has multiple facilities located in Oregon's Silicon Forest, including facilities in Corvallis.



Oregon's June 2014 seasonally adjusted unemployment rate was 6.8%. The Corvallis MSA's (Benton County) seasonally adjusted unemployment rate for June 2014 was 5.3% or .6 percentage points lower than the June 2013 unemployment rate of 5.9%. The Corvallis' MSA seasonally adjusted unemployment rate is .8 percentage points below the national unemployment rate and .7 percentage points below Oregon's unemployment rate. Compared to June 2013 the Corvallis MSA gained 1,010 jobs. Manufacturing jobs increased by 40 and trade, transportation, utilities employment decreased by 20, education and health services had a 150 increase, governmental employment increased by 180, and all other services increased by 660 jobs bringing total employment to 39,960.

Factors contributing to the Corvallis MSA's relatively low unemployment rate on a state-wide basis are a highly educated work force (49 percent hold a bachelor's degree or higher degree, 54 percent of those residing in Corvallis) and a high per capita personal income. The most recent reported Corvallis MSA per capita income of $40,081 (2012). What makes the per capita income number more impressive is the high OSU student population with many students living in college induced poverty. The Corvallis MSA has been affected by the recession but has consistently had the state's lowest seasonally adjusted unemployment rate and a high per capita personal income. The recession has impacted the local housing market; residential construction activity continues to be down. There are major commercial construction projects planned or underway, as well as several related to OSU.

Corvallis MSA Nonfarm Employment



MAJOR INITIATIVES

The economy continues to have a negative fiscal impact, despite the apparent rebound of the stock market as well as some job growth and increased housing sales. Local government recovery in particular has lagged the private sector, with property tax growth still not keeping pace with significant expenditure increases. The City of Corvallis is therefore not alone with its fiscal challenges, as in years past, especially with regard to its property tax supported services. Other special revenue funds and enterprise funds have also been impacted in recent years by increased spending exceeding current revenues. The structural issue of a revenue stream that grows, typically by less than 3 percent annually, while mandated personnel-related expenditures often grow at more than 5% annually, results in cyclical corrections to the organization's budget. The City's non-dedicated revenues (property taxes, franchise fees, transient room taxes, and state shared revenues), which provide nearly 70 percent of the total revenues available to fund the Police, Fire, Library, Parks & Recreation and Land-Use Planning functions, are not expected to grow substantially in FY 14-15. A lower assessed value for Hewlett-Packard (H-P), based on an award for its appeal of the 2008, 2009 and 2010 valuation of its property, will underpin reduced receipts until a decision is reached on the Department of Revenue appeal of that award. The City Council is expected to continue in the coming fiscal year with its goal of developing a long-term, financially sustainable budget, including building sufficient fund balance reserves as dictated by Council Financial Policy.

For FY 13-14, the City's certified assessed value grew by about 1.5 percent, the third year in succession that was lower than the 3.0 percent increase that most properties are assumed to incur based on the Oregon constitutional limitation known as Measure 50 (1997). This year's lower than forecast growth was primarily due to the above-noted successful valuation appeals of H-P, as well as other large property owners, in combination with very little private development having been added to the tax base. Existing residential property in Corvallis has generally done better than national averages at holding its market value. The 32.7 percent difference between the 2013 total real market and certified assessed values, which is virtually the same differential as was seen in 2012 between these two values, should mean that most existing residential and commercial property will experience the constitutional 3 percent increase in

assessed value in 2014. While this should serve to partly offset the major decline in industrial property values, based on how those properties are assessed, it is not a foregone conclusion as seen in the past two fiscal years. New residential development coming onto the tax rolls in FY 14-15 is mostly expected to be multi-family housing, brought on by growth in the Oregon State university student population. New non-residential development occurring in Corvallis continues to predominantly be added by tax exempt entities such as OSU and the Good Samaritan Regional Medical Center, although some commercial, private sector construction has also become more prevalent in the past six to eight months which should come onto the tax rolls by 2015, if not as early as 2014.

In late May 2013, the above-referenced decision from the Court of Appeals upholding H-P's appeal resulted in a significant revenue loss for FY 13-14. The impact to the City was a refund totaling more than $1.4 million in property taxes paid by Hewlett-Packard since 2008; re-paying the interest that had accrued on that outstanding balance was stayed based on the State appeal of the H-P decision to the Oregon Supreme Court. Benton County did however withhold a portion of tax turnovers for FY 13-14 and has notified that it will do so in FY 14-15 as well, to be prepared to refund the interest should Hewlett-Packard prevail. The Supreme Court did reverse a Tax Court decision on an appeal by Comcast of the centrally assessed valuation methodology, but pushed back to the Tax Court to review its ruling on the issue of use of a maximum assessed value (MAV) of 3%, and exceptions for new property under Measure 50, that Comcast has pursued. As such, Benton County will continue to defer billing Comcast for related dollars. With the passage of the 2013 local option levy, the staff additions and reorganizations served to offset a net 2.6 FTE in reductions based on the implementation of the firm expenditure limit under the Council's sustainable budgeting model, for a net addition of 10.025 FTE to City staffing for FY 14-15. It should be noted however that 8.335 FTE remain authorized but unfunded. Work on establishment of sufficient reserves will continue, as will planning to achieve some kind of sustainable budget equilibrium through establishment of some form of alternative revenues or expenditure control/reductions.

The City Council set the tone and direction for the development of the FY 2014-2015 budget when it adopted its Sustainable Budget goal. After cutting the General Fund budget each year for more than a decade, the City Manager and Department Directors determined that it was time to take more aggressive steps to achieve a sustainable budget for the next five years. As a result, Senior Staff recommended a FY 2014-2015 budget that set a new "baseline" of services that could be maintained each year for the next five fiscal years, with the objective of ending the years of budget cuts.

The Budget Process for FY 2014-2015 was developed based on the following six concepts:

1) Implementation of a firm expenditure limit;
2) Integration of priority based budgeting;
3) Better management of the size and compensation of the workforce;
4) Improved budget development transparency;
5) Examination of the inventory of assets; and
6) Building a healthy reserve to protect against financial downturns.

There are many significant challenges facing Corvallis, including such issues as the following:

Difficult Conversations – As was noted in the FY 13-14 Budget Message, certain difficult conversations need to occur. This past year included discussions on: contracting out certain services, and departments continue to look at opportunities in that arena; assets have been examined, and options for reducing the size of the City's fleet and options for selling land have been considered, and those conversations continue; staffing has in certain areas been reduced, and departments have re-organized to eliminate management positions and add or maintain front-line staff to improve services to citizens; and difficult

conversations have been held with labor units and management staff about compensation, which is leading to changes for all staff. These difficult conversations will continue.

Securing the City's Financial Future – In November 2013, the voters approved a five-year local option levy to provide funding for specific City services. Planning needs to be underway soon to develop a longer-term strategy to either secure non-property tax revenue sources or to plan for and continue to seek local option levies to fund basic City services or to plan for more significant changes to the organization that do not require new revenue.

Mayor/City Council Election – In November 2014 the Mayor and all City Council seats will be up for election. Following the election, the new Mayor and City Council will begin goal setting work for their 2015 to 2016 term.

Community Development Revolving Fund – This fund continues to see long-term financial challenges as federal grants have been reduced, and as other sources of funding traditionally used to offset such reductions have been depleted. Staff expects to continue work on a long-term financial strategy for this fund during FY 2014-2015. These challenges, and more to come, are important to the community and to the community's ability to maintain its vital future.

With the departure of former City Manager Patterson in August 2014, Department Directors will primarily be working with the City Manager *Pro Tem*, and a new City Manager hire in 2015, to develop a balanced budget for FY 15-16. Considerations for that budget are expected to include: enhancing citizen's level of trust in City government; the importance of the City of Corvallis bond rating; and planning for financial sustainability, now and at least 5 years into the future through rigorous financial policies, revenue alternatives as available, no unnecessary growth of local government, and careful consideration of any proposals to increase or cut staffing, or otherwise reduce/eliminate services in the context of community and citizen needs. An adopted balanced budget should keep the City of Corvallis competitive and in line with the market place for wages and benefits for employees in order to maintain competent, achievement-oriented staff.

LONG-TERM FINANCIAL PLANNING

Long-term financial plans are developed for each operating fund of the organization. Revenue and expenditure estimates are updated as more information becomes available through each fiscal year. The plans are presented in a five-year format, but staff uses the financial plans projected over the course of seven years and longer for more robust planning of longer term impacts related to short term decisions around utility rate setting, modeling tax levies, debt issuance opportunities, etc. Capital project budgets are included in the financial plans to ensure that adequate revenue sources are projected to be available for both the construction of a project and the related operating costs that may be incurred upon the project's completion.

RELEVANT FINANCIAL POLICIES

For all of the City's funds, the Fund Balance Policy guideline is to project a positive budgetary ending fund balance for each fund for the year. The Finance Director recommends an appropriate ending fund balance for each fund taking into account items such as:

- the current budgetary fund balance;
- cash flow requirements to support expenditures, including up to three months of payroll costs;
- future capital needs;

- significant revenue and expenditure trends;
- relative rate stability from year to year for enterprise funds;
- susceptibility of the fund to emergency or unanticipated expenditures;
- credit worthiness and capacity to support debt service requirements;
- legal or regulatory requirements affecting revenues, expenditures, and fund balances;
- reliability of outside revenues; and
- any other factors pertinent to that fund's operations.

For the General Fund, in addition to the considerations above, Council also has established a fund balance reserve target totaling three months of payroll, which is being built over a five year period commencing in FY 12-13, and is currently ahead of policy targets. Of that reserve, 10% is appropriated each year as a contingency for unanticipated expenditures usually associated with an emergency, and the use of which is expected to be infrequent.

Per the Fund Balance policy, the City of Corvallis is using the GASB's definitions of Fund Balance for the Comprehensive Annual Financial Report (CAFR) and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. Portions of the fund balance that are not available for appropriation will be identified as a Reserved Balance. The fund balance classification definitions are provided in the Notes to the Basic Financial Statements in the Fund Balance section.

The City's bond refunding policy specifies that the refunding bond issuances be authorized by City Council and comply with the rules adopted by the State Treasurer and outlined in Oregon Revised Statutes. Advance refundings require that a financial advisor be employed and must either have a present value savings of $5 million or more or have a minimum savings ratio of 3.0 percent.

The City's Investment Policy is designed to establish and provide guidelines for the safe and efficient management of the City's cash and investments. The primary Investment Policy objectives are: preservation of capital; conformance with federal, state and other legal requirements; maintaining sufficient liquidity to meet operating cash flows; and achieve diversification to limit risk exposure to acceptable levels. The City has a relationship with Government Portfolio Advisors (GPA) - for investment advisory services. Staff prepares a monthly treasury report as required by the investment policy. Staff also meets quarterly with the Administrative Services Committee to review reports and portfolio performance. The Investment Policy's diversification and risk management are discussed in greater detail in the Notes to the Basic Financial Statements under Cash and Investments.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Corvallis, Oregon for its comprehensive annual financial report for the year ended June 30, 2013. This is the 29th consecutive year that the City of Corvallis has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

DISTINGUISHED BUDGET PRESENTATION AWARD

The City of Corvallis received GFOA's Distinguished Budget Presentation Award as well as Special Performance Measures Recognition for its FY 13-14 annual budget document and the FY 14-15 annual budget document has been submitted. This is the 27th consecutive year that the City of Corvallis has achieved the prestigious award of a distinguished presentation and the third time it has earned special recognition. The Distinguished Budget Presentation award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a government and its management. In order to receive the award, a governmental unit must publish a budget document that meets program criteria as a policy document, a communications medium, an operations guide, and a financial plan.

ACKNOWLEDGMENTS

The compilation of the Comprehensive Annual Financial Report is the responsibility of the Finance Department. This report is evidence of the dedication and many hours of hard work required to compile such a report. We would like to thank the entire Finance staff, specifically Tina Stephens, Lisa Hill and J.C. Rowley, for the excellent service they provide throughout the year which is reflected in this Comprehensive Annual Financial Report. We would also like to thank the City Council, the Administrative Services Committee, and the City Manager *Pro Tem* for the leadership and support they have provided in developing this CAFR.

Janet Chenard
Interim Finance Director

Julian Contreras
Financial Services Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Corvallis

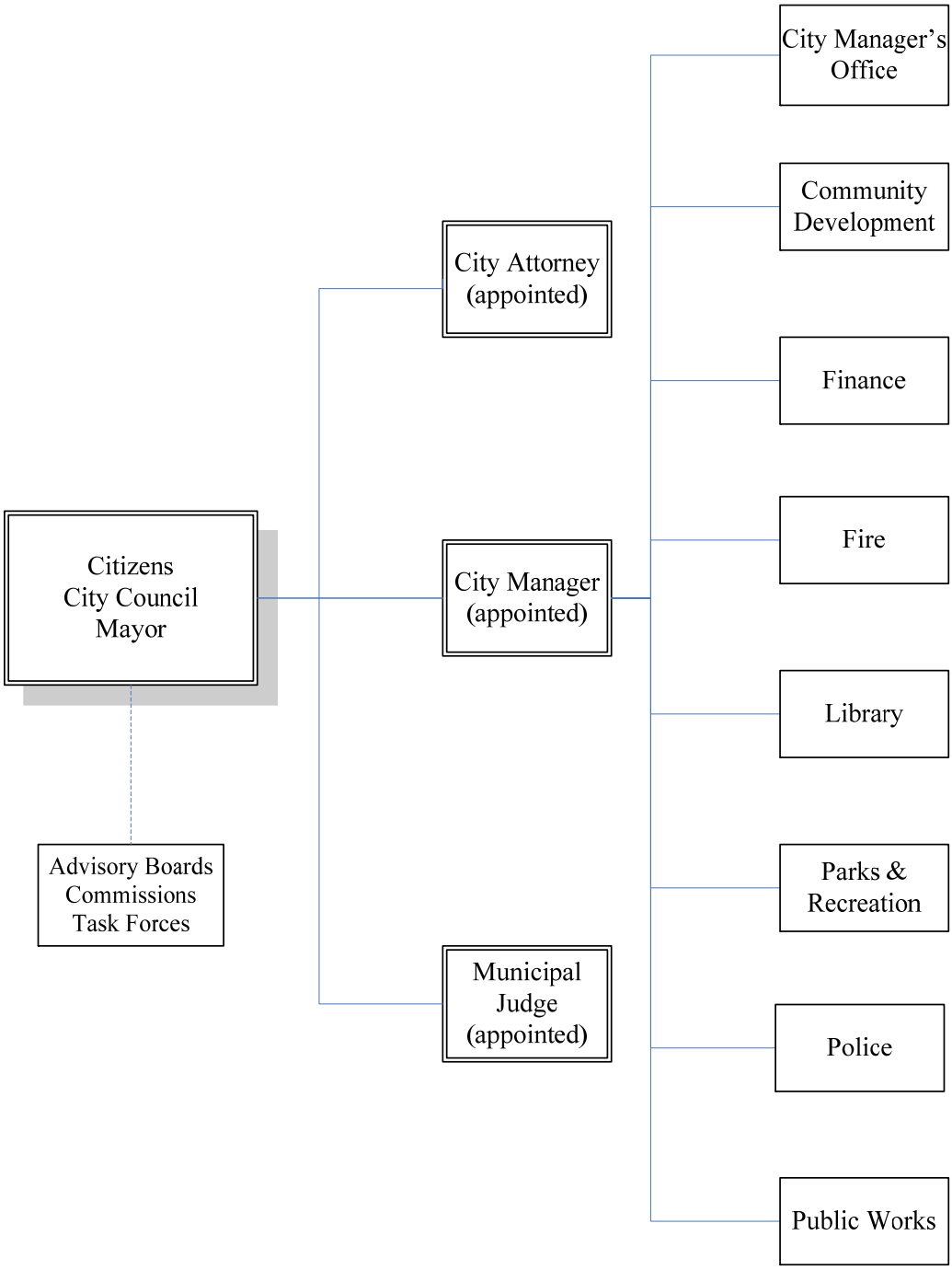
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF CORVALLIS
ORGANIZATION CHART



ELECTED

MAYOR
Julie Manning

Penny York	Ward 1
Roen Hogg	Ward 2
Richard Hervey	Ward 3
Dan Brown	Ward 4
Mike Beilstein	Ward 5
Joel Hirsch	Ward 6
Bruce Sorte	Ward 7
Biff Traber	Ward 8
Hal Brauner	Ward 9

The term for all elected officials expires on December 31, 2014.

APPOINTED

CITY MANAGER Pro Tem
Nancy Brewer

Interim FINANCE DIRECTOR
Janet Chenard

FINANCIAL SERVICES MANAGER
Julian Contreras

SENIOR ACCOUNTANT
Tina Stephens

501 SW Madison Avenue
Corvallis, Oregon 97333

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FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION
- SUPPLEMENTARY INFORMATION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

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November 14, 2014

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corvallis as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corvallis, as of June 30, 2014, and the respective changes in financial position and budgetary comparisons for the general fund, street fund, parks and recreation fund, parks SDC fund, fire and rescue fund, community development revolving fund, and library fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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 Management's Discussion and Analysis or the Other Postemployment Benefit Plan Schedule of Funding Progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, 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, as listed in the table of contents, and the introductory, statistical, and other information sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2014 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 the reports are 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. The reports are 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 14, 2014, 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.

Roy R Rogers

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is a narrative, introduction, overview and analysis of the basic financial statements. MD&A is Required Supplementary Information.

Management's Discussion and Analysis

Readers of the City of Corvallis' Comprehensive Annual Financial Report (CAFR) are offered this narrative overview and analysis of the financial activities of the City of Corvallis (City) for the fiscal year ended June 30, 2014 by management. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the transmittal letter, which can be found on pages 1-8 of this CAFR.

Financial Highlights

- The assets of the City of Corvallis exceeded liabilities at the close of the fiscal year by $292,480,512 (net position), an increase of $9,547,352 from June 30, 2013. Of this amount ($2,257,989) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased for governmental activities by $5,852,164 or 4.02 percent from June 30, 2013. Net position increased for business-type activities by $3,695,188, an increase of 2.69 percent from June 30, 2013. Both governmental and business-type activities improved net position was based on increases in current assets and decreases in liabilities.
- As of the close of FY 2014, the City of Corvallis' governmental funds reported combined ending fund balances of $21,226,327, an increase of $3,564,340 from the prior year. Approximately 64.5 percent of the total amount, $13,691,513, is available for spending at the City Council's discretion (committed, assigned and unassigned fund balance).
- At the end of FY 2014, the total assigned and unassigned fund balance in the General Fund was $4,592,020 which was 12 percent of the total General Fund operating expenditures of $38,265,050. This increase by nearly five times of the June 30, 2013 fund balance available for expenditures, is due primarily to the continued set aside of policy-specified transfers to a Fund Balance Reserve, made more transparent through the consolidation into the General Fund of all property tax funded services which were previously recorded in separate special revenue funds. For FY 13-14 and ongoing, the Parks & Recreation, Library and Fire Fund operations will be reported in the General Fund. The improvement in the fund balance is also based partly on departments changing expenditure plans to come in under budget, although less than in prior years.
- Total governmental activities debt decreased by $1,600,257 or 4.09 percent during FY 2014. Total business-type activities debt decreased by $2,902,978 or 18.69 percent. The decrease in both the governmental and business-type activities was the result of making all required, scheduled payments as well as prepaying the remaining balance on the Oregon Business Development Department loan from fund balance available in the Airport Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary and supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Corvallis is improving or deteriorating.

The Statement of Net Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement

for some items that will only result in cash flows in future fiscal periods (i.e., uncollected property taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (called governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (called business-type activities). The governmental activities of the City include police, fire, library, parks and recreation, general administration, public works, and community development. The business-type activities of the City include water, wastewater, and storm water utilities, and the municipal airport.

The government-wide financial statements can be found on pages 25-26 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable 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 near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Corvallis maintained fourteen individual governmental funds in FY 2014. However, it should be noted that four of these funds were closed out at fiscal year-end, and one new fund was created, such that only eleven governmental funds will be utilized in FY 2015. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Street, Community Development Revolving, and Capital Construction funds, all of which are considered to be major funds. Data from the other ten governmental funds is combined into a single aggregated presentation. Fund data for each of these non-major governmental funds is disclosed as supplementary information in the form of statements and schedules.

The City adopts an annual appropriated budget for its General Fund, along with all other funds. Budgetary comparison statements have been provided in the basic financial statements for the General Fund and major special revenue funds to demonstrate compliance with this budget. Budgetary comparisons for all other funds have been provided as supplementary information.

The basic governmental fund financial statements can be found on pages 27-37 of this report.

Proprietary Funds The City of Corvallis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, storm water, and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Corvallis uses internal service funds to account for its garage, facility management, telephone and technology systems, central administration, and risk management operations. Because these services predominantly benefit governmental rather than business-type functions, they have been consolidated within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Storm Water and Airport Funds, all of which are considered to be major funds of the City of Corvallis. The internal service funds are all considered to be non-major funds and are combined into a single aggregated presentation in the proprietary fund financial statements. In the basic financial statements, internal service funds are presented as governmental type activities after eliminating interfund transactions. Individual fund data for the internal service funds is provided elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38-40 of this report.

Fiduciary Funds The City has no fiduciary funds.

Notes to the Basic 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 and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 41-71 of this report.

Required Supplementary Information Required supplementary information includes the Other Postemployment Benefits Plan Schedule of Funding Progress. This information can be found on page 72 of this report.

Supplementary Information Supplementary information includes the combining statements referred to earlier in connection with non-major governmental funds and internal service funds; budgetary comparisons for non-major, enterprise and internal service funds; and other financial schedules. This information can be found on pages 73-105 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $292,480,512 at the close of FY 2014. This represented a $9,547,352 or 3.37 percent increase in net position from the prior fiscal year.

CITY OF CORVALLIS
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Current and other assets	$ 47,231,101	$ 51,136,538	$ 23,835,086	$ 26,117,823	$ 71,066,187	$ 77,254,361
Capital assets	153,274,206	156,242,383	132,552,895	131,248,206	285,827,101	287,490,589
Total assets	200,505,307	207,378,921	156,387,981	157,366,029	356,893,288	364,744,950
Total deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred ouflows of resources	200,505,307	207,378,921	156,387,981	157,366,029	356,893,288	364,744,950
Current liabilities	3,462,739	4,741,214	588,404	738,609	4,051,143	5,479,823
Long-term liabilities	51,339,164	51,199,945	18,531,959	15,340,836	69,871,123	66,540,781
Total liabilities	54,801,903	55,941,159	19,120,363	16,079,445	73,922,266	72,020,604
Total deferred inflows of resources	37,862	(79,944)	-	323,778	37,862	243,834
Total liabilities and deferred inflows of resources	54,839,765	55,861,215	19,120,363	16,403,223	73,960,128	72,264,438
Net Position						
Net Investment in capital assets	145,619,845	149,612,328	116,547,672	118,294,427	262,167,517	267,906,755
Restricted	9,538,132	9,804,205	14,781,966	17,027,541	24,320,098	26,831,746
Unrestricted	(9,492,435)	(7,898,827)	5,937,980	5,640,838	(3,554,455)	(2,257,989)
Total Net Position	**$ 145,665,542**	**$ 151,517,706**	**$ 137,267,618**	**$ 140,962,806**	**$ 282,933,160**	**$ 292,480,512**

The largest portion of the City's net position, $267,906,755, reflects the City's investment in capital assets (land, building, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City's

investment in capital assets increased $5,739,238 or 2.19 percent from June 30, 2013. The City's major capital assets are investments in infrastructure – the water, wastewater and storm water systems of treatment plants and collection/distribution facilities, the street and sidewalk system, and the municipal airport. The City uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The City's restricted net position totaled $26,831,746 or 9.16 percent of the total net position representing resources that are subject to external restrictions on how they may be used. This represents an increase of $2,511,648 in the City's restricted net position from June 30, 2013. The remaining balance of unrestricted net position, ($2,257,989), may be used to meet the City's ongoing obligations to citizens and creditors. Ending the year with negative unrestricted net position has required the City to modify the services it offers to balance the budget for FY 2015.

Unrestricted net position for governmental activities totaled ($7,898,827) or (5.21) percent of the total net position for governmental activities. Business-type activities unrestricted net position totaled $5,640,838 or 4.00 percent of the total net position for business-type activities. At the end of FY 2014, the City of Corvallis is able to report positive balances in two of three categories of net position, with the total unrestricted net position negative. The City has taken action during FY 2014 that is expected to bring the unrestricted net position in governmental activities to a positive balance in FY 2015.

CITY OF CORVALLIS
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Revenue:						
Program Revenue:						
Charges for Service	$ 16,820,136	$ 17,469,043	$ 21,971,843	$ 21,660,192	$ 38,791,979	$ 39,129,235
Operating grants and contributions	9,199,032	9,694,350	179,089	43,975	9,378,121	9,738,325
Capital grants and contributions	3,251,247	5,923,404	2,681,928	2,515,543	5,933,175	8,438,947
General Revenue:						
Property taxes levied for op. purposes	22,312,095	21,347,731	-	-	22,312,095	21,347,731
Property taxes levied for debt service	1,039,546	1,082,773	-	-	1,039,546	1,082,773
Transient room taxes	1,396,192	1,424,997	-	-	1,396,192	1,424,997
Franchise Fees	5,186,269	5,486,499	-	-	5,186,269	5,486,499
Interest and investment earnings	136,567	250,895	91,137	143,869	227,704	394,764
Miscellaneous	1,707,759	2,266,469	13,165	116,134	1,720,924	2,382,603
Gain on sale of capital assets	26,047	66,733	-	-	26,047	66,733
Total Revenues	61,074,890	65,012,894	24,937,162	24,479,713	86,012,052	89,492,607
Expenses:						
Community Development	5,566,393	6,083,655	-	-	5,566,393	6,083,655
Finance Department	906,213	944,298	-	-	906,213	944,298
Fire Department	11,354,335	11,442,641	-	-	11,354,335	11,442,641
Library	6,569,404	6,241,948	-	-	6,569,404	6,241,948
Parks & Recreation	6,879,537	6,704,226	-	-	6,879,537	6,704,226
Police Department	13,369,105	13,783,254	-	-	13,369,105	13,783,254
Public Works	11,606,962	9,619,034	-	-	11,606,962	9,619,034
Non-Departmental	2,665,748	2,518,089	-	-	2,665,748	2,518,089
Interest on long-term debt	2,278,660	2,305,645	-	-	2,278,660	2,305,645
Water	-	-	8,311,441	8,314,648	8,311,441	8,314,648
Wastewater	-	-	9,702,635	8,570,089	9,702,635	8,570,089
Storm Water	-	-	2,436,998	2,655,470	2,436,998	2,655,470
Airport	-	-	808,105	762,258	808,105	762,258
Total Expenses	61,196,357	59,642,790	21,259,179	20,302,465	82,455,536	79,945,255
Excess of revenues over expenditures before transfers	(121,467)	5,370,104	3,677,983	4,177,248	3,556,516	9,547,352
Transfers	358,250	482,060	(358,250)	(482,060)	-	-
Change in Net Position	236,783	5,852,164	3,319,733	3,695,188	3,556,516	9,547,352
Prior Year Adjustment	256,458				256,458	
Net Position - Beginning, Restated	145,172,301	145,665,542	133,947,885	137,267,618	279,120,186	282,933,160
Net Position - Ending	$145,665,542	$151,517,706	$137,267,618	$140,962,806	$282,933,160	$292,480,512

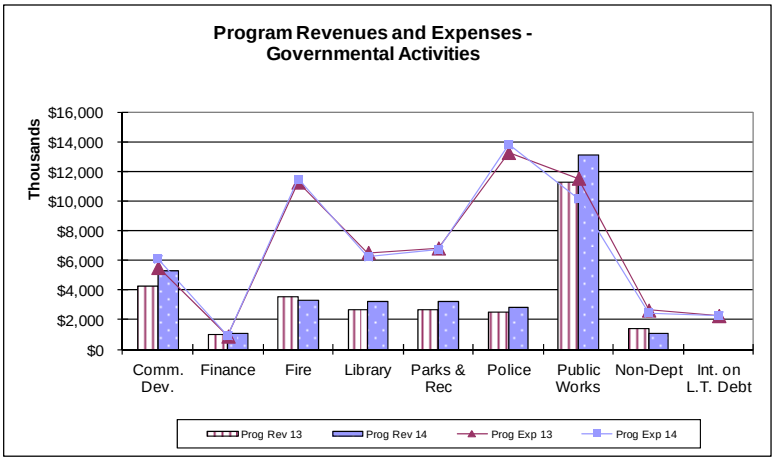
- Governmental activities increased the City's net position by $5,852,164. This improvement was largely due to continued implementation of the Council Policy fund balance reserve allocations to achieve Council's sustainable budget goal. It was also improved through the action of decreasing departmental expenditure budgets in FY 2014 after learning late in the budget process of a reduction in Oregon PERS' biennial pension rates. The City Council also approved unwinding the FY 12-13 surplus allocation of $967,911 to fund balance reserves, which together with expenditure reductions served to offset a $1.44 million refund made to Hewlett-Packard (related to a court award for the company's assessed value appeal) which would otherwise have significantly impacted revenues and thus fund balance. A fixed expenditure limit approach to departmental budgeting resulted in additional reductions in the General Fund for FY 2015, but these actions are expected to continue to improve the bottom line.

- Business-type activities increased the City's net position by $3,695,188. Rate increases in the water, wastewater, and storm water funds have been implemented to increase program revenue to fund operating and maintenance costs as well as to build capacity for either cash or debt funded infrastructure projects.

Financial Analysis of the Government's Funds

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

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



As of June 30, 2014, the City's governmental funds reported combined ending fund balances of $21,226,327, an increase of $3,564,340 in comparison with the prior year. Approximately $13,691,513, or 64.5 percent, constitutes committed, assigned and unassigned fund balance which is available for spending at the City's discretion. The City holds $5,000 in a non-spendable Permanent Fund. The remainder of the fund balance, or approximately $7,529,814, is restricted to indicate that it is not available for new spending because it has already been restricted to pay for capital construction and other purposes.

The General Fund is the main operating fund for the City. At the end of FY 2014, the unassigned and assigned fund balance of the General Fund was $4,592,020. Monies restricted and committed totaled $1,936,760. As a measure of the General Fund's liquidity, it may be useful to compare the spendable fund balance to total fund expenditures. The unassigned and assigned fund balance represents 12.00 percent of the total General Fund operating expenditures.

The total fund balance (restricted, committed, unassigned, and assigned) of the General Fund increased by $4,015,500 during FY 2014. While the key factor in this increase relates to the City Council's continued emphasis on building reserves, this effort is made more visible due to the consolidation of the other property tax funded operations of the Parks & Recreation, Fire and Library Funds into the General Fund. Contributing influences to the total growth included the following:

- ❖ The City Council has continued its significant commitment to build the General Fund Fund Balance Reserve, bringing its total set aside from current revenues over the past two years to $3,174,574, which is

higher than the $2,205,000 (representing 35% of $6,300,000) required by policy by this point in time. This balance is currently reflected in a combination of the assigned and unassigned balances on page 27.

