

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF BEAVERTON, OREGON
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$46,762,851	\$34,619,877	\$81,382,728
Property taxes receivable	1,791,660		1,791,660
Court fines receivable	2,384,070		2,384,070
Right of way fees, accounts and other receivables, net	1,800,935	4,777,424	6,578,359
Due from other governments	1,614,698	232,098	1,846,796
Grants receivable	280,851		280,851
Accrued interest receivable	73,638	43,906	117,544
Assessment liens receivable	17,040		17,040
Internal balances	889,317	(889,317)	
Inventory	83,756	153,134	236,890
Restricted assets, cash in escrow	510,000		510,000
Other assets	94,400		94,400
Investments in joint ventures		20,136,516	20,136,516
Capital assets			
Land, intangible assets, construction in progress	19,538,996	13,717,811	33,256,807
Depreciable intangible assets (net of amortization)	1,100,910	114,399	1,215,309
Buildings and improvements (net of depreciation)	35,197,869	79,926	35,277,795
Machinery and equipment (net of depreciation)	6,114,044	2,674,503	8,788,547
Infrastructure (net of depreciation)	100,946,117	170,592,876	271,538,993
TOTAL ASSETS	<u>219,201,152</u>	<u>246,253,153</u>	<u>465,454,305</u>
Deferred Outflows of Resources:			
Deferred amount on bond refunding		20,596	20,596
Deferred amount from pension	6,250,543	536,127	6,786,670
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,250,543</u>	<u>556,723</u>	<u>6,807,266</u>
Liabilities:			
Accounts payable	1,824,757	2,800,976	4,625,733
Accrued salaries and payroll taxes	3,775,501	373,800	4,149,301
Accrued interest payable	43,780	35,349	79,129
Other accrued liabilities	505,334	92,187	597,521
Due to other governments	756,343	4,259,636	5,015,979
Deposits and retainages payable	1,206,663	30,092	1,236,755
Long-term liabilities, (net of discount):			
Due within one year, contracts, loan payable	255,157	21,901	277,058
Due within one year, bonds payable	2,518,623	1,237,602	3,756,225
Due within one year, compensated absences	559,751	62,195	621,946
Due in more than one year, contracts, loan payable	967,576	522,250	1,489,826
Due in more than one year, bonds payable	5,949,244	5,547,416	11,496,660
Due in more than one year, compensated absences	2,895,618	349,605	3,245,223
Net other postemployment benefits obligation	3,728,157	389,394	4,117,551
Net pension liability	27,647,930	2,371,445	30,019,375
TOTAL LIABILITIES	<u>52,634,434</u>	<u>18,093,848</u>	<u>70,728,282</u>
Deferred Inflows of Resources:			
Deferred amount from pension	8,427,539	722,854	9,150,393
Net Position:			
Net Investment in capital assets	153,207,336	184,260,608	337,467,944
Restricted for:			
Construction		13,133,444	13,133,444
Debt service	406,741	70,879	477,620
Highways and streets	13,473,171		13,473,171
Education	1,480,385		1,480,385
Other purposes	4,386,268		4,386,268
Unrestricted (deficit)	(8,564,179)	30,529,243	21,965,064
TOTAL NET POSITION	<u>\$164,389,722</u>	<u>\$227,994,174</u>	<u>\$392,383,896</u>

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

CITY OF BEAVERTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$37,849,035	\$8,909,143	\$914,721	\$907,540	(\$27,117,631)		(\$27,117,631)
Public safety	38,856,196	5,815,882	579,401		(32,460,913)		(32,460,913)
Highways and streets	10,926,614	184,635	5,981,528	2,379,921	(2,380,530)		(2,380,530)
Education	11,269,286	273,580	5,061,326		(5,934,380)		(5,934,380)
Cultural and recreation	1,133,869		95,062		(1,038,807)		(1,038,807)
Interest on long-term debt	462,607				(462,607)		(462,607)
Total governmental activities	100,497,607	15,183,240	12,632,038	3,287,461	(69,394,868)		(69,394,868)
Business-type activities:							
Water	9,554,092	13,242,782		1,154,845		\$4,843,535	4,843,535
Sewer	6,280,766	4,866,611		185,752		(1,228,403)	(1,228,403)
Storm drain	6,037,493	5,216,225		989,635		168,367	168,367
Total business-type activities	21,872,351	23,325,618		2,330,232		3,783,499	3,783,499
Total government	\$122,369,958	\$38,508,858	\$12,632,038	\$5,617,693	(69,394,868)	3,783,499	(65,611,369)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					37,675,716		37,675,716
Property taxes, levied for debt service					1,743,748		1,743,748
Intergovernmental revenues, unrestricted					3,217,592		3,217,592
Right of way fee revenues					8,180,364		8,180,364
Franchise revenues, allocated for debt service					1,084,060		1,084,060
Unrestricted investment earnings					247,303	214,003	461,306
Loss on sale of land					(835,430)		(835,430)
Other revenues					741,055	77,480	818,535
Total general revenues					52,054,408	291,483	52,345,891
Change in net position					(17,340,460)	4,074,982	(13,265,478)
Net position--as previously reported					181,820,546	227,788,553	409,609,099
Adjustment for pension and OPEB (Note III.G.)					(90,364)	90,364	
Adjustment to Investment in Joint Venture (Note III.G.)						(3,960,725)	(3,960,725)
Net position - as restated					181,730,182	223,918,192	405,648,374
Net position--ending					\$164,389,722	\$227,993,174	\$392,382,896

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund

This fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees, state shared revenues and charges for administrative services provided to other funds. Primary expenditures are for police protection, court, engineering and planning services, and general administration such as human resources, finance, city attorney and mayor's office. This fund consists of three budgetary funds (General Fund, State Revenue Sharing Fund, and Beaverton Arts Commission Fund).

Street Fund

Accounts for receipts of revenues from county gasoline tax and state gasoline taxes apportioned from the State of Oregon, and expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

Library Fund

Accounts for receipts and expenditures of revenues from a county library special levy, property taxes levied, and donations and expenditures for operation of the City library. This fund consists of two budgetary funds (Library Fund and Library Donation Fund).

