

***CITY OF MONROE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017***

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. 5th 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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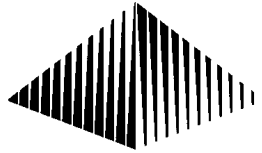
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FINANCIAL SECTION



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017, 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.

Other Reporting Required by Government Auditing Standards and Other Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards


In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017, 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 16, 2017, 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
October 16, 2017

**CITY OF MONROE
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017.

FINANCIAL HIGHLIGHTS

	June 30,		change
	2017	2016	
Net position	\$ 5,476,818	\$ 5,330,454	\$ 146,364
Change in net position	146,364	157,550	(11,186)
Governmental net position	714,331	629,286	85,045
Proprietary net position	4,762,487	4,701,168	61,319
Change in governmental net position	85,045	175,244	(90,199)
Change in proprietary net position	61,319	(17,694)	79,013

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 \$5,476,818 as of June 30, 2017.

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,

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 401,007	\$ 383,744	\$ 784,751	\$ 305,437	\$ 291,382	\$ 596,819
Non-depreciable capital assets	30,000	25,627	55,627	30,000	25,627	55,627
Depreciable capital assets, net	283,924	6,159,910	6,443,834	293,849	6,248,022	6,541,871
Total Assets	714,931	6,569,281	7,284,212	629,286	6,565,031	7,194,317
Other liabilities	600	-	600	-	-	-
Long-term liabilities						
Portion due within one year	-	62,387	62,387	-	57,069	57,069
Portion due in more than one year	-	1,744,407	1,744,407	-	1,806,794	1,806,794
Total Liabilities	600	1,806,794	1,807,394	-	1,863,863	1,863,863
Net Position:						
Net investment in capital assets	313,924	4,378,743	4,692,667	323,849	4,409,786	4,733,635
Restricted	94,355	48,116	142,471	71,885	49,196	121,081
Unrestricted	306,052	335,628	641,680	233,552	242,186	475,738
Total Net Position	\$ 714,331	\$ 4,762,487	\$ 5,476,818	\$ 629,286	\$ 4,701,168	\$ 5,330,454

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

	2017			2016		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 30,720	\$ 332,983	\$ 363,703	\$ 20,647	\$ 328,221	\$ 348,868
Operating grants	37,151	-	37,151	55,439	-	55,439
Capital grants	146	58,596	58,742	48,730	467	49,197
General Revenues						
Taxes and assessments	114,074	112,455	226,529	106,561	109,700	216,261
Franchise taxes	29,135	-	29,135	26,911	-	26,911
Intergovernmental	17,365	-	17,365	13,877	-	13,877
Miscellaneous	17,630	-	17,630	9,770	-	9,770
Total Revenues	246,221	504,034	750,255	281,935	438,388	720,323
Expenses						
General government	150,872	-	150,872	104,871	-	104,871
Public works	26,804	-	26,804	18,320	-	18,320
Water	-	292,416	292,416	-	304,102	304,102
Sewer	-	133,799	133,799	-	135,480	135,480
Total Expenses	177,676	426,215	603,891	123,191	439,582	562,773
Transfers	16,500	(16,500)	-	16,500	(16,500)	-
Change in net position	85,045	61,319	146,364	175,244	(17,694)	157,550
Net position, beginning of year	629,286	4,701,168	5,330,454	454,042	4,718,862	5,172,904
Net position, end of year	\$ 714,331	\$ 4,762,487	\$ 5,476,818	\$ 629,286	\$ 4,701,168	\$ 5,330,454

Statement of Activities. The City's net position increased \$146,364 in the current fiscal year. The key elements of the change in the City's net position for the year ended June 30, 2017 compared to the prior year are:

- A \$6,092 increase in program revenues, comprised of increases in charges for services and capital grants, offset by a decrease in operating grants.
- A \$46,001 increase in general government expenses, due to depreciation.
- A \$1,681 decrease in sewer expenses, due to nonrecurring grants in the prior year.

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 \$400,407 at June 30, 2017, a 23.72% increase.

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$249,675 as of June 30, 2017. The fund balance increased by \$51,563 during the current fiscal year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The General Fund actual expenditures were \$72,914 less than budgeted expenditures during the current year. Fund balance represents 183% of total General Fund expenditures.

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 \$82,874 is a \$22,324 increase, due to revenues in excess of 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 \$41,717 is a \$17,922 increase, due to revenues in excess of expenditures.