- Total revenues were lower than the final amended budget by about $1,620,691.
  - Assessed value (AV) grew by only 1.5 percent, primarily due to the Hewlett-Packard decreased valuation as a result of its appeal award for 2008, 2009 and 2010, as well as several other sizeable tax payers' reductions in AV, which served to offset growth in most other residential and commercial properties at the allowed Oregon Constitutional limit increase of 3 percent. New single family residential building continued to be constrained, but commercial property additions showed some improvement.
  - The H-P refund of $9 million County-wide led to property tax revenue totaling $1.44 million lower than expected in FY 2014. Refunds paid to date do not yet include any interest payments that will be due if the Department of Revenue loses its Supreme Court appeal of the H-P award. However, Benton County withheld a portion of the property tax revenues to create a new reserve over the next two years which should help cover the interest payment(s) if they come due.
  - Both Library District intergovernmental revenue turnovers and Corvallis Rural Fire District contract charges for service came in below adopted values, also due to the respective district's share of the H-P refund.
  - Ambulance revenues were about 6% lower than anticipated in the Adopted FY 2014 budget, although nearly 5% higher than in FY 2013.
- Total expenditures were about $1,358,840, or 3.5% of the total adopted budget, lower due to departmental vacancy savings, as well as deliberate efforts to ensure a positive outcome was achieved such that the budgeted interfund loan anticipated for the shortfall in fund balance from the H-P refund would not be needed.

In the Street Fund, the fund balance increased by $913,585. Systems Development Charge (SDC) revenue, a category of Charges for Services in the Street Fund, was nearly double projections at $1,113,887, but is restricted for spending so does not serve to help operational appropriations.

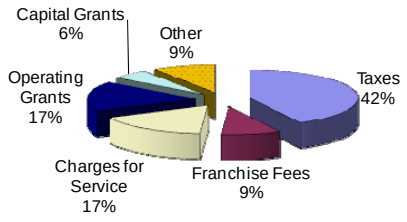
The Parks & Recreation, Fire and Library Fund fund balances were consolidated to the General Fund in FY 2014 with nearly $6 million in transfers, and the Parks SDC Fund was created as a stand alone special revenue fund.

The Community Development Revolving Fund ending fund balance was $60,477 higher than the prior year, despite reduced CDBG grant funding. HOME grant receipts, however, came in higher due to funding received in respect of the Seavey Meadows development. At fiscal year end, the City Council approved an inter-fund loan to keep this fund in a positive position, however it was not needed as department staff rigorously managed the fund's cash flow toward year end. Plans for maintaining the positive fund balance will be worked on by staff in the coming year.

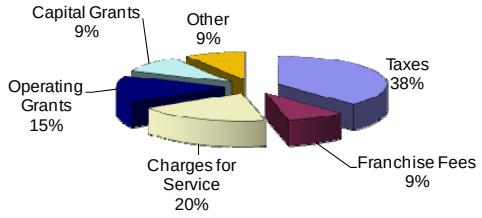
The Capital Construction Fund ending fund balance for June 30, 2014 was $256,445 greater than the prior year. The increase was the result of balances being built up in anticipation of spending on summer projects.

Revenue by Source – Governmental Funds

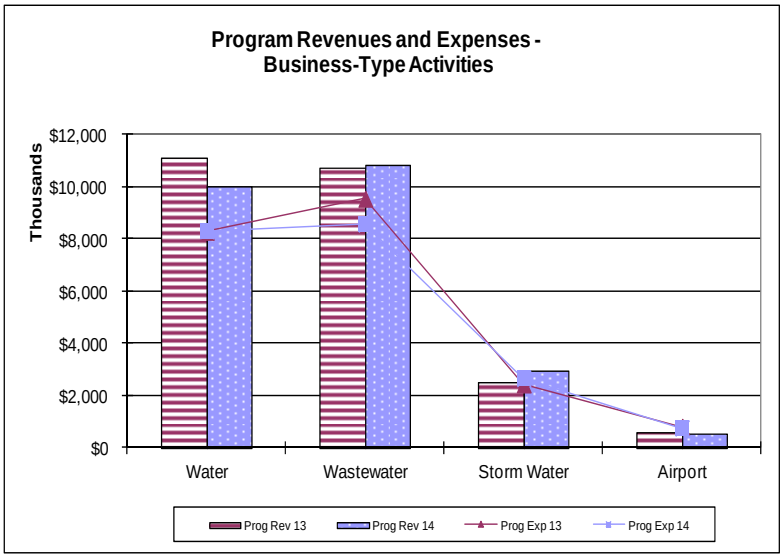
FY 12-13
Revenue by Source



FY 13-14
Revenue by Source

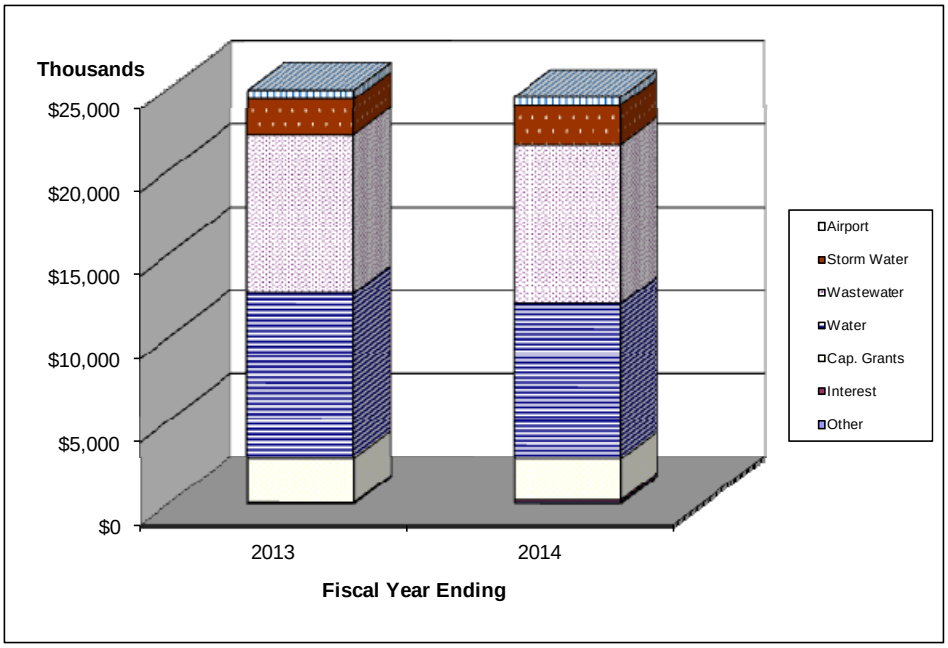


Proprietary Funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary funds increased the City's net position by $3,672,532. Key elements of this increase are as follows:



- The Wastewater and Storm Water Funds accounted for a significant portion of this increase, which resulted in part from the approval of a 4 and 7 percent rate increase respectively, to provide additional monies for operations, maintenance and future capital projects. No increase was made to Water Fund rates for FY 13-14. Additionally, Wastewater Fund expenditures were nearly $1 million lower than budgeted based on a decision to defer work on the Total Maximum Daily Load (TMDL) project, pending a revised set of guidelines from the Department of Environmental Quality (DEQ).
- Systems Development Charges (SDCs) for water, wastewater, and storm water revenues combined were around $24,312 higher than anticipated in FY 2014.

Revenues by Source – Business-type Activities



General Fund Budgetary Highlights

There was an $815,660 increase between the adopted and final amended budgeted expenditures in the General Fund. During the course of the year the City Council accepted and appropriated six grants and approved five supplemental budgets in this fund; one grant was for the Police Department bullet-proof vests, the others were

primarily various Parks & Recreation Department small specific purpose donations. The largest portion of the increased expenditure budget was attributable to a supplemental budget of $645,990 for a Friends of the Library donation to purchase the Fenner Building. Significant variances between budget and actual activity can be summarized as follows:

- Revenues were very close to budget in total, but showed small variances in both directions across all categories.
- Property tax revenue was lower than adopted due to the last minute notification of the property tax refund for Hewlett-Packard, and the lack of timely information to implement these changes prior to adoption.
- Departments reduced planned expenditures by eliminating some programs and leaving some positions vacant to better manage the City's long-term financial situation. In addition, efforts were made near the end of the fiscal year where insufficient time was available to start or finish projects, to save the appropriations as an offset to the refund paid to Hewlett-Packard for the tax appeal decision at the beginning of the fiscal year.

Capital Asset and Debt Administration

Capital Assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to $287,490,588 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, machinery and equipment, office equipment, intangibles, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was nearly $1.7 million, or 0.58 percent. This total includes a 1.94 percent increase in governmental activities and a 0.98 percent decrease in business-type activities.

Major capital asset events during FY 2014 included the following:

- Infrastructure maintenance projects capitalized for water, wastewater, storm water, streets, sidewalks, parks, and municipal buildings totaled $1,881,095.
- Recorded intangibles include assets for land easements and software development. FY 2014 intangible land balances were up significantly from previous years due to the large number of easements recorded, two of which were over 3 acres each.
- The City purchased the Fenner building in February for $531,787, and the associated land was recorded at $102,000. Other land additions included Coronado Park at $300,000 and Public Improvements by Private Contractors (PIPCs) totaling roughly $500,000.
- The section of the Corvallis to Albany Trail that is in Corvallis was completed with FY 2014 expenditures totaling $513,235.
- The 36th & Grant Water Pump Station Improvements was nearing completion with FY 2014 expenditures totaling $627,232.
- Construction of the 15th Street and Washington Way Improvements began with FY 2014 expenditures totaling $945,912 of an estimated $4.1 million project budget.

Depreciation of infrastructure, vehicles and equipment in FY 2014 served to largely offset the growth in additions to the City's capital assets reflected above.

CITY OF CORVALLIS' CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Intangibles	$ 1,226,031	$ 2,391,341	$ 359,433	$ 425,573	$ 1,585,464	$ 2,816,914
Land	88,632,999	89,536,102	1,142,357	1,142,357	89,775,356	90,678,459
Buildings	17,010,825	17,461,630	1,604,367	1,671,363	18,615,192	19,132,993
Machinery and equipment	1,567,479	2,372,338	2,196,755	1,864,509	3,764,234	4,236,847
Vehicles	5,529,443	5,652,129	1,025,363	871,290	6,554,806	6,523,419
Infrastructure	37,161,682	36,071,336	125,706,438	123,967,136	162,868,120	160,038,472
Machinery work in Progress	79,743	-	-	-	79,743	-
Construction in Progress	2,066,004	2,757,507	518,182	1,305,976	2,584,186	4,063,483
Total	$ 153,274,206	$ 156,242,383	$ 132,552,895	$ 131,248,205	$ 285,827,101	$ 287,490,588

Additional information on the City of Corvallis' capital assets can be found on pages 56-57 of this report.

Long-Term Debt At the end of FY 2014 the City had total debt outstanding of $50,152,337. Of this amount, $14,380,000 comprises general obligation debt and other bonds backed by the full faith and credit of the government; $3,430,000 is revenue supported based on direct pledges from the wastewater utility operation revenues; and $30,812,337 is limited-tax pension-related debt, supported by operating funds of the City. The City also had total notes outstanding of $1,530,000 which are fully General Fund supported.

CITY OF CORVALLIS
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
General obligation bonds	$ 6,015,000	$ 5,180,000	$ -	$ -	$ 6,015,000	$ 5,180,000
Full Faith and Credit bonds	-	-	11,485,000	9,200,000	11,485,000	9,200,000
Pension obligation bonds	31,382,594	30,812,337	-	-	31,382,594	30,812,337
Revenue bonds	-	-	3,915,000	3,430,000	3,915,000	3,430,000
Total bonded debt	37,397,594	35,992,337	15,400,000	12,630,000	52,797,594	48,622,337
Notes payable	1,725,000	1,530,000	132,978	-	1,857,978	1,530,000
Total Debt Outstanding	$ 39,122,594	$ 37,522,337	$ 15,532,978	$ 12,630,000	$ 54,655,572	$ 50,152,337

The City's total debt decreased $4,503,235 or 8.24 percent during FY 2014. The decrease was driven entirely by paying scheduled debt service as well as prepaying an Airport Fund note payable to the Oregon Business Development Department.

Moody's global rating system has established the City's debt ratings. The City's 2002 pension obligation bonds are rated Aa3; all other City issued debt is rated Aa2. In June 2011, Moody's placed the City on negative outlook and indicated that decreasing General Fund reserves were the major area of concern; the negative outlook was removed by Moody's in June of 2014. Credit was given to progress made on the City Council goal of developing a financially sustainable budget, as well as work being done to build fund balance reserves back up to 3 months of payroll.

Additional information on the City of Corvallis' long-term debt can be found on pages 58-62 of this report.

Economic Factors and Next Year's Budgets and Rates

- The seasonally adjusted unemployment rate for the Corvallis MSA in June 2014 was 5.3 percent, a decrease from last June's 6.1 percent seasonally adjusted rate. Benton County has continued to have one of the lowest unemployment rates in the State of Oregon, where the June seasonally adjusted statewide rate was 6.8 percent.
- Historically, property tax revenue has been relatively stable, with an average rate of growth of right around 3 percent annually over the last decade.
- In May of 2013, the Oregon Court of Appeals issued a decision favorable to Hewlett-Packard with respect to its valuation appeal for the years 2008, 2009 and 2010. The refund calculations associated with this award continued to be adjusted through the budget adoption period, hence the challenge with developing a better estimate for property tax revenue than was derived during the City's proposed budget process. Once the Department of Revenue (DOR) made the decision to appeal to the Oregon Supreme Court, a revised revenue projection was possible, and was considerably lower than the adopted budget amount. In July 2013, the County determined that only the tax principal owed would be paid, approximately $1.4 million for the City, to halt interest accruing until a final adjudication would be made. In June 2014, the Supreme Court heard the case, but an opinion is still not expected until 2015. The original decision also impacted future property tax revenues, due to the reduction in assessed value of the related property. Benton County held back tax

turnovers from all agencies in FY 2014 and will do so again in FY 2015 in order to create a reserve for potential interest owed should the ultimate decision remain in H-P's favor. A Tax Court ruling is also awaited with respect to an ongoing valuation methodology appeal for Comcast; this company's billings have been deferred again in FY 2015 in order to account for possible amounts owed to it.

- In November 2013, voters in Corvallis approved a 5-year renewal and expansion of the City's local option levy, raising the rate from $0.45/$1,000 to $0.8181/$1,000 of assessed value. The levy funds specific services within the General Fund.
- Utility rates for the water, wastewater, and storm water funds are projected to continue to increase in line with the City Council's policy guidelines of 2 to 3 percent on the average residential utility bill. The need for infrastructure maintenance and improvements drives the annual rate increases.
- Commercial development has remained strong, and Oregon State University is continuing a series of significant construction projects. Enrollment growth is expected to be over 2% at Oregon State University for the 14-15 school year; after nearly a 6% (1,667 students) growth in FY 13-14. Visit Corvallis reports a current vacancy rate of less than 1% for rental units; development of multi-family units and student housing has been strengthening over the course of this past fiscal year, and continues to look robust for FY 2015.

All of these factors were considered when preparing the budget for the 2015 fiscal year.

During FY 2014, unassigned fund balances in the General Fund increased to $2,397,894. The City Council has affirmed their financial policy to build the General Fund reserve to three-months of payroll costs, or around $6.3 million and has continued to apply the strategy to meet that goal. Significant work went into developing a new financial planning model for FY 2015. The model focuses on the FY 2014 concept of a sustainable financial operation, but utilizes a fixed expenditure limit for departments based on dedicated and non-dedicated revenue growth. Departmental services were prioritized within this expenditure limit to meet the Council's goal of recurring revenues matching or exceeding recurring expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Corvallis' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Corvallis, 500 SW Madison, Corvallis, Oregon 97333, 541-766-6990 or via e-mail at finance@corvallisoregon.gov.

BASIC FINANCIAL STATEMENTS

- GOVERNMENT-WIDE FINANCIAL STATEMENTS
- FUND FINANCIAL STATEMENTS
  - GOVERNMENTAL FUNDS
  - PROPRIETARY FUNDS
- NOTES TO THE BASIC FINANCIAL STATEMENTS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements, fund financial statements and the notes to the financial statements. An auditor opinion is expressed on the basic financial statements.

CITY OF CORVALLIS, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	$ 23,250,868	$ 23,730,306	$ 46,981,174
Receivables (net of allowances for uncollectibles)			
Property taxes	1,969,691	-	1,969,691
Accounts	2,182,347	2,340,700	4,523,047
Accrued interest	22,250	25,000	47,250
Assessments	42,237	19,267	61,504
Franchise fees	432,614	-	432,614
Grants	1,294,209	2,429	1,296,638
Revolving loans	2,699,908	-	2,699,908
Other receivables	610,920	120	611,040
Other assets	3	-	3
Prepaid pension obligation costs	18,631,491	-	18,631,491
Other restricted assets	-	2	2
Capital assets:			
Non-depreciable	94,467,109	2,448,333	96,915,442
Other (net of accumulated depreciation)	61,775,274	128,799,872	190,575,146
Total Assets	207,378,921	157,366,029	364,744,950
Deferred Outflows of Resources			
	-	-	-
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	$ 207,378,921	$ 157,366,029	$ 364,744,950
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Accounts payable	$ 1,797,667	$ 575,996	$ 2,373,663
Accrued interest	669,969	41,382	711,351
Other accrued liabilities	2,053,664	121,231	2,174,895
Unearned revenue	219,914	-	219,914
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences	3,452,213	579,128	4,031,341
Bonds payable	1,522,139	2,850,000	4,372,139
Notes payable	200,000	-	200,000
Due in more than one year:			
Accrued compensated absences	1,894,335	317,785	2,212,120
Net OPEB obligation	8,331,060	1,813,923	10,144,983
Bonds payable	34,470,198	9,780,000	44,250,198
Notes payable	1,330,000	-	1,330,000
Total Liabilities	55,941,159	16,079,445	72,020,604
Deferred Inflows of Resources			
Deferred amounts from debt refundings	(79,944)	323,778	243,834
Total Deferred Inflows of Resources	(79,944)	323,778	243,834
Net Position			
Net investment in capital assets	149,612,328	118,294,427	267,906,755
Restricted for:			
Streets and highways	3,853,144	-	3,853,144
Capital projects and construction	4,481,541	17,027,541	21,509,082
Debt service	30,497	-	30,497
Endowments - nonexpendable	5,000	-	5,000
Other purposes	1,434,023	-	1,434,023
Unrestricted	(7,898,827)	5,640,838	(2,257,989)
Total Net Position	151,517,706	140,962,806	292,480,512
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 207,378,921	$ 157,366,029	$ 364,744,950

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

CITY OF CORVALLIS, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Activities	***Expenses***	***Fees, Fines, and Charges for Services***	***Operating Grants and Contributions***	***Capital Grants and Contributions***	***Governmental Activities***	***Business-type Activities***	***Totals***
Governmental Activities:							
Community Development	$ 6,083,655	$ 4,053,116	$ 1,257,126	$ -	$ (773,413)	$ -	$ (773,413)
Finance	944,298	1,038,023	-	-	93,725	-	93,725
Fire	11,442,641	3,329,370	-	-	(8,113,271)	-	(8,113,271)
Library	6,241,948	895,065	2,301,615	-	(3,045,268)	-	(3,045,268)
Parks and Recreation	6,704,226	2,010,791	50,008	1,171,989	(3,471,438)	-	(3,471,438)
Police	13,783,254	1,454,562	1,197,249	136,380	(10,995,063)	-	(10,995,063)
Public Works	9,619,034	3,594,084	4,888,352	4,615,035	3,478,437	-	3,478,437
General Government	2,518,089	1,094,032	-	-	(1,424,057)	-	(1,424,057)
Interest on long-term debt	2,305,645	-	-	-	(2,305,645)	-	(2,305,645)
Total Govermental Activities	59,642,790	17,469,043	9,694,350	5,923,404	(26,555,993)	-	(26,555,993)
Business-type Activities:							
Water	8,314,648	9,332,436	3,866	655,522	-	1,677,176	1,677,176
Wastewater	8,570,089	9,554,808	3,252	1,241,565	-	2,229,536	2,229,536
Storm Water	2,655,470	2,293,264	10,543	618,456	-	266,793	266,793
Airport	762,258	479,684	26,314	-	-	(256,260)	(256,260)
Total Business-type Activities	20,302,465	21,660,192	43,975	2,515,543	-	3,917,245	3,917,245
Total Activities	$ 79,945,255	$ 39,129,235	$ 9,738,325	$ 8,438,947	(26,555,993)	3,917,245	(22,638,748)
		General Revenues:					
		Taxes					
		Property taxes, levied for general purposes			21,347,731	-	21,347,731
		Property taxes, levied for debt service			1,082,773	-	1,082,773
		Transient room taxes			1,424,997	-	1,424,997
		Franchise fees			5,486,499	-	5,486,499
		Interest and investment earnings			250,895	143,869	394,764
		Miscellaneous			2,266,469	116,134	2,382,603
		Gain on sale of capital assets			66,733	-	66,733
		Total General Revenues			31,926,097	260,003	32,186,100
		Transfers			482,060	(482,060)	-
		Change in Net Position			5,852,164	3,695,188	9,547,352
		Net Position, Beginning of Year, Restated			145,665,542	137,267,618	282,933,160
		Net Position, End of Year			$ 151,517,706	$ 140,962,806	$ 292,480,512

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

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND - Accounts for all of the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, licenses, permits and state shared revenues. Primary expenditures in the General Fund are for police, fire, parks and recreation, library, planning, municipal court, and facilities maintenance.

STREET FUND - Accounts for the engineering, maintenance and improvements of city streets. The major revenue sources are state gasoline tax proceeds, the transportation maintenance fee and system development charges.

PARKS SDC FUND - Accounts for the expansion and improvements of the Parks system. The major revenue sources are charges for services from collection of system development charges.

COMMUNITY DEVELOPMENT REVOLVING FUND - Accounts for housing and community improvement services funded by loan repayments from community development block grant activities and federal HOME grants. Major revenue sources include grants and loan repayments.

CAPITAL CONSTRUCTION FUND - Accounts for the construction and improvement of roads, parks, and facilities, and for the acquisition of park land. Major revenue sources are from interfund transfers and grants.

CITY OF CORVALLIS, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Street	Parks SDC	Community Development Revolving	Capital Construction	Other Governmental Funds	Total
ASSETS							
Cash and investments	$ 8,427,626	$ 3,458,589	$ 2,895,995	$ 48,230	$ 263,934	$ 6,086,778	$ 21,181,152
Receivables							
Property taxes	1,969,691	-	-	-	-	-	1,969,691
Accounts	982,010	230,127	-	23	684,798	281,040	2,177,998
Accrued interest	5,530	6,108	5,739	103	125	3,416	21,021
Assessments	31,896	5,114	5,227	-	-	-	42,237
Franchise fees	432,614	-	-	-	-	-	432,614
Grants	151,459	81,179	-	21,854	688,093	351,624	1,294,209
Revolving loans	34,380	-	-	2,665,528	-	-	2,699,908
Other receivables	233,389	248,674	-	-	-	128,857	610,920
Other assets	-	-	-	-	-	3	3
Total Assets	$ 12,268,595	$ 4,029,791	$ 2,906,961	$ 2,735,738	$ 1,636,950	$ 6,851,718	$ 30,429,753
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 969,923	$ 63,530	$ -	$ 6,270	$ 155,738	$ 257,597	$ 1,453,058
Other accrued liabilities	1,901,683	108,004	-	3,220	29,881	368	2,043,156
Total Liabilities	2,871,606	171,534	-	9,490	185,619	257,965	3,496,214
Deferred Inflows of Resources							
Unavailable/unearned revenue	2,868,209	5,113	5,228	2,665,528	124,510	38,624	5,707,212
Total Deferred Inflows of Resources	2,868,209	5,113	5,228	2,665,528	124,510	38,624	5,707,212
Fund Balances							
Nonspendable	-	-	-	-	-	5,000	5,000
Restricted	763,715	2,656,339	2,552,463	1,262,592	275,638	19,067	7,529,814
Committed	1,173,045	348,160	-	392,208	-	1,591,338	3,504,751
Assigned	2,194,126	848,645	349,270	-	1,051,183	4,939,724	9,382,948
Unassigned	2,397,894	-	-	(1,594,080)	-	-	803,814
Total Fund Balances	6,528,780	3,853,144	2,901,733	60,720	1,326,821	6,555,129	21,226,327
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 12,268,595	$ 4,029,791	$ 2,906,961	$ 2,735,738	$ 1,636,950	$ 6,851,718	$ 30,429,753

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

CITY OF CORVALLIS, OREGON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts reported for governmental activities in the statement of net position (page 25) are different because:

Fund balance - total governmental funds (page 27)	$	21,226,327
Capital assets used in governmental activities are not financial resources and, therefore, are not included in the funds. Capital assets reported in internal service funds are included in the governmental capital assets reported on the statement of net position but are not included here.		155,567,328
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(50,054,355)
Internal service funds are used by management to charge the costs of fleet, facility, technology and communications, administrative services and risk management to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		659,617
In 2002 and 2005, the City made a payment to PERS for unfunded pension liabilities. The expenditures were reported in the funds when paid; however, the prepaid asset is not reported in the funds and must be amortized over the life of the debt. The unamortized balance is reported as a prepaid asset of governmental funds on the entity wide statement of net position.		18,631,491
Other revenues are earned but are deferred as they are not available in the current period to pay for current period expenditures; therefore, these revenues are not reported in the funds.		5,487,298
Net position of governmental activities (page 25)	$	151,517,706

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

CITY OF CORVALLIS, OREGON

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

YEAR ENDED JUNE 30, 2014

	General	Street	Parks and Recreation	Parks SDC	Fire & Rescue	Community Development Revolving	Library	Capital Construction	Other Governmental Funds	Total
REVENUES										
Taxes	$ 20,578,215	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,856,047	$ 23,434,262
Licenses, fees, and permits	5,889,568	736,886	-	-	-	153,982	-	-	2,733,497	9,513,933
Charges for services	6,114,840	1,464,847	-	1,016,042	-	5,000	-	-	3,771,601	12,372,330
Intergovernmental	4,005,722	3,267,294	-	-	-	1,252,848	-	1,084,622	3,737,202	13,347,688
Fines and forfeitures	747,489	4,480	-	-	-	934	-	-	417,066	1,169,969
Miscellaneous	1,176,316	133,973	-	182,497	-	586,061	-	828,764	303,562	3,211,173
Total Revenues	38,512,150	5,607,480	-	1,198,539	-	1,998,825	-	1,913,386	13,818,975	63,049,355
EXPENDITURES										
Current										
City Manager's Office	320,760	-	-	-	-	-	-	-	-	320,760
Community Development	1,236,566	18,469	-	-	-	1,834,206	-	-	2,663,025	5,752,266
Finance	606,319	-	-	-	-	-	-	-	218,066	824,386
Fire	10,290,614	-	-	-	-	-	-	-	-	10,290,614
Library	5,842,275	-	-	-	-	-	-	-	-	5,842,275
Parks & Recreation	6,113,940	-	-	-	-	-	-	-	-	6,113,940
Police	10,308,348	-	-	-	-	-	-	-	2,442,849	12,751,197
Public Works	765,377	3,250,627	-	-	-	-	-	-	2,834,647	6,850,651
Nondepartmental	1,296,680	-	-	-	-	-	-	-	1,350	1,298,030
Debt service										
Principal	195,000	-	-	-	-	80,000	-	-	1,405,257	1,680,257
Interest	48,174	-	-	-	-	432	-	-	2,262,323	2,310,929
Capital outlay	1,240,996	418,849	-	-	-	-	-	3,060,755	1,277,915	5,998,515
Total Expenditures	38,265,050	3,687,945	-	-	-	1,914,638	-	3,060,755	13,105,433	60,033,820
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	247,100	1,919,535	-	1,198,539	-	84,187	-	(1,147,369)	713,542	3,015,535
OTHER FINANCING SOURCES (USES)										
Proceeds - sale of capital assets	66,744	-	-	-	-	-	-	-	-	66,744
Transfers in	5,708,552	-	-	2,135,383	-	-	-	1,403,814	2,720,080	11,967,829
Transfers out	(2,006,896)	(1,005,950)	(3,667,300)	(432,189)	(1,115,970)	(23,710)	(1,182,121)	-	(2,051,632)	(11,485,768)
Total Other Financing Sources (Uses)	3,768,400	(1,005,950)	(3,667,300)	1,703,194	(1,115,970)	(23,710)	(1,182,121)	1,403,814	668,448	548,805
NET CHANGE IN FUND BALANCES	4,015,500	913,585	(3,667,300)	2,901,733	(1,115,970)	60,477	(1,182,121)	256,445	1,381,991	3,564,340
FUND BALANCE, Beginning of year	2,513,280	2,939,559	3,667,300	-	1,115,970	243	1,182,121	1,070,376	5,173,138	17,661,987
FUND BALANCE, End of year	$ 6,528,780	$ 3,853,144	$ -	$ 2,901,733	$ -	$ 60,720	$ -	$ 1,326,821	$ 6,555,129	$ 21,226,327

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

CITY OF CORVALLIS, OREGON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities (page 26) are different because:

Net change in fund balances - total governmental funds (page 29)	$	3,564,340
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and depreciation expense is recorded over the assets' useful lives. These are the amounts associated with the current period.		
Capital outlay (net)		7,779,539
Current period depreciation		(5,432,888)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(682,435)
Contributions of capital assets increase net position. These assets are not reported in the funds.		1,326,139
The issuance of long-term debt (i.e., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		353,831
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.		(1,224,633)
Some revenues are earned but are deferred as they are not available in the current period and, therefore, are not reported in the funds.		43,764
Internal service funds are used by management to charge the costs of fleet, facility, technology and communications, administrative services and risk management to the individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		124,507
Change in net position of governmental activities (page 26)	$	5,852,164

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 21,990,220	$ 21,990,220	$ 20,578,215	$ (1,412,005)
Licenses, fees, and permits	5,925,060	5,925,060	5,889,568	(35,492)
Charges for services	5,879,940	5,889,850	6,114,840	224,990
Intergovernmental	4,207,850	4,227,760	4,005,722	(222,038)
Fines and forfeitures	749,530	771,390	747,489	(23,901)
Miscellaneous	500,690	1,307,680	1,155,435	(152,245)
Total Revenues	39,253,290	40,111,960	38,491,269	(1,620,691)
EXPENDITURES				
Current				
City Manager's Office	326,250	326,250	320,760	5,490
Community Development	1,309,840	1,309,840	1,236,566	73,274
Finance	646,770	646,770	615,548	31,222
Fire	10,485,960	10,485,960	10,441,729	44,231
Library	5,878,150	6,524,140	6,476,062	48,078
Parks & Recreation	6,164,230	6,295,130	6,189,511	105,619
Police	10,649,520	10,688,290	10,580,791	107,499
Public Works	1,026,260	1,026,260	864,228	162,032
Nondepartmental	1,448,070	1,480,870	1,296,680	184,190
Debt service				
Principal	195,000	195,000	195,000	-
Interest	48,180	48,180	48,174	6
Contingency	630,000	597,200	-	597,200
Total Expenditures	38,808,230	39,623,890	38,265,050	1,358,840
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	445,060	488,070	226,219	(261,851)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	495,400	495,400	-	(495,400)
Proceeds - sale of capital assets	30,000	30,000	66,744	36,744
Funds collected for other municipalities	774,640	774,640	618,750	(155,890)
Funds due to other municipalities	(774,640)	(774,640)	(597,869)	176,771
Transfers in	5,574,525	5,775,268	5,708,552	(66,716)
Transfers out	(2,481,170)	(2,481,170)	(2,006,896)	474,274
Total Other Financing Sources (Uses)	3,618,755	3,819,498	3,789,281	(30,217)
NET CHANGE IN FUND BALANCE	4,063,815	4,307,568	4,015,500	(292,068)
FUND BALANCE, Beginning of year	2,621,659	2,621,659	2,513,280	(108,379)
FUND BALANCE, End of year	$ 6,685,474	$ 6,929,227	$ 6,528,780	$ (400,447)

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – STREET FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 632,640	$ 632,640	$ 736,886	$ 104,246
Charges for services	805,450	805,450	1,464,847	659,397
Intergovernmental	3,464,790	3,464,790	3,267,294	(197,496)
Fines and forfeitures	1,000	1,000	4,480	3,480
Miscellaneous	18,390	18,390	133,973	115,583
Total Revenues	4,922,270	4,922,270	5,607,480	685,210
EXPENDITURES				
Current				
Community Development	22,120	22,120	18,469	3,651
Public Works	4,170,440	4,170,440	3,669,476	500,964
Contingency	73,180	73,180	-	73,180
Total Expenditures	4,265,740	4,265,740	3,687,945	577,795
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	656,530	656,530	1,919,535	1,263,005
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,513,550)	(1,513,550)	(1,005,950)	507,600
NET CHANGE IN FUND BALANCE	(857,020)	(857,020)	913,585	1,770,605
FUND BALANCE, Beginning of year	3,317,863	3,317,863	2,939,559	(378,304)
FUND BALANCE, End of year	$ 2,460,843	$ 2,460,843	$ 3,853,144	$ 1,392,301

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – PARKS AND RECREATION FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Total Revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Current				
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,529,528)	(3,667,300)	(3,667,300)	-
FUND BALANCE, Beginning of year	3,529,528	3,529,528	3,667,300	137,772
FUND BALANCE, End of year	$ -	$ (137,772)	$ -	$ 137,772

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – PARKS SDC FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 1,170,000	$ 1,170,000	$ 1,016,042	$ (153,958)
Miscellaneous	21,250	21,250	182,497	161,247
Total Revenues	1,191,250	1,191,250	1,198,539	7,289
EXPENDITURES				
Current				
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,191,250	1,191,250	1,198,539	7,289
OTHER FINANCING SOURCES (USES)				
Transfers in	1,979,542	2,135,383	2,135,383	-
Transfers out	(995,020)	(995,020)	(432,189)	562,831
Total Other Financing Sources (Uses)	984,522	1,140,363	1,703,194	562,831
NET CHANGE IN FUND BALANCE	2,175,772	2,331,613	2,901,733	570,120
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	$ 2,175,772	$ 2,331,613	$ 2,901,733	$ 570,120

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – FIRE AND RESCUE FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Total Revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Current				
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,053,035)	(1,115,970)	(1,115,970)	-
FUND BALANCE, Beginning of year	1,053,035	1,053,035	1,115,970	62,935
FUND BALANCE, End of year	$ -	$ (62,935)	$ -	$ 62,935

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – COMMUNITY DEVELOPMENT REVOLVING FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 156,000	$ 156,000	$ 153,982	$ (2,018)
Charges for services	5,000	5,000	5,000	-
Intergovernmental	2,578,000	2,578,000	1,252,848	(1,325,152)
Fines and forfeitures	2,100	2,100	934	(1,166)
Miscellaneous	469,100	469,100	586,061	116,961
Total Revenues	3,210,200	3,210,200	1,998,825	(1,211,375)
EXPENDITURES				
Current				
Community Development	3,141,770	3,060,970	1,834,206	1,226,764
Debt service				
Principal	-	80,000	80,000	-
Interest	-	800	432	368
Contingency	30,760	30,760	-	30,760
Total Expenditures	3,172,530	3,172,530	1,914,638	1,257,892
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	37,670	37,670	84,187	46,517
OTHER FINANCING SOURCES (USES)				
Transfers out	(23,710)	(23,710)	(23,710)	-
NET CHANGE IN FUND BALANCE	13,960	13,960	60,477	46,517
FUND BALANCE, Beginning of year	13,914	13,914	243	(13,671)
FUND BALANCE, End of year	$ 27,874	$ 27,874	$ 60,720	$ 32,846

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – LIBRARY FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			***Variance with Final Budget***
	Original	***Final***	***Actual***	
REVENUES				
Total Revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Current				
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,040,884)	(1,182,121)	(1,182,121)	-
FUND BALANCE, Beginning of year	1,040,884	1,040,884	1,182,121	141,237
FUND BALANCE, End of year	$ -	$ (141,237)	$ -	$ 141,237

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

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FUND FINANCIAL STATEMENTS

PROPRIETARY FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

PROPRIETARY FUNDS

ENTERPRISE FUNDS:

These funds account for activities and services performed primarily for external users. Charges are based on the cost of services.