Building Fund

Accounts for revenues generated by the Building Division. Revenues are restricted for expenditures related to plan review and inspection.

OTHER GOVERNMENTAL FUNDS

Other Governmental Funds include Community Development Block Grant Fund, Street Lighting Fund, Traffic Impact Fee Fund, General Obligation Debt Service Fund, Special Revenue Debt Service Fund, Capital Development Fund, Capital Projects Fund, Assessment Debt Service Fund, Beaverton Urban Redevelopment Agency (BURA) General Fund, BURA Debt Service Fund and BURA Capital Projects Fund.

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	General Fund	Street Fund	Library Fund	Building Fund	Other Governmental Funds	Total
Assets:						
Cash and investments	\$20,726,759	\$3,795,921	\$1,876,629	\$2,700,940	\$12,495,977	\$41,596,226
Property taxes receivable	1,484,935		129,180		177,545	1,791,660
Court fines receivable	2,384,070					2,384,070
Assessment liens receivable					17,040	17,040
Right of way/other receivables, net	1,391,456	128,854			9,061	1,529,371
Accrued interest receivable	37,246	3,866	3,489	3,271	19,358	67,230
Due from other governments	810,428	522,718			281,552	1,614,698
Grants receivable	275,470				5,381	280,851
TOTAL ASSETS	\$27,110,364	\$4,451,359	\$2,009,298	\$2,704,211	\$13,005,914	\$49,281,146
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable	\$729,403	\$303,880	\$123,435	\$3,467	\$361,084	\$1,521,269
Accrued salaries and payroll taxes	2,029,809	108,528	283,510	129,685	21,135	2,572,667
Due to other governments	549,959			206,384		756,343
Deposits and retainages payable	1,204,214			2,449		1,206,663
Total Liabilities	4,513,385	412,408	406,945	341,985	382,219	6,056,942
Deferred inflows of resources:						
Unavailable revenue - municipal court fines	1,844,207					1,844,207
Unavailable revenue - property taxes	1,365,189		118,479		162,204	1,645,872
Unavailable revenue - assessment liens and interest	37,246	3,866	3,489	3,271	36,399	84,271
Total Deferred Inflows of Resources	3,246,642	3,866	121,968	3,271	198,603	3,574,350
Fund balances:						
Restricted		4,035,085	1,480,385	2,358,955	11,261,751	19,136,176
Committed	932,017				1,163,341	2,095,358
Assigned	9,123,665					9,123,665
Unassigned	9,294,655					9,294,655
Total Fund Balances	19,350,337	4,035,085	1,480,385	2,358,955	12,425,092	39,649,854
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$27,110,364	\$4,451,359	\$2,009,298	\$2,704,211	\$13,005,914	\$49,281,146

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

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2016

Total fund balances - governmental funds	\$39,649,854
<p>Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet:</p>	
Acquisition cost	215,903,007
Accumulated depreciation	<u>(55,090,557)</u>
	160,812,450
<p>Assets not available to pay for current-period expenditures and, therefore are not recognized in the governmental funds.</p>	
Contract and interest receivable from land sale	260,560
Cash in escrow for land acquisition in the future period that was reported as capital expenditures on a budgetary basis.	510,000
<p>Deferred property tax and court fine revenues are collected in subsequent years and are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds' balance sheet.</p>	
	3,490,079
<p>Deferred assessment liens and investment income revenues are collected in subsequent periods and are not available for current year's operation. However, on a full accrual basis of accounting, they are reported as revenues.</p>	
	84,271
<p>Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.</p>	
	4,458,705
<p>Long-term liabilities, including bonds/loan payable, accrued interest, payroll and pension liabilities are not due in the current period and, therefore, are not reported in the funds' balance sheet.</p>	
Bonds, contracts, loans payable, net	(9,690,600)
Accrued interest payable	(43,780)
Accrued payroll liability, taxes and benefits liabilities	(4,188,458)
Other postemployment benefits obligation	(3,434,068)
Net pension activity:	
Net pension liability	(25,510,590)
Deferred outflows after measurement date	5,767,341
Deferred inflows of assumed and actual investment earnings, difference in contributions and experience rate and change in proportionate share	(7,776,042)
	<u>(44,876,197)</u>
Total net position - governmental activities	<u><u>\$164,389,722</u></u>

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

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2016

	General Fund	Street Fund	Library Fund	Building Fund	Other Governmental Funds	Total
Revenues:						
Taxes	\$32,229,119		\$2,883,970		\$4,316,672	\$39,429,761
Intergovernmental	3,404,188	\$5,903,717	5,048,612		470,184	14,826,701
Federal grants	623,502				299,688	923,190
State and private grants	97,652					97,652
Fees, licenses, and permits	2,373,583			\$3,150,875	1,890,921	7,415,379
Right of way fees	7,580,364	600,000			1,084,060	9,264,424
Fines and forfeits	4,881,579		245,822			5,127,401
Special assessments					9,754	9,754
Interest on investments and assessments	120,105	17,192	12,141	15,113	83,943	248,494
Charges for services	4,183,498	262,447				4,445,945
Contributions, donations, and other	49,355		12,714			62,069
Miscellaneous and cash-in-lieu	478,077	14,538	61,612	66,063	187,696	807,986
TOTAL REVENUES	56,021,022	6,797,894	8,264,871	3,232,051	8,342,918	82,658,756
Expenditures:						
Current:						
General government	23,824,889			3,184,349	930,562	27,939,800
Public safety	28,521,938					28,521,938
Highways and streets		5,599,949			1,453,973	7,053,922
Education			8,536,870			8,536,870
Cultural	1,021,690					1,021,690
Debt service:						
Principal	136,002				2,469,710	2,605,712
Interest	44,250				411,495	455,745
Capital Outlay					4,206,538	4,206,538
TOTAL EXPENDITURES	53,548,769	5,599,949	8,536,870	3,184,349	9,472,278	80,342,215
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,472,253	1,197,945	(271,999)	47,702	(1,129,360)	2,316,541
Other financing sources (uses):						
Loan proceeds from General Fund					510,000	510,000
Loan repayment to General Fund					(510,000)	(510,000)
Transfers in	94,154				3,655,304	3,749,458
Transfers out	(822,793)	(356,554)			(2,570,111)	(3,749,458)
Sale of capital assets					430,205	430,205
TOTAL OTHER FINANCING SOURCES (USES)	(728,639)	(356,554)			1,515,398	430,205
NET CHANGE IN FUND BALANCES	1,743,614	841,391	(271,999)	47,702	386,038	2,746,746
FUND BALANCES, Beginning of year	17,606,723	3,193,694	1,752,384	2,311,253	12,039,054	36,903,108
FUND BALANCES - End of year	\$19,350,337	\$4,035,085	\$1,480,385	\$2,358,955	\$12,425,092	\$39,649,854

