

***CITY OF MONROE, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2018***

***CITY COUNCIL***

Paul Canter, Mayor  
190 Oak Street  
Monroe, Oregon 97456

Harry Myers, Council President  
P. O. Box 208  
Monroe, Oregon 97456

Frank Thayer, Council Member  
P. O. Box 322  
Monroe, Oregon 97456

Floyd Billings, Council Member  
P.O. Box 203  
Monroe, Oregon 97456

Cindy Canter, Council Member  
190 Oak Street  
Monroe, Oregon 97456

Jeanni Cuthbertson, Council Member  
726 S. 5<sup>th</sup> Street  
Monroe, Oregon 97456

Chad Howard, Council Member  
807 Commercial Street  
Monroe, Oregon 97456

***ADMINISTRATION***

Rick Hohnbaum, City Administrator

Tracy Jensen, Finance Officer

P.O. Box 486  
Monroe, Oregon 97456

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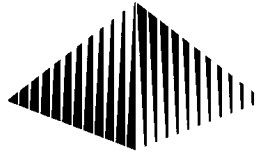
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***FINANCIAL SECTION***



## **GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT***

Mayor and City Council  
City of Monroe  
P.O. Box 486  
Monroe, Oregon 97456

#### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monroe, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in the notes to the financial statements. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monroe, Oregon as of June 30, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

### ***Basis of Accounting***

We draw attention to the notes of the financial statements that describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Report on Supplemental and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The supplemental information and management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

#### ***Reports on Other Legal and Regulatory Requirements***

##### ***Other Reporting Required by Government Auditing Standards***


In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated August 24, 2018, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By:   
\_\_\_\_\_  
Ryan T. Pasquarella, Shareholder  
August 24, 2018



**CITY OF MONROE  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

As management of the City of Monroe, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018.

**FINANCIAL HIGHLIGHTS**

|                                     | June 30,     |              | change     |
|-------------------------------------|--------------|--------------|------------|
|                                     | 2018         | 2017         |            |
| Net position                        | \$ 5,742,422 | \$ 5,476,818 | \$ 265,604 |
| Change in net position              | 265,604      | 146,364      | 119,240    |
| Governmental net position           | 858,795      | 714,331      | 144,464    |
| Proprietary net position            | 4,883,627    | 4,762,487    | 121,140    |
| Change in governmental net position | 144,464      | 85,045       | 59,419     |
| Change in proprietary net position  | 121,140      | 61,319       | 59,821     |

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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. These statements include:

*The Statement of Net Position.* The *statement of net position (modified cash basis)* presents information on all of the assets and liabilities of the City as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*The Statement of Activities.* The *statement of activities (modified cash basis)* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net position.

*Fund financial statements.* The fund financial statements provide more detailed information about the City of Monroe’s funds, focusing on its most significant or “major” funds – not the City as a whole. 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 the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds.* The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental fund financial statements primary focus is on individual major funds. Such information may be useful in evaluating each funds' financing requirements.

*Proprietary (Enterprise) funds.* The City charges customers for the services it provides. These services are generally reported in enterprise funds.

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

*Other information.* In addition to the basic financial statements and accompanying notes, this report also presents supplemental information including the combining and individual fund financial statements and other financial schedules.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position** The Statement of Net Position is provided on a comparative basis.

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 exceeded liabilities by \$5,742,422 as of June 30, 2018.

Net investment in capital assets represents the City's net book value (cost less accumulated depreciation) of its capital assets, less debt which was incurred to acquire those capital assets.

Net position - restricted represents resources that are subject to external restrictions on their use, such as debt service reserves or construction of capital assets.

Net position - unrestricted are available for general operations of the City.

**City of Monroe**  
**Statements of Net Position (Modified Cash Basis)**  
**June 30,**

|                                   | 2018                       |                             |                     | 2017                       |                             |                     |
|-----------------------------------|----------------------------|-----------------------------|---------------------|----------------------------|-----------------------------|---------------------|
|                                   | Governmental<br>Activities | Business-type<br>Activities | Total               | Governmental<br>Activities | Business-type<br>Activities | Total               |
| Cash and cash equivalents         | \$ 449,598                 | \$ 530,609                  | \$ 980,207          | \$ 401,007                 | \$ 383,744                  | \$ 784,751          |
| Non-depreciable capital assets    | 30,000                     | 25,627                      | 55,627              | 30,000                     | 25,627                      | 55,627              |
| Depreciable capital assets, net   | 379,197                    | 6,071,798                   | 6,450,995           | 283,924                    | 6,159,910                   | 6,443,834           |
| <b>Total Assets</b>               | <b>858,795</b>             | <b>6,628,034</b>            | <b>7,486,829</b>    | <b>714,931</b>             | <b>6,569,281</b>            | <b>7,284,212</b>    |
| Other liabilities                 | -                          | -                           | -                   | 600                        | -                           | 600                 |
| Long-term liabilities             |                            |                             |                     |                            |                             |                     |
| Portion due within one year       | -                          | 67,720                      | 67,720              | -                          | 62,387                      | 62,387              |
| Portion due in more than one year | -                          | 1,676,687                   | 1,676,687           | -                          | 1,744,407                   | 1,744,407           |
| <b>Total Liabilities</b>          | <b>-</b>                   | <b>1,744,407</b>            | <b>1,744,407</b>    | <b>600</b>                 | <b>1,806,794</b>            | <b>1,807,394</b>    |
| Net Position:                     |                            |                             |                     |                            |                             |                     |
| Net investment in capital assets  | 409,197                    | 4,353,018                   | 4,762,215           | 313,924                    | 4,378,743                   | 4,692,667           |
| Restricted                        | 156,446                    | 53,047                      | 209,493             | 94,355                     | 48,116                      | 142,471             |
| Unrestricted                      | 293,152                    | 477,562                     | 770,714             | 306,052                    | 335,628                     | 641,680             |
| <b>Total Net Position</b>         | <b>\$ 858,795</b>          | <b>\$ 4,883,627</b>         | <b>\$ 5,742,422</b> | <b>\$ 714,331</b>          | <b>\$ 4,762,487</b>         | <b>\$ 5,476,818</b> |

**City of Monroe**  
**Statements of Activities (Modified Cash Basis)**  
**Year Ended June 30,**

|                                  | 2018                       |                                 |                     | 2017                       |                                 |                     |
|----------------------------------|----------------------------|---------------------------------|---------------------|----------------------------|---------------------------------|---------------------|
|                                  | Governmental<br>Activities | Business-<br>type<br>Activities | Total               | Governmental<br>Activities | Business-<br>type<br>Activities | Total               |
| Revenues                         |                            |                                 |                     |                            |                                 |                     |
| Program Revenues                 |                            |                                 |                     |                            |                                 |                     |
| Charges for service              | \$ 112,825                 | \$ 347,008                      | \$ 459,833          | \$ 30,720                  | \$ 332,983                      | \$ 363,703          |
| Operating grants                 | 70,176                     | -                               | 70,176              | 37,151                     | -                               | 37,151              |
| Capital grants                   | 54,013                     | 152,074                         | 206,087             | 146                        | 58,596                          | 58,742              |
| General Revenues                 |                            |                                 |                     |                            |                                 |                     |
| Taxes and assessments            | 109,480                    | 116,580                         | 226,060             | 114,074                    | 112,455                         | 226,529             |
| Franchise taxes                  | 26,387                     | -                               | 26,387              | 29,135                     | -                               | 29,135              |
| Intergovernmental                | 19,647                     | -                               | 19,647              | 17,365                     | -                               | 17,365              |
| Miscellaneous                    | 10,563                     | 8,534                           | 19,097              | 17,630                     | -                               | 17,630              |
| <i>Total Revenues</i>            | <i>403,091</i>             | <i>624,196</i>                  | <i>1,027,287</i>    | <i>246,221</i>             | <i>504,034</i>                  | <i>750,255</i>      |
| Expenses                         |                            |                                 |                     |                            |                                 |                     |
| General government               | 222,270                    | -                               | 222,270             | 150,872                    | -                               | 150,872             |
| Public works                     | 66,357                     | -                               | 66,357              | 26,804                     | -                               | 26,804              |
| Water                            | -                          | 344,271                         | 344,271             | -                          | 292,416                         | 292,416             |
| Sewer                            | -                          | 128,785                         | 128,785             | -                          | 133,799                         | 133,799             |
| <i>Total Expenses</i>            | <i>288,627</i>             | <i>473,056</i>                  | <i>761,683</i>      | <i>177,676</i>             | <i>426,215</i>                  | <i>603,891</i>      |
| Transfers                        | 30,000                     | (30,000)                        | -                   | 16,500                     | (16,500)                        | -                   |
| Change in net position           | 144,464                    | 121,140                         | 265,604             | 85,045                     | 61,319                          | 146,364             |
| Net position, beginning of year  | 714,331                    | 4,762,487                       | 5,476,818           | 629,286                    | 4,701,168                       | 5,330,454           |
| <b>Net position, end of year</b> | <b>\$ 858,795</b>          | <b>\$ 4,883,627</b>             | <b>\$ 5,742,422</b> | <b>\$ 714,331</b>          | <b>\$ 4,762,487</b>             | <b>\$ 5,476,818</b> |

**Statement of Activities.** The City's net position increased \$265,604 in the current fiscal year. The key elements of the change in the City's net position for the year ended June 30, 2018 compared to the prior year are:

- A \$276,500 increase in program revenues, comprised of increases in charges for services, operating grants, and capital grants. This increase is the result of several factors. Utility rates increased during the year. Approximately \$31,000 was received in new operating grants. In addition, new construction increased system development charges received.
- A \$71,398 increase in general government expenses. The largest components of this change are expenditures of those new grant funds and increases in payroll and related costs.
- A \$51,855 increase in water expenses. The largest components of this change are increases in payroll and related costs and increases in regular operating expenses.