- **WATER, WASTEWATER AND STORM WATER FUNDS -** Account for the operation, maintenance, department services, and capital improvements of the water, wastewater, and storm water systems of the City. The primary source of revenue is user service charges.

- **AIRPORT FUND -** Accounts for the operation, maintenance, debt service, and capital improvements of the City's airport facilities. Revenues are derived primarily from hangar and building rental revenue, seed crop revenue, and capital improvement grants.

INTERNAL SERVICE FUNDS:

These funds account for activities and services performed primarily for other organizational units within the City. Charges are based on recovering costs from the benefited City units.

CITY OF CORVALLIS, OREGON
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets						
Cash and investments	$ 8,197,809	$ 13,589,524	$ 1,373,118	$ 569,855	$ 23,730,306	$ 2,069,716
Receivables						
Accounts	1,065,589	962,370	219,948	92,793	2,340,700	4,349
Accrued interest	6,552	16,918	1,275	255	25,000	1,229
Grants	984	-	1,445	-	2,429	-
Other receivables	-	120	-	-	120	-
Total Current Assets	9,270,934	14,568,932	1,595,786	662,903	26,098,555	2,075,294
Noncurrent Assets						
Assessments receivable	6,306	12,200	761	-	19,267	-
Other restricted assets	-	2	-	-	2	-
Capital assets						
Non-depreciable	1,151,985	817,561	334,286	144,501	2,448,333	500,664
Other (net of accumulated depreciation)	44,337,268	62,144,700	16,818,904	5,499,000	128,799,872	174,391
Total Noncurrent Assets	45,495,559	62,974,463	17,153,951	5,643,501	131,267,474	675,055
Total Assets	54,766,493	77,543,395	18,749,737	6,306,404	157,366,029	2,750,349
Deferred Outflows of Resources						
	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 54,766,493	$ 77,543,395	$ 18,749,737	$ 6,306,404	$ 157,366,029	$ 2,750,349
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	$ 258,991	$ 265,530	$ 10,086	$ 41,389	$ 575,996	$ 344,609
Accrued compensated absences	242,481	235,327	92,762	8,558	579,128	440,726
Accrued interest	2,155	39,227	-	-	41,382	-
Other accrued liabilities	82,855	5,489	32,887	-	121,231	10,508
Bonds payable, current portion	960,000	1,890,000	-	-	2,850,000	-
Total Current Liabilities	1,546,482	2,435,573	135,735	49,947	4,167,737	795,843
Long-Term Liabilities						
Accrued compensated absences	133,056	129,131	50,902	4,696	317,785	241,841
Net OPEB obligations	746,671	718,265	295,219	53,768	1,813,923	1,053,048
Bonds payable (net of unamortized premium and deferred amount on refunding)	339,821	9,763,957	-	-	10,103,778	-
Total Long-Term Liabilities	1,219,548	10,611,353	346,121	58,464	12,235,486	1,294,889
Total Liabilities	2,766,030	13,046,926	481,856	108,411	16,403,223	2,090,732
Net Position						
Net investment in capital assets	44,189,432	51,308,304	17,153,190	5,643,501	118,294,427	675,055
Restricted						
Capital projects and construction	5,999,100	10,907,144	133,051	(11,754)	17,027,541	-
Unrestricted	1,811,931	2,281,021	981,640	566,246	5,640,838	(15,438)
Total Net Position	52,000,463	64,496,469	18,267,881	6,197,993	140,962,806	659,617
Total Liabilities and Net Position	$ 54,766,493	$ 77,543,395	$ 18,749,737	$ 6,306,404	$ 157,366,029	$ 2,750,349

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
OPERATING REVENUES						
Licenses, fees, and permits	$ -	$ -	$ -	$ 4,155	$ 4,155	$ -
Charges for services	9,710,144	10,620,263	2,320,093	471,260	23,121,760	8,648,845
Intergovernmental	3,866	3,252	10,542	26,314	43,974	-
Fines and forfeitures	5,495	460	697	-	6,652	20
Miscellaneous	94,610	103,730	2,242	4,270	204,852	64,969
Total Operating Revenues	9,814,115	10,727,705	2,333,574	505,999	23,381,393	8,713,834
OPERATING EXPENSES						
Personnel services	3,415,069	3,034,016	1,160,292	188,773	7,798,150	4,655,972
Materials and supplies	881,890	496,734	39,688	23,055	1,441,367	591,953
Services	478,231	255,316	103,767	117,281	954,595	1,245,853
Utility and overhead	2,052,918	2,170,516	528,756	79,036	4,831,226	2,001,047
Training and conference	10,009	9,324	2,543	540	22,416	50,054
Depreciation and amortization	1,469,913	2,298,064	387,220	353,557	4,508,754	55,578
Total Operating Expenses	8,308,030	8,263,970	2,222,266	762,242	19,556,508	8,600,457
OPERATING INCOME (LOSS)	1,506,085	2,463,735	111,308	(256,243)	3,824,885	113,377
NON-OPERATING INCOME (EXPENSE)						
Interest income	50,600	83,693	5,490	4,086	143,869	9,465
Interest expense	(10,138)	(259,672)	-	(16)	(269,826)	-
Gain (loss) on disposal of capital assets	3,520	(46,447)	(433,204)	-	(476,131)	(11)
Total Non-Operating Income (Expense)	43,982	(222,426)	(427,714)	4,070	(602,088)	9,454
INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS	1,550,067	2,241,309	(316,406)	(252,173)	3,222,797	122,831
CAPITAL CONTRIBUTIONS						
Capital assets	204,458	161,178	322,625	-	688,262	-
Capital grants	-	-	266,189	-	266,189	-
Total Capital Contributions	204,458	161,178	588,814	-	954,451	-
TRANSFERS						
Transfers out	(180,190)	(169,090)	(124,450)	(8,330)	(482,060)	-
CHANGE IN NET POSITION	1,574,335	2,233,398	147,958	(260,503)	3,695,188	122,831
NET POSITION, Beginning of year, Restated	50,426,128	62,263,071	18,119,923	6,458,496	137,267,618	536,786
NET POSITION, End of year	$ 52,000,463	$ 64,496,469	$ 18,267,881	$ 6,197,993	$ 140,962,806	$ 659,617

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

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CITY OF CORVALLIS, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 9,840,403	$ 10,833,939	$ 2,342,821	$ 493,627	$ 23,510,790	$ 126,404
Receipts from interfund services provided	4,084	2,248	2,658	-	8,990	8,187,819
Payments to suppliers	(1,827,975)	(1,118,381)	(78,210)	(117,178)	(3,141,744)	(3,390,204)
Payments to employees	(3,272,919)	(3,071,397)	(1,204,906)	(182,113)	(7,731,335)	(4,337,077)
Payments for interfund services used	(1,648,506)	(1,681,654)	(488,409)	(83,106)	(3,901,675)	(168,678)
Net Cash Provided (Used) by Operating Activities	3,095,087	4,964,755	573,954	111,230	8,745,026	418,264
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out	(180,190)	(169,090)	(124,450)	(8,330)	(482,060)	-
Net Cash Used In Noncapital Financing Activities	(180,190)	(169,090)	(124,450)	(8,330)	(482,060)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(1,074,542)	(962,983)	(740,135)	(140,851)	(2,918,511)	(18,197)
Capital contributions	-	-	266,189	-	266,189	-
Interest paid	(36,500)	(389,709)	-	(3,483)	(429,692)	-
Payments on bond principal	(930,000)	(1,840,000)	-	-	(2,770,000)	-
Payments on notes payable	-	(23,934)	-	(109,044)	(132,978)	-
Proceeds - sale of capital assets	3,709	1,171	-	-	4,880	-
Net Cash Used In Capital and Related Financing Activities	(2,037,333)	(3,215,455)	(473,946)	(253,378)	(5,980,112)	(18,197)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	49,228	81,702	5,224	4,078	140,232	9,158
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	926,792	1,661,912	(19,218)	(146,400)	2,423,086	409,225
CASH AND INVESTMENTS, Beginning of year	7,271,017	11,927,612	1,392,336	716,255	21,307,220	1,660,491
CASH AND INVESTMENTS, End of year	$ 8,197,809	$ 13,589,524	$ 1,373,118	$ 569,855	$ 23,730,306	$ 2,069,716

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 1,506,085	$ 2,463,735	$ 111,308	$ (256,243)	$ 3,824,885	$ 113,377
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	1,469,913	2,298,064	387,220	353,557	4,508,754	55,578
Change in assets and liabilities						
Receivables						
Accounts receivable	(40,153)	(47,572)	(4,425)	(12,372)	(104,522)	252
Assessments	39,239	126,919	939	-	167,097	-
Grants	(984)	49,675	32,725	-	81,416	-
Other	-	2	-	-	2	-
Other Assets	(37,169)	(32,212)	(8,919)	-	(78,300)	-
Accounts payable	57,821	133,056	(5,189)	14,031	199,719	135,633
Accrued compensated absences	(10,337)	(89,090)	(1,232)	1,803	(98,856)	(45,387)
Net OPEB obligations	138,616	82,722	51,164	10,454	282,956	182,614
Other accrued liabilities	(27,944)	(20,544)	10,363	-	(38,125)	(23,803)
Net Cash Provided (Used) by Operating Activities	$ 3,095,087	$ 4,964,755	$ 573,954	$ 111,230	$ 8,745,026	$ 418,264
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
The City disposed of various assets during the year which resulted in gains (losses)	$ 3,520	$ (46,447)	$ (433,204)	$ -	$ (476,131)	$ -
Contributions of capital assets	204,458	161,178	322,625	-	688,262	-

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Corvallis, Oregon ("the City") is a municipal corporation governed by an elected mayor and nine-member Council. The Council appoints a City Manager to act as the administrative head of operations. As required by accounting principles generally accepted in the United States of America (GAAP) 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 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 basic 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. When both restricted and unrestricted resources are available for use, the City's policy is to utilize the restricted resources first; unrestricted resources are then utilized as needed.

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.

Measurement Focus, Basis of Accounting and Basis of Presentation

The City's government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash inflows and outflows. Property taxes are recognized as revenues in the year for which they are assessed. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

collected within 30 days of June 30 for the year being reported. Expenditures other than debt service, compensated absences, and claims and judgments are recorded when a liability is incurred, as under accrual accounting. Debt service, compensated absences, and claims and judgments are recorded when payment is due.

Property taxes, franchise fees, transient room taxes, and state shared revenues associated with the current period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period when collected within 30 days following year end. Investment interest earned but not received as of June 30 is also accrued and recorded as revenue of the current fiscal year. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City. The General Fund accounts for all financial resources of the City excluding those required to be accounted for in another fund. Principal sources of revenue are taxes, fees, licenses, permits, charges for services, and intergovernmental revenues. Primary expenditures in the General Fund are made for police, fire, community development, public works, library, parks and recreation, and finance.

Street Fund

The Street Fund accounts for the engineering, operations, maintenance and improvements of city streets. The major revenue sources for the Street Fund are intergovernmental revenue, the transportation maintenance fee and charges for services.

Parks System Development Charge (SDC) Fund

The Parks SDC Fund accounts for expansions and improvements to the Parks system. The major revenue sources for the Parks SDC Fund are charges for services from collection of system development charges.

Community Development Revolving Fund

The Community Development Revolving Fund accounts for community improvement services funded by loan repayments from community development block grant activities. The fund also accounts for housing improvement activities funded by grants and loan repayments.

Three previously reported major governmental funds were closed and consolidated into the General Fund in FY 2014. These funds were the Parks and Recreation Fund, the Fire and Rescue Fund, and the Library Fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Capital Construction Fund

The Capital Construction Fund accounts for the construction and improvements of roads, park acquisition, park improvements, facility improvements, and facility construction. Primary sources of funds are grants and transfers-in of system development charges or operating fund monies.

The City reports the following major enterprise funds:

Water Fund

The Water Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's water acquisition, treatment and distribution system. Primary revenues are charges for services.

Wastewater Fund

The Wastewater Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's sanitary sewer collection and treatment system. Primary revenues are charges for services.

Storm Water Fund

The Storm Water Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's storm water drainage system which includes both closed pipe and open urban streams. Primary revenues are charges for services.

Airport Fund

The Airport Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's airport facilities. Primary revenues are from charges for services and intergovernmental revenues.

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.

Non-major Funds

The City also reports on non-major special revenue funds, debt service funds, and permanent funds. Non-major special revenue funds include the 9-1-1 Fund, Development Services Fund, Parking Fund, and Transit Fund, and 2011 Operating Levy Fund. The City's non-major debt service funds are the General Obligation Debt Service Fund and the Pension Obligation Debt Service Fund. The City's permanent fund is the Davidson Library Fund. Budgetary statements for these funds are included as part of supplementary information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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: fines, fees, and 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. Franchise fees are based on gross receipts and are reported as general revenues.

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, Storm Water Fund, Airport Fund, and internal service funds are charges to customers for sales and services. The Water Fund, Wastewater Fund, and Storm Water Fund also receive fees which are intended to recover the cost of connecting 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.

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

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments. Cash and cash equivalents, with the exception of investments, are recorded at cost, which approximates fair value. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale. The City investments are reported using full accrual accounting, as it is a best practice for the industry. Investments are booked at par value, rather than cost, and interest income is accrued on a monthly basis, with the premium or discount paid up front on an investment being amortized or accreted respectively over the life of the investment.

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). The City has an investment policy which is more restrictive than State law. The investment policy is reviewed annually by the City's Administrative Services Committee (ASC), as well as the City's Investment Advisor. The City uses the services of Government Portfolio Advisors as Investment Advisor to assist with managing the City's investment portfolio. A monthly Treasury Report is submitted to ASC and the portfolio status is reviewed quarterly with this body as part of Council's fiduciary responsibility to monitor City assets. Additionally, Oregon Revised Statutes require that deposits be made with approved depository financial institutions. Local Government Investment Pool balances are backed by the full faith and credit of the State of Oregon.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Cash and Investments (Continued)

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 by management policy to various funds and reserves based on average cash balances 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 has the general characteristics of a demand deposit account since the cash and investment pool has sufficient liquidity so that any fund may deposit or withdraw cash at any time without notice or penalty.

Receivables

Trade receivables are reported in total, except for ambulance receivables, which are shown net of an allowance for uncollectibles.

Property taxes receivable that are collected within 30 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred 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 Benton County, Oregon and then turned over to the City. No allowance for uncollectible property taxes is considered necessary by management as property taxes are collectible as a lien.

The City administers housing rehabilitation and acquisition assistance loan programs under Title 1 of the Housing and Community Development Act of 1974 as codified under federal regulations at 24 CFR Part 570, as well as under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as codified at 24 CFR Part 92. Loans from these programs are secured by the assisted property and collectible as a lien.

Grant proceeds for costs of managing the rehabilitation loan program are recorded as revenue when operating costs are incurred. Three types of programmatic approaches are used to deliver loans. The first provides loans to low income owner/occupants for single family housing rehabilitation and may be a no-interest deferred payment or fully amortized loan. The second type consists of loans to low income purchasers of Corvallis homes which typically combine an initial period of loan deferral followed by a period of amortization with monthly payments. The final type consists of both interest and non-interest bearing loans to investor/developer/owner borrowers who own rental housing property occupied primarily by low income tenants, or who are building new owner or renter housing for purchase/occupancy by low income households. All three loan types are extended to qualified borrowers for rehabilitation or acquisition or construction of eligible properties and are collateralized by real property. All three types are recorded as revolving loans receivable and deferred revenue when the loan is extended to the borrower.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Receivables (Continued)

Although terms may vary, most loans are due upon sale or transfer of the real property is no longer used as an owner's primary residence, or when a rental property ceases to meet the federal requirements tied to the City's investment. Non-deferred loans require monthly payments which are amortized over a period of years. When loan payments or payoffs of loans originally underwritten with federal funds are received, such amounts are recognized as program income (revenue) and utilized to continue to provide the benefits the programs are required to deliver under federal rules.

Prepaid Pension Obligation Costs

The City issued debt in 2002 and 2005 to fund the City's Public Employees Retirement System (PERS) unfunded actuarial liability. The amounts that were paid to PERS were recorded as prepaid pension obligation costs in the year of debt issuance and are amortized on a straight-line basis over the life of each debt issue.

Capital Assets

Capital assets are classified as land, buildings, office equipment, machinery and equipment, vehicles, utility plants and systems, infrastructure, and construction in progress. Capital assets have an initial, individual cost of $10,000 or more and a useful life greater than a single reporting year. Capital assets, excluding governmental activity, and infrastructure acquired prior to June 30, 1980, have been capitalized in the government-wide and proprietary fund financial statements. Capital assets are recorded at historical cost or estimated historical cost when no historical cost records are available. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, utility plants, and equipment in the proprietary funds are recorded at cost. Donated capital assets of the proprietary fund types are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the assets constructed, net of interest earned on the investment proceeds over the same period.

Depreciation on capital assets is calculated on a straight line basis over their estimated useful lives. Depreciation is calculated on capital assets acquired during the fiscal year from the beginning of the month of acquisition to the end of the fiscal year. Retired or sold capital assets are depreciated through the end of the month in the month of retirement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Intangible Assets

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 51, the City has recorded identifiable intangible assets as part of capital assets in the government-wide and proprietary fund Statements of Net Position; the assets are reflected in these Notes to the Basic Financial Statements.

Intangible assets are classified as computer software, land easements, patents, and trademarks, as well as water, sewer and timber rights. Intangible assets lack physical substance, are not financial in nature and have a useful life extending beyond a single reporting period. The City has established a capitalization threshold for all intangible assets of $100,000, with the exception of land. Land easements are treated like all other land acquisitions, and have no established threshold. Major outlays for intangible assets and significant improvements are capitalized as acquired. As such, computer software is added as a non-depreciable work in progress addition for each year of development. The work in progress is then disposed of and reacquired as a depreciable addition once software is put into service or implemented. All intangible assets are reported in the government-wide Statement of Net Position.

Depreciation on intangible assets is calculated on a straight line basis over the asset's estimated useful life. Depreciation is calculated on intangible assets acquired during the fiscal year from the beginning of the month of acquisition to the end of the fiscal year. Retired intangibles are depreciated through the end of the month in the month of retirement.

The estimated useful lives of depreciable capital and intangible asset classifications are as follows:

Assets	**Years**
Infrastructure	20-75
Utility plants and system	40-80
Buildings	50
Vehicles	4-25
Machinery and equipment	5-10
Office equipment	3-5
Intangible Assets	
Computer Software	3

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation within limits set by collective bargaining agreements. All employees with accrued vacation leave are paid the outstanding vacation accrual balance at separation. Employees with sick leave accruals and meeting longevity requirements are paid, within limits, for their sick leave accruals. All vacation and sick pay is accrued when incurred in the

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Compensated Absences (Continued)

government-wide and proprietary statements. Compensated absences are paid by the individual funds when they become due. The General Fund is the governmental fund that has been primarily used in prior years to pay for compensated absences.

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 bonds outstanding method. In the fund financial statements, governmental fund types recognize bond premiums and discounts 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. The items that qualify for City reporting in this category are: the deferred charges on refunding reported in the government-wide Statement of Net Position. The deferred charges on refunding reporting results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has *unavailable and unearned revenues* that qualifies for reporting in this category. The *unavailable revenue* is reported only in the governmental funds balance sheet and the *unearned revenue* is reported in both the governmental balance sheet and the government-wide Statement of Net Position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Fund Balance

For governmental funds, assets in excess of liabilities are reported as fund balances. These balances are classified according to the constraints imposed upon them:

1) *Nonspendable*: Amounts inherently nonspendable or that must remain intact due to third party imposed legal or contractual restrictions.
2) *Restricted:* Amounts constrained to specific purposes by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, through constitutional provisions, or by enabling legislation.
3) *Committed*: Amounts are those constrained by City Council through resolution or ordinance before the end of the fiscal year. The State of Oregon recognizes resolutions and ordinances as being equally binding and the process for establishing, modifying, and rescinding resolutions and ordinances are substantively the same. Therefore, the City uses both to commit funds.
4) *Assigned*: Amounts the City intends to use for a specific purpose. The authority to assign resources lies with the City's Finance Director.
5) *Unassigned*: Amounts that are not categorized into one of the aforementioned classifications; these resources may be used for any purpose. Only the General Fund should show a positive unassigned fund balance. For all funds, a negative unassigned fund balance should be reported if more resources are used than are available in the fund.

The City Council authorized, through approval of the Financial Policies document, the Finance Director to assign fund balance. Assignments of fund balance can be done at any time, including after the fiscal year end date.

Commitments of funds balance should occur prior to the end of the reporting period, but the amount subject to the constraint may be determined in the subsequent period.

The City will use funds in the following order: restricted, committed, assigned, and unassigned.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

The Budget Commission, consisting of nine citizen representatives and the nine City Councilors, is required by ORS as part of the budget process. Through a process of public hearings and deliberations, the Budget Commission develops, 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 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 Council Resolution, is by department within each fund. The City cannot legally exceed appropriations at this level. Departments may transfer appropriations within a fund and department. All such transfers are reviewed by Finance Department staff for appropriateness. 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. There were six supplemental budgets adopted during the fiscal year, none of which required republication of the budget or public hearings, but were adopted via resolution through regular City Council meetings. Two contingency transfers were required in FY 13-14. City Council also approved nine resolutions accepting and appropriating grant funds that had not been anticipated at the time that the budget had been adopted.

Expenditures of the various funds were within authorized appropriations.

CASH AND INVESTMENTS

Pooled Deposits and Investments

The City maintains a cash management pool for its deposits and investments in which each fund participates. Interest earnings are allocated monthly based on average daily balances of each fund. Cash and investments are reflected in the government-wide Statement of Net Position as follows:

	Governmental Activities	***Business-type Activities***	***Total***
Cash and investments	$ 23,250,868	$ 23,730,304	$ 46,981,172
Restricted cash and investments	-	2	2
Total Cash and Investments	$ 23,250,868	$ 23,730,306	$ 46,981,174

Deposits

As of June 30, the City's bank deposits had a book balance of $1,894,554 and a bank balance of $3,240,612. The difference is due to transactions in process.

Custodial Risk - Deposits

Oregon statutes for public funds collateralization provide for a shared liability structure for depository banks, but does not guarantee that public funds are 100% protected. ORS requires depository banks to pledge collateral against public funds in excess of federal depository insurance (FDIC) amounts and sets the value and type of collateral needed. The Public Funds Collateralization Program (PFCP) was created by the Oregon Office of the State Treasurer to facilitate depository bank, custodian, and public official compliance with ORS.

Depository banks are required to report quarterly to the Office of the State Treasurer information on public funds in excess of FDIC insurance limits, the bank's net worth, and FDIC capitalization information. Based on this information the PFCP calculates the amount of collateral required for the following quarter. The City is required to verify that amounts in excess of FDIC insurance limits are deposited only in qualified depository banks or credit unions listed by the Office of the State Treasurer. The City must also report, at least annually, the financial institutions with which the City does business, and public official contact information. The FDIC insures $500,000 of the City's cash and investment balance. The remaining balance has been placed in qualified depository banks and credit unions in compliance with Oregon Revised Statutes. The shared liability structure does not provide that all public funds are 100% protected.

Investments

As of June 30, 2014 the City had the following investments:

Investment Type	***Fair Value***	***Less than 18 months***	***18-60 months***
Investments in the State of Oregon			
Local Government Investment Pool (LGIP)	$ 29,840,832	$ 29,840,832	$ -
Certificates of Deposit	1,000,000	1,000,000	
US Agencies	11,043,710	2,034,180	9,009,530
US Treasuries	2,010,460	-	2,010,460
Corporate Bonds	680,191	680,191	-
Municipal Bonds	502,170	-	502,170
Total Investments	$ 45,077,363	$ 33,555,203	$ 11,522,160

CASH AND INVESTMENTS (Continued)

Investments (Continued)

Fifty percent of the LGIP portfolio must mature within 93 days. A maximum of 25 percent of the LGIP portfolio may have maturities greater than one year. No investments may have maturities greater than five years. The investments are valued at fair value as required by GASB 31. At June 30, 2014, the fair value of the City's position in the State Treasurer's LGIP was approximately the fair value of the pool share.

The City's holdings in United States Government Agency securities, treasuries, corporate bonds and municipal bonds with maturities greater than one-year since purchase date had a net unrealized fair value gain of $32,591 over cost as of June 30, 2014.

Custodial Credit Risk – Investments

The LGIP is 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'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 has established portfolio diversification percentages based on the types and maturities of investments. The 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.oregon.gov/DAS/CFO/SARS/Pages/index.aspx .

Interest Rate Risk

The City's investment policy limits the maximum weighted average maturity of investments to one and one-half years, with a minimum of 10% of the investment portfolio maturing under 30 days and 25% maturing in under one year. The City defines long-term as having a maturity of greater than 18 months to a maximum of 60 months. As of June 30, 2014, 24.5% of the City's investment portfolio was classified as long-term.

Credit Risk

The City's investment policy limits investments in commercial paper to a rating by nationally recognized credit rating organizations that are higher than specified by State Law, and is therefore more restrictive than what is allowed by state law. As of June 30, 2014 the City did not hold any commercial paper. State and local

CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

government securities are required by the City's investment policy to have an AA credit rating or better. As of June 30, 2014 the City held $500,000 par value of municipal obligations. The City may also invest in Corporate Bonds on a Council-approved list maintained by Government Portfolio Advisors with names which hold a Aa3 credit rating or better. As of fiscal year-end, the City owned $675,000 in General Electric Capital bonds.

The City's investment policy also limits credit risk by restricting the amount invested in any class of security. The maximum percentage amount of the total investment portfolio that can be invested in US treasuries is 100%; US government agency securities 100%; LGIP 100% (subject to the ORS imposed maximum dollar amount); certificates of deposit 25%; banker acceptances, commercial paper, corporate, and State of Oregon and local government securities are limited to 10% of the total portfolio.

Concentration of Credit Risk

The City's investment policy limits the amount that may be invested with any one issuer or institution. Commercial paper and corporate bonds may have no more than 5% of the total portfolio from a single issuer. Certificates of deposit may have no more than 15% of the total portfolio invested with any one institution. No more than 5% of the total portfolio may be invested in one entity's state or local government security. Individual US Government agency securities may be no more than 40% of the total portfolio. There is no limit on the percent of the portfolio that may be invested in US treasuries.

RECEIVABLES

Receivables include balances that are not expected to be collected within a year. The City anticipates that 54.50% of the property tax receivables will be collected after the subsequent year; 98% of assessments, housing and notes receivable are scheduled to be collected after the subsequent year.

DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE (Continued)

At June 30, 2014, the various components of unavailable revenue and unearned revenues reported in the governmental funds are as follows:

	Deferred Revenue	*Unearned*	*Total*
Delinquent property taxes receivable (General Fund)	$ 1,969,691	$ -	$ 1,969,691
Assessments not yet due:			
General Fund	9,243	-	9,243
Street Fund	5,113	-	5,113
Parks SDC Fund	5,228	-	5,228
Grants	-	158,257	158,257
Housing loans not yet due (Community Development Revolving Fund)	2,699,908	-	2,699,908
Receivables to be collected in future years	798,115	1,662	799,777
Operating revenue received but unearned (General Fund)	-	59,995	59,995
Total Deferred and Unearned Revenue	$ 5,487,298	$ 219,914	$ 5,707,212

ENDOWMENT

The City's Permanent Fund includes amounts that are restricted for use. The non-expendable portion of the fund is segregated as a restriction for endowments on the Statement of Net Position. The expendable portion of the fund is included as restricted net position. The spending of investment income for these funds is budgeted in compliance with the related agreements; state law does not limit the ability to spend the investment income.

The following are the amounts available:

Davidson Library Fund:	***Permanently Restricted for Endowment***	***Amount Available for Specific Expenditure***	***Total***
Total Net Position	$ 5,000	$ 546	$ 5,546

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities:

	Balances June 30, 2013	***Increases***	***Decreases***	***Balances June 30, 2014***
Non-depreciable capital assets				
Intangible	$ 915,597	$ 1,308,982	$ (51,079)	$ 2,173,500
Land	88,632,999	903,103	-	89,536,102
Machinery work in progress	79,743	449,437	(529,180)	-
Construction in progress	2,066,004	2,994,932	(2,303,429)	2,757,507
Total non-depreciable capital assets	91,694,343	5,656,454	(2,883,688)	94,467,109
Depreciable capital assets				
Intangible	399,896	32,719	-	432,615
Buildings	26,634,145	1,115,832	-	27,749,977
Machinery and equipment	4,809,328	1,171,701	(110,482)	5,870,547
Vehicles	11,899,764	1,032,441	(873,503)	12,058,702
Infrastructure	109,491,912	2,419,790	-	111,911,702
Total depreciable capital assets	153,235,045	5,772,483	(983,985)	158,023,543
Less Accumulated Depreciation				
Intangible	(89,462)	(125,312)	-	(214,774)
Buildings	(9,623,320)	(665,027)	-	(10,288,347)
Machinery and equipment	(3,241,849)	(366,843)	110,483	(3,498,209)
Vehicles	(6,370,321)	(829,969)	793,717	(6,406,573)
Infrastructure	(72,330,230)	(3,510,136)	-	(75,840,366)
Total accumulated depreciation	(91,655,182)	(5,497,287)	904,200	(96,248,269)
Total depreciable capital assets, net of accumulated depreciation	61,579,863	275,196	(79,785)	61,775,274
Governmental activities capital assets, net of accumulated depreciation	$ 153,274,206	$ 5,931,650	$ (2,963,473)	$ 156,242,383

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

Finance	$ 58,720
Community Development	112,566
Public Works	3,915,136
Library	220,298
Parks and Recreation	435,428
Police	262,900
Fire	492,239
Total depreciation expense, governmental activities	$ 5,497,287

CAPITAL ASSETS *(Continued)*

Business-Type Activities:

	Balances June 30, 2013	***Increases***	***Decreases***	***Balances June 30, 2014***
Non-depreciable capital assets				
Land	$ 1,142,357	$ -	$ -	$ 1,142,357
Construction in progress	518,182	2,653,975	(1,866,181)	1,305,976
Intangible in progress	359,433	78,299	(437,732)	-
Total non-depreciable capital assets	2,019,972	2,732,274	(2,303,913)	2,448,333
Depreciable capital assets				
Intangible	-	437,732	-	437,732
Buildings	2,429,956	138,713	-	2,568,669
Machinery and equipment	4,896,657	72,353	(11,095)	4,957,915
Vehicles	2,969,766	53,470	(32,943)	2,990,293
Infrastructure	199,845,468	2,073,623	-	201,919,091
Total depreciable capital assets	210,141,847	2,775,891	(44,038)	212,873,700
Less Accumulated Depreciation				
Intangible	-	(12,159)	-	(12,159)
Buildings	(825,589)	(71,716)	-	(897,305)
Machinery and equipment	(2,699,902)	(404,599)	11,095	(3,093,406)
Vehicles	(1,944,403)	(207,354)	32,755	(2,119,002)
Infrastructure	(74,139,030)	(3,812,925)	-	(77,951,955)
Total accumulated depreciation	(79,608,924)	(4,508,753)	43,849	(84,073,828)
Total depreciable capital assets, net of accumulated depreciation	130,532,923	(1,732,862)	(188)	128,799,872
Business-type activities capital assets, net of accumulated depreciation	$ 132,552,895	$ 999,412	$ (2,304,101)	$ 131,248,205

Depreciation expense was charged to the functions of business-type activities as follows:

Water	$ 1,469,913
Wastewater	2,298,063
Storm Water	387,220
Airport	353,557
Total depreciation expense, business-type activities	$ 4,508,753

LONG-TERM OBLIGATIONS

Bonds Payable

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital construction. General obligation bonds are direct obligations and are backed by the full faith and credit of the City. The City has outstanding general obligation bonds for governmental activities. Principal and interest on the outstanding debt is paid by the debt service funds.

General obligation bonds outstanding are as follows:

Governmental Activities:	***Amount of Original Issue***	***Interest Rates on Outstanding Balances***	***Balances June 30, 2014***	***Due within One Year***
Advance Refunding 2009	$ 10,190,000	4.00 %	5,180,000	$ 895,000

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

Year Ending June 30	***Governmental Activities***	
	Principal	***Interest***
2015	$ 895,000	$ 207,200
2016	965,000	171,400
2017	1,035,000	132,800
2018	1,115,000	91,400
2019	1,170,000	46,800
Total	$ 5,180,000	$ 649,600

In the year ended June 30, 2009, the City issued $10,190,000 of general obligation bonds to advance refund the Riverfront Park, Series 1999A general obligation bonds and a partial advance refunding of the Open Space, Series 2001A general obligation bonds. As of June 30, 2014 there is no outstanding defeased debt associated with these bonds.

LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (Continued)

Revenue Bonds

The City issues revenue bonds to finance major capital construction projects for business-type activities. Income derived from the acquired or constructed assets is pledged to pay debt service. The City has committed to establish utility user charges sufficient to pay principal and interest when due. If user charges are not sufficient, the City is required by covenant to raise utility rates sufficient to pay maturing principal and interest. The City Council financial policy is to hold rate increases to 2 - 3 % of the total utility charge, with a maximum allowed rate of 7%, to meet operating costs and debt service requirements of the utilities. To date, utility rates have not been increased beyond the limits of the Council policy. Principal and interest on the revenue bonds are payable solely from user fees.

Revenue bonds outstanding are as follows:

Business-type Activities:	***Amount of Original Issue***	***Interest Rates on Outstanding Balances***	***Balances June 30, 2014***	***Due within One Year***
Series 2006A	$ 5,410,000	3.00 - 5.00 %	$ 3,430,000	$ 510,000

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30	***Business-type Activities***	
	Principal	***Interest***
2015	$ 510,000	$ 135,700
2016	535,000	110,200
2017	565,000	83,450
2018	590,000	60,850
2019	605,000	43,150
2020	625,000	25,000
Total	$ 3,430,000	$ 458,350

LONG-TERM OBLIGATIONS *(Continued)*

Bonds Payable (Continued)

Full Faith and Credit Obligations

The City issued $23,913,017 of Pension Obligation Bonds (Series 2002A) in fiscal year 2003 to finance a portion of the City's unfunded actuarial liability with the Oregon Public Employees Retirement System. The City issued another $9,980,000 of bonds in fiscal year 2006 (Series 2005A) to retire the City's transition liability with PERS. Payment source is transfers from operating funds.

In 2012, the City issued $11,485,000 in Full Faith and Credit Refunding Obligations to prepay three utility loans that were revenue backed.

Full faith and credit obligation bonds outstanding are as follows:

Governmental Activities:	***Amount of Original Issue***	***Interest Rates on Outstanding Balances***	***Balances June 30, 2014***	***Due within One Year***
Series 2002A	$ 23,913,017	6.50 - 7.06 %	$ 21,902,337	$ 337,139
Series 2005A	9,980,000	4.859 - 5.004	8,910,000	290,000
Total Full Faith and Credit Bonds, Governmental	$ 33,893,017		$ 30,812,337	$ 627,139
Business-type Activities:				
Series 2012	$ 11,485,000	2.00 - 4.00 %	$ 9,200,000	$ 2,340,000

Annual debt service requirements to maturity for the full faith and credit bonds are as follows:

Year Ending	***Governmental Activities***		***Business-type Activities***	
June 30	***Principal***	***Interest***	***Principal***	***Interest***
2015	$ 627,139	$ 2,091,529	$ 2,340,000	$ 219,650
2016	684,519	2,160,057	1,560,000	180,650
2017	744,957	2,228,342	1,240,000	146,450
2018	805,252	2,304,341	1,115,000	111,125
2019	861,833	2,381,622	1,150,000	77,150
2020-2024	6,743,637	11,803,223	1,795,000	54,150
2025-2029	16,820,000	4,358,390	-	-
2030	3,525,000	229,125	-	-
Total	$ 30,812,337	$ 27,556,629	$ 9,200,000	$ 789,175

LONG-TERM OBLIGATIONS *(Continued)*

Notes Payable

The City issues notes payable to finance major acquisitions or construction projects in governmental and business-type activities. In 1992, the City borrowed $700,000 from the State of Oregon Department of Environmental Quality (DEQ) to complete a project to replace/rehabilitate a portion of the sewers in the older part of the community that had exceeded their service life. This loan was paid in full on July 1, 2013.

In 1996, the City borrowed $332,240 from the Oregon Business Development Department to develop water and sewer utilities for land in the Airport Industrial Park, and was paid in full three years early on July 1, 2013.

In 2010, the City entered into a loan agreement with Bank of America (BOA) for $2,100,000 to finance several capital improvement projects.

Outstanding notes payable are as follows:

Governmental Activities:	***Amount of Original Issue***	***Interest Rates on Outstanding Balances***	***Balances June 30, 2014***	***Due within One Year***
BOA 2010 CIP Loan	$ 2,100,000	2.9600 %	$ 1,530,000	$ 200,000

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

Year Ending June 30	***Governmental Activities***	
	Principal	***Interest***
2015	$ 200,000	$ 42,328
2016	205,000	36,334
2017	210,000	30,192
2018	220,000	23,828
2019	225,000	17,242
2020-2021	470,000	14,060
Total	$ 1,530,000	$ 163,984

LONG-TERM OBLIGATIONS *(Continued)*

Notes Payable (Continued)

The above notes contain various restrictive covenants which include, among other conditions, requirements to maintain net operating revenues, financial reporting, and disclosure of any material events. All of the covenants were met at June 30, 2014.

Changes in Long-Term Obligations

Governmental Activities:	***Balances June 30, 2013***	***Additions***	***Reductions***	***Balances June 30, 2014***	***Due within One Year***
Bonds Payable					
General Obligation Bonds	$ 6,015,000	$ -	$ 835,000	$ 5,180,000	$ 895,000
Full Faith and Credit Obligations	31,382,594	-	570,257	30,812,337	627,139
Total Bonds Payable	37,397,594	-	1,405,257	35,992,337	1,522,139
Notes Payable	1,725,000	-	195,000	1,530,000	200,000
Compensated Absences	5,503,651	3,405,044	3,562,147	5,346,548	3,452,213
Net OPEB obligation	6,798,557	1,532,503	-	8,331,060	-
Total Long-Term Obligations, Governmental Activities	$ 51,424,802	$ 4,937,547	$ 5,162,404	$ 51,199,945	$ 5,174,352

Business-type Activities:	***Balances June 30, 2013***	***Additions***	***Reductions***	***Balances June 30, 2014***	***Due within One Year***
Bonds Payable					
Revenue Bonds	$ 3,915,000	$ -	$ 485,000	$ 3,430,000	$ 510,000
Full Faith and Credit Obligations	11,485,000	-	2,285,000	9,200,000	2,340,000
Total Bonds Payable	15,400,000	-	2,770,000	12,630,000	2,850,000
Notes Payable	132,978	-	132,978	-	-
Compensated Absences	995,769	545,595	644,451	896,913	579,128
Net OPEB obligation	1,530,967	282,956	-	1,813,923	-
Total Long-Term Obligations, Business-Type Activities	$ 18,059,714	$ 828,551	$ 3,547,429	$ 15,340,836	$ 3,429,128

Note: The deferred amounts from debt refundings are no longer included on this schedule since they no longer affect the carrying value of the related refunding debt liability. As a result, the beginning balances above will not be the same as the FY 2013 CAFR ending balances.

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:

	Transfers In				
Transfers Out:	***General Fund***	***Capital Construction***	***Other Governmental Funds***	***Business-Type Funds***	***Total***
General Fund	$ -	$ 127,746	$ 1,879,150	$ -	$ 2,006,896
Street Fund	-	880,100	125,850	-	1,005,950
Parks & Recreation Fund	1,568,138	395,968	2,135,383	-	4,099,489
Fire and Rescue Fund	1,115,970	-	-	-	1,115,970
Community Development Revolving Fund	-	-	23,710	-	23,710
Library Fund	1,182,122	-	-	-	1,182,122
Non-Major Governmental Funds	1,842,322	-	209,310	-	2,051,632
Water Fund	-	-	180,190	-	180,190
Wastewater Fund	-	-	169,090	-	169,090
Storm Water Fund	-	-	124,450	-	124,450
Airport Fund	-	-	8,330	-	8,330
Total Transfers	$ 5,708,552	$ 1,403,814	$ 4,855,463	$ -	$ 11,967,829

The City routinely transfers monies to the Capital Construction Fund to finance the acquisition and construction of capital assets; all funds, excluding the permanent fund, transfer funds to the Pension Obligation Fund for annual debt service payments; and the Storm Water Fund supports the erosion and sediment control program in the Development Services Fund. The General Fund, Street Fund, Water Fund, Wastewater Fund, and Storm Water Fund support the system development charge and site engineering program in the Development Services Fund. The Parks and Recreation Fund, Fire and Rescue Fund, and Library Fund were consolidated into the General Fund in FY 2014.

FUND BALANCE

Below is a schedule of ending fund balance, based on GASB Statement No. 54:

Fund Balances:	**General**	**Street**	**Parks SDC**	**Community Development Revolving**	**Capital Construction**	**Other Governmental Funds**	**Total**
Nonspendable:							
Endowment	$ -	$ -	$ -	$ -	$ -	$ 5,000	$ 5,000
Restricted:							
Streets and highways	-	2,656,339	-	-	-	-	2,656,339
Capital projects and construction	252,987	-	2,552,463	-	275,638	-	3,081,088
Debt service	-	-	-	-	-	18,521	18,521
Other							
Housing Loans				1,262,592		-	1,262,592
Senior Center reserve	186,903	-	-	-	-	-	186,903
Open Space	95,528	-	-	-	-	-	95,528
Other purposes	228,297	-	-	-	-	546	228,843
Total - Restricted	763,715	2,656,339	2,552,463	1,262,592	275,638	19,067	7,529,814
Committed:							
Streets and highways	-	288,420	-	-	-	-	288,420
Other							
Public access television	88,423	-	-	-	-	-	88,423
Reserves	547,687	-	-	-	-	-	547,687
Housing loans	-	-	-	392,208	-	-	392,208
Sustainability initiative fees	62,088	-	-	-	-	-	62,088
Other purposes	474,847	59,740	-	-	-	1,591,338	2,125,925
Total - Committed	1,173,045	348,160	-	392,208	-	1,591,338	3,504,751
Assigned:							
Vehicle reserves	1,135,405	281,266	-	-	-	467,016	1,883,687
Other purposes	1,058,721	567,379	349,270	-	1,051,183	4,472,708	7,499,261
Total - Assigned	2,194,126	848,645	349,270	-	1,051,183	4,939,724	9,382,948
Unassigned:	2,397,894	-	-	(1,594,080)	-	-	803,814
Total Fund Balances:	$ 6,528,780	$ 3,853,144	$ 2,901,733	$ 60,720	$ 1,326,821	$ 6,555,129	$ 21,226,327

Note: Parks and Recreation Fund, Fire and Rescue Fund and Library Fund were all combined into the General Fund in FY 13/14.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance policies from commercial suppliers and annual premiums are paid for the following coverage: real and personal property of $230,800,452; earthquake of $25,000,000; water damage of $25,000,000; tort liability of $5,000,000; airport liability of $5,000,000; public official bonds of $500,000; various real, personal and inland marine property coverage for replacement costs; and various flood coverage for city buildings. The City also carries commercial insurance for workers' compensation and employee health, life and disability coverage. No insurance claims settled in each of the past three years have exceeded policy coverage.

The City's Risk Management Fund, an Internal Service Fund, accounts for and finances the City's risks of loss. All funds of the City participate in the Risk Management Fund. Amounts payable to the Risk Management Fund are based on cost estimates necessary to pay premiums and if applicable, prior and current year claims and to establish a reserve of $500,000 for catastrophic losses.

OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit healthcare plan as established through negotiations between the City and collective bargaining units. The healthcare plan provides post-retirement medical, dental, and vision coverage for eligible retirees, spouses, domestic partners, and dependents. Eligible retirees are those who were hired prior to July 1, 1992 (January 7, 1992 for firefighters) and retired from active service at age 55 and over, age 50 for sworn police and fire retirees. Retirees are eligible even if they delay receiving Oregon PERS retirement payments. The City pays the single party premiums for eligible retirees. Retirees must pay for spouse and dependent coverage. The level of benefits provided by the plans are the same as those afforded to active employees. Coverage is provided to retirees and dependents until the retiree becomes eligible for Medicare, typically age 65.

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

The City also provides post-employment life insurance benefits to retirees. The City purchases life insurance ($2,500 face value) for general service, fire, and police retirees until age 65. After age 65 the City pays for life insurance with a face value of $1,500. The City pays life insurance for exempt employees with a face value equal to the employee's final annual salary until age 65. After age 65 the City pays for life insurance with a face value of $1,500 for exempt employees.

OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

The City has not established an irrevocable trust (or equivalent arrangement) to account for the plan. The plan does not issue a separate report.

Funding Policy

The City has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. Since the City's healthcare plan is self-insured, the annual required contributions can fluctuate. For the fiscal year ending June 30, 2014, the City's plan contributions were $ 1,645,654 . The General Fund is the governmental fund that has been primarily used in prior years to liquidate the net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City amortizes unfunded actuarial liabilities over an open period of ten years.

The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2014, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	$ 3,577,379
Interest on net OPEB obligation	333,181
Adjustment to the Annual Required Contribution	(449,447)
Annual OPEB cost (expense)	3,461,113
Contribution made	1,645,654
Increase in net OPEB obligation	1,815,459
Net OPEB obligation, beginning of year	8,329,524
Net OPEB obligation, end of year	$ 10,144,983

OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Fiscal year ended June 30,	***Annual OPEB Cost***	***Contribution***	***Percentage of Annual OPEB Cost Contributed***	***Net OPEB Obligation***
2012	$ 3,322,964	$ 1,658,413	49.91%	$ 6,613,491
2013	3,392,472	1,676,439	49.42%	8,329,524
2014	3,461,113	1,645,654	47.55%	10,144,983

Funded Status and Funding Progress

As of August 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $ 35,308,146 , and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $ 35,308,146 . The covered payroll (annual payroll of active employees covered by the plan) was $30,220,637, and the ratio of the UAAL to the covered payroll was 116.53%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

The August 1, 2012 actuarial valuations for the OPEB plan is based on the projected unit credit actuarial cost method. The actuarial assumptions include an investment return of 3.5%, and healthcare cost inflation trend rates that start at 7.25% for the first year, August 1, 2012 to August 1, 2013, 6.5% in the second year, 6.0% in the third year, 5.75% in the fourth year, and then a generally declining rate ranging from 6.75% down to 5.5% for the ensuing 28+ years for an average long-term annual rate increase of 5.82%. Annual payroll increases are compounded at 3.5% annually. The unfunded actuarially accrued liability and the gain or loss is amortized as a level percentage of projected payroll over an open period of 10 years.

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund. During fiscal year 2013-14, employees of the City of Corvallis who are in the American Federation of State, County and Municipal Employees bargaining unit contributed the 6.0 percent share from their salary. The City Manager, exempt employees and the members of the International Association of Fire Fighters, the Corvallis Police Officers Association, and the Corvallis Regional Communications Center Association have their 6.0 percent contribution paid by the City based upon their respective contracts.

PENSION PLAN (Continued)

Funding Status (Continued)

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. The most recent systemwide actuarial valuation completed by Milliman in December 31, 2013 included the following assumptions for computing financial reporting disclosures under GASB 27 and 45: an inflation rate of 2.75% per year; salary increases at 3.75%; net investment return of 7.75%; and a legislative driven post-retirement COLA after 2013 limited to 1.25% of the first $60,000 of annual benefit and 0.15% on annual benefits above $60,000. Valuation assumptions related to the retiree health insurance component of the rates included healthcare cost inflation assumptions which range from 8.0% in 2013 to 4.7% in 2083.

For PERS, the City is a participant in the State and Local Government Rate Pool, which includes the State, Oregon Community Colleges, and most local governmental entities. Employer rates can be set as a single rate, weighted for police and fire participants, or the government can choose to have separate rates for police and fire participants and general service participants; the City has elected to have separate rates. For FY 2013-2014 the City's contribution rates for each participant type were as follows:

Rate Category	Contractually Required Contribution Rate	Retirement Health Insurance Allocation	Normal Cost Rate Percentage	Combined UAL Rate Percentage	Net Rate Percentage
PERS General Service	7.69%	0.19%	7.88%	0.22%	8.10%
PERS Police & Fire	14.99%	0.19%	15.18%		15.40%
OPSRP General Service	6.17%	0.10%	6.27%		6.49%
OPSRP Police & Fire	8.90%	0.10%	9.00%		9.22%

Annual Pension Cost

The City's employer contributions to PERS for the fiscal years ending June 30, 2012, 2013, and 2014 were $3,767,706 , $3,699,224 , and $3,633,561 respectively, which equaled the required contribution for the year. In March 2002 the City issued $23,913,017 in Pension Obligation Bonds to pay the City's unfunded actuarial liability as identified by OPERS based on the December 31, 2000 system valuation brought forward to the March 2002 pay-off date. In September 2005 the City issued $9,980,000 in Pension Obligation Bonds to retire the City's transition liability with PERS.

CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a

CONTINGENCIES (Continued)

liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts to be immaterial.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

RESTATEMENTS

Per the adopted provisions of GASB 65 – *Items previously reported as Assets and Liabilities*, debt issue costs are to be recognized as an expense in the period incurred and no longer as an asset on the Statement of Net Position – Proprietary Funds. Beginning net position of the Proprietary Funds has been restated to reflect the removal of bond issue costs totaling $177,013 that were previously reported as an asset on the Statement of Net Position of the financial statements dated June 30, 2013. Beginning net position of the Governmental Funds has been restated to reflect the removal of bond issue costs totaling $406,753 that were previously reported as an asset on the Statement of Net Position of the financial statements dated June 30, 2013.

SUBSEQUENT EVENT

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through November 14, 2014, the date on which the financial statements were available to be issued. On September 23, 2014, the City issued $3,900,000 par value of Series 2014 Full Faith and Credit Obligations through underwriter BOSC, Inc. in a competitive online sale. The true interest cost of the issue is 1.7127% and the final maturity is August 1, 2024. The obligations serve to finance the costs of roof replacements, the construction, equipping and furnishing of a fire drill tower and training facility, and related capital projects.

In September 2014, the Majestic Theatre Management Company advised the City that it would be terminating its contract to manage the City-owned facility known as the Majestic Theatre effective December 31, 2014. On November 17, 2014, City Council unanimously approved a motion to have the City's Parks & Recreation Department in the General Fund take over management and funding of the facility and related programs for a period of two years, along with various other provisions.

Management is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

NEW PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued pronouncements that have future effective dates that may impact future financial presentations.

NEW PRONOUNCEMENT (Continued)

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions", issued June 2012 will be effective for financial statements for periods beginning after June 15, 2014. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions.

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REQUIRED SUPPLEMENTARY INFORMATION

- OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2014

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Asset	AAL Unit Credit	UAAL	Ratio Funded	Actual Covered Payroll	UAAL as a % of Covered Payroll
2008	August 1, 2006	$ -	$ 25,132,913	$ 25,132,913	- %	$ 26,385,989	95.25 %
2009	August 1, 2008	-	28,083,082	28,083,082	-	27,612,464	101.70
2010	August 1, 2008	-	28,083,082	28,083,082	-	29,258,781	95.98
2011	August 1, 2010	-	34,469,170	34,469,170	-	29,865,298	115.42
2012	August 1, 2010	-	34,469,170	34,469,170	-	29,178,937	118.13
2013	August 1, 2012	-	35,308,146 *	35,308,146 *	-	28,816,495	122.53
2014	August 1, 2012	-	35,308,146	35,308,146	-	30,220,637	116.83

* AAL Unit Credit and UAAL amounts corrected for 2013.

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SUPPLEMENTARY INFORMATION

- CAPITAL PROJECTS FUND

- NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS

- NON-MAJOR SPECIAL REVENUE, DEBT SERVICE, PERMANENT, AND PROPRIETARY FUND STATEMENTS AND SCHEDULES
  - NON-MAJOR SPECIAL REVENUE FUNDS
  - DEBT SERVICE FUNDS
  - PERMANENT FUNDS
  - ENTERPRISE FUNDS
  - INTERNAL SERVICE FUNDS

- OTHER FINANCIAL SCHEDULES

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue	Debt Service	Permanent	Total
ASSETS				
Cash and investments	$ 6,051,021	$ 30,214	$ 5,543	$ 6,086,778
Receivables				
Accounts	281,040	-	-	281,040
Accrued interest	3,132	281	3	3,416
Grants	351,624	-	-	351,624
Other receivables	128,857	-	-	128,857
Other assets	-	3	-	3
Total Assets	$ 6,815,674	$ 30,498	$ 5,546	$ 6,851,718
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 257,597	$ -	$ -	$ 257,597
Other accrued liabilities	368	-	-	368
Total Liabilities	257,965	-	-	257,965
Deferred Inflows of Resources				
Deferred revenue	38,624	-	-	38,624
Fund Balances				
Nonspendable	-	-	5,000	5,000
Restricted	-	18,521	546	19,067
Committed	1,591,338	-	-	1,591,338
Assigned	4,927,747	11,977	-	4,939,724
Total Fund Balances	6,519,085	30,498	5,546	6,555,129
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,815,674	$ 30,498	$ 5,546	$ 6,851,718

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	Special Revenue	Debt Service	Permanent	Total
REVENUES				
Taxes	$ 1,773,274	$ 1,082,773	$ -	$ 2,856,047
Licenses, fees, and permits	2,733,497	-	-	2,733,497
Charges for services	3,771,601	-	-	3,771,601
Intergovernmental	3,737,202	-	-	3,737,202
Fines and forfeitures	417,066	-	-	417,066
Miscellaneous	302,184	1,338	40	303,562
Total Revenues	12,734,824	1,084,111	40	13,818,975
EXPENDITURES				
Current				
Community Development	2,663,025	-	-	2,663,025
Finance	218,066	-	-	218,066
Police	2,442,849	-	-	2,442,849
Public Works	2,834,647	-	-	2,834,647
Nondepartmental	-	1,350	-	1,350
Debt service				
Principal	-	1,405,257	-	1,405,257
Interest	-	2,262,323	-	2,262,323
Capital outlay	1,277,915	-	-	1,277,915
Total Expenditures	9,436,502	3,668,930	-	13,105,432
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,298,322	(2,584,819)	40	713,543
OTHER FINANCING SOURCES (USES)				
Transfers in	118,390	2,601,690	-	2,720,080
Transfers out	(2,051,632)	-	-	(2,051,632)
Total Other Financing Sources (Uses)	(1,933,242)	2,601,690	-	668,448
NET CHANGE IN FUND BALANCES	1,365,080	16,871	40	1,381,991
FUND BALANCE, Beginning of year	5,154,005	13,627	5,506	5,173,138
FUND BALANCE, End of year	$ 6,519,085	$ 30,498	$ 5,546	$ 6,555,129

NON-MAJOR SPECIAL REVENUE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

NON-MAJOR SPECIAL REVENUE FUNDS

These funds account for proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

9-1-1 FUND - Accounts for the regional emergency 9-1-1 system activities. Major revenues include state revenues from 9-1-1 tax, and charges for services from regional and local agencies.

DEVELOPMENT SERVICES FUND - Accounts for the plan review and inspection services provided by the Development Services Division. The primary revenue source is fees paid by developers for these services.

PARKING FUND - Accounts for revenues and expenditures associated with the operation, enforcement, maintenance, and capital improvements for downtown parking. Major revenue sources include charges for services, parking meters, and fines.

TRANSIT FUND - Accounts for revenues and expenditures associated with the operation of the City's transit system. Major revenue sources include property taxes, grant monies, transit operations fee and charges for services (rider fees).

2011 OPERATING LEVY FUND - Accounts for local option tax levy revenues received and the transfer out of that revenue to other funds for specific City operations.