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 \$92,362 in the current fiscal year. Significant items regarding proprietary funds are as follows:

- The Water Utility Fund reported an increase of \$3,283 in fund balance. The increase comes from operating income of \$56,883 offset by \$53,600 of transfers out.
- Sewer Utility Fund reported a decrease of \$3,638 in fund balance. The decrease comes from operating income of \$17,462 offset by \$21,100 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, 2017.

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, 2017, the City had invested \$6,499,461 in capital assets, net of depreciation, as shown in the following table:

	Capital Assets					
	As of June 30, 2017 and 2016					
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 30,000	\$ 30,000	\$ 25,627	\$ 25,627	\$ 55,627	\$ 55,627
Buildings	389,654	389,654	-	-	389,654	389,654
Equipment	56,152	56,152	-	-	56,152	56,152
Water and sewer system	-	-	6,999,651	6,999,651	6,999,651	6,999,651
	<u>475,806</u>	<u>475,806</u>	<u>7,025,278</u>	<u>7,025,278</u>	<u>7,501,084</u>	<u>7,501,084</u>
Less: accumulated depreciation	(161,882)	(151,957)	(839,741)	(751,629)	(1,001,623)	(903,586)
Capital assets, net of depreciation	<u>\$ 313,924</u>	<u>\$ 323,849</u>	<u>\$ 6,185,537</u>	<u>\$ 6,273,649</u>	<u>\$ 6,499,461</u>	<u>\$ 6,597,498</u>

The City's net investment in capital assets decreased \$98,037 during the fiscal year due to 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 \$1,806,794 at the end of the current fiscal year.

During the current fiscal year, the City's total debt decreased by \$57,069 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, 2017 and 2016

	Business-type Activities	
	2017	2016
Water G.O. bond	\$ 1,300,000	\$ 1,350,000
Water revenue bonds	506,794	513,863
	<u>\$ 1,806,794</u>	<u>\$ 1,863,863</u>

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 2017-18 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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 401,007	\$ 383,744	\$ 784,751
Non-depreciable capital assets	30,000	25,627	55,627
Depreciable capital assets, net	283,924	6,159,910	6,443,834
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	714,931	6,569,281	7,284,212
LIABILITIES			
Payroll withholdings	600	-	600
Long-term liabilities			
Portion due within one year	-	62,387	62,387
Portion due in more than one year	-	1,744,407	1,744,407
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	600	1,806,794	1,807,394
NET POSITION			
Net investment in capital assets	313,924	4,378,743	4,692,667
Restricted for			
Debt service	-	30,711	30,711
Customer deposits	-	3,386	3,386
Streets	82,874	-	82,874
Capital acquisitions	11,481	14,019	25,500
Unrestricted	306,052	335,628	641,680
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	<u>\$ 714,331</u>	<u>\$ 4,762,487</u>	<u>\$ 5,476,818</u>

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, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 150,872	\$ 24,630	\$ -	\$ -
Public works	26,804	6,090	37,151	146
<i>Total Governmental activities</i>	177,676	30,720	37,151	146
Business-type activities				
Water	292,416	192,640	-	204
Sewer	133,799	140,343	-	58,392
<i>Total Business-type activities</i>	426,215	332,983	-	58,596
<i>Total Activities</i>	<u>\$ 603,891</u>	<u>\$ 363,703</u>	<u>\$ 37,151</u>	<u>\$ 58,742</u>
General Revenues				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Proceeds from issuance of debt				
Transfers				
Change in fund balance				
Change in net position				
Net Position - beginning of year				
Net Position - end of year				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (126,242)	\$ -	\$ (126,242)
16,583	-	16,583
(109,659)	-	(109,659)
-	(99,572)	(99,572)
-	64,936	64,936
-	(34,636)	(34,636)
(109,659)	(34,636)	(144,295)
114,074	112,455	226,529
29,135	-	29,135
17,365	-	17,365
17,630	-	17,630
178,204	112,455	290,659
-	-	-
16,500	(16,500)	-
85,045	61,319	146,364
85,045	61,319	146,364
629,286	4,701,168	5,330,454
\$ 714,331	\$ 4,762,487	\$ 5,476,818

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

CITY OF MONROE, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General</u>	<u>Special Revenue</u> <u>Street</u>	<u>Equipment</u>
ASSETS			
Cash and cash equivalents	\$ 250,275	\$ 82,874	\$ 41,717
LIABILITIES AND FUND BALANCE			
Liabilities			
Payroll withholdings	\$ 600	\$ -	\$ -
Fund Balance			
Restricted for			
Streets	-	82,874	-
Capital acquisitions	-	-	-
Committed to			
Capital acquisitions	-	-	41,717
Unassigned	249,675	-	-
Total Fund Balance	<u>249,675</u>	<u>82,874</u>	<u>41,717</u>
Total Liabilities and Fund Balance	<u>\$ 250,275</u>	<u>\$ 82,874</u>	<u>\$ 41,717</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

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 26,141	\$ 401,007
-	600
-	82,874
11,481	11,481
14,660	56,377
-	249,675
26,141	400,407
\$ 26,141	\$ 401,007
	\$ 400,407
	475,806
	(161,882)
	\$ 714,331

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, 2017**

	<u>General</u>	<u>Special Revenue Street</u>	<u>Capital Projects Equipment</u>
REVENUES			
Taxes and assessments	\$ 114,074	\$ -	\$ -
Fines and forfeitures	15,231	-	-
Licenses and permits	29,185	-	-
Charges for services	12,654	-	-
Intergovernmental	17,365	37,151	-
Miscellaneous	11,400	9,015	-
<i>Total Revenues</i>	199,909	46,166	-
EXPENDITURES			
Current			
General government	133,037	-	-
Public works	-	23,173	-
Capital acquisitions	3,309	669	3,578
<i>Total Expenditures</i>	136,346	23,842	3,578
REVENUES OVER (UNDER) EXPENDITURES	63,563	22,324	(3,578)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	21,500
Transfers out	(12,000)	-	-
<i>Total Other Financing Sources (Uses)</i>	(12,000)	-	21,500
NET CHANGE IN FUND BALANCE	51,563	22,324	17,922
FUND BALANCE, beginning of year	198,112	60,550	23,795
FUND BALANCE, end of year	\$ 249,675	\$ 82,874	\$ 41,717

**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:

Depreciation

Change in net position

<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 114,074
-	15,231
146	29,331
-	12,654
-	54,516
-	20,415
146	246,221
-	133,037
-	23,173
3,985	11,541
3,985	167,751
(3,839)	78,470
7,000	28,500
-	(12,000)
7,000	16,500
3,161	94,970
22,980	305,437
\$ 26,141	\$ 400,407
	\$ 94,970
	(9,925)
	\$ 85,045

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, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Revenue Bond</u>	<u>GO Bond</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 82,312	\$ 97,635	\$ 30,233	\$ 518
LIABILITIES	-	-	-	-
NET POSITION				
Restricted for				
Debt payments	-	-	30,193	518
Customer deposits	1,693	1,693	-	-
Capital acquisitions	-	-	-	-
Unrestricted	80,619	95,942	40	-
Total Net Position	<u>\$ 82,312</u>	<u>\$ 97,635</u>	<u>\$ 30,233</u>	<u>\$ 518</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>Other Business-type Funds</u>	<u>Total</u>
\$ 62,481	\$ 78,684	\$ 31,881	\$ 383,744
-	-	-	-
-	-	-	30,711
-	-	-	3,386
-	-	14,019	14,019
62,481	78,684	17,862	335,628
<u>\$ 62,481</u>	<u>\$ 78,684</u>	<u>\$ 31,881</u>	<u>\$ 383,744</u>
			\$ 383,744
			7,025,278
			(839,741)
			(1,806,794)
			<u>\$ 4,762,487</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, 2017**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Revenue Bond</u>
OPERATING REVENUES			
Charges for services	\$ 192,640	\$ 130,559	\$ -
Licenses and permits	-	-	-
Miscellaneous	1,000	1,000	-
<i>Total Operating Revenues</i>	<u>193,640</u>	<u>131,559</u>	<u>-</u>
OPERATING EXPENSES			
Personal services	76,334	76,334	-
Materials and services	60,423	37,763	-
<i>Total Operating Expenses</i>	<u>136,757</u>	<u>114,097</u>	<u>-</u>
OPERATING INCOME	56,883	17,462	-
NONOPERATING ITEMS			
Taxes and assessments	-	-	-
Intergovernmental	-	-	-
Debt payments			
Principal	-	-	(7,069)
Interest	-	-	(23,124)
<i>Total Nonoperating Items</i>	<u>-</u>	<u>-</u>	<u>(30,193)</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	56,883	17,462	(30,193)
Transfers in	-	-	30,200
Transfers out	(53,600)	(21,100)	-
CHANGE IN NET POSITION	3,283	(3,638)	7
NET POSITION, beginning of year	<u>79,029</u>	<u>101,273</u>	<u>30,226</u>
NET POSITION, end of year	<u>\$ 82,312</u>	<u>\$ 97,635</u>	<u>\$ 30,233</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

<u>GO Bond</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Master Utility Plan</u>	<u>Other Business-type Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,784	\$ 329,983
-	-	-	-	466	466
-	-	-	-	1,000	3,000
-	-	-	-	8,250	333,449
-	-	-	-	-	152,668
-	-	-	-	570	98,756
-	-	-	-	570	251,424
-	-	-	-	7,680	82,025
112,455	-	-	-	-	112,455
-	-	-	58,130	-	58,130
(50,000)	-	-	-	-	(57,069)
(63,555)	-	-	-	-	(86,679)
(1,100)	-	-	58,130	-	26,837
(1,100)	-	-	58,130	7,680	108,862
-	13,000	73,130	(58,130)	-	58,200
-	-	-	-	-	(74,700)
(1,100)	13,000	73,130	-	7,680	92,362
1,618	49,481	5,554	-	24,201	291,382
<u>\$ 518</u>	<u>\$ 62,481</u>	<u>\$ 78,684</u>	<u>\$ -</u>	<u>\$ 31,881</u>	<u>\$ 383,744</u>
					\$ 92,362
					(88,112)
					57,069
					<u>\$ 61,319</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, 2017

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.

The City reports the following nonmajor governmental funds:

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

Park Fund - to account for revenues and expenditures associated with parks.

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

Street SDC Fund – to account for receipt of system 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.

Master Utility Plan Fund – to account for expenses associated with the master utility plan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City reports the following nonmajor enterprise funds:

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

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

Water 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 Director 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

CITY OF MONROE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF MONROE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017. Actual results may differ from those estimates.

CASH

Cash is reflected on the Statement of Net Position (Modified Cash Basis) at June 30, 2017 as follows:

	<u>Carrying Value</u>	<u>Fair Value/Cost</u>
Cash		
Cash in checking	\$ 27,827	\$ 27,827
Investments		
Local Government Investment Pool	756,924	756,924
	<u>\$ 784,751</u>	<u>\$ 784,751</u>

Deposits

The book balance of the City’s bank deposits (checking accounts) was \$27,827 and the bank balance was \$43,126 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, 2017, all the City’s bank balances were covered by FDIC insurance.

CITY OF MONROE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

CASH (Continued)

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, 2017, 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.

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.

CITY OF MONROE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS

Capital asset transactions for business-type activities for the year were as follows:

	<i>Balances July 1, 2016</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2017</i>
NON-DEPRECIABLE				
Land	\$ 25,627	\$ -	\$ -	\$ 25,627
DEPRECIABLE				
Water and sewer systems	6,999,651	-	-	6,999,651
	7,025,278	-	-	7,025,278
ACCUMULATED DEPRECIATION				
Water and sewer systems	(751,629)	(88,112)	-	(839,741)
<i>Business-type activities capital assets, net</i>	<u>\$ 6,273,649</u>	<u>\$ (88,112)</u>	<u>\$ -</u>	<u>\$ 6,185,537</u>

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

	<i>Balances July 1, 2016</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2017</i>
NON-DEPRECIABLE				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
DEPRECIABLE				
Buildings	389,654	-	-	389,654
Equipment	56,152	-	-	56,152
<i>Total depreciable</i>	445,806	-	-	445,806
ACCUMULATED DEPRECIATION				
Buildings	(114,200)	(7,842)	-	(122,042)
Equipment	(37,757)	(2,083)	-	(39,840)
<i>Total accumulated depreciation</i>	(151,957)	(9,925)	-	(161,882)
<i>Governmental activities capital assets, net</i>	<u>\$ 323,849</u>	<u>\$ (9,925)</u>	<u>\$ -</u>	<u>\$ 313,924</u>

CITY OF MONROE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2016</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2017</u>	<u>Due Within One Year</u>
<i>Business-type Activities</i>					
Water Revenue Bonds, annual payments of \$30,193 at 4.5% until 2049	\$ 513,863	\$ -	\$ (7,069)	\$ 506,794	\$ 7,387
2010 Water G. O. Bonds, annual payments of \$86,000 to \$167,000 at 4% to 4.8% until 2029	1,350,000	-	(50,000)	1,300,000	55,000
<i>Total Business-type Activities</i>	<u>\$ 1,863,863</u>	<u>\$ -</u>	<u>\$ (57,069)</u>	<u>\$ 1,806,794</u>	<u>\$ 62,387</u>

Future debt service requirements are as follows:

Business-type Activities

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 62,387	\$ 83,986	\$ 146,373
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
2023-2027	570,362	285,678	856,040
2028-2032	507,761	132,391	640,152
2033-2037	78,212	72,753	150,965
2038-2042	97,466	53,499	150,965
2043-2047	121,460	29,505	150,965
2048-2049	56,120	3,806	59,926
	<u>\$ 1,806,794</u>	<u>\$ 965,535</u>	<u>\$ 2,772,329</u>

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, 2017.

CITY OF MONROE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

PENSION PLAN

Plan Description

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple employer defined benefit plan. Qualified employees of the City are provided with pensions through OPERS. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS issues a publicly available financial report that can be obtained at

http://www.oregon.gov/pers/pages/section/financial_reports/financials.aspx.

Benefits provided under ORS Chapter 238 – Tier One/ Tier Two

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

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

Death Benefits: Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: the member was employed by a PERS employer at the time of death; the member died within 120 days after termination of PERS-covered employment; the member died as a result of injury sustained while employed in a PERS-covered job, or; the member was on an official leave of absence from a PERS-covered job at the time of death.

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

Benefit Changes After Retirement: Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

CITY OF MONROE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)

Plan Description (Continued)

Benefits provided under Chapter 238A - OPSRP Pension Program (OPSRP DB)

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

Death Benefits: Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits: A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement: Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The City's contribution rates in effect for the fiscal year ended June 30, 2017 were 0.53 percent for Tier One/Two members, 0.45 percent for OPSRP general service members, and 0.45 percent for OPSRP uniformed members. The City's contributions for the year ended June 30, 2017 were \$7,108, excluding amounts to fund employer specific liabilities.

Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The total contributed by the City on behalf of employees for the year ended June 30, 2017 was \$7,108.

CITY OF MONROE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)

Plan Description (Continued)

Actuarial Methods and Assumptions:

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

Valuation Date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increases	3.50 percent overall payroll growth
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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

CITY OF MONROE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)*Plan Description (Continued)*Discount Rate

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

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Compound Annual (Geometric) Return</u>
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50 %

CITY OF MONROE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)

Long-Term Expected Rate of Return (Continued)

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate

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

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ -	\$ -	\$ -

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 12,000
Equipment	21,500	-
Building	7,000	-
Water	-	53,600
Sewer	-	21,100
Sewer Reserve	73,130	-
Revenue Bond	30,200	-
Water Reserve	13,000	-
Master Utility Plan	-	58,130
	<u>\$ 144,830</u>	<u>\$ 144,830</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, 2017

FUND BALANCE COMPARISON

Fund	Actual June 30, 2017	Budget July 1, 2017
General Fund	\$ 249,675	\$ 225,000
Street Fund	82,874	85,000
Equipment Fund	41,717	39,000
Building Fund	14,457	14,457
Park Fund	203	203
Park SDC Fund	5,267	5,267
Street SDC Fund	6,214	6,214
Water Utility Fund	82,312	85,000
Sewer Utility Fund	97,635	93,000
Stormwater Fund	17,862	17,500
Master Utility Plan Fund	-	-
Sewer Reserve Fund	78,684	78,684
Water Reserve Fund	62,481	62,481
Revenue Bond Fund	30,233	30,233
GO Bond Fund	518	117
Sewer SDC Fund	1,335	1,335
Storm SDC Fund	2,951	2,951
Water SDC Fund	9,733	9,732

NEW PRONOUNCEMENTS

The City implemented the following pronouncement during the current fiscal year:

GASB Statement No. 77, “Tax Abatement Disclosures,” addresses the disclosure requirements for governments that have tax abated properties in their jurisdiction. It will require governments to disclose the a description of the tax abatement program, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of the tax abatement agreement. GASB 77 had no effect on the financial statements.

The City will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 82, “An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. Specifically, this

CITY OF MONROE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

NEW PRONOUNCEMENTS (Continued)

Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2017, 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, 2017

	<i>Building</i>	<i>Capital Park</i>	<i>Projects Park SDC</i>
ASSETS			
Cash and cash equivalents	\$ 14,457	\$ 203	\$ 5,267
LIABILITIES AND FUND BALANCE			
Liabilities	\$ -	\$ -	\$ -
Fund Balance			
Restricted for			
Capital acquisitions	-	-	5,267
Committed to			
Capital acquisitions	14,457	203	-
<i>Total Fund Balance</i>	14,457	203	5,267
<i>Total Liabilities and Fund Balance</i>	\$ 14,457	\$ 203	\$ 5,267

<u>Street SDC</u>	<u>Total</u>
\$ 6,214	\$ 26,141
<hr/>	
\$ -	\$ -
6,214	11,481
-	14,660
<hr/>	
6,214	26,141
<hr/>	
\$ 6,214	\$ 26,141
<hr/>	

CITY OF MONROE, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Capital Projects		
	Building	Park	Park SDC
REVENUES			
Licenses and permits	\$ -	\$ -	\$ 70
EXPENDITURES			
Capital outlay	-	3,985	-
REVENUES OVER (UNDER) EXPENDITURES	-	(3,985)	70
OTHER FINANCING SOURCES (USES)			
Transfers in	7,000	-	-
NET CHANGE IN FUND BALANCE	7,000	(3,985)	70
FUND BALANCE, beginning of year	7,457	4,188	5,197
FUND BALANCE, end of year	\$ 14,457	\$ 203	\$ 5,267

<u>Street SDC</u>	<u>Total</u>
\$ 76	\$ 146
-	3,985
76	(3,839)
-	7,000
76	3,161
6,138	22,980
<u>\$ 6,214</u>	<u>\$ 26,141</u>

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 113,236	\$ 113,236	\$ 114,074	\$ 838
Fines and forfeitures	6,000	6,000	15,231	9,231
Licenses and permits	25,300	25,300	29,185	3,885
Charges for services	5,850	5,850	12,654	6,804
Intergovernmental	17,500	17,500	17,365	(135)
Miscellaneous	6,400	6,400	11,400	5,000
<i>Total Revenues</i>	174,286	174,286	199,909	25,623
EXPENDITURES				
Personal services	42,860	47,860	43,653	4,207
Materials and services	93,200	98,200	92,693	5,507
Capital outlay	10,500	10,500	-	10,500
Contingency	62,700	52,700	-	52,700
<i>Total Expenditures</i>	209,260	209,260	136,346	72,914
REVENUES OVER (UNDER)				
EXPENDITURES	(34,974)	(34,974)	63,563	98,537
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,000)	(12,000)	(12,000)	-
NET CHANGE IN FUND BALANCE	(46,974)	(46,974)	51,563	98,537
FUND BALANCE, beginning of year	160,000	160,000	198,112	38,112
FUND BALANCE, end of year	\$ 113,026	\$ 113,026	\$ 249,675	\$ 136,649

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 34,000	\$ 34,000	\$ 37,151	\$ 3,151
Miscellaneous	4,000	4,000	9,015	5,015
<i>Total Revenues</i>	38,000	38,000	46,166	8,166
EXPENDITURES				
Personal services	5,030	5,030	4,484	546
Materials and services	22,800	22,800	18,689	4,111
Capital outlay	110,170	110,170	669	109,501
<i>Total Expenditures</i>	138,000	138,000	23,842	114,158
NET CHANGE IN FUND BALANCE	(100,000)	(100,000)	22,324	122,324
FUND BALANCE, beginning of year	100,000	100,000	60,550	(39,450)
FUND BALANCE, end of year	\$ -	\$ -	\$ 82,874	\$ 82,874

CITY OF MONROE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - EQUIPMENT FUND #202

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	45,295	45,295	3,578	41,717
REVENUES OVER (UNDER) EXPENDITURES	(45,295)	(45,295)	(3,578)	41,717
OTHER FINANCING SOURCES (USES)				
Transfers in	21,500	21,500	21,500	-
NET CHANGE IN FUND BALANCE	(23,795)	(23,795)	17,922	41,717
FUND BALANCE, beginning of year	23,795	23,795	23,795	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 41,717	\$ 41,717

CITY OF MONROE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - BUILDING FUND #401

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	14,450	14,450	-	14,450
REVENUES OVER (UNDER) EXPENDITURES	(14,450)	(14,450)	-	14,450
OTHER FINANCING SOURCES (USES)				
Transfers in	7,000	7,000	7,000	-
NET CHANGE IN FUND BALANCE	(7,450)	(7,450)	7,000	14,450
FUND BALANCE, beginning of year	7,450	7,450	7,457	7
FUND BALANCE, end of year	\$ -	\$ -	\$ 14,457	\$ 14,457

CITY OF MONROE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK FUND #402

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	4,100	4,100	3,985	115
NET CHANGE IN FUND BALANCE	(4,100)	(4,100)	(3,985)	115
FUND BALANCE, beginning of year	4,100	4,100	4,188	88
FUND BALANCE, end of year	\$ -	\$ -	\$ 203	\$ 203

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 70	\$ (930)
EXPENDITURES				
Capital outlay	6,100	6,100	-	6,100
NET CHANGE IN FUND BALANCE	(5,100)	(5,100)	70	5,170
FUND BALANCE, beginning of year	5,100	5,100	5,197	97
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,267</u>	<u>\$ 5,267</u>

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 76	\$ (924)
EXPENDITURES				
Capital outlay	7,100	7,100	-	7,100
NET CHANGE IN FUND BALANCE	(6,100)	(6,100)	76	6,176
FUND BALANCE, beginning of year	6,100	6,100	6,138	38
FUND BALANCE, end of year	\$ -	\$ -	\$ 6,214	\$ 6,214

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CITY OF MONROE, OREGON

COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) -

NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2017

	<u>Sewer SDC</u>	<u>Storm SDC</u>	<u>Water SDC</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,335	\$ 2,951	\$ 9,733
LIABILITIES			
	-	-	-
NET POSITION			
Restricted for			
Capital acquisitions	1,335	2,951	9,733
Unrestricted	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	<u>\$ 1,335</u>	<u>\$ 2,951</u>	<u>\$ 9,733</u>

<u>Storm Water</u>	<u>Total</u>
\$ 17,862	\$ 31,881
-	-
-	14,019
17,862	17,862
<u>\$ 17,862</u>	<u>\$ 31,881</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, 2017**

	<u>Sewer SDC</u>	<u>Storm SDC</u>	<u>Water SDC</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
Licenses and permits	146	116	204
Miscellaneous	-	-	-
<i>Total Operating Revenues</i>	<u>146</u>	<u>116</u>	<u>204</u>
OPERATING EXPENSES			
Materials and services	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME	146	116	204
NONOPERATING ITEMS			
Capital acquisitions	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	146	116	204
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	146	116	204
NET POSITION, beginning of year	<u>1,189</u>	<u>2,835</u>	<u>9,529</u>
NET POSITION, end of year	<u>\$ 1,335</u>	<u>\$ 2,951</u>	<u>\$ 9,733</u>

<u>Storm Water</u>	<u>Total</u>
\$ 6,784	\$ 6,784
-	466
1,000	1,000
<u>7,784</u>	<u>8,250</u>
570	570
7,214	7,680
<u>-</u>	<u>-</u>
7,214	7,680
<u>-</u>	<u>-</u>
7,214	7,680
<u>10,648</u>	<u>24,201</u>
<u>\$ 17,862</u>	<u>\$ 31,881</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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 181,000	\$ 181,000	\$ 192,640	\$ 11,640
Miscellaneous	5,200	5,200	1,000	(4,200)
<i>Total Revenues</i>	186,200	186,200	193,640	7,440
EXPENDITURES				
Personal services	77,880	80,880	76,334	4,546
Materials and services	85,650	82,650	60,423	22,227
Capital outlay	50,570	50,570	-	50,570
<i>Total Expenditures</i>	214,100	214,100	136,757	77,343
REVENUES OVER (UNDER) EXPENDITURES	(27,900)	(27,900)	56,883	84,783
OTHER FINANCING SOURCES (USES)				
Transfers out	(53,600)	(53,600)	(53,600)	-
CHANGE IN FUND BALANCE	(81,500)	(81,500)	3,283	84,783
FUND BALANCE, beginning of year	81,500	81,500	79,029	(2,471)
FUND BALANCE, end of year	\$ -	\$ -	\$ 82,312	\$ 82,312

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 130,500	\$ 130,500	\$ 130,559	\$ 59
Miscellaneous	5,200	5,200	1,000	(4,200)
<i>Total Revenues</i>	135,700	135,700	131,559	(4,141)
EXPENDITURES				
Personal services	77,880	80,880	76,334	4,546
Materials and services	58,000	55,000	37,763	17,237
Capital outlay	75,720	75,720	-	75,720
<i>Total Expenditures</i>	211,600	211,600	114,097	97,503
REVENUES OVER (UNDER) EXPENDITURES	(75,900)	(75,900)	17,462	93,362
OTHER FINANCING SOURCES (USES)				
Transfers out	(21,100)	(21,100)	(21,100)	-
CHANGE IN FUND BALANCE	(97,000)	(97,000)	(3,638)	93,362
FUND BALANCE, beginning of year	97,000	97,000	101,273	4,273
FUND BALANCE, end of year	\$ -	\$ -	\$ 97,635	\$ 97,635

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	7,390	7,390	7,069	321
Interest	22,810	22,810	23,124	(314)
<i>Total Expenditures</i>	<u>30,200</u>	<u>30,200</u>	<u>30,193</u>	<u>7</u>
REVENUES OVER (UNDER) EXPENDITURES	(30,200)	(30,200)	(30,193)	7
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>30,200</u>	<u>30,200</u>	<u>30,200</u>	-
CHANGE IN FUND BALANCE	-	-	7	7
FUND BALANCE, beginning of year	<u>30,200</u>	<u>30,200</u>	<u>30,226</u>	<u>26</u>
FUND BALANCE, end of year	<u>\$ 30,200</u>	<u>\$ 30,200</u>	<u>\$ 30,233</u>	<u>\$ 33</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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 112,455	\$ 112,455	\$ 112,455	\$ -
EXPENDITURES				
Materials and services	400	400	-	400
Debt service				
Principal	50,000	50,000	50,000	-
Interest	63,555	63,555	63,555	-
<i>Total Expenditures</i>	<u>113,955</u>	<u>113,955</u>	<u>113,555</u>	<u>400</u>
CHANGE IN FUND BALANCE	(1,500)	(1,500)	(1,100)	400
FUND BALANCE, beginning of year	<u>1,500</u>	<u>1,500</u>	<u>1,618</u>	<u>118</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518</u>	<u>\$ 518</u>

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	62,450	62,450	-	62,450
REVENUES OVER (UNDER) EXPENDITURES	(62,450)	(62,450)	-	62,450
OTHER FINANCING SOURCES (USES)				
Transfers in	13,000	13,000	13,000	-
CHANGE IN FUND BALANCE	(49,450)	(49,450)	13,000	62,450
FUND BALANCE, beginning of year	49,450	49,450	49,481	31
FUND BALANCE, end of year	\$ -	\$ -	\$ 62,481	\$ 62,481

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	80,000	80,000	-	80,000
REVENUES OVER (UNDER) EXPENDITURES	(80,000)	(80,000)	-	80,000
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	73,130	(1,870)
CHANGE IN FUND BALANCE	(5,000)	(5,000)	73,130	78,130
FUND BALANCE, beginning of year	5,000	5,000	5,554	554
FUND BALANCE, end of year	\$ -	\$ -	\$ 78,684	\$ 78,684

CITY OF MONROE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – MASTER UTILITY PLAN FUND #604

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 88,000	\$ 88,000	\$ 58,130	\$ (29,870)
EXPENDITURES				
Capital outlay	28,000	28,000	-	28,000
REVENUES OVER (UNDER) EXPENDITURES	60,000	60,000	58,130	(1,870)
OTHER FINANCING SOURCES (USES)				
Transfers out	(60,000)	(60,000)	(58,130)	1,870
CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,600	\$ 9,600	\$ 146	\$ (9,454)
EXPENDITURES				
Capital outlay	10,300	10,300	-	10,300
CHANGE IN FUND BALANCE	(700)	(700)	146	846
FUND BALANCE, beginning of year	700	700	1,189	489
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,335	\$ 1,335

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,600	\$ 1,600	\$ 116	\$ (1,484)
EXPENDITURES				
Capital outlay	4,000	4,000	-	4,000
CHANGE IN FUND BALANCE	(2,400)	(2,400)	116	2,516
FUND BALANCE, beginning of year	2,400	2,400	2,835	435
FUND BALANCE, end of year	\$ -	\$ -	\$ 2,951	\$ 2,951

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, 2017

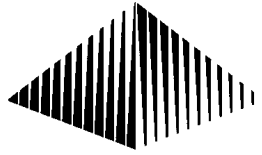
	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 14,200	\$ 14,200	\$ 204	\$ (13,996)
EXPENDITURES				
Capital outlay	23,700	23,700	-	23,700
CHANGE IN FUND BALANCE	(9,500)	(9,500)	204	9,704
FUND BALANCE, beginning of year	9,500	9,500	9,529	29
FUND BALANCE, end of year	\$ -	\$ -	\$ 9,733	\$ 9,733

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 6,000	\$ 6,000	\$ 6,784	\$ 784
Miscellaneous	5,000	5,000	1,000	(4,000)
<i>Total Revenues</i>	11,000	11,000	7,784	(3,216)
EXPENDITURES				
Materials and services	13,000	13,000	570	12,430
Capital outlay	8,500	8,500	-	8,500
<i>Total Expenditures</i>	21,500	21,500	570	20,930
CHANGE IN FUND BALANCE	(10,500)	(10,500)	7,214	17,714
FUND BALANCE, beginning of year	10,500	10,500	10,648	148
FUND BALANCE, end of year	\$ -	\$ -	\$ 17,862	\$ 17,862

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, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 16, 2017.

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

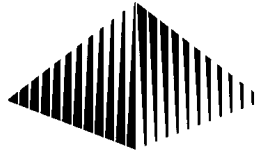
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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

October 16, 2017



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, 2017, and have issued our report thereon dated October 16, 2017.

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
October 16, 2017