### **Financial Analysis of the City's Funds**

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

**Governmental funds.** The focus of the City's governmental funds is to provide information by each major fund's funding for future basic services. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

The City's governmental funds reported combined ending fund balances of \$449,598 at June 30, 2018, a 10.94% increase.

*General Fund.* The General Fund is the primary operating fund of the City. The fund balance was \$225,384 as of June 30, 2018. The fund balance decreased by \$24,291 during the current fiscal year, due to transfers out to reserve funds. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 74% of total General Fund expenditures. The General Fund actual expenditures were \$122,378 less than budgeted expenditures during the current year.

*Street Fund.* The Street Fund is used to account for revenues and expenditures related to the City's streets. The funds primary source of revenues is ODOT apportionment (State gas tax). The year end fund balance of \$96,438 is a \$13,564 increase, due to revenues in excess of street related expenditures.

*Equipment Fund.* The Equipment Fund is used to account for revenues and expenditures associated with equipment replacement. The funds primary source of revenues are transfers in from the General and Sewer Funds. The year end fund balance of \$38,790 is a \$2,927 decrease, due to vehicle and equipment purchases in excess of revenues.

*Street SDC Fund.* The Street SDC Fund is used to account for receipt of system development charges and related expenditures. The funds primary source of revenues are system development charges. The year end fund balance of \$49,263 is a \$43,049 increase, due to receipts related to new construction.

**Proprietary funds.** The City's proprietary fund (enterprise operations) statements provide information related to the separate water and sewer operations.

The total business-type fund balances increased \$146,865 in the current fiscal year. Significant items regarding proprietary funds are as follows:

- The Water Utility Fund reported a decrease of \$30,694 in fund balance. The decrease comes from operating income of \$27,506 offset by \$58,200 of transfers out.
- Sewer Utility Fund reported a decrease of \$4,190 in fund balance. The decrease comes from operating income of \$20,810 offset by \$25,000 of transfers out.

### General Fund Budgetary Highlights

The City Council made one adjustment to the adopted budget of the General Fund for the fiscal year ended June 30, 2018.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The City of Monroe’s investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2018, the City had invested \$6,506,622 in capital assets, net of depreciation, as shown in the following table:

**Capital Assets**  
As of June 30, 2018 and 2017

|                                     | Governmental Activities |                   | Business-type Activities |                     | Totals              |                     |
|-------------------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                                     | 2018                    | 2017              | 2018                     | 2017                | 2018                | 2017                |
| Land                                | \$ 30,000               | \$ 30,000         | \$ 25,627                | \$ 25,627           | \$ 55,627           | \$ 55,627           |
| Buildings                           | 454,482                 | 389,654           | -                        | -                   | 454,482             | 389,654             |
| Equipment                           | 99,502                  | 56,152            | -                        | -                   | 99,502              | 56,152              |
| Water and sewer system              | -                       | -                 | 6,999,651                | 6,999,651           | 6,999,651           | 6,999,651           |
|                                     | 583,984                 | 475,806           | 7,025,278                | 7,025,278           | 7,609,262           | 7,501,084           |
| Less: accumulated depreciation      | (174,787)               | (161,882)         | (927,853)                | (839,741)           | (1,102,640)         | (1,001,623)         |
| Capital assets, net of depreciation | <u>\$ 409,197</u>       | <u>\$ 313,924</u> | <u>\$ 6,097,425</u>      | <u>\$ 6,185,537</u> | <u>\$ 6,506,622</u> | <u>\$ 6,499,461</u> |

The City’s net investment in capital assets increased \$7,161 during the fiscal year due to capital acquisitions in the governmental funds partially offset by current year depreciation.

Additional information regarding the City’s capital assets can be found in the notes to basic financial statements of this report.

**Long-term debt.** The City had total bonded debt (general obligation and revenue bonds) outstanding of \$1,744,407 at the end of the current fiscal year.

During the current fiscal year, the City’s total debt decreased by \$62,387 due to the repayment of outstanding loans.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The City has no debt subject to the limitation.

**Outstanding Debt**  
**As of June 30, 2018 and 2017**

|                     | Business-type Activities |              |
|---------------------|--------------------------|--------------|
|                     | 2018                     | 2017         |
| Water G.O. bond     | \$ 1,245,000             | \$ 1,300,000 |
| Water revenue bonds | 499,407                  | 506,794      |
|                     | \$ 1,744,407             | \$ 1,806,794 |

Additional information on the City’s long-term debt can be found in the notes to the basic financial statements of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The City’s Budget Committee considered all the following factors while preparing the budget for the 2018-19 fiscal year.

- Expected rates and consumption for business-type funds
- Staffing requirements and the desired level of service
- Capital outlay

**REQUESTS FOR INFORMATION**

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City’s finances and to demonstrate the City’s accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Monroe  
 Attn: Finance Officer  
 664 Commercial St.  
 P.O. Box 486  
 Monroe, Oregon 97456  
 (541) 847-5175

***BASIC FINANCIAL STATEMENTS***

**CITY OF MONROE, OREGON**  
**STATEMENT OF NET POSITION (MODIFIED CASH BASIS)**  
**JUNE 30, 2018**

|                                   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Totals</u> |
|-----------------------------------|------------------------------------|-------------------------------------|---------------|
| <b>ASSETS</b>                     |                                    |                                     |               |
| Cash and cash equivalents         | \$ 449,598                         | \$ 530,609                          | \$ 980,207    |
| Non-depreciable capital assets    | 30,000                             | 25,627                              | 55,627        |
| Depreciable capital assets, net   | 379,197                            | 6,071,798                           | 6,450,995     |
|                                   | <hr/>                              | <hr/>                               | <hr/>         |
| <i>Total Assets</i>               | 858,795                            | 6,628,034                           | 7,486,829     |
| <b>LIABILITIES</b>                |                                    |                                     |               |
| Long-term liabilities             |                                    |                                     |               |
| Portion due within one year       | -                                  | 67,720                              | 67,720        |
| Portion due in more than one year | -                                  | 1,676,687                           | 1,676,687     |
|                                   | <hr/>                              | <hr/>                               | <hr/>         |
| <i>Total Liabilities</i>          | -                                  | 1,744,407                           | 1,744,407     |
| <b>NET POSITION</b>               |                                    |                                     |               |
| Net investment in capital assets  | 409,197                            | 4,353,018                           | 4,762,215     |
| Restricted for                    |                                    |                                     |               |
| Debt service                      | -                                  | 31,146                              | 31,146        |
| Customer deposits                 | -                                  | 961                                 | 961           |
| Streets                           | 96,438                             | -                                   | 96,438        |
| Capital acquisitions              | 60,008                             | 20,940                              | 80,948        |
| Unrestricted                      | 293,152                            | 477,562                             | 770,714       |
|                                   | <hr/>                              | <hr/>                               | <hr/>         |
| <i>Total Net Position</i>         | \$ 858,795                         | \$ 4,883,627                        | \$ 5,742,422  |
|                                   | <hr/> <hr/>                        | <hr/> <hr/>                         | <hr/> <hr/>   |