CITY OF CORVALLIS, OREGON

COMBINING BALANCE SHEET – NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

	9-1-1	***Development Services***	***Parking***	***Transit***	***Total***
ASSETS					
Cash and investments	$ 428,264	$ 2,861,910	$ 927,049	$ 1,833,798	$ 6,051,021
Receivables					
Accounts	-	145,409	38,859	96,772	281,040
Accrued interest	298	1,378	477	979	3,132
Grants	-	-	-	351,624	351,624
Other receivables	128,857	-	-	-	128,857
Total Assets	$ 557,419	$ 3,008,697	$ 966,385	$ 2,283,173	$ 6,815,674
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 5,320	$ 75,606	$ 11,956	$ 164,715	$ 257,597
Other accrued liabilities	-	368	-	-	368
Total Liabilities	5,320	75,974	11,956	164,715	257,965
Deferred Inflows of Resources					
Unavailable revenue	-	-	38,624	-	38,624
Fund Balances					
Committed	-	1,249,974	37,323	304,041	1,591,338
Assigned	552,099	1,682,749	878,482	1,814,417	4,927,747
Total Fund Balances	552,099	2,932,723	915,805	2,118,458	6,519,085
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 557,419	$ 3,008,697	$ 966,385	$ 2,283,173	$ 6,815,674

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2014

	9-1-1	Development Services	Parking	Transit	2011 Operating Levy	Total
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ 1,773,274	$ 1,773,274
Licenses, fees, and permits	-	1,497,604	19,079	1,216,814	-	2,733,497
Charges for services	1,064,104	2,302,188	208,000	197,309	-	3,771,601
Intergovernmental	1,179,503	-	-	2,557,699	-	3,737,202
Fines and forfeitures	-	-	417,056	10	-	417,066
Miscellaneous	2,676	93,955	4,514	201,039	-	302,184
Total Revenues	2,246,283	3,893,747	648,649	4,172,871	1,773,274	12,734,824
EXPENDITURES						
Current						
Community Development	-	2,659,049	3,976	-	-	2,663,025
Finance	-	-	218,066	-	-	218,066
Police	2,110,291	-	332,558	-	-	2,442,849
Public Works	-	-	151,508	2,683,139	-	2,834,647
Capital outlay	-	71,001	28,760	1,178,154	-	1,277,915
Total Expenditures	2,110,291	2,730,050	734,868	3,861,293	-	9,436,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	135,992	1,163,697	(86,219)	311,578	1,773,274	3,298,322
OTHER FINANCING SOURCES (USES)						
Transfers in	-	118,390	-	-	-	118,390
Transfers out	(90,510)	(85,470)	(16,470)	(16,860)	(1,842,322)	(2,051,632)
Total Other Financing Sources (Uses)	(90,510)	32,920	(16,470)	(16,860)	(1,842,322)	(1,933,242)
NET CHANGE IN FUND BALANCE	45,482	1,196,617	(102,689)	294,718	(69,048)	1,365,080
FUND BALANCE, Beginning of year	506,617	1,736,106	1,018,494	1,823,740	69,048	5,154,005
FUND BALANCE, End of year	$ 552,099	$ 2,932,723	$ 915,805	$ 2,118,458	$ -	$ 6,519,085

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – 9-1-1 FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 1,064,280	$ 1,064,280	$ 1,064,104	$ (176)
Intergovernmental	1,164,120	1,164,120	1,179,503	15,383
Miscellaneous	3,580	3,580	2,676	(904)
Total Revenues	2,231,980	2,231,980	2,246,283	14,303
EXPENDITURES				
Current				
Police	2,320,330	2,320,330	2,110,291	210,039
Contingency	45,240	45,240	-	45,240
Total Expenditures	2,365,570	2,365,570	2,110,291	255,279
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(133,590)	(133,590)	135,992	269,582
OTHER FINANCING SOURCES (USES)				
Transfers out	(90,510)	(90,510)	(90,510)	-
NET CHANGE IN FUND BALANCE	(224,100)	(224,100)	45,482	269,582
FUND BALANCE, Beginning of year	489,194	489,194	506,617	17,423
FUND BALANCE, End of year	$ 265,094	$ 265,094	$ 552,099	$ 287,005

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – DEVELOPMENT SERVICES FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 1,143,450	$ 1,143,450	$ 1,497,604	$ 354,154
Charges for services	1,334,070	1,334,070	2,302,188	968,118
Miscellaneous	6,790	6,790	93,955	87,165
Total Revenues	2,484,310	2,484,310	3,893,747	1,409,437
EXPENDITURES				
Current				
Community Development	3,274,050	3,244,050	2,730,050	514,000
Contingency	50,000	50,000	-	50,000
Total Expenditures	3,324,050	3,294,050	2,730,050	564,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(839,740)	(809,740)	1,163,697	1,973,437
OTHER FINANCING SOURCES (USES)				
Transfers in	118,390	118,390	118,390	-
Transfers out	(85,470)	(85,470)	(85,470)	-
Interfund Loan	-	(30,000)	-	30,000
Total Other Financing Sources (Uses)	32,920	2,920	32,920	30,000
NET CHANGE IN FUND BALANCE	(806,820)	(806,820)	1,196,617	2,003,437
FUND BALANCE, Beginning of year	1,024,330	1,024,330	1,736,106	711,776
FUND BALANCE, End of year	$ 217,510	$ 217,510	$ 2,932,723	$ 2,715,213

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – PARKING FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Licenses, fees, and permits	$ 25,000	$ 25,000	$ 19,079	$ (5,921)
Charges for services	187,310	187,310	208,000	20,690
Fines and forfeitures	450,000	450,000	417,056	(32,944)
Miscellaneous	4,790	4,790	4,514	(276)
Total Revenues	667,100	667,100	648,649	(18,451)
EXPENDITURES				
Current				
Community Development	4,220	4,220	3,976	244
Finance	273,220	273,220	221,143	52,077
Police	373,560	423,560	358,241	65,319
Public Works	495,330	445,330	151,508	293,822
Contingency	13,340	13,340	-	13,340
Total Expenditures	1,159,670	1,159,670	734,868	424,802
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(492,570)	(492,570)	(86,219)	406,351
OTHER FINANCING SOURCES (USES)				
Transfers out	(273,040)	(273,040)	(16,470)	256,570
NET CHANGE IN FUND BALANCE	(765,610)	(765,610)	(102,689)	662,921
FUND BALANCE, Beginning of year	1,027,171	1,027,171	1,018,494	(8,677)
FUND BALANCE, End of year	$ 261,561	$ 261,561	$ 915,805	$ 654,244

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – TRANSIT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Licenses, fees, and permits	$ 1,192,690	$ 1,192,690	$ 1,216,814	$ 24,124
Charges for services	225,960	225,960	197,309	(28,651)
Intergovernmental	2,785,170	2,785,170	2,557,699	(227,471)
Fines and forfeitures	-	-	10	10
Miscellaneous	184,900	184,900	201,039	16,139
Total Revenues	4,388,720	4,388,720	4,172,871	(215,849)
EXPENDITURES				
Current				
Public Works	4,021,090	4,021,090	3,861,293	159,797
Contingency	87,770	87,770	-	87,770
Total Expenditures	4,108,860	4,108,860	3,861,293	247,567
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	279,860	279,860	311,578	31,718
OTHER FINANCING SOURCES (USES)				
Transfers out	(16,860)	(16,860)	(16,860)	-
NET CHANGE IN FUND BALANCE	263,000	263,000	294,718	31,718
FUND BALANCE, Beginning of year	1,740,618	1,740,618	1,823,740	83,122
FUND BALANCE, End of year	$ 2,003,618	$ 2,003,618	$ 2,118,458	$ 114,840

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – 2011 OPERATING LEVY FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	$ 1,870,860	$ 1,870,860	$ 1,773,274	$ (97,586)
Total Revenues	1,870,860	1,870,860	1,773,274	(97,586)
EXPENDITURES				
Current				
Nondepartmental	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,870,860	1,870,860	1,773,274	(97,586)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,908,620)	(1,908,620)	(1,842,322)	66,298
NET CHANGE IN FUND BALANCE	(37,760)	(37,760)	(69,048)	(31,288)
FUND BALANCE, Beginning of year	37,759	37,759	69,048	31,289
FUND BALANCE, End of year	$ (1)	$ (1)	$ -	$ 1

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CAPITAL PROJECTS FUND

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed solely by Proprietary Funds. Included is:

CAPITAL CONSTRUCTION FUND - Accounts for the construction and improvement of roads, parks, and facilities, and for acquisition of park land. Major revenues are from interfund transfers and grants.

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – CAPITAL CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Intergovernmental	$ 2,241,350	$ 2,641,790	$ 1,084,622	$ (1,557,168)
Fines and forfeitures	-	-	-	-
Miscellaneous	432,000	1,157,100	828,764	(328,336)
Total Revenues	2,673,350	3,798,890	1,913,386	(1,885,504)
EXPENDITURES				
Capital outlay	6,334,925	7,460,465	3,060,755	4,399,710
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,661,575)	(3,661,575)	(1,147,369)	2,514,206
OTHER FINANCING SOURCES (USES)				
Transfers in	3,244,310	3,229,670	1,403,814	(1,825,856)
NET CHANGE IN FUND BALANCE	(417,265)	(431,905)	256,445	688,350
FUND BALANCE, Beginning of year	995,370	995,370	1,070,376	75,006
FUND BALANCE, End of year	$ 578,105	$ 563,465	$ 1,326,821	$ 763,356

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DEBT SERVICE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of resources for the payment of general obligation and special assessment debt including principal, interest and related costs. Included are:

NON-MAJOR FUNDS:

GENERAL OBLIGATION DEBT SERVICE FUND - Accounts for the accumulation of resources for, and the payment of, general obligation bond principal and interest. The principal source of revenue is property taxes.

PENSION OBLIGATION DEBT SERVICE FUND - Accounts for the accumulation of resources for, and the payment of, pension obligation bond principal and interest. The principal source of revenue is payments from operating funds for their portion of annual debt service.

CITY OF CORVALLIS, OREGON

COMBINING BALANCE SHEET – DEBT SERVICE FUNDS

JUNE 30, 2014

	General Obligation Debt Service	Pension Obligation Debt Service	Total
ASSETS			
Cash and investments	$ 29,732	$ 482	$ 30,214
Receivables			
Accrued interest	281	-	281
Other assets	-	3	3
Total Assets	$ 30,013	$ 485	$ 30,498
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ -	$ -	$ -
Total Liabilities	-	-	-
Fund Balances			
Restricted	18,076	445	18,521
Assigned	11,937	40	11,977
Total Fund Balances	30,013	485	30,498
Total Liabilities and Fund Balances	$ 30,013	$ 485	$ 30,498

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	General Obligation Debt Service	***Pension Obligation Debt Service***	***Total***
REVENUES			
Taxes	$ 1,082,773	$ -	$ 1,082,773
Miscellaneous	1,334	4	1,338
Total Revenues	1,084,107	4	1,084,111
EXPENDITURES			
Current			
Nondepartmental	-	1,350	1,350
Debt service			
Principal	835,000	570,257	1,405,257
Interest	232,250	2,030,073	2,262,323
Total Expenditures	1,067,250	2,601,680	3,668,930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,857	(2,601,676)	(2,584,819)
OTHER FINANCING SOURCES			
Transfers in	-	2,601,690	2,601,690
NET CHANGE IN FUND BALANCES	16,857	14	16,871
FUND BALANCE, Beginning of year	13,156	471	13,627
FUND BALANCE, End of year	$ 30,013	$ 485	$ 30,498

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL OBLIGATION DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,148,000	$ 1,148,000	$ 1,082,773	$ (65,227)
Miscellaneous	4,620	4,620	1,334	(3,286)
Total Revenues	1,152,620	1,152,620	1,084,107	(68,513)
EXPENDITURES				
Debt service				
Principal	835,000	835,000	835,000	-
Interest	232,250	232,250	232,250	-
Total Expenditures	1,067,250	1,067,250	1,067,250	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	85,370	85,370	16,857	(68,513)
FUND BALANCE, Beginning of year	17,423	17,423	13,156	(4,267)
FUND BALANCE, End of year	$ 102,793	$ 102,793	$ 30,013	$ (72,780)

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – PENSION OBLIGATION DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Miscellaneous	$ -	$ -	$ 4	$ 4
EXPENDITURES				
Current				
Nondepartmental	1,350	1,350	1,350	-
Debt service				
Principal	570,260	570,260	570,257	3
Interest	2,030,080	2,030,080	2,030,073	7
Total Expenditures	2,601,690	2,601,690	2,601,680	10
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,601,690)	(2,601,690)	(2,601,676)	14
OTHER FINANCING SOURCES (USES)				
Transfers in	2,601,690	2,601,690	2,601,690	-
NET CHANGE IN FUND BALANCE	-	-	14	14
FUND BALANCE, Beginning of year	454	454	471	17
FUND BALANCE, End of year	$ 454	$ 454	$ 485	$ 31

NON-MAJOR PERMANENT FUND

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

NON-MAJOR PERMANENT FUND

The Permanent Fund accounts for resources that are legally restricted to the extent that earnings, not principal, are used to support the City's programs.

DAVIDSON LIBRARY FUND - Accounts for Library resources restricted for book purchases. The major revenue source derives from interest earnings.

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS – DAVIDSON LIBRARY FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Miscellaneous	$ -	$ -	$ 40	$ 40
EXPENDITURES				
Current	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	40	40
FUND BALANCE, Beginning of year	5,502	5,502	5,506	4
FUND BALANCE, End of year	$ 5,502	$ 5,502	$ 5,546	$ 44

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ENTERPRISE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation, maintenance, and debt service of governmental facilities and services which are entirely or predominantly self-supporting by user charges. Enterprise funds use the economic resources measurement focus and accrual accounting to report the results of operation.

WATER, WASTEWATER AND STORM WATER FUNDS - Accounts for the operation, maintenance, debt service, and capital improvements of the water, wastewater, and storm water systems of the City. The primary source of revenue is user service charges.

AIRPORT FUND - Accounts for the operation, maintenance, debt service, and capital improvements of the City's airport facilities. Revenues are derived primarily from hangar and building rental revenue, seed crop revenue, and capital improvement grants.

CITY OF CORVALLIS, OREGON

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 9,246,200	$ 9,246,200	$ 9,710,144	$ 463,944
Intergovernmental	-	-	3,866	3,866
Fines and forfeitures	-	-	5,495	5,495
Miscellaneous	344,100	344,100	145,210	(198,890)
Total Revenues	9,590,300	9,590,300	9,864,715	274,415
EXPENDITURES				
Community Development	56,850	56,850	55,589	1,261
Public Works	7,675,400	7,675,400	6,777,444	897,956
Capital Projects	1,306,580	1,306,580	988,515	318,065
Debt service				
Principal	930,000	930,000	930,000	-
Interest	36,500	36,500	36,500	-
Contingency	188,930	188,930	-	188,930
Loss (gain) on disposal of assets	-	-	-	-
Depreciation and amortization	-	-	-	-
Total Expenditures	10,194,260	10,194,260	8,788,048	1,406,212
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(603,960)	(603,960)	1,076,667	1,680,627
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	-	-	3,709	3,709
Payment for future debt service	(495,400)	(495,400)	-	495,400
Transfers in	2,278,780	2,278,780	-	(2,278,780)
Transfers out	(2,473,970)	(2,473,970)	(180,190)	2,293,780
Total Other Financing Sources (Uses)	(690,590)	(690,590)	(176,481)	514,109
NET CHANGE IN FUND BALANCE	(1,294,550)	(1,294,550)	900,186	2,194,736
FUND BALANCE, Beginning of year	6,919,419	6,919,419	8,035,209	1,115,790
FUND BALANCE, End of year	$ 5,624,869	$ 5,624,869	$ 8,935,395	$ 3,310,526

CITY OF CORVALLIS, OREGON

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 10,596,770	$ 10,596,770	$ 10,620,263	$ 23,493
Intergovernmental	-	-	3,252	3,252
Fines and forfeitures	-	-	460	460
Miscellaneous	77,540	77,540	187,423	109,883
Total Revenues	10,674,310	10,674,310	10,811,398	137,088
EXPENDITURES				
Community Development	54,640	54,640	53,359	1,281
Public Works	8,308,200	8,308,200	6,013,823	2,294,377
Capital Projects	1,594,930	1,594,930	900,287	694,643
Debt service				
Principal	1,863,940	1,863,940	1,863,934	6
Interest	389,710	389,710	389,709	1
Contingency	191,840	191,840	-	191,840
Total Expenditures	12,403,260	12,403,260	9,221,112	3,182,148
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,728,950)	(1,728,950)	1,590,286	3,319,236
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	-	-	1,171	1,171
Transfers in	2,023,980	2,023,980	-	(2,023,980)
Transfers out	(2,193,070)	(2,193,070)	(169,090)	2,023,980
Total Other Financing Sources (Uses)	(169,090)	(169,090)	(167,919)	1,171
NET CHANGE IN FUND BALANCE	(1,898,040)	(1,898,040)	1,422,367	3,320,407
FUND BALANCE, Beginning of year	12,475,203	12,475,203	12,887,749	412,546
FUND BALANCE, End of year	$ 10,577,163	$ 10,577,163	$ 14,310,116	$ 3,732,953

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – STORM WATER FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 2,277,160	$ 2,277,160	$ 2,320,093	$ 42,933
Intergovernmental	264,220	357,324	276,731	(80,593)
Fines and forfeitures	-	-	697	697
Miscellaneous	9,380	9,380	7,733	(1,647)
Total Revenues	2,550,760	2,643,864	2,605,254	(38,610)
EXPENDITURES				
Community Development	55,560	55,560	54,117	1,443
Public Works	2,263,460	2,263,460	1,739,916	523,544
Capital Projects	787,500	880,604	740,135	140,469
Contingency	45,780	45,780	-	45,780
Total Expenditures	3,152,300	3,245,404	2,534,168	711,236
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(601,540)	(601,540)	71,086	672,626
OTHER FINANCING SOURCES (USES)				
Transfers in	562,500	562,500	-	(562,500)
Transfers out	(696,950)	(696,950)	(124,450)	572,500
Total Other Financing Sources (Uses)	(134,450)	(134,450)	(124,450)	10,000
NET CHANGE IN FUND BALANCE	(735,990)	(735,990)	(53,364)	682,626
FUND BALANCE, Beginning of year	1,363,493	1,363,493	1,606,938	243,445
FUND BALANCE, End of year	$ 627,503	$ 627,503	$ 1,553,574	$ 926,071

CITY OF CORVALLIS, OREGON

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 5,000	$ 5,000	$ 4,155	$ (845)
Charges for services	398,500	398,500	471,260	72,760
Intergovernmental	185,740	507,740	26,314	(481,426)
Miscellaneous	9,570	9,570	8,356	(1,214)
Total Revenues	598,810	920,810	510,085	(410,725)
EXPENDITURES				
Public Works	621,050	943,050	512,241	430,809
Capital Projects	112,850	112,850	25,038	87,812
Debt service				
Principal	109,050	109,050	109,044	6
Interest	6,000	6,000	3,483	2,517
Contingency	9,950	9,950	-	9,950
Total Expenditures	858,900	1,180,900	649,806	531,094
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(260,090)	(260,090)	(139,721)	120,369
OTHER FINANCING SOURCES (USES)				
Transfers in	11,290	11,290	-	(11,290)
Transfers out	(19,620)	(19,620)	(8,330)	11,290
Total Other Financing Sources (Uses)	(8,330)	(8,330)	(8,330)	-
NET CHANGE IN FUND BALANCE	(268,420)	(268,420)	(148,051)	120,369
FUND BALANCE, Beginning of year	778,630	778,630	769,565	(9,065)
FUND BALANCE, End of year	$ 510,210	$ 510,210	$ 621,514	$ 111,304

INTERNAL SERVICE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

INTERNAL SERVICE FUNDS

These funds account for activities and services performed primarily for other organizational units within the City. Charges are based on recovering costs from the benefited City units.

FLEET MANAGEMENT FUND - Accounts for the activities to operate the City's fleet of vehicles and equipment.

FACILITY MAINTENANCE FUND - Accounts for the operation of the City's central shop facility.

TECHNOLOGY AND COMMUNICATIONS FUND - Accounts for the activities related to centralized information and management systems, and operations.

ADMINISTRATIVE SERVICES FUND - Accounts for the activities to provide administrative services to the City departments.

RISK MANAGEMENT FUND - Accounts for the activities associated with providing risk management services to the organization.

CITY OF CORVALLIS, OREGON
COMBINING STATEMENT OF NET POSITION – ALL INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Fleet Maintenance	*Facility Maintenance*	*Technology and Communications*	*Administrative Services*	*Risk Management*	*Total*
ASSETS						
Current assets						
Cash and investments	$ 46,828	$ 151,306	$ 557,127	$ 463,550	$ 850,905	$ 2,069,716
Receivables						
Accounts	3,943	400	-	6	-	4,349
Accrued interest	39	114	319	320	437	1,229
Total Current Assets	50,810	151,820	557,446	463,876	851,342	2,075,294
Capital Assets						
Land	-	-	-	500,664	-	500,664
Buildings	-	47,786	-	86,849	-	134,635
Vehicles	23,556	17,993	22,505	15,647	15,465	95,166
Machinery and equipment	-	67,529	656,231	18,489	8,454	750,703
Total Capital Assets	23,556	133,308	678,736	621,649	23,919	1,481,168
Less accumulated depreciation	(9,526)	(58,919)	(612,894)	(108,598)	(16,176)	(806,113)
Capital Assets (net of accumulated depreciation)	14,030	74,389	65,842	513,051	7,743	675,055
Total Assets	$ 64,840	$ 226,209	$ 623,288	$ 976,927	$ 859,085	$ 2,750,349
LIABILITIES AND NET POSITION						
Current liabilities						
Accounts payable	$ 18,693	$ 45,596	$ 94,698	$ 51,840	$ 133,782	$ 344,609
Accrued compensated absences	12,052	49,867	77,324	301,483	-	440,726
Other accrued liabilities	-	-	-	10,508	-	10,508
Total Current Liabilities	30,745	95,463	172,022	363,831	133,782	795,843
Noncurrent liabilities						
Accrued compensated absences	6,614	27,364	42,430	165,433	-	241,841
Net OPEB Obligations	53,768	103,479	231,305	664,496	-	1,053,048
Total Liabilities	91,127	226,306	445,757	1,193,760	133,782	2,090,732
Net Position						
Investment in capital assets	14,030	74,389	65,842	513,051	7,743	675,055
Unrestricted	(40,317)	(74,486)	111,689	(729,884)	717,560	(15,438)
Total Net Position	(26,287)	(97)	177,531	(216,833)	725,303	659,617
Total Liabilities and Net Position	$ 64,840	$ 226,209	$ 623,288	$ 976,927	$ 859,085	$ 2,750,349

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2014

	Fleet Maintenance	Facility Maintenance	Technology and Communications	Administrative Services	Risk Management	Total
OPERATING REVENUES						
Charges for services	$ 752,471	$ 755,740	$ 1,583,464	$ 4,527,340	$ 1,029,830	$ 8,648,845
Fines and forfeitures	20	-	-	-	-	20
Miscellaneous	3,015	2,473	849	10,178	48,454	64,969
Total Operating Revenues	755,506	758,213	1,584,313	4,537,518	1,078,284	8,713,834
OPERATING EXPENSES						
Personnel services	223,268	465,501	1,113,208	2,853,995	-	4,655,972
Materials and supplies	435,364	55,098	57,388	36,834	7,269	591,953
Services	52,059	134,614	297,133	682,447	79,600	1,245,853
Utility and overhead	46,367	101,832	68,674	646,108	1,138,066	2,001,047
Training and conference	522	390	19,657	29,012	473	50,054
Depreciation and amortization	2,485	7,200	42,782	1,565	1,546	55,578
Total Operating Expenses	760,065	764,635	1,598,842	4,249,961	1,226,954	8,600,457
OPERATING INCOME (LOSS)	(4,559)	(6,422)	(14,529)	287,557	(148,670)	113,377
NONOPERATING INCOME (EXPENSE)						
Interest income	311	809	2,432	1,866	4,047	9,465
Gain (loss) on disposal of Capital assets	(11)	-	-	-	-	(11)
Total Non-Operating Income (Expense)	300	809	2,432	1,866	4,047	9,454
CHANGE IN NET POSITION	(4,259)	(5,613)	(12,097)	289,423	(144,623)	122,831
NET POSITION, Beginning of year	(22,028)	5,516	189,628	(506,256)	869,926	536,786
NET POSITION, End of year	$ (26,287)	$ (97)	$ 177,531	$ (216,833)	$ 725,303	$ 659,617

CITY OF CORVALLIS, OREGON
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Fleet Maintenance	Facility Maintenance	Technology and Communications	Administrative Services	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 60,048	$ 6,028	$ 950	$ 10,924	$ 48,454	$ 126,404
Receipts from interfund services provided	297,399	750,940	1,582,310	4,527,340	1,029,830	8,187,819
Payments to suppliers	(536,119)	(312,007)	(318,133)	(1,088,008)	(1,135,937)	(3,390,204)
Payments to employees	(191,493)	(423,844)	(1,073,468)	(2,648,272)	-	(4,337,077)
Payments for interfund services used	353,051	(34,484)	(39,108)	(448,137)	-	(168,678)
Net Cash Provided by (Used In) Operating Activities	(17,114)	(13,367)	152,551	353,847	(57,653)	418,264
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	-	-	(18,197)	-	-	(18,197)
Net Cash Used In Capital and Related Financing Activities	-	-	(18,197)	-	-	(18,197)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	298	789	2,357	1,749	3,965	9,158
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(16,816)	(12,578)	136,711	355,596	(53,688)	409,225
CASH AND INVESTMENTS, Beginning of year	63,644	163,884	420,416	107,954	904,593	1,660,491
CASH AND INVESTMENTS, End of year	$ 46,828	$ 151,306	$ 557,127	$ 463,550	$ 850,905	$ 2,069,716
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ (4,559)	$ (6,422)	$ (14,529)	$ 287,557	$ (148,670)	$ 113,377
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	2,485	7,200	42,782	1,565	1,546	55,578
Change in assets and liabilities						
Receivables						
Accounts receivable	652	(400)	-	-	-	252
Accounts payable	(27,614)	(33,432)	86,073	21,135	89,471	135,633
Accrued compensated absences	2,300	336	(6,499)	(41,524)	-	(45,387)
Net OPEB obligations	9,622	19,351	44,724	108,917	-	182,614
Other accrued liabilities	-	-	-	(23,803)	-	(23,803)
Net Cash Provided by (Used In) Operating Activities	$ (17,114)	$ (13,367)	$ 152,551	$ 353,847	$ (57,653)	$ 418,264

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – FLEET MAINTENANCE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 878,500	$ 878,500	$ 752,471	$ (126,029)
Fines and forfeitures	-	-	20	20
Miscellaneous	1,300	1,300	3,326	2,026
Total Revenues	879,800	879,800	755,817	(123,983)
EXPENDITURES				
Public Works	855,450	855,450	745,658	109,792
Contingency	16,000	16,000	-	16,000
Total Expenditures	871,450	871,450	745,658	125,792
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,350	8,350	10,159	1,809
FUND BALANCE, Beginning of year	17,304	17,304	21,958	4,654
FUND BALANCE, End of year	$ 25,654	$ 25,654	$ 32,117	$ 6,463

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – FACILITY MAINTENANCE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 793,560	$ 793,560	$ 755,740	$ (37,820)
Miscellaneous	2,310	2,310	3,282	972
Total Revenues	795,870	795,870	759,022	(36,848)
EXPENDITURES				
Public Works	809,840	809,840	737,748	72,092
Contingency	10,000	10,000	-	10,000
Total Expenditures	819,840	819,840	737,748	82,092
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,970)	(23,970)	21,274	45,244
FUND BALANCE, Beginning of year	89,420	89,420	84,951	(4,469)
FUND BALANCE, End of year	$ 65,450	$ 65,450	$ 106,225	$ 40,775

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – TECHNOLOGY AND COMMUNICATIONS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 1,583,110	$ 1,583,110	$ 1,583,464	$ 354
Miscellaneous	4,430	4,430	3,281	(1,149)
Total Revenues	1,587,540	1,587,540	1,586,745	(795)
EXPENDITURES				
Finance	1,417,940	1,417,940	1,396,771	21,169
Public Works	190,830	190,830	139,260	51,570
Contingency	30,000	30,000	-	30,000
Total Expenditures	1,638,770	1,638,770	1,536,031	102,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(51,230)	(51,230)	50,714	101,944
FUND BALANCE, Beginning of year	400,734	400,734	412,034	11,300
FUND BALANCE, End of year	$ 349,504	$ 349,504	$ 462,748	$ 113,244

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – ADMINISTRATIVE SERVICES FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 4,527,340	$ 4,527,340	$ 4,527,340	$ -
Miscellaneous	27,010	27,010	12,044	(14,966)
Total Revenues	4,554,350	4,554,350	4,539,384	(14,966)
EXPENDITURES				
City Manager's Office	1,876,930	1,876,930	1,674,539	202,391
Finance	2,667,130	2,667,130	2,506,465	160,665
Contingency	30,000	30,000	-	30,000
Total Expenditures	4,574,060	4,574,060	4,181,004	393,056
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,710)	(19,710)	358,380	378,090
FUND BALANCE, Beginning of year	43,097	43,097	43,148	51
FUND BALANCE, End of year	$ 23,387	$ 23,387	$ 401,528	$ 378,141

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – RISK MANAGEMENT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 1,029,830	$ 1,029,830	$ 1,029,830	$ -
Miscellaneous	32,000	32,000	52,501	20,501
Total Revenues	1,061,830	1,061,830	1,082,331	20,501
EXPENDITURES				
City Manager's Office	1,093,830	1,293,830	1,225,408	68,422
Contingency	275,000	75,000	-	75,000
Total Expenditures	1,368,830	1,368,830	1,225,408	143,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(307,000)	(307,000)	(143,077)	163,923
FUND BALANCE, Beginning of year	847,639	847,639	860,637	12,998
FUND BALANCE, End of year	$ 540,639	$ 540,639	$ 717,560	$ 176,921

OTHER FINANCIAL SCHEDULES

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
YEAR ENDED JUNE 30, 2014

Fiscal Year	*Property Taxes Receivable June 30, 2013*	*Extended by Assessor*	*(Deduct) Collections (1)*	*Add (Deduct) Discounts and Adjustments*	*Property Taxes Receivable June 30, 2014*
2014	$ -	$ 24,535,588	$ (23,001,714)	$ (646,135)	$ 887,739
2013	814,748		(258,597)	(5,127)	551,024
2012	333,958	-	(91,710)	(2,604)	239,644
2011	106,144	-	(65,027)	(2,701)	38,416
2010	250,434	-	(30,232)	(1,825)	218,377
2009	11,361	-	(3,492)	(1,082)	6,787
2008 and prior	31,807	-	(2,848)	(1,255)	27,704
	$ 1,548,452	$ 24,535,588	$ (23,453,620)	$ (660,729)	$ 1,969,691

Notes:

(1) A total of $23,453,620 in property tax receipts were received by the City in FY 2013/14. The City also received an additional $62,248 from Benton County for property tax related interest.

CITY OF CORVALLIS, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2014

Series	*Date of Issue*	*Final Maturity Date*	*Amount of Original Issue*	*Outstanding July 1, 2013*	*Bonds Issued*	*Bonds Called and Matured*	*Outstanding June 30, 2014*
BONDS PAYABLE							
General Obligation Bonds							
Series 2009	05/27/09	06/01/19	$ 10,190,000	$ 6,015,000	$ -	$ 835,000	$ 5,180,000
Total General Obligation Bonds				6,015,000	-	835,000	5,180,000
Debt Secured by the General Fund							
Series 2002 A	03/01/02	01/01/30	23,913,017	22,222,594	-	320,257	21,902,337
Series 2005 A	09/23/05	06/01/28	9,980,000	9,160,000	-	250,000	8,910,000
Total Pension Obligation Bonds				31,382,594	-	570,257	30,812,337
FFC Ref. Oblig. Series 2012	11/15/12	12/01/20	11,485,000	11,485,000	-	2,285,000	9,200,000
Total Debt Secured by the General Fund				42,867,594	-	2,855,257	40,012,337
Revenue Bonds							
Series 2006 A	03/01/06	05/01/20	5,410,000	3,915,000	-	485,000	3,430,000
Total Revenue Bonds				3,915,000	-	485,000	3,430,000
Total All Bonds				52,797,594	-	4,175,257	48,622,337
NOTES PAYABLE							
BOA 2010 CIP Loan	08/05/10	08/01/20	2,100,000	1,725,000	-	195,000	1,530,000
SRF/DEQ Sewer Rehab	01/20/92	07/01/13	700,000	23,934	-	23,934	-
OBDD Loan B96002	09/06/96	12/01/16	332,240	109,044	-	109,044	-
Total All Notes				1,857,978	-	327,978	1,530,000
Total Long-term Debt Transactions				$ 54,655,572	$ -	$ 4,503,235	$ 50,152,337

Notes: The 2002A issue consists of two separate bond structures: the Capital Appreciation Bonds with par value of $5,353,017 are dated 3/12/02; the Current Interest Bond with par value of $18,560,000 are dated 3/1/02.

The following notes were fully paid on 7/1/13: SRF/DEQ Sewer Rehab and OBDD Loan B96002.

CITY OF CORVALLIS, OREGON
SCHEDULE OF LONG-TERM DEBT INTEREST TRANSACTIONS
YEAR ENDED JUNE 30, 2014

Series	*Interest Rates on Outstanding Balances*	*Unmatured and Outstanding July 1, 2013*	*Bonds Issued*	*Coupons Called and Matured*	*Unmatured and Outstanding June 30, 2014*
BONDS PAYABLE					
General Obligation Bonds					
Series 2009	4.00%	$ 881,850	$ -	$ 232,250	$ 649,600
Total General Obligation Bonds		881,850	-	232,250	649,600
Debt Secured by the General Fund					
Series 2002 A	6.50 - 7.06 %	25,220,731	-	1,576,143	23,644,588
Series 2005 A	4.859 - 5.004 %	4,365,971	-	453,930	3,912,041
Total Pension Obligation Bonds		29,586,702	-	2,030,073	27,556,629
FFC Ref. Oblig. Series 2012	2.00 - 4.00 %	1,055,075	-	265,900	789,175
Total Debt Secured by the General Fund		30,641,777	-	2,295,973	28,345,804
Revenue Bonds					
Series 2006 A	3.00 - 5.00 %	618,300	-	159,950	458,350
Total Revenue Bonds		618,300	-	159,950	458,350
Total All Bonds		32,141,927	-	2,688,173	29,453,754
NOTES PAYABLE					
BOA 2010 CIP Loan	2.9600%	212,158	-	48,174	163,984
SRF/DEQ Sewer Rehab	n/a	359	-	359	-
OBDD Loan B96002	n/a	15,615	-	15,615	-
Total All Notes		228,132	-	64,148	163,984
Total Long-term Debt Interest Transactions		$ 32,370,059	$ -	$ 2,752,321	$ 29,617,738

Notes: The following notes were fully paid on 7/1/13: SRF/DEQ Sewer Rehab and OBDD Loan B96002.

CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF GENERAL OBLIGATION BONDS

JUNE 30, 2014

Year of Maturity	*Total Requirements*			*Series 2009*	
	Principal	*Interest*	*Total*	*Principal*	*Interest*
2014-2015	$ 895,000	$ 207,200	$ 1,102,200	$ 895,000	$ 207,200
2015-2016	965,000	171,400	1,136,400	965,000	171,400
2016-2017	1,035,000	132,800	1,167,800	1,035,000	132,800
2017-2018	1,115,000	91,400	1,206,400	1,115,000	91,400
2018-2019	1,170,000	46,800	1,216,800	1,170,000	46,800
Total	$ 5,180,000	$ 649,600	$ 5,829,600	$ 5,180,000	$ 649,600

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CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF FULL FAITH AND CREDIT OBLIGATIONS
JUNE 30, 2014

				Governmental - Bonds			
Year of	*Total Requirements*			*Series 2005 A*		*Series 2002 A*	
Maturity	*Principal*	*Interest*	*Total*	*Principal*	*Interest*	*Principal*	*Interest*
2014-2015	$ 2,967,139	$ 2,311,179	$ 5,278,318	$ 290,000	$ 442,268	$ 337,139	$ 1,649,261
2015-2016	2,244,519	2,340,707	4,585,226	335,000	428,176	349,519	1,731,881
2016-2017	1,984,957	2,374,792	4,359,749	385,000	411,899	359,957	1,816,443
2017-2018	1,920,252	2,415,466	4,335,718	435,000	393,192	370,252	1,911,149
2018-2019	2,011,833	2,458,772	4,470,605	485,000	372,055	376,833	2,009,567
2019-2020	2,116,608	2,505,331	4,621,939	545,000	348,489	381,608	2,114,792
2020-2021	1,601,024	2,559,483	4,160,507	610,000	322,007	386,024	2,225,376
2021-2022	1,065,211	2,637,672	3,702,883	675,000	291,483	390,211	2,346,189
2022-2023	1,140,794	2,728,311	3,869,105	750,000	257,706	390,794	2,470,605
2023-2024	2,615,000	1,426,576	4,041,576	825,000	220,176	1,790,000	1,206,400
2024-2025	2,955,000	1,268,943	4,223,943	910,000	178,893	2,045,000	1,090,050
2025-2026	3,315,000	1,090,482	4,405,482	995,000	133,357	2,320,000	957,125
2026-2027	3,715,000	889,892	4,604,892	1,095,000	83,567	2,620,000	806,325
2027-2028	3,525,000	664,798	4,189,798	575,000	28,773	2,950,000	636,025
2028-2029	3,310,000	444,275	3,754,275	-	-	3,310,000	444,275
2029-2030	3,525,000	229,125	3,754,125	-	-	3,525,000	229,125
Total	$ 40,012,337	$ 28,345,804	$ 68,358,141	$ 8,910,000	$ 3,912,041	$ 21,902,337	$ 23,644,588

CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF FULL FAITH AND CREDIT OBLIGATIONS
JUNE 30, 2014

Business-type - Bonds		***Governmental - Notes***	
Series 2012		***BOA 2010 CIP Loan***	
Principal	***Interest***	***Principal***	***Interest***
$ 2,340,000	$ 219,650	$ 200,000	$ 42,328
1,560,000	180,650	205,000	36,334
1,240,000	146,450	210,000	30,192
1,115,000	111,125	220,000	23,828
1,150,000	77,150	225,000	17,242
1,190,000	42,050	230,000	10,508
605,000	12,100	240,000	3,552
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 9,200,000	$ 789,175	$ 1,530,000	$ 163,984

CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF SENIOR AND SUBORDINATE DEBT IN WASTEWATER FUND

JUNE 30, 2014

SENIOR DEBT

Year of Maturity	*Total Requirements*			*Series 2006A*	
	Principal	*Interest*	*Total*	*Principal*	*Interest*
2014-2015	$ 510,000	$ 135,700	$ 645,700	$ 510,000	$ 135,700
2015-2016	535,000	110,200	645,200	535,000	110,200
2016-2017	565,000	83,450	648,450	565,000	83,450
2017-2018	590,000	60,850	650,850	590,000	60,850
2018-2019	605,000	43,150	648,150	605,000	43,150
2019-2020	625,000	25,000	650,000	625,000	25,000
Total	$ 3,430,000	$ 458,350	$ 3,888,350	$ 3,430,000	$ 458,350

SUBORDINATE DEBT

Year of Maturity	*Total Requirements*			*Series 2012*	
	Principal	*Interest*	*Total*	*Principal*	*Interest*
2014-2015	$ 1,380,000	$ 202,050	$ 1,582,050	$ 1,380,000	$ 202,050
2015-2016	1,400,000	174,250	1,574,250	1,400,000	174,250
2016-2017	1,080,000	144,050	1,224,050	1,080,000	144,050
2017-2018	1,115,000	111,125	1,226,125	1,115,000	111,125
2018-2019	1,150,000	77,150	1,227,150	1,150,000	77,150
2019-2020	1,190,000	42,050	1,232,050	1,190,000	42,050
2020-2021	605,000	12,100	617,100	605,000	12,100
Total	$ 7,920,000	$ 762,775	$ 8,682,775	$ 7,920,000	$ 762,775

STATISTICAL SECTION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

STATISTICAL SECTION

The Statistical Section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City of Corvallis.

FINANCIAL TRENDS

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

REVENUE CAPACITY

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

DEBT CAPACITY

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATISTICAL SECTION

FINANCIAL TRENDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Invested in capital assets, net of related debt	$ 135,631,050	$ 137,331,672	$ 140,587,954	$ 141,455,487	$ 142,337,802	$ 145,961,066	$ 146,306,669	$ 145,112,271	$ 145,619,845	$ 149,612,328
Restricted for special purposes	3,978,206	3,647,503	4,311,449	3,579,434	4,289,737	3,980,184	7,343,850	9,136,247	9,538,132	9,804,205
Unrestricted	16,632,858	14,946,146	13,398,537	11,885,844	3,194,561	(1,397,676)	(6,872,343)	(9,076,217)	(9,085,682)	(7,898,827)
Total Governmental Activities Net Position	$ 156,242,114	$ 155,925,321	$ 158,297,940	$ 156,920,765	$ 149,822,100	$ 148,543,574	$ 146,778,176	$ 145,172,301	$ 146,072,295	$ 151,517,706
Business-type Activities										
Invested in capital assets, net of related debt	$ 96,337,907	$ 104,168,328	$ 106,978,116	$ 108,814,471	$ 109,369,298	$ 110,462,358	$ 111,598,330	$ 115,238,767	$ 116,547,672	$ 118,294,427
Restricted for special purposes	11,583,667	12,421,513	13,472,647	13,145,730	13,469,355	13,990,821	15,403,422	14,757,490	14,781,966	17,027,541
Unrestricted	7,995,633	5,181,976	6,302,255	6,630,423	6,806,044	5,549,490	4,948,672	3,951,628	6,114,993	5,640,838
Total Business-type Activities Net Position	$ 115,917,207	$ 121,771,817	$ 126,753,018	$ 128,590,624	$ 129,644,697	$ 130,002,669	$ 131,950,424	$ 133,947,885	$ 137,444,631	$ 140,962,806
Primary Government										
Invested in capital assets, net of related debt	$ 231,968,957	$ 241,500,000	$ 247,566,070	$ 250,269,958	$ 251,707,100	$ 256,423,424	$ 257,904,999	$ 260,351,038	$ 262,167,517	$ 267,906,755
Restricted for special purposes	15,561,873	16,069,016	17,784,096	16,725,164	17,759,092	17,971,005	22,747,272	23,893,737	24,320,098	26,831,746
Unrestricted	24,628,491	20,128,122	19,700,792	18,516,267	10,000,605	4,151,814	(1,923,671)	(5,124,589)	(2,970,689)	(2,257,989)
Total Primary Government Activities Net Position	$ 272,159,321	$ 277,697,138	$ 285,050,958	$ 285,511,389	$ 279,466,797	$ 278,546,243	$ 278,728,600	$ 279,120,186	$ 283,516,926	$ 292,480,512

Financial trend schedule: Net position by component is intended to provide the user with summary data to analyze changes in the components of net position.

Accompanying schedule: Changes in net position provides user with additional detail for analytical purposes.

CITY OF CORVALLIS, OREGON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS - UNAUDITED
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	$ 1,504,824	$ 1,687,447	$ 1,652,481	$ 1,796,330	$ 1,620,536	$ 1,986,064	$ 1,511,814	$ 1,407,376	$ 2,647,885	$ 2,518,089
Community Development	4,120,924	4,284,073	5,168,425	4,721,202	5,232,238	4,622,690	5,854,253	5,439,231	5,523,235	6,083,655
Finance	643,858	676,305	723,744	723,139	807,497	807,226	782,197	901,288	899,514	944,298
Fire	7,662,260	8,656,311	9,200,110	9,582,929	10,575,015	10,963,048	11,426,793	11,829,749	11,273,160	11,442,641
Library	5,194,096	5,591,093	5,716,184	5,956,494	6,664,627	6,544,201	6,221,228	6,417,292	6,525,123	6,241,948
Parks and Recreation	4,719,536	5,098,047	5,396,528	5,495,996	6,166,056	6,323,593	6,020,914	6,444,932	6,831,977	6,704,226
Police	9,245,375	10,344,246	10,744,348	10,949,777	12,002,325	13,013,915	13,184,192	13,879,967	13,271,326	13,783,254
Public Works	9,826,111	9,811,124	9,975,656	10,416,224	11,810,710	12,515,686	11,245,957	12,241,185	11,538,724	9,619,034
Interest on long-term debt	2,038,212	2,373,330	2,452,755	2,423,186	2,367,064	2,254,830	2,292,797	2,287,956	2,278,660	2,305,645
Total Governmental Activities	44,955,196	48,521,976	51,030,231	52,065,277	57,246,068	59,031,253	58,540,145	60,848,976	60,789,604	59,642,790
Business-type Activities:										
Water	7,376,890	7,318,210	7,641,213	8,063,852	8,342,283	8,499,854	8,745,859	8,879,814	8,286,092	8,314,648
Wastewater	8,244,864	8,025,574	8,492,767	8,732,200	9,170,904	9,462,535	9,970,607	9,735,989	9,550,971	8,570,089
Storm Water	1,630,566	1,710,288	1,707,827	2,670,369	2,298,342	2,021,492	2,097,052	2,558,029	2,436,998	2,655,470
Airport	495,144	545,676	597,816	594,875	680,639	842,116	1,497,794	979,303	808,105	762,258
Total Business-type Activities	17,747,464	17,599,748	18,439,623	20,061,296	20,492,168	20,825,997	22,311,312	22,153,135	21,082,166	20,302,465
Total Primary Government	$ 62,702,660	$ 66,121,724	$ 69,469,854	$ 72,126,573	$ 77,738,236	$ 79,857,250	$ 80,851,457	$ 83,002,111	$ 81,871,770	$ 79,945,255
Program Revenues										
Governmental Activities:										
Charges for services										
General Government	$ 183,146	$ 258,355	$ 256,786	$ 285,301	$ 251,920	$ 318,131	$ 371,003	$ 566,293	$ 1,399,786	$ 1,094,032
Community Development	3,114,476	1,576,158	2,441,356	914,830	1,634,006	3,275,953	2,157,595	1,569,182	3,203,687	4,053,116
Finance	1,024,993	1,045,316	1,192,579	1,122,641	956,815	861,040	1,094,015	1,108,034	990,959	1,038,023
Fire	2,401,259	2,656,598	2,948,347	3,256,362	3,074,246	3,296,688	3,318,101	3,559,002	3,419,560	3,329,370
Library	138,361	173,497	168,862	216,866	196,913	182,153	211,198	202,737	208,361	895,065
Parks and Recreation	1,538,150	1,368,525	1,398,611	1,423,883	1,528,078	1,708,603	1,512,646	1,693,632	2,133,838	2,010,791
Police	791,786	726,802	1,008,405	1,094,862	913,453	1,320,249	1,293,267	1,279,862	1,357,873	1,454,562
Public Works	957,000	1,475,280	1,909,003	2,366,278	1,655,549	2,131,077	1,901,110	3,235,735	4,106,072	3,594,084
Operating grants and contributions	7,015,894	7,442,569	7,854,696	7,542,838	7,650,047	8,641,809	8,962,239	9,792,384	9,199,032	9,694,350
Capital grants and contributions	4,719,933	4,076,091	5,754,056	3,256,066	3,013,921	6,713,015	5,641,347	3,212,701	3,251,247	5,923,404
Total Governmental Activities	21,884,998	20,799,191	24,932,701	21,479,927	20,874,948	28,448,718	26,462,521	26,219,562	29,270,415	33,086,797
Business-type Activities:										
Charges for services										
Water	6,790,271	7,004,077	7,779,966	8,126,619	8,538,420	8,328,087	8,482,624	8,944,214	9,944,486	9,332,436
Wastewater	7,840,994	7,922,298	8,702,620	9,028,522	8,838,806	8,739,964	8,969,074	9,077,154	9,421,748	9,554,808
Storm Water	1,768,116	1,811,365	1,866,500	1,859,065	1,829,778	1,883,720	2,005,560	2,083,142	2,098,547	2,293,264
Airport	371,093	290,869	330,477	382,523	452,297	400,460	408,313	467,018	507,062	479,684
Operating grants and contributions	4,993	54,624	1,773	-	43,463	27,238	58,196	188,774	179,089	43,975
Capital grants and contributions	6,167,665	5,995,971	4,311,390	2,057,705	1,840,821	2,177,949	4,808,133	3,379,269	2,681,928	2,515,543
Total Business-type Activities	22,943,132	23,079,204	22,992,726	21,454,434	21,543,585	21,557,418	24,731,900	24,139,571	24,832,860	24,219,710
Total Primary Government	$ 44,828,130	$ 43,878,395	$ 47,925,427	$ 42,934,361	$ 42,418,533	$ 50,006,136	$ 51,194,421	$ 50,359,133	$ 54,103,275	$ 57,306,507

CITY OF CORVALLIS, OREGON

CHANGES IN NET POSITION (Continued)
LAST TEN FISCAL YEARS - UNAUDITED
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense) / Revenue										
Governmental activities	$ (23,070,198)	$ (27,722,785)	$ (26,097,530)	$ (30,585,350)	$ (36,371,120)	$ (30,582,535)	$ (32,077,624)	$ (34,629,414)	$ (31,519,189)	$ (26,555,993)
Business-type activities	5,195,668	5,479,456	4,553,103	1,393,138	1,051,417	731,421	2,420,588	1,986,436	3,750,694	3,917,245
Total Primary Government	$ (17,874,530)	$ (22,243,329)	$ (21,544,427)	$ (29,192,212)	$ (35,319,703)	$ (29,851,114)	$ (29,657,036)	$ (32,642,978)	$ (27,768,495)	$ (22,638,748)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	$ 17,945,723	$ 18,860,943	$ 19,100,501	$ 19,797,404	$ 20,620,144	$ 20,950,727	$ 21,775,474	$ 24,425,374	$ 23,351,641	$ 22,430,504
Other taxes	946,925	1,002,657	1,113,828	1,147,595	1,076,629	1,079,621	1,190,725	1,239,155	1,396,192	1,424,997
Franchise fees	4,142,251	4,423,025	4,827,108	4,988,241	5,178,552	5,004,727	5,142,289	5,306,529	5,186,269	5,486,499
Interest and investment earnings	562,460	1,054,506	1,332,488	1,098,958	491,698	158,842	144,235	200,061	136,567	250,895
Miscellaneous	1,514,561	1,542,147	1,451,951	1,641,909	1,453,065	1,579,768	1,421,942	1,518,054	1,707,759	2,266,469
Gain on sale of capital assets	53,061	45,207	58,082	30,768	5,451	6,644	43,271	7,606	26,047	66,733
Transfers	218,015	477,507	586,191	503,300	446,916	523,680	594,290	326,760	358,250	482,060
Total Governmental Activities	25,382,996	27,405,992	28,470,149	29,208,175	29,272,455	29,304,009	30,312,226	33,023,539	32,162,725	32,408,157
Business-type activities										
Interest and investment earnings	446,418	770,821	1,001,448	931,722	436,941	144,423	113,416	149,489	91,137	143,869
Miscellaneous	129,329	81,840	12,841	16,046	12,631	5,808	8,041	188,296	13,165	116,134
Gain on sale of capital assets	2,591	-	-	-	-	-	-	-	-	-
Transfers	(218,015)	(477,507)	(586,191)	(503,300)	(446,916)	(523,680)	(594,290)	(326,760)	(358,250)	(482,060)
Total Business-type Activities	360,323	375,154	428,098	444,468	2,656	(373,449)	(472,833)	11,025	(253,948)	(222,057)
Total Primary Government	$ 25,743,319	$ 27,781,146	$ 28,898,247	$ 29,652,643	$ 29,275,111	$ 28,930,560	$ 29,839,393	$ 33,034,564	$ 31,908,777	$ 32,186,100
Change in Net Position										
Governmental activities	$ 2,312,798	$ (316,793)	$ 2,372,619	$ (1,377,175)	$ (7,098,665)	$ (1,278,526)	$ (1,765,398)	$ (1,605,875)	$ 643,536	$ 5,852,164
Business-type activities	5,555,991	3,854,610	4,981,201	1,837,606	1,054,073	357,972	1,947,755	1,997,461	3,496,746	3,695,188
Total Primary Government	$ 7,868,789	$ 3,537,817	$ 7,353,820	$ 460,431	$ (6,044,592)	$ (920,554)	$ 182,357	$ 391,586	$ 4,140,282	$ 9,547,352

Financial trend schedule: Changes in net position is intended to provide the user with summary data to analyze changes in the activities and changes in those activities.

CITY OF CORVALLIS, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011(a)	2012	2013	2014(b)
General Fund										
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ 263,683	$ 307,435	$ 303,287	$ 763,715
Committed	-	-	-	-	-	-	252,415	192,715	144,309	1,173,045
Assigned	-	-	-	-	-	-	-	107,906	17,926	2,194,126
Unassigned	3,468,723	3,754,011	4,085,463	3,764,866	1,909,983	670,403	(112,018)	666,633	2,047,758	2,397,894
Total General Fund	3,468,723	3,754,011	4,085,463	3,764,866	1,909,983	670,403	404,080	1,274,689	2,513,280	6,528,780
Street										
Restricted	-	-	-	-	-	-	1,874,768	2,537,842	2,199,219	2,656,339
Committed	-	-	-	-	-	-	91,625	93,993	185,150	348,160
Assigned	3,716,975	3,297,908	3,899,117	3,728,781	2,756,739	1,989,984	356,867	332,358	555,190	848,645
Total Street Fund	3,716,975	3,297,908	3,899,117	3,728,781	2,756,739	1,989,984	2,323,260	2,964,193	2,939,559	3,853,144
Parks and Recreation										
Restricted	-	-	-	-	-	-	1,612,951	2,100,350	2,331,857	-
Committed	-	-	-	-	-	-	572,523	603,049	598,382	-
Assigned	2,920,667	3,091,823	2,798,345	2,502,095	1,920,186	1,420,355	329,406	956,309	737,061	-
Total Parks and Recreation Fund	2,920,667	3,091,823	2,798,345	2,502,095	1,920,186	1,420,355	2,514,880	3,659,708	3,667,300	-
Parks SDC										
Restricted	-	-	-	-	-	-	-	-	-	2,552,463
Assigned	-	-	-	-	-	-	-	-	-	349,270
Total Parks SDC Fund	-	-	-	-	-	-	-	-	-	2,901,733
Fire & Rescue										
Committed	-	-	-	-	-	-	3,408	3,719	7,251	-
Assigned	2,785,121	3,056,427	2,519,585	2,690,180	3,219,696	1,820,879	1,161,738	675,566	1,108,719	-
Total Fire & Rescue Fund	2,785,121	3,056,427	2,519,585	2,690,180	3,219,696	1,820,879	1,165,146	679,285	1,115,970	-
Community Development Revolving										
Restricted							-	-	887,407	1,262,592
Committed	-	-	-	-	-	-	240,706	364,077	358,303	392,208
Assigned	573,717	685,127	964,169	1,294,100	883,911	977,830	-	-	-	-
Unassigned	-	-	-	-	-	-	(186,239)	(300,283)	(1,245,467)	(1,594,080)
Total Community Development Fund	573,717	685,127	964,169	1,294,100	883,911	977,830	54,467	63,794	243	60,720

CITY OF CORVALLIS, OREGON

FUND BALANCES, GOVERNMENTAL FUNDS (Continued)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011(a)	2012	2013	2014(b)
Library										
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,086	$ 5,241	$ 41,672	$ -
Committed	-	-	-	-	-	-	444,917	581,970	578,984	-
Assigned	1,867,472	1,984,385	2,030,479	2,093,977	1,652,433	813,008	779,970	903,533	561,465	-
Total Library Fund	1,867,472	1,984,385	2,030,479	2,093,977	1,652,433	813,008	1,230,973	1,490,744	1,182,121	-
Capital Construction										
Restricted	-	-	-	-	-	-	1,133,541	1,098,746	529,504	275,638
Assigned	655,597	568,641	1,006,689	1,191,342	670,242	832,722	684,151	588,244	540,872	1,051,183
Total Capital Construction Fund	655,597	568,641	1,006,689	1,191,342	670,242	832,722	1,817,692	1,686,990	1,070,376	1,326,821
Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	5,000	5,000	5,000	5,000
Restricted	-	-	-	-	-	-	81,557	69,731	72,542	19,067
Committed	-	-	-	-	-	-	37,323	37,323	309,064	1,591,338
Assigned	5,318,339	4,744,548	4,117,646	4,145,818	3,008,046	4,600,170	3,116,126	3,636,777	4,786,532	4,939,724
Total Other Governemntal Funds	5,318,339	4,744,548	4,117,646	4,145,818	3,008,046	4,600,170	3,240,006	3,748,831	5,173,138	6,555,129
Total All Funds	$ 21,306,611	$ 21,182,870	$ 21,421,493	$ 21,411,159	$ 16,021,236	$ 13,125,351	$ 12,750,504	$ 15,568,234	$ 17,661,987	$ 21,226,327

(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.
(b) As of FY 2014, the following property tax funds were consolidated into a single General Fund: Parks & Recreation, Fire & Rescue, and Library. The Parks SDC fund was created in 2014.

CITY OF CORVALLIS, OREGON

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS - UNAUDITED
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	$ 18,946,837	$ 19,847,086	$ 20,135,770	$ 20,945,820	$ 21,515,848	$ 21,772,894	$ 22,898,521	$ 25,687,038	$ 24,376,528	$ 23,434,262
Licenses, fees and permits	5,677,958	5,761,430	6,724,385	6,903,922	6,628,905	7,059,886	7,590,473	8,594,467	8,736,159	9,513,933
Charges for services	7,891,789	7,155,204	8,383,481	9,251,853	7,790,799	9,649,331	9,756,768	9,813,866	10,099,996	12,372,330
Intergovernmental	8,770,198	9,054,686	9,912,764	9,065,501	9,401,237	12,278,283	11,113,186	11,908,300	11,503,583	13,347,688
Fines and forfeitures	1,070,391	1,115,954	1,297,790	1,213,369	1,119,762	1,032,005	1,227,114	1,231,281	1,150,562	1,169,969
Miscellaneous	1,566,146	2,400,275	2,436,752	2,753,223	1,109,738	1,791,816	892,476	1,754,719	2,710,498	3,211,173
Total Revenues	43,923,319	45,334,635	48,890,942	50,133,688	47,566,289	53,584,215	53,478,538	58,989,671	58,577,326	63,049,355
Expenditures										
City Manager's Office	-	-	-	-	-	-	-	-	231,272	320,760
Community Development	4,020,308	4,099,543	4,999,714	4,607,964	4,949,678	4,400,049	5,633,527	5,326,295	5,396,834	5,752,266
Finance	560,701	569,606	595,666	623,352	676,358	691,409	688,431	787,360	786,441	824,386
Fire	7,142,795	7,859,065	8,499,495	8,793,931	9,393,963	9,868,475	9,240,854	10,462,480	10,149,908	10,290,614
Library	4,868,998	5,221,912	5,336,415	5,669,909	6,014,385	6,011,301	5,993,188	5,935,014	5,811,237	5,842,275
Parks and Recreation	4,453,344	4,687,642	4,981,924	5,114,752	5,515,991	5,631,708	5,420,677	5,672,465	6,025,296	6,113,940
Police	8,707,851	9,611,397	9,984,726	10,445,595	11,025,495	11,957,750	12,189,702	12,514,029	12,402,564	12,751,197
Public Works	5,005,155	5,030,103	5,432,133	5,911,169	6,538,914	8,582,020	7,073,190	7,555,667	7,202,262	6,850,651
Miscellaneous nondepartmental	1,295,660	1,490,786	1,357,376	1,539,101	1,529,669	1,781,334	1,425,391	1,260,044	1,324,580	1,298,030
Payment of unfunded pension liability	-	9,795,521	-	-	-	-	-	-	-	-
Capital outlay	3,287,815	3,812,503	4,282,594	3,994,551	3,792,751	4,231,632	4,068,701	2,189,628	3,762,557	5,998,515
Debt Service										
Principal	1,319,582	1,416,893	1,392,863	1,540,618	1,671,192	1,589,592	2,571,667	2,541,767	1,491,248	1,680,257
Interest	2,052,365	2,349,139	2,464,856	2,437,148	2,410,504	2,270,909	2,285,618	2,295,453	2,283,672	2,310,929
Total Expenditures	42,714,574	55,944,110	49,327,762	50,678,090	53,518,900	57,016,179	56,590,946	56,540,202	56,867,871	60,033,820
Excess of Revenues Over (Under) Expenditures	1,208,745	(10,609,475)	(436,820)	(544,402)	(5,952,611)	(3,431,964)	(3,112,408)	2,449,469	1,709,455	3,015,535
Other Financing Sources (Uses)										
Proceeds - issuance of debt	-	9,980,000	-	-	10,190,000	-	2,100,000	-	-	-
Premium - issuance of debt	-	-	-	-	537,000	-	-	-	-	-
Proceeds - sale of capital assets	53,265	45,207	58,082	30,768	20,737	12,399	43,271	41,500	26,047	66,744
Payment to refunded bond escrow agent	-	-	-	-	(10,631,965)	-	-	-	-	-
Operating transfers in	2,405,139	3,611,267	4,793,019	4,687,961	3,648,623	3,612,002	3,659,779	4,586,755	5,432,615	11,967,829
Operating transfers out	(2,187,123)	(3,150,740)	(4,175,658)	(4,184,661)	(3,201,707)	(3,088,322)	(3,065,489)	(4,259,995)	(5,074,364)	(11,485,768)
Total Other Financing Sources (Uses)	271,281	10,485,734	675,443	534,068	562,688	536,079	2,737,561	368,260	384,298	548,805
Net Residual Transfers In (Out)	-	-	-	-	-	-	-	-	-	-
Net Changes in Fund Balances	$ 1,480,026	$ (123,741)	$ 238,623	$ (10,334)	$ (5,389,923)	$ (2,895,885)	$ (374,847)	$ 2,817,729	$ 2,093,753	$ 3,564,340
Debt Service as a Percentage of Noncapital Expenditures	8.6%	7.2%	8.6%	8.5%	8.2%	7.3%	9.2%	8.9%	7.1%	7.4%

Notes:

Proceeds from the issuance of debt are as follows: Pension Obligation Bonds (Series 2005), GO '09 Adv. Refunding (refunding Series 1999 and 2001), CIP Bank Loan.