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

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$2,746,746

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Expenditures for capital assets	3,819,898	
Less current year depreciation	<u>(4,442,670)</u>	(622,772)

The net effect of transactions involving capital assets, i.e., gain/loss on sales, donations. These transactions are not reported in the governmental funds. 72,110

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. 178,565

Repayments of long-term debt and long-term loan proceeds are reported as expenditures and revenues in governmental funds. However, it is reported as a decrease/increase in liabilities in the Statement of Net Assets. 2,594,730

Some expenses, such as accrued interest expense on long-term debt, accrued payroll liabilities or other postemployment benefits obligation are reported in the Statement of Activities. However, they do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (333,402)

Pension expense does not require the use of current financial resources, and, therefore, is not reported in governmental funds. (20,769,848)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (1,206,589)

Change in net position of governmental activities (\$17,340,460)

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

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR BUSINESS-TYPE FUNDS

These funds are used to finance and account for the acquisition, operation and maintenance of water, sewer, and storm drain facilities which are supported by user charges.

Water Fund - accounts for the City's water utility operations, debt service and construction. This fund consists of three budgetary funds (Water Operating Fund, Water Debt Service Fund, and Water Construction Fund) that are combined as one enterprise fund in accordance with accounting principles generally accepted in the United States of America.

Sewer Fund - accounts for the City's sewer utility operations.

Storm Drain Fund - accounts for storm drainage connection fees and a user fee charged to property owners to finance maintenance of the City drainage system.

GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services provided by the City of Beaverton for other departments within the City. Internal Service Funds include: Reprographics, Garage, Information Systems, Geographic Information Systems, Operations Administration, and Insurance.

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CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2016

	Business -Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Assets:					
Current assets:					
Cash and investments	\$14,310,966	\$10,967,234	\$9,341,677	\$34,619,877	\$5,166,625
Accounts receivable, net	1,935,719	2,242,789	593,273	4,771,781	11,004
Other receivables	5,559	84		5,643	
Accrued interest receivable	19,322	11,972	12,612	43,906	6,408
Due from other governments	53,750		178,348	232,098	
Inventory of materials and supplies	140,351	2,632	10,151	153,134	83,756
Total current assets	<u>16,465,667</u>	<u>13,224,711</u>	<u>10,136,061</u>	<u>39,826,439</u>	<u>5,267,793</u>
Noncurrent assets:					
Other assets					94,400
Investments in joint venture - JWC	14,781,213			14,781,213	
Investments in joint venture - Barney	5,355,303			5,355,303	
Capital assets, net	76,644,494	53,124,557	57,410,464	187,179,515	2,085,486
Total noncurrent assets	<u>96,781,010</u>	<u>53,124,557</u>	<u>57,410,464</u>	<u>207,316,031</u>	<u>2,179,886</u>
TOTAL ASSETS	<u>113,246,677</u>	<u>66,349,268</u>	<u>67,546,525</u>	<u>247,142,470</u>	<u>7,447,679</u>
Deferred outflows of resources:					
Deferred amount on bond refunding	20,596			20,596	
Deferred amount on pensions	154,865	171,399	209,863	536,127	483,202
TOTAL DEFERRED OUTFLOW	<u>175,461</u>	<u>171,399</u>	<u>209,863</u>	<u>556,723</u>	<u>483,202</u>
Liabilities:					
Current liabilities:					
Accounts payable	1,821,964	906,635	72,377	2,800,976	303,488
Accrued salaries and payroll taxes	125,204	103,813	144,783	373,800	211,404
Accrued interest payable	35,349			35,349	
Other accrued liabilities	25,016	67,171		92,187	505,334
Deposits and retainage payable	20,119	9,973		30,092	
Due to other governments		4,037,909	221,727	4,259,636	
Contract payable, net	21,901			21,901	
Bonds payable, net	1,237,602			1,237,602	
Total current liabilities	<u>3,287,155</u>	<u>5,125,501</u>	<u>438,887</u>	<u>8,851,543</u>	<u>1,020,226</u>
Long-term liabilities:					
Contract payable, net	522,250			522,250	
Bonds payable, net	5,547,416			5,547,416	
Compensated absences	148,007	121,372	142,421	411,800	258,341
Net pension liability	685,011	758,148	928,286	2,371,445	2,137,341
Net other postemployment benefits	111,254	110,652	167,488	389,394	294,089
Total long-term liabilities	<u>7,013,938</u>	<u>990,172</u>	<u>1,238,195</u>	<u>9,242,305</u>	<u>2,689,771</u>
TOTAL LIABILITIES	<u>10,301,093</u>	<u>6,115,673</u>	<u>1,677,082</u>	<u>18,093,848</u>	<u>3,709,997</u>
Deferred inflows of resources:					
Deferred amount on pensions	208,802	231,096	282,956	722,854	651,496
Net Position:					
Net investment in capital assets	73,725,587	53,124,557	57,410,464	184,260,608	2,085,486
Restricted for construction	1,879,643	4,415,004	6,838,797	13,133,444	
Restricted for debt service	70,879			70,879	
Unrestricted	27,236,134	2,634,337	1,547,089	31,417,560	1,483,902
TOTAL NET POSITION	<u>\$102,912,243</u>	<u>\$60,173,898</u>	<u>\$65,796,350</u>	<u>228,882,491</u>	<u>\$3,569,388</u>
				(889,317)	
Adjustment to reflect the consolidation of internal service fund activities				<u>889,317</u>	
Net position of business-type activities				<u>\$227,993,174</u>	