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



**CITY OF MONROE, OREGON**  
**STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)**  
**YEAR ENDED JUNE 30, 2018**

|                                       | <i>Expenses</i> | <i>Program Revenues</i>                             |   |   |
|---------------------------------------|-----------------|---|---|---|
|                                       |                 | <i>Fees, Fines<br/>and Charges<br/>for Services</i> | <i>Operating<br/>Grants and<br/>Contributions</i> | <i>Capital<br/>Grants and<br/>Contributions</i> |
| <b>FUNCTIONS/PROGRAMS</b>             |                 |   |   |   |
| <i>Governmental activities</i>        |                 |   |   |   |
| General government                    | \$ 222,270      | \$ 107,163  | \$ 30,824   | \$ -  |
| Public works                          | 66,357          | 5,662   | 39,352  | 54,013  |
| <i>Total Governmental activities</i>  | 288,627         | 112,825   | 70,176  | 54,013  |
| <i>Business-type activities</i>       |                 |   |   |   |
| Water                                 | 344,271         | 197,240   | -   | 70,082  |
| Sewer                                 | 128,785         | 149,768   | -   | 81,992  |
| <i>Total Business-type activities</i> | 473,056         | 347,008   | -   | 152,074   |
| <i>Total Activities</i>               | \$ 761,683      | \$ 459,833  | \$ 70,176   | \$ 206,087                                      |

**General Revenues**

Property taxes  
Franchise taxes  
Intergovernmental  
Miscellaneous

*Total General Revenues*

**Transfers**

**Change in net position**

*Net Position - beginning of year*

*Net Position - end of year*

***Net (Expenses) Revenues  
and Changes in Net Position***

| <b><i>Governmental<br/>Activities</i></b> | <b><i>Business-type<br/>Activities</i></b> | <b><i>Total</i></b> |
|---|--|---------------------|
| \$ (84,283)                               | \$ -                                       | \$ (84,283)         |
| 32,670                                    | -  | 32,670              |
| (51,613)                                  | -  | (51,613)            |
| -   | (76,949)                                   | (76,949)            |
| -   | 102,975                                    | 102,975             |
| -   | 26,026                                     | 26,026              |
| (51,613)                                  | 26,026                                     | (25,587)            |
| 109,480                                   | 116,580                                    | 226,060             |
| 26,387                                    | -  | 26,387              |
| 19,647                                    | -  | 19,647              |
| 10,563                                    | 8,534                                      | 19,097              |
| 166,077                                   | 125,114                                    | 291,191             |
| 30,000                                    | (30,000)                                   | -                   |
| 144,464                                   | 121,140                                    | 265,604             |
| 714,331                                   | 4,762,487                                  | 5,476,818           |
| \$ 858,795                                | \$ 4,883,627                               | \$ 5,742,422        |

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

**CITY OF MONROE, OREGON**

**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

**JUNE 30, 2018**

|   | <u>General</u>    | <u>Special Revenue</u><br><u>Street</u> | <u>Capital</u><br><u>Equipment</u><br><u>Reserve</u> |
|---|-------------------|---|--|
| <b>ASSETS</b>                             |                   |   |  |
| Cash and cash equivalents                 | \$ 225,384        | \$ 96,438                               | \$ 38,790  |
| <b>LIABILITIES AND FUND BALANCE</b>       |                   |   |  |
| <b>Liabilities</b>                        | \$ -              | \$ -                                    | \$ -   |
| <b>Fund Balance</b>                       |                   |   |  |
| Restricted for                            |                   |   |  |
| Streets                                   | -                 | 96,438                                  | -  |
| Capital acquisitions                      | -                 | -                                       | -  |
| Committed to                              |                   |   |  |
| Capital acquisitions                      | -                 | -                                       | 38,790   |
| Unassigned                                | 225,384           | -                                       | -  |
| <b>Total Fund Balance</b>                 | <u>225,384</u>    | <u>96,438</u>                           | <u>38,790</u>  |
| <b>Total Liabilities and Fund Balance</b> | <u>\$ 225,384</u> | <u>\$ 96,438</u>                        | <u>\$ 38,790</u>                                     |

**Reconciliation of the Balance Sheet (Modified Cash Basis)  
to the Statement of Net Position (Modified Cash Basis)**

*Fund balances*

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value:

Capital assets, cost  
Accumulated depreciation

*Net position*

| <u>Projects</u>   | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>      |
|-------------------|---|-------------------|
| <u>Street SDC</u> |   |                   |
| \$ 49,263         | \$ 39,723                               | \$ 449,598        |
| -                 | -                                       | -                 |
| -                 | -                                       | 96,438            |
| 49,263            | 10,745                                  | 60,008            |
| -                 | 28,978                                  | 67,768            |
| -                 | -                                       | 225,384           |
| 49,263            | 39,723                                  | 449,598           |
| \$ 49,263         | \$ 39,723                               | \$ 449,598        |
|                   |   | \$ 449,598        |
|                   |   | 583,984           |
|                   |   | (174,787)         |
|                   |   | <u>\$ 858,795</u> |

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

**CITY OF MONROE, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

|   | <u>General</u> | <u>Special Revenue</u><br><u>Street</u> | <u>Capital</u><br><u>Equipment Reserve</u> |
|---|----------------|---|--|
| <b>REVENUES</b>                             |                |   |  |
| Taxes and assessments                       | \$ 109,480     | \$ -                                    | \$ -                                       |
| Fines and forfeitures                       | 14,889         | -                                       | -  |
| Licenses and permits                        | 26,462         | -                                       | -  |
| Charges for services                        | 22,181         | -                                       | -  |
| Intergovernmental                           | 50,447         | 39,352                                  | -  |
| Miscellaneous                               | 83,372         | 1,818                                   | 517  |
| <i>Total Revenues</i>                       | 306,831        | 41,170                                  | 517  |
| <b>EXPENDITURES</b>                         |                |   |  |
| Current                                     |                |   |  |
| Administration                              | 243,908        | -                                       | -  |
| Public works                                | 62,214         | 27,606                                  | 43,444                                     |
| <i>Total Expenditures</i>                   | 306,122        | 27,606                                  | 43,444                                     |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | 709            | 13,564                                  | (42,927)                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                |   |  |
| Transfers in                                | -              | -                                       | 40,000                                     |
| Transfers out                               | (25,000)       | -                                       | -  |
| <i>Total Other Financing Sources (Uses)</i> | (25,000)       | -                                       | 40,000                                     |
| <b>NET CHANGE IN FUND BALANCE</b>           | (24,291)       | 13,564                                  | (2,927)                                    |
| <b>FUND BALANCE, beginning of year</b>      | 249,675        | 82,874                                  | 41,717                                     |
| <b>FUND BALANCE, end of year</b>            | \$ 225,384     | \$ 96,438                               | \$ 38,790                                  |

**Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balance (Modified Cash Basis)  
to the Statement of Activities (Modified Cash Basis)***Net change in fund balance*

Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over the estimated useful life as depreciation expense:

Capital outlay  
Depreciation

*Change in net position*

| <i>Projects</i>   | <i>Other<br/>Governmental<br/>Funds</i> | <i>Total</i> |
|-------------------|---|--------------|
| <i>Street SDC</i> |   |              |
| \$ -              | \$ -                                    | \$ 109,480   |
| -                 | -                                       | 14,889       |
| 48,648            | 5,365                                   | 80,475       |
| -                 | -                                       | 22,181       |
| -                 | -                                       | 89,799       |
| 133               | 427                                     | 86,267       |
| 48,781            | 5,792                                   | 403,091      |
| -                 | -                                       | 243,908      |
| 5,732             | 996                                     | 139,992      |
| 5,732             | 996                                     | 383,900      |
| 43,049            | 4,796                                   | 19,191       |
| -                 | 15,000                                  | 55,000       |
| -                 | -                                       | (25,000)     |
| -                 | 15,000                                  | 30,000       |
| 43,049            | 19,796                                  | 49,191       |
| 6,214             | 19,927                                  | 400,407      |
| \$ 49,263         | \$ 39,723                               | \$ 449,598   |
|                   |   | \$ 49,191    |
|                   |   | 108,178      |
|                   |   | (12,905)     |
|                   |   | \$ 144,464   |

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

**CITY OF MONROE, OREGON**

**STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

**JUNE 30, 2018**

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|                           | <u>Water Utility</u> | <u>Sewer Utility</u> | <u>Revenue<br/>Bond</u> | <u>GO Bond</u> |
|---------------------------|----------------------|----------------------|-------------------------|----------------|
| <b>ASSETS</b>             |                      |                      |                         |                |
| <b>Current assets</b>     |                      |                      |                         |                |
| Cash and cash equivalents | \$ 51,618            | \$ 93,445            | \$ 30,897               | \$ 953         |
| <b>LIABILITIES</b>        | -                    | -                    | -                       | -              |
| <b>NET POSITION</b>       |                      |                      |                         |                |
| Restricted for            |                      |                      |                         |                |
| Debt payments             | -                    | -                    | 30,193                  | 953            |
| Customer deposits         | 481                  | 480                  | -                       | -              |
| Capital acquisitions      | -                    | -                    | -                       | -              |
| Unrestricted              | 51,137               | 92,965               | 704                     | -              |
| <b>Total Net Position</b> | <u>\$ 51,618</u>     | <u>\$ 93,445</u>     | <u>\$ 30,897</u>        | <u>\$ 953</u>  |