CITY OF CORVALLIS, OREGON

PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS – UNAUDITED
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
General government	$ 183,146	$ 258,355	$ 256,786	$ 285,301	$ 251,920	$ 325,170	$ 371,003	$ 566,293	$ 1,399,786	$ 1,094,032
Community Development	4,094,210	2,396,155	4,118,817	1,668,613	2,614,190	3,995,021	3,181,700	2,881,873	4,234,754	5,310,242
Finance	1,024,993	1,045,316	1,192,579	1,122,641	956,815	861,040	1,094,015	1,108,034	990,959	1,038,023
Fire	2,401,259	2,876,287	3,041,540	3,276,979	3,132,325	3,373,068	3,413,675	3,644,865	3,580,469	3,329,370
Library	1,999,770	2,166,175	2,279,942	2,479,887	2,418,289	2,504,178	2,655,472	2,702,506	2,627,257	3,196,680
Parks and Recreation	2,228,539	1,761,995	2,665,317	1,724,669	1,914,115	1,892,964	2,768,909	2,641,980	2,648,706	3,232,788
Police	1,858,178	1,975,730	1,732,885	2,363,212	2,296,508	2,527,227	2,969,151	2,570,378	2,546,136	2,788,191
Public Works	8,094,903	8,319,178	9,644,835	8,558,625	7,290,786	12,970,050	10,008,596	10,103,633	11,242,348	13,097,471
Total Governmental Activities	21,884,998	20,799,191	24,932,701	21,479,927	20,874,948	28,448,718	26,462,521	26,219,562	29,270,415	33,086,797
Business-type Activities										
Water	8,641,773	8,355,687	9,221,365	8,873,854	9,146,138	8,992,731	10,375,881	10,063,420	11,071,937	9,991,824
Wastewater	11,262,803	10,105,792	10,574,818	9,960,251	9,539,259	9,623,586	10,457,146	10,902,066	10,696,262	10,799,625
Storm Water	2,468,198	2,495,285	2,865,142	2,210,661	2,023,609	2,521,680	2,820,009	2,486,388	2,504,717	2,922,263
Airport	570,358	2,122,440	331,401	409,668	834,579	419,421	1,078,864	687,697	559,944	505,998
Total Business-type Activities	22,943,132	23,079,204	22,992,726	21,454,434	21,543,585	21,557,418	24,731,900	24,139,571	24,832,860	24,219,710
Total Primary Government	$ 44,828,130	$ 43,878,395	$ 47,925,427	$ 42,934,361	$ 42,418,533	$ 50,006,136	$ 51,194,421	$ 50,359,133	$ 54,103,275	$ 57,306,507

CITY OF CORVALLIS, OREGON

TAX AND FRANCHISE FEE REVENUES BY SOURCE

LAST TEN FISCAL YEARS - UNAUDITED

(modified accrual basis of accounting)

Fiscal Year Ended June 30,	***General Property Taxes***	***% Change From Prior Year***	***Franchise Fees***	***% Change From Prior Year***	***Transient Room Taxes***	***% Change From Prior Year***	***Total Taxes and Fees***	***% Change From Prior Year***
2005	$ 17,999,911	3.72 %	$ 4,142,251	3.11 %	$ 946,925	0.89 %	$ 23,089,087	3.49 %
2006	18,844,428	4.69	4,423,025	6.78	1,002,657	5.89	24,270,110	5.12
2007	19,021,943	0.94	4,827,108	9.14	1,113,828	11.09	24,962,879	2.85
2008	19,798,225	4.08	4,988,241	3.34	1,147,595	3.03	25,934,061	3.89
2009	20,439,220	3.24	5,178,552	3.82	1,076,629	(6.18)	26,694,401	2.93
2010	20,693,274	1.24	5,004,727	(3.36)	1,079,621	0.28	26,777,622	0.31
2011	21,707,796	4.90	5,142,289	2.75	1,190,725	10.29	28,040,810	4.72
2012	24,447,883	12.62	5,306,529	3.19	1,239,155	4.07	30,993,566	10.53
2013	22,980,336	(6.00)	5,186,269	(2.27)	1,396,192	12.67	29,562,797	(4.62)
2014	22,009,265	(4.23)	5,486,499	5.79	1,424,997	2.06	28,920,761	(2.17)
Change 2005-2014	22.27%		32.45%		50.49%		25.26%	

STATISTICAL SECTION

REVENUE CAPACITY

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS – UNAUDITED
(in thousands of dollars)

Fiscal Year Ended June 30,	Real Property	Personal Property	Manufactured Property	Utility Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Real Market Value (RMV)	Assessed Value as a % of Real Market Value (RMV)
2005	$ 3,078,680	$ 132,536	$ 15,079	$ 66,585	$ -	$ 3,292,880	5.5988	$ 4,299,629	76.585 %
2006	3,209,956	156,544	13,579	53,541	-	3,433,620	5.6485	4,522,703	75.920
2007	3,255,651	154,425	12,590	53,400	-	3,476,066	5.6406	5,088,443	68.313
2008	3,390,920	144,925	12,660	64,511	-	3,613,016	5.6219	5,565,083	64.923
2009	3,517,710	159,318	13,661	54,458	-	3,745,147	5.6448	5,946,532	62.980
2010	3,566,440	156,153	14,667	87,793	-	3,825,053	5.6251	5,825,692	65.658
2011	3,752,236	140,303	15,463	91,075	-	3,999,077	5.5939	5,664,529	70.599
2012	3,867,365	144,084	13,735	93,397	-	4,118,581	6.0871	5,672,461	72.607
2013	3,927,299	121,439	14,196	76,931	-	4,139,865	5.8145	5,496,250	75.322
2014	3,973,587	129,377	15,391	83,113	-	4,201,468	5.8369	5,574,068	75.375

Source: Benton County Assessor

Note: The City's permanent tax rate is $5.1067 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.

CITY OF CORVALLIS, OREGON

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS - UNAUDITED
(rate per $1,000 of assessed value)

	City of Corvallis Direct Rates				Overlapping Rates (2)						Total Rate
Fiscal Year Ended June 30,	Permanent Rate	General Obligation Debt Service	(1) Local Option	Total Direct	School District No. 509J	Linn-Benton ESD	Linn-Benton Community College (LBCC)	Benton County Soil and Water District	Benton County Library	Benton County	Total Direct and Overlapping
2005	$ 5.1067	$ 0.4921	$ -	$ 5.5988	$ 7.1489	$ 0.3049	$ 0.6805	$ -	$ 0.3947	$ 2.4952	$ 16.6230
2006	5.1067	0.5418	-	5.6485	6.2375	0.3049	0.6858	0.0500	0.3947	2.4952	15.8166
2007	5.1067	0.5339	-	5.6406	6.1644	0.3049	0.6805	0.0500	0.3947	2.4652	15.7003
2008	5.1067	0.5152	-	5.6219	7.2494	0.3049	0.6733	0.0500	0.3947	2.4652	16.7594
2009	5.1067	0.5381	-	5.6448	7.2183	0.3049	0.6767	0.0500	0.3947	3.1052	17.3946
2010	5.1067	0.5184	-	5.6251	7.6710	0.3049	0.6822	0.0500	0.3947	2.7952	17.5231
2011	5.1067	0.4872	-	5.5939	7.6546	0.3049	0.6736	0.0500	0.3947	2.8452	17.5169
2012	5.1067	0.5304	0.4500	6.0871	7.6457	0.3049	0.6814	0.0500	0.3947	2.2052	17.3690
2013	5.1067	0.2578	0.4500	5.8145	7.6102	0.3049	0.6754	0.0500	0.3947	2.9665	17.8162
2014	5.1067	0.2802	0.4500	5.8369	7.6150	0.3049	0.6915	0.0500	0.3947	2.2052	17.0982

Source: Benton County

Notes: 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.

(1) In May 2011, voters approved a local option levy to support operations of the Library, Osborn Aquatic Center and the Chintimini Senior Center. The local option levy lasts for three years beginning July 1, 2011.

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

CITY OF CORVALLIS, OREGON
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

	2014			2005		
Taxpayer	***Taxable Assessed Value***	***Rank***	***Percentage of Total City Taxable Assessed Value (b)***	***Taxable Assessed Value***	***Rank***	***Percentage of Total City Taxable Assessed Value (b)***
Hewlett-Packard Co. (a)	$ 251,422,644	1	5.98 %	$ 530,371,001	1	16.11 %
Comcast Corporation	44,674,000	2	1.06	-		-
Pacificorp	36,111,000	3	0.86	-		-
Hollingsworth & Vose Fiber Company	23,536,901	4	0.56	-		-
Mountainview Apartments at Rivergreen	20,717,289	5	0.49	-		-
Avery Investments LLC	19,646,896	6	0.47	14,894,152	4	0.45
Northwest Natural Gas Co.	24,828,000	7	0.59	9,743,700	7	0.30
Starker Forests, Inc	24,284,225	8	0.58	-		-
Witham Hill Oaks Apartments, LLC	15,553,044	9	0.37	11,920,114	5	0.36
American Campus Communities, Inc.	14,812,873	10	0.35	-		-
Qwest Communications	-		-	39,863,500	2	1.21
Evanite Fiber, Inc	-		-	20,899,245	3	0.63
Accu Fab Systems, Inc.	-		-	10,720,795	6	0.33
Wilson, Robert C	-		-	9,588,614	8	0.29
Financial Planning, Inc	-		-	9,133,234	9	0.28
Julantru Limited Partnership	-		-	8,090,057	10	0.25
Total	$ 475,586,872		11.31 %	$ 665,224,412		20.21 %
City Assessed Value	$ 4,201,468,631			$ 3,292,880,209		

Source: Benton County Finance and Assessment Department

(a) Transfer of substantial manufacturing operations overseas, property tax appeals, and depreciation have reduced Hewlett-Packard's taxable assessed value over the last 10 years.

(b) Percentage of Total City Assessed Value = Taxpayer Assessed Value/Total City Assessed Value

Purpose: Property taxes are the City's most significant own source revenue. This schedule provides 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 CORVALLIS, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year Ended June 30,	Original Tax Levy for the Year	To Date Levy Adjustments (1)			Collected within the Fiscal Year of the Levy		Collected in subsequent years	Total Collections to Date	
		Amount	Percentage of Levy	Adjusted Levy	Amount	Percentage of Levy (2)		Amount	Percentage of Adjusted Levy
2005	$ 18,451,963	$ (499,082)	2.70 %	$ 17,952,881	$ 17,658,023	95.70 %	$ 293,660	$ 17,951,683	99.99 %
2006	19,458,295	(549,752)	2.83	18,908,543	18,577,677	95.47	328,504	18,906,181	99.99
2007	19,611,621	(522,804)	2.67	19,088,817	18,707,158	95.39	378,377	19,085,535	99.98
2008	20,352,962	(523,204)	2.57	19,829,758	19,439,277	95.51	386,989	19,826,266	99.98
2009	21,162,976	(559,674)	2.64	20,603,302	20,104,983	95.00	491,531	20,596,514	99.97
2010	21,544,022	(608,280)	2.82	20,935,742	20,261,342	94.05	456,024	20,717,366	98.96
2011	22,383,029	(625,455)	2.79	21,757,574	21,261,945	94.99	457,213	21,719,158	99.82
2012	25,112,165	(693,590)	2.76	24,418,575	23,891,965	95.14	286,966	24,178,931	99.02
2013	24,106,808	(665,813)	2.76	23,440,995	22,631,373	93.88	258,597	22,889,970	97.65
2014	24,535,588	(646,215)	2.63	23,889,373	23,001,714	93.75	-	23,001,714	96.28

Source: Benton County Finance and Assessment Department

(1) 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.

(2) Calculated as a percentage of the original levy.

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

STATISTICAL SECTION

DEBT CAPACITY

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS - UNAUDITED
(in thousands of dollars, except per capita)

	General Bonded Debt					Other Governmental Activities Debt			
Fiscal Year Ended June 30,	General Obligation Bonds	Amount Restricted to Paying Debt Principal	Net General Obligation Bonds (1)	Percentage of Actual Property Value	Per Capita (2)	Bancroft Improvement Bonds	Limited Tax Obligation Bonds	Notes Payable	Capital Leases
2005	$ 17,310	$ 882	$ 16,428	0.38 %	$ 312.39	$ -	$ 23,873	$ 125	$ -
2006	16,105	753	15,352	0.34	288.75	-	33,767	-	-
2007	14,840	614	14,226	0.28	263.93	-	33,639	-	-
2008	13,530	479	13,051	0.23	237.76	-	33,408	-	-
2009	12,100	463	11,637	0.20	212.04	-	33,117	-	-
2010	10,860	724	10,136	0.17	183.87	-	32,767	-	-
2011	8,695	82	8,613	0.15	155.55	-	32,361	2,100	-
2012	6,800	12	6,788	0.12	124.50	-	31,899	1,915	-
2013	6,015	13	6,002	0.14	109.02	-	31,383	1,725	-
2014	5,180	13	5,167	0.09	93.37	-	30,812	1,530	-

	Business-Type Activities								
Fiscal Year Ended June 30,	Water Bonds	Wastewater Bonds	Storm Water Bonds	Airport Bonds	Capital Leases	Notes Payable	Total City Government Debt	Percentage of Personal Income (3)	Per Capita (2)
2005	$ -	$ 6,760	$ -	$ -	$ -	$ 26,671	$ 73,857	2.61 %	$ 1,404.40
2006	-	6,735	-	-	-	25,122	80,976	2.67	1,523.10
2007	-	6,390	-	-	-	23,509	77,764	2.56	1,442.75
2008	-	6,025	-	-	-	21,831	74,315	2.44	1,353.89
2009	-	5,640	-	-	-	20,084	70,478	2.30	1,284.22
2010	-	5,240	-	-	-	18,263	66,406	2.08	1,204.65
2011	-	4,820	-	-	-	16,370	64,264	1.93	1,160.63
2012	-	4,380	-	-	-	14,387	59,369	1.72	1,088.94
2013	-	15,400	-	-	-	133	54,643	N/A	992.51
2014	-	12,630	-	-	-	-	50,140	N/A	905.95

Notes: n/a = Personal Income is not available.

Details regarding the City's outstanding debt can be found in the Management Discussion and Analysis, in the Notes to the Financial Statements and in Other Financial Schedules.
Population and personal income data can be found in the Schedule of Demographic and Economic Statistics.

(1) Bonded debt is net of accumulated funds for repayment of bond principal.

(2) Due to restatement of population data based on Portland State University (Population Research Center), the per capita ratios are slightly different than reported in previous years.

(3) N/A means data for 2013 and 2014 is not available as of 8/27/2014. The Bureau of Economic Analysis does not have updated information at this time.

CITY OF CORVALLIS, OREGON
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2014 - UNAUDITED

Governmental Unit	*Debt Outstanding(1)*	*Assessed Property Value*	*Estimated Percentage Applicable*	*Estimated Share of Overlapping Debt*
Debt repaid with property taxes				
School District No. 509J	$ 40,362,557	$ 5,251,294,348	80.01 %	$ 32,294,082
Benton County	-	7,050,629,486	59.59	-
Linn-Benton Community College	2,369,545	6,923,897,623	60.68	1,437,840
Subtotal Overlapping Debt				33,731,922
City direct debt (2)				5,180,000
Total direct and overlapping debt				$ 38,911,922

Source: Assessed value data used to estimate applicable percentages provided by Benton County.
Outstanding debt data provided by governmental unit.

Note: (1) The debt outstanding is the portion of debt that is applicable to Benton County only.
(2) City Direct Debt includes all General Obligation (G.O.) bonds and Full Faith and Credit bonds less Self-supporting Unlimited-tax G.O. and less Self-supporting Full Faith and Credit debt, which does not include the Pension Obligation Bonds, Series 2002A and Series 2005A, or the Bank of America 2010 CIP Loan.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the oustanding debt of those overlapping governments that is borne by the residents and businesses of Corvallis. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF CORVALLIS, OREGON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS - UNAUDITED

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$ 128,415,787	$ 135,681,077	$ 152,653,305	$ 166,952,486	$ 178,395,974	$ 174,770,778	$ 169,935,872	$ 170,173,852	$ 164,887,499	$ 167,222,044
Total net debt applicable to limit	16,428,471	15,351,558	14,226,030	13,050,837	11,636,138	10,135,910	8,612,943	6,788,237	6,001,845	5,167,376
Legal debt margin	111,987,316	120,329,519	138,427,275	153,901,649	166,759,836	164,634,868	161,322,929	163,385,615	158,885,654	162,054,668
Total net debt applicable to the limit as a percentage of debt limit	12.79%	11.31%	9.32%	7.82%	6.52%	5.80%	5.07%	3.99%	3.64%	3.09%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2014

TOTAL REAL MARKET VALUE OF REAL ESTATE WITHIN THE CITY		$ 5,574,068,131
Debt Limitation - 3% of total real market value (1)		0.03
DEBT LIMIT		$ 167,222,044
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
Total General Obligation Bonded Debt (2)		
Governmental Activities	$ 5,180,000	
Business-type Activities	-	
Total General Obligation Bonded Debt		5,180,000
Less: Amount held for repayment of principal		(12,624)
TOTAL AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		$ 5,167,376
LEGAL DEBT MARGIN		$ 162,054,668

(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 Status (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 CORVALLIS, OREGON

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS - UNAUDITED
(accrual basis of accounting)

Fiscal Year Ended June 30,	Gross Revenues (1)	Less Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
WASTEWATER (3)							
2005	$ 9,911,357	$ 5,018,829	$ 4,892,528	$ 1,181,517	$ 1,171,243	$ 2,352,760	2.08 %
2006	9,596,476	4,937,112	4,659,364	1,304,272	1,021,310	2,325,582	2.00
2007	9,952,942	5,357,269	4,595,673	1,298,240	1,353,465	2,651,705	1.73
2008	9,710,972	5,526,010	4,184,962	1,353,465	964,255	2,317,720	1.81
2009	9,297,433	5,947,932	3,349,501	1,409,991	904,880	2,314,871	1.45
2010	9,287,911	6,341,198	2,946,713	1,463,071	252,225	1,715,296	1.72
2011	10,095,562	6,500,564	3,594,998	1,522,152	821,242	2,343,394	1.53
2012	10,789,259	6,702,778	4,086,481	1,582,888	711,129	2,294,017	1.78
2013	10,520,933	6,767,202	3,753,731	511,829 (4)	317,246 (4)	829,075	4.53
2014	10,727,705	5,970,271	4,757,434	1,863,934	389,709	2,253,643	2.11

Notes: The purpose of this schedule is to provide information on economic condition, and does not fulfill legal compliance. State Revolving Fund and Revenue Bond Rate Covenant Calculations - Wastewater Fund is located in the Other Financial Schedules section.

(1) Gross Revenues consist primarily of charges for services.
(2) Direct Operating Expenses do not include interest or depreciation.
(3) The Wastewater fund debt service requirement includes the following debt: 2006A Adv Ref CSO Bonds, DEQ Loan R24480, 2012 FFC Ref Oblig.
(4) Corrected debt service requirement from that reflected in 2012-13 CAFR.

STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC INFORMATION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS - UNAUDITED

Year	*City of Corvallis Population (1)*	*Corvallis Metropolitan Statistical Area (MSA) Population (1)*	*Total Personal Income (MSA) (Thousands of dollars) (2)*	*Per Capita Personal Income (MSA) (6)*	*Unemployment Rate (MSA) (3)*	*Corvallis Public School Enrollment (4)*
2005	52,590	80,943	2,707,034	33,444	4.9	6,835
2006	53,165	81,957	2,863,698	34,941	4.7	6,781
2007	53,900	83,718	3,012,941	35,989	4.1	6,757
2008	54,890	84,150	3,231,877	38,406	4.7	6,729
2009	54,880	85,390	3,120,550	36,545	7.8	6,663
2010	55,125	85,420	3,193,015	37,380	7.4	6,553
2011	54,460	85,735	3,323,437	38,764	6.7	6,448
2012	54,520	85,995	3,446,794	40,081	6.1	6278
2013	55,055	86,785	n/a	n/a	5.9	6299[5]
2014	55,345	87,725	n/a	n/a	5.3	6,346

Sources:

(1) Portland State University, Population Research Center as generally reported in December of each year as of July of that year. Since the population for the current fiscal year is reported after the CAFR is published, population data will be used as of the prior year.

(2) U.S. Bureau of Economic Analysis, CA1-3 Personal Income Summary (previously the Advanced Metropolitan Statistical A Adjusted to reflect revised estimates for 2005-2009.

(3) Seasonally adjusted unemployment rate as reported in the Oregon Employment Department, Worksource (Qualityinfo.org website), Local Area Employement Statistics.

(4) Corvallis School District 509J. Enrollment data from the Corvallis School District (CSD) are figures reported in September of each year. Prior years have been adjusted to match enrollment statistics as reported in CSD's CAFR.

(5) Corvallis public school enrollment corrected for 2013.

(6) Per capita personal income is derived by dividing Total Personal Income by Corvallis Metropolitan Statistical Area (MSA) Population.

Notes: The Corvallis Metropolitan Statistical Area (MSA) is defined as Benton County by the Bureau of Economic Analysis, U.S. Department of Commerce. The seasonally adjusted unemployment rate is for Benton County and is the rate for June of each year.

(n/a) = Data for 2013 and 2014 is not available as of 10/11/14. Data for 2013 would normally be available by this time; however, the Bureau of Economic Analysis and the CA1-3 Personal Income Summary does not have updated information at this time.

CITY OF CORVALLIS, OREGON

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

	2014			2005		
Employer	***Employees***	***Rank***	***Percentage of Total Employment****	***Employees***	***Rank***	***Percentage of Total Employment****
Oregon State University (1)	10,022	1	25.08 %	7,393	1	18.96 %
Samaritan Health Services (formerly Good Sam. Hospital)(2)	2,697	2	6.75	1,300	3	3.33
Hewlett Packard (3)	1,525	3	3.82	4,200	2	10.77
Corvallis Clinic (5)	591	4	1.48	580	5	1.49
Corvallis School District 509J (4)	552	5	1.38	759	4	1.95
City of Corvallis (6)	390	6	0.98	406	6	1.04
CH2M Hill (3)	400	7	1.00	385	7	0.99
Benton County (7)	395	8	0.99	365	8	0.94
Fiserv (formerly Summit Information Systems) (8)	232	9	0.58	310	9	0.80
ATS Systems Oregon (3)	190	10	0.48	300	10	0.77
Total	16,994		42.54 %	15,998		41.04 %

Sources:

Nine years ago employer / employee information is from the City of Corvallis annual buget document.

Current year information:

(1) Estimate based on OSU Office of Institutional Research June 2013 Employment Report.
(2) Samaritan Health Services. Includes Good Samaritan Hospital numbers.
(3) Estimate based on trends from previous estimates
(4) Corvallis School District 509J (FTE)
(5) Corvallis Clinic (FTE)
(6) City of Corvallis HR/Payroll (FTE)
(7) Benton County (FTE)
(8) Estimated based on trends from previous estimates.

Notes:

* Total employment is for the Corvallis Metropolitan Statistical Area (MSA) which is Benton County.
The MSA information is from the Oregon Employment Department (OED) - Oregon Labor Market Information System.

Total non-farm MSA employment:

Current year:	39,960
Nine years ago:	38,990

STATISTICAL SECTION

OPERATING INFORMATION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON
FULL-TIME EQUIVALENT EMPLOYEES BY ACTIVITY
LAST TEN FISCAL YEARS - UNAUDITED

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
ACTIVITIES										
City Manager's Office	9.50	9.50	9.00	10.00	10.00	9.80	9.75	8.75	9.80	10.30
Community Development	32.00	34.70	34.55	36.05	34.55	33.80	33.80	31.00	32.00	33.50
Finance	36.25	34.25	35.25	36.75	37.75	36.00	36.75	34.00	31.00	31.00
Fire	67.72	69.72	66.72	66.72	69.00	65.00	65.00	66.00	63.00	63.00
Library	45.77	45.14	45.77	45.77	46.39	43.39	41.39	40.00	42.12	39.65
Parks and Recreation	27.43	27.43	34.46	31.79	37.64	35.97	31.56	29.80	31.06	30.06
Police	76.25	77.25	78.75	77.25	81.75	84.25	85.50	84.25	81.25	81.25
Public Works	33.52	30.82	34.27	35.14	35.40	35.23	34.64	31.98	31.57	30.13
Water	33.41	31.53	33.48	31.93	33.23	31.67	33.69	31.24	30.23	29.90
Wastewater	32.38	32.38	32.00	31.42	33.93	32.54	33.98	32.50	31.63	28.71
Storm Water	11.11	11.20	11.21	10.47	11.54	10.61	11.11	10.81	11.37	11.06
Airport	1.08	1.08	1.04	1.04	1.08	1.58	1.70	1.60	1.70	1.70
Total Full-Time Equivalent Employees	406.42	405.00	416.50	414.33	432.26	419.84	418.87	401.93	396.73	390.26

Source: City of Corvallis HR/Payroll System

Notes:

1 Full-Time Equivalent (FTE) = 2,080 hours

Amounts do not include casual or temporary employees.

CITY OF CORVALLIS, OREGON
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
FUNCTION [1]										
Community Development										
Building permits - single family [2]	210	190	89	34	34	34	30	54	87	N/A
Building permits - total [2]	743	727	645	588	557	557	595	529	811	N/A
Inspections	19,215	23,260	18,755	16,537	14,329	14,265	14,686	15,001	13,658	14,918
Residential plan reviews	429	403	423	284	248	256	271	301	401	486
Public Works										
Street resurfacing (miles) [2]	1.67	1.70	2.26	4.32	4.32	7.00	3	2	2	7
Library										
Volumes	328,381	347,616	358,130	363,398	344,557	347,465	345,279	357,917	362,200	367,850
Average monthly circulation	119,177	121,844	128,215	124,817	132,914	139,530	137,811	140,174	142,246	143,720
Registrations	46,130	49,576	46,586	50,122	50,111	49,942	50,557	50,550	49,529	47,972
Patrons using library [6]	1,223,400	1,301,299	1,420,633	1,632,114	1,748,618	1,884,890	1,901,807	1,512,697	1,557,901	1,684,913
Parks and Recreation										
Sports teams	505	470	446	502	449	432	395	351	358	356
Recreation programs, classes, events [7]	1,188	1,052	1,194	1,055	1,021	1,020	909	2,859	2,041	1,877
Recreation program registrations [7]	21,630	21,832	25,534	29,799	34,086	25,504	19,980	96,917	86,650	88,912
Police [2]										
Public safety dispatches	33,059	35,034	36,190	35,174	36,813	36,926	39,734	40,743	41,504	N/A
Total 911 center calls	166,345	164,057	152,642	146,319	142,872	134,565	136,992	137,573	139,779	N/A
Major felonies	2,308	2,307	1,824	1,690	2,055	1,757	2,108	2,165	1,954	N/A
Incidents investigated	20,531	22,038	23,278	22,886	24,405	23,650	26,170	26,998	27,477	N/A
Fire										
All fire responses	134	202	187	174	177	131	155	122	203	274
All non-fire responses	1,987	2,256	2,450	2,812	2,966	3,092	3,276	3,982	3,483	3,801
Fire safety inspections	1,911	1,950	1,993	2,711	2,155	2,752	2,665	1,801	1,977	2,053
Patient contacts	3,181	3,203	3,767	4,295	4,094	4,104	4,139	4,477	4,683	4,525
Transportation										
Bus ridership	530,287	566,670	551,906	613,166	681,456	700,791	884,687	1,131,842	1,152,665	1,101,711

CITY OF CORVALLIS, OREGON
OPERATING INDICATORS BY FUNCTION (Continued)
LAST TEN FISCAL YEARS - UNAUDITED

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water										
Number of consumers	14,635	15,061	15,348	15,498	15,911	15,609	16,033	15,812	15,973	16,105
Average daily use (1,000 gal)	7,900	7,900	7,751	7,564	7,328	6,933	6,910	6,958	6,830	6,496
Annual water production (MG)	2,742	2,781	2,791	2,750	2,666	2,497	2,434	2,524	2,731	2,570
Wastewater (3)										
Number of consumers	14,212	14,341	14,593	14,698	15,097	14,835	14,840	14,898	15,029	15,139
Average daily use (1,000 gal)(5)	8,861	9,717	8,947	10,178	9,156	4,042	3,999	3,365	3,393	2,966
Annual wastewater treated (MG)	3,233	3,547	3,547	3,715	3,342	3,726	3,872	3,772	3,615	3,238
Bio-solids recycled (MG)	2.6	1.1	1.1	1.2	4.1	3.8	3.0	4.0	4.0	1.0
Storm Water										
Number of consumers	14,210	14,444	14,650	14,764	15,107	14,892	14,900	14,964	15,093	15,205
Airport (4)										
Estimated aircraft movements	91,000	93,000	103,000	103,000	103,000	103,000	103,000	103,000	57,420	57,420
Permanently based aircraft	152	152	157	157	157	167	167	167	164	164

Sources: Data has been supplied by various City departments.

Notes:
(1) Operating indicators are not available for Finance or the City Manager's Office.
(2) Data reported is on calendar year basis, complete totals for 2014 not yet available.
(3) Wastewater daily usage is reported for dry weather flow for the months of May through December.
(4) Considered the busiest non-towered / non-controlled airport in Oregon based on the 2004 state report of take offs and landings.
(5) Restated Average daily use for 2010, based on new methodology using Utility Billing data.
(6) In August 2011, the Library started using different software (Google Analytics) to provide a more reliable count of remote users.
(7) FY 2012 includes Osborn Aquatic Center activities for the first time.

n/a = information not available

CITY OF CORVALLIS, OREGON
CAPITAL ASSET STATISTICS BY ACTIVITY
LAST TEN FISCAL YEARS – UNAUDITED

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ACTIVITIES										
Public Works										
Streets (miles)	177	177	178	180	180	180	181	181	181	184
Traffic signals	80	80	82	83	83	86	90	90	90	57
Library										
Branch libraries	4	4	4	4	4	4	4	4	4	4
Parks and Recreation										
Parks	47	47	43	43	43	43	43	43	44	45
Acreage devoted to parks	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,686	1,734
Beautification areas (1)	40	40	45	45	45	45	45	45	45	45
Playgrounds (excluding schools)	24	24	28	28	28	28	28	28	28	28
Sports fields / courts	60	60	59	59	58	59	59	59	59	59
Swimming pools (2)	1	1	1	1	1	1	1	1	1	1
Police										
Stations (3)	1	1	1	1	1	1	1	1	1	1
Patrol vehicles, motorcycles	18	18	19	19	19	20	20	22	24	23
Fire										
Stations - city	5	5	5	5	5	5	5	4	4	4
Stations - rural (4)	1	1	1	1	1	1	1	1	1	1
Emergency vehicles (5)	30	30	29	31	33	34	34	34	29	27
Transportation										
Bike paths (miles) (6)	13.69	13.89	13.89	21.00	21	21	21	21	22	22
Bike lanes (miles) (6)	61.23	61.23	63.29	105.00	111	113	113	114	115	115
City buses	10	10	10	10	12	15	12	12	13	14

CITY OF CORVALLIS, OREGON
CAPITAL ASSET STATISTICS BY ACTIVITY (Continued)
LAST TEN FISCAL YEARS - UNAUDITED

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water										
Lineal miles of system	246	249	244	245	245	247	247	249	250	250
Treatment capacity (1,000 gal)	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Wastewater										
Lineal miles of system	214	216	215	216	216	216	217	217	192	192
Treatment capacity (1,000 gal)	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Storm Water										
Lineal miles of system	158	162	166	168	168	168	170	169	173	173
Airport										
Runways	2	2	2	2	2	2	2	2	2	2

Sources: Data has been supplied by various City departments.

Notes:

(1) Beautification areas were not identified until FY 2001 when the Parks Facilities Plan was published.
(2) The City assumed operation and maintenance responsibility for Osborn Aquatic Center in the fall of 2000. The pool is owned by the Corvallis School District 509J.
(3) The police station is owned by Benton County but is staffed and maintained by both the City of Corvallis and Benton County.
(4) The rural fire station is owned by the Corvallis Rural Fire District but is staffed by the City of Corvallis per agreement with the Rural Fire District.
(5) Includes fire apparatus, tankers, ambulances and passenger vehicles.
(6) Data reported is on a calendar year basis. In 2008, the bike lane calculation was standardized to include lanes in both directions on a single street ("bike travel lanes").

n/a = information not available

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OTHER INFORMATION SECTION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – PROPERTY TAX COLLECTION RECORD
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year Ended June 30,	*Assessed Value of Real Estate (1)*	*Percent Change in Assessed Value*	*Total Levy (2)*	*Percent Change in Levy*	*Tax Rate per $1,000 Assessed Value*	*Percent Collected at June 30, 2014 (1)*
2005	$ 3,292,880,209	5.77 %	$ 18,451,963	4.19 %	$ 5.5988	99.99 %
2006	3,433,620,092	4.27	19,458,295	5.45	5.6485	99.99
2007	3,467,065,775	0.97	19,611,621	0.79	5.6406	99.98
2008	3,613,016,933	4.21	20,352,962	3.78	5.6219	99.98
2009	3,745,146,887	3.66	21,162,976	3.98	5.6448	99.97
2010	3,825,053,618	2.13	21,544,022	1.80	5.6251	98.96
2011	3,999,075,433	4.55	22,383,029	3.89	5.5939	99.82
2012	4,118,580,206	2.99	25,112,165	12.19	6.0871	99.02
2013	4,139,865,134	0.52	24,106,808	-4.00	5.8145	97.65
2014	4,201,468,631	1.49	24,535,588	1.78	5.8369	96.28

(1) Source: Benton County Assessor's Office
(2) The total levy includes taxes levied for operations and debt.