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

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Operating revenues:					
Charges for services	\$12,942,019	\$4,781,423	\$5,053,555	\$22,776,997	\$17,337,945
Installation fees	23,299			23,299	
Erosion control fees			62,312	62,312	
Intergovernmental lease revenue	204,228			204,228	
Miscellaneous revenues	104,450	97,855	112,633	314,938	816,508
TOTAL OPERATING REVENUES	<u>13,273,996</u>	<u>4,879,278</u>	<u>5,228,500</u>	<u>23,381,774</u>	<u>18,154,453</u>
Operating expenses:					
Personal services	1,981,957	2,278,933	2,724,040	6,984,930	5,707,615
Water purchases	1,197,987			1,197,987	
Administration charges from General Fund	360,406	322,621	374,875	1,057,902	
Franchise fee payment	659,843	1,129,200	312,483	2,101,526	
Insurance claims					9,689,929
Contract charges					786,098
Supplies, repairs, and services	2,086,890	996,830	1,117,593	4,201,313	3,515,967
Depreciation and amortization	1,818,665	1,354,551	1,300,119	4,473,335	302,141
TOTAL OPERATING EXPENSES	<u>8,105,748</u>	<u>6,082,135</u>	<u>5,829,110</u>	<u>20,016,993</u>	<u>20,001,750</u>
OPERATING INCOME (LOSS)	<u>5,168,248</u>	<u>(1,202,857)</u>	<u>(600,610)</u>	<u>3,364,781</u>	<u>(1,847,297)</u>
Nonoperating revenues (expenses):					
Interest on investments	94,109	60,267	59,627	214,003	29,511
Gain on sale of capital assets	5,917	5,407	10,000	21,324	
Share of private grant received by joint venture	109,597			109,597	
Interest expense	(355,620)			(355,620)	
Net loss from joint ventures	(888,539)			(888,539)	
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,034,536)</u>	<u>65,674</u>	<u>69,627</u>	<u>(899,235)</u>	<u>29,511</u>
INCOME BEFORE CONTRIBUTIONS	4,133,712	(1,137,183)	(530,983)	2,465,546	(1,817,786)
Capital contributions:					
Intergovernmental revenue	54,750	25,680	178,348	258,778	
Systems development charge revenues	983,855	95,867	722,586	1,802,308	
Private developer contributions	6,643	64,205	88,701	159,549	
TOTAL CAPITAL CONTRIBUTIONS	<u>1,045,248</u>	<u>185,752</u>	<u>989,635</u>	<u>2,220,635</u>	
CHANGE IN NET POSITION	<u>5,178,960</u>	<u>(951,431)</u>	<u>458,652</u>	<u>4,686,181</u>	<u>(1,817,786)</u>
TOTAL NET POSITION - as previously reported	101,644,288	61,096,827	65,325,556	228,066,671	5,676,838
Adj. for pension and OPEB (Note III.G.)	49,720	28,502	12,142	90,364	(289,664)
Adj. to Investment in Joint Venture (Note III.G.)	(3,960,725)			(3,960,725)	
TOTAL NET POSITION - AS RESTATED	<u>97,733,283</u>	<u>61,125,329</u>	<u>65,337,698</u>	<u>224,196,310</u>	<u>5,387,174</u>
TOTAL NET POSITION - ENDING	<u>\$102,912,243</u>	<u>\$60,173,898</u>	<u>\$65,796,350</u>	<u>\$228,882,491</u>	<u>\$3,569,388</u>
Change in net position, above				\$4,686,181	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(611,199)	
Change in net position of business-type activities				<u>\$4,074,982</u>	

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

**CITY OF BEAVERTON, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Cash flows from operating activities:					
Cash receipts from customers and miscellaneous revenue	\$13,194,362	\$3,980,203	\$5,072,688	\$22,247,253	\$852,994
Cash receipts from interfund services provided to other funds	48,547	56,824	81,726	187,097	17,337,945
Cash payments to suppliers and for insurance claims	(2,447,194)	(880,098)	(478,700)	(3,805,992)	(13,513,564)
Cash payments to employees	(1,376,232)	(1,619,066)	(1,948,936)	(4,944,234)	(3,919,947)
Payments for overhead allocation and interfund services used	(1,663,047)	(2,074,693)	(1,324,563)	(5,062,303)	(483,997)
NET CASH FROM OPERATING ACTIVITIES	7,756,436	(536,830)	1,402,215	8,621,821	273,431
Cash flows from capital and related financing activities:					
Interest expense	(320,064)			(320,064)	
Purchase of equity in joint venture	(374,268)			(374,268)	
Acquisition of capital assets	(2,815,685)	(104,278)	(1,949,493)	(4,869,456)	(394,018)
Proceeds from capital related IGA		2,116,283		2,116,283	
Principal paid on bonds and contracts	(1,797,984)			(1,797,984)	
Proceeds from disposition of capital assets	5,917	5,407	10,000	21,324	
Systems development charge revenues	983,855	95,867	722,586	1,802,308	
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(4,318,229)	2,113,279	(1,216,907)	(3,421,857)	(394,018)
Cash flows from investing activities:					
Interest received	84,993	54,931	54,149	194,073	26,718
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	3,523,200	1,631,380	239,457	5,394,037	(93,869)
CASH AND INVESTMENTS - Beginning of year	10,787,766	9,335,854	9,102,220	29,225,840	5,260,494
CASH AND INVESTMENTS - End of year	\$14,310,966	\$10,967,234	\$9,341,677	\$34,619,877	\$5,166,625