**Reconciliation of the Statement of Fund Net Position (Modified Cash Basis)  
to the Statement of Net Position (Modified Cash Basis)**

**Fund Net Position**

Capital assets are not financial resources in the proprietary funds, but are reported in the Statement of Net Position at their net depreciable value:

- Capital assets, cost
- Accumulated depreciation

Long-term debt is reported on the Statement of Net Position, but is not reported as a liability for the proprietary funds

**Net Position**

| <u>Water Reserve</u> | <u>Sewer Reserve</u> | <u>Water SDC</u> | <u>Sewer SDC</u> | <u>Other Business-type Funds</u> | <u>Total</u>        |
|----------------------|----------------------|------------------|------------------|----------------------------------|---------------------|
| \$ 75,832            | \$ 88,805            | \$ 80,023        | \$ 65,363        | \$ 43,673                        | \$ 530,609          |
| -                    | -                    | -                | -                | -                                | -                   |
| -                    | -                    | -                | -                | -                                | 31,146              |
| -                    | -                    | -                | -                | -                                | 961                 |
| -                    | -                    | -                | -                | 20,940                           | 20,940              |
| 75,832               | 88,805               | 80,023           | 65,363           | 22,733                           | 477,562             |
| <u>\$ 75,832</u>     | <u>\$ 88,805</u>     | <u>\$ 80,023</u> | <u>\$ 65,363</u> | <u>\$ 43,673</u>                 | <u>\$ 530,609</u>   |
|                      |                      |                  |                  |                                  | \$ 530,609          |
|                      |                      |                  |                  |                                  | 7,025,278           |
|                      |                      |                  |                  |                                  | (927,853)           |
|                      |                      |                  |                  |                                  | (1,744,407)         |
|                      |                      |                  |                  |                                  | <u>\$ 4,883,627</u> |

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



**CITY OF MONROE, OREGON****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
(MODIFIED CASH BASIS) - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

|  | <u>Water Utility</u>    | <u>Sewer Utility</u>    | <u>Revenue Bond</u>     | <u>GO Bond</u>       |
|--|-------------------------|-------------------------|-------------------------|----------------------|
| <b>OPERATING REVENUES</b>                                |                         |                         |                         |                      |
| Charges for services                                     | \$ 196,790              | \$ 137,030              | \$ -                    | \$ -                 |
| Miscellaneous  | 2,166                   | 2,417                   | 657                     | 35                   |
| <i>Total Operating Revenues</i>                          | <u>198,956</u>          | <u>139,447</u>          | <u>657</u>              | <u>35</u>            |
| <b>OPERATING EXPENSES</b>                                |                         |                         |                         |                      |
| Public works   | 146,243                 | 118,637                 | -                       | -                    |
| <b>OPERATING INCOME</b>                                  | 52,713                  | 20,810                  | 657                     | 35                   |
| <b>NONOPERATING ITEMS</b>                                |                         |                         |                         |                      |
| Taxes and assessments                                    | -                       | -                       | -                       | 116,580              |
| Capital acquisitions                                     | (25,207)                | -                       | -                       | -                    |
| Debt payments  |                         |                         |                         |                      |
| Principal  | -                       | -                       | (7,387)                 | (55,000)             |
| Interest   | -                       | -                       | (22,806)                | (61,180)             |
| <i>Total Nonoperating Items</i>                          | <u>(25,207)</u>         | <u>-</u>                | <u>(30,193)</u>         | <u>400</u>           |
| <b>NET INCOME BEFORE<br/>CONTRIBUTIONS AND TRANSFERS</b> | 27,506                  | 20,810                  | (29,536)                | 435                  |
| Capital contributions                                    | -                       | -                       | -                       | -                    |
| Transfers in   | -                       | -                       | 30,200                  | -                    |
| Transfers out  | (58,200)                | (25,000)                | -                       | -                    |
| <b>CHANGE IN NET POSITION</b>                            | <u>(30,694)</u>         | <u>(4,190)</u>          | <u>664</u>              | <u>435</u>           |
| <b>NET POSITION, beginning of year</b>                   | <u>82,312</u>           | <u>97,635</u>           | <u>30,233</u>           | <u>518</u>           |
| <b>NET POSITION, end of year</b>                         | <u><u>\$ 51,618</u></u> | <u><u>\$ 93,445</u></u> | <u><u>\$ 30,897</u></u> | <u><u>\$ 953</u></u> |

**Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Net  
Position (Modified Cash Basis) to the Statement of Activities (Modified Cash Basis)***Change in fund net position*

Capital outlays are reported as expenditures in proprietary funds. However, the Statement of Activities allocates the cost of capital outlay over the estimated useful life as depreciation expense:

Depreciation

Bond principal paid is reported as an expenditure in proprietary funds, but as a reduction of a liability in the government-wide statements.

*Change in net position*

| <i>Water Reserve</i> | <i>Sewer Reserve</i> | <i>Water SDC</i> | <i>Sewer SDC</i> | <i>Other<br/>Business-type<br/>Funds</i> | <i>Total</i>      |
|----------------------|----------------------|------------------|------------------|--|-------------------|
| \$ -                 | \$ -                 | \$ -             | \$ -             | \$ 12,520                                | \$ 346,340        |
| 1,075                | 121                  | 207              | 26               | 2,498                                    | 9,202             |
| <u>1,075</u>         | <u>121</u>           | <u>207</u>       | <u>26</u>        | <u>15,018</u>                            | <u>355,542</u>    |
| -                    | -                    | -                | -                | 10,147                                   | 275,027           |
| <u>1,075</u>         | <u>121</u>           | <u>207</u>       | <u>26</u>        | <u>4,871</u>                             | <u>80,515</u>     |
| -                    | -                    | -                | -                | -  | 116,580           |
| (724)                | -                    | -                | -                | -  | (25,931)          |
| -                    | -                    | -                | -                | -  | (62,387)          |
| -                    | -                    | -                | -                | -  | (83,986)          |
| <u>(724)</u>         | <u>-</u>             | <u>-</u>         | <u>-</u>         | <u>-</u>                                 | <u>(55,724)</u>   |
| 351                  | 121                  | 207              | 26               | 4,871                                    | 24,791            |
| -                    | -                    | 70,083           | 64,002           | 17,989                                   | 152,074           |
| 13,000               | 10,000               | -                | -                | -  | 53,200            |
| -                    | -                    | -                | -                | -  | (83,200)          |
| <u>13,351</u>        | <u>10,121</u>        | <u>70,290</u>    | <u>64,028</u>    | <u>22,860</u>                            | <u>146,865</u>    |
| <u>62,481</u>        | <u>78,684</u>        | <u>9,733</u>     | <u>1,335</u>     | <u>20,813</u>                            | <u>383,744</u>    |
| <u>\$ 75,832</u>     | <u>\$ 88,805</u>     | <u>\$ 80,023</u> | <u>\$ 65,363</u> | <u>\$ 43,673</u>                         | <u>\$ 530,609</u> |
|                      |                      |                  |                  |  | \$ 146,865        |
|                      |                      |                  |                  |  | (88,112)          |
|                      |                      |                  |                  |  | 62,387            |
|                      |                      |                  |                  |  | <u>\$ 121,140</u> |

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City is governed by an elected mayor and six council members who comprise the City Council. The City provides various services as authorized by its charter, including water and sewer utilities.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

*Basic Financial Statements*

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

*Government-wide financial statements* display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents all the assets and liabilities of the City. Net position, representing assets less liabilities, is shown in three components, investment in capital assets, restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities.

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

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general, special revenue, capital projects) and proprietary (enterprise) type funds. Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds. Major individual funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the financial statements and are detailed in the supplemental information.

**CITY OF MONROE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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

*Basis of Presentation*

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

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/ expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

*General Fund* - to account for the financial operations of the City not accounted for in any other fund. Principal sources of revenues are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for police protection, insurance and general administration.

*Street Fund* - to account for revenues and expenditures associated with streets.

*Equipment Fund* - to account for revenues and expenditures associated with equipment replacement.

*Street SDC Fund* – to account for receipt of system development charges and related expenditures.

The City reports the following nonmajor governmental funds:

*Building Fund* - to account for money set aside for building improvements and repairs.

*Park Reserve Fund* - to account for money set aside for park capital projects.

*Park SDC Fund* - to account for receipt of systems development charges and related expenditures.

The enterprise funds are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following major enterprise funds:

*Water Utility Fund* - to account for the operation of the City's water system.

*Sewer Utility Fund* - to account for the operation of the City's sewer system.

*Revenue Bond Fund* - to account for debt service on the 1981 water bonds.

*G.O. Bond Fund* - to account for debt service for the 2002 general obligation water bonds.

*Water Reserve Fund* - to account for money set aside for water capital projects.

*Sewer Reserve Fund* - to account for money set aside for sewer capital projects.

*Water SDC Fund* – to account for receipt of system development charges and related expenses.

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

*Basis of Presentation (Continued)*

*Sewer SDC Fund* – to account for revenues of system development charges and related expenses.

The City reports the following nonmajor enterprise funds:

*Storm SDC Fund* – to account for receipt of system development charges and related expenses.

*Stormwater Fund* – to account for operations of the City’s stormwater operations.

*Fund Balance*

In governmental funds, the City’s policy is to first apply the expenditures toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be “reserved” during the adoption of the annual budget. The City’s Finance Officer uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City’s Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

*Definitions of Governmental Fund Types*

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

**CITY OF MONROE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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

*Definitions of Governmental Fund Types (Continued)*

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

*Measurement Focus and Basis of Accounting*

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.
4. Capital assets for which cash is expended for the asset and then depreciated over its useful life.
5. Liabilities for which cash is received and then repaid over the loan period.

## **CITY OF MONROE, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2018*

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

#### *Measurement Focus and Basis of Accounting (Continued)*

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, capital assets such as property and equipment, and long-term liabilities such as debt are only reported in the government-wide financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

#### *Cash*

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

#### *Property Taxes*

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

#### *Capital Assets*

Capital assets (items costing more than \$5,000 and lasting more than one year) are reported in the applicable governmental or business-type activities financial statements and in the notes to the financial statements. In the fund statements, capital assets are charged as expenditures / expenses as purchased. Capital assets are recorded at cost or estimated historical cost where records are available. Donated assets are not recorded. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized.

**CITY OF MONROE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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

*Capital Assets (Continued)*

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

|                            |              |
|----------------------------|--------------|
| Buildings and improvements | 40 years     |
| Infrastructure             | 80 years     |
| Equipment                  | 5 - 10 years |

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts.

*Long-Term Debt*

Long-term debt is presented in the government-wide and notes to the financial statements. In the fund financial statements, payments of principal and interest are recorded as expenditures / expenses when paid.

*Accrued Compensated Absences*

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid. There were 340 hours of accumulated paid time off.

*Budgets and Budgetary Accounting*

The City adopts the budget on an object (personal services, materials and services, capital outlay, debt service) basis, therefore, expenditures of a specific object may not legally exceed that object's appropriation. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

*Use of Restricted Assets*

When expenditures are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

*Use of Estimates*

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimate and assumptions that effect reporting amounts of certain assets, liabilities, revenues and expenditures / expenses as of June 30, 2018. Actual results may differ from those estimates.



**CITY OF MONROE, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2018*

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**CASH**

Cash is reflected on the Statement of Net Position (Modified Cash Basis) at June 30, 2018 as follows:

**Cash**

Cash in checking \$ 73,975

**Investments**

Local Government Investment Pool 906,233

\$ 980,208

*Deposits*

The book balance of the City's bank deposits (checking accounts) was \$73,975 and the bank balance was \$83,846 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

*Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2018, all the City's bank balances were covered by FDIC insurance.

*Local Government Investment Pool*

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2018, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

**CITY OF MONROE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**CASH (Continued)**

*Interest Rate Risk*

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

*Custodial Risk – Local Government Investment Pool*

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not 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 fund. 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, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed 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.

**CAPITAL ASSETS**

The changes in the capital asset transactions for business-type activities for the year were as follows:

|   | <i>Balances<br/>July 1,<br/>2017</i> | <i>Additions</i>   | <i>Retirements</i> | <i>Balances<br/>June 30,<br/>2018</i> |
|---|--------------------------------------|--------------------|--------------------|---------------------------------------|
| <b>NON-DEPRECIABLE</b>                              |                                      |                    |                    |                                       |
| Land  | \$ 25,627                            | \$ -               | \$ -               | \$ 25,627                             |
| <b>DEPRECIABLE</b>                                  |                                      |                    |                    |                                       |
| Water and sewer systems                             | 6,999,651                            | -                  | -                  | 6,999,651                             |
|   | 7,025,278                            | -                  | -                  | 7,025,278                             |
| <b>ACCUMULATED DEPRECIATION</b>                     |                                      |                    |                    |                                       |
| Water and sewer systems                             | (839,741)                            | (88,112)           | -                  | (927,853)                             |
| <i>Business-type activities capital assets, net</i> | <u>\$ 6,185,537</u>                  | <u>\$ (88,112)</u> | <u>\$ -</u>        | <u>\$ 6,097,425</u>                   |

**CITY OF MONROE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSETS (Continued)**

The changes in the capital assets for governmental activities for the year were as follows:

|  | <i>Balances<br/>July 1,<br/>2017</i> | <i>Additions</i> | <i>Retirements</i> | <i>Balances<br/>June 30,<br/>2018</i> |
|--|--------------------------------------|------------------|--------------------|---------------------------------------|
| <b>NON-DEPRECIABLE</b>                             |                                      |                  |                    |                                       |
| Land   | \$ 30,000                            | \$ -             | \$ -               | \$ 30,000                             |
| <b>DEPRECIABLE</b>                                 |                                      |                  |                    |                                       |
| Buildings  | 389,654                              | 64,828           | -                  | 454,482                               |
| Equipment  | 56,152                               | 43,350           | -                  | 99,502                                |
| <i>Total depreciable</i>                           | 445,806                              | 108,178          | -                  | 553,984                               |
| <b>ACCUMULATED DEPRECIATION</b>                    |                                      |                  |                    |                                       |
| Buildings  | (122,042)                            | (9,738)          | -                  | (131,780)                             |
| Equipment  | (39,840)                             | (3,167)          | -                  | (43,007)                              |
| <i>Total accumulated depreciation</i>              | (161,882)                            | (12,905)         | -                  | (174,787)                             |
| <i>Governmental activities capital assets, net</i> | <u>\$ 313,924</u>                    | <u>\$ 95,273</u> | <u>\$ -</u>        | <u>\$ 409,197</u>                     |

**LONG-TERM DEBT**

Long-term debt transactions for the year were as follows:

|  | <i>Outstanding<br/>July 1,<br/>2017</i> | <i>Issued</i> | <i>Matured/<br/>Redeemed<br/>During Year</i> | <i>Outstanding<br/>June 30,<br/>2018</i> | <i>Due<br/>Within<br/>One Year</i> |
|--|---|---------------|--|--|------------------------------------|
| <i>Business-type Activities</i>  |   |               |  |  |                                    |
| Water Revenue Bonds,<br>annual payments of \$30,193<br>at 4.5% until 2049                          | \$ 506,794                              | \$ -          | \$ (7,387)                                   | \$ 499,407                               | \$ 7,720                           |
| 2010 Water G. O. Bonds,<br>annual payments of \$86,000<br>to \$167,000 at 4% to 4.8%<br>until 2029 | 1,300,000                               | -             | (55,000)                                     | 1,245,000                                | 60,000                             |
| <i>Total Business-type Activities</i>  | <u>\$ 1,806,794</u>                     | <u>\$ -</u>   | <u>\$ (62,387)</u>                           | <u>\$ 1,744,407</u>                      | <u>\$ 67,720</u>                   |

**CITY OF MONROE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**LONG-TERM DEBT (Continued)**

Future debt service requirements are as follows:

*Business-type Activities*

| <b>Fiscal Year<br/>Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|--|---------------------|-------------------|---------------------|
| 2019                                       | \$ 67,720           | \$ 81,041         | \$ 148,761          |
| 2020                                       | 73,067              | 77,844            | 150,911             |
| 2021                                       | 83,430              | 74,393            | 157,823             |
| 2022                                       | 88,809              | 70,639            | 159,448             |
| 2023                                       | 99,206              | 66,642            | 165,848             |
| 2024-2028                                  | 617,628             | 259,387           | 877,015             |
| 2029-2033                                  | 375,585             | 107,937           | 483,522             |
| 2034-2038                                  | 81,732              | 69,233            | 150,965             |
| 2039-2043                                  | 101,852             | 49,113            | 150,965             |
| 2044-2048                                  | 126,926             | 24,039            | 150,965             |
| 2049                                       | 28,452              | 1,281             | 29,733              |
|  | <b>\$ 1,744,407</b> | <b>\$ 881,549</b> | <b>\$ 2,625,956</b> |

The City is required to maintain a cash reserve in the amount of \$30,193 for the Water Revenue Bonds. The City was in compliance with this requirement at June 30, 2018.

**PENSION PLAN**

Plan Description - City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee's hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

**CITY OF MONROE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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**PENSION PLAN (Continued)**

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2018 were 6.31% for Tier One/Tier Two employees, 0.43% for OPSRP general service employees, and 3.25% for OPSRP police/fire employees. The City's total contributions to PERS were \$682 for fiscal year ended June 30, 2018.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2018 were based on the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

**CITY OF MONROE, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2018**

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***PENSION PLAN (Continued)***

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2018, the City reported a net pension liability of \$67,770 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on a December 31, 2015 actuarial valuation, rolled forward to the measurement date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City’s proportion was 0.00050% as of the June 30, 2017 measurement date, compared to 0.00000% as of June 30, 2016.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2015 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.50%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2014.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

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

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.50%, 7.50%, and 8.50%.

|  | <u>1% Decrease</u><br><u>(6.50%)</u> | <u>Discount Rate</u><br><u>(7.50%)</u> | <u>1% Increase</u><br><u>(8.50%)</u> |
|--|--------------------------------------|--|--------------------------------------|
| Proportionate share of the net pension liability | \$ 115,492                           | \$ 67,770                              | \$ 27,865                            |

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$9,461 for the year ended June 30, 2018. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

**CITY OF MONROE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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**PENSION PLAN (Continued)**

Changes in Plan Provisions Subsequent to Measurement Date – The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

**POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by Citycounty Insurance Services (CIS), and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. Management has determined that the total OPEB liability is not material to the financial statements taken as a whole.

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

|                   | <u>Transfers in</u> | <u>Transfers out</u> |
|-------------------|---------------------|----------------------|
| General           | \$ -                | \$ 25,000            |
| Equipment Reserve | 40,000              | -                    |
| Building Reserve  | 10,000              | -                    |
| Parks Reserve     | 5,000               | -                    |
| Water             | -                   | 58,200               |
| Sewer             | -                   | 25,000               |
| Sewer Reserve     | 10,000              | -                    |
| Revenue Bond      | 30,200              | -                    |
| Water Reserve     | 13,000              | -                    |
|                   | <u>\$ 108,200</u>   | <u>\$ 108,200</u>    |

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted resources collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CONTINGENCIES**

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. There were no open claims at the time of this report. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time-to-time, 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.

**CITY OF MONROE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**FUND BALANCE COMPARISON**

| Fund                   | Actual<br>June 30, 2018 | Budget<br>July 1, 2018 |
|------------------------|-------------------------|------------------------|
| General Fund           | \$ 225,384              | \$ 225,000             |
| Street Fund            | 96,438                  | 97,000                 |
| Equipment Reserve Fund | 38,790                  | 41,851                 |
| Building Reserve Fund  | 23,684                  | 23,461                 |
| Park Reserve Fund      | 5,294                   | 5,203                  |
| Park SDC Fund          | 10,745                  | 10,632                 |
| Street SDC Fund        | 49,263                  | 49,129                 |
| Water Utility Fund     | 51,618                  | 48,000                 |
| Sewer Utility Fund     | 93,445                  | 90,000                 |
| Stormwater Fund        | 22,733                  | 22,000                 |
| Sewer Reserve Fund     | 88,805                  | 88,684                 |
| Water Reserve Fund     | 75,832                  | 73,481                 |
| Revenue Bond Fund      | 30,897                  | 30,233                 |
| GO Bond Fund           | 953                     | 400                    |
| Sewer SDC Fund         | 65,363                  | 65,337                 |
| Storm SDC Fund         | 20,940                  | 25,753                 |
| Water SDC Fund         | 80,023                  | 79,816                 |

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 24, 2018, 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.





***SUPPLEMENTAL INFORMATION***

**CITY OF MONROE, OREGON**  
**COMBINING BALANCE SHEET (MODIFIED CASH BASIS) -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

|   | <i>Capital Projects</i> |                     |                 |
|---|-------------------------|---------------------|-----------------|
|   | <i>Building Reserve</i> | <i>Park Reserve</i> | <i>Park SDC</i> |
| <b>ASSETS</b>                             |                         |                     |                 |
| Cash and cash equivalents                 | \$ 23,684               | \$ 5,294            | \$ 10,745       |
| <b>LIABILITIES AND FUND BALANCE</b>       |                         |                     |                 |
| <i>Liabilities</i>                        | \$ -                    | \$ -                | \$ -            |
| <i>Fund Balance</i>                       |                         |                     |                 |
| Restricted for                            |                         |                     |                 |
| Capital acquisitions                      | -                       | -                   | 10,745          |
| Committed to                              |                         |                     |                 |
| Capital acquisitions                      | 23,684                  | 5,294               | -               |
| <i>Total Fund Balance</i>                 | 23,684                  | 5,294               | 10,745          |
| <i>Total Liabilities and Fund Balance</i> | \$ 23,684               | \$ 5,294            | \$ 10,745       |

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*Total*

\$ 39,723

\$ -

10,745

28,978

39,723

\$ 39,723

**CITY OF MONROE, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

|   | <i>Capital Projects</i> |                     |                 |
|---|-------------------------|---------------------|-----------------|
|   | <i>Building Reserve</i> | <i>Park Reserve</i> | <i>Park SDC</i> |
| <b>REVENUES</b>                               |                         |                     |                 |
| Licenses and permits                          | \$ -                    | \$ -                | \$ 5,365        |
| Miscellaneous                                 | 223                     | 91                  | 113             |
| <i>Total Revenues</i>                         | 223                     | 91                  | 5,478           |
| <b>EXPENDITURES</b>                           |                         |                     |                 |
| Public works                                  | 996                     | -                   | -               |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (773)                   | 91                  | 5,478           |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                         |                     |                 |
| Transfers in                                  | 10,000                  | 5,000               | -               |
| <b>NET CHANGE IN FUND BALANCE</b>             | 9,227                   | 5,091               | 5,478           |
| <b>FUND BALANCE, beginning of year</b>        | 14,457                  | 203                 | 5,267           |
| <b>FUND BALANCE, end of year</b>              | \$ 23,684               | \$ 5,294            | \$ 10,745       |

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***Total***

\$ 5,365  
427

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5,792

996

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4,796

15,000

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19,796

19,927

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\$ 39,723

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**CITY OF MONROE, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND #100****YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                               |                       |              |               |                 |
| Taxes and assessments                         | \$ 119,910            | \$ 119,910   | \$ 109,480    | \$ (10,430)     |
| Fines and forfeitures                         | 8,000                 | 8,000        | 14,889        | 6,889           |
| Licenses and permits                          | 27,300                | 27,300       | 26,462        | (838)           |
| Charges for services                          | 10,990                | 10,990       | 22,181        | 11,191          |
| Intergovernmental                             | 106,800               | 106,800      | 50,447        | (56,353)        |
| Miscellaneous                                 | 55,500                | 55,500       | 83,372        | 27,872          |
| <i>Total Revenues</i>                         | 328,500               | 328,500      | 306,831       | (21,669)        |
| <b>EXPENDITURES</b>                           |                       |              |               |                 |
| Administration                                | 220,150               | 280,150      | 243,908       | 36,242          |
| Public Works                                  | 122,500               | 122,500      | 62,214        | 60,286          |
| Contingency                                   | 85,850                | 25,850       | -             | 25,850          |
| <i>Total Expenditures</i>                     | 428,500               | 428,500      | 306,122       | 122,378         |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (100,000)             | (100,000)    | 709           | 100,709         |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                       |              |               |                 |
| Transfers out                                 | (25,000)              | (25,000)     | (25,000)      | -               |
| <b>NET CHANGE IN FUND BALANCE</b>             | (125,000)             | (125,000)    | (24,291)      | 100,709         |
| <b>FUND BALANCE, beginning of year</b>        | 225,000               | 225,000      | 249,675       | 24,675          |
| <b>FUND BALANCE, end of year</b>              | \$ 100,000            | \$ 100,000   | \$ 225,384    | \$ 125,384      |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET FUND #201**

**YEAR ENDED JUNE 30, 2018**

|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Intergovernmental                      | \$ 87,000             | \$ 87,000    | \$ 39,352     | \$ (47,648)     |
| Miscellaneous                          | -                     | -            | 1,818         | 1,818           |
| <i>Total Revenues</i>                  | 87,000                | 87,000       | 41,170        | (45,830)        |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Public Works                           | 172,000               | 172,000      | 27,606        | 144,394         |
| <b>NET CHANGE IN FUND BALANCE</b>      | (85,000)              | (85,000)     | 13,564        | 98,564          |
| <b>FUND BALANCE, beginning of year</b> | 85,000                | 85,000       | 82,874        | (2,126)         |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 96,438     | \$ 96,438       |



**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – EQUIPMENT RESERVE FUND #400**

**YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                           |                       |              |               |                 |
| Miscellaneous                             | \$ -                  | \$ -         | \$ 517        | \$ 517          |
| <b>EXPENDITURES</b>                       |                       |              |               |                 |
| Public Works                              | 79,000                | 79,000       | 43,444        | 35,556          |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | (79,000)              | (79,000)     | (42,927)      | 36,073          |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                       |              |               |                 |
| Transfers in                              | 40,000                | 40,000       | 40,000        | -               |
| <b>NET CHANGE IN FUND BALANCE</b>         | (39,000)              | (39,000)     | (2,927)       | 36,073          |
| <b>FUND BALANCE, beginning of year</b>    | 39,000                | 39,000       | 41,717        | 2,717           |
| <b>FUND BALANCE, end of year</b>          | \$ -                  | \$ -         | \$ 38,790     | \$ 38,790       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET SDC FUND #409  
YEAR ENDED JUNE 30, 2018**

|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Licenses and permits                   | \$ 1,240              | \$ 1,240     | \$ 48,648     | \$ 47,408       |
| Miscellaneous                          | -                     | -            | 133           | 133             |
| <i>Total Revenues</i>                  | 1,240                 | 1,240        | 48,781        | 47,541          |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Public Works                           | 7,454                 | 7,454        | 5,732         | 1,722           |
| <b>NET CHANGE IN FUND BALANCE</b>      | (6,214)               | (6,214)      | 43,049        | 49,263          |
| <b>FUND BALANCE, beginning of year</b> | 6,214                 | 6,214        | 6,214         | -               |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 49,263     | \$ 49,263       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - BUILDING RESERVE FUND #401  
YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                           |                       |              |               |                 |
| Miscellaneous                             | \$ -                  | \$ -         | \$ 223        | \$ 223          |
| <b>EXPENDITURES</b>                       |                       |              |               |                 |
| Public Works                              | 24,457                | 24,457       | 996           | 23,461          |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | (24,457)              | (24,457)     | (773)         | 23,684          |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                       |              |               |                 |
| Transfers in                              | 10,000                | 10,000       | 10,000        | -               |
| <b>NET CHANGE IN FUND BALANCE</b>         | (14,457)              | (14,457)     | 9,227         | 23,684          |
| <b>FUND BALANCE, beginning of year</b>    | 14,457                | 14,457       | 14,457        | -               |
| <b>FUND BALANCE, end of year</b>          | \$ -                  | \$ -         | \$ 23,684     | \$ 23,684       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK RESERVE FUND #402  
YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                           |                       |              |               |                 |
| Miscellaneous                             | \$ -                  | \$ -         | \$ 91         | \$ 91           |
| <b>EXPENDITURES</b>                       |                       |              |               |                 |
| Public Works                              | 5,203                 | 5,203        | -             | 5,203           |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | (5,203)               | (5,203)      | 91            | 5,294           |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                       |              |               |                 |
| Transfers in                              | 5,000                 | 5,000        | 5,000         | -               |
| <b>NET CHANGE IN FUND BALANCE</b>         | (203)                 | (203)        | 5,091         | 5,294           |
| <b>FUND BALANCE, beginning of year</b>    | 203                   | 203          | 203           | -               |
| <b>FUND BALANCE, end of year</b>          | \$ -                  | \$ -         | \$ 5,294      | \$ 5,294        |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK SDC FUND #407  
YEAR ENDED JUNE 30, 2018**

|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Licenses and permits                   | \$ 1,180              | \$ 1,180     | \$ 5,365      | \$ 4,185        |
| Miscellaneous                          | -                     | -            | 113           | 113             |
| <i>Total Revenues</i>                  | 1,180                 | 1,180        | 5,478         | 4,298           |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Public Works                           | 6,447                 | 6,447        | -             | 6,447           |
| <b>NET CHANGE IN FUND BALANCE</b>      | (5,267)               | (5,267)      | 5,478         | 10,745          |
| <b>FUND BALANCE, beginning of year</b> | 5,267                 | 5,267        | 5,267         | -               |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 10,745     | \$ 10,745       |

**CITY OF MONROE, OREGON**

**COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) -  
NONMAJOR PROPRIETARY FUNDS**

**JUNE 30, 2018**

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|                           | <u>Storm SDC</u> | <u>Storm Water</u> | <u>Total</u>     |
|---------------------------|------------------|--------------------|------------------|
| <b>ASSETS</b>             |                  |                    |                  |
| <b>Current assets:</b>    |                  |                    |                  |
| Cash and cash equivalents | \$ 20,940        | \$ 22,733          | \$ 43,673        |
| <b>LIABILITIES</b>        |                  |                    |                  |
|                           | -                | -                  | -                |
| <b>NET POSITION</b>       |                  |                    |                  |
| Restricted for            |                  |                    |                  |
| Capital acquisitions      | 20,940           | -                  | 20,940           |
| Unrestricted              | -                | 22,733             | 22,733           |
|                           | -                | -                  | -                |
| <i>Total Net Position</i> | <u>\$ 20,940</u> | <u>\$ 22,733</u>   | <u>\$ 43,673</u> |

**CITY OF MONROE, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
(MODIFIED CASH BASIS) - NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

|  | <u>Storm SDC</u> | <u>Storm Water</u> | <u>Total</u>     |
|--|------------------|--------------------|------------------|
| <b>OPERATING REVENUES</b>                                |                  |                    |                  |
| Charges for services                                     | \$ -             | \$ 12,520          | \$ 12,520        |
| Miscellaneous  | -                | 2,498              | 2,498            |
| <i>Total Operating Revenues</i>                          | -                | 15,018             | 15,018           |
| <b>OPERATING EXPENSES</b>                                |                  |                    |                  |
| Public works   | -                | 10,147             | 10,147           |
| <b>NET INCOME BEFORE CONTRIBUTIONS<br/>AND TRANSFERS</b> |                  |                    |                  |
|  | -                | 4,871              | 4,871            |
| Capital contributions                                    | 17,989           | -                  | 17,989           |
| <b>CHANGE IN NET POSITION</b>                            | 17,989           | 4,871              | 22,860           |
| <b>NET POSITION, beginning of year</b>                   | 2,951            | 17,862             | 20,813           |
| <b>NET POSITION, end of year</b>                         | <u>\$ 20,940</u> | <u>\$ 22,733</u>   | <u>\$ 43,673</u> |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER UTILITY FUND #601  
YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                           |                       |              |               |                 |
| Charges for services                      | \$ 194,000            | \$ 194,000   | \$ 196,790    | \$ 2,790        |
| Miscellaneous                             | -                     | -            | 2,166         | 2,166           |
| <i>Total Revenues</i>                     | 194,000               | 194,000      | 198,956       | 4,956           |
| <b>EXPENDITURES</b>                       |                       |              |               |                 |
| Public Works                              | 210,800               | 210,800      | 171,450       | 39,350          |
| Contingency                               | 10,000                | 10,000       | -             | 10,000          |
| <i>Total Expenditures</i>                 | 220,800               | 220,800      | 171,450       | 49,350          |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | (26,800)              | (26,800)     | 27,506        | 54,306          |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                       |              |               |                 |
| Transfers out                             | (58,200)              | (58,200)     | (58,200)      | -               |
| <b>CHANGE IN FUND BALANCE</b>             | (85,000)              | (85,000)     | (30,694)      | 54,306          |
| <b>FUND BALANCE, beginning of year</b>    | 85,000                | 85,000       | 82,312        | (2,688)         |
| <b>FUND BALANCE, end of year</b>          | \$ -                  | \$ -         | \$ 51,618     | \$ 51,618       |



**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER UTILITY FUND #602  
YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                           |                       |              |               |                 |
| Charges for services                      | \$ 131,000            | \$ 131,000   | \$ 137,030    | \$ 6,030        |
| Miscellaneous                             | -                     | -            | 2,417         | 2,417           |
| <i>Total Revenues</i>                     | 131,000               | 131,000      | 139,447       | 8,447           |
| <b>EXPENDITURES</b>                       |                       |              |               |                 |
| Public Works                              | 189,000               | 189,000      | 118,637       | 70,363          |
| Contingency                               | 10,000                | 10,000       | -             | 10,000          |
| <i>Total Expenditures</i>                 | 199,000               | 199,000      | 118,637       | 80,363          |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | (68,000)              | (68,000)     | 20,810        | 88,810          |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                       |              |               |                 |
| Transfers out                             | (25,000)              | (25,000)     | (25,000)      | -               |
| <b>CHANGE IN FUND BALANCE</b>             | (93,000)              | (93,000)     | (4,190)       | 88,810          |
| <b>FUND BALANCE, beginning of year</b>    | 93,000                | 93,000       | 97,635        | 4,635           |
| <b>FUND BALANCE, end of year</b>          | \$ -                  | \$ -         | \$ 93,445     | \$ 93,445       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - REVENUE BOND FUND #300  
YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |                  | <i>Actual</i>    | <i>Variance</i> |
|---|-----------------------|------------------|------------------|-----------------|
|   | <i>Original</i>       | <i>Final</i>     |                  |                 |
| <b>REVENUES</b>                               |                       |                  |                  |                 |
| Miscellaneous                                 | \$ -                  | \$ -             | \$ 657           | \$ 657          |
| <b>EXPENDITURES</b>                           |                       |                  |                  |                 |
| Debt service                                  |                       |                  |                  |                 |
| Principal                                     | 7,387                 | 7,387            | 7,387            | -               |
| Interest                                      | 22,806                | 22,806           | 22,806           | -               |
| <i>Total Expenditures</i>                     | <u>30,193</u>         | <u>30,193</u>    | <u>30,193</u>    | <u>-</u>        |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (30,193)              | (30,193)         | (29,536)         | -               |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                       |                  |                  |                 |
| Transfers in                                  | <u>30,200</u>         | <u>30,200</u>    | <u>30,200</u>    | <u>-</u>        |
| <b>CHANGE IN FUND BALANCE</b>                 | 7                     | 7                | 664              | -               |
| <b>FUND BALANCE, beginning of year</b>        | <u>30,233</u>         | <u>30,233</u>    | <u>30,233</u>    | <u>-</u>        |
| <b>FUND BALANCE, end of year</b>              | <u>\$ 30,240</u>      | <u>\$ 30,240</u> | <u>\$ 30,897</u> | <u>\$ -</u>     |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GO BOND FUND #302**

**YEAR ENDED JUNE 30, 2018**

|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Taxes and assessments                  | \$ 116,580            | \$ 116,580   | \$ 116,580    | \$ -            |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Debt service                           |                       |              |               |                 |
| Principal                              | 55,000                | 55,000       | 55,000        | -               |
| Interest                               | 61,180                | 61,180       | 61,180        | -               |
| <i>Total Expenditures</i>              | 116,180               | 116,180      | 116,180       | -               |
| <b>CHANGE IN FUND BALANCE</b>          | 400                   | 400          | 435           | 35              |
| <b>FUND BALANCE, beginning of year</b> | 117                   | 117          | 518           | 401             |
| <b>FUND BALANCE, end of year</b>       | \$ 517                | \$ 517       | \$ 953        | \$ 436          |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER RESERVE FUND #403  
YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                               |                       |              |               |                 |
| Miscellaneous                                 | \$ -                  | \$ -         | \$ 1,075      | \$ 1,075        |
| <b>EXPENDITURES</b>                           |                       |              |               |                 |
| Public Works                                  | 75,481                | 75,481       | 724           | 74,757          |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (75,481)              | (75,481)     | 351           | 75,832          |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                       |              |               |                 |
| Transfers in                                  | 13,000                | 13,000       | 13,000        | -               |
| <b>CHANGE IN FUND BALANCE</b>                 | (62,481)              | (62,481)     | 13,351        | 75,832          |
| <b>FUND BALANCE, beginning of year</b>        | 62,481                | 62,481       | 62,481        | -               |
| <b>FUND BALANCE, end of year</b>              | \$ -                  | \$ -         | \$ 75,832     | \$ 75,832       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER RESERVE FUND #404  
YEAR ENDED JUNE 30, 2018**

|   | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
|   | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                               |                       |              |               |                 |
| Miscellaneous                                 | \$ -                  | \$ -         | \$ 121        | \$ 121          |
| <b>EXPENDITURES</b>                           |                       |              |               |                 |
| Public Works                                  | 88,684                | 88,684       | -             | 88,684          |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (88,684)              | (88,684)     | 121           | 88,805          |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                       |              |               |                 |
| Transfers in                                  | 10,000                | 10,000       | 10,000        | -               |
| <b>CHANGE IN FUND BALANCE</b>                 | (78,684)              | (78,684)     | 10,121        | 88,805          |
| <b>FUND BALANCE, beginning of year</b>        | 78,684                | 78,684       | 78,684        | -               |
| <b>FUND BALANCE, end of year</b>              | \$ -                  | \$ -         | \$ 88,805     | \$ 88,805       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER SDC FUND #411  
YEAR ENDED JUNE 30, 2018**

|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Licenses and permits                   | \$ 15,538             | \$ 15,538    | \$ 70,083     | \$ 54,545       |
| Miscellaneous                          | -                     | -            | 207           | 207             |
| <i>Total Revenues</i>                  | 15,538                | 15,538       | 70,290        | 54,752          |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Public Works                           | 25,270                | 25,270       | -             | 25,270          |
| <b>CHANGE IN FUND BALANCE</b>          | (9,732)               | (9,732)      | 70,290        | 80,022          |
| <b>FUND BALANCE, beginning of year</b> | 9,732                 | 9,732        | 9,733         | 1               |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 80,023     | \$ 80,023       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER SDC FUND #408  
YEAR ENDED JUNE 30, 2018**

|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Licenses and permits                   | \$ 12,164             | \$ 12,164    | \$ 64,002     | \$ 51,838       |
| Miscellaneous                          | -                     | -            | 26            | 26              |
| <i>Total Revenues</i>                  | 12,164                | 12,164       | 64,028        | 51,864          |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Public Works                           | 13,499                | 13,499       | -             | 13,499          |
| <b>CHANGE IN FUND BALANCE</b>          | (1,335)               | (1,335)      | 64,028        | 65,363          |
| <b>FUND BALANCE, beginning of year</b> | 1,335                 | 1,335        | 1,335         | -               |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 65,363     | \$ 65,363       |

**CITY OF MONROE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STORM SDC FUND #410  
YEAR ENDED JUNE 30, 2018**

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|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Licenses and permits                   | \$ 1,924              | \$ 1,924     | \$ 17,989     | \$ 16,065       |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Public Works                           | 4,875                 | 4,875        | -             | 4,875           |
| <b>CHANGE IN FUND BALANCE</b>          | (2,951)               | (2,951)      | 17,989        | 20,940          |
| <b>FUND BALANCE, beginning of year</b> | 2,951                 | 2,951        | 2,951         | -               |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 20,940     | \$ 20,940       |



**CITY OF MONROE, OREGON**

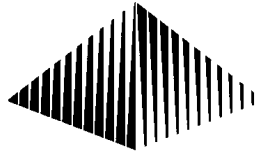
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STORM WATER FUND #603  
YEAR ENDED JUNE 30, 2018**

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|  | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
|  | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Charges for services                   | \$ 15,000             | \$ 15,000    | \$ 12,520     | \$ (2,480)      |
| Miscellaneous                          | -                     | -            | 2,498         | 2,498           |
| <i>Total Revenues</i>                  | 15,000                | 15,000       | 15,018        | 18              |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| Public Works                           | 32,500                | 32,500       | 10,147        | 22,353          |
| <b>CHANGE IN FUND BALANCE</b>          | (17,500)              | (17,500)     | 4,871         | 22,371          |
| <b>FUND BALANCE, beginning of year</b> | 17,500                | 17,500       | 17,862        | 362             |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 22,733     | \$ 22,733       |

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***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

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

Mayor and City Council  
City of Monroe  
P.O. Box 486  
Monroe, Oregon 97456

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Monroe, Oregon (the City), as of and for the year ended June 30, 2018, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2018.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

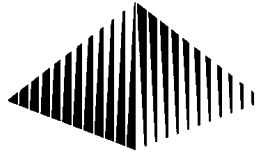
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

**Purpose of this Report**

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

  
CERTIFIED PUBLIC ACCOUNTANTS

August 24, 2018



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

Mayor and City Council  
City of Monroe  
P. O. Box 486  
Monroe, Oregon 97456

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Monroe, Oregon (the City) as of and for the year ended June 30, 2018, and have issued our report thereon dated August 24, 2018.

#### ***Compliance and Other Matters***

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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


***Internal Control Over Financial Reporting***

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

***Restrictions on Use***

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

*GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS*

By:   
Ryan T. Pasquarella, A Shareholder  
August 24, 2018