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – STATE REVOLVING FUND AND REVENUE BOND RATE COVENANT CALCULATIONS – WASTEWATER FUND
YEAR ENDED JUNE 30, 2014- UNAUDITED

REVENUES		
Gross operating revenues *(1)*	$	9,567,837
SDC revenues		1,243,561
Transfers from (to) Rate Stabilization Account (RSA)		-
Total Gross Revenues		10,811,398
OPERATING EXPENSES *(2)*		(6,004,486)
NET REVENUES *(3)*	$	4,806,912
NET OPERATING REVENUES *(4)*	$	3,563,351
ANNUAL DEBT SERVICE (Principal & Interest)		
Senior Debt		
CSO Revenue Bond (2006A)	$	644,950
Total Senior Debt Service		644,950
Subordinate Debt		
State Revolving Fund / DEQ Loan (1992) #R24480		24,293
FFC 2012 Refunding Obligation		1,584,400
Total Subordinated Debt Service		1,608,693
Total Annual Debt Service	$	2,253,643
NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.20 times senior debt)		7.45
NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.05 times subordinate debt)		2.99
NET OPERATING REVENUE DEBT SERVICE COVERAGE (Requirement is 1.05 times total debt service)		1.58
RATE STABILIZATION ACCOUNT (RSA) BALANCE - JUNE 30, 2014	$	300,000

The 2006A Revenue Bonds are backed, and the reserve amount requirement has been met, by insurance from Syncora Guarantee in respect of future scheduled principal and interest payments.

Principal and interest have rate covenant requirements according to the above coverage ratios. The annual debt service for subordinate debt will decrease in future years and should not exceed $1.61 million per year based on debt commitments as of June 30, 2014.

(1) Gross operating revenues include charges for service, intergovernmental and miscellaneous income. SDC revenues are not included in gross operating revenues.
(2) Operating expenses do not include debt service, depreciation, amortization or capital outlay.
(3) Gross revenue less operating expenses.
(4) Net revenues less SDC revenues.

HISTORICAL SYSTEM STATISTICS

Fiscal Year Ended June 30,	*Net Revenues (less SDCs)*	*Number of Sewer Customers*	*Average Monthly Residential Sewer Bill*
2010	$ 3,159,322	14,835	$ 33.40
2011	3,686,625	14,840	33.99
2012	4,342,909	14,898	35.11
2013	3,819,344	15,029	36.14
2014	4,806,912	15,139	37.61

LARGEST SEWER SYSTEM CUSTOMERS

Customer	*2014 System Usage in Units (1)*	*2014 Annual Revenue*	*Percent of Total System Gross Revenue (2)*
Oregon State University	216,657	$ 829,109	7.67 %
Hewlett-Packard	158,191	510,891	4.73
Samaritan Health Services	30,173	113,065	1.05
Witham Hill Oaks Apts, LLC	19,704	65,195	0.60
Corvallis Schools 509J	16,981	57,390	0.53
Foster Poultry Farms	14,127	53,469	0.49
Evanite	13,130	49,759	0.46
Safeway	10,257	46,431	0.43
The Gem	11,719	44,392	0.41
Mtn View at Rivergreen	11,864	42,312	0.39
Julantru Limited Partnership	9,481	30,964	0.29
Conifer Place / Bird LLC	8,820	30,604	0.28
Korda Group	8,030	28,197	0.26
Kaady Care Washes	7,101	27,047	0.25
Meadow Park Mobile Est	7,855	25,539	0.24
Total	544,090	$ 1,954,364	18.08 %

(1) One unit = 1 hcf - 748 gallons
(2) Total system gross revenues for fiscal year 2014 were $10,811,398

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF DIRECT AND OVERLAPPING DEBT TO PROPERTY VALUE RATIOS

JUNE 30, 2014 - UNAUDITED

	Values	*Per Capita*	*Percent of Real Market Value*	*Percent of Assessed Value*
2014 population	55,345	-	-	-
2013-14 real market value	$ 5,574,068,131	$ 100,715	100.00 %	-
2013-14 assessed value	4,201,468,631	75,914	75.38	100.00 %
Long-term gross bonded debt	39,422,338	712	0.71	0.94
Long-term net direct debt	5,167,376	93	0.09	0.12
Overlapping debt	38,911,922	703	0.70	0.93
Long-term net direct and overlapping debt	44,079,298	796	0.79	1.05

The purpose of this schedule is to provide disclosures required by debt covenants.

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF OUTSTANDING DEBT OBLIGATIONS
JUNE 30, 2014 - UNAUDITED

Series	*Issuance Date*	*Maturity Date*	*Bond CUSIP or Loan No.*	*Original Issuance Amount*	*Principal Balance June 30, 2014*
GENERAL OBLIGATION BONDS					
General Obligation Bonds - Series 2009	05/27/09	06/01/19	2208855	$ 10,190,000	$ 5,180,000
FULL FAITH AND CREDIT OBLIGATIONS					
Pension Obligation Bonds - Series 2002 A	03/01/02	01/01/30	2208854Z-5T	23,913,017	21,902,337
Pension Obligation Bonds - Series 2005 A	09/23/05	06/01/28	68608D	9,980,000	8,910,000
Full Faith and Credit Refunding Obligation - Series 2012	11/15/12	12/01/20	2208855	11,485,000	9,200,000
BOA 2010 CIP Loan	08/05/10	08/01/20	Series 2010	2,100,000	1,530,000
Total Full Faith and Credit Obligations				47,478,017	41,542,337
REVENUE BONDS					
Combined Sewer Overflow - Series 2006 A	03/01/06	05/01/20	221004	5,410,000	3,430,000
OTHER REVENUE SUPPORTED LOANS					
Sewer Rehabilitation - SRF / DEQ 1992	01/20/92	07/01/13	R24480	700,000	-
Airport - OBDD 1996	09/06/96	12/01/16	B96002	332,240	-
Total Other Revenue Supported Loans				1,032,240	-
Total Outstanding Debt Obligations				$ 64,110,257	$ 50,152,337

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – SUMMARY OF ADOPTED BUDGET – ALL FUNDS
LAST TWO FISCAL YEARS - UNAUDITED

	2012-13	2013-14
RESOURCES		
Fund Balance, Beginning of Year	$ 30,942,517	$ 39,849,641
Revenues		
Property taxes	23,904,680	23,636,480
Other taxes	1,270,650	1,372,600
Licenses, fees, and permits	8,740,150	9,079,840
Charges for services	39,728,150	42,002,980
Intergovernmental	16,894,030	16,891,240
Fines and forfeitures	1,283,410	1,202,630
Miscellaneous	2,617,670	2,153,750
Other financing sources	11,734,273	19,695,047
Total Revenues	106,173,013	116,034,567
Total Resources	$ 137,115,530	$ 155,884,208
REQUIREMENTS		
Operating Expense		
Personnel services	$ 46,224,880	$ 47,350,170
Supplies and services	33,192,610	34,434,110
Capital outlay	2,634,040	2,195,360
Total Operating Expense	82,051,530	83,979,640
Nonoperating Expense		
Capital projects	9,493,868	10,136,785
Debt service	7,119,140	7,245,970
Transfers	10,849,273	18,395,007
Other Non-Op Uses	855,000	1,270,040
Contingencies	1,611,260	1,727,790
Total Nonoperating Expense	29,928,541	38,775,592
Total Expenditures	$ 111,980,071	$ 122,755,232

CITY OF CORVALLIS, OREGON

*ANNUAL DISCLOSURE INFORMATION – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGETARY BASIS – GENERAL FUND**

LAST FIVE FISCAL YEARS - UNAUDITED

	2009-10	2010-11	2011-12	2012-13	2013-14
REVENUES					
Taxes	$ 19,622,437	$ 20,921,577	$ 21,747,739	$ 21,522,513	$ 20,578,215
Licenses, fees, and permits	5,303,032	5,481,731	5,710,000	5,598,425	5,889,568
Charges for services	5,246,417	6,559,042	6,425,943	6,213,575	6,114,840
Intergovernmental	3,753,238	3,820,228	4,230,716	4,068,662	4,005,722
Fines and forfeitures	661,414	809,652	805,079	685,830	747,489
Miscellaneous	495,866	390,621	524,053	597,671	1,176,316
Total Revenues	35,082,404	37,982,851	39,443,530	38,686,676	38,512,150
EXPENDITURES					
Current					
City Manager's Office	-	-	-	231,272	320,760
Community Development	1,453,556	1,450,222	1,256,557	1,225,394	1,236,566
Finance	585,958	576,402	659,181	599,019	606,319
Fire	9,868,475	9,240,854	10,462,480	10,149,908	10,290,614
Library	6,010,835	5,993,041	5,935,014	5,810,755	5,842,275
Parks & Recreation	5,631,708	5,420,677	5,672,465	6,025,296	6,113,940
Police	9,763,512	9,894,021	10,128,072	9,967,842	10,308,348
Public Works	863,804	887,312	1,130,034	934,159	765,377
Nondepartmental	1,487,599	1,424,041	1,258,694	1,323,230	1,296,680
Debt service					-
Principal	-	-	185,000	190,000	195,000
Interest	-	30,389	59,422	53,872	48,174
Capital outlay	1,576,925	1,185,815	633,837	301,118	1,240,996
Total Expenditures	37,242,372	36,102,774	37,380,756	36,811,865	38,265,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,159,968)	1,880,077	2,062,774	1,874,811	247,100
OTHER FINANCING SOURCES (USES)					
Proceeds - sale of capital assets	10,534	21,507	41,500	16,432	66,744
Funds collected for other municipalities	-	-	-	786,695	-
Funds due to other municipalities	-	-	-	(784,828)	-
Transfers in	-	345,450	1,753,522	1,809,961	5,708,552
Transfers out	(1,828,219)	(1,656,600)	(2,068,450)	(2,328,825)	(7,972,287)
Total Other Financing Sources (Uses)	(1,817,685)	(1,289,643)	(273,428)	(500,565)	(2,196,991)
NET CHANGE IN FUND BALANCES	(3,977,653)	590,434	1,789,346	1,374,246	(1,949,891)
FUND BALANCE, Beginning of year	8,702,298	4,724,645	5,315,079	7,104,425	8,478,671
FUND BALANCE, End of year	$ 4,724,645	$ 5,315,079	$ 7,104,425	$ 8,478,671	$ 6,528,780

* FY 2009-10 to FY FY 2012-13 have been restated to include all property tax funds for comparison to FY 2013-14 actuals. As of FY 2013-14, all property tax funds are reported in the General Fund, whereas prior to that there were four property tax funds.

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – BALANCE SHEET - GENERAL FUND
LAST FIVE FISCAL YEARS - UNAUDITED

	2009-10	2010-11	2011-12	2012-13	2013-14
ASSETS					
Cash and investments	$ 5,005,271	$ 5,645,713	$ 8,417,199	$ 9,570,632	$ 8,427,626
Receivables					
Property taxes	1,131,977	1,199,656	1,177,147	1,548,452	1,969,691
Accounts	821,435	881,076	1,036,854	1,232,751	982,010
Accrued interest	8,243	7,678	7,790	12,978	5,530
Assessments	104,606	70,698	117,791	96,582	31,896
Franchise fees	400,388	429,107	431,533	392,885	432,614
Grants	88,995	109,193	112,028	186,351	151,459
Revolving loans	-	-	87,247	54,705	34,380
Other receivables	232,377	324,484	332,037	240,400	233,389
Property held for resale	1,040,083	1,040,083	-	-	-
Total Assets	$ 8,833,375	$ 9,707,688	$ 11,719,626	$ 13,335,736	$ 12,268,595
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 401,931	$ 468,863	$ 514,330	$ 1,072,917	$ 969,923
Other accrued liabilities	589,489	844,878	1,828,513	1,018,499	1,901,683
Total Liabilities	991,420	1,313,741	2,342,843	2,091,416	2,871,606
Deferred Inflows of Resources					
Unavailable/unearned revenue	3,117,310	3,078,868	2,272,357	2,765,649	2,868,209
Total Deferred Inflows of Resources	3,117,310	3,078,868	2,272,357	2,765,649	2,868,209
Fund Balances					
Restricted	-	1,882,720	2,413,026	2,676,816	763,715
Committed	-	1,273,263	1,381,453	1,328,926	1,173,045
Assigned	4,054,242	2,271,114	2,643,314	2,425,171	2,194,126
Unassigned	670,403	(112,018)	666,633	2,047,758	2,397,894
Total Fund Balances	4,724,645	5,315,079	7,104,426	8,478,671	6,528,780
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,833,375	$ 9,707,688	$ 11,719,626	$ 13,335,736	$ 12,268,595

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – STATEMENT OF NET POSITION – WATER FUND

LAST FIVE FISCAL YEARS - UNAUDITED

	2009-10	*2010-11*	*2011-12*	*2012-13*	*2013-14*
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Cash and investments	$ 5,765,478	$ 6,485,057	$ 6,154,481	$ 7,271,017	$ 8,197,809
Receivables					
Accounts	713,005	763,878	901,700	1,025,432	1,065,589
Accrued interest	6,222	6,217	5,123	8,010	6,552
Grants	23,223	25,170	4,722	-	984
Other receivables	38,635	-	-	-	-
Total Current Assets	6,546,563	7,280,322	7,066,026	8,304,459	9,270,934
Noncurrent Assets					
Assessments receivable	23,572	20,418	49,148	42,713	6,306
Other restricted assets	258,201	207,645	157,089	25,349	-
Restricted cash and investments	151,067	151,067	-	-	-
Capital assets					
Non-depreciable	1,158,711	507,225	1,626,403	680,114	1,151,985
Other (net of accumulated depreciation)	42,923,154	43,543,967	43,614,672	44,963,071	44,337,268
Total Noncurrent Assets	44,514,705	44,430,322	45,447,312	45,711,247	45,495,559
Total Assets	51,061,268	51,710,644	52,513,338	54,015,706	54,766,493
Deferred Outflows of Resources					
	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 51,061,268	$ 51,710,644	$ 52,513,338	$ 54,015,706	$ 54,766,493
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts payable	$ 284,637	$ 300,032	$ 394,696	$ 201,167	$ 258,991
Accrued compensated absences	258,595	259,142	255,557	247,968	242,481
Accrued interest	139,727	117,254	93,171	3,629	2,155
Other accrued liabilities	138,545	62,588	323,198	110,795	82,855
Bonds payable, current portion	-	-	-	930,000	960,000
Notes payable, current portion	767,510	815,965	860,296	-	-
Total Current Liabilities	1,589,014	1,554,981	1,926,918	1,493,559	1,546,482
Long-Term Liabilities					
Accrued compensated absences	140,704	136,543	140,946	137,906	133,056
Net OPEB obligations	255,642	388,987	504,609	608,055	746,671
Bonds payable (net of unamortized premium and deferred amount on refunding)	-	-	-	1,324,709	339,821
Notes payable	3,857,570	3,041,605	2,181,309	-	-
Total Long-Term Liabilities	4,253,916	3,567,135	2,826,864	2,070,670	1,219,548
Total Liabilities	5,842,930	5,122,116	4,753,782	3,564,229	2,766,030
Net Position					
Investment in capital assets, net of related debt	39,456,785	40,193,622	42,199,470	43,388,476	44,189,432
Restricted					
Capital projects and construction	4,589,429	5,093,417	4,802,599	5,025,337	5,999,100
Debt service	151,067	151,067	-	-	-
Unrestricted	1,021,057	1,150,422	757,487	2,037,664	1,811,931
Total Net Position	45,218,338	46,588,528	47,759,556	50,451,477	52,000,463
Total Liabilities and Net Position	$ 51,061,268	$ 51,710,644	$ 52,513,338	$ 54,015,706	$ 54,766,493

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – WATER FUND

LAST FIVE FISCAL YEARS - UNAUDITED

	2009-10	2010-11	2011-12	2012-13	2013-14
OPERATING REVENUES					
Charges for services	$ 8,258,499	$ 8,646,978	$ 9,094,084	$ 9,782,616	$ 9,710,144
Intergovernmental	27,238	46,544	17,858	292	3,866
Fines and forfeitures	1,018	3,149	2,954	50	5,495
Miscellaneous	324,021	421,611	464,599	601,569	94,610
Total Operating Revenues	8,610,776	9,118,282	9,579,495	10,384,527	9,814,115
OPERATING EXPENSES					
Personnel services	3,196,730	3,430,144	3,519,241	3,395,973	3,415,069
Materials and supplies	916,057	955,359	712,033	718,426	881,890
Services	474,809	488,888	623,156	639,433	478,231
Utility and overhead	1,906,616	1,917,113	1,985,863	1,983,445	2,052,918
Training and conference	20,587	20,420	12,730	13,151	10,009
Depreciation and amortization	1,728,779	1,716,800	1,733,391	1,539,011	1,469,913
Total Operating Expenses	8,243,578	8,528,724	8,586,414	8,289,439	8,308,030
OPERATING INCOME (LOSS)	367,198	589,558	993,081	2,095,088	1,506,085
NON-OPERATING INCOME (EXPENSE)					
Interest income	41,539	35,258	47,877	31,462	50,600
Interest expense	(257,285)	(219,235)	(178,750)	(64,323)	(10,138)
Gain (loss) on disposal of capital assets	1,009	2,100	(114,650)	51,150	3,520
Total Non-Operating Income (Expense)	(214,737)	(181,877)	(245,523)	18,289	43,982
INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS	152,461	407,681	747,558	2,113,377	1,550,067
CAPITAL CONTRIBUTIONS					
Capital assets	384,068	1,260,329	530,210	690,674	204,458
Total Capital Contributions	384,068	1,260,329	530,210	690,674	204,458
TRANSFERS					
Transfers out	(201,020)	(297,820)	(106,740)	(128,650)	(180,190)
CHANGE IN NET POSITION	335,509	1,370,190	1,171,028	2,675,401	1,574,335
NET POSITION, Beginning of year, Restated	44,882,829	45,218,338	46,588,528	47,759,556	50,426,128
NET POSITION, End of year	$ 45,218,338	$ 46,588,528	$ 47,759,556	$ 50,434,957	$ 52,000,463

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – STATEMENT OF NET POSITION – WASTEWATER FUND
LAST FIVE FISCAL YEARS - UNAUDITED

	2009-10	2010-11	2011-12	2012-13	2013-14
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Cash and investments	$ 10,093,027	$ 10,424,490	$ 9,768,874	$ 11,879,721	$ 13,589,524
Receivables					
Accounts	856,528	863,750	960,776	914,802	962,370
Accrued interest	15,699	15,490	14,067	23,300	16,918
Grants	1,646	10,171	-	49,675	-
Other receivables	185	182	123	122	120
Total Current Assets	10,967,085	11,314,083	10,743,840	12,867,620	14,568,932
Noncurrent Assets					
Assessments receivable	19,619	21,551	133,247	130,742	12,200
Other restricted assets	-	11	2	2	2
Restricted cash and investments	1,627,159	1,627,159	1,627,159	47,891	-
Capital assets					
Non-depreciable	960,038	980,078	1,361,730	716,578	817,561
Other (net of accumulated depreciation)	65,625,516	64,233,352	64,290,333	63,434,990	62,144,700
Total Noncurrent Assets	68,232,332	66,862,151	67,412,471	64,330,203	62,974,463
Total Assets	79,199,417	78,176,234	78,156,311	77,197,823	77,543,395
Deferred Outflows of Resources					
Deferred issuance costs	236,673	212,875	189,078	151,664	-
Total Assets and Deferred Outflows of Resources	$ 79,436,090	$ 78,389,109	$ 78,345,389	$ 77,349,487	$ 77,543,395
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts payable	$ 347,907	$ 428,755	$ 321,272	$ 132,473	$ 265,530
Accrued compensated absences	320,517	290,930	325,541	291,456	235,327
Accrued interest	116,583	106,350	95,768	45,686	39,227
Other accrued liabilities	15,284	950	156,022	26,032	5,489
Bonds payable, current portion	420,000	440,000	465,000	1,840,000	1,890,000
Notes payable, current portion	1,102,152	1,142,888	1,185,130	23,934	-
Total Current Liabilities	2,322,443	2,409,873	2,548,733	2,359,581	2,435,573
Long-Term Liabilities					
Accrued compensated absences	174,397	153,292	179,544	162,092	129,131
Net OPEB obligations	259,064	392,946	531,063	635,543	718,265
Bonds payable (net of unamortized premium and deferred amount on refunding)	4,605,044	4,180,926	3,732,995	11,777,536	9,763,957
Notes payable	12,355,197	11,212,309	10,027,179	-	-
Total Long-Term Liabilities	17,393,702	15,939,473	14,470,781	12,575,171	10,611,353
Total Liabilities	19,716,145	18,349,346	17,019,514	14,934,752	13,046,926
Net Position					
Investment in capital assets, net of related debt	48,103,161	48,237,307	50,241,759	50,510,098	51,308,304
Restricted					
Capital projects and construction	7,612,509	8,430,550	8,220,534	9,551,444	10,907,144
Debt service	1,627,159	1,627,159	1,627,159	47,891	-
Unrestricted	2,377,116	1,744,747	1,236,423	2,305,302	2,281,021
Total Net Position	59,719,945	60,039,763	61,325,875	62,414,735	64,496,469
Total Liabilities and Net Position	$ 79,436,090	$ 78,389,109	$ 78,345,389	$ 77,349,487	$ 77,543,395

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – WASTEWATER FUND

LAST FIVE FISCAL YEARS - UNAUDITED

	2009-10	2010-11	2011-12	2012-13	2013-14
OPERATING REVENUES					
Charges for services	$ 9,264,718	$ 10,064,001	$ 10,628,403	$ 10,401,066	$ 10,620,263
Intergovernmental	-	8,525	-	89,173	3,252
Fines and forfeitures	-	-	262	349	460
Miscellaneous	23,193	23,036	160,593	30,345	103,730
Total Operating Revenues	9,287,911	10,095,562	10,789,258	10,520,933	10,727,705
OPERATING EXPENSES					
Personnel services	3,196,868	3,366,935	3,439,171	3,501,936	3,034,016
Materials and supplies	510,044	473,091	446,526	392,212	496,734
Services	625,900	604,504	714,682	796,815	255,316
Utility and overhead	1,985,607	2,024,696	2,076,478	2,191,544	2,170,516
Training and conference	22,779	31,338	25,921	22,532	9,324
Depreciation and amortization	2,271,973	2,267,516	2,280,156	2,428,850	2,298,064
Total Operating Expenses	8,613,171	8,768,080	8,982,934	9,333,889	8,263,970
OPERATING INCOME (LOSS)	674,740	1,327,482	1,806,324	1,187,044	2,463,735
NON-OPERATING INCOME (EXPENSE)					
Interest income	85,654	66,043	85,057	50,489	83,693
Interest expense	(848,716)	(783,803)	(717,616)	(329,857)	(259,672)
Gain (loss) on disposal of capital assets	(648)	(418,724)	(35,439)	(25,062)	(46,447)
Total Non-Operating Income (Expense)	(763,710)	(1,136,484)	(667,998)	(304,430)	(222,426)
INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS	(88,970)	190,998	1,138,326	882,614	2,241,309
CAPITAL CONTRIBUTIONS					
Capital assets	339,262	366,810	253,526	185,110	161,178
Capital grants	-	-	-	-	-
Total Capital Contributions	339,262	366,810	253,526	185,110	161,178
TRANSFERS					
Transfers out	(194,830)	(237,990)	(105,740)	(116,700)	(169,090)
CHANGE IN NET POSITION	55,462	319,818	1,286,112	951,023	2,233,398
NET POSITION, Beginning of year, Restated	59,664,483	59,719,945	60,039,763	61,325,875	62,263,071
NET POSITION, End of year	$ 59,719,945	$ 60,039,763	$ 61,325,875	$ 62,276,898	$ 64,496,469

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS SECTION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

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November 14, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Corvallis as of and for the year ended June 30, 2014, and have issued our report thereon dated November, 14, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statues 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.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

1) A budgeted negative ending fund balance in the Parks and Recreation Fund, Fire and Rescue Fund, and Library Fund.

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 controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

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.

Roy R Rogers

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November 14, 2014

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

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 Corvallis as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 14, 2014.

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.

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.

Roy R Rogers

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November 14, 2014

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the City of Corvallis's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Corvallis, 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, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Roy R Rogers

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

CITY OF CORVALLIS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Grant Number*	*Program Award Amount*	*Receivable/ (Unearned Revenue) July 1, 2013*	*Total Receipts*	*Total Expenditures*	*Receivable/ (Unearned Revenue) June 30, 2014*
U.S. DEPARTMENT OF AGRICULTURE FOREST SERVICE							
Passed through Cascade Pacific Resource Conservation and Development							
CPRCD - Old Peak Meadow Habitat Enhancement	10.693	WY-M14-13	$ 43,112	$ -	$ -	$ 984	$ 984
					-		-
Total U.S. Department of Agriculture Forest Service				-	-	984	984
U.S. DEPARTMENT OF ENERGY							
Direct Program							
ARRA Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002467	511,600	-	7,290	7,290	-
Total U.S. Department of Energy				-	7,290	7,290	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Direct Program							
CDBG - Entitlement Grants Cluster							
Community Development Block Grant Program	14.218	B-13-MY-41-0009	493,675	-	389,321	411,176	21,855
Total CDBG - Entitlement Grants Cluster				-	389,321	411,176	21,855
HOME Grant Program	14.239	M13-MC410205	271,256	-	841,672	841,672	-
HOME Grant Program	14.239	M12-MC410205	298,492	2,787	2,787	-	-
Total U.S. Department of Housing and Urban Development				2,787	1,233,780	1,252,848	21,855
U.S. DEPARTMENT OF THE INTERIOR							
Passed through the State of Oregon Historic Preservation Office							
Basic Certified Local Govt.	15.904	HPF OR-13-03	13,000	8,722	5,000	4,278	8,000
Passed through the State Parks and Recreation Department							
Central Park Plaza Rehabilitation	15.916	NPS 41-01574	50,000	50,000	-	-	50,000
Total U.S. Department of Interior				58,722	5,000	4,278	58,000
U.S. DEPARTMENT OF JUSTICE							
Bureau of Justice							
Federal Equitable Sharing Program	16.922	OR0020100	$ 9,991	$ -	$ 9,991	$ 845	$ (9,146)
Bulletproof Vest Program (2013)	16.607	---	6,901	-	-	6,901	6,901
2010-2012 Byrne JAG Grant (Year 2)	16.738	LE06-11 JAG	85,411	9,014	9,014	-	-
Total U.S. Department of Justice				9,014	19,005	7,746	(2,245)

The accounting policies applied in the preparation of this schedule are the same as those documented in the Notes to the Basic Financial Statements.

CITY OF CORVALLIS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Grant Number*	*Program Award Amount*	*Receivable/ (Unearned Revenue) July 1, 2013*	*Total Receipts*	*Total Expenditures*	*Receivable/ (Unearned Revenue) June 30, 2014*
U. S. DEPARTMENT OF TRANSPORTATION							
Direct Program							
FAA: Airport Master Plan	20.106	3-41-0014-016	237,500	-	26,314	26,314	-
Direct Program							
FTA: Bus Purchases IC756 & IC757	20.500	OR-04-0028-01	933,206	-	346,227	346,227	-
FTA: Bus Purchases IC756 & IC757	20.507	OR-95-X045-00	322,131	-	308,689	308,689	-
FTA: Transit Operating Grant (2013)	20.507	OR-90-X162-00	1,058,474	61,815	61,815	-	-
FTA: Transit Operating Grant (2014)	20.507	OR-90-X169-00	1,521,311	-	1,344,758	1,521,311	176,553
FTA: Transit Vehicle Information System Replacement	20.507	OR-95-X032-00	448,650	71,835	273,579	376,815	175,071
ARRA 09 5307 Buses, Facilities & Equipment	20.507	OR-96-X002-00	1,053,488	8,097	12,242	4,145	-
Total Federal Transit Cluster				141,747	2,347,310	2,557,187	351,624
U. S. DEPARTMENT OF TRANSPORTATION (continued)							
Passed through the State of Oregon							
Department of Transportation							
Highway Planning and Construction Cluster							
FHWA: Oak Creek (SW Morris Avenue) Bridge No. 03C25	20.205	1580(046) / 29254	1,079,452	7,236	12,301	17,221	12,156
Transportation Demand Management Program (2012)	20.205	27827	88,606	7,242	7,242	-	-
Transportation Demand Management Program (2014)	20.205	29575	88,739	-	29,339	44,302	14,963
FHWA: Circle Blvd - Manchester St Multi-Use Path	20.205	1580(042,044) / 27090	610,108	70,524	467,769	397,245	-
Total Highway Planning and Construction Cluster				85,002	516,651	458,768	27,119
Passed through the State of Oregon							
Department of Transportation							
Corvallis PD eCitation Grant	20.610	K9-14-54-03 CPD	136,380	-	82,481	136,380	53,899
Transit Services Cluster							
Rural Transit Assistance Program	20.509	-------	730	$ -	$ 730	$ 730	$ -
Job Access and Reverse Commute Program (2011)	20.516	27641	183,871	7,469	7,469	-	-
New Freedom/Facility Infrastructure ADA Improvements	20.521	27629	237,603	123,651	123,651	66,216	66,216
Total Transit Services Cluster				131,120	131,850	66,946	66,216
Total U.S. Department of Transportation				357,869	3,104,606	3,245,595	498,858
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Direct Program							
Climate Showcase Communities Grant	66.041	AF-83495501-0	491,762	149,433	224,936	158,161	82,658
Urban Waters Project - Green Streets	66.440	UW-00J54301-0	45,620	4,446	13,543	10,542	1,445
Passed through the State of Oregon Business Development							
Total U.S. Environmental Protection Agency				153,879	238,479	168,703	84,103

CITY OF CORVALLIS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Grant Number*	*Program Award Amount*	*Receivable/ (Unearned Revenue) July 1, 2013*	*Total Receipts*	*Total Expenditures*	*Receivable/ (Unearned Revenue) June 30, 2014*
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Passed through the State of Oregon							
Emergency Management							
Public Assistance Grant - February 2014 Winter Storm Damaage	97.036	FEMA-DR-4169-OR	7,401	-	7,401	7,401	-
Public Assistance Grant - January 2012 Winter Storm Damage	97.039	FEMA-4055-DR-OR	72,013	49,675	49,675	-	-
Marys River Natural Area Boardwalk Repair	97.039	FEMA-4055-DR-OR/PW-37	193,911	7,050	-	-	7,050
Emergency Management Performance Program	97.402	-------	varies	19,183	19,183	-	-
Total Federal Emergency Management Agency				75,908	76,259	7,401	7,050
Total Federal Assistance				$ 658,179	$ 4,684,419	$ 4,694,845	$ 668,605

NOTES:
(1) Accrual should equal reimbursements.

Purpose of the Schedule

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendment of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act Amendment of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City of Corvallis are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in the notes to the financial statements. Additionally, the Schedule includes all federal programs administered by the City of Corvallis for the year ended June 30, 2014.

Revenue and Expenditure Recognition

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

City of Corvallis
Corvallis, OREGON

SCHEDULE FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

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 OMB Circular A-133?	☐ 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 OMB Circular A-133, section 510(a)?	☐ yes	☒ no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER	NAME OF FEDERAL PROGRAM CLUSTER
20.205	Highway Planning and Construction
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	☒ yes	☐ no

SCHEDULE FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.