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

**CITY OF BEAVERTON, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS, Continued
 For the Fiscal Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund		
Reconciliation of operating income to net cash from operating activities:					
Operating income (loss)	\$5,168,248	(\$1,202,857)	(\$600,610)	\$3,364,781	(\$1,847,297)
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	1,818,665	1,354,551	1,300,119	4,473,335	302,141
Pension expense	557,713	617,258	755,779	1,930,750	1,740,149
Change in assets and liabilities:					
Accounts receivable	(25,795)	(24,416)	(70,330)	(120,541)	36,486
Other receivables and other assets	(1,093)	(84)		(1,177)	
Inventory of materials and supplies	62,103	(793)	(6,767)	54,543	18,251
Accounts payable	(39,432)	(517,198)	(58)	(556,688)	(23,818)
Due to other governments	169,269	(805,984)	4,757	(631,958)	
Accrued salaries and payroll taxes	25,301	9,494	13,487	48,282	33,767
Other accrued liabilities	(1,271)			(1,271)	
Compensated absences	17,373	28,670	(2,987)	43,056	(1,222)
Other postemployment benefits obligation	5,355	4,529	8,825	18,709	14,974
TOTAL ADJUSTMENTS	2,588,188	666,027	2,002,825	5,257,040	2,120,728
NET CASH FROM OPERATING ACTIVITIES	\$7,756,436	(\$536,830)	\$1,402,215	\$8,621,821	\$273,431
Schedule of non-cash transactions:					
Reduction in investments in joint ventures due to net loss in joint venture operations				(\$888,539)	(\$888,539)
Reduction in investments in joint ventures due to reclassification				(333,853)	(333,853)
Increase in capital assets due to reclassification				333,853	333,853
Contributions of infrastructure by developers		\$57,561	\$79,213	136,774	
Easements and rights-of-way conveyed to the City	6,643	6,644	9,488	22,775	

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Beaverton (City), Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the City of Beaverton, Oregon (the primary government) and its component unit, the Beaverton Urban Redevelopment Agency (Agency). The component unit is blended and reported as if it is part of the City.

The City of Beaverton, Oregon, was incorporated in 1893 and operates under the provisions of its own charter and applicable State law, with a Mayor-Council form of government. The Mayor is the Chief Executive of the City and chairs City Council meetings. The Mayor does not vote, except in the event of a tie. The Mayor may veto an ordinance or other legislative enactment; the Council may override the veto by a four-fifths vote. The City Council (the "Council") is comprised of five members. The Mayor serves a four-year term. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Finance Director, other officers, and department directors are appointed by the Mayor.

The City of Beaverton provides a full range of municipal services to the community which includes police protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation, building inspection and regulation, library, municipal court and other services. Fire protection services are provided by Tualatin Valley Fire and Rescue and park services are provided by Tualatin Hills Park and Recreation District.

Blended Component Unit – The Beaverton Urban Redevelopment Agency is a legally separate public body created by ordinance of the City in March 2010 and approved by the voters in November 2011. The Agency's governing body is substantively the same governing body of the City as the governing board consists of members of the City Council, Mayor and three citizens. Additionally, the City's management has operational responsibility for the Agency as it manages the activities of the Agency in essentially the same manner in which it manages the City's own operations.

The Agency receives funds through tax increment financing pursuant to Oregon Revised Statutes (ORS) 457.420 through 457.450. Separate financial statements for the Agency can be obtained from the finance department of the City of Beaverton, 12725 SW Millikan Way, Beaverton, Oregon 97005.

The accounts of the City and its component unit are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances (net position), revenues, expenditures (expenses) and deferred inflows/outflows of resources.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise (business-type) funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplemental information.

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary funds financial statements are presented on the full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, and court fines revenues are recognized when fines are assessed and become due. Grants and similar items are recognized as revenue as soon as all eligible and reimbursable expenditures are incurred.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's ongoing operations. The operating revenues of the City's enterprise funds include but are not limited to, charges to customers for water, sewer and storm drain service. Significant operating expenses include personnel, materials and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues, expenses and contributions.

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets, liabilities and deferred inflows of resources generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in those net assets. These funds use the modified accrual basis of accounting whereby revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

Expenditures are recorded when a related fund liability is incurred, except for interfund transactions which are recorded on the accrual basis and interest on general long-term debt which is recorded as due. Significant governmental funds revenues which were subject to accrual at June 30, 2016 under the modified accrual basis of accounting were as follows: property taxes, municipal court fines, state, county, and local shared revenues which are collected within 60 days subsequent to year end.

In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt, compensated absences, pension and other post-employment benefits are included. Also in the government-wide financial statements, certain indirect costs have been included as part of the program expenses for the various functional activities.

Other receipts become measurable and available when cash is received and recognized as revenue at that time, except for revenues for grants and shared revenues which are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met.

Deferred inflow of resources arises in the governmental funds' balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This deferred inflow of resources consists primarily of uncollected property taxes and municipal court fines not deemed available to finance operations of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability.

Deferred outflow of resources arises in the statement of activities when consumption of resources that results in either a net decrease in assets or a net increase in liabilities are related to a future period.

In the government-wide Statement of Net Position, deferred outflows of resources and deferred inflows of resources relating to pensions and bonds payables are recognized.

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

The City reports the following major governmental funds:

- **General Fund**
This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, state and county shared revenues and fines and forfeitures. Primary expenditures are for general government, planning and development, engineering services, and public safety. The General Fund includes two other budgetary funds (State Revenue Sharing Fund and Beaverton Arts Commission Fund).

- **Street Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from county and state motor fuel taxes apportioned from the State of Oregon, and restricted for expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

- **Library Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from a county library special levy, property taxes levied and donations received and restricted for operation of the City library. This fund consists of two budgetary funds (Library Fund and Library Donation Fund).
- **Building Fund (Special Revenue Fund)**
Accounts for revenues generated by the Building Division. Revenues are restricted for expenditures related to plan review and inspection.

The City reports the following major proprietary funds:

- **Water Fund (this fund consists of three budgetary funds, Water Operating Fund, Water Debt Service Fund, and Water Construction Fund)**
- **Sewer Fund**
- **Storm Drain Fund**

These funds account for the operations, maintenance, debt service and capital construction projects for water, sewer and stormwater which are funded mostly through monthly user fees, system development fees, other extra capacity revenues and bond sale proceeds.

Additionally, the City reports nonmajor funds within the governmental fund type as follows:

- **Special Revenue Funds** to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.
- **Debt Service Funds** to account for the accumulation of resources and payment of principal and interest on general obligation, special revenue debt service, local improvement districts, and other long-term debt of governmental funds.
- **Capital Projects Funds** to account for the construction of street, infrastructure, building and capital improvement projects.

Additionally, the City reports the following fund type:

- **Internal service funds** account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City's internal service funds include Reprographics, Garage, Information Systems, Geographic Information Systems, Public Works Administration, and Insurance. The aggregate of all internal service funds are reflected in the proprietary fund financial statements.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash and Investments

The City implemented GASB Statement 72, Fair Value Measurement and Application in FY 15-16. The Statement provides a fair value level of hierarchy and valuation techniques. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. There was no material impact to the financial statements caused by the implementation of GASB Statement 72.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

The City reports cash and investments at amortized cost (which approximated fair value) in a common pool. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total pooled cash and investments.

2. Receivables

Property taxes receivable and court fines receivable of the governmental fund types, which have been collected within 60 days subsequent to year end, are considered measurable and available and therefore are recognized as revenues. The remaining balances of the receivable are offset by deferred inflow of resources and, accordingly, have not been recorded as revenue in the fund financial statements. Court fines receivables are turned over to an external collection agency after approximately 180 days, and the receivable balance reflects historical collection rate. The court fines receivable is partially offset by the amount collected on behalf of the State of Oregon and Washington County that are shown as due to other governments in the liabilities section. Property taxes become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Property taxes are levied on November 15. Taxes unpaid and outstanding as of May 16 are considered delinquent.

Assessment liens receivable are recorded as other governmental fund receivables at the time property owners are assessed for property improvements. The receivable balances that have not been collected within 60 days subsequent to year end are offset by deferred inflow of resources and accordingly, have not been recorded as revenue in the fund financial statements. Assessment interest receivable is recorded as earned; the assessment interest revenue is recognized when it becomes measurable and available.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed. The enterprise fund receivables relate to billings for residential and commercial customers that utilize the City's water, sewer and storm drain services. Receivables in enterprise funds are stated net of an allowance for uncollectibles.

3. Inventory of Materials and Supplies

Inventory in the proprietary fund types, determined by physical count, are recorded at cost (first-in, first-out basis) and are charged to expense as used (consumption method).

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., streets and roads, bridges, sidewalks, water reservoirs, water, sewer and storm lines, and similar items), and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. The City has elected to include its costs of rights of way acquired subsequent to July 1, 1980 as part of infrastructure. The City has also elected not to report infrastructure acquired prior to July 1, 1980. The threshold for capitalized equipment and improvements is \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Estimated useful lives used in computing depreciation are:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

<u>Assets</u>	<u>Years</u>
Equipment and Software	2-10
Heating and Cooling System	40
Buildings and improvements	50
Infrastructure, utilities	50-65
Infrastructure, street	40-75
Intangible Water Rights	40

Interest costs in the enterprise funds are capitalized as part of the costs of capital assets during the period of construction based on the weighted average borrowing costs incurred. In fiscal year 2015-16, \$3,861 interest expense was capitalized.

5. *Investments in Joint Ventures*

Investments in joint ventures with other governmental units are reported at cost plus or minus the City's share of operating income or loss (Note II. E).

6. *Intangible Assets*

Intangible assets consist of water rights, easements, and internally developed software. Some water rights and all internally developed software are amortized on the straight-line method over the estimated useful lives.

7. *Compensated Absences*

Earned but unpaid compensatory time is recorded as an expense in the proprietary fund types and government-wide statements. In the Statement of Net Position, the current portion of the compensated absences balance is separately reported as amount due within one year in the long term liability section. There is no liability for unpaid accumulated sick leave since the City has a policy to not pay any amounts when employees retire or are terminated.

8. *Long-Term Debt*

In the government-wide financial statements and also in the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are amortized using the straight-line method, which approximates the effective interest method, over the related debt repayment period. Unamortized bond discount costs or premiums are offset against bonds payable. Bond issuance costs are expensed when incurred, in accordance with GASB 65. Additionally, any resulting difference from a current refunding or advance refunding is shown as a deferred outflow or inflow of resources and is recognized as a component of interest expense in a straight-line method over the remaining life of the old debt or new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

9. Pension Liability

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting.

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS.

10. Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. 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 passes a resolution that places specific constraints on how the resources may be used. The Council action that imposed the limitation would need to occur no later than the close of the reporting period. The City Council can modify or rescind the legislative action at any time through passage of an additional resolution.

The net resources that are constrained by the City's intent to use them are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be set aside for specific purposes 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 in the City's fund financial statements. The City's assigned fund balance category also reflects the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's adopted budget, as well as the encumbered amounts that represents commitments of the City's resources. 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.

The City does not have an established policy on the spending order of restricted or unrestricted fund balances. As a result, it is assumed that restricted resources are spent first when expenditures are incurred; when unrestricted resources are spent, the order of spending is committed, assigned, and unassigned fund balance when available.

11. Net Position

Net position whose use is restricted for construction, debt service or by other agreement is segregated on the government-wide Statement of Net Position and the Proprietary Fund Statement of Net Position. When both restricted and unrestricted net positions are available, the City will apply restricted resources as appropriate, then unrestricted as necessary.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

12. Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Pooled Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Governmental activities and business-type activities portions of this pool are displayed on the government-wide Statement of Net Position as "Cash and Investments". Oregon Revised Statutes (ORS) authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City's investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the City Council. The policy specifies the City's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

Cash and investments are comprised of the following at June 30, 2016:

Cash on hand	\$46,756
Cash with fiscal agent	108,218
Deposits with financial institutions	11,117,355
Investments	70,110,399
	<u>\$81,382,728</u>

The City participates in an external investment pool (State of Oregon Treasury Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

The City's position in the Pool at June 30, 2016 is stated at cost which approximates the fair value.
Deposits with Financial Institutions

The City's deposits with financial institutions are insured up to levels defined by Federal laws, the Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA). Deposits with financial institutions are comprised of time deposits and bank demand deposits totaling \$11,522,264. Of these time deposits and bank demand deposits, \$1,721,869 was covered by FDIC insurance and \$984,699 was covered by NCUA insurance. For the \$8,815,696 deposits in excess of FDIC and NCUA insurance, the

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

ORS require that deposit accounts in excess of the deposit insurance limits are only maintained at financial institutions included on a list of qualified depositories as determined by the Office of the State Treasurer. The City was in compliance with the ORS requirement.

Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates and to allow investment maturities to coincide with projected needs, the City's investment policy does not allow direct investment in securities maturing more than five years from the date of purchase. The only exception to the five year maturity maximum is reserve or program monies may be invested in securities exceeding five years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

The City's carrying value of investments as of June 30, 2016, approximate fair value and are summarized below:

	<u>Carrying Value</u>	<u>Less than 12 Months</u>	<u>12-18 Months</u>	<u>Greater than 18 Months</u>
US Treasury	\$24,996,018		\$5,000,582	\$19,995,436
Federal Agencies	15,017,035			15,017,035
Corporate Bonds	3,057,104			3,057,104
State of Oregon Local Government Investment Pool	27,040,242	\$27,040,242		
Total Investments	<u>\$70,110,399</u>	<u>\$27,040,242</u>	<u>\$5,000,582</u>	<u>\$38,069,575</u>

Credit Risk

The City's investment policy limits the type of investments to no more than 25% in commercial paper, corporate indebtedness, time deposit open accounts, certificates of deposit and savings accounts; 20% in Oregon, California, Idaho and Washington municipal obligations and 10% in bankers acceptances and repurchase agreements. There are no portfolio limits to United States treasury obligations and United States government agency securities.

The minimum allowable credit rating criteria the City's investment policy authorizes for issuers of commercial paper is limited to those rated A1/P1 or better by Standard & Poor's (S&P) and Moody's Investors Service. Corporate indebtedness must have a minimum long term debt rating of AA- by S&P or a Aa3 rating by Moody's Investors Service. Oregon municipal obligations must have a long-term rating of A or an equivalent rating or better and California, Idaho and Washington municipal obligations must have a long-term rating of AA or an equivalent rating or better. Short-term municipal debt must be rated on the settlement date in the highest category by a nationally recognized statistical rating organization. Institutions issuing a banker's acceptance agreement shall have a short term rating of at least A-1 by S&P or P-1 by Moody's Investors. As of June 30, 2016, the City's investments in federal agency securities are rated AA+ by S&P. The City's investments in Apple, Inc. and IBM corporate bonds are rated AA+ and AA- respectively by S&P. All investments are in compliance with the City's investment policy. The State of Oregon Investment Pool is not rated.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

Concentration of Credit Risk

<u>Issuer</u>	<u>Carrying Value</u>	<u>Percent of Holdings</u>
FFCB	\$3,002,547	4.28%
FHLMC	3,005,197	4.29%
FNMA	9,009,290	12.85%
Corporate Bonds	3,057,104	4.36%
US Treasury	24,996,019	35.65%
Oregon Short-Term Fund (LGIP)	27,040,242	38.57%
	<u>\$70,110,399</u>	<u>100.00%</u>

Fair Value Measurement

The City categorizes its fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City reports investments at amortized cost which approximates fair value. U.S. agency obligations are Level 1 investments. The City's corporate bonds are Level 2 investments. Investments in LGIP are not subject to level designation.

B. Receivables

Receivables as of year end for the City's individual major and nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are presented on the face of the governmental and proprietary fund financial statements. The property tax receivables not expected to be collected within one year are \$1,134,935 in the General Fund, \$104,180 in the Library Fund, and \$133,545 in the nonmajor governmental funds. The court fine receivable not expected to be collected within one year is \$1,905,761. Of this amount \$1,544,661 is the City's revenue and \$361,100 is due to other governments.

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

C. Capital Assets

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

<u>Description</u>	<u>Beginning Balance 6/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/16</u>
Non-depreciable Capital Assets				
Land	\$16,112,560	\$1,847,862	(\$1,725,375)	\$16,235,047
Intangible assets - easements, ROW	1,937,152			1,937,152
Incomplete internally developed softwr	461,436	186,059	(334,025)	313,470
Construction in progress	5,057,753	421,373	(4,425,799)	1,053,327
Total capital assets not being depreciated	<u>23,568,901</u>	<u>2,455,294</u>	<u>(6,485,199)</u>	<u>19,538,996</u>
Depreciable Capital Assets:				
Intangible assets, internally dev softwr	1,674,636	360,672		2,035,308
Buildings and improvements	50,563,955	84,391	(571,556)	50,076,790
Machinery and equipment	18,201,658	813,109	(1,995,207)	17,019,560
Infrastructure - street	124,857,242	7,108,875		131,966,117
Total depreciable capital assets	<u>195,297,491</u>	<u>8,367,047</u>	<u>(2,566,763)</u>	<u>201,097,775</u>
Less accumulated depreciation for:				
Intangible assets, internally dev softwr	(749,179)	(185,219)		(934,398)
Buildings and improvements	(13,770,314)	(1,108,607)		(14,878,921)
Machinery and equipment	(11,871,446)	(1,029,277)	1,995,207	(10,905,516)
Infrastructure - street	(28,598,292)	(2,421,708)		(31,020,000)
Total accumulated depreciation	<u>(54,989,231)</u>	<u>(4,744,811)</u>	<u>1,995,207</u>	<u>(57,738,835)</u>
Total capital assets being depreciated, net	<u>140,308,260</u>	<u>3,622,236</u>	<u>(571,556)</u>	<u>143,358,940</u>
Governmental activities capital assets, net	<u>\$163,877,161</u>	<u>\$6,077,530</u>	<u>(\$7,056,755)</u>	<u>\$162,897,936</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$910,895
Public safety	391,048
Highways and streets	2,611,905
Education	445,206
Cultural and recreation	83,616
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>302,141</u>
Total depreciation for governmental activities	<u>\$4,744,811</u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

Capital asset activity for business-type activities for the year ended June 30, 2016 was as follows:

<u>Description</u>	<u>Beginning Balance 6/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/16</u>
Non-depreciable Capital Assets:				
Land	\$2,666,590	\$11,612		\$2,678,202
Intangible assets	6,568,479	22,774		6,591,253
Construction - Work in Progress	2,614,682	2,271,846	(\$438,172)	4,448,356
Total capital assets not being depreciated	<u>11,849,751</u>	<u>2,306,232</u>	<u>(438,172)</u>	<u>13,717,811</u>
Depreciable Capital Assets:				
Buildings and improvements	538,221			538,221
Intangible Water Rights	838,941			838,941
Machinery and equipment	5,830,359	775,511	(320,135)	6,285,735
Infrastructure - utilities	223,079,962	4,317,272		227,397,234
Total depreciable capital assets	<u>230,287,483</u>	<u>5,092,783</u>	<u>(320,135)</u>	<u>235,060,131</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	(451,479)	(6,816)		(458,295)
Intangible Water Rights	(703,201)	(21,341)		(724,542)
Machinery and equipment	(3,522,507)	(408,860)	320,135	(3,611,232)
Infrastructure - utilities	(52,768,040)	(4,036,318)		(56,804,358)
Total accumulated depreciation	<u>(57,445,227)</u>	<u>(4,473,335)</u>	<u>320,135</u>	<u>(61,598,427)</u>
Total capital assets being depreciated, net	<u>172,842,256</u>	<u>619,448</u>		<u>173,461,704</u>
Business-type activities capital assets, net	<u>\$184,692,007</u>	<u>\$2,925,680</u>	<u>(\$438,172)</u>	<u>\$187,179,515</u>

Depreciation and amortization expense for business-type activities is charged to functions as follows:

Water	\$1,818,665
Sewer	1,354,551
Storm water	1,300,119
Total depreciation and amortization for business-type activities	<u>\$4,473,335</u>

D. Interfund Transfers and Loans

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and resources for payment of debt services. General Fund transfers to nonmajor governmental funds is for planning and design expenses for the proposed public safety building at Griffith Drive (\$95,658); property acquisition program (\$316,000); Broadway streetscape improvement and Canyon Road bike network projects (\$339,294), undergrounding utility project and Crescent Connection shared use path project (\$71,841). Street Fund transfers to nonmajor funds are for street improvements and to fund street extension projects. Transfer from a nonmajor fund to the General Fund was to close out the Beaverton Building's Tenant Improvement project (\$32,291) and to close out remaining balance of a program in Assessment Debt

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

Service Fund. The transfer between nonmajor governmental funds was to fund street extension projects and for the purchase of a property in the Urban Renewal area. Interfund transfers for the fiscal year ended June 30, 2016, consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Governmental Funds:			
General Fund		\$822,793	\$822,793
Street Fund		356,554	356,554
Nonmajor Governmental Funds	\$94,154	2,475,957	2,570,111
Total Transfers in/out	<u>\$94,154</u>	<u>\$3,655,304</u>	<u>\$3,749,458</u>

E. Investments in Joint Ventures

	<u>Joint Water Commission</u>	<u>Barney Reservoir</u>	<u>Total</u>
Investment in joint ventures at June 30, 2015	\$17,922,329	\$6,718,529	\$24,640,858
Prior period adjustment (See Note III.G.)	(2,765,715)	(1,195,010)	(3,960,725)
Investment in joint ventures - as restated	15,156,614	5,523,519	20,680,133
Investment	678,505		678,505
Loss for the year	(720,323)	(168,216)	(888,539)
Reallocation of vault asset ownership	(333,583)		(333,583)
Investment in joint ventures at June 30, 2016	<u>\$14,781,213</u>	<u>\$5,355,303</u>	<u>\$20,136,516</u>

Joint Water Commission

In April 1979, the City purchased an interest in the Joint Water Commission (“JWC”) to provide joint operations for the supply, pumping, treatment, and transmission of potable water. This agreement was established between the City of Hillsboro, the City of Forest Grove, and the City of Beaverton. Effective July 1994, the JWC expanded its membership to include Tualatin Valley Water District (“TVWD”). The JWC is governed by three members from each entity. The City of Beaverton currently has a 25% ownership of JWC facilities.

In the previous year, expenses for work on a vault owned by the City were capitalized by JWC in error which resulted in either an overstatement or understatement for each partner. To correct this, JWC reported a loss of capital assets and reallocated shares of the ownership interest of the partners during this fiscal year. This resulted in the City’s reclassification as a reduction of joint ventures asset of \$333,583 and an increase of capital assets in the same amount.

Barney Reservoir Joint Ownership Commission

The Barney Reservoir Joint Ownership Commission (“BRJOC”) was formed to own, operate, and expand the J.W. Barney Reservoir (a dam on the Trask River in the coastal mountains). The BRJOC is governed by one member from each entity. The City of Beaverton currently has a 21.5% ownership (4,300 acre feet) of the Barney Reservoir.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

The investments in the joint ventures are reported at cost in the Water Fund, and the City's share of the annual net income or loss of the Joint Water and Barney Reservoir Joint Ventures is used to adjust the ending balance of the City's equity interest in the joint venture. Financial statements for both commissions may be obtained from the City of Hillsboro, Finance Department at 150 East Main St., Fifth Floor, Hillsboro, Oregon 97123.

F. Lease Obligations

Governmental Activities Operating Lease

Since May of 2010, the City leased 7,032 square feet of office space in a commercial building in Murray Scholls Town Center for the branch library that opened in June 2010. Over time, community demand for library services at the branch library has exceeded expectations. During fiscal year 2015 the City negotiated a new lease to add square footage to a total of 10,418 square feet to the branch library operation to meet the increasing community need. The term of the new lease agreement is from May 1, 2015 to January 31, 2026 with an option to extend for two (2) additional periods of five (5) years each. The cost for the lease was \$168,644 for the year ended June 30, 2016, and the minimum lease payment for the future years are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$172,016
2018	175,460
2019	178,968
2020	182,544
2021	186,200
2022 - 2026	850,420
	<u>\$1,745,608</u>

G. Long-term debt

Governmental Activities Long-term Loan Payable

In March 2004, the City received \$752,000 through a Section 108 loan guarantee program of the Housing and Community Development Act of 1974. The loan proceeds were used to purchase a child care center facility leased by Community Action Head Start to secure a permanent child care resource for Beaverton's low income families. The principal and interest payments of the Section 108 loan will be made with lease receipts from Head Start. Future maturities are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$42,000	\$21,075
2018	45,000	18,809
2019	47,000	16,352
2020	49,000	13,753
2021	51,000	11,012
2022-2024	171,000	14,799
TOTALS	<u>\$405,000</u>	<u>\$95,800</u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

In December of 2005, the City assumