

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

CITY OF CORVALLIS, OREGON



***CITY OF CORVALLIS, OREGON  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2016***



***Prepared by the City of Corvallis  
Department of Finance***

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**December 1, 2016**

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, 2016 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.

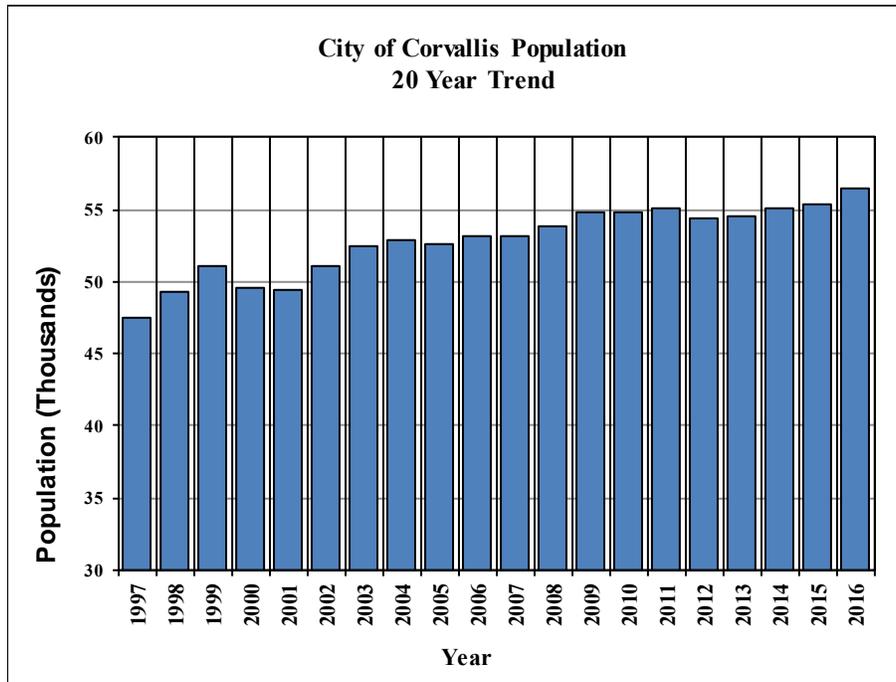
The City's financial statements were audited by Pauly Rogers and Co. PC, a firm of independent certified public accountants. The independent auditors have issued an unmodified opinion on the City of Corvallis' financial statements for the fiscal year ended June 30, 2016. The independent auditors' report 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 56,535) 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.

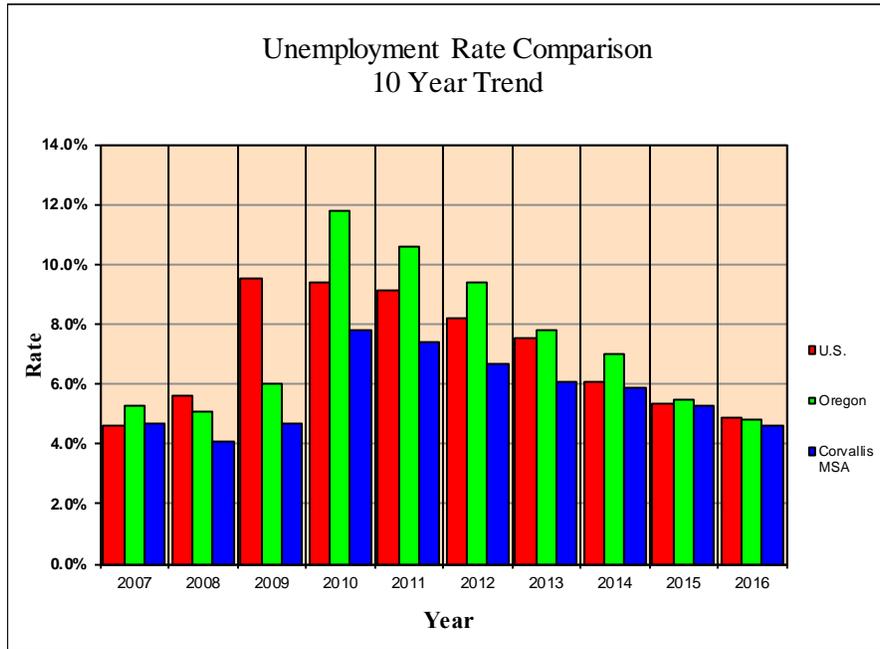
The Oregon Constitution and Oregon Revised Statutes require that the budget be balanced, adopted by July 1, and that the fiscal year for local governments is July 1 through June 30. The budget sets forth City Council’s goals and objectives, and identifies the resources necessary to accomplish them. The 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 2015-16 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 27,290 students and employs approximately 11,180 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 1,500 people at its Corvallis location. Korvis Automation, designs, builds and installs manufacturing automation systems solutions, employs approximately 150. CH<sub>2</sub>M Hill, an international consulting firm of engineers, planners, economists and scientists, was founded in Corvallis in 1946. CH<sub>2</sub>M Hill maintains a regional headquarters in Corvallis which employs approximately 420 people. Samaritan Health Services employs approximately 3,270 people and the Corvallis Clinic employs 600 people. Fiserv Corporation provides data processing systems created specifically for the credit union industry and employs approximately 230 at its Corvallis location. The Oregon Nanoscience and

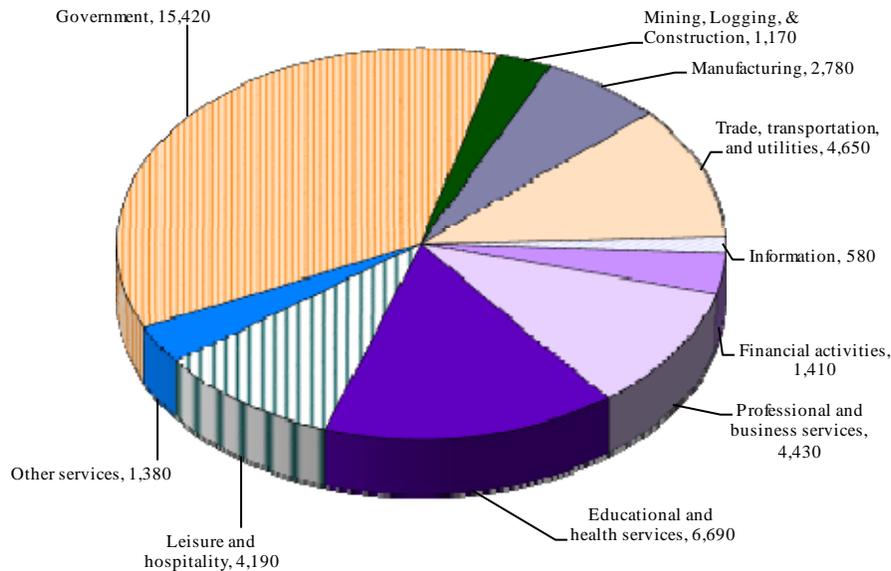
Microtechnologies Institute (ONAMI) is a collaboration among Oregon universities, including OSU, and regional industry for micro and nanotechnology research and development and is a leader in this field. ONAMI has multiple facilities located in Oregon’s Silicon Forest, including facilities in Corvallis.



Oregon’s June 2016 seasonally adjusted unemployment rate was 4.8%. The Corvallis’ Metropolitan Statistical Areas (MSA) (Benton County) seasonally adjusted unemployment rate for June 2016 was 4.3% or 10 percentage points lower than the June 2015 unemployment rate of 5.3%. The Corvallis’ MSA seasonally adjusted unemployment rate is seven 6 percentage points below the national unemployment rate and 5 percentage points below Oregon’s unemployment rate. Compared to June 2015 the Corvallis MSA gained 1,270 jobs. Manufacturing jobs decreased by 220 and trade, transportation, utilities employment increased by 160, education and health services increased by 270, governmental employment increased by 750, and all other services increased by 310 jobs bringing total employment to 42,750.

Factors contributing to the Corvallis’ MSA’ relatively low unemployment rate on a state-wide basis are a highly educated work force (50 percent hold a bachelor’s degree or higher degree, 53 percent of those residing in Corvallis) and a high per capita income. The most recent reported Corvallis MSA per capita income of \$39,060 (2014). 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 been one of the state’s lowest seasonally adjusted unemployment rate. The recession impacted the local housing market which is rebounding. There are major commercial construction projects planned or underway, as well as several related to OSU.

**Corvallis MSA Nonfarm Employment**



**MAJOR INITIATIVES**

Property taxes for operations are levied in accordance with the Oregon constitutional limitations known as Measures 5 (1990) and 50 (1997). Measure 5 placed a maximum tax rate for non-education governments of \$10 per \$1,000 of real market value (RMV) on each parcel of property. Measure 50 set a permanent property tax rate for each governmental entity and developed a base AV for each parcel of property that is different than its RMV for purposes of levying taxes. AV is generally limited to an annual increase of 3% for each parcel of property. In Corvallis, the history of AV growth in the post Measure 50 era has been irregular, with five years in the last ten where total AV has not increased by the full 3% that would be “expected” based on most people’s understanding of M 50. Factors that impact the valuation growth include:

- 1) When a property’s RMV decreases to less than its AV, the AV will also decrease: known as “Measure 50 compression.”
- 2) AV will increase when new taxable development occurs, with all new development assigned an AV that is the same ratio of AV to RMV as similar property.
- 3) High value personal property for manufacturing can significantly increase AV in the year it is added. This equipment depreciates rapidly, which results in less AV in following years. This element has most often been the cause for Corvallis achieving less than 3% total assessed value growth every few years.
  - a) Successful value appeals that result in current or retroactive valuation decreases has occurred in recent years with the City’s largest tax payer, Hewlett-Packard (HP), and is still pending with Comcast. Benton County has been processing Comcast as a deferred billing, meaning that if Comcast prevails there will be no refund or impact to City collections; if Comcast loses on appeal they will owe the deferred taxes, which would represent a windfall for the City and other agencies.
  - b) Purchases of formerly taxable property by non-profit or government entities, such as Oregon State University (OSU) or Samaritan Health, removes value from the tax rolls and decreases total AV to which the City’s permanent and operating levy rates are applied.

During the past ten years, Corvallis has achieved a 29.5% increase in AV, an average of 2.7% growth per year. The average RMV growth over the same period was actually less at just over 22.1%, due in part to the significant

impact of the 2009 recession. RMV has recovered to 4.5%, better than its previous high point in 2008, and remains about \$1.7 billion higher than the City's AV.

Several large new multi-family housing units will come onto the tax rolls in January, so the FY 16-17 AV is currently estimated to increase by a little over the statutory 3% growth rate assumed for the remaining years of the financial planning period. The projected increase of 3.2% also assumes the economy will continue to see improvement in other residential and commercial development to offset any potential decreases in AV from remaining valuation appeals outstanding or properties sold off the tax roll.

Both RMV and AV are important features in projecting property tax revenue based on different tax limits. In FY 15-16, in aggregate, residential property AV was 83.4% of RMV; combined commercial and industrial property AV was 60.7% of RMV. As a parcel of property's ratio of AV to RMV gets closer to 100%, which residential totals did for the seventh consecutive year, that individual property may approach the Measure 5 limit of \$10 per \$1,000 of RMV. The City has not experienced much M 5 compression to date, but has had other random and often complex events that impact actual revenue significantly in any given year.

The City Council for 2015 and 2016 adopted six goals to accomplish during their term. The work accomplished to date has informed the budget process changes, and are expected to lead to additional changes for the FY 17-18 budget. The FY 16-17 Adopted Budget includes funding in the City Manager's Office budget to complete the work on the goals by the target of December 2016.

- 1) **Sustainable Budget** – A Local Option Levy passed by the Corvallis community was an important part of funding current City services. This five-year levy is a temporary fix that will expire in June of 2019. Understanding a need to develop improved long-term stability, the Corvallis Council adopted a goal of developing a plan for a long-range sustainable budget. Whether a sustainable budget will include additional funding sources or significant service cuts is yet to be determined. The Vision/Action goal along with the Climate Action and Housing Development goals will likely be significant drivers in prioritizing the use of City resources and budget development.
- 2) **Climate Action** - The Climate Action Plan Task Force is continuing its work to develop targeted actions the City and community members can take to meet a proportional share of the State's greenhouse gas emission reduction target – a 75% reduction by 2050. The FY 16-17 Adopted Budget includes the funding to complete the Climate Action Plan for Corvallis. The Action Plan is expected to be incorporated into the Imagine Corvallis 2040 Vision and Action Plan for implementation.
- 3) **Vision and Action Plan for Corvallis** – The Council adopted a goal to develop a new Vision for the City accompanied by an Action Plan. The Action Plan is intended to move the City toward accomplishing the Vision. The Action Plan will clarify priorities for the City. The FY 17-18 budget will be the first budget to start to reflect the prioritized actions as a focus. For FY 16-17, the Adopted Budget includes \$60,000 in funding to begin implementation of the Action Plan items.
- 4) **Housing Development** – The Housing Development Task Force continued its work to develop policy recommendations for the City Council to consider what would provide the best potential to increase the supply of affordable housing in the community. The FY 16-17 Adopted Budget does not include additional funding to implement actions since the work will likely be completed by staff. The Housing Task Force is also expected to make recommendations about potential revenue sources, above and beyond the current Community Development Block Grant (CDBG) and HOME grants, for the City Council to consider.
- 5) **Economic Vitality** – The Economic Development goal work continues under the Economic Development Office, with oversight from the Economic Development Advisory Board. The FY 16-17 Adopted Budget for the Economic Development Office includes funding for the agreement the City has with the Small Business Development Center at Linn-Benton Community College at the same level provided in FY 16-17, continuing that relationship. Work on these goals is ongoing and it is anticipated that they will be complete by December 2016.

- 6) **OSU/City Relations** – The City Council and staff have continued to work on the relationship between the City and Oregon State University. A Memorandum of Understanding outlining the framework for how the two entities will work together has been approved. In addition, Comprehensive Plan Changes associated with OSU are in the public hearing process and are expected to be adopted before the end of the current fiscal year. The changes outlined in the Comprehensive Plan will lay the foundation for Land Development Code changes and an OSU master plan update in 2017.

### **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, or approximately \$6.3 million, which is being built over a five-year period beginning in FY 12-13; the City 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 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 any 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 Municipal Advisor be employed.

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, while optimizing earnings on idle funds. The City has a contractual relationship with an investment advisor for investment advisory services. Staff prepares a monthly treasury report as required by the investment policy and posts the report on the City's website for City Council and community member access. 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, 2015. This is the 31<sup>st</sup> 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.

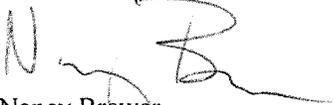
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **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 15-16 annual budget document and the FY 16-17 annual budget document has been submitted. This is the 29<sup>th</sup> consecutive year that the City of Corvallis has achieved the prestigious award of a distinguished presentation and the fourth 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, especially Tina Stephens, Lisa Hill, Tom Johnston 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 and the City Manager for the leadership and support they have provided in developing this CAFR.

  
Nancy Brewer  
Finance Director

  
Julian Contreras  
Financial Services Manager



Government Finance Officers Association

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

Presented to

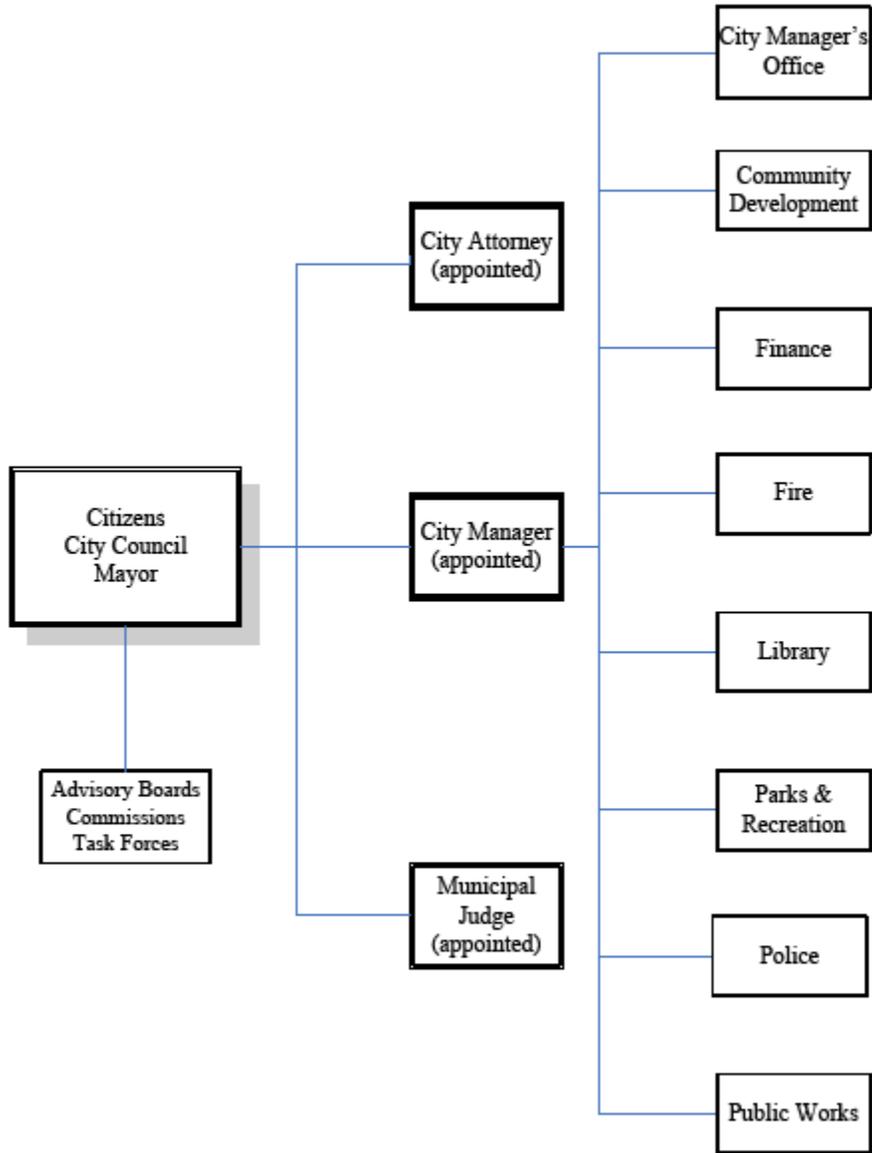
**City of Corvallis  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

CITY OF CORVALLIS  
ORGANIZATION CHART



**CITY OF CORVALLIS, OREGON**  
**ELECTED AND APPOINTED OFFICIALS OF THE CITY**  
**JUNE 30, 2016**

---

***ELECTED***

***MAYOR***  
Biff Traber

<b>City Council Member</b>	<b>Ward</b>
Penny York	1
Roan Hogg	2
Zachariah Baker	3
Barbara Bull	4
Mike Beilstein	5
Joel Hirsch	6
Bill Glassmire	7
Frank Hann	8
Hal Brauner	9

The term for all elected officials expires on December 31, 2016.

***APPOINTED***

***CITY MANAGER***  
Mark Shepard

***FINANCE DIRECTOR***  
Nancy Brewer

***FINANCIAL SERVICES MANAGER***  
Julian Contreras

***SENIOR ACCOUNTANT***  
Tina Stephens

501 SW Madison Avenue  
Corvallis, Oregon 97333

# FINANCIAL SECTION

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





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www.paulyrogersandcocpas.com

December 1, 2016

## 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, 2016, 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, 2016, and the respective changes in financial position and budgetary comparisons for the general fund, street fund, parks SDC fund, capital construction fund, and community development revolving fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The City adopted the provisions of GASB 72 – *Fair Value Measurement and Application* and GASB 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and 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 schedules of funding progress or employee contributions for post-employment health benefits 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 Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, 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 report dated December 1, 2016 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our reports dated December 1, 2016, 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, CPA  
PAULY, ROGERS AND CO., P.C.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS



## 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, 2016 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 1-7 of this CAFR.

### Financial Highlights

- ❖ The assets of the City of Corvallis exceeded liabilities at the close of the fiscal year by \$281,958,786 (net position), a decrease of \$1,036,254 from June 30, 2015. Of this amount (\$34,611,930) (unrestricted net position) may be used to meet the government's ongoing obligations to the community and creditors.
- ❖ Net position decreased for governmental activities by \$7,361,773 or (5.43) percent from June 30, 2015. Net position increased for business-type activities by \$6,325,519, an increase of 4.29 percent from June 30, 2015. Governmental funds' net position declined as a result of decreased current assets and increased long-term liabilities; business-type activities improved net position was based on increases in current assets that more than offset the increases in liabilities.
- ❖ As of the close of FY 2016, the City of Corvallis' governmental funds reported combined ending fund balances of \$31,593,134, an increase of \$3,042,228 from the prior year. Approximately 65 percent of the total amount, \$20,680,697, is available for spending at the City Council's discretion (committed, assigned and unassigned fund balance).
- ❖ At the end of FY 2016, the total assigned and unassigned fund balance in the General Fund was \$11,158,521 which was 27.9 percent of the total General Fund operating expenditures of \$40,033,101. This increase in the June 30, 2016 fund balance available for expenditures is due primarily to the City Council policy to build a Fund Balance Reserve; the targeted set-aside is expected to be achieved in FY 16-17.
- ❖ Total governmental activities debt decreased by \$2,194,519 or 5.53 percent during FY 2016. The decrease was the result paying all required debt payments and no new borrowing during the year. Total business-type activities debt decreased by \$2,095,000 or 21.42 percent. The decrease in business-type activities was the result of making all required scheduled payments.

### 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 24-25 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 eleven governmental funds in FY 2016. 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, Parks SDC, Community Development Revolving, and Capital Construction funds, all of which are considered to be major funds. Data from the other 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 26-33 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 34-37 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 39-71 of this report.

**Required Supplementary Information** Required supplementary information includes the Other Postemployment Benefits Plan Schedule of Funding Progress, the Schedule of the Proportionate share of the Net Pension Liability (Asset) and the Schedule of Contributions related to that Liability. This information can be found on page 72-74 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 75-107 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 \$281,958,786 at the close of FY 2016. This represented a \$1,036,254 or 0.37 percent decrease in net position from the prior fiscal year.

<b>CITY OF CORVALLIS</b>						
<b>Summary of Net Position</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Current and other assets	\$ 47,345,914	\$ 45,150,829	\$ 34,296,318	\$ 38,614,789	\$ 81,642,232	\$ 83,765,618
Capital assets	160,231,331	160,906,957	129,484,746	131,749,396	289,716,077	292,656,353
Total assets	<u>207,577,245</u>	<u>206,057,786</u>	<u>163,781,064</u>	<u>170,364,185</u>	<u>371,358,309</u>	<u>376,421,971</u>
Total deferred outflows of resources	2,101,999	3,305,590	436,954	677,529	2,538,953	3,983,119
Total assets and deferred outflows of resources	<u>209,679,244</u>	<u>209,363,376</u>	<u>164,218,018</u>	<u>171,041,714</u>	<u>373,897,262</u>	<u>380,405,090</u>
Current liabilities	5,074,078	5,460,726	904,344	1,817,113	5,978,422	7,277,839
Long-term liabilities	56,481,689	71,151,558	13,194,135	14,534,806	69,675,824	85,686,364
Total liabilities	<u>61,555,767</u>	<u>76,612,284</u>	<u>14,098,479</u>	<u>16,351,919</u>	<u>75,654,246</u>	<u>92,964,203</u>
Total deferred inflows of resources	12,481,196	4,470,584	2,766,780	1,011,517	15,247,976	5,482,101
Total liabilities and deferred inflows of resources	<u>74,036,963</u>	<u>81,082,868</u>	<u>16,865,259</u>	<u>17,363,436</u>	<u>90,902,222</u>	<u>98,446,304</u>
<b>Net Position</b>						
Net Investment in capital assets	150,543,949	152,752,009	119,496,665	123,938,456	270,040,614	276,690,465
Restricted	16,340,444	15,796,901	21,616,708	24,083,350	37,957,152	39,880,251
Unrestricted	(31,242,112)	(40,268,402)	6,239,386	5,656,472	(25,002,726)	(34,611,930)
<b>Total Net Position</b>	<u>\$ 135,642,281</u>	<u>\$ 128,280,508</u>	<u>\$ 147,352,759</u>	<u>\$ 153,678,278</u>	<u>\$ 282,995,040</u>	<u>\$ 281,958,786</u>

The largest portion of the City’s net position, \$276,690,465, 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 \$6,649,851 or 2.46 percent from June 30, 2015. 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 the community; 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 \$39,880,251 or 14.14 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 \$1,923,099 in the City's restricted net position from June 30, 2015. The remaining balance of unrestricted net position, (\$34,611,930), may be used to meet the City's ongoing obligations to the community 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 2017.

Unrestricted net position for governmental activities totaled (\$40,268,402) or (31.39) percent of the total net position for governmental activities. Business-type activities unrestricted net position totaled \$5,656,472 or 3.68 percent of the total net position for business-type activities. At the end of FY 2016, 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 changes in the reported liabilities in the Oregon Public Employee Retirement System have caused the negative net position; this is not expected to change in the near future.

**CITY OF CORVALLIS**  
**Summary of Changes in Net Position**

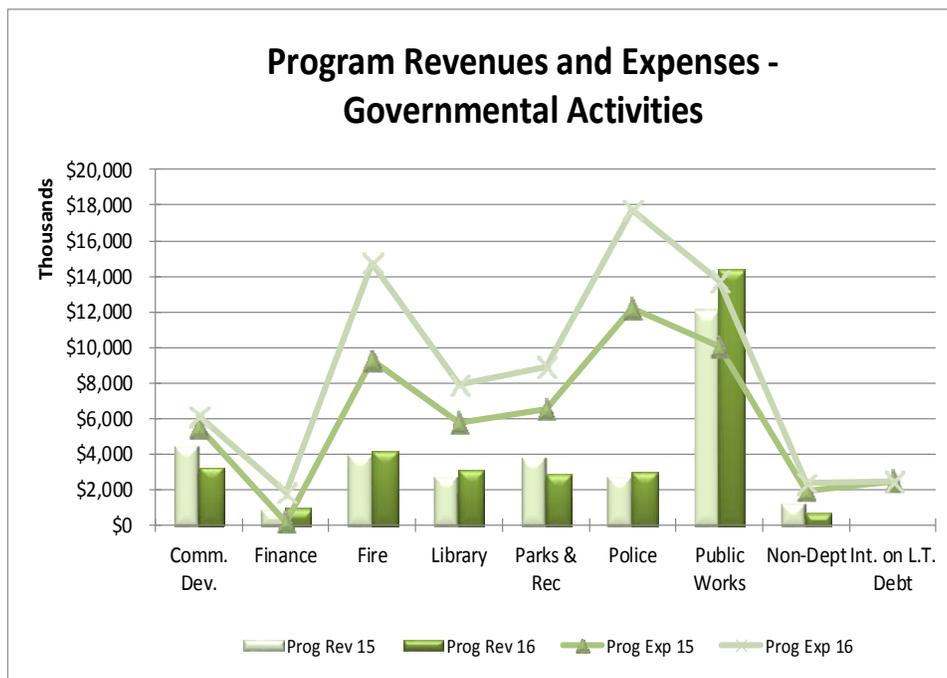
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
<b>Revenue:</b>						
Program Revenue:						
Charges for Service	\$ 18,434,985	\$ 15,913,168	\$ 24,232,118	\$ 24,359,233	\$ 42,667,103	\$ 40,272,401
Operating grants and contributions	9,387,749	9,767,844	16,635	24,523	9,404,384	9,792,367
Capital grants and contributions	4,480,448	6,295,099	4,757,420	5,904,697	9,237,868	12,199,796
General Revenue:						
Property taxes levied for op. purposes	25,331,103	25,201,755	-	-	25,331,103	25,201,755
Property taxes levied for debt service	1,131,328	1,143,419	-	-	1,131,328	1,143,419
Transient room taxes	1,604,370	1,753,986	-	-	1,604,370	1,753,986
Franchise Fees	5,635,615	5,604,632	-	-	5,635,615	5,604,632
Interest and investment earnings	289,554	409,590	159,831	295,644	449,385	705,234
Miscellaneous	1,681,005	1,762,658	17,925	38,305	1,698,930	1,800,963
Gain on sale of capital assets	20,298	35,784	-	-	20,298	35,784
Total Revenues	<u>67,996,455</u>	<u>67,887,935</u>	<u>29,183,929</u>	<u>30,622,402</u>	<u>97,180,384</u>	<u>98,510,337</u>
<b>Expenses:</b>						
Community Development	5,533,179	6,135,256	-	-	5,533,179	6,135,256
Finance Department	158,059	1,841,449	-	-	158,059	1,841,449
Fire Department	9,310,261	14,696,395	-	-	9,310,261	14,696,395
Library	5,724,638	7,862,874	-	-	5,724,638	7,862,874
Parks & Recreation	6,536,936	8,880,356	-	-	6,536,936	8,880,356
Police Department	12,218,752	17,738,321	-	-	12,218,752	17,738,321
Public Works	10,063,491	13,770,516	-	-	10,063,491	13,770,516
General Government	1,931,655	2,366,287	-	-	1,931,655	2,366,287
Interest on long-term debt	2,419,549	2,468,734	-	-	2,419,549	2,468,734
Water	-	-	8,388,726	9,924,438	8,388,726	9,924,438
Wastewater	-	-	8,503,193	10,188,710	8,503,193	10,188,710
Storm Water	-	-	2,217,614	2,890,403	2,217,614	2,890,403
Airport	-	-	709,543	782,852	709,543	782,852
Total Expenses	<u>53,896,520</u>	<u>75,760,188</u>	<u>19,819,076</u>	<u>23,786,403</u>	<u>73,715,596</u>	<u>99,546,591</u>
Excess of revenues over expenditures						
before transfers	14,099,935	(7,872,253)	9,364,853	6,835,999	23,464,788	(1,036,254)
Transfers	510,640	510,480	(510,640)	(510,480)	-	-
Change in Net Position	<u>14,610,575</u>	<u>(7,361,773)</u>	<u>8,854,213</u>	<u>6,325,519</u>	<u>23,464,788</u>	<u>(1,036,254)</u>
Net Position - Beginning	<u>121,031,706</u>	<u>135,642,281</u>	<u>138,498,546</u>	<u>147,352,759</u>	<u>259,530,252</u>	<u>282,995,040</u>
Net Position - Ending	<u>\$ 135,642,281</u>	<u>\$ 128,280,508</u>	<u>\$ 147,352,759</u>	<u>\$ 153,678,278</u>	<u>\$ 282,995,040</u>	<u>\$ 281,958,786</u>

- Governmental activities decreased the City’s net position by \$7,361,773. There was some improvement due to continued implementation of the Council Policy to fund an operating reserve, combined with implementation of a voter-approved local option property tax levy at the rate of \$0.8181 per \$1,000 of assessed value. Revenue from the levy is dedicated to specific operations. However, due to an Oregon Supreme Court decision overturning legislative changes to the State pension system, the Oregon Public Employees Retirement System (OPERS) changed from a net asset position to a net liability position, which decreased the City’s net position; in FY 2015 the GASB-68 reported data was an asset.
- Business-type activities increased the City’s net position by \$6,325,519. A significant base rate restructuring in the utility funds was implemented in FY 2015; rate increases of 3.5% for wastewater and 10% for storm water were implemented in 2016. These two factors led to an overall increase in program revenue available to fund operating and maintenance costs as well as to build capacity for either cash or debt funded infrastructure projects. Business-type activities also have a share of the OPERS GASB-68 liability.

## 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, 2016, the City’s governmental funds reported combined ending fund balances of \$31,593,134, an increase of \$3,042,228 in comparison with the prior year. Approximately \$20,680,697, or 65.5 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 \$10,907,437, is restricted to indicate that it is not available for new spending because it has already been earmarked to pay for capital construction and other purposes.

The General Fund is the main operating fund for the City. At the end of FY 2016, the unassigned and assigned fund balance of the General Fund was \$11,158,521. Monies restricted and committed totaled \$1,997,086. 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 27.87 percent of the total General Fund operating expenditures.

The total fund balance (restricted, committed, assigned, and unassigned) of the General Fund increased by \$2,854,085 during FY 2016. The key factor in this increase relates to the City Council’s continued emphasis on building reserves. Contributing influences to the total growth included the following:

- ❖ The City Council has continued its commitment to build the General Fund Fund Balance Reserve, bringing its total set aside from current revenues over the past four years to \$6,583,210, which is higher than the \$4,830,000 (representing 70 percent of \$6,900,000) required by policy by this point in time. This balance is currently reflected in the unassigned balance on page 26.
- ❖ Total revenues were higher than the final amended budget by \$37,094.
- ❖ Total expenditures were about \$3,303,589 lower, or 7.6 percent of the final budget, due to departmental vacancy savings. A portion of the savings was set aside to build the Fund Balance Reserve (unassigned reserves) as established by Financial Policy #10.01.

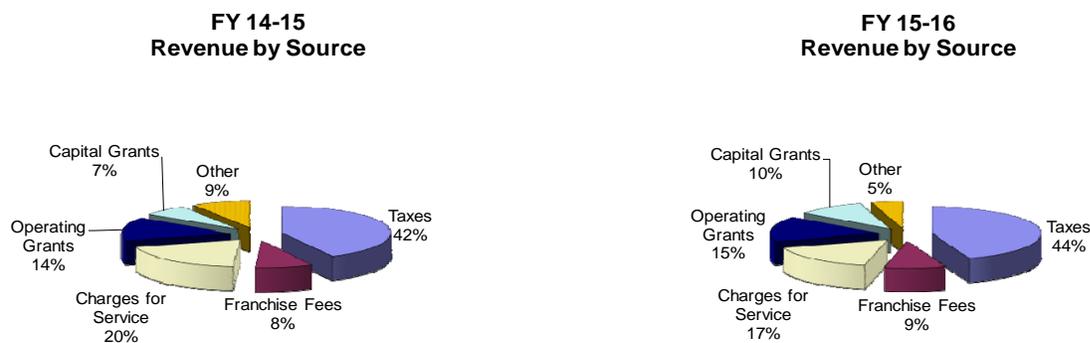
In the Street Fund, the fund balance increased by \$959,395. Revenues were higher than budgeted due to the receipt of unexpected fees in-lieu of improvements related to new development, as well as transfer activity of annual support from the General Fund for its portion of streetlight utility costs.

The Parks SDC Fund, with revenues from System Development Charges paid by new development restricted to system capacity enhancements, experienced a decrease in fund balance of \$694,535. Revenues were twice as high as expected, but the City spent just over one million dollars for capital improvements during the year using fund balances built for this purpose. Monies held in this fund are planned for use in the future to expand capacity in the Park system.

The Community Development Revolving Fund ending fund balance was \$52,973 greater than the prior year. As part of adopting the FY 15-16 budget, the City Council approved a grant of \$300,000 from the General Fund to keep the Community Development Revolving Fund in a positive position in FY 14-15, with another \$100,000 granted in FY 15-16. The City Council’s Housing Development Task Force, along with the Sustainable Budget Task Force, is developing recommendations for Housing programs and potential future funding sources.

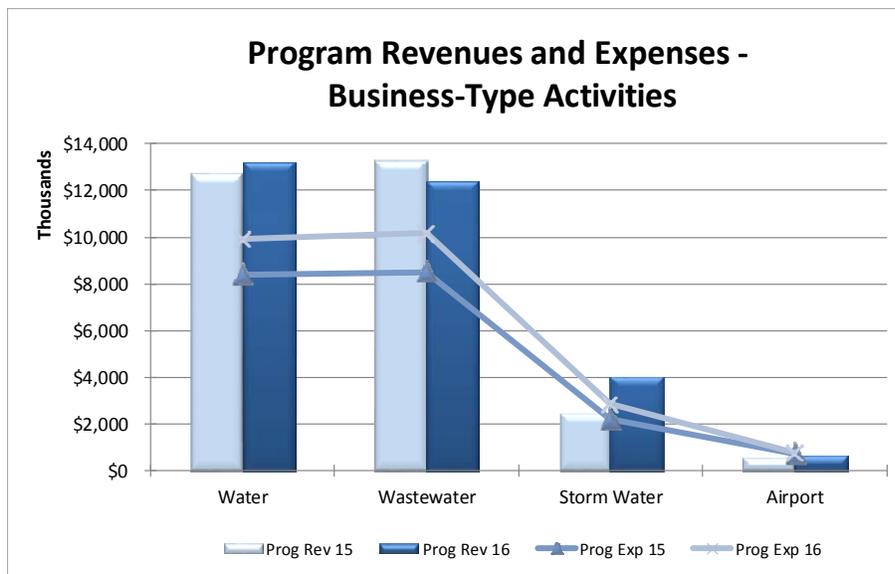
The Capital Construction Fund ending fund balance for June 30, 2016 was \$570,102 greater than the prior year. The increase was the result of balances being built up in anticipation of spending on summer projects.

**Revenue by Source – Governmental Funds**

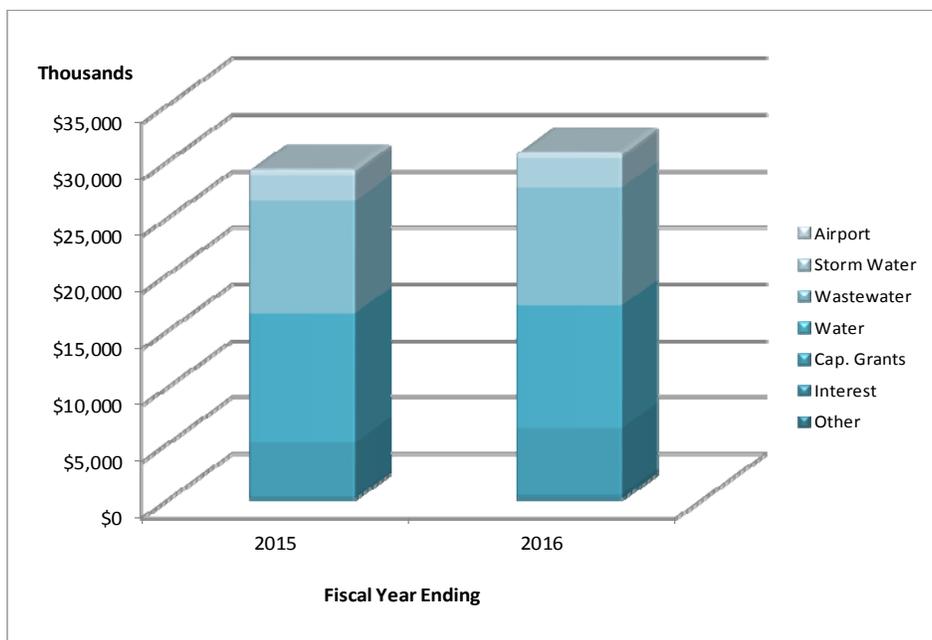


**Proprietary Funds** The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary funds increased the City’s net position by \$6,325,519 . Key elements of this increase are as follows:

- The Water, Wastewater and Storm Water Funds rates underwent a significant rate structure review during FY 2015, with rates re-structured to better account for fixed costs of each system within the fixed rate base. Rate increases of 0% for water, 3.5% for wastewater, and 10% for storm water were implemented February 1, 2016 for a total increase of 2.8% on the average single family residential bill.
- Systems Development Charges (SDCs) for water, wastewater, and storm water revenues combined were around \$239,000 lower than anticipated as the result of less development than was seen in FY 2015.



**Revenues by Source – Business-type Activities**



**General Fund Budgetary Highlights**

There was a \$359,000 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 a grant for equipment for the government and public access TV stations, a donation from a private business used for enhancements to the Kendall Natural Area, and appropriated \$15,000 from the beginning fund balance, which was higher than expected, to provide a grant to the daVinci Days festival. In summary:

- ❖ Revenues in total were close to budget. Tax revenue was almost \$150,000 lower than expected based on not achieving 3% growth in assessed value. This loss was offset by higher franchise fees and charges for service.
- ❖ Departments controlled spending and in some cases, set aside savings into assigned reserves for future vehicle/equipment replacements.

## 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, 2016, amounts to \$292,656,353 (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 \$2,940,276, or 1.01 percent. This total includes a 0.42 percent increase in governmental activities and a 1.75 percent increase in business-type activities.

Major capital asset events during FY 2016 included the following:

- ❖ Infrastructure maintenance projects capitalized for streets, water, wastewater, and storm water totaled \$1,441,809.
- ❖ Recorded intangibles include assets for land easements and software development.
- ❖ Work was completed on the 15th Street and Washington Way Improvements, which began in FY 2014. Over three fiscal years the City spent \$3.27 million in a successful partnership with Oregon State University.
- ❖ The Morris Avenue Bridge Replacement project was completed with an investment of \$840,000 in FY 2016 and total project costs of \$1.265 million.
- ❖ The Corvallis-Benton County Library and Municipal Court buildings both had roof replacement projects during FY 2016.

Depreciation of infrastructure, vehicles and equipment in FY 2016 served to largely offset the growth in additions to the City’s capital assets reflected above.

<b>CITY OF CORVALLIS’ CAPITAL ASSETS</b>						
<b>(net of depreciation)</b>						

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Intangibles	\$ 2,480,282	\$ 2,537,751	\$ 360,090	\$ 186,604	\$ 2,840,372	\$ 2,724,355
Land	89,694,077	91,346,817	1,142,357	1,142,357	90,836,434	92,489,174
Buildings	16,760,054	21,200,044	1,633,378	1,627,813	18,393,432	22,827,857
Machinery and equipment	2,180,635	2,828,148	2,017,041	2,175,431	4,197,676	5,003,579
Vehicles	5,519,873	5,743,619	778,506	1,225,082	6,298,379	6,968,701
Infrastructure	33,622,061	36,444,926	122,440,054	123,718,950	156,062,115	160,163,876
Mach/Vehic work in Progress	657,670	-	-	-	657,670	-
Construction in Progress	9,316,679	805,652	1,113,320	1,673,159	10,429,999	2,478,811
<b>Total</b>	<b>\$ 160,231,331</b>	<b>\$ 160,906,957</b>	<b>\$ 129,484,746</b>	<b>\$ 131,749,396</b>	<b>\$ 289,716,077</b>	<b>\$ 292,656,353</b>

Additional information on the City of Corvallis’ capital assets can be found on pages 53-54 of this report.

**Long-Term Debt** At the end of FY 2016 the City had total debt outstanding of \$45,190,679. Of this amount, \$12,180,000 comprises general obligation debt and other bonds backed by the full faith and credit of the government; \$2,385,000 is revenue supported based on direct pledges from the wastewater utility operation revenues; and \$29,500,679 is limited-tax pension-related debt, supported by operating funds of the City. The City also had total notes outstanding of \$1,125,000 which are fully General Fund supported.

**CITY OF CORVALLIS**  
**Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
General obligation bonds	\$ 4,285,000	\$ 3,320,000	\$ -	\$ -	\$ 4,285,000	\$ 3,320,000
Full Faith and Credit bonds	3,900,000	3,560,000	6,860,000	5,300,000	10,760,000	8,860,000
Pension obligation bonds	30,185,198	29,500,679	-	-	30,185,198	29,500,679
Revenue bonds	-	-	2,920,000	2,385,000	2,920,000	2,385,000
Total bonded debt	38,370,198	36,380,679	9,780,000	7,685,000	48,150,198	44,065,679
Notes payable	1,330,000	1,125,000	-	-	1,330,000	1,125,000
<b>Total Debt Outstanding</b>	<b>\$ 39,700,198</b>	<b>\$ 37,505,679</b>	<b>\$ 9,780,000</b>	<b>\$ 7,685,000</b>	<b>\$ 49,480,198</b>	<b>\$ 45,190,679</b>

The City's total debt decreased \$4,289,519 or 8.67 percent during FY 2016. The decrease was driven entirely by paying scheduled debt service.

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.

Additional information on the City of Corvallis' long-term debt can be found on pages 55-59 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- ❖ The seasonally adjusted unemployment rate for the Corvallis MSA in June 2016 was 4.4 percent, a decrease from last June's 4.6 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 4.8 percent.
- ❖ Historically, property tax revenue has been relatively stable, with an average rate of growth of around 3 percent annually over the last decade.
- ❖ The budget adopted for FY 2016 assumed Benton County would continue to defer billing for Comcast based on its statewide appeal of value. A decision from the Supreme Court is not expected until 2017 or later.
- ❖ 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 at OSU has slowed some, but development of off-campus student housing has been strong with a current vacancy rate of less than 1 percent for rental units.

All of these factors were considered when preparing the budget for the 2016 fiscal year.

During FY 2016, assigned and unassigned fund balances in the General Fund increased to a combined total of \$11,158,521. The City Council has affirmed their financial policy to build the General Fund reserve to three-months of payroll costs, or around \$6.9 million and has continued to apply the strategy to meet that goal. Significant work has continued to develop and maintain a sustainable budget. The City Council appointed a task force to achieve the Council's goal of adopting a sustainable budget.

## **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](mailto:finance@corvallisoregon.gov).

# BASIC FINANCIAL STATEMENTS

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



## 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, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Assets</b>			
Cash and investments	\$ 37,091,805	\$ 35,853,065	\$ 72,944,870
Receivables (net of allowances for uncollectibles)			
Property taxes	1,952,785	-	1,952,785
Accounts	1,574,054	2,546,537	4,120,591
Accrued interest	60,206	64,330	124,536
Assessments	53,886	28,778	82,664
Franchise fees	467,099	-	467,099
Grants	455,790	121,955	577,745
Revolving loans	2,549,409	-	2,549,409
Other receivables	945,786	117	945,903
Other assets	9	-	9
Other restricted assets	-	7	7
Capital assets:			
Non-depreciable	94,620,817	2,815,516	97,436,333
Other (net of accumulated depreciation)	66,286,140	128,933,880	195,220,020
<i>Total Assets</i>	<u>206,057,786</u>	<u>170,364,185</u>	<u>376,421,971</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pension	3,305,590	677,529	3,983,119
<i>Total Deferred Outflows of Resources</i>	<u>3,305,590</u>	<u>677,529</u>	<u>3,983,119</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 209,363,376</u>	<u>\$ 171,041,714</u>	<u>\$ 380,405,090</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,779,963	\$ 992,443	\$ 2,772,406
Accrued interest	700,778	26,683	727,461
Other accrued liabilities	2,909,762	797,987	3,707,749
Unearned revenue	70,223	-	70,223
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences	3,498,799	602,914	4,101,713
Bonds payable	2,129,957	1,805,000	3,934,957
Notes payable	210,000	-	210,000
Due in more than one year:			
Accrued compensated absences	1,923,023	331,378	2,254,401
Net OPEB obligation	12,672,209	2,745,980	15,418,189
Net pension liability	15,551,848	3,169,534	18,721,382
Bonds payable	34,250,722	5,880,000	40,130,722
Notes payable	915,000	-	915,000
<i>Total Liabilities</i>	<u>76,612,284</u>	<u>16,351,919</u>	<u>92,964,203</u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts from debt refundings	149,949	125,940	275,889
Deferred inflows of resources - pension	4,320,635	885,577	5,206,212
<i>Total Deferred Inflows of Resources</i>	<u>4,470,584</u>	<u>1,011,517</u>	<u>5,482,101</u>
<b>Net Position</b>			
Net investment in capital assets	152,752,009	123,938,456	276,690,465
Restricted for:			
Streets and highways	6,324,679	-	6,324,679
Capital projects and construction	5,811,028	24,083,350	29,894,378
Debt service	72,171	-	72,171
Endowments - nonexpendable	5,000	-	5,000
Other purposes	3,584,023	-	3,584,023
Unrestricted	(40,268,402)	5,656,472	(34,611,930)
<i>Total Net Position</i>	<u>128,280,508</u>	<u>153,678,278</u>	<u>281,958,786</u>
<i>Total Liabilities, Deferred Inflows of Resources and Net Position</i>	<u>\$ 209,363,376</u>	<u>\$ 171,041,714</u>	<u>\$ 380,405,090</u>

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, 2016**

Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Totals
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
Community Development	\$ 6,135,256	\$ 2,657,656	\$ 594,812	\$ -	\$ (2,882,788)	\$ -	\$ (2,882,788)
Finance	1,841,449	888,473	-	-	(952,976)	-	(952,976)
Fire	14,696,395	4,036,835	-	80,268	(10,579,292)	-	(10,579,292)
Library	7,862,874	341,192	2,703,786	-	(4,817,896)	-	(4,817,896)
Parks and Recreation	8,880,356	2,399,366	34,107	369,416	(6,077,467)	-	(6,077,467)
Police	17,738,321	1,544,813	1,350,194	-	(14,843,314)	-	(14,843,314)
Public Works	13,770,516	3,383,821	5,084,945	5,845,415	543,665	-	543,665
General Government	2,366,287	661,012	-	-	(1,705,275)	-	(1,705,275)
Interest on long-term debt	2,468,734	-	-	-	(2,468,734)	-	(2,468,734)
<i>Total Governmental Activities</i>	<u>75,760,188</u>	<u>15,913,168</u>	<u>9,767,844</u>	<u>6,295,099</u>	<u>(43,784,077)</u>	<u>-</u>	<u>(43,784,077)</u>
<b>Business-type Activities:</b>							
Water	9,924,438	10,842,972	24,523	2,348,604	-	3,291,661	3,291,661
Wastewater	10,188,710	10,448,419	-	1,937,377	-	2,197,086	2,197,086
Storm Water	2,890,403	2,584,191	-	1,435,769	-	1,129,557	1,129,557
Airport	782,852	483,651	-	182,947	-	(116,254)	(116,254)
<i>Total Business-type Activities</i>	<u>23,786,403</u>	<u>24,359,233</u>	<u>24,523</u>	<u>5,904,697</u>	<u>-</u>	<u>6,502,050</u>	<u>6,502,050</u>
<i>Total Activities</i>	<u>\$ 99,546,591</u>	<u>\$ 40,272,401</u>	<u>\$ 9,792,367</u>	<u>\$ 12,199,796</u>	<u>(43,784,077)</u>	<u>6,502,050</u>	<u>(37,282,027)</u>
<b>General Revenues:</b>							
Taxes							
Property taxes, levied for general purposes					25,201,755	-	25,201,755
Property taxes, levied for debt service					1,143,419	-	1,143,419
Transient room taxes					1,753,986	-	1,753,986
Franchise fees					5,604,632	-	5,604,632
Interest and investment earnings					409,590	295,644	705,234
Miscellaneous					1,762,658	38,305	1,800,963
Gain on sale of capital assets					35,784	-	35,784
<i>Total General Revenues</i>					<u>35,911,824</u>	<u>333,949</u>	<u>36,245,773</u>
<b>Transfers</b>					510,480	(510,480)	-
<b>Change in Net Position</b>					(7,361,773)	6,325,519	(1,036,254)
<b>Net Position, Beginning of Year</b>					135,642,281	147,352,759	282,995,040
<b>Net Position, End of Year</b>					<u>\$ 128,280,508</u>	<u>\$ 153,678,278</u>	<u>\$ 281,958,786</u>

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

# FUND FINANCIAL STATEMENTS

## MAJOR GOVERNMENTAL FUNDS



## 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.

**CITY OF CORVALLIS, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>General</u>	<u>Street</u>	<u>Parks SDC</u>	<u>Community Development Revolving</u>	<u>Capital Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and investments	\$ 14,951,457	\$ 6,514,973	\$ 3,683,269	\$ -	\$ 1,967,577	\$ 6,203,128	\$ 33,320,404
Receivables							
Property taxes	1,952,785	-	-	-	-	-	1,952,785
Accounts	1,289,598	59,685	-	6,108	-	180,764	1,536,155
Accrued interest	24,567	10,716	11,711	154	1,517	9,856	58,521
Assessments	36,312	6,772	10,802	-	-	-	53,886
Franchise fees	467,099	-	-	-	-	-	467,099
Grants	13,251	38,884	-	59,316	96,866	247,473	455,790
Revolving loans	1,243	-	-	2,548,166	-	-	2,549,409
Other receivables	503,098	300,883	-	-	-	141,805	945,786
Other assets	-	-	-	-	-	9	9
<b>Total Assets</b>	<b>\$ 19,239,410</b>	<b>\$ 6,931,913</b>	<b>\$ 3,705,782</b>	<b>\$ 2,613,744</b>	<b>\$ 2,065,960</b>	<b>\$ 6,783,035</b>	<b>\$ 41,339,844</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 617,960	\$ 51,379	\$ -	\$ 603	\$ 137,114	\$ 317,260	\$ 1,124,316
Other accrued liabilities	2,331,462	549,083	-	9,447	2,815	368	2,893,175
<b>Total Liabilities</b>	<b>2,949,422</b>	<b>600,462</b>	<b>-</b>	<b>10,050</b>	<b>139,929</b>	<b>317,628</b>	<b>4,017,491</b>
<b>Deferred Inflows of Resources</b>							
Unavailable/unearned revenue	3,134,381	6,772	10,802	2,548,167	-	29,097	5,729,219
<b>Total Deferred Inflows of Resources</b>	<b>3,134,381</b>	<b>6,772</b>	<b>10,802</b>	<b>2,548,167</b>	<b>-</b>	<b>29,097</b>	<b>5,729,219</b>
<b>Fund Balances</b>							
Nonspendable	-	-	-	-	-	5,000	5,000
Restricted	1,102,881	4,371,770	3,694,980	61,459	1,603,542	72,805	10,907,437
Committed	894,205	435,710	-	1,096,943	-	2,699,999	5,126,857
Assigned	1,732,693	1,517,199	-	-	322,489	3,658,506	7,230,887
Unassigned	9,425,828	-	-	(1,102,875)	-	-	8,322,953
<b>Total Fund Balances</b>	<b>13,155,607</b>	<b>6,324,679</b>	<b>3,694,980</b>	<b>55,527</b>	<b>1,926,031</b>	<b>6,436,310</b>	<b>31,593,134</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 19,239,410</b>	<b>\$ 6,931,913</b>	<b>\$ 3,705,782</b>	<b>\$ 2,613,744</b>	<b>\$ 2,065,960</b>	<b>\$ 6,783,035</b>	<b>\$ 41,339,844</b>

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, 2016**

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Amounts reported for governmental activities in the statement of net position (page 24) are different because:

Fund balance - total governmental funds (page 26)	\$ 31,593,134
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.	160,101,526
Other long-term assets and deferred outflow of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,305,590
Long-term liabilities and deferred inflows of resources, including accrued liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(73,906,079)
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.	1,527,341
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.	5,658,996
Net position of governmental activities (page 24)	<u>\$ 128,280,508</u>

*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, 2016**

	<i>General</i>	<i>Street</i>	<i>Parks SDC</i>	<i>Community Development Revolving</i>	<i>Capital Construction</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<b>REVENUES</b>							
Taxes	\$ 27,368,148	\$ -	\$ -	\$ -	\$ -	\$ 1,143,419	\$ 28,511,567
Licenses, fees, and permits	5,974,585	897,402	-	184,588	-	2,078,055	9,134,630
Charges for services	6,481,579	847,623	293,784	5,000	-	2,937,963	10,565,949
Intergovernmental	4,204,335	3,442,505	-	590,812	1,001,334	2,824,951	12,063,937
Fines and forfeitures	711,246	923	-	13,852	-	371,588	1,097,609
Miscellaneous	1,045,245	95,520	59,110	178,293	142,524	286,397	1,807,089
<i>Total Revenues</i>	<u>45,785,138</u>	<u>5,283,973</u>	<u>352,894</u>	<u>972,545</u>	<u>1,143,858</u>	<u>9,642,373</u>	<u>63,180,781</u>
<b>EXPENDITURES</b>							
Current							
City Manager's Office	510,684	-	-	-	-	-	510,684
Community Development	1,301,866	18,572	-	979,092	-	2,795,274	5,094,804
Finance	566,652	-	-	-	-	191,705	758,357
Fire	10,731,502	-	-	-	-	-	10,731,502
Library	6,130,458	-	-	-	-	-	6,130,458
Parks & Recreation	6,787,416	-	-	-	-	-	6,787,416
Police	10,938,590	-	-	-	-	2,670,639	13,609,229
Public Works	655,075	3,509,929	-	-	-	3,261,599	7,426,603
Nondepartmental	968,010	-	-	-	-	1,350	969,360
Debt service							
Principal	545,000	-	-	-	-	1,649,519	2,194,519
Interest	148,234	-	-	-	-	2,331,458	2,479,692
Capital outlay	749,614	375,476	-	-	2,413,621	453,481	3,992,192
<i>Total Expenditures</i>	<u>40,033,101</u>	<u>3,903,977</u>	<u>-</u>	<u>979,092</u>	<u>2,413,621</u>	<u>13,355,025</u>	<u>60,684,816</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,752,037</u>	<u>1,379,996</u>	<u>352,894</u>	<u>(6,547)</u>	<u>(1,269,763)</u>	<u>(3,712,652)</u>	<u>2,495,965</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds - sale of capital assets	35,784	-	-	-	-	-	35,784
Transfers in	3,995	255,500	-	100,000	1,839,865	3,304,320	5,503,680
Transfers out	(2,937,731)	(676,101)	(1,047,429)	(40,480)	-	(291,460)	(4,993,201)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,897,952)</u>	<u>(420,601)</u>	<u>(1,047,429)</u>	<u>59,520</u>	<u>1,839,865</u>	<u>3,012,860</u>	<u>546,263</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>2,854,085</u>	<u>959,395</u>	<u>(694,535)</u>	<u>52,973</u>	<u>570,102</u>	<u>(699,792)</u>	<u>3,042,228</u>
<b>FUND BALANCE, Beginning of year</b>	<u>10,301,522</u>	<u>5,365,284</u>	<u>4,389,515</u>	<u>2,554</u>	<u>1,355,929</u>	<u>7,136,102</u>	<u>28,550,906</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 13,155,607</u>	<u>\$ 6,324,679</u>	<u>\$ 3,694,980</u>	<u>\$ 55,527</u>	<u>\$ 1,926,031</u>	<u>\$ 6,436,310</u>	<u>\$ 31,593,134</u>

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, 2016**

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

Net change in fund balances - total governmental funds (page 28)	\$ 3,042,228
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)	4,009,459
Current period depreciation	(5,497,295)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(2,556,925)
Contributions of capital assets increase net position. These assets are not reported in the funds.	4,412,839
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.	2,227,912
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.	(13,305,802)
Some revenues are earned but are deferred as they are not available in the current period and, therefore, are not reported in the funds.	(219,457)
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.	525,268
	<hr/>
Change in net position of governmental activities (page 25)	<u><u>\$ (7,361,773)</u></u>

*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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes	\$ 27,516,370	\$ 27,516,370	\$ 27,368,148	\$ (148,222)
Licenses, fees, and permits	5,868,130	5,873,130	5,974,585	101,455
Charges for services	6,053,430	6,148,430	6,481,579	333,149
Intergovernmental	4,223,730	4,223,730	4,204,335	(19,395)
Fines and forfeitures	769,160	769,160	711,246	(57,914)
Miscellaneous	918,910	1,162,910	990,931	(171,979)
<i>Total Revenues</i>	<u>45,349,730</u>	<u>45,693,730</u>	<u>45,730,824</u>	<u>37,094</u>
<b>EXPENDITURES</b>				
Current				
City Manager's Office	501,700	542,200	510,684	31,516
Community Development	1,686,300	1,645,800	1,301,866	343,934
Finance	678,050	678,050	566,652	111,398
Fire	11,714,420	11,714,420	11,051,403	663,017
Library	6,349,950	6,349,950	6,156,665	193,285
Parks & Recreation	7,106,630	7,408,650	6,813,276	595,374
Police	11,884,850	11,884,850	11,116,207	768,643
Public Works	852,630	1,121,630	855,104	266,526
Nondepartmental	879,920	994,920	968,010	26,910
Debt service				
Principal	545,000	545,000	545,000	-
Interest	148,240	148,240	148,234	6
Contingency	630,000	302,980	-	302,980
<i>Total Expenditures</i>	<u>42,977,690</u>	<u>43,336,690</u>	<u>40,033,101</u>	<u>3,303,589</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	2,372,040	2,357,040	5,697,723	3,340,683
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	-	-	35,784	35,784
Funds collected for other municipalities	1,239,430	1,239,430	523,793	(715,637)
Funds due to other municipalities	(1,239,430)	(1,239,430)	(469,479)	769,951
Transfers in	2,370	2,370	3,995	1,625
Transfers out	(2,971,810)	(2,971,810)	(2,937,731)	34,079
<i>Total Other Financing Sources (Uses)</i>	<u>(2,969,440)</u>	<u>(2,969,440)</u>	<u>(2,843,638)</u>	<u>125,802</u>
<b>NET CHANGE IN FUND BALANCE</b>	(597,400)	(612,400)	2,854,085	3,466,485
<b>FUND BALANCE, Beginning of year</b>	<u>8,559,430</u>	<u>8,559,430</u>	<u>10,301,522</u>	<u>1,742,092</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 7,962,030</u>	<u>\$ 7,947,030</u>	<u>\$ 13,155,607</u>	<u>\$ 5,208,577</u>

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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 706,890	\$ 706,890	\$ 897,402	\$ 190,512
Charges for services	1,316,000	1,316,000	847,623	(468,377)
Intergovernmental	3,384,140	3,384,140	3,442,505	58,365
Fines and forfeitures	1,000	1,000	923	(77)
Miscellaneous	73,530	144,510	95,520	(48,990)
<i>Total Revenues</i>	<u>5,481,560</u>	<u>5,552,540</u>	<u>5,283,973</u>	<u>(268,567)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	20,570	20,570	18,572	1,998
Public Works	4,453,300	4,524,280	3,885,405	638,875
Contingency	86,760	86,760	-	86,760
<i>Total Expenditures</i>	<u>4,560,630</u>	<u>4,631,610</u>	<u>3,903,977</u>	<u>727,633</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	920,930	920,930	1,379,996	459,066
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	255,500	255,500	255,500	-
Transfers out	(1,301,630)	(1,301,630)	(676,101)	625,529
<i>Total Other Financing Sources (Uses)</i>	<u>(1,046,130)</u>	<u>(1,046,130)</u>	<u>(420,601)</u>	<u>625,529</u>
<b>NET CHANGE IN FUND BALANCE</b>	(125,200)	(125,200)	959,395	1,084,595
<b>FUND BALANCE, Beginning of year</b>	<u>4,608,984</u>	<u>4,608,984</u>	<u>5,365,284</u>	<u>756,300</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 4,483,784</u>	<u>\$ 4,483,784</u>	<u>\$ 6,324,679</u>	<u>\$ 1,840,895</u>

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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 174,000	\$ 174,000	\$ 293,784	\$ 119,784
Miscellaneous	24,730	24,730	59,110	34,380
<i>Total Revenues</i>	<u>198,730</u>	<u>198,730</u>	<u>352,894</u>	<u>154,164</u>
<b>EXPENDITURES</b>				
Current				
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>198,730</u>	<u>198,730</u>	<u>352,894</u>	<u>154,164</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(2,197,620)</u>	<u>(2,197,620)</u>	<u>(1,047,429)</u>	<u>1,150,191</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,998,890)</u>	<u>(1,998,890)</u>	<u>(694,535)</u>	<u>1,304,355</u>
<b>FUND BALANCE, Beginning of year</b>	<u>2,970,973</u>	<u>2,970,973</u>	<u>4,389,515</u>	<u>1,418,542</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 972,083</u>	<u>\$ 972,083</u>	<u>\$ 3,694,980</u>	<u>\$ 2,722,897</u>

*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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 172,460	\$ 172,460	\$ 184,588	\$ 12,128
Charges for services	5,000	5,000	5,000	-
Intergovernmental	1,585,320	1,585,320	590,812	(994,508)
Fines and forfeitures	-	-	13,852	13,852
Miscellaneous	313,500	313,500	178,293	(135,207)
<i>Total Revenues</i>	<u>2,076,280</u>	<u>2,076,280</u>	<u>972,545</u>	<u>(1,103,735)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	2,103,780	2,103,780	979,092	1,124,688
Contingency	21,670	21,670	-	21,670
<i>Total Expenditures</i>	<u>2,125,450</u>	<u>2,125,450</u>	<u>979,092</u>	<u>1,146,358</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(49,170)</u>	<u>(49,170)</u>	<u>(6,547)</u>	<u>42,623</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(40,480)	(40,480)	(40,480)	-
<i>Total Other Financing Sources (Uses)</i>	<u>59,520</u>	<u>59,520</u>	<u>59,520</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	10,350	10,350	52,973	42,623
<b>FUND BALANCE, Beginning of year</b>	<u>1,480</u>	<u>1,480</u>	<u>2,554</u>	<u>1,074</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 11,830</u>	<u>\$ 11,830</u>	<u>\$ 55,527</u>	<u>\$ 43,697</u>

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

# FUND FINANCIAL STATEMENTS

## PROPRIETARY FUNDS



## 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, 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.

### **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, 2016**

	<i>Business-type Activities - Enterprise Funds</i>					<i>Governmental Activities Internal Service Funds</i>
	<i>Water</i>	<i>Wastewater</i>	<i>Storm Water</i>	<i>Airport</i>	<i>Total</i>	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>Current Assets</b>						
Cash and investments	\$ 15,446,480	\$ 18,004,261	\$ 1,650,424	\$ 751,900	\$ 35,853,065	\$ 3,771,401
Receivables						
Accounts	1,210,379	1,031,306	253,431	51,421	2,546,537	37,899
Accrued interest	24,003	36,642	2,720	965	64,330	1,685
Grants	-	-	-	121,955	121,955	-
Other receivables	-	117	-	-	117	-
<i>Total Current Assets</i>	<u>16,680,862</u>	<u>19,072,326</u>	<u>1,906,575</u>	<u>926,241</u>	<u>38,586,004</u>	<u>3,810,985</u>
<b>Noncurrent Assets</b>						
Assessments receivable	7,694	20,089	995	-	28,778	-
Other restricted assets	-	7	-	-	7	-
Capital assets						
Non-depreciable	439,088	1,528,210	402,914	445,304	2,815,516	500,664
Other (net of accumulated depreciation)	45,191,427	60,788,924	18,082,812	4,870,717	128,933,880	304,768
<i>Total Noncurrent Assets</i>	<u>45,638,209</u>	<u>62,337,230</u>	<u>18,486,721</u>	<u>5,316,021</u>	<u>131,778,181</u>	<u>805,432</u>
<i>Total Assets</i>	<u>62,319,071</u>	<u>81,409,556</u>	<u>20,393,296</u>	<u>6,242,262</u>	<u>170,364,185</u>	<u>4,616,417</u>
<b>Deferred Outflows of Resources</b>						
Deferred outflows of resources - pension	276,429	280,013	106,748	14,339	677,529	-
<i>Total Deferred Outflows of Resources</i>	<u>276,429</u>	<u>280,013</u>	<u>106,748</u>	<u>14,339</u>	<u>677,529</u>	<u>-</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 62,595,500</u>	<u>\$ 81,689,569</u>	<u>\$ 20,500,044</u>	<u>\$ 6,256,601</u>	<u>\$ 171,041,714</u>	<u>\$ 4,616,417</u>
<b>LIABILITIES AND NET POSITION</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 529,562	\$ 201,933	\$ 18,578	\$ 242,370	\$ 992,443	\$ 655,647
Accrued compensated absences	249,180	242,521	101,182	10,031	602,914	476,116
Accrued interest	380	26,303	-	-	26,683	-
Other accrued liabilities	346,201	253,235	193,564	4,987	797,987	16,587
Bonds payable, current portion	160,000	1,645,000	-	-	1,805,000	-
<i>Total Current Liabilities</i>	<u>1,285,323</u>	<u>2,368,992</u>	<u>313,324</u>	<u>257,388</u>	<u>4,225,027</u>	<u>1,148,350</u>
<b>Long-Term Liabilities</b>						
Accrued compensated absences	136,956	133,296	55,612	5,514	331,378	261,684
Net OPEB obligations	1,111,651	1,110,110	470,255	53,964	2,745,980	1,679,042
Net pension liability	1,290,280	1,313,867	502,482	62,905	3,169,534	-
Bonds payable (net of unamortized premium and deferred amount on refunding)	1,803	6,004,137	-	-	6,005,940	-
<i>Total Long-Term Liabilities</i>	<u>2,540,690</u>	<u>8,561,410</u>	<u>1,028,349</u>	<u>122,383</u>	<u>12,252,832</u>	<u>1,940,726</u>
<i>Total Liabilities</i>	<u>3,826,013</u>	<u>10,930,402</u>	<u>1,341,673</u>	<u>379,771</u>	<u>16,477,859</u>	<u>3,089,076</u>
<b>Deferred Inflows of Resources</b>						
Deferred inflows of resources - pension	361,311	365,997	139,527	18,742	885,577	-
<i>Total Deferred Inflows of Resources</i>	<u>361,311</u>	<u>365,997</u>	<u>139,527</u>	<u>18,742</u>	<u>885,577</u>	<u>-</u>
<b>Net Position</b>						
Net investment in capital assets	45,468,712	54,667,997	18,485,726	5,316,021	123,938,456	805,432
Restricted						
Capital projects and construction	8,712,197	15,147,100	224,053	-	24,083,350	-
Unrestricted	4,227,267	578,073	309,065	542,067	5,656,472	721,909
<i>Total Net Position</i>	<u>58,408,176</u>	<u>70,393,170</u>	<u>19,018,844</u>	<u>5,858,088</u>	<u>153,678,278</u>	<u>1,527,341</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 62,595,500</u>	<u>\$ 81,689,569</u>	<u>\$ 20,500,044</u>	<u>\$ 6,256,601</u>	<u>\$ 171,041,714</u>	<u>\$ 4,616,417</u>

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, 2016**

	<i>Business-type Activities - Enterprise Funds</i>					<i>Governmental</i>
	<i>Water</i>	<i>Wastewater</i>	<i>Storm Water</i>	<i>Airport</i>	<i>Total</i>	<i>Activities Internal Service Funds</i>
<b>OPERATING REVENUES</b>						
Licenses, fees, and permits	\$ -	\$ -	\$ -	\$ 5,418	\$ 5,418	\$ 38,315
Charges for services	10,996,280	11,540,404	2,605,878	476,213	25,618,775	9,792,477
Fines and forfeitures	(341)	449	-	651	759	354
Miscellaneous	394,026	52,171	4,128	1,369	451,694	185,779
<i>Total Operating Revenues</i>	<u>11,389,965</u>	<u>11,593,024</u>	<u>2,610,006</u>	<u>483,651</u>	<u>26,076,646</u>	<u>10,016,925</u>
<b>OPERATING EXPENSES</b>						
Personnel services	4,284,388	4,317,327	1,672,130	181,639	10,455,484	4,870,642
Materials and supplies	865,207	597,188	59,696	21,725	1,543,816	456,886
Services	801,686	335,101	146,909	108,528	1,392,224	1,726,405
Utility and overhead	2,428,510	2,353,571	563,844	82,876	5,428,801	2,358,164
Training and conference	12,918	12,355	1,587	345	27,205	51,708
Depreciation and amortization	1,529,188	2,419,777	433,751	359,109	4,741,825	36,363
<i>Total Operating Expenses</i>	<u>9,921,897</u>	<u>10,035,319</u>	<u>2,877,917</u>	<u>754,222</u>	<u>23,589,355</u>	<u>9,500,168</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,468,068</u>	<u>1,557,705</u>	<u>(267,911)</u>	<u>(270,571)</u>	<u>2,487,291</u>	<u>516,757</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>						
Interest income	124,902	153,976	10,335	6,431	295,644	8,511
Interest expense	(2,541)	(199,333)	-	-	(201,874)	-
Intergovernmental	24,523	-	-	-	24,523	-
Gain (loss) on disposal of capital assets	0	45,942	(12,486)	(28,630)	4,826	-
<i>Total Non-Operating Income (Expense)</i>	<u>146,884</u>	<u>585</u>	<u>(2,151)</u>	<u>(22,199)</u>	<u>123,119</u>	<u>8,511</u>
<b>INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,614,952</u>	<u>1,558,290</u>	<u>(270,062)</u>	<u>(292,770)</u>	<u>2,610,410</u>	<u>525,268</u>
<b>CAPITAL CONTRIBUTIONS</b>						
Capital assets	1,813,321	818,638	1,410,683	-	4,042,642	-
Capital grants	-	-	-	182,947	182,947	-
<i>Total Capital Contributions</i>	<u>1,813,321</u>	<u>818,638</u>	<u>1,410,683</u>	<u>182,947</u>	<u>4,225,589</u>	<u>-</u>
<b>TRANSFERS</b>						
Transfers out	(192,930)	(172,790)	(134,640)	(10,120)	(510,480)	-
<b>CHANGE IN NET POSITION</b>	<u>3,235,343</u>	<u>2,204,138</u>	<u>1,005,981</u>	<u>(119,943)</u>	<u>6,325,519</u>	<u>525,268</u>
<b>NET POSITION, Beginning of year</b>	<u>55,172,833</u>	<u>68,189,032</u>	<u>18,012,863</u>	<u>5,978,031</u>	<u>147,352,759</u>	<u>1,002,073</u>
<b>NET POSITION, End of year</b>	<u>\$ 58,408,176</u>	<u>\$ 70,393,170</u>	<u>\$ 19,018,844</u>	<u>\$ 5,858,088</u>	<u>\$ 153,678,278</u>	<u>\$ 1,527,341</u>

*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, 2016**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Storm Water</b>	<b>Airport</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 11,793,191	\$ 11,942,785	\$ 2,752,837	\$ 378,182	\$ 26,866,995	\$ 567,083
Receipts from interfund services provided	5,326	249	2,567	-	8,142	1,996,735
Other receipts	7,560	6,200	1,060	740	15,560	8,360
Payments to suppliers	(1,983,536)	(1,541,258)	(244,755)	97,367	(3,672,182)	(3,837,966)
Payments to employees	(3,152,323)	(3,185,617)	(1,233,974)	(163,562)	(7,735,476)	(4,391,934)
Payments for interfund services used	(1,958,601)	(1,867,516)	(537,985)	(91,643)	(4,455,745)	6,898,940
Other payments	(5,000)	-	-	-	(5,000)	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>4,706,617</u>	<u>5,354,843</u>	<u>739,750</u>	<u>221,084</u>	<u>11,022,294</u>	<u>1,241,218</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers out	(192,930)	(172,790)	(134,640)	(10,120)	(510,480)	-
<i>Net Cash Used In Noncapital Financing Activities</i>	<u>(192,930)</u>	<u>(172,790)</u>	<u>(134,640)</u>	<u>(10,120)</u>	<u>(510,480)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(654,449)	(1,571,024)	(522,181)	(286,497)	(3,034,151)	(100,858)
Capital contributions	-	-	-	182,947	182,947	-
Interest paid	(6,400)	(284,450)	-	-	(290,850)	-
Payments on bond principal	(160,000)	(1,935,000)	-	-	(2,095,000)	-
Proceeds - sale of capital assets	-	46,500	28,644	-	75,144	-
<i>Net Cash Used In Capital and Related Financing Activities</i>	<u>(820,849)</u>	<u>(3,743,974)</u>	<u>(493,537)</u>	<u>(103,550)</u>	<u>(5,161,910)</u>	<u>(100,858)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	112,200	141,804	9,533	5,884	269,421	7,425
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>3,805,038</b>	<b>1,579,883</b>	<b>121,106</b>	<b>113,298</b>	<b>5,619,325</b>	<b>1,147,785</b>
<b>CASH AND INVESTMENTS, Beginning of year</b>	<b>11,641,442</b>	<b>16,424,378</b>	<b>1,529,318</b>	<b>638,602</b>	<b>30,233,740</b>	<b>2,623,616</b>
<b>CASH AND INVESTMENTS, End of year</b>	<b>\$ 15,446,480</b>	<b>\$ 18,004,261</b>	<b>\$ 1,650,424</b>	<b>\$ 751,900</b>	<b>\$ 35,853,065</b>	<b>\$ 3,771,401</b>

	<i>Business-type Activities - Enterprise Funds</i>					<i>Governmental Activities Internal Service Funds</i>
	<i>Water</i>	<i>Wastewater</i>	<i>Storm Water</i>	<i>Airport</i>	<i>Total</i>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 1,468,068	\$ 1,557,705	\$ (267,911)	\$ (270,571)	\$ 2,487,291	\$ 516,757
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	1,529,188	2,419,777	433,751	359,109	4,741,825	36,363
Change in assets and liabilities						
Receivables						
Accounts receivable	75,086	83,326	(27,394)	(11,284)	119,734	7,885
Assessments	1,783	2,580	(113)	-	4,250	-
Grants	32,643	-	-	(93,430)	(60,787)	-
Other	-	2	-	-	2	-
Other Assets	-	(4)	-	-	(4)	-
Accounts payable	334,742	(101,724)	(50,529)	201,657	384,146	361,933
Accrued compensated absences	21,248	30,171	7,727	(897)	58,249	47,820
Net OPEB obligations	82,807	77,101	63,438	(15,459)	207,887	273,928
Pension expense (income)	1,033,305	1,057,994	405,975	46,971	2,544,245	-
Other accrued liabilities	127,747	227,915	174,806	4,988	535,456	(3,468)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 4,706,617</u>	<u>\$ 5,354,843</u>	<u>\$ 739,750</u>	<u>\$ 221,084</u>	<u>\$ 11,022,294</u>	<u>\$ 1,241,218</u>

**NONCASH CAPITAL AND RELATED  
FINANCING ACTIVITIES**

The City disposed of various assets during the year which resulted in gains (losses)	\$ 0	\$ 45,942	\$ (12,486)	\$ (28,630)	\$ 4,826	\$ -
Contributions of capital assets	1,813,321	818,638	1,410,683	-	4,042,642	-

*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





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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, general government, 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.

*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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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. 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, and appropriately rated commercial paper, bankers' acceptances and corporate obligations, as well as 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 Council, as well as the City's Investment Advisor, and the Oregon Short Term Fund Board (OSTF) when substantive changes are made. The City uses the services of a third party investment advisor to assist with managing the City's investment portfolio. A monthly Treasury Report is submitted to the City Council 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.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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 when it 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.

*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.

*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

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Intangible Assets (Continued)*

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:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-75
Utility plants and system	40-80
Buildings	50
Vehicles	4-25
Machinery and equipment	5-10
Office equipment	3-5
 <b><u>Intangible Assets</u></b>	
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 government-wide and proprietary statements. Compensated absences are paid by the individual funds when they become due. The General Fund is the governmental fund which has paid the largest share in prior years for compensated absences based on the high level of accruals for public safety staff that are funded from this source.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*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 financial statements 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 outflows related to pensions reported in the government-wide Statement of Net Position. The deferred pension amount results from the combined total of differences between expected and actual experience, and employer PERS expenditures.

In addition to liabilities, the financial statements 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 items that qualify for City reporting in this category are: the deferred amounts related to debt and deferred inflows related to pensions. The deferred amounts related to debt refunding reporting results from the difference in the refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred pension amount results from differences between projected and actual investment earnings.

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

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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 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 its approved 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 fund 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 the basic 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.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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. The City Manager develops, and then through a process of public hearings and deliberations the Budget Commission 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 City Council approval at a minimum, and may require newspaper publication, public comments, or public hearings, over a certain dollar threshold. There were two supplemental budgets adopted during the fiscal year, none of which required republication of the budget or public hearings; all were adopted via resolution through regular City Council meetings. Two contingency transfers were required in FY 15-16. City Council did not have any resolutions to approve for 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:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Cash and investments	\$ 37,091,805	\$ 35,853,065	\$ 72,944,870
Restricted cash and investments	-	-	-
<i>Total Cash and Investments</i>	<u>\$ 37,091,805</u>	<u>\$ 35,853,065</u>	<u>\$ 72,944,870</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**CASH AND INVESTMENTS** (Continued)

*Deposits*

As of June 30, the City's bank deposits had a book balance of \$3,051,306 and a bank balance of \$6,483,200. 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.

*Fair Value Inputs and Methodologies and Hierarchy*

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

- *Level 1:* Unadjustable price quotations in active market/exchanges for identical assets or liabilities that each Fund has the ability to access.
- *Level 2:* Other observable inputs including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).
- *Level 3:* Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments).

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**CASH AND INVESTMENTS (Continued)**

*Fair Value Inputs and Methodologies and Hierarchy (Continued)*

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

*Investments*

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

<i>Investment Type</i>	<i>Fair Value</i>	<i>Less than 18 months</i>	<i>18-60 months</i>
Investments in the State of Oregon			
Local Government Investment Pool (LGIP)	\$ 32,225,113	\$ 32,225,113	\$ -
Certificates of Deposit	3,000,000	2,000,000	1,000,000
US Agencies	26,091,700	10,031,370	16,060,330
US Treasuries	5,029,010	2,004,620	3,024,390
Corporate Bonds	3,530,005	2,003,680	1,526,325
Municipal Bonds	-	-	-
<i>Total Investments</i>	<b>\$ 69,875,828</b>	<b>\$ 48,264,783</b>	<b>\$ 21,611,045</b>

The Certificates of Deposit, U.S. Agency and Treasury Bills, and Corporate bonds has a combined fair value of \$37,650,715 using bank statements with a statement date of June 30, 2016, which are Level 2 inputs.

The Local Government Investment Pool (LGIP) is comprised of a variety of investments. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. 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 in the LGIP may have maturities greater than three years. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Investments in the LGIP are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. The investments are valued at fair value as required by GASB 31. At June 30, 2016, the fair value of the City's position in the State Treasurer's LGIP was approximately the fair value of the pool share. Fair value of the LGIP is calculated at the same value as

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**CASH AND INVESTMENTS** (Continued)

*Investments (Continued)*

the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. Amounts in the State Treasurer's LGIP are not required to be collateralized. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. Management has determined that the LGIP does not meet the criteria established by GASB 79 to report at amortized cost, and the City intends to measure these investments at book value since it approximates fair value.

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 \$147,799 over cost as of June 30, 2016.

*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, 2016, 34.5% of the City's investment portfolio was classified as long-term.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**CASH AND INVESTMENTS** *(Continued)*

*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, 2016 the City did not hold any commercial paper. State and local government securities are required by the City's investment policy to have an AA- credit rating or better by Standard and Poors, or Aa3 by Moody's, at the time of purchase. As of June 30, 2016 the City did not hold any municipal obligations. The City may also invest in Corporate Bonds from a Council-approved list maintained by the City's third party investment advisor, with names which hold an AA- credit rating or better by Standard and Poors, or Aa3 by Moody's, at the time of purchase. As of fiscal year-end, the City owned \$1,500,000 in IBM Corp and \$2,000,000 in Apple Inc. 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 69.88% 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.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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.

At June 30, 2016, the various components of deferred revenue and unearned revenues reported in the governmental funds are as follows:

	<u>Deferred Revenue</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 1,952,785	\$ -	\$ 1,952,785
Assessments not yet due:			
General Fund	4,700	-	4,700
Street Fund	6,772	-	6,772
Parks SDC Fund	10,802	-	10,802
Grants	-	12,515	12,515
Housing loans not yet due (Community Development Revolving Fund)	2,549,409	-	2,549,409
Receivables to be collected in future years	1,134,528	4,473	1,139,001
Operating revenue received but unearned (General Fund)	-	53,235	53,235
	<u>\$ 5,658,996</u>	<u>\$ 70,223</u>	<u>\$ 5,729,219</u>
<i>Total Deferred and Unearned Revenue</i>			

**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:

	<u>Permanently Restricted for Endowment</u>	<u>Amount Available for Specific Expenditure</u>	<u>Total</u>
<u>Davidson Library Fund:</u>			
<i>Total Net Position</i>	<u>\$ 5,000</u>	<u>\$ 634</u>	<u>\$ 5,634</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**CAPITAL ASSETS**

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

*Governmental Activities:*

	<i>Balances June 30, 2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2016</i>
<i>Non-depreciable capital assets</i>				
Intangible	\$ 2,285,351	\$ 182,997	\$ -	\$ 2,468,348
Land	89,694,077	1,652,740	-	91,346,817
Mach/Vehic work in progress	657,670	-	(657,670)	-
Construction in progress	9,316,679	2,237,066	(10,748,093)	805,652
<i>Total non-depreciable capital assets</i>	<u>101,953,777</u>	<u>4,072,803</u>	<u>(11,405,763)</u>	<u>94,620,817</u>
<i>Depreciable capital assets</i>				
Intangible	516,817	-	-	516,817
Buildings	27,679,977	5,144,859	-	32,824,836
Machinery and equipment	5,988,346	1,078,644	(635,051)	6,431,939
Vehicles	12,551,252	1,166,888	(869,934)	12,848,206
Infrastructure	112,930,047	6,193,078	-	119,123,125
<i>Total depreciable capital assets</i>	<u>159,666,439</u>	<u>13,583,469</u>	<u>(1,504,985)</u>	<u>171,744,923</u>
<i>Less Accumulated Depreciation</i>				
Intangible	(321,886)	(125,528)	-	(447,414)
Buildings	(10,919,923)	(704,869)	-	(11,624,792)
Machinery and equipment	(3,807,711)	(431,131)	635,051	(3,603,791)
Vehicles	(7,031,379)	(901,916)	828,708	(7,104,587)
Infrastructure	(79,307,986)	(3,370,213)	-	(82,678,199)
<i>Total accumulated depreciation</i>	<u>(101,388,885)</u>	<u>(5,533,657)</u>	<u>1,463,759</u>	<u>(105,458,783)</u>
<i>Total depreciable capital assets, net of accumulated depreciation</i>	<u>58,277,554</u>	<u>8,049,812</u>	<u>(41,226)</u>	<u>66,286,140</u>
<i>Governmental activities capital assets, net of accumulated depreciation</i>	<u>\$ 160,231,331</u>	<u>\$ 12,122,615</u>	<u>\$ (11,446,989)</u>	<u>\$ 160,906,957</u>

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

Finance	\$ 38,989
Community Development	121,348
Public Works	3,950,458
Library	227,942
Parks and Recreation	468,285
Police	237,047
Fire	489,588
<b>Total depreciation expense, governmental activities</b>	<u><u>\$ 5,533,657</u></u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**CAPITAL ASSETS (Continued)**

*Business-Type Activities:*

	<b>Balances June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2016</b>
<i>Non-depreciable capital assets</i>				
Land	\$ 1,142,357	\$ -	\$ -	\$ 1,142,357
Construction in progress	1,113,320	1,758,175	(1,198,336)	1,673,159
Intangible in progress	-	-	-	-
<i>Total non-depreciable capital assets</i>	<u>2,255,677</u>	<u>1,758,175</u>	<u>(1,198,336)</u>	<u>2,815,516</u>
<i>Depreciable capital assets</i>				
Intangible	520,458	-	-	520,458
Buildings	2,596,213	61,180	-	2,657,393
Machinery and equipment	5,492,911	585,068	(50,473)	6,027,506
Vehicles	3,025,111	690,909	(553,170)	3,162,850
Infrastructure	204,232,155	5,151,169	-	209,383,324
<i>Total depreciable capital assets</i>	<u>215,866,848</u>	<u>6,488,326</u>	<u>(603,643)</u>	<u>221,751,531</u>
<i>Less Accumulated Depreciation</i>				
Intangible	(160,368)	(173,486)	-	(333,854)
Buildings	(962,835)	(66,745)	-	(1,029,580)
Machinery and equipment	(3,475,870)	(426,678)	50,473	(3,852,075)
Vehicles	(2,246,605)	(202,646)	511,483	(1,937,768)
Infrastructure	(81,792,101)	(3,872,273)	-	(85,664,374)
<i>Total accumulated depreciation</i>	<u>(88,637,779)</u>	<u>(4,741,828)</u>	<u>561,956</u>	<u>(92,817,651)</u>
<i>Total depreciable capital assets, net of accumulated depreciation</i>	<u>127,229,069</u>	<u>1,746,498</u>	<u>(41,687)</u>	<u>128,933,880</u>
<i>Business-type activities capital assets, net of accumulated depreciation</i>	<u>\$ 129,484,746</u>	<u>\$ 3,504,673</u>	<u>\$ (1,240,023)</u>	<u>\$ 131,749,396</u>

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

Water	\$ 1,529,189
Wastewater	2,419,778
Storm Water	433,751
Airport	359,110
<b>Total depreciation expense, business-type activities</b>	<u><u>\$ 4,741,828</u></u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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. Voter approved 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:

<u>Governmental Activities:</u>	<u>Amount of Original Issue</u>	<u>Interest Rates on Outstanding Balances</u>	<u>Balances June 30, 2016</u>	<u>Due within One Year</u>
Advance Refunding 2009	\$ 10,190,000	4.00 %	3,320,000	\$ 1,035,000

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,035,000	\$ 132,800
2018	1,115,000	91,400
2019	1,170,000	46,800
<i>Total</i>	<u>\$ 3,320,000</u>	<u>\$ 271,000</u>

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, 2016 there is no outstanding defeased debt associated with these bonds.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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:

<u><i>Business-type Activities:</i></u>	<u><i>Amount of Original Issue</i></u>	<u><i>Interest Rates on Outstanding Balances</i></u>	<u><i>Balances June 30, 2016</i></u>	<u><i>Due within One Year</i></u>
Series 2006A	\$ 5,410,000	3.00 - 5.00 %	\$ 2,385,000	\$ 565,000

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

<u><i>Year Ending June 30</i></u>	<u><i>Business-type Activities</i></u>	
	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2017	\$ 565,000	\$ 83,450
2018	590,000	60,850
2019	605,000	43,150
2020	625,000	25,000
<i>Total</i>	<u>\$ 2,385,000</u>	<u>\$ 212,450</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**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 fiscal year 2013, the City issued \$11,485,000 in Full Faith and Credit Refunding Obligations (Series 2012) to prepay three utility loans that were revenue backed.

In fiscal year 2015, the City issued \$3,900,000 in Full Faith and Credit Obligations (Series 2014) to finance the costs of roof replacements, the construction, equipping and furnishing of a fire drill tower and training facility, and related capital projects.

Full faith and credit obligation bonds outstanding are as follows:

	<i>Amount of Original Issue</i>	<i>Interest Rates on Outstanding Balances</i>	<i>Balances June 30, 2016</i>	<i>Due within One Year</i>
<b><u>Governmental Activities:</u></b>				
Series 2002A	\$ 23,913,017	6.50 - 7.06 %	\$ 21,215,679	\$ 359,957
Series 2005A	9,980,000	4.859 - 5.004	8,285,000	385,000
Series 2014	3,900,000	3.00	3,560,000	350,000
<i>Total Full Faith and Credit Bonds, Governmental</i>	<u>\$ 37,793,017</u>		<u>\$ 33,060,679</u>	<u>\$ 1,094,957</u>
<b><u>Business-type Activities:</u></b>				
Series 2012	<u>\$ 11,485,000</u>	2.00 - 4.00 %	<u>\$ 5,300,000</u>	<u>\$ 1,240,000</u>

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

<i>Year Ending June 30</i>	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 1,094,957	\$ 2,329,892	\$ 1,240,000	\$ 146,450
2018	1,165,252	2,395,241	1,115,000	111,125
2019	1,231,833	2,461,572	1,150,000	77,150
2020	1,311,608	2,531,906	1,190,000	42,050
2021	1,391,024	2,604,308	605,000	12,100
2022-2026	12,791,005	9,255,934	-	-
2027-2030	14,075,000	2,228,090	-	-
<i>Total</i>	<u>\$ 33,060,679</u>	<u>\$ 23,806,943</u>	<u>\$ 5,300,000</u>	<u>\$ 388,875</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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 fiscal year 2011, the City entered into a loan agreement with Bank of America (BOA) for \$2,100,000 (2010 CIP Loan) to finance several capital improvement projects.

Outstanding notes payable are as follows:

<u>Governmental Activities:</u>	<u>Amount of Original Issue</u>	<u>Interest Rates on Outstanding Balances</u>	<u>Balances June 30, 2016</u>	<u>Due within One Year</u>
BOA 2010 CIP Loan	\$ 2,100,000	2.9600 %	\$ 1,125,000	\$ 210,000

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 210,000	\$ 30,192
2018	220,000	23,828
2019	225,000	17,242
2020	230,000	10,508
2021	240,000	3,552
<i>Total</i>	<u>\$ 1,125,000</u>	<u>\$ 85,322</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**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, 2016.

*Changes in Long-Term Obligations*

<i>Governmental Activities:</i>	<i>Balances June 30, 2015</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balances June 30, 2016</i>	<i>Due within One Year</i>
Bonds Payable					
General Obligation Bonds	\$ 4,285,000	\$ -	\$ 965,000	\$ 3,320,000	\$ 1,035,000
Full Faith and Credit Obligations	34,085,198	-	1,024,519	33,060,679	1,094,957
<i>Total Bonds Payable</i>	<u>38,370,198</u>	<u>-</u>	<u>1,989,519</u>	<u>36,380,679</u>	<u>2,129,957</u>
Notes Payable	1,330,000	-	205,000	1,125,000	210,000
Compensated Absences	5,435,051	3,642,658	3,655,887	5,421,822	3,498,799
Net OPEB obligation	11,346,439	2,085,644	759,874	12,672,209	-
<i>Total Long-Term Obligations,         Governmental Activities</i>	<u>\$ 56,481,688</u>	<u>\$ 5,728,302</u>	<u>\$ 6,610,280</u>	<u>\$ 55,599,710</u>	<u>\$ 5,838,756</u>

<i>Business-type Activities:</i>	<i>Balances June 30, 2015</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balances June 30, 2016</i>	<i>Due within One Year</i>
Bonds Payable					
Revenue Bonds	\$ 2,920,000	\$ -	\$ 535,000	\$ 2,385,000	\$ 565,000
Full Faith and Credit Obligations	6,860,000	-	1,560,000	5,300,000	1,240,000
<i>Total Bonds Payable</i>	<u>9,780,000</u>	<u>-</u>	<u>2,095,000</u>	<u>7,685,000</u>	<u>1,805,000</u>
Notes Payable	-	-	-	-	-
Compensated Absences	876,043	647,470	589,221	934,292	602,914
Net OPEB obligation	2,538,093	386,773	178,886	2,745,980	-
<i>Total Long-Term Obligations,         Business-Type Activities</i>	<u>\$ 13,194,136</u>	<u>\$ 1,034,243</u>	<u>\$ 2,863,107</u>	<u>\$ 11,365,272</u>	<u>\$ 2,407,914</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**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:

	<i>Transfers In</i>						<i>Total</i>
	<i>General Fund</i>	<i>Street Fund</i>	<i>CD Revolving</i>	<i>Capital Construction</i>	<i>Other Governmental Funds</i>	<i>Business-Type Funds</i>	
<i>Transfers Out:</i>							
General Fund	\$ -	\$ 255,500	\$ 100,000	\$ 197,221	\$ 2,385,010	\$ -	\$ 2,937,731
Street Fund	-	-	-	544,051	132,050	-	676,101
Parks SDC Fund	3,995	-	-	1,043,433	-	-	1,047,428
Community Development Revolving Fund	-	-	-	13,480	27,000	-	40,480
Non-Major Governmental Funds	-	-	-	31,990	259,470	-	291,460
Water Fund	-	-	-	2,890	190,040	-	192,930
Wastewater Fund	-	-	-	3,200	169,590	-	172,790
Storm Water Fund	-	-	-	3,600	131,040	-	134,640
Airport Fund	-	-	-	-	10,120	-	10,120
<i>Total Transfers</i>	<u>\$ 3,995</u>	<u>\$ 255,500</u>	<u>\$ 100,000</u>	<u>\$ 1,839,865</u>	<u>\$ 3,304,320</u>	<u>\$ -</u>	<u>\$ 5,503,680</u>

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.

**FUND BALANCE**

The City has continued to build a fund balance reserve in the General Fund as established per City Council Financial Policy #10.01. The target is to build this reserve to three-months of payroll costs, currently estimated around \$6.9 million. The City Council must authorize expenditure of the reserve via a resolution. The reserve balance at the end of fiscal year 2016 is \$6,583,210 and is included in the General Fund's unassigned fund balance

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**FUND BALANCE (Continued)**

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

<b>Fund Balances:</b>	<b>General</b>	<b>Street</b>	<b>Parks SDC</b>	<b>Community Development Revolving</b>	<b>Capital Construction</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<u>Nonspendable:</u>							
Endowment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
<u>Restricted:</u>							
Street and highway improvements	-	4,371,770	-	-	-	-	4,371,770
Capital projects and construction	190,016	-	3,694,980	-	1,603,542	-	5,488,538
Debt service	-	-	-	-	-	72,171	72,171
Other							
Housing Loans	-	-	-	61,459	-	-	61,459
Senior Center reserve	186,903	-	-	-	-	-	186,903
Open Space	96,915	-	-	-	-	-	96,915
Other purposes	629,047	-	-	-	-	634	629,681
Total - Restricted	1,102,881	4,371,770	3,694,980	61,459	1,603,542	72,805	10,907,437
<u>Committed:</u>							
Street and highway improvements	-	435,710	-	-	-	-	435,710
Public access television	16,236	-	-	-	-	-	16,236
Senior Center reserve	7,897	-	-	-	-	-	7,897
Majestic Theater reserve	253,780	-	-	-	-	-	253,780
Urban Forestry reserve	110,645	-	-	-	-	-	110,645
Civic Beautification reserve	89,971	-	-	-	-	-	89,971
Housing loans	-	-	-	936,267	-	-	936,267
Sustainability initiative fees	-	-	-	-	-	1,657,863	1,657,863
Other purposes	415,676	-	-	160,676	-	1,042,136	1,618,488
Total - Committed	894,205	435,710	-	1,096,943	-	2,699,999	5,126,857
<u>Assigned:</u>							
Vehicle reserves	1,420,820	144,136	-	-	-	309,408	1,874,364
Capital projects and construction	-	-	-	-	322,489	-	322,489
Other purposes	311,873	1,373,063	-	-	-	3,349,098	5,034,034
Total - Assigned	1,732,693	1,517,199	-	-	322,489	3,658,506	7,230,887
<u>Unassigned:</u>	9,425,828	-	-	(1,102,875)	-	-	8,322,953
<b>Total Fund Balances:</b>	<b>\$ 13,155,607</b>	<b>\$ 6,324,679</b>	<b>\$ 3,694,980</b>	<b>\$ 55,527</b>	<b>\$ 1,926,031</b>	<b>\$ 6,436,310</b>	<b>\$ 31,593,134</b>

**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 \$ 245,923,415; earthquake of \$50,000,000; water damage of \$10,000,000; tort liability of \$5,000,000; airport liability of \$5,000,000; public official bonds of \$500,000; cyber security of \$1,000,000; 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, as required by State labor law. 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 \$1,250. 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 \$1,250 for exempt employees.

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

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**OTHER POST EMPLOYMENT BENEFITS (Continued)**

*Funding Policy*

The City has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. Since the City's healthcare plan is self-insured, the annual required contributions can fluctuate. For the fiscal year ending June 30, 2016, the City's plan contributions were \$1,357,346. The General Fund is the governmental fund that has been primarily used in prior years to liquidate the net OPEB obligation based on the significant level of related public safety personnel costs in that Fund.

*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, 2016 and three years' prior, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

	<i>Fiscal Years Ended June 30,</i>			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual required contribution	\$ 3,577,379	\$ 5,187,113	\$ 5,259,095	\$ 4,072,907
Interest on net OPEB obligation	264,540	290,776	391,472	479,554
Adjustment to the Annual Required Contribution	(449,447)	(1,003,441)	(1,344,888)	(1,661,457)
Annual OPEB cost (expense)	<u>3,392,472</u>	<u>4,474,448</u>	<u>4,305,679</u>	<u>2,891,004</u>
Contribution made	<u>1,676,439</u>	<u>1,619,050</u>	<u>1,606,070</u>	<u>1,357,346</u>
Increase in net OPEB obligation	1,716,033	2,855,398	2,699,609	1,533,657
Net OPEB obligation, beginning of year	<u>6,613,491</u>	<u>8,329,524</u>	<u>11,184,922</u>	<u>13,884,532</u>
Net OPEB obligation, end of year	<u>\$ 8,329,524</u>	<u>\$ 11,184,922</u>	<u>\$ 13,884,532</u>	<u>\$ 15,418,189</u>

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

<u>Fiscal year</u> <u>ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 3,392,472	\$ 1,676,439	49.42%	\$ 8,329,524
2014	4,474,448	1,619,050	36.18%	11,184,922
2015	4,305,679	1,606,070	37.30%	13,884,532
2016	2,891,004	1,357,346	46.95%	15,418,189

***OTHER POST EMPLOYMENT BENEFITS (Continued)***

*Funded Status and Funding Progress*

As of August 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$29,235,018, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 29,235,018. The covered payroll (annual payroll of active employees covered by the plan) was \$29,926,211, and the ratio of the UAAL to the covered payroll was 97.69%.

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.

The August 1, 2014 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%, a 2.75% general inflation rate assumption, and healthcare cost trend rates that start at 5.75-6.5% (Pre-65 and Post-65 trends respectively) for the first year, August 1, 2014 to August 1, 2015, and then range from a high of 6.75% in 2033 to as low as 4.75% in 2070 onward, for an average annual rate increase of approximately 5.7%. 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.

***EMPLOYEE RETIREMENT PENSION PLAN***

*Plan Description*

The City is a participating employer in the Oregon Public Employees Retirement System (OPERS), a single cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board (PERB) to administer and manage the system. The PERB governs and acts as a common investment and administrative agent for public employers in the State of Oregon. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues an independently audited Comprehensive Annual Financial Report (CAFR) which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

**EMPLOYEE RETIREMENT PENSION PLAN (continued)**

- 1) *Public Employee Retirement System (PERS) - Tier One/Tier Two Retirement Benefit (ORS Chapter 238).* The Tier One/Tier Two Retirement Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
  - a) *Pension Benefits.* The PERS retirement allowance is payable monthly for life, selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.
  - b) *Death Benefits.* Upon death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following criterion are met:
    - the member was employed by a PERS employer at the time of death,
    - the member died within 120 days after termination of PERS-covered employment,
    - the member died as a result of injury sustained while employed in a PERS-covered job, or
    - the member was on an official leave of absence from a PERS-covered job at the time of death.
  - c) *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
  - d) *Benefit Changes after Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLA).
- 2) *Oregon Public Service Retirement Pension Defined Benefit Program (OPSRP DB).* The ORS Chapter 238A Defined Benefit (DB) Pension Program provides benefits to members hired on or after August 29, 2003.
  - a) *Pension Benefits.* This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
    - *Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
    - *General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

**EMPLOYEE RETIREMENT PENSION PLAN (continued)**

- b) *Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
  - c) *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
  - d) *Benefit Changes after Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The cap on the COLA will vary based on the amount of the annual benefit.
- 3) *OPSRP Individual Account Program (OPSRP IAP).*
- a) *Pension Benefits.* An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.
- Upon retirement, a member of the OPSRP IAP may receive the amounts in the employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.
- b) *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.
  - c) *Recordkeeping.* OPERS contracts with VOYA Financial to maintain IAP participant records.

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 Policy*

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the OPERS Tier 1/Tier 2 and OPSRP Defined Benefit Plans and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments and their rates have been reduced.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**EMPLOYEE RETIREMENT PENSION PLAN (continued)**

City of Corvallis contributions for the year ended June 30, 2016 were \$2,973,567, excluding amounts to fund employer specific liabilities. The City's contribution rates for the year ended June 30, 2016 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	13.14%	0.08%	13.22%	-1.79%	11.43%
PERS Police & Fire	16.97%	0.08%	17.05%		15.26%
OPSRP General Service	7.33%	0.00%	7.33%		5.54%
OPSRP Police & Fire	11.44%	0.00%	11.44%		9.65%

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

At June 30, 2016 the City reported a net pension liability of \$18,721,382 for its proportionate share of the plan net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 0.32607347 percent.

For the year ended June 30, 2016, the City recognized pension expense/(income) of (\$15,102,307). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 1,009,552	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,924,426
Changes in proportionate share	-	72,135
Differences between City contributions and proportionate share of contributions	-	1,209,651
Subtotal - Amortized Deferrals (below)	<u>1,009,552</u>	<u>5,206,212</u>
City contributions subsequent to the measurement date	<u>2,973,567</u>	N/A
Deferred outflow (inflow) of resources	<u>\$ 3,983,119</u>	<u>\$ 5,206,212</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**EMPLOYEE RETIREMENT PENSION PLAN (continued)**

Deferred outflows of resources related to pensions of \$3,983,119 resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending June 30, 2016. Subtotal amounts related to pension as deferred outflows of resources, \$1,009,552, and deferred inflows of resources, \$5,206,212, net to (\$4,196,660) and will be recognized as a pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$ (1,951,022)
2018	(1,951,022)
2019	(1,951,022)
2020	1,651,144
2021	5,262
Thereafter	-
Total	<u>\$ (4,196,660)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016.

*Actuarial Valuations*

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

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with the new unfunded actuarial accrued liabilities being amortized over 16 years.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**EMPLOYEE RETIREMENT PENSION PLAN (continued)**

*Actuarial Methods and Assumptions:*

Valuation Date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/ longevity increases based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

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

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

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

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**EMPLOYEE RETIREMENT PENSION PLAN (continued)**

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

	<i>1% Decrease</i> <i>(6.75%)</i>	<i>Discount Rate</i> <i>(7.75%)</i>	<i>1% Increase</i> <i>(8.75%)</i>
Corvallis' proportionate share of the net pension liability	\$ 45,183,359	\$ 18,721,382	\$ (3,579,113)

*Changes in Plan Provisions Subsequent to Measurement Date*

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the *Moro* Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment rate assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

Additional disclosures related to the Oregon PERS not applicable to specific employers are available online at the Oregon PERS website, or by contacting PERS at the following address: PO Box 23700, Tigard, Oregon 97281-3700.

**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 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 City expects such amounts, if any, 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.

***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 December 1, 2016, the date on which the financial statements were available to be issued.

Management is not aware of any 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.

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

GASB Statement No. 74, “Financial Report for Postemployment Benefit Plans Other Than Pension Plans”, which replaces prior Statements 43 and 57, to improve usefulness of information about postemployment benefits other than pensions. This statement will be effective for financial statements for periods beginning after June 15, 2016.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, which replaces Statement 45, to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement will be effective for financial statements for periods beginning after June 15, 2017.

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# REQUIRED SUPPLEMENTARY INFORMATION

- OTHER POSTEMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS
- SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET)
- SCHEDULE OF CONTRIBUTIONS



**CITY OF CORVALLIS, OREGON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2016**

<b>Fiscal Year</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Asset</b>	<b>AAL Unit Credit</b>	<b>UAAL</b>	<b>Ratio Funded</b>	<b>Actual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
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	-	28,857,895	122.35
2015	August 1, 2014	-	29,235,018	29,235,018	-	29,374,861	99.52
2016	August 1, 2014	-	29,235,018	29,235,018	-	29,926,211	97.69

**CITY OF CORVALLIS, OREGON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS**

<b>Year Ended June 30,</b>	<b>City's Proportion of the Net Pension Liability (Asset)</b>	<b>City's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>City's Covered Payroll</b>	<b>City's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b>
2016	0.32607347 %	\$ 18,721,382	\$ 29,019,379	64.51 %	91.90 %
2015	0.33027485	(7,486,389)	28,850,558	(25.95)	103.60
2014	0.33027485	16,854,409	28,544,073	59.05	91.97

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

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

**CITY OF CORVALLIS, OREGON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS**

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<b>Year Ended June 30,</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (excess)</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percent of Covered Payroll</b>
2016	\$ 2,973,567	\$ 2,973,567	\$ -	\$ 29,019,379	10.25 %
2015	2,538,953	2,538,953	-	28,850,558	8.80
2014	2,535,640	2,535,640	-	28,544,073	8.88

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

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

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# SUPPLEMENTARY INFORMATION

- NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS
  
- NON-MAJOR SPECIAL REVENUE, DEBT SERVICE,  
CAPITAL PROJECTS FUND, PERMANENT, AND  
PROPRIETARY FUND STATEMENTS AND  
SCHEDULES
  - NON-MAJOR SPECIAL REVENUE FUNDS
  - CAPITAL PROJECTS FUND
  - DEBT SERVICE FUNDS
  - PERMANENT FUNDS
  - ENTERPRISE FUNDS
  - INTERNAL SERVICE FUNDS
  
- OTHER FINANCIAL SCHEDULES



**CITY OF CORVALLIS, OREGON**  
**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 6,126,395	\$ 71,107	\$ 5,626	\$ 6,203,128
Receivables				
Accounts	180,764	-	-	180,764
Accrued interest	8,793	1,055	8	9,856
Grants	247,473	-	-	247,473
Other receivables	141,805	-	-	141,805
Other assets	-	9	-	9
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Assets</i>	<u>\$ 6,705,230</u>	<u>\$ 72,171</u>	<u>\$ 5,634</u>	<u>\$ 6,783,035</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 317,260	\$ -	\$ -	\$ 317,260
Other accrued liabilities	368	-	-	368
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities</i>	317,628	-	-	317,628
 <b>Deferred Inflows of Resources</b>				
Deferred revenue	29,097	-	-	29,097
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
 <b>Fund Balances</b>				
Nonspendable	-	-	5,000	5,000
Restricted	-	72,171	634	72,805
Committed	2,699,999	-	-	2,699,999
Assigned	3,658,506	-	-	3,658,506
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Fund Balances</i>	<u>6,358,505</u>	<u>72,171</u>	<u>5,634</u>	<u>6,436,310</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 6,705,230</u>	<u>\$ 72,171</u>	<u>\$ 5,634</u>	<u>\$ 6,783,035</u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ 1,143,419	\$ -	\$ 1,143,419
Licenses, fees, and permits	2,078,055	-	-	2,078,055
Charges for services	2,937,963	-	-	2,937,963
Intergovernmental	2,824,951	-	-	2,824,951
Fines and forfeitures	371,588	-	-	371,588
Miscellaneous	282,454	3,890	53	286,397
	<u>8,495,011</u>	<u>1,147,309</u>	<u>53</u>	<u>9,642,373</u>
<i>Total Revenues</i>				
<b>EXPENDITURES</b>				
Current				
Community Development	2,795,274	-	-	2,795,274
Finance	191,705	-	-	191,705
Police	2,670,639	-	-	2,670,639
Public Works	3,261,599	-	-	3,261,599
Nondepartmental	-	1,350	-	1,350
Debt service				
Principal	-	1,649,519	-	1,649,519
Interest	-	2,331,458	-	2,331,458
Capital outlay	453,481	-	-	453,481
	<u>9,372,698</u>	<u>3,982,327</u>	<u>-</u>	<u>13,355,025</u>
<i>Total Expenditures</i>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(877,687)</u>	<u>(2,835,018)</u>	<u>53</u>	<u>(3,712,652)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	458,390	2,845,930	-	3,304,320
Transfers out	(291,460)	-	-	(291,460)
	<u>166,930</u>	<u>2,845,930</u>	<u>-</u>	<u>3,012,860</u>
<i>Total Other Financing Sources (Uses)</i>				
<b>NET CHANGE IN FUND BALANCES</b>				
	(710,757)	10,912	53	(699,792)
<b>FUND BALANCE, Beginning of year</b>				
	<u>7,069,262</u>	<u>61,259</u>	<u>5,581</u>	<u>7,136,102</u>
<b>FUND BALANCE, End of year</b>				
	<u>\$ 6,358,505</u>	<u>\$ 72,171</u>	<u>\$ 5,634</u>	<u>\$ 6,436,310</u>

# NON-MAJOR SPECIAL REVENUE FUNDS



## 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).

**CITY OF CORVALLIS, OREGON**  
**COMBINING BALANCE SHEET – NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2016**

	<u>9-1-1</u>	<u>Development Services</u>	<u>Parking</u>	<u>Transit</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 260,789	\$ 2,892,489	\$ 744,952	\$ 2,228,165	\$ 6,126,395
Receivables					
Accounts	-	68,686	29,937	82,141	180,764
Accrued interest	771	3,969	1,073	2,980	8,793
Grants	-	-	-	247,473	247,473
Other receivables	141,805	-	-	-	141,805
	<u>141,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,805</u>
<i>Total Assets</i>	<u>\$ 403,365</u>	<u>\$ 2,965,144</u>	<u>\$ 775,962</u>	<u>\$ 2,560,759</u>	<u>\$ 6,705,230</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 5,509	\$ 30,248	\$ 36,528	\$ 244,975	\$ 317,260
Other accrued liabilities	-	368	-	-	368
	<u>5,509</u>	<u>30,616</u>	<u>36,528</u>	<u>244,975</u>	<u>317,628</u>
<i>Total Liabilities</i>	<u>5,509</u>	<u>30,616</u>	<u>36,528</u>	<u>244,975</u>	<u>317,628</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	29,097	-	29,097
	<u>-</u>	<u>-</u>	<u>29,097</u>	<u>-</u>	<u>29,097</u>
<b>Fund Balances</b>					
Committed	-	985,139	56,997	1,657,863	2,699,999
Assigned	397,856	1,949,389	653,340	657,921	3,658,506
	<u>397,856</u>	<u>2,934,528</u>	<u>710,337</u>	<u>2,315,784</u>	<u>6,358,505</u>
<i>Total Fund Balances</i>	<u>397,856</u>	<u>2,934,528</u>	<u>710,337</u>	<u>2,315,784</u>	<u>6,358,505</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 403,365</u>	<u>\$ 2,965,144</u>	<u>\$ 775,962</u>	<u>\$ 2,560,759</u>	<u>\$ 6,705,230</u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<b>9-1-1</b>	<b>Development Services</b>	<b>Parking</b>	<b>Transit</b>	<b>Total</b>
<b>REVENUES</b>					
Licenses, fees, and permits	\$ -	\$ 988,998	\$ 21,632	\$ 1,067,425	\$ 2,078,055
Charges for services	1,151,136	1,318,678	218,719	249,430	2,937,963
Intergovernmental	1,313,057	-	-	1,511,894	2,824,951
Fines and forfeitures	-	-	371,588	-	371,588
Miscellaneous	3,962	21,587	5,511	251,394	282,454
<i>Total Revenues</i>	<u>2,468,155</u>	<u>2,329,263</u>	<u>617,450</u>	<u>3,080,143</u>	<u>8,495,011</u>
<b>EXPENDITURES</b>					
Current					
Community Development	-	2,793,074	2,200	-	2,795,274
Finance	-	-	191,705	-	191,705
Police	2,425,404	-	245,235	-	2,670,639
Public Works	-	-	226,785	3,034,814	3,261,599
Capital outlay	413,784	23,706	-	15,991	453,481
<i>Total Expenditures</i>	<u>2,839,188</u>	<u>2,816,780</u>	<u>665,925</u>	<u>3,050,805</u>	<u>9,372,698</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(371,033)</u>	<u>(487,517)</u>	<u>(48,475)</u>	<u>29,338</u>	<u>(877,687)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	340,000	118,390	-	-	458,390
Transfers out	(104,590)	(144,900)	(25,310)	(16,660)	(291,460)
<i>Total Other Financing Sources (Uses)</i>	<u>235,410</u>	<u>(26,510)</u>	<u>(25,310)</u>	<u>(16,660)</u>	<u>166,930</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(135,623)</u>	<u>(514,027)</u>	<u>(73,785)</u>	<u>12,678</u>	<u>(710,757)</u>
<b>FUND BALANCE, Beginning of year</b>	<u>533,479</u>	<u>3,448,555</u>	<u>784,122</u>	<u>2,303,106</u>	<u>7,069,262</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 397,856</u>	<u>\$ 2,934,528</u>	<u>\$ 710,337</u>	<u>\$ 2,315,784</u>	<u>\$ 6,358,505</u>

**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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,151,240	\$ 1,151,240	\$ 1,151,136	\$ (104)
Intergovernmental	1,288,330	1,288,330	1,313,057	24,727
Miscellaneous	7,170	7,170	3,962	(3,208)
<i>Total Revenues</i>	<u>2,446,740</u>	<u>2,446,740</u>	<u>2,468,155</u>	<u>21,415</u>
<b>EXPENDITURES</b>				
Current				
Police	2,885,230	2,885,230	2,839,188	46,042
Contingency	48,850	48,850	-	48,850
<i>Total Expenditures</i>	<u>2,934,080</u>	<u>2,934,080</u>	<u>2,839,188</u>	<u>94,892</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(487,340)</u>	<u>(487,340)</u>	<u>(371,033)</u>	<u>116,307</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	340,000	340,000	340,000	-
Transfers out	(104,590)	(104,590)	(104,590)	-
<i>Total Other Financing Sources (Uses)</i>	<u>235,410</u>	<u>235,410</u>	<u>235,410</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(251,930)</u>	<u>(251,930)</u>	<u>(135,623)</u>	<u>116,307</u>
<b>FUND BALANCE, Beginning of year</b>	<u>558,329</u>	<u>558,329</u>	<u>533,479</u>	<u>(24,850)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 306,399</u>	<u>\$ 306,399</u>	<u>\$ 397,856</u>	<u>\$ 91,457</u>

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 1,301,500	\$ 1,301,500	\$ 988,998	\$ (312,502)
Charges for services	1,736,620	1,736,620	1,318,678	(417,942)
Miscellaneous	12,460	12,460	21,587	9,127
<i>Total Revenues</i>	<u>3,050,580</u>	<u>3,050,580</u>	<u>2,329,263</u>	<u>(721,317)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	3,514,450	3,514,450	2,816,780	697,670
Contingency	63,380	63,380	-	63,380
<i>Total Expenditures</i>	<u>3,577,830</u>	<u>3,577,830</u>	<u>2,816,780</u>	<u>761,050</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(527,250)</u>	<u>(527,250)</u>	<u>(487,517)</u>	<u>39,733</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	118,390	118,390	118,390	-
Transfers out	(144,900)	(144,900)	(144,900)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(26,510)</u>	<u>(26,510)</u>	<u>(26,510)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(553,760)</u>	<u>(553,760)</u>	<u>(514,027)</u>	<u>39,733</u>
<b>FUND BALANCE, Beginning of year</b>	<u>2,642,843</u>	<u>2,642,843</u>	<u>3,448,555</u>	<u>805,712</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 2,089,083</u>	<u>\$ 2,089,083</u>	<u>\$ 2,934,528</u>	<u>\$ 845,445</u>

**CITY OF CORVALLIS, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET  
AND ACTUAL – BUDGETARY BASIS – PARKING FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 20,000	\$ 20,000	\$ 21,632	\$ 1,632
Charges for services	192,020	192,020	218,719	26,699
Fines and forfeitures	437,000	437,000	371,588	(65,412)
Miscellaneous	4,740	4,740	5,511	771
<i>Total Revenues</i>	<u>653,760</u>	<u>653,760</u>	<u>617,450</u>	<u>(36,310)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	3,990	3,990	2,200	1,790
Finance	193,990	193,990	191,705	2,285
Police	288,700	288,700	245,235	43,465
Public Works	284,890	284,890	226,785	58,105
Contingency	13,080	13,080	-	13,080
<i>Total Expenditures</i>	<u>784,650</u>	<u>784,650</u>	<u>665,925</u>	<u>118,725</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(130,890)</u>	<u>(130,890)</u>	<u>(48,475)</u>	<u>82,415</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(376,820)</u>	<u>(376,820)</u>	<u>(25,310)</u>	<u>351,510</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(507,710)</u>	<u>(507,710)</u>	<u>(73,785)</u>	<u>433,925</u>
<b>FUND BALANCE, Beginning of year</b>	<u>737,965</u>	<u>737,965</u>	<u>784,122</u>	<u>46,157</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 230,255</u>	<u>\$ 230,255</u>	<u>\$ 710,337</u>	<u>\$ 480,082</u>

**CITY OF CORVALLIS, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET  
AND ACTUAL – BUDGETARY BASIS – TRANSIT FUND  
YEAR ENDED JUNE 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 1,141,250	\$ 1,141,250	\$ 1,067,425	\$ (73,825)
Charges for services	224,220	224,220	249,430	25,210
Intergovernmental	1,570,840	1,570,840	1,511,894	(58,946)
Miscellaneous	225,970	225,970	251,394	25,424
<i>Total Revenues</i>	<u>3,162,280</u>	<u>3,162,280</u>	<u>3,080,143</u>	<u>(82,137)</u>
<b>EXPENDITURES</b>				
Current				
Public Works	3,289,710	3,289,710	3,050,805	238,905
Contingency	63,250	63,250	-	63,250
<i>Total Expenditures</i>	<u>3,352,960</u>	<u>3,352,960</u>	<u>3,050,805</u>	<u>302,155</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(190,680)</u>	<u>(190,680)</u>	<u>29,338</u>	<u>220,018</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(16,660)</u>	<u>(16,660)</u>	<u>(16,660)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(207,340)</u>	<u>(207,340)</u>	<u>12,678</u>	<u>220,018</u>
<b>FUND BALANCE, Beginning of year</b>	<u>2,280,418</u>	<u>2,280,418</u>	<u>2,303,106</u>	<u>22,688</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 2,073,078</u>	<u>\$ 2,073,078</u>	<u>\$ 2,315,784</u>	<u>\$ 242,706</u>

# CAPITAL PROJECTS FUND



## 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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 3,025,750	\$ 3,025,750	\$ 1,001,334	\$ (2,024,416)
Miscellaneous	2,086,790	2,086,790	142,524	(1,944,266)
<i>Total Revenues</i>	<u>5,112,540</u>	<u>5,112,540</u>	<u>1,143,858</u>	<u>(3,968,682)</u>
<b>EXPENDITURES</b>				
Capital outlay	9,610,550	9,610,550	2,413,621	7,196,929
<i>Total Expenditures</i>	<u>9,610,550</u>	<u>9,610,550</u>	<u>2,413,621</u>	<u>7,196,929</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(4,498,010)</u>	<u>(4,498,010)</u>	<u>(1,269,763)</u>	<u>3,228,247</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,002,800	4,002,800	1,839,865	(2,162,935)
<b>NET CHANGE IN FUND BALANCE</b>	<u>(495,210)</u>	<u>(495,210)</u>	<u>570,102</u>	<u>1,065,312</u>
<b>FUND BALANCE, Beginning of year</b>	<u>650,291</u>	<u>650,291</u>	<u>1,355,929</u>	<u>705,638</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 155,081</u>	<u>\$ 155,081</u>	<u>\$ 1,926,031</u>	<u>\$ 1,770,950</u>

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# DEBT SERVICE FUNDS



## 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, 2016**

	<b>General Obligation Debt Service</b>	<b>Pension Obligation Debt Service</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 70,604	\$ 503	\$ 71,107
Receivables			
Accrued interest	1,055	-	1,055
Other assets	-	9	9
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Assets</i>	<u><u>\$ 71,659</u></u>	<u><u>\$ 512</u></u>	<u><u>\$ 72,171</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities</i>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>			
Restricted	71,659	512	72,171
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Fund Balances</i>	<u>71,659</u>	<u>512</u>	<u>72,171</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 71,659</u></u>	<u><u>\$ 512</u></u>	<u><u>\$ 72,171</u></u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<b>General Obligation Debt Service</b>	<b>Pension Obligation Debt Service</b>	<b>Total</b>
<b>REVENUES</b>			
Taxes	\$ 1,143,419	\$ -	\$ 1,143,419
Miscellaneous	3,880	10	3,890
<i>Total Revenues</i>	<u>1,147,299</u>	<u>10</u>	<u>1,147,309</u>
<b>EXPENDITURES</b>			
Current			
Nondepartmental	-	1,350	1,350
Debt service			
Principal	965,000	684,519	1,649,519
Interest	171,400	2,160,058	2,331,458
<i>Total Expenditures</i>	<u>1,136,400</u>	<u>2,845,927</u>	<u>3,982,327</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>10,899</u>	<u>(2,845,917)</u>	<u>(2,835,018)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	2,845,930	2,845,930
<b>NET CHANGE IN FUND BALANCES</b>	10,899	13	10,912
<b>FUND BALANCE, Beginning of year</b>	<u>60,760</u>	<u>499</u>	<u>61,259</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 71,659</u>	<u>\$ 512</u>	<u>\$ 72,171</u>

**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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes	\$ 1,145,000	\$ 1,145,000	\$ 1,143,419	\$ (1,581)
Miscellaneous	2,090	2,090	3,880	1,790
<i>Total Revenues</i>	<u>1,147,090</u>	<u>1,147,090</u>	<u>1,147,299</u>	<u>209</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	965,000	965,000	965,000	-
Interest	171,400	171,400	171,400	-
<i>Total Expenditures</i>	<u>1,136,400</u>	<u>1,136,400</u>	<u>1,136,400</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>10,690</u>	<u>10,690</u>	<u>10,899</u>	<u>209</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>10,690</u>	<u>10,690</u>	<u>10,899</u>	<u>209</u>
<b>FUND BALANCE, Beginning of year</b>	<u>57,863</u>	<u>57,863</u>	<u>60,760</u>	<u>2,897</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 68,553</u>	<u>\$ 68,553</u>	<u>\$ 71,659</u>	<u>\$ 3,106</u>

**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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 10	\$ 10
<b>EXPENDITURES</b>				
Current				
Nondepartmental	1,350	1,350	1,350	-
Debt service				
Principal	684,520	684,520	684,519	1
Interest	2,160,070	2,160,070	2,160,058	12
<i>Total Expenditures</i>	<u>2,845,940</u>	<u>2,845,940</u>	<u>2,845,927</u>	<u>13</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,845,940)</u>	<u>(2,845,940)</u>	<u>(2,845,917)</u>	<u>23</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,845,930	2,845,930	2,845,930	-
<b>NET CHANGE IN FUND BALANCE</b>	(10)	(10)	13	23
<b>FUND BALANCE, Beginning of year</b>	<u>485</u>	<u>485</u>	<u>499</u>	<u>14</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 475</u>	<u>\$ 475</u>	<u>\$ 512</u>	<u>\$ 37</u>

# NON-MAJOR PERMANENT FUND



## 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, 2016**

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	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 53	\$ 53
<b>EXPENDITURES</b>				
Current	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	53	53
<b>NET CHANGE IN FUND BALANCE</b>	-	-	53	53
<b>FUND BALANCE, Beginning of year</b>	5,546	5,546	5,581	35
<b>FUND BALANCE, End of year</b>	<u>\$ 5,546</u>	<u>\$ 5,546</u>	<u>\$ 5,634</u>	<u>\$ 88</u>

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# ENTERPRISE FUNDS



## 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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 10,313,270	\$ 10,313,270	\$ 10,996,280	\$ 683,010
Intergovernmental	7,900	7,900	24,523	16,623
Fines and forfeitures	-	-	(341)	(341)
Miscellaneous	615,670	615,670	518,928	(96,742)
<i>Total Revenues</i>	<u>10,936,840</u>	<u>10,936,840</u>	<u>11,539,390</u>	<u>602,550</u>
<b>EXPENDITURES</b>				
Community Development	54,810	54,810	53,440	1,370
Public Works	9,006,390	9,006,390	7,739,558	1,266,832
Capital Projects	1,081,900	1,081,900	116,799	965,101
Debt service				
Principal	160,000	160,000	160,000	-
Interest	6,400	6,400	6,400	-
Contingency	207,960	207,960	-	207,960
<i>Total Expenditures</i>	<u>10,517,460</u>	<u>10,517,460</u>	<u>8,076,197</u>	<u>2,441,263</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>419,380</u>	<u>419,380</u>	<u>3,463,193</u>	<u>3,043,813</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,816,500	1,816,500	-	(1,816,500)
Transfers out	(2,009,430)	(2,009,430)	(192,930)	1,816,500
<i>Total Other Financing Sources (Uses)</i>	<u>(192,930)</u>	<u>(192,930)</u>	<u>(192,930)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>226,450</u>	<u>226,450</u>	<u>3,270,263</u>	<u>3,043,813</u>
<b>FUND BALANCE, Beginning of year</b>	<u>10,903,465</u>	<u>10,903,465</u>	<u>12,542,531</u>	<u>1,639,066</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 11,129,915</u>	<u>\$ 11,129,915</u>	<u>\$ 15,812,794</u>	<u>\$ 4,682,879</u>

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WASTEWATER FUND**  
**YEAR ENDED JUNE 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 11,508,240	\$ 11,508,240	\$ 11,540,404	\$ 32,164
Fines and forfeitures	-	-	449	449
Miscellaneous	118,320	118,320	206,147	87,827
<i>Total Revenues</i>	<u>11,626,560</u>	<u>11,626,560</u>	<u>11,747,000</u>	<u>120,440</u>
<b>EXPENDITURES</b>				
Community Development	52,880	52,880	51,510	1,370
Public Works	7,935,260	7,935,260	6,925,992	1,009,268
Capital Projects	6,465,890	6,465,890	1,043,797	5,422,093
Debt service				
Principal	1,935,000	1,935,000	1,935,000	-
Interest	284,450	284,450	284,450	-
Contingency	204,610	204,610	-	204,610
<i>Total Expenditures</i>	<u>16,878,090</u>	<u>16,878,090</u>	<u>10,240,749</u>	<u>6,637,341</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(5,251,530)</u>	<u>(5,251,530)</u>	<u>1,506,251</u>	<u>6,757,781</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	-	-	46,500	46,500
Transfers in	6,817,440	6,817,440	-	(6,817,440)
Transfers out	(6,990,230)	(6,990,230)	(172,790)	6,817,440
<i>Total Other Financing Sources (Uses)</i>	<u>(172,790)</u>	<u>(172,790)</u>	<u>(126,290)</u>	<u>46,500</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(5,424,320)</u>	<u>(5,424,320)</u>	<u>1,379,961</u>	<u>6,804,281</u>
<b>FUND BALANCE, Beginning of year</b>	<u>13,196,566</u>	<u>13,196,566</u>	<u>17,257,294</u>	<u>4,060,728</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 7,772,246</u>	<u>\$ 7,772,246</u>	<u>\$ 18,637,255</u>	<u>\$ 10,865,009</u>

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – STORM WATER FUND**  
**YEAR ENDED JUNE 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 2,423,810	\$ 2,423,810	\$ 2,605,878	\$ 182,068
Fines and forfeitures	600	600	-	(600)
Miscellaneous	35,660	35,660	14,463	(21,197)
<i>Total Revenues</i>	<u>2,460,070</u>	<u>2,460,070</u>	<u>2,620,341</u>	<u>160,271</u>
<b>EXPENDITURES</b>				
Community Development	53,830	53,830	52,457	1,373
Public Works	2,375,570	2,375,570	2,125,669	249,901
Capital Projects	671,320	671,320	311,081	360,239
Contingency	47,780	47,780	-	47,780
<i>Total Expenditures</i>	<u>3,148,500</u>	<u>3,148,500</u>	<u>2,489,207</u>	<u>659,293</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(688,430)</u>	<u>(688,430)</u>	<u>131,134</u>	<u>819,564</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	-	-	28,644	28,644
Transfers in	643,000	643,000	-	(643,000)
Transfers out	(777,640)	(777,640)	(134,640)	643,000
<i>Total Other Financing Sources (Uses)</i>	<u>(134,640)</u>	<u>(134,640)</u>	<u>(105,996)</u>	<u>28,644</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(823,070)</u>	<u>(823,070)</u>	<u>25,138</u>	<u>848,208</u>
<b>FUND BALANCE, Beginning of year</b>	<u>1,226,914</u>	<u>1,226,914</u>	<u>1,670,291</u>	<u>443,377</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 403,844</u>	<u>\$ 403,844</u>	<u>\$ 1,695,429</u>	<u>\$ 1,291,585</u>

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - AIRPORT FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 5,000	\$ 5,000	\$ 5,418	\$ 418
Charges for services	478,500	478,500	476,213	(2,287)
Intergovernmental	505,930	505,930	182,947	(322,983)
Fines and forfeitures	-	-	651	651
Miscellaneous	12,130	12,130	7,800	(4,330)
<i>Total Revenues</i>	<u>1,001,560</u>	<u>1,001,560</u>	<u>673,029</u>	<u>(328,531)</u>
<b>EXPENDITURES</b>				
Public Works	397,620	420,620	364,498	56,122
Capital Projects	701,150	678,150	286,497	391,653
Contingency	9,910	9,910	-	9,910
<i>Total Expenditures</i>	<u>1,108,680</u>	<u>1,108,680</u>	<u>650,995</u>	<u>457,685</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(107,120)</u>	<u>(107,120)</u>	<u>22,034</u>	<u>129,154</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	195,220	195,220	-	(195,220)
Transfers out	(205,340)	(205,340)	(10,120)	195,220
<i>Total Other Financing Sources (Uses)</i>	<u>(10,120)</u>	<u>(10,120)</u>	<u>(10,120)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(117,240)</u>	<u>(117,240)</u>	<u>11,914</u>	<u>129,154</u>
<b>FUND BALANCE, Beginning of year</b>	<u>665,474</u>	<u>665,474</u>	<u>666,968</u>	<u>1,494</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 548,234</u>	<u>\$ 548,234</u>	<u>\$ 678,882</u>	<u>\$ 130,648</u>

# INTERNAL SERVICE FUNDS



## 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, 2016**

	<i>Fleet Maintenance</i>	<i>Facility Maintenance</i>	<i>Technology and Communications</i>	<i>Administrative Services</i>	<i>Risk Management</i>	<i>Total</i>
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and investments	\$ 204,954	\$ 149,813	\$ 1,053,274	\$ 1,175,783	\$ 1,187,577	\$ 3,771,401
Receivables						
Accounts	3,466	550	-	33,883	-	37,899
Accrued interest	-	-	-	-	1,685	1,685
<i>Total Current Assets</i>	<u>208,420</u>	<u>150,363</u>	<u>1,053,274</u>	<u>1,209,666</u>	<u>1,189,262</u>	<u>3,810,985</u>
<b>Capital Assets</b>						
Land	-	-	-	500,664	-	500,664
Buildings	-	47,786	-	86,849	-	134,635
Vehicles	23,556	81,654	24,016	15,647	71,012	215,885
Machinery and equipment	-	67,529	553,975	-	-	621,504
<i>Total Capital Assets</i>	<u>23,556</u>	<u>196,969</u>	<u>577,991</u>	<u>603,160</u>	<u>71,012</u>	<u>1,472,688</u>
Less accumulated depreciation	<u>(14,238)</u>	<u>(76,426)</u>	<u>(465,853)</u>	<u>(93,238)</u>	<u>(17,501)</u>	<u>(667,256)</u>
<i>Capital Assets (net of accumulated depreciation)</i>	<u>9,318</u>	<u>120,543</u>	<u>112,138</u>	<u>509,922</u>	<u>53,511</u>	<u>805,432</u>
<i>Total Assets</i>	<u>\$ 217,738</u>	<u>\$ 270,906</u>	<u>\$ 1,165,412</u>	<u>\$ 1,719,588</u>	<u>\$ 1,242,773</u>	<u>\$ 4,616,417</u>
<b>LIABILITIES AND NET POSITION</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 17,178	\$ 44,555	\$ 415,503	\$ 96,559	\$ 81,852	\$ 655,647
Accrued compensated absences	7,536	54,334	84,871	329,375	-	476,116
Other accrued liabilities	-	-	-	16,587	-	16,587
<i>Total Current Liabilities</i>	<u>24,714</u>	<u>98,889</u>	<u>500,374</u>	<u>442,521</u>	<u>81,852</u>	<u>1,148,350</u>
<b>Noncurrent liabilities</b>						
Accrued compensated absences	4,142	29,863	46,647	181,032	-	261,684
Net OPEB Obligations	81,716	154,182	430,168	1,012,976	-	1,679,042
<i>Total Liabilities</i>	<u>110,572</u>	<u>282,934</u>	<u>977,189</u>	<u>1,636,529</u>	<u>81,852</u>	<u>3,089,076</u>
<b>Net Position</b>						
Investment in capital assets	9,318	120,543	112,138	509,922	53,511	805,432
Unrestricted	97,848	(132,571)	76,085	(426,863)	1,107,410	721,909
<i>Total Net Position</i>	<u>107,166</u>	<u>(12,028)</u>	<u>188,223</u>	<u>83,059</u>	<u>1,160,921</u>	<u>1,527,341</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 217,738</u>	<u>\$ 270,906</u>	<u>\$ 1,165,412</u>	<u>\$ 1,719,588</u>	<u>\$ 1,242,773</u>	<u>\$ 4,616,417</u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<i>Fleet Maintenance</i>	<i>Facility Maintenance</i>	<i>Technology and Communications</i>	<i>Administrative Services</i>	<i>Risk Management</i>	<i>Total</i>
<b>OPERATING REVENUES</b>						
Licenses, fees, and permits	-	-	-	38,315	-	38,315
Charges for services	\$ 630,713	\$ 808,970	\$ 1,811,260	\$ 5,093,364	\$ 1,448,170	\$ 9,792,477
Fines and forfeitures	224	-	-	130	-	354
Miscellaneous	3,578	8,779	586	9,823	163,013	185,779
<i>Total Operating Revenues</i>	<u>634,515</u>	<u>817,749</u>	<u>1,811,846</u>	<u>5,141,632</u>	<u>1,611,183</u>	<u>10,016,925</u>
<b>OPERATING EXPENSES</b>						
Personnel services	168,030	446,085	1,199,590	3,056,937	-	4,870,642
Materials and supplies	278,362	70,415	35,096	66,170	6,843	456,886
Services	54,961	173,272	565,727	880,095	52,350	1,726,405
Utility and overhead	44,190	95,911	67,404	962,324	1,188,335	2,358,164
Training and conference	2,050	1,443	8,704	38,546	965	51,708
Depreciation and amortization	2,356	8,925	15,799	1,565	7,718	36,363
<i>Total Operating Expenses</i>	<u>549,949</u>	<u>796,051</u>	<u>1,892,320</u>	<u>5,005,637</u>	<u>1,256,211</u>	<u>9,500,168</u>
<b>OPERATING INCOME (LOSS)</b>	84,566	21,698	(80,474)	135,995	354,972	516,757
<b>NONOPERATING INCOME (EXPENSE)</b>						
Interest income	-	-	-	-	8,511	8,511
<i>Total Non-Operating Income (Expense)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,511</u>	<u>8,511</u>
<b>INCOME (EXPENSE) BEFORE TRANSFERS</b>	<u>84,566</u>	<u>21,698</u>	<u>(80,474)</u>	<u>135,995</u>	<u>363,483</u>	<u>525,268</u>
<b>CHANGE IN NET POSITION</b>	84,566	21,698	(80,474)	135,995	363,483	525,268
<b>NET POSITION, Beginning of year</b>	<u>22,600</u>	<u>(33,726)</u>	<u>268,697</u>	<u>(52,936)</u>	<u>797,438</u>	<u>1,002,073</u>
<b>NET POSITION, End of year</b>	<u>\$ 107,166</u>	<u>\$ (12,028)</u>	<u>\$ 188,223</u>	<u>\$ 83,059</u>	<u>\$ 1,160,921</u>	<u>\$ 1,527,341</u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<i>Fleet Maintenance</i>	<i>Facility Maintenance</i>	<i>Technology and Communications</i>	<i>Administrative Services</i>	<i>Risk Management</i>	<i>Total</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 38,149	\$ 12,795	\$ 2,003	\$ 351,122	\$ 163,014	\$ 567,083
Receipts from interfund services provided	186,890	-	1,809,845	-	-	1,996,735
Other receipts	2,140	2,430	40	3,750	-	8,360
Payments to suppliers	(356,049)	(300,817)	(262,748)	(1,652,552)	(1,265,800)	(3,837,966)
Payments to employees	(146,839)	(419,835)	(1,026,002)	(2,799,258)	-	(4,391,934)
Payments for interfund services used	377,053	757,595	(38,765)	4,354,887	1,448,170	6,898,940
<i>Net Cash Provided by (Used In) Operating Activities</i>	101,344	52,168	484,373	257,949	345,384	1,241,218
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	-	(39,659)	(61,199)	-	-	(100,858)
<i>Net Cash Used In Capital and Related Financing Activities</i>	-	(39,659)	(61,199)	-	-	(100,858)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	-	-	-	-	7,425	7,425
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	101,344	12,509	423,174	257,949	352,809	1,147,785
<b>CASH AND INVESTMENTS, Beginning of year</b>	103,610	137,304	630,100	917,834	834,768	2,623,616
<b>CASH AND INVESTMENTS, End of year</b>	<u>\$ 204,954</u>	<u>\$ 149,813</u>	<u>\$ 1,053,274</u>	<u>\$ 1,175,783</u>	<u>\$ 1,187,577</u>	<u>\$ 3,771,401</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 84,566	\$ 21,698	\$ (80,474)	\$ 135,995	\$ 354,972	\$ 516,757
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	2,356	8,925	15,799	1,565	7,718	36,363
Change in assets and liabilities						
Receivables						
Accounts receivable	14,809	(550)	-	(6,374)	-	7,885
Accounts payable	(4,944)	738	382,890	555	(17,306)	361,933
Accrued compensated absences	(2,183)	6,020	17,846	26,137	-	47,820
Net OPEB obligations	6,740	15,337	148,312	103,539	-	273,928
Other accrued liabilities	-	-	-	(3,468)	-	(3,468)
<i>Net Cash Provided by (Used In) Operating Activities</i>	<u>\$ 101,344</u>	<u>\$ 52,168</u>	<u>\$ 484,373</u>	<u>\$ 257,949</u>	<u>\$ 345,384</u>	<u>\$ 1,241,218</u>

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 858,480	\$ 858,480	\$ 630,713	\$ (227,767)
Fines and forfeitures	-	-	224	224
Miscellaneous	1,000	1,000	3,578	2,578
<i>Total Revenues</i>	<u>859,480</u>	<u>859,480</u>	<u>634,515</u>	<u>(224,965)</u>
<b>EXPENDITURES</b>				
Public Works	859,480	859,480	543,036	316,444
Contingency	16,000	16,000	-	16,000
<i>Total Expenditures</i>	<u>875,480</u>	<u>875,480</u>	<u>543,036</u>	<u>332,444</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(16,000)</u>	<u>(16,000)</u>	<u>91,479</u>	<u>107,479</u>
<b>FUND BALANCE, Beginning of year</b>	<u>31,387</u>	<u>31,387</u>	<u>99,763</u>	<u>68,376</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 15,387</u>	<u>\$ 15,387</u>	<u>\$ 191,242</u>	<u>\$ 175,855</u>

**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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 808,970	\$ 808,970	\$ 808,970	\$ -
Miscellaneous	1,800	1,800	8,779	6,979
<i>Total Revenues</i>	<u>810,770</u>	<u>810,770</u>	<u>817,749</u>	<u>6,979</u>
<b>EXPENDITURES</b>				
Public Works	847,020	847,020	805,429	41,591
Contingency	10,000	10,000	-	10,000
<i>Total Expenditures</i>	<u>857,020</u>	<u>857,020</u>	<u>805,429</u>	<u>51,591</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(46,250)</u>	<u>(46,250)</u>	<u>12,320</u>	<u>58,570</u>
<b>FUND BALANCE, Beginning of year</b>	<u>89,865</u>	<u>89,865</u>	<u>93,488</u>	<u>3,623</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 43,615</u>	<u>\$ 43,615</u>	<u>\$ 105,808</u>	<u>\$ 62,193</u>

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 1,832,020	\$ 1,832,020	\$ 1,811,260	\$ (20,760)
Miscellaneous	400	400	586	186
<i>Total Revenues</i>	<u>1,832,420</u>	<u>1,832,420</u>	<u>1,811,846</u>	<u>(20,574)</u>
<b>EXPENDITURES</b>				
Finance	1,682,500	1,682,500	1,650,820	31,680
Public Works	238,980	238,980	120,741	118,239
Contingency	30,000	30,000	-	30,000
<i>Total Expenditures</i>	<u>1,951,480</u>	<u>1,951,480</u>	<u>1,771,561</u>	<u>179,919</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(119,060)</u>	<u>(119,060)</u>	<u>40,285</u>	<u>159,345</u>
<b>FUND BALANCE, Beginning of year</b>	<u>439,248</u>	<u>439,248</u>	<u>597,486</u>	<u>158,238</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 320,188</u>	<u>\$ 320,188</u>	<u>\$ 637,771</u>	<u>\$ 317,583</u>

**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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	40,420	40,420	38,315	(2,105)
Charges for services	\$ 5,055,800	\$ 5,055,800	\$ 5,093,364	\$ 37,564
Fines and forfeitures	-	-	130	130
Miscellaneous	12,450	12,450	9,823	(2,627)
<i>Total Revenues</i>	<u>5,108,670</u>	<u>5,108,670</u>	<u>5,141,632</u>	<u>32,962</u>
<b>EXPENDITURES</b>				
City Manager's Office	2,359,880	2,359,880	2,225,963	133,917
Finance	2,858,790	2,858,790	2,648,433	210,357
Contingency	30,000	30,000	-	30,000
<i>Total Expenditures</i>	<u>5,248,670</u>	<u>5,248,670</u>	<u>4,874,396</u>	<u>374,274</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(140,000)</u>	<u>(140,000)</u>	<u>267,236</u>	<u>407,236</u>
<b>FUND BALANCE, Beginning of year</b>	<u>511,528</u>	<u>511,528</u>	<u>829,285</u>	<u>317,757</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 371,528</u>	<u>\$ 371,528</u>	<u>\$ 1,096,521</u>	<u>\$ 724,993</u>

**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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,448,170	\$ 1,448,170	\$ 1,448,170	\$ -
Miscellaneous	31,940	71,940	171,524	99,584
<i>Total Revenues</i>	<u>1,480,110</u>	<u>1,520,110</u>	<u>1,619,694</u>	<u>99,584</u>
<b>EXPENDITURES</b>				
City Manager's Office	356,520	396,520	396,512	8
Finance	994,760	994,760	851,981	142,779
Contingency	275,000	275,000	-	275,000
<i>Total Expenditures</i>	<u>1,626,280</u>	<u>1,666,280</u>	<u>1,248,493</u>	<u>417,787</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(146,170)</u>	<u>(146,170)</u>	<u>371,201</u>	<u>517,371</u>
<b>FUND BALANCE, Beginning of year</b>	<u>646,810</u>	<u>646,810</u>	<u>736,209</u>	<u>89,399</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 500,640</u>	<u>\$ 500,640</u>	<u>\$ 1,107,410</u>	<u>\$ 606,770</u>

# OTHER FINANCIAL SCHEDULES



**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**YEAR ENDED JUNE 30, 2016**

<i>Fiscal Year</i>	<i>Property Taxes Receivable June 30, 2015</i>	<i>Extended by Assessor</i>	<i>(Deduct) Collections (1)</i>	<i>Add (Deduct) Discounts and Adjustments</i>	<i>Property Taxes Receivable June 30, 2016</i>
2016	\$ -	\$ 27,817,609	\$ (26,323,858)	\$ (767,976)	\$ 725,775
2015	914,475		(237,667)	(193,088)	483,720
2014	598,499	-	(98,569)	(82,890)	417,040
2013	441,091	-	(58,418)	(215,548)	167,125
2012	160,520	-	(29,372)	(1,835)	129,313
2011	9,160	-	(3,522)	(1,682)	3,956
2010 and prior	241,448	-	(6,175)	(209,416)	25,857
	<u>\$ 2,365,193</u>	<u>\$ 27,817,609</u>	<u>\$ (26,757,581)</u>	<u>\$ (1,472,435)</u>	<u>\$ 1,952,786</u>

Notes:

- (1) A total of \$26,757,581 in property tax receipts were received by the City in FY 2015/16. The City also received an additional \$61,732 from Benton County for property tax related interest.

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2016**

<i>Series</i>	<i>Date of Issue</i>	<i>Final Maturity Date</i>	<i>Amount of Original Issue</i>	<i>Outstanding July 1, 2015</i>	<i>Bonds Issued</i>	<i>Bonds Called and Matured</i>	<i>Outstanding June 30, 2016</i>
<b>BONDS PAYABLE</b>							
<i>General Obligation Bonds</i>							
Series 2009	05/27/09	06/01/19	\$ 10,190,000	\$ 4,285,000	\$ -	\$ 965,000	\$ 3,320,000
<i>Total General Obligation Bonds</i>				4,285,000	-	965,000	3,320,000
<i>Debt Secured by the General Fund</i>							
Series 2002 A	03/01/02	01/01/30	23,913,017	21,565,198	-	349,519	21,215,679
Series 2005 A	09/23/05	06/01/28	9,980,000	8,620,000	-	335,000	8,285,000
<i>Total Pension Obligation Bonds</i>				30,185,198	-	684,519	29,500,679
FFC Ref. Oblig. Series 2012	11/15/12	12/01/20	11,485,000	6,860,000	-	1,560,000	5,300,000
FFC Oblig. Series 2014	09/23/14	08/01/24	3,900,000	3,900,000	-	340,000	3,560,000
<i>Total Full Faith and Credit Bonds</i>				10,760,000	-	1,900,000	8,860,000
<i>Total Debt Secured by the General Fund</i>				40,945,198	-	2,584,519	38,360,679
<i>Revenue Bonds</i>							
Series 2006 A	03/01/06	05/01/20	5,410,000	2,920,000	-	535,000	2,385,000
<i>Total Revenue Bonds</i>				2,920,000	-	535,000	2,385,000
<i>Total All Bonds</i>				48,150,198	-	4,084,519	44,065,679
<b>NOTES PAYABLE</b>							
BOA 2010 CIP Loan	08/05/10	08/01/20	2,100,000	1,330,000	-	205,000	1,125,000
<i>Total All Notes</i>				1,330,000	-	205,000	1,125,000
<i>Total Long-term Debt Transactions</i>				\$ 49,480,198	\$ -	\$ 4,289,519	\$ 45,190,679

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.

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF LONG-TERM DEBT INTEREST TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2016**

<i>Series</i>	<i>Interest Rates on Outstanding Balances</i>	<i>Unmatured and Outstanding July 1, 2015</i>	<i>Bonds Issued</i>	<i>Coupons Called and Matured</i>	<i>Unmatured and Outstanding June 30, 2016</i>
<b>BONDS PAYABLE</b>					
<b>General Obligation Bonds</b>					
Series 2009	4.00%	\$ 442,400	\$ -	\$ 171,400	\$ 271,000
<i>Total General Obligation Bonds</i>		<u>442,400</u>	<u>-</u>	<u>171,400</u>	<u>271,000</u>
<b>Debt Secured by the General Fund</b>					
Series 2002 A	6.50 - 7.06 %	21,995,327	-	1,731,881	20,263,446
Series 2005 A	4.859 - 5.004 %	3,469,773	-	428,176	3,041,597
<i>Total Pension Obligation Bonds</i>		<u>25,465,100</u>	<u>-</u>	<u>2,160,057</u>	<u>23,305,043</u>
FFC Ref. Oblig. Series 2012	2.00 - 4.00 %	569,525	-	180,650	388,875
FFC Oblig. Series 2014	3.00 %	613,800	-	111,900	501,900
<i>Total Full Faith and Credit Bonds</i>		<u>1,183,325</u>	<u>-</u>	<u>292,550</u>	<u>890,775</u>
<i>Total Debt Secured by the General Fund</i>		<u>26,648,425</u>	<u>-</u>	<u>2,452,607</u>	<u>24,195,818</u>
<b>Revenue Bonds</b>					
Series 2006 A	3.00 - 5.00 %	322,650	-	110,200	212,450
<i>Total Revenue Bonds</i>		<u>322,650</u>	<u>-</u>	<u>110,200</u>	<u>212,450</u>
<i>Total All Bonds</i>		<u>27,413,475</u>	<u>-</u>	<u>2,734,207</u>	<u>24,679,268</u>
<b>NOTES PAYABLE</b>					
BOA 2010 CIP Loan	2.9600%	121,656	-	36,334	85,322
<i>Total All Notes</i>		<u>121,656</u>	<u>-</u>	<u>36,334</u>	<u>85,322</u>
<i>Total Long-term Debt Interest Transactions</i>		<u>\$ 27,535,131</u>	<u>\$ -</u>	<u>\$ 2,770,541</u>	<u>\$ 24,764,590</u>

Notes:

**CITY OF CORVALLIS, OREGON**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF GENERAL OBLIGATION BONDS  
JUNE 30, 2016**

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<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>Series 2009</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>
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	<u>\$ 3,320,000</u>	<u>\$ 271,000</u>	<u>\$ 3,591,000</u>	<u>\$ 3,320,000</u>	<u>\$ 271,000</u>

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**CITY OF CORVALLIS, OREGON**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF FULL FAITH AND CREDIT OBLIGATIONS  
JUNE 30, 2016**

Year of Maturity	Governmental - Bonds									
	Total Requirements			Series 2014		Series 2005 A		Series 2002 A		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Principal	Interest	
2016-2017	\$ 2,544,957	\$ 2,506,534	\$ 5,051,491	\$ 350,000	\$ 101,550	\$ 385,000	\$ 411,899	\$ 359,957	\$ 1,816,443	
2017-2018	2,500,252	2,530,194	5,030,446	360,000	90,900	435,000	393,192	370,252	1,911,149	
2018-2019	2,606,833	2,555,964	5,162,797	370,000	79,950	485,000	372,055	376,833	2,009,567	
2019-2020	2,731,608	2,584,464	5,316,072	385,000	68,625	545,000	348,489	381,608	2,114,792	
2020-2021	2,236,024	2,619,960	4,855,984	395,000	56,925	610,000	322,007	386,024	2,225,376	
2021-2022	1,470,211	2,682,597	4,152,808	405,000	44,925	675,000	291,483	390,211	2,346,189	
2022-2023	1,560,794	2,760,861	4,321,655	420,000	32,550	750,000	257,706	390,794	2,470,605	
2023-2024	3,045,000	1,446,376	4,491,376	430,000	19,800	825,000	220,176	1,790,000	1,206,400	
2024-2025	3,400,000	1,275,618	4,675,618	445,000	6,675	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	
<b>Total</b>	<b>\$ 39,485,679</b>	<b>\$ 24,281,140</b>	<b>\$ 63,766,819</b>	<b>\$ 3,560,000</b>	<b>\$ 501,900</b>	<b>\$ 8,285,000</b>	<b>\$ 3,041,597</b>	<b>\$ 21,215,679</b>	<b>\$ 20,263,446</b>	

**CITY OF CORVALLIS, OREGON**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF FULL FAITH AND CREDIT OBLIGATIONS  
JUNE 30, 2016**

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<i>Business-type - Bonds</i>		<i>Governmental - Notes</i>	
<i>Series 2012</i>		<i>BOA 2010 CIP Loan</i>	
<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
\$ 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
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 5,300,000</u>	<u>\$ 388,875</u>	<u>\$ 1,125,000</u>	<u>\$ 85,322</u>

**CITY OF CORVALLIS, OREGON**

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

**JUNE 30, 2016**

**SENIOR DEBT**

<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>Series 2006 A</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>
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	<u>\$ 2,385,000</u>	<u>\$ 212,450</u>	<u>\$ 2,597,450</u>	<u>\$ 2,385,000</u>	<u>\$ 212,450</u>

**SUBORDINATE DEBT**

<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>Series 2012</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>
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	<u>\$ 5,140,000</u>	<u>\$ 386,475</u>	<u>\$ 5,526,475</u>	<u>\$ 5,140,000</u>	<u>\$ 386,475</u>

# STATISTICAL SECTION



## 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.

# STATISTICAL SECTION

## FINANCIAL TRENDS



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

	2007	2008	2009	2010	2011	2012	2013	2014 <i>(restated)</i>	2015	2016
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 140,587,954	\$ 141,455,487	\$ 142,337,802	\$ 145,961,066	\$ 146,306,669	\$ 145,112,271	\$ 145,619,845	\$ 149,612,328	\$ 150,543,949	\$ 152,752,009
Restricted for special purposes	4,311,449	3,579,434	4,289,737	3,980,184	7,343,850	9,136,247	9,538,132	9,804,205	16,340,444	15,796,901
Unrestricted	13,398,537	11,885,844	3,194,561	(1,397,676)	(6,872,343)	(9,076,217)	(9,085,682)	(38,384,827)	(31,242,112)	(40,268,402)
<i>Total Governmental Activities Net Position</i>	<u>\$ 158,297,940</u>	<u>\$ 156,920,765</u>	<u>\$ 149,822,100</u>	<u>\$ 148,543,574</u>	<u>\$ 146,778,176</u>	<u>\$ 145,172,301</u>	<u>\$ 146,072,295</u>	<u>\$ 121,031,706</u>	<u>\$ 135,642,281</u>	<u>\$ 128,280,508</u>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 106,978,116	\$ 108,814,471	\$ 109,369,298	\$ 110,462,358	\$ 111,598,330	\$ 115,238,767	\$ 116,547,672	\$ 118,294,427	\$ 119,496,665	\$ 123,938,456
Restricted for special purposes	13,472,647	13,145,730	13,469,355	13,990,821	15,403,422	14,757,490	14,781,966	17,027,541	21,616,708	24,083,350
Unrestricted	6,302,255	6,630,423	6,806,044	5,549,490	4,948,672	3,951,628	6,114,993	3,176,578	6,239,386	5,656,472
<i>Total Business-type Activities Net Position</i>	<u>\$ 126,753,018</u>	<u>\$ 128,590,624</u>	<u>\$ 129,644,697</u>	<u>\$ 130,002,669</u>	<u>\$ 131,950,424</u>	<u>\$ 133,947,885</u>	<u>\$ 137,444,631</u>	<u>\$ 138,498,546</u>	<u>\$ 147,352,759</u>	<u>\$ 153,678,278</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 247,566,070	\$ 250,269,958	\$ 251,707,100	\$ 256,423,424	\$ 257,904,999	\$ 260,351,038	\$ 262,167,517	\$ 267,906,755	\$ 270,040,614	\$ 276,690,465
Restricted for special purposes	17,784,096	16,725,164	17,759,092	17,971,005	22,747,272	23,893,737	24,320,098	26,831,746	37,957,152	39,880,251
Unrestricted	19,700,792	18,516,267	10,000,605	4,151,814	(1,923,671)	(5,124,589)	(2,970,689)	(35,208,249)	(25,002,726)	(34,611,930)
<i>Total Primary Government Activities Net Position</i>	<u>\$ 285,050,958</u>	<u>\$ 285,511,389</u>	<u>\$ 279,466,797</u>	<u>\$ 278,546,243</u>	<u>\$ 278,728,600</u>	<u>\$ 279,120,186</u>	<u>\$ 283,516,926</u>	<u>\$ 259,530,252</u>	<u>\$ 282,995,040</u>	<u>\$ 281,958,786</u>

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)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 1,652,481	\$ 1,796,330	\$ 1,620,536	\$ 1,986,064	\$ 1,511,814	\$ 1,407,376	\$ 2,647,885	\$ 2,518,089	\$ 1,931,655	\$ 2,366,287
Community Development	5,168,425	4,721,202	5,232,238	4,622,690	5,854,253	5,439,231	5,523,235	6,083,655	5,533,179	6,135,256
Finance	723,744	723,139	807,497	807,226	782,197	901,288	899,514	944,298	158,059	1,841,449
Fire	9,200,110	9,582,929	10,575,015	10,963,048	11,426,793	11,829,749	11,273,160	11,442,641	9,310,261	14,696,395
Library	5,716,184	5,956,494	6,664,627	6,544,201	6,221,228	6,417,292	6,525,123	6,241,948	5,724,638	7,862,874
Parks and Recreation	5,396,528	5,495,996	6,166,056	6,323,593	6,020,914	6,444,932	6,831,977	6,704,226	6,536,936	8,880,356
Police	10,744,348	10,949,777	12,002,325	13,013,915	13,184,192	13,879,967	13,271,326	13,783,254	12,218,752	17,738,321
Public Works	9,975,656	10,416,224	11,810,710	12,515,686	11,245,957	12,241,185	11,538,724	9,619,034	10,063,491	13,770,516
Interest on long-term debt	2,452,755	2,423,186	2,367,064	2,254,830	2,292,797	2,287,956	2,278,660	2,305,645	2,419,549	2,468,734
<i>Total Governmental Activities</i>	<u>51,030,231</u>	<u>52,065,277</u>	<u>57,246,068</u>	<u>59,031,253</u>	<u>58,540,145</u>	<u>60,848,976</u>	<u>60,789,604</u>	<u>59,642,790</u>	<u>53,896,520</u>	<u>75,760,188</u>
Business-type Activities:										
Water	7,641,213	8,063,852	8,342,283	8,499,854	8,745,859	8,879,814	8,286,092	8,314,648	8,388,726	9,924,438
Wastewater	8,492,767	8,732,200	9,170,904	9,462,535	9,970,607	9,735,989	9,550,971	8,570,089	8,503,193	10,188,710
Storm Water	1,707,827	2,670,369	2,298,342	2,021,492	2,097,052	2,558,029	2,436,998	2,655,470	2,217,614	2,890,403
Airport	597,816	594,875	680,639	842,116	1,497,794	979,303	808,105	762,258	709,543	782,852
<i>Total Business-type Activities</i>	<u>18,439,623</u>	<u>20,061,296</u>	<u>20,492,168</u>	<u>20,825,997</u>	<u>22,311,312</u>	<u>22,153,135</u>	<u>21,082,166</u>	<u>20,302,465</u>	<u>19,819,076</u>	<u>23,786,403</u>
<i>Total Primary Government</i>	<u>\$ 69,469,854</u>	<u>\$ 72,126,573</u>	<u>\$ 77,738,236</u>	<u>\$ 79,857,250</u>	<u>\$ 80,851,457</u>	<u>\$ 83,002,111</u>	<u>\$ 81,871,770</u>	<u>\$ 79,945,255</u>	<u>\$ 73,715,596</u>	<u>\$ 99,546,591</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services										
General Government	\$ 256,786	\$ 285,301	\$ 251,920	\$ 318,131	\$ 371,003	\$ 566,293	\$ 1,399,786	\$ 1,094,032	\$ 1,285,658	\$ 661,012
Community Development	2,441,356	914,830	1,634,006	3,275,953	2,157,595	1,569,182	3,203,687	4,053,116	3,545,204	2,657,656
Finance	1,192,579	1,122,641	956,815	861,040	1,094,015	1,108,034	990,959	1,038,023	980,389	888,473
Fire	2,948,347	3,256,362	3,074,246	3,296,688	3,318,101	3,559,002	3,419,560	3,329,370	4,036,008	4,036,835
Library	168,862	216,866	196,913	182,153	211,198	202,737	208,361	895,065	291,441	341,192
Parks and Recreation	1,398,611	1,423,883	1,528,078	1,708,603	1,512,646	1,693,632	2,133,838	2,010,791	2,222,250	2,399,366
Police	1,008,405	1,094,862	913,453	1,320,249	1,293,267	1,279,862	1,357,873	1,454,562	1,558,850	1,544,813
Public Works	1,909,003	2,366,278	1,655,549	2,131,077	1,901,110	3,235,735	4,106,072	3,594,084	4,515,185	3,383,821
Operating grants and contributions	7,854,696	7,542,838	7,650,047	8,641,809	8,962,239	9,792,384	9,199,032	9,694,350	9,387,749	9,767,844
Capital grants and contributions	5,754,056	3,256,066	3,013,921	6,713,015	5,641,347	3,212,701	3,251,247	5,923,404	4,480,448	6,295,099
<i>Total Governmental Activities</i>	<u>24,932,701</u>	<u>21,479,927</u>	<u>20,874,948</u>	<u>28,448,718</u>	<u>26,462,521</u>	<u>26,219,562</u>	<u>29,270,415</u>	<u>33,086,797</u>	<u>32,303,182</u>	<u>31,976,111</u>
Business-type Activities:										
Charges for services										
Water	7,779,966	8,126,619	8,538,420	8,328,087	8,482,624	8,944,214	9,944,486	9,332,436	11,459,098	10,842,972
Wastewater	8,702,620	9,028,522	8,838,806	8,739,964	8,969,074	9,077,154	9,421,748	9,554,808	9,928,985	10,448,419
Storm Water	1,866,500	1,859,065	1,829,778	1,883,720	2,005,560	2,083,142	2,098,547	2,293,264	2,345,832	2,584,191
Airport	330,477	382,523	452,297	400,460	408,313	467,018	507,062	479,684	498,203	483,651
Operating grants and contributions	1,773	-	43,463	27,238	58,196	188,774	179,089	43,975	16,635	24,523
Capital grants and contributions	4,311,390	2,057,705	1,840,821	2,177,949	4,808,133	3,379,269	2,681,928	2,515,543	4,757,420	5,904,697
<i>Total Business-type Activities</i>	<u>22,992,726</u>	<u>21,454,434</u>	<u>21,543,585</u>	<u>21,557,418</u>	<u>24,731,900</u>	<u>24,139,571</u>	<u>24,832,860</u>	<u>24,219,710</u>	<u>29,006,173</u>	<u>30,288,453</u>
<i>Total Primary Government</i>	<u>\$ 47,925,427</u>	<u>\$ 42,934,361</u>	<u>\$ 42,418,533</u>	<u>\$ 50,006,136</u>	<u>\$ 51,194,421</u>	<u>\$ 50,359,133</u>	<u>\$ 54,103,275</u>	<u>\$ 57,306,507</u>	<u>\$ 61,309,355</u>	<u>\$ 62,264,564</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Net (Expense) / Revenue</b>										
Governmental activities	\$ (26,097,530)	\$ (30,585,350)	\$ (36,371,120)	\$ (30,582,535)	\$ (32,077,624)	\$ (34,629,414)	\$ (31,519,189)	\$ (26,555,993)	\$ (21,593,338)	\$ (43,784,077)
Business-type activities	4,553,103	1,393,138	1,051,417	731,421	2,420,588	1,986,436	3,750,694	3,917,245	9,187,097	6,502,050
<b>Total Primary Government</b>	<u>\$ (21,544,427)</u>	<u>\$ (29,192,212)</u>	<u>\$ (35,319,703)</u>	<u>\$ (29,851,114)</u>	<u>\$ (29,657,036)</u>	<u>\$ (32,642,978)</u>	<u>\$ (27,768,495)</u>	<u>\$ (22,638,748)</u>	<u>\$ (12,406,241)</u>	<u>\$ (37,282,027)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 19,100,501	\$ 19,797,404	\$ 20,620,144	\$ 20,950,727	\$ 21,775,474	\$ 24,425,374	\$ 23,351,641	\$ 22,430,504	\$ 26,462,431	\$ 26,345,174
Other taxes	1,113,828	1,147,595	1,076,629	1,079,621	1,190,725	1,239,155	1,396,192	1,424,997	1,604,370	1,753,986
Franchise fees	4,827,108	4,988,241	5,178,552	5,004,727	5,142,289	5,306,529	5,186,269	5,486,499	5,635,615	5,604,632
Interest and investment earnings	1,332,488	1,098,958	491,698	158,842	144,235	200,061	136,567	250,895	289,554	409,590
Miscellaneous	1,451,951	1,641,909	1,453,065	1,579,768	1,421,942	1,518,054	1,707,759	2,266,469	1,681,005	1,762,658
Gain on sale of capital assets	58,082	30,768	5,451	6,644	43,271	7,606	26,047	66,733	20,298	35,784
Transfers	586,191	503,300	446,916	523,680	594,290	326,760	358,250	482,060	510,640	510,480
<b>Total Governmental Activities</b>	<u>28,470,149</u>	<u>29,208,175</u>	<u>29,272,455</u>	<u>29,304,009</u>	<u>30,312,226</u>	<u>33,023,539</u>	<u>32,162,725</u>	<u>32,408,157</u>	<u>36,203,913</u>	<u>36,422,304</u>
Business-type activities										
Interest and investment earnings	1,001,448	931,722	436,941	144,423	113,416	149,489	91,137	143,869	159,831	295,644
Miscellaneous	12,841	16,046	12,631	5,808	8,041	188,296	13,165	116,134	17,925	38,305
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(586,191)	(503,300)	(446,916)	(523,680)	(594,290)	(326,760)	(358,250)	(482,060)	(510,640)	(510,480)
<b>Total Business-type Activities</b>	<u>428,098</u>	<u>444,468</u>	<u>2,656</u>	<u>(373,449)</u>	<u>(472,833)</u>	<u>11,025</u>	<u>(253,948)</u>	<u>(222,057)</u>	<u>(332,884)</u>	<u>(176,531)</u>
<b>Total Primary Government</b>	<u>\$ 28,898,247</u>	<u>\$ 29,652,643</u>	<u>\$ 29,275,111</u>	<u>\$ 28,930,560</u>	<u>\$ 29,839,393</u>	<u>\$ 33,034,564</u>	<u>\$ 31,908,777</u>	<u>\$ 32,186,100</u>	<u>\$ 35,871,029</u>	<u>\$ 36,245,773</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 2,372,619	\$ (1,377,175)	\$ (7,098,665)	\$ (1,278,526)	\$ (1,765,398)	\$ (1,605,875)	\$ 643,536	\$ 5,852,164	\$ 14,610,575	\$ (7,361,773)
Business-type activities	4,981,201	1,837,606	1,054,073	357,972	1,947,755	1,997,461	3,496,746	3,695,188	8,854,213	6,325,519
<b>Total Primary Government</b>	<u>\$ 7,353,820</u>	<u>\$ 460,431</u>	<u>\$ (6,044,592)</u>	<u>\$ (920,554)</u>	<u>\$ 182,357</u>	<u>\$ 391,586</u>	<u>\$ 4,140,282</u>	<u>\$ 9,547,352</u>	<u>\$ 23,464,788</u>	<u>\$ (1,036,254)</u>

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)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011(a)</u>	<u>2012</u>	<u>2013</u>	<u>2014(b)</u>	<u>2015</u>	<u>2016</u>
<b>General Fund</b>										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 263,683	\$ 307,435	\$ 303,287	\$ 763,715	\$ 1,010,637	\$ 1,102,881
Committed	-	-	-	-	252,415	192,715	144,309	1,173,045	1,063,288	894,205
Assigned	-	-	-	-	-	107,906	17,926	2,194,126	2,048,243	1,732,693
Unassigned	4,085,463	3,764,866	1,909,983	670,403	(112,018)	666,633	2,047,758	2,397,894	6,179,354	9,425,828
<b>Total General Fund</b>	<b>4,085,463</b>	<b>3,764,866</b>	<b>1,909,983</b>	<b>670,403</b>	<b>404,080</b>	<b>1,274,689</b>	<b>2,513,280</b>	<b>6,528,780</b>	<b>10,301,522</b>	<b>13,155,607</b>
<b>Street</b>										
Restricted	-	-	-	-	1,874,768	2,537,842	2,199,219	2,656,339	4,010,962	4,371,770
Committed	-	-	-	-	91,625	93,993	185,150	348,160	286,496	435,710
Assigned	3,899,117	3,728,781	2,756,739	1,989,984	356,867	332,358	555,190	848,645	1,067,826	1,517,199
<b>Total Street Fund</b>	<b>3,899,117</b>	<b>3,728,781</b>	<b>2,756,739</b>	<b>1,989,984</b>	<b>2,323,260</b>	<b>2,964,193</b>	<b>2,939,559</b>	<b>3,853,144</b>	<b>5,365,284</b>	<b>6,324,679</b>
<b>Parks and Recreation</b>										
Restricted	-	-	-	-	1,612,951	2,100,350	2,331,857	-	-	-
Committed	-	-	-	-	572,523	603,049	598,382	-	-	-
Assigned	2,798,345	2,502,095	1,920,186	1,420,355	329,406	956,309	737,061	-	-	-
<b>Total Parks and Recreation Fund</b>	<b>2,798,345</b>	<b>2,502,095</b>	<b>1,920,186</b>	<b>1,420,355</b>	<b>2,514,880</b>	<b>3,659,708</b>	<b>3,667,300</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Parks SDC</b>										
Restricted	-	-	-	-	-	-	-	2,552,463	4,013,661	3,694,980
Assigned	-	-	-	-	-	-	-	349,270	375,854	-
<b>Total Parks SDC Fund</b>	<b>-</b>	<b>2,901,733</b>	<b>4,389,515</b>	<b>3,694,980</b>						
<b>Fire &amp; Rescue</b>										
Committed	-	-	-	-	3,408	3,719	7,251	-	-	-
Assigned	2,519,585	2,690,180	3,219,696	1,820,879	1,161,738	675,566	1,108,719	-	-	-
<b>Total Fire &amp; Rescue Fund</b>	<b>2,519,585</b>	<b>2,690,180</b>	<b>3,219,696</b>	<b>1,820,879</b>	<b>1,165,146</b>	<b>679,285</b>	<b>1,115,970</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Community Development Revolving</b>										
Restricted	-	-	-	-	-	-	887,407	1,262,592	1,386,767	61,459
Committed	-	-	-	-	240,706	364,077	358,303	392,208	394,584	1,096,943
Assigned	964,169	1,294,100	883,911	977,830	-	-	-	-	-	-
Unassigned	-	-	-	-	(186,239)	(300,283)	(1,245,467)	(1,594,080)	(1,778,797)	(1,102,875)
<b>Total Community Development Fund</b>	<b>964,169</b>	<b>1,294,100</b>	<b>883,911</b>	<b>977,830</b>	<b>54,467</b>	<b>63,794</b>	<b>243</b>	<b>60,720</b>	<b>2,554</b>	<b>55,527</b>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011(a)</u>	<u>2012</u>	<u>2013</u>	<u>2014(b)</u>	<u>2015</u>	<u>2016</u>
<b>Library</b>										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 6,086	\$ 5,241	\$ 41,672	\$ -	\$ -	\$ -
Committed	-	-	-	-	444,917	581,970	578,984	-	-	-
Assigned	<u>2,030,479</u>	<u>2,093,977</u>	<u>1,652,433</u>	<u>813,008</u>	<u>779,970</u>	<u>903,533</u>	<u>561,465</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Library Fund</b>	<u>2,030,479</u>	<u>2,093,977</u>	<u>1,652,433</u>	<u>813,008</u>	<u>1,230,973</u>	<u>1,490,744</u>	<u>1,182,121</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital Construction</b>										
Restricted	-	-	-	-	1,133,541	1,098,746	529,504	275,638	755,364	1,603,542
Assigned	<u>1,006,689</u>	<u>1,191,342</u>	<u>670,242</u>	<u>832,722</u>	<u>684,151</u>	<u>588,244</u>	<u>540,872</u>	<u>1,051,183</u>	<u>600,565</u>	<u>322,489</u>
<b>Total Capital Construction Fund</b>	<u>1,006,689</u>	<u>1,191,342</u>	<u>670,242</u>	<u>832,722</u>	<u>1,817,692</u>	<u>1,686,990</u>	<u>1,070,376</u>	<u>1,326,821</u>	<u>1,355,929</u>	<u>1,926,031</u>
<b>Other Governmental Funds</b>										
Nonspendable	-	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000
Restricted	-	-	-	-	81,557	69,731	72,542	19,067	61,840	72,805
Committed	-	-	-	-	37,323	37,323	309,064	1,591,338	3,321,207	2,699,999
Assigned	<u>4,117,646</u>	<u>4,145,818</u>	<u>3,008,046</u>	<u>4,600,170</u>	<u>3,116,126</u>	<u>3,636,777</u>	<u>4,786,532</u>	<u>4,939,724</u>	<u>3,748,055</u>	<u>3,658,506</u>
<b>Total Other Governmental Funds</b>	<u>4,117,646</u>	<u>4,145,818</u>	<u>3,008,046</u>	<u>4,600,170</u>	<u>3,240,006</u>	<u>3,748,831</u>	<u>5,173,138</u>	<u>6,555,129</u>	<u>7,136,102</u>	<u>6,436,310</u>
<b>Total All Funds</b>	<u>\$ 21,421,493</u>	<u>\$ 21,411,159</u>	<u>\$ 16,021,236</u>	<u>\$ 13,125,351</u>	<u>\$ 12,750,504</u>	<u>\$ 15,568,234</u>	<u>\$ 17,661,987</u>	<u>\$ 21,226,327</u>	<u>\$ 28,550,906</u>	<u>\$ 31,593,134</u>

(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)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 20,135,770	\$ 20,945,820	\$ 21,515,848	\$ 21,772,894	\$ 22,898,521	\$ 25,687,038	\$ 24,376,528	\$ 23,434,262	\$ 27,671,300	\$ 28,511,567
Licenses, fees and permits	6,724,385	6,903,922	6,628,905	7,059,886	7,590,473	8,594,467	8,736,159	9,513,933	9,667,588	9,134,630
Charges for services	8,383,481	9,251,853	7,790,799	9,649,331	9,756,768	9,813,866	10,099,996	12,372,330	12,931,435	10,565,949
Intergovernmental	9,912,764	9,065,501	9,401,237	12,278,283	11,113,186	11,908,300	11,503,583	13,347,688	11,874,719	12,063,937
Fines and forfeitures	1,297,790	1,213,369	1,119,762	1,032,005	1,227,114	1,231,281	1,150,562	1,169,969	1,094,469	1,097,609
Miscellaneous	2,436,752	2,753,223	1,109,738	1,791,816	892,476	1,754,719	2,710,498	3,211,173	2,924,371	1,807,089
<b>Total Revenues</b>	<b>48,890,942</b>	<b>50,133,688</b>	<b>47,566,289</b>	<b>53,584,215</b>	<b>53,478,538</b>	<b>58,989,671</b>	<b>58,577,326</b>	<b>63,049,355</b>	<b>66,163,882</b>	<b>63,180,781</b>
<b>Expenditures</b>										
City Manager's Office	-	-	-	-	-	-	231,272	320,760	292,929	510,684
Community Development	4,999,714	4,607,964	4,949,678	4,400,049	5,633,527	5,326,295	5,396,834	5,752,266	5,837,639	5,094,804
Finance	595,666	623,352	676,358	691,409	688,431	787,360	824,386	779,568	779,568	758,357
Fire	8,499,495	8,793,931	9,393,963	9,868,475	9,240,854	10,462,480	10,149,908	10,290,614	10,136,406	10,731,502
Library	5,336,415	5,669,909	6,014,385	6,011,301	5,993,188	5,935,014	5,811,237	5,842,275	5,781,734	6,130,458
Parks and Recreation	4,981,924	5,114,752	5,515,991	5,631,708	5,420,677	5,672,465	6,025,296	6,113,940	6,260,291	6,787,416
Police	9,984,726	10,445,595	11,025,495	11,957,750	12,189,702	12,514,029	12,402,564	12,751,197	13,376,065	13,609,229
Public Works	5,432,133	5,911,169	6,538,914	8,582,020	7,073,190	7,555,667	7,202,262	6,850,651	6,717,173	7,426,603
Miscellaneous nondepartmental	1,357,376	1,539,101	1,529,669	1,781,334	1,425,391	1,260,044	1,324,580	1,298,030	855,873	969,360
Capital outlay	4,282,594	3,994,551	3,792,751	4,231,632	4,068,701	2,189,628	3,762,557	5,998,515	9,409,352	3,992,192
Debt Service										
Principal	1,392,863	1,540,618	1,671,192	1,589,592	2,571,667	2,541,767	1,491,248	1,680,257	1,722,140	2,194,519
Interest	2,464,856	2,437,148	2,410,504	2,270,909	2,285,618	2,295,453	2,283,672	2,310,929	2,377,781	2,479,692
<b>Total Expenditures</b>	<b>49,327,762</b>	<b>50,678,090</b>	<b>53,518,900</b>	<b>57,016,179</b>	<b>56,590,946</b>	<b>56,540,202</b>	<b>56,867,871</b>	<b>60,033,820</b>	<b>63,546,951</b>	<b>60,684,816</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(436,820)</b>	<b>(544,402)</b>	<b>(5,952,611)</b>	<b>(3,431,964)</b>	<b>(3,112,408)</b>	<b>2,449,469</b>	<b>1,709,455</b>	<b>3,015,535</b>	<b>2,616,931</b>	<b>2,495,965</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds - issuance of debt	-	-	10,190,000	-	2,100,000	-	-	-	3,900,000	-
Premium - issuance of debt	-	-	537,000	-	-	-	-	-	281,852	-
Proceeds - sale of capital assets	58,082	30,768	20,737	12,399	43,271	41,500	26,047	66,744	15,156	35,784
Payment to refunded bond escrow agent	-	-	(10,631,965)	-	-	-	-	-	-	-
Operating transfers in	4,793,019	4,687,961	3,648,623	3,612,002	3,659,779	4,586,755	5,432,615	11,967,829	3,679,626	5,503,680
Operating transfers out	(4,175,658)	(4,184,661)	(3,201,707)	(3,088,322)	(3,065,489)	(4,259,995)	(5,074,364)	(11,485,768)	(3,168,986)	(4,993,201)
<b>Total Other Financing Sources (Uses)</b>	<b>675,443</b>	<b>534,068</b>	<b>562,688</b>	<b>536,079</b>	<b>2,737,561</b>	<b>368,260</b>	<b>384,298</b>	<b>548,805</b>	<b>4,707,648</b>	<b>546,263</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 238,623</b>	<b>\$ (10,334)</b>	<b>\$ (5,389,923)</b>	<b>\$ (2,895,885)</b>	<b>\$ (374,847)</b>	<b>\$ 2,817,729</b>	<b>\$ 2,093,753</b>	<b>\$ 3,564,340</b>	<b>\$ 7,324,579</b>	<b>\$ 3,042,228</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	8.6%	8.5%	8.2%	7.4%	9.1%	8.9%	7.1%	7.6%	7.6%	8.2%

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)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities:										
General government	\$ 256,786	\$ 285,301	\$ 251,920	\$ 325,170	\$ 371,003	\$ 566,293	\$ 1,399,786	\$ 1,094,032	\$ 1,285,658	\$ 661,012
Community Development	4,118,817	1,668,613	2,614,190	3,995,021	3,181,700	2,881,873	4,234,754	5,310,242	4,465,213	3,252,468
Finance	1,192,579	1,122,641	956,815	861,040	1,094,015	1,108,034	990,959	1,038,023	980,389	888,473
Fire	3,041,540	3,276,979	3,132,325	3,373,068	3,413,675	3,644,865	3,580,469	3,329,370	4,036,008	4,117,103
Library	2,279,942	2,479,887	2,418,289	2,504,178	2,655,472	2,702,506	2,627,257	3,196,680	2,791,379	3,044,978
Parks and Recreation	2,665,317	1,724,669	1,914,115	1,892,964	2,768,909	2,641,980	2,648,706	3,232,788	3,831,849	2,802,889
Police	1,732,885	2,363,212	2,296,508	2,527,227	2,969,151	2,570,378	2,546,136	2,788,191	2,762,938	2,895,007
Public Works	9,644,835	8,558,625	7,290,786	12,970,050	10,008,596	10,103,633	11,242,348	13,097,471	12,149,748	14,314,181
<i>Total Governmental</i>										
<i>Activities</i>	<u>24,932,701</u>	<u>21,479,927</u>	<u>20,874,948</u>	<u>28,448,718</u>	<u>26,462,521</u>	<u>26,219,562</u>	<u>29,270,415</u>	<u>33,086,797</u>	<u>32,303,182</u>	<u>31,976,111</u>
Business-type Activities										
Water	9,221,365	8,873,854	9,146,138	8,992,731	10,375,881	10,063,420	11,071,937	9,991,824	12,690,637	13,216,099
Wastewater	10,574,818	9,960,251	9,539,259	9,623,586	10,457,146	10,902,066	10,696,262	10,799,625	13,290,941	12,385,796
Storm Water	2,865,142	2,210,661	2,023,609	2,521,680	2,820,009	2,486,388	2,504,717	2,922,263	2,469,748	4,019,960
Airport	331,401	409,668	834,579	419,421	1,078,864	687,697	559,944	505,998	554,847	666,598
<i>Total Business-type</i>										
<i>Activities</i>	<u>22,992,726</u>	<u>21,454,434</u>	<u>21,543,585</u>	<u>21,557,418</u>	<u>24,731,900</u>	<u>24,139,571</u>	<u>24,832,860</u>	<u>24,219,710</u>	<u>29,006,173</u>	<u>30,288,453</u>
<i>Total Primary</i>										
<i>Government</i>	<u>\$ 47,925,427</u>	<u>\$ 42,934,361</u>	<u>\$ 42,418,533</u>	<u>\$ 50,006,136</u>	<u>\$ 51,194,421</u>	<u>\$ 50,359,133</u>	<u>\$ 54,103,275</u>	<u>\$ 57,306,507</u>	<u>\$ 61,309,355</u>	<u>\$ 62,264,564</u>

**CITY OF CORVALLIS, OREGON**  
**TAX AND FRANCHISE FEE REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS - UNAUDITED**  
*(modified accrual basis of accounting)*

<i>Fiscal Year Ended June 30,</i>	<i>General Property Taxes</i>	<i>% Change From Prior Year</i>	<i>Franchise Fees</i>	<i>% Change From Prior Year</i>	<i>Transient Room Taxes</i>	<i>% Change From Prior Year</i>	<i>Total Taxes and Fees</i>	<i>% Change From Prior Year</i>
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)
2015	26,066,930	18.44	5,635,615	2.72	1,604,370	12.59	33,306,915	15.17
2016	26,757,582	2.65	5,604,632	(0.55)	1,753,986	9.33	34,116,200	2.43
Change 2007-2016	40.67%		16.11%		57.47%		36.67%	

# STATISTICAL SECTION

## REVENUE CAPACITY



**CITY OF CORVALLIS, OREGON**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS – UNAUDITED**  
*(in thousands of dollars)*

<i>Fiscal Year Ended June 30,</i>	<i>Real Property</i>	<i>Personal Property</i>	<i>Manufactured Property</i>	<i>Utility Property</i>	<i>Less Tax Exempt Property (1)</i>	<i>Total Taxable Assessed Value</i>	<i>Total Direct Tax Rate</i>	<i>Real Market Value (RMV)</i>	<i>Assessed Value as a % of Real Market Value (RMV)</i>
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
2015	4,149,087	128,683	15,261	88,337	-	4,381,368	6.1893	5,891,390	74.369
2016	4,250,584	126,735	14,794	98,478	-	4,490,591	6.1863	6,214,074	72.265

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.

(1) Counties are not required to track value associated with tax exempt property, so we would not have this value since Benton County chooses to not track it.

**CITY OF CORVALLIS, OREGON**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS - UNAUDITED**  
*(rate per \$1,000 of assessed value)*

<i>Fiscal Year Ended June 30,</i>	<i>City of Corvallis Direct Rates</i>				<i>Overlapping Rates (2)</i>						<i>Total Rate</i>
	<i>Permanent Rate</i>	<i>General Obligation Debt Service</i>	<i>(1) Local Option</i>	<i>Total Direct</i>	<i>School District No. 509J</i>	<i>Linn-Benton ESD</i>	<i>Linn-Benton Community College (LBCC)</i>	<i>Benton County Soil and Water District</i>	<i>Benton County Library</i>	<i>Benton County</i>	<i>Total Direct and Overlapping</i>
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
2015	5.1067	0.2645	0.8181	6.1893	7.7500	0.3049	0.6771	0.0500	0.3947	2.2052	17.5712
2016	5.1067	0.2615	0.8181	6.1863	7.6865	0.3049	0.6794	0.0500	0.3947	2.2052	17.5070

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 November 2013, voters approved a local option levy to support operations of the Library, Osborn Aquatic Center, Chintimini Senior Center, Social Service grants, long range planning, code enforcement, fire prevention, three additional Police Officers, one School Resource Officer, and replacement of unrestricted revenue from the Hewlett-Packard judgement. The local option levy lasts for five years and began on July 1, 2014.

(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**

<i>Taxpayer</i>	<i>2016</i>			<i>2007</i>		
	<i>Taxable Assessed Value</i>	<i>Rank</i>	<i>Percentage of Total City Taxable Assessed Value (b)</i>	<i>Taxable Assessed Value</i>	<i>Rank</i>	<i>Percentage of Total City Taxable Assessed Value (b)</i>
Hewlett-Packard Co. (a)	\$ 222,575,755	1	4.96 %	\$ 449,770,153	1	12.97 %
Comcast Corporation	48,353,200	2	1.08	-		-
Pacificorp	38,097,000	3	0.85	22,433,000	4	0.65
Hollingsworth & Vose Fiber Company	26,820,157	4	0.60	-		-
Northwest Natural Gas Co.	29,731,100	5	0.66	12,474,316	10	0.36
Avery Investments LLC	20,881,440	6	0.47	27,638,500	2	0.80
Starker Forests, Inc	25,928,677	7	0.58	17,152,597	7	0.49
Witham Hill Oaks Apartments, LLC	16,500,224	8	0.37	12,646,048	9	0.36
American Campus Communities, Inc.	15,714,977	9	0.35	-		0.00
Bender Equities, Inc.	12,627,846	10	0.28	-		-
Qwest Communications	-		-	26,274,900	3	0.76
Evanite Fiber, Inc	-		-	21,275,926	5	0.61
Accu Fab Systems, Inc.	-		-	15,501,666	8	0.45
Pioneer Telephone Cooperative	-		-	18,876,100	6	0.54
<b>Total</b>	<b>\$ 457,230,376</b>		<b>10.20 %</b>	<b>\$ 624,043,206</b>		<b>17.99 %</b>
<b>City Assessed Value</b>	<b>\$ 4,490,591,696</b>			<b>\$ 3,467,065,775</b>		

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**

<i>Fiscal Year Ended June 30,</i>	<i>Original Tax Levy for the Year</i>	<i>To Date Levy Adjustments (1)</i>			<i>Collected within the Fiscal Year of the Levy</i>		<i>Collected in subsequent years</i>	<i>Total Collections to Date</i>	
		<i>Amount (3)</i>	<i>Percentage of Levy</i>	<i>Adjusted Levy</i>	<i>Amount</i>	<i>Percentage of Levy (2)</i>		<i>Amount</i>	<i>Percentage of Adjusted Levy</i>
2007	\$ 19,611,621	\$ (523,093)	2.67 %	\$ 19,088,528	\$ 18,707,158	95.39 %	\$ 380,222	\$ 19,087,380	99.99 %
2008	20,352,962	(523,448)	2.57	19,829,514	19,439,277	95.51	388,491	19,827,768	99.99
2009	21,162,976	(560,048)	2.65	20,602,928	20,104,983	95.00	493,983	20,598,966	99.98
2010	21,544,022	(819,167)	3.80	20,724,855	20,261,342	94.05	461,060	20,722,402	99.99
2011	22,383,029	(629,007)	2.81	21,754,022	21,261,945	94.99	488,121	21,750,066	99.98
2012	25,112,165	(696,899)	2.78	24,415,266	23,891,965	95.14	393,988	24,285,953	99.47
2013	24,106,808	(883,391)	3.66	23,223,417	22,631,373	93.88	424,918	23,056,291	99.28
2014	24,535,588	(731,422)	2.98	23,804,166	23,001,714	93.75	385,412	23,387,126	98.25
2015	27,209,159	(929,486)	3.42	26,279,673	25,558,284	93.93	237,667	25,795,951	98.16
2016	27,817,609	(767,976)	2.76	27,049,633	26,323,858	94.63	-	26,323,858	97.32

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.
- (3) On August 6th, 2015, the Oregon Supreme Court upheld the Oregon Tax Court's decision that the Hewlett Packard campus was grossly overvalued for tax years 2008-2012. To date Levy Adjustments reflect the adjudicated value based on the court's decision which impacted Benton County reporting for fiscal years 2008 through 2015.

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



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

<b>Fiscal Year Ended June 30,</b>	<b>General Bonded Debt</b>				<b>Other Governmental Activities Debt</b>					
	<b>General Obligation Bonds (4) (5)</b>	<b>Amount Restricted to Paying Debt Principal (4)</b>	<b>Net General Obligation Bonds (1) (4)</b>	<b>Percentage of Actual Property Value (4)</b>	<b>Per Capita (2) (4)</b>	<b>Bancroft Improvement Bonds</b>	<b>Limited Tax Obligation Bonds</b>	<b>Notes Payable</b>	<b>Capital Leases</b>	
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	-	
2015	4,285	61	4,224	0.07	74.72	-	34,085	1,330	-	
2016	3,320	72	3,248	0.05	56.60	-	33,061	1,125	-	

<b>Fiscal Year Ended June 30,</b>	<b>Business-Type Activities</b>						<b>Total City Government Debt (5)</b>	<b>Percentage of Personal Income (3)</b>	<b>Per Capita (2)</b>
	<b>Water Bonds</b>	<b>Wastewater Bonds</b>	<b>Storm Water Bonds</b>	<b>Airport Bonds</b>	<b>Capital Leases</b>	<b>Notes Payable</b>			
2007	\$ -	\$ 6,390	\$ -	\$ -	\$ -	\$ 23,509	\$ 78,378	2.56 %	\$ 1,442.75
2008	-	6,025	-	-	-	21,831	74,794	2.44	1,353.89
2009	-	5,640	-	-	-	20,084	70,941	2.30	1,284.22
2010	-	5,240	-	-	-	18,263	67,130	2.08	1,204.65
2011	-	4,820	-	-	-	16,370	64,346	1.93	1,160.63
2012	-	4,380	-	-	-	14,387	59,381	1.72	1,088.94
2013	-	15,400	-	-	-	133	54,656	1.56	992.51
2014	-	12,630	-	-	-	-	50,152	1.46	905.95
2015	-	9,780	-	-	-	-	49,480	N/A	805.16
2016	-	7,685	-	-	-	-	45,191	N/A	756.65

Notes:

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 2015 and 2016 personal income are not available as of 10/26/2016. The Bureau of Economic Analysis does not have updated information at this time.
- (4) This data is used to present the Ratios of General Bonded Debt Outstanding.
- (5) The Total City Government Debt uses the full amount of General Obligation Bonds rather than the Net General Obligation Bonds to calculate this column's totals.

**CITY OF CORVALLIS, OREGON**  
**DIRECT AND OVERLAPPING DEBT**  
**AS OF JUNE 30, 2016 - UNAUDITED**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Assessed Property Value (3)</u>	<u>Estimated Percentage Applicable (3)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>				
School District No. 509J	\$ 26,157,920	\$ 5,613,771,966	79.99 %	\$ 20,923,720
Benton County	-	7,568,954,695	59.33	-
Linn-Benton Community College (1)	16,467,968	7,433,591,220	60.41	9,948,300
				<u>30,872,020</u>
Subtotal Overlapping Debt				30,872,020
<b>City direct debt (2)</b>		\$ 4,490,591,696	100.00 %	<u>3,320,000</u>
<b>Total direct and overlapping debt</b>				<u><u>\$ 34,192,020</u></u>

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 which are voter-approved and repaid with property taxes and does not include the Pension Obligation Bonds, Series 2002A and Series 2005A, the Bank of America 2010 CIP Loan, or other Full Faith and Credit bonds.  
(3) Assessed property values are an appropriate detriment of the City taxpayers' share of overlapping debt with other jurisdictions.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the 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**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 152,653,305	\$ 166,952,486	\$ 178,395,974	\$ 174,770,778	\$ 169,935,872	\$ 170,173,852	\$ 164,887,499	\$ 167,222,044	\$ 176,741,690	\$ 186,422,214
Total net debt applicable to limit	14,226,030	13,050,837	11,636,138	10,135,910	8,612,943	6,788,237	6,001,845	5,167,376	4,224,240	3,248,341
Legal debt margin	138,427,275	153,901,649	166,759,836	164,634,868	161,322,929	163,385,615	158,885,654	162,054,668	172,517,450	183,173,873
Total net debt applicable to the limit as a percentage of debt limit	9.32%	7.82%	6.52%	5.80%	5.07%	3.99%	3.64%	3.09%	2.39%	1.74%

**LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2016**

TOTAL REAL MARKET VALUE OF REAL ESTATE WITHIN THE CITY	\$ 6,214,073,800
Debt Limitation - 3% of total real market value (1)	<u>0.03</u>
<b>DEBT LIMIT</b>	<u><u>\$ 186,422,214</u></u>
<b>AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT</b>	
Total General Obligation Bonded Debt (2)	
Governmental Activities	\$ 3,320,000
Business-type Activities	<u>-</u>
<i>Total General Obligation Bonded Debt</i>	3,320,000
Less: Amount held for repayment of principal	<u>(71,659)</u>
<b>TOTAL AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT</b>	<u><u>\$ 3,248,341</u></u>
<b>LEGAL DEBT MARGIN</b>	<u><u>\$ 183,173,873</u></u>

(1) Oregon Revised Statutes (ORS) 287A.050 states: "Unless the city charter provides a 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)*

<i>Fiscal Year Ended June 30,</i>	<i>Gross Revenues (1)</i>	<i>Less Direct Operating Expenses (2)</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
<b>WASTEWATER (3)</b>							
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	317,246	829,075	4.53
2014	10,727,705	5,970,271	4,757,434	1,863,934	389,709	2,253,643	2.11
2015	13,362,666	5,877,226	7,485,440	1,890,000	337,750	2,227,750	3.36
2016	11,593,024	7,615,542	3,977,482	1,935,000	284,450	2,219,450	1.79

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.

# STATISTICAL SECTION

## DEMOGRAPHIC AND ECONOMIC INFORMATION



**CITY OF CORVALLIS, OREGON**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS - UNAUDITED**

<b>Year</b>	<b>City of Corvallis Population (1)</b>	<b>Corvallis Metropolitan Statistical Area (MSA) Population (1)</b>	<b>Total Personal Income (MSA) (Thousands of dollars) (2)</b>	<b>Per Capita Personal Income (MSA) (5)</b>	<b>Unemployment Rate (MSA) (3)</b>	<b>Corvallis Public School Enrollment (4)</b>
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	6,449
2012	54,520	85,995	3,446,794	40,081	6.1	6,278
2013	55,055	86,785	3,507,101	40,502	5.9	6,299
2014	55,345	87,725	3,426,549	39,060	5.0	6,348
2015	56,535	88,740	n/a	n/a	4.3	6,521
2016	57,390	90,005	n/a	n/a	4.4	6,724

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 Area report). 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 Employment 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) 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 2015 and 2016 is not available as of 10/27/16.

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**

<i>Employer</i>	<i>2016</i>			<i>2007</i>		
	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total Employment*</i>	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total Employment*</i>
Oregon State University (1)	11,813	1	27.48 %	7,393	1	18.40 %
Samaritan Health Services (formerly Good Sam. Hospital)(2)	3,074	2	7.15	300	9	0.75
Hewlett Packard (3)	1,500	3	3.49	3,440	2	8.56
Corvallis School District 509J (4)	623	4	1.45	527	5	1.44
Corvallis Clinic (5)	620	5	1.44	580	4	1.31
Benton County (7)	431	6	1.00	379	7	0.94
CH2M Hill (3)	400	7	0.91	378	8	1.10
City of Corvallis (6)	390	8	0.93	440	6	0.94
Fiserv (formerly Summit Information Systems) (3)	232	9	0.54	-	-	-
Korvis (3)	146	10	0.34	-	-	-
Good Samaritan Hospital	-	-	-	1,500	3	3.73
Children's Farm Home Campus	-	-	-	296	10	0.74
<b>Total</b>	<b>19,229</b>		<b>44.73 %</b>	<b>15,233</b>		<b>37.91 %</b>

Sources:

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

Current year information:

- (1) Estimate based on OSU Office of Institutional Research June 2016 Employment Report (assuming 91% of faculty work at Corvallis campus).
- (2) Samaritan Health Services. Includes Good Samaritan Hospital numbers. Information obtained from City of Corvallis Adopted Budget document.
- (3) Estimate based on trends from previous estimates. Information obtained from City of Corvallis Adopted Budget document.
- (4) Corvallis School District 509J (FTE).
- (5) Corvallis Clinic (FTE).
- (6) City of Corvallis HR/Payroll (FTE).
- (7) Benton County (FTE) Estimate of 6/30/16.

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:	42,980
Nine years ago:	40,170

# STATISTICAL SECTION

## OPERATING INFORMATION



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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>ACTIVITIES</b>										
City Manager's Office	9.00	10.00	10.00	9.80	9.75	8.75	9.80	10.30	10.30	11.30
Community Development	34.55	36.05	34.55	33.80	33.80	31.00	32.00	33.50	35.00	29.50
Finance	35.25	36.75	37.75	36.00	36.75	34.00	31.00	31.00	29.75	31.75
Fire	66.72	66.72	69.00	65.00	65.00	66.00	63.00	63.00	59.00	60.00
Library	45.77	45.77	46.39	43.39	41.39	40.00	42.12	39.65	41.05	40.68
Parks and Recreation	34.46	31.79	37.64	35.97	31.56	29.80	31.06	30.06	31.55	33.16
Police	78.75	77.25	81.75	84.25	85.50	84.25	81.25	81.25	79.00	85.25
Public Works	34.27	35.14	35.40	35.23	34.64	31.98	31.57	30.13	30.35	27.50
Water	33.48	31.93	33.23	31.67	33.69	31.24	30.23	29.90	30.03	29.21
Wastewater	32.00	31.42	33.93	32.54	33.98	32.50	31.63	28.71	30.15	29.18
Storm Water	11.21	10.47	11.54	10.61	11.11	10.81	11.37	11.06	11.17	11.66
Airport	1.04	1.04	1.08	1.58	1.70	1.60	1.70	1.70	1.55	0.95
Total Full-Time Equivalent Employees	<u>416.50</u>	<u>414.33</u>	<u>432.26</u>	<u>419.84</u>	<u>418.87</u>	<u>401.93</u>	<u>396.73</u>	<u>390.26</u>	<u>388.90</u>	<u>390.14</u>

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**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>FUNCTION <sup>(1)</sup></b>										
<b>Community Development</b>										
Building permits - single family <sup>(2)</sup>	89	34	34	34	30	54	87	46	54	N/A
Building permits - total <sup>(2)</sup>	645	588	557	557	595	529	811	912	756	N/A
Inspections	18,755	16,537	14,329	14,265	14,686	15,001	13,658	14,918	15,981	14,052
Residential plan reviews	423	284	248	256	271	301	401	386	403	403
<b>Public Works</b>										
Street resurfacing (miles) <sup>(2)</sup>	2.26	4.32	4.32	7.00	3	2	2	7	5	2
<b>Library</b>										
Volumes	358,130	363,398	344,557	347,465	345,279	357,917	362,200	367,850	366,788	357,365
Average monthly circulation	128,215	124,817	132,914	139,530	137,811	140,174	142,246	143,720	140,825	138,913
Registrations	46,586	50,122	50,111	49,942	50,557	50,550	49,529	47,972	45,280	48,281
Patrons using library <sup>(6)</sup>	1,420,633	1,632,114	1,748,618	1,884,890	1,901,807	1,512,697	1,557,901	1,684,913	1,352,692	1,342,153
<b>Parks and Recreation</b>										
Sports teams	446	502	449	432	395	351	358	356	307	299
Recreation programs, classes, events <sup>(7)</sup>	1,194	1,055	1,021	1,020	909	2,859	2,041	1,877	3,314	3,367
Recreation program registrations <sup>(7)</sup>	25,534	29,799	34,086	25,504	19,980	96,917	86,650	88,912	116,211	119,044
<b>Police <sup>(2)</sup></b>										
Public safety dispatches	36,190	35,174	36,813	36,926	39,734	40,743	41,504	46,274	46,093	N/A
Total 911 center calls	152,642	146,319	142,872	134,565	136,992	137,573	139,779	158,817	152,406	N/A
Major felonies	1,824	1,690	2,055	1,757	2,108	2,165	1,954	2,149	1,864	N/A
Incidents investigated	23,278	22,886	24,405	23,650	26,170	26,998	27,477	30,512	29,867	N/A
<b>Fire</b>										
All fire responses	187	174	177	131	155	122	203	274	287	160
All non-fire responses	2,450	2,812	2,966	3,092	3,276	3,982	3,483	3,801	3,978	6,368
Fire safety inspections	1,993	2,711	2,155	2,752	2,665	1,801	1,977	2,053	2,023	1,527
Patient contacts	3,767	4,295	4,094	4,104	4,139	4,477	4,683	4,525	4,942	4,207
<b>Transportation</b>										
Bus ridership	551,906	613,166	681,456	700,791	884,687	1,131,842	1,152,665	1,101,711	1,175,306	1,149,133

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Water</b>										
Number of consumers	15,348	15,498	15,911	15,609	16,033	15,812	15,973	16,105	16,325	16,449
Average daily use (1,000 gal)	7,751	7,564	7,328	6,933	6,910	6,958	6,830	6,496	6,714	6,919
Annual water production (MG)	2,791	2,750	2,666	2,497	2,434	2,524	2,731	2,570	2,796	2,406
<b>Wastewater <sup>(3)</sup></b>										
Number of consumers	14,593	14,698	15,097	14,835	14,840	14,898	15,029	15,139	15,373	15,510
Average daily use (1,000 gal) <sup>(5)</sup>	8,947	10,178	9,156	4,042	3,999	3,365	3,393	2,966	3,437	3,506
Annual wastewater treated (MG)	3,547	3,715	3,342	3,726	3,872	3,772	3,615	3,238	3,507	4,034
Bio-solids recycled (MG)	1.1	1.2	4.1	3.8	3.0	4.0	4.0	1.0	2.0	4.0
<b>Storm Water</b>										
Number of consumers	14,650	14,764	15,107	14,892	14,900	14,964	15,093	15,205	15,424	15,463
<b>Airport <sup>(4)</sup></b>										
Estimated aircraft movements	103,000	103,000	103,000	103,000	103,000	103,000	57,420	57,420	57,420	58,000
Permanently based aircraft	157	157	157	167	167	167	164	164	167	165

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 2016 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. Statistics corrected for 2015.

n/a = information not available

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>ACTIVITIES</b>										
<b>Public Works</b>										
Streets (miles)	178	180	180	180	181	181	181	184	185	185
Traffic signals	82	83	83	86	90	90	90	57	57	57
<b>Library</b>										
Branch libraries	4	4	4	4	4	4	4	4	4	4
<b>Parks and Recreation</b>										
Parks	43	43	43	43	43	43	44	45	45	45
Acreage devoted to parks	1,685	1,685	1,685	1,685	1,685	1,685	1,686	1,734	1,734	1,736
Beautification areas <sup>(1)</sup>	45	45	45	45	45	45	45	45	45	45
Playgrounds (excluding schools)	28	28	28	28	28	28	28	28	28	28
Sports fields / courts	59	59	58	59	59	59	59	59	59	59
Swimming pools <sup>(2)</sup>	1	1	1	1	1	1	1	1	1	1
<b>Police</b>										
Stations <sup>(3)</sup>	1	1	1	1	1	1	1	1	1	1
Patrol vehicles, motorcycles	19	19	19	20	20	22	24	23	25	25
<b>Fire</b>										
Stations - city	5	5	5	5	5	4	4	4	4	4
Stations - rural <sup>(4)</sup>	1	1	1	1	1	1	1	1	1	1
Emergency vehicles <sup>(5)</sup>	29	31	33	34	34	34	29	27	23	26
<b>Transportation</b>										
Bike paths (miles) <sup>(6)</sup>	13.89	21.00	21	21	21	21	22	22	22	22
Bike lanes (miles) <sup>(6)</sup>	63.29	105.00	111	113	113	114	115	115	108	108
City buses	10	10	12	15	12	12	13	14	14	15

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Water</b>										
Lineal miles of system	244	245	245	247	247	249	250	250	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
<b>Wastewater</b>										
Lineal miles of system	215	216	216	216	217	217	192	192	218	218
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
<b>Storm Water</b>										
Lineal miles of system	166	168	168	168	170	169	173	173	174	174
<b>Airport</b>										
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



**CITY OF CORVALLIS, OREGON**  
**ANNUAL DISCLOSURE INFORMATION – PROPERTY TAX COLLECTION RECORD**  
**LAST TEN FISCAL YEARS - UNAUDITED**

<i>Fiscal Year Ended June 30,</i>	<i>Assessed Value of Real Estate (1)</i>	<i>Percent Change in Assessed Value</i>	<i>Total Levy (2)</i>	<i>Percent Change in Levy</i>	<i>Tax Rate per \$1,000 Assessed Value</i>	<i>Percent Collected at June 30, 2016 (1)</i>
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
2015	4,381,366,766	4.28	27,209,159	10.90	6.1893	96.55
2016	4,490,591,696	2.49	27,817,609	2.24	6.1863	97.32

(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, 2016- UNAUDITED**

<b>REVENUES</b>	
Gross operating revenues (1)	\$ 10,471,637
SDC revenues	1,275,363
Transfers from (to) Rate Stabilization Account (RSA)	<u>-</u>
<i>Total Gross Revenues</i>	11,747,000
<b>OPERATING EXPENSES (2)</b>	<u>(6,450,275)</u>
<b>NET REVENUES (3)</b>	<u>\$ 5,296,725</u>
<b>NET OPERATING REVENUES (4)</b>	<u>\$ 4,021,362</u>
<b>ANNUAL DEBT SERVICE (Principal &amp; Interest)</b>	
Senior Debt	
CSO Revenue Bond (2006A)	<u>\$ 645,200</u>
<i>Total Senior Debt Service</i>	<u>645,200</u>
Subordinate Debt	
FFC 2012 Refunding Obligation	<u>1,574,250</u>
<i>Total Subordinated Debt Service</i>	<u>1,574,250</u>
<i>Total Annual Debt Service</i>	<u>\$ 2,219,450</u>
<b>NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.20 times senior debt)</b>	<u>8.21</u>
<b>NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.05 times subordinate debt)</b>	<u>3.36</u>
<b>NET OPERATING REVENUE DEBT SERVICE COVERAGE</b> (Requirement is 1.05 times total debt service)	<u>1.81</u>
<b>RATE STABILIZATION ACCOUNT (RSA) BALANCE - JUNE 30, 2016</b>	<u>\$ 300,000</u>

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 \$1.57 million per year based on debt commitments as of June 30, 2016.

- (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.

**CITY OF CORVALLIS, OREGON****ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF WASTEWATER FUND STATISTICS****HISTORICAL SYSTEM STATISTICS AND LARGEST SEWER SYSTEM CUSTOMERS****YEAR ENDED JUNE 30, 2016 - UNAUDITED****HISTORICAL SYSTEM STATISTICS**

<i>Fiscal Year Ended June 30,</i>	<i>Net Revenues (less SDCs)</i>	<i>Number of Sewer Customers</i>	<i>Average Monthly Residential Sewer Bill</i>
2012	\$ 4,342,909	14,898	\$ 35.11
2013	3,819,344	15,029	36.14
2014	4,806,912	15,139	37.61
2015	7,082,285	15,373	39.16
2016	5,296,725	15,463	40.56

**LARGEST SEWER SYSTEM CUSTOMERS**

<i>Customer</i>	<i>2016 System Usage in Units (1)</i>	<i>2016 Annual Revenue</i>	<i>Percent of Total System Gross Revenue (2)</i>
Oregon State University	209,149	\$ 693,889	5.91 %
Samaritan Health Services	43,795	138,158	1.18
Hewlett-Packard	32,370	88,790	0.76
Witham Hill Oaks Apts, LLC	24,858	71,284	0.61
Corvallis Schools 509J	21,617	64,919	0.55
Evanite	14,183	47,369	0.40
Mtn View at Rivergreen	12,154	40,128	0.34
Foster Poultry Farms	11,987	39,649	0.34
Retreat at Oak Creek	11,483	45,783	0.39
The Gem	10,762	35,591	0.30
Safeway	9,785	41,849	0.36
Julantru Limited Partnership	9,780	27,657	0.24
Conifer Place / Bird LLC	8,843	27,970	0.24
Kaady Care Washes	8,465	28,333	0.24
Korda Group	8,272	26,616	0.23
Total	437,503	\$ 1,417,985	12.09 %

(1) One unit = 1 hcf - 748 gallons

(2) Total system gross revenues for fiscal year 2016 were \$11,747,000

**CITY OF CORVALLIS, OREGON**

**ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF DIRECT AND OVERLAPPING DEBT  
TO PROPERTY VALUE RATIOS  
JUNE 30, 2016 - UNAUDITED**

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	<u>Values</u>	<u>Per Capita</u>	<u>Percent of Real Market Value</u>	<u>Percent of Assessed Value</u>
2016 population	57,390	-	-	-
2015-16 real market value	\$ 6,214,073,800	\$ 108,278	100.00 %	-
2015-16 assessed value	4,490,591,696	78,247	72.26	100.00 %
Long-term gross bonded debt	45,190,680	787	0.73	1.01
Long-term net direct debt	3,248,341	57	0.05	0.07
Overlapping debt	30,872,020	538	0.50	0.69
Long-term net direct and overlapping debt	34,120,361	595	0.55	0.76

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, 2016 - UNAUDITED**

<i>Series</i>	<i>Issuance Date</i>	<i>Maturity Date</i>	<i>Bond CUSIP or Loan No.</i>	<i>Original Issuance Amount</i>	<i>Principal Balance June 30, 2016</i>
<b>GENERAL OBLIGATION BONDS</b>					
General Obligation Bonds - Series 2009	05/27/09	06/01/19	2208855	\$ 10,190,000	\$ 3,320,000
<b>FULL FAITH AND CREDIT OBLIGATIONS</b>					
Pension Obligation Bonds - Series 2002 A	03/01/02	01/01/30	2208854Z-5T	23,913,017	21,215,679
Pension Obligation Bonds - Series 2005 A	09/23/05	06/01/28	68608D	9,980,000	8,285,000
Full Faith and Credit Refunding Obligation - Series 2012	11/15/12	12/01/20	2208855	11,485,000	5,300,000
Full Faith and Credit Obligation - Series 2014	09/23/14	08/01/24	2208856	3,900,000	3,560,000
BOA 2010 CIP Loan	08/05/10	08/01/20	Series 2010	2,100,000	1,125,000
<i>Total Full Faith and Credit Obligations</i>				<u>51,378,017</u>	<u>39,485,679</u>
<b>REVENUE BONDS</b>					
Combined Sewer Overflow - Series 2006 A	03/01/06	05/01/20	221004	5,410,000	2,385,000
<i>Total Outstanding Debt Obligations</i>				<u>\$ 66,978,017</u>	<u>\$ 45,190,679</u>

**CITY OF CORVALLIS, OREGON**  
**ANNUAL DISCLOSURE INFORMATION – SUMMARY OF ADOPTED BUDGET – ALL FUNDS**  
**LAST TWO FISCAL YEARS - UNAUDITED**

	<u>2014-15</u>	<u>2015-16</u>
<b>RESOURCES</b>		
Fund Balance, Beginning of Year	\$ 42,738,583	\$ 50,785,862
Revenues		
Property taxes	25,577,050	27,149,540
Other taxes	1,427,600	1,511,830
Licenses, fees, and permits	8,973,040	9,255,650
Charges for services	42,961,100	45,579,790
Intergovernmental	15,458,910	15,591,940
Fines and forfeitures	1,621,660	1,207,760
Miscellaneous	5,546,770	4,499,260
Other financing sources	23,250,480	18,731,580
<i>Total Revenues</i>	<u>124,816,610</u>	<u>123,527,350</u>
<i>Total Resources</i>	<u>\$ 167,555,193</u>	<u>\$ 174,313,212</u>
<b>REQUIREMENTS</b>		
Operating Expense		
Personnel services	\$ 47,668,590	\$ 48,730,850
Supplies and services	34,935,270	37,438,520
Capital outlay	2,350,700	2,599,330
<i>Total Operating Expense</i>	<u>84,954,560</u>	<u>88,768,700</u>
Nonoperating Expense		
Capital projects	23,688,390	18,530,810
Debt service	7,863,390	7,060,080
Transfers	18,958,850	17,492,150
Other Non-Op Uses	790,130	1,239,430
Contingencies	1,748,370	1,758,250
<i>Total Nonoperating Expense</i>	<u>53,049,130</u>	<u>46,080,720</u>
<i>Total Expenditures</i>	<u>\$ 138,003,690</u>	<u>\$ 134,849,420</u>

**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**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<b>REVENUES</b>					
Taxes	\$ 21,747,739	\$ 21,522,513	\$ 20,578,215	\$ 26,539,972	\$ 27,368,148
Licenses, fees, and permits	5,710,000	5,598,425	5,889,568	6,025,876	5,974,585
Charges for services	6,425,943	6,213,575	6,114,840	6,461,916	6,481,579
Intergovernmental	4,230,716	4,068,662	4,005,722	3,952,221	4,204,335
Fines and forfeitures	805,079	685,830	747,489	693,085	711,246
Miscellaneous	524,053	599,538	1,176,316	672,815	1,045,245
<i>Total Revenues</i>	<u>39,443,530</u>	<u>38,688,543</u>	<u>38,512,150</u>	<u>44,345,885</u>	<u>45,785,138</u>
<b>EXPENDITURES</b>					
Current					
City Manager's Office	-	231,272	320,760	292,929	510,684
Community Development	1,256,557	1,225,394	1,236,566	1,403,358	1,301,866
Finance	659,181	599,019	606,319	567,681	566,652
Fire	10,462,480	10,149,908	10,290,614	10,136,406	10,731,502
Library	5,935,014	5,810,755	5,842,275	5,781,734	6,130,458
Parks & Recreation	5,672,465	6,025,296	6,113,940	6,260,291	6,787,416
Police	10,128,072	9,967,842	10,308,348	10,843,496	10,938,590
Public Works	1,130,034	934,159	765,377	736,365	655,075
Nondepartmental	1,258,694	1,323,230	1,296,680	854,523	968,010
Debt service					
Principal	185,000	190,000	195,000	200,000	545,000
Interest	59,422	53,872	48,174	79,053	148,234
Capital outlay	633,837	301,118	1,240,996	1,083,788	749,614
<i>Total Expenditures</i>	<u>37,380,756</u>	<u>36,811,865</u>	<u>38,265,050</u>	<u>38,239,624</u>	<u>40,033,101</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,062,774</u>	<u>1,876,678</u>	<u>247,100</u>	<u>6,106,261</u>	<u>5,752,037</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds - sale of capital assets	41,500	16,432	66,744	505	35,784
Transfers in	1,753,522	1,809,961	5,708,552	20,966	3,995
Transfers out	(2,068,450)	(2,328,825)	(7,972,287)	(2,354,990)	(2,937,731)
<i>Total Other Financing Sources (Uses)</i>	<u>(273,428)</u>	<u>(502,432)</u>	<u>(2,196,991)</u>	<u>(2,333,519)</u>	<u>(2,897,952)</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,789,346	1,374,246	(1,949,891)	3,772,742	2,854,085
<b>FUND BALANCE, Beginning of year</b>	<u>5,315,079</u>	<u>7,104,425</u>	<u>8,478,671</u>	<u>6,528,780</u>	<u>10,301,522</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 7,104,425</u>	<u>\$ 8,478,671</u>	<u>\$ 6,528,780</u>	<u>\$ 10,301,522</u>	<u>\$ 13,155,607</u>

\* FY 2011-12 to FY 2012-13 were previously restated to include all property tax funds for comparison to FY 2013-14 and FY 2014-15 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**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<b>ASSETS</b>					
Cash and investments	\$ 8,417,199	\$ 9,570,632	\$ 8,427,626	\$ 12,288,005	\$ 14,951,457
Receivables					
Property taxes	1,177,147	1,548,452	1,969,691	2,365,192	1,952,783
Accounts	1,036,854	1,232,751	982,010	1,043,147	1,289,598
Accrued interest	7,790	12,978	5,530	10,241	24,568
Assessments	117,791	96,582	31,896	35,225	36,311
Franchise fees	431,533	392,885	432,614	473,384	467,099
Grants	112,028	186,351	151,459	8,606	13,251
Revolving loans	87,247	54,705	34,380	8,169	1,243
Other receivables	332,037	240,400	233,389	266,341	503,098
Other assets	-	-	-	-	2
<i>Total Assets</i>	<u>\$ 11,719,626</u>	<u>\$ 13,335,736</u>	<u>\$ 12,268,595</u>	<u>\$ 16,498,310</u>	<u>\$ 19,239,410</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 514,330	\$ 1,072,917	\$ 969,923	\$ 1,114,189	\$ 617,960
Other accrued liabilities	1,828,513	1,018,499	1,901,683	1,798,651	2,331,462
<i>Total Liabilities</i>	<u>2,342,843</u>	<u>2,091,416</u>	<u>2,871,606</u>	<u>2,912,840</u>	<u>2,949,422</u>
<b>Deferred Inflows of Resources</b>					
Unavailable/unearned revenue	2,272,357	2,765,649	2,868,209	3,283,948	3,134,381
<i>Total Deferred Inflows of Resources</i>	<u>2,272,357</u>	<u>2,765,649</u>	<u>2,868,209</u>	<u>3,283,948</u>	<u>3,134,381</u>
<b>Fund Balances</b>					
Restricted	2,413,026	2,676,816	763,715	1,010,637	1,102,881
Committed	1,381,453	1,328,926	1,173,045	1,063,288	894,205
Assigned	2,643,314	2,425,171	2,194,126	2,048,243	1,732,693
Unassigned	666,633	2,047,758	2,397,894	6,179,354	9,425,828
<i>Total Fund Balances</i>	<u>7,104,426</u>	<u>8,478,671</u>	<u>6,528,780</u>	<u>10,301,522</u>	<u>13,155,607</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 11,719,626</u>	<u>\$ 13,335,736</u>	<u>\$ 12,268,595</u>	<u>\$ 16,498,310</u>	<u>\$ 19,239,410</u>

**CITY OF CORVALLIS, OREGON**  
**ANNUAL DISCLOSURE INFORMATION – STATEMENT OF NET POSITION – WATER FUND**  
**LAST FIVE FISCAL YEARS - UNAUDITED**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Current Assets</b>					
Cash and investments	\$ 6,154,481	\$ 7,271,017	\$ 8,197,809	\$ 11,641,442	\$ 15,446,480
Receivables					
Accounts	901,700	1,025,432	1,065,589	1,285,464	1,210,379
Accrued interest	5,123	8,010	6,552	10,998	24,003
Grants	4,722	-	984	8,120	-
<b>Total Current Assets</b>	<u>7,066,026</u>	<u>8,304,459</u>	<u>9,270,934</u>	<u>12,946,024</u>	<u>16,680,862</u>
<b>Noncurrent Assets</b>					
Assessments receivable	49,148	42,713	6,306	9,780	7,694
Net pension asset	-	-	-	528,539	-
Other restricted assets	157,089	25,349	-	-	-
Capital assets					
Non-depreciable	1,626,403	680,114	1,151,985	322,289	439,088
Other (net of accumulated depreciation)	43,614,672	44,963,071	44,337,268	44,369,644	45,191,427
<b>Total Noncurrent Assets</b>	<u>45,447,312</u>	<u>45,711,247</u>	<u>45,495,559</u>	<u>45,230,252</u>	<u>45,638,209</u>
<b>Total Assets</b>	<u>52,513,338</u>	<u>54,015,706</u>	<u>54,766,493</u>	<u>58,176,276</u>	<u>62,319,071</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources - pension	-	-	-	179,250	276,429
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 52,513,338</u>	<u>\$ 54,015,706</u>	<u>\$ 54,766,493</u>	<u>\$ 58,355,526</u>	<u>\$ 62,595,500</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 394,696	\$ 201,167	\$ 258,991	\$ 194,819	\$ 529,562
Accrued compensated absences	255,557	247,968	242,481	237,867	249,180
Accrued interest	93,171	3,629	2,155	634	380
Other accrued liabilities	323,198	110,795	82,855	218,455	346,201
Bonds payable, current portion	-	930,000	960,000	160,000	160,000
Notes payable, current portion	860,296	-	-	-	-
<b>Total Current Liabilities</b>	<u>1,926,918</u>	<u>1,493,559</u>	<u>1,546,482</u>	<u>811,775</u>	<u>1,285,323</u>
<b>Long-Term Liabilities</b>					
Accrued compensated absences	140,946	137,906	133,056	127,021	136,956
Net OPEB obligations	504,609	608,055	746,671	1,028,844	1,111,651
Net pension liability	-	-	-	-	1,290,280
Bonds payable (net of unamortized premium and deferred amount on refunding)	-	1,324,709	339,821	165,407	1,803
Notes payable	2,181,309	-	-	-	-
<b>Total Long-Term Liabilities</b>	<u>2,826,864</u>	<u>2,070,670</u>	<u>1,219,548</u>	<u>1,321,272</u>	<u>2,540,690</u>
<b>Total Liabilities</b>	<u>4,753,782</u>	<u>3,564,229</u>	<u>2,766,030</u>	<u>2,133,047</u>	<u>3,826,013</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources - pension	-	-	-	1,049,646	361,311
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049,646</u>	<u>361,311</u>
<b>Net Position</b>					
Net investment in capital assets	42,199,470	43,388,476	44,189,432	44,366,526	45,468,712
Restricted					
Capital projects and construction	4,802,599	5,025,337	5,999,100	7,409,935	8,712,197
Debt service	-	-	-	-	-
Unrestricted	757,487	2,037,664	1,811,931	3,396,372	4,227,267
<b>Total Net Position</b>	<u>47,759,556</u>	<u>50,451,477</u>	<u>52,000,463</u>	<u>55,172,833</u>	<u>58,408,176</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 52,513,338</u>	<u>\$ 54,015,706</u>	<u>\$ 54,766,493</u>	<u>\$ 58,355,526</u>	<u>\$ 62,595,500</u>

**CITY OF CORVALLIS, OREGON**

**ANNUAL DISCLOSURE INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – WATER FUND  
LAST FIVE FISCAL YEARS - UNAUDITED**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 9,094,084	\$ 9,782,616	\$ 9,710,144	\$ 11,508,667	\$ 10,996,280
Intergovernmental	17,858	292	3,866	-	-
Fines and forfeitures	2,954	50	5,495	2,366	(341)
Miscellaneous	464,599	601,569	94,610	925,413	394,026
<i>Total Operating Revenues</i>	<u>9,579,495</u>	<u>10,384,527</u>	<u>9,814,115</u>	<u>12,436,446</u>	<u>11,389,965</u>
<b>OPERATING EXPENSES</b>					
Personnel services	3,519,241	3,395,973	3,415,069	2,769,763	4,284,388
Materials and supplies	712,033	718,426	881,890	863,265	865,207
Services	623,156	639,433	478,231	915,518	801,686
Utility and overhead	1,985,863	1,966,925	2,078,267	2,319,816	2,428,510
Training and conference	12,730	13,151	10,009	13,138	12,918
Depreciation and amortization	1,733,391	1,539,011	1,469,913	1,507,214	1,529,188
<i>Total Operating Expenses</i>	<u>8,586,414</u>	<u>8,272,919</u>	<u>8,333,379</u>	<u>8,388,714</u>	<u>9,921,897</u>
<b>OPERATING INCOME (LOSS)</b>	<u>993,081</u>	<u>2,111,608</u>	<u>1,480,736</u>	<u>4,047,732</u>	<u>1,468,068</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>					
Interest income	47,877	31,462	50,600	58,059	124,902
Interest expense	(178,750)	(64,323)	(10,138)	(1,665)	(2,541)
Intergovernmental grants	-	-	-	16,635	24,523
Gain (loss) on disposal of capital assets	(114,650)	51,150	3,520	1,653	0
<i>Total Non-Operating Income (Expense)</i>	<u>(245,523)</u>	<u>18,289</u>	<u>43,982</u>	<u>74,682</u>	<u>146,884</u>
<b>INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>747,558</u>	<u>2,129,897</u>	<u>1,524,718</u>	<u>4,122,414</u>	<u>1,614,952</u>
<b>CAPITAL CONTRIBUTIONS</b>					
Capital assets	530,210	690,674	204,458	242,301	1,813,321
<i>Total Capital Contributions</i>	<u>530,210</u>	<u>690,674</u>	<u>204,458</u>	<u>242,301</u>	<u>1,813,321</u>
<b>TRANSFERS</b>					
Transfers out	(106,740)	(128,650)	(180,190)	(181,440)	(192,930)
<b>CHANGE IN NET POSITION</b>	1,171,028	2,691,921	1,548,986	4,183,275	3,235,343
<b>NET POSITION, Beginning of year, Restated</b>	<u>46,588,528</u>	<u>47,759,556</u>	<u>50,451,477</u>	<u>50,989,558</u>	<u>55,172,833</u>
<b>NET POSITION, End of year</b>	<u>\$ 47,759,556</u>	<u>\$ 50,451,477</u>	<u>\$ 52,000,463</u>	<u>\$ 55,172,833</u>	<u>\$ 58,408,176</u>

**CITY OF CORVALLIS, OREGON**  
**ANNUAL DISCLOSURE INFORMATION – STATEMENT OF NET POSITION – WASTEWATER FUND**  
**LAST FIVE FISCAL YEARS - UNAUDITED**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Current Assets</b>					
Cash and investments	\$ 9,768,874	\$ 11,879,721	\$ 13,589,524	\$ 16,424,377	\$ 18,004,261
Receivables					
Accounts	960,776	914,802	962,370	1,114,636	1,031,306
Accrued interest	14,067	23,300	16,918	23,252	36,642
Grants	-	49,675	-	-	-
Other receivables	123	122	120	119	117
<i>Total Current Assets</i>	<u>10,743,840</u>	<u>12,867,620</u>	<u>14,568,932</u>	<u>17,562,384</u>	<u>19,072,326</u>
<b>Noncurrent Assets</b>					
Assessments receivable	133,247	130,742	12,200	23,887	20,089
Net pension asset	-	-	-	528,539	-
Other restricted assets	2	2	2	2	7
Restricted cash and investments	1,627,159	47,891	-	-	-
Capital assets					
Non-depreciable	1,361,730	716,578	817,561	1,272,052	1,528,210
Other (net of accumulated depreciation)	64,290,333	63,434,990	62,144,700	61,075,752	60,788,924
<i>Total Noncurrent Assets</i>	<u>67,412,471</u>	<u>64,330,203</u>	<u>62,974,463</u>	<u>62,900,232</u>	<u>62,337,230</u>
<i>Total Assets</i>	<u>78,156,311</u>	<u>77,197,823</u>	<u>77,543,395</u>	<u>80,462,616</u>	<u>81,409,556</u>
<b>Deferred Outflows of Resources</b>					
Deferred issuance costs	189,078	151,664	-	-	-
Deferred outflows of resources - pension	-	-	-	179,250	280,013
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 78,345,389</u>	<u>\$ 77,349,487</u>	<u>\$ 77,543,395</u>	<u>\$ 80,641,866</u>	<u>\$ 81,689,569</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 321,272	\$ 132,473	\$ 265,530	\$ 303,657	\$ 201,933
Accrued compensated absences	325,541	291,456	235,327	225,324	242,521
Accrued interest	95,768	45,686	39,227	32,883	26,303
Other accrued liabilities	156,022	26,032	5,489	25,319	253,235
Bonds payable, current portion	465,000	1,840,000	1,890,000	1,935,000	1,645,000
Notes payable, current portion	1,185,130	23,934	-	-	-
<i>Total Current Liabilities</i>	<u>2,548,733</u>	<u>2,359,581</u>	<u>2,435,573</u>	<u>2,522,183</u>	<u>2,368,992</u>
<b>Long-Term Liabilities</b>					
Accrued compensated absences	179,544	162,092	129,131	120,322	133,296
Net OPEB obligations	531,063	635,543	718,265	1,033,009	1,110,110
Net pension liability	-	-	-	-	1,313,867
Bonds payable (net of unamortized premium and deferred amount on refunding)	3,732,995	11,777,536	9,763,957	7,727,674	6,004,137
Notes payable	10,027,179	-	-	-	-
<i>Total Long-Term Liabilities</i>	<u>14,470,781</u>	<u>12,575,171</u>	<u>10,611,353</u>	<u>8,881,005</u>	<u>8,561,410</u>
<i>Total Liabilities</i>	<u>17,019,514</u>	<u>14,934,752</u>	<u>13,046,926</u>	<u>11,403,188</u>	<u>10,930,402</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources - pension	-	-	-	1,049,646	365,997
<i>Total Deferred Inflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049,646</u>	<u>365,997</u>
<b>Net Position</b>					
Net investment in capital assets	50,241,759	50,510,098	51,308,304	52,685,130	54,667,997
Restricted					
Capital projects and construction	8,220,534	9,551,444	10,907,144	13,940,759	15,147,100
Debt service	1,627,159	47,891	-	-	-
Unrestricted	1,236,423	2,305,302	2,281,021	1,563,143	578,073
<i>Total Net Position</i>	<u>61,325,875</u>	<u>62,414,735</u>	<u>64,496,469</u>	<u>68,189,032</u>	<u>70,393,170</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 78,345,389</u>	<u>\$ 77,349,487</u>	<u>\$ 77,543,395</u>	<u>\$ 80,641,866</u>	<u>\$ 81,689,569</u>

**CITY OF CORVALLIS, OREGON**

**ANNUAL DISCLOSURE INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – WASTEWATER FUND  
LAST FIVE FISCAL YEARS - UNAUDITED**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 10,628,403	\$ 10,401,066	\$ 10,620,263	\$ 12,742,545	\$ 11,540,404
Intergovernmental	-	89,173	3,252	-	-
Fines and forfeitures	262	349	460	568	449
Miscellaneous	160,593	30,345	103,730	126,861	52,171
<i>Total Operating Revenues</i>	<u>10,789,258</u>	<u>10,520,933</u>	<u>10,727,705</u>	<u>12,869,974</u>	<u>11,593,024</u>
<b>OPERATING EXPENSES</b>					
Personnel services	3,439,171	3,501,936	3,034,016	2,745,059	4,317,327
Materials and supplies	446,526	392,212	496,734	488,809	597,188
Services	714,682	796,815	255,316	380,130	335,101
Utility and overhead	2,076,478	2,191,544	2,170,516	2,248,727	2,353,571
Training and conference	25,921	22,532	9,324	14,501	12,355
Depreciation and amortization	2,280,156	2,428,850	2,298,064	2,356,822	2,419,777
<i>Total Operating Expenses</i>	<u>8,982,934</u>	<u>9,333,889</u>	<u>8,263,970</u>	<u>8,234,048</u>	<u>10,035,319</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,806,324</u>	<u>1,187,044</u>	<u>2,463,735</u>	<u>4,635,926</u>	<u>1,557,705</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>					
Interest income	85,057	50,489	83,693	92,692	153,976
Interest expense	(717,616)	(329,857)	(259,672)	(230,123)	(199,333)
Gain (loss) on disposal of capital assets	(35,439)	(25,062)	(46,447)	(39,022)	45,942
<i>Total Non-Operating Income (Expense)</i>	<u>(667,998)</u>	<u>(304,430)</u>	<u>(222,426)</u>	<u>(176,453)</u>	<u>585</u>
<b>INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,138,326</u>	<u>882,614</u>	<u>2,241,309</u>	<u>4,459,473</u>	<u>1,558,290</u>
<b>CAPITAL CONTRIBUTIONS</b>					
Capital assets	253,526	185,110	161,178	33,875	-
Capital grants	-	-	-	400,000	818,638
<i>Total Capital Contributions</i>	<u>253,526</u>	<u>185,110</u>	<u>161,178</u>	<u>433,875</u>	<u>818,638</u>
<b>TRANSFERS</b>					
Transfers out	(105,740)	(116,700)	(169,090)	(189,880)	(172,790)
<b>CHANGE IN NET POSITION</b>	1,286,112	951,023	2,233,398	4,703,468	2,204,138
<b>NET POSITION, Beginning of year, Restated</b>	<u>60,039,763</u>	<u>61,325,875</u>	<u>62,263,071</u>	<u>63,485,564</u>	<u>68,189,032</u>
<b>NET POSITION, End of year</b>	<u>\$ 61,325,875</u>	<u>\$ 62,276,898</u>	<u>\$ 64,496,469</u>	<u>\$ 68,189,032</u>	<u>\$ 70,393,170</u>

REPORTS ON LEGAL AND OTHER  
REGULATORY REQUIREMENTS  
SECTION





**PAULY, ROGERS AND Co., P.C.**  
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December 1, 2016

### **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, 2016, and have issued our report thereon dated December 1, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

#### **Compliance**

As part of obtaining reasonable assurance about whether 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 Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of basic 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.

**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 basic 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, CPA  
PAULY, ROGERS AND CO., P.C.



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December 1, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 1, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic 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 basic 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 basic 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.

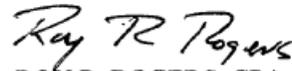
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 basic 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, CPA  
PAULY, ROGERS AND CO., P.C.



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December 1, 2016

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 THE UNIFORM GUIDANCE

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the City of 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, 2016.

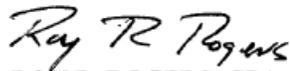
## Report on Internal Control Over Compliance

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

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

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

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

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

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Organization</i>	<i>Pass-Through Identifying Number</i>	<i>Program Award Amount</i>	<i>Total Federal Expenditures</i>	<i>Passed Through to Subrecipients</i>
<b>U.S. DEPARTMENT OF AGRICULTURE FOREST SERVICE</b>						
CPRCD - Old Peak Meadow Habitat Enhancement	10.693	Cascade Pacific Resource Conservation and Development	WY-M14-13	\$ 43,112	\$ 12,997	\$ -
CPRCD - Corvallis Forest Weed Control	10.693	Cascade Pacific Resource Conservation and Development	WY-M15-16	11,525	11,525	-
<i>Total U.S. Department of Agriculture Forest Service</i>					24,522	-
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Community Development Block Grant Program	14.218	Direct	n/a	476,046	437,745	-
HOME Grant Program	14.239	Direct	n/a	233,323	153,067	-
<i>Total U.S. Department of Housing and Urban Development</i>					590,812	-
<b>U.S. DEPARTMENT OF THE INTERIOR</b>						
Basic: Certified Local Govt.	15.904	State of Oregon Historic Preservation Office	HPF OR-15-04	13,000	4,000	-
<i>Total U.S. Department of Interior</i>					4,000	-
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Federal Equitable Sharing Program	16.922	Bureau of Justice	OR0020100	23,551.00	11,980.00	-
Bulletproof Vest Program (2014)	16.607	Bureau of Justice	BA-3A00S-MR01	10,004	5,158	-
<i>Total U.S. Department of Justice</i>					17,138	-
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>						
<i>Federal Aviation Administration Cluster</i>						
FAA: Planning for Airport Cargo Apron Access Road	20.106	Direct	n/a	56,644	-	-
FAA: Airport Cargo Apron Access Road-Design/Construction	20.106	Direct	n/a	540,000	182,947	-
<i>Total Federal Aviation Administration Cluster</i>					182,947	-
<i>Federal Transit Cluster</i>						
FTA: Bus Replacement (IC 758)	20.507	Direct	n/a	322,131	-	-
FTA: Bus Replacement (IC 758)	20.507	Direct	n/a	332,001	14,349	-
FTA: Transit Operating Grant (2015)	20.507	Direct	n/a	1,570,844	156,623	-
FTA: Transit Operating Grant (2016)	20.507	Direct	n/a	1,555,471	1,339,556	-
<i>Total Federal Transit Cluster</i>					1,510,528	-
<i>Highway Planning and Construction Cluster</i>						
FHWA: Oak Creek (SW Morris Avenue) Bridge No. 03C25	20.205	State of Oregon Department of Transportation	29254	1,079,452	708,789	-
FHWA: Transportation Demand Management Program (2014)	20.205	State of Oregon Department of Transportation	29575	88,739	-	-
FHWA: Transportation Demand Management Program (2016)	20.205	State of Oregon Department of Transportation	30839	83,543	68,596	-
FHWA: Pedestrian Crossing & Sidewalk at Three (3) Schools	20.205	State of Oregon Department of Transportation	29422	218,395	144,895	-
<i>Total Highway Planning and Construction Cluster</i>					922,280	-
<i>Transit Services Cluster</i>						
Rural Transit Assistance Program	20.509	State of Oregon Department of Transportation	unknown	-	41.50	-
Rural Transit Assistance Program	20.509	State of Oregon Department of Transportation	unknown	-	1,366	-
<i>Total Transit Services Cluster</i>					1,407	-
<i>Total U.S. Department of Transportation</i>					2,617,162	-
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
Marys River Natural Area Boardwalk Repair	97.039	State of Oregon Emergency Management	JQC-04G	193,911	9,548	-
<i>Total Federal Emergency Management Agency</i>					9,548	-
<i>Total Federal Assistance</i>					\$ 3,263,183	\$ -

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**  
**NOTES OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

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*Purpose of the Schedule*

The 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

*Federal Financial Assistance*

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

*Major Programs*

The Single Audit Act Amendment of 1996 and Uniform Guidance 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 Uniform Guidance. 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, 2016.

*Revenue and Expenditure Recognition*

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

CITY OF CORVALLIS  
CORVALLIS, OREGON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2016

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Any GAGAS audit findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**FEDERAL AWARDS**

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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 section 200.516(a) of the Uniform Guidance?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

**IDENTIFICATION OF MAJOR PROGRAMS**

<b><u>CFDA</u></b>	<b><u>NAME OF FEDERAL PROGRAM CLUSTER</u></b>
<b><u>NUMBER</u></b>	
20.205	Highway Planning & Construction

CITY OF CORVALLIS  
CORVALLIS, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES**

1. **BASIS OF PRESENTATION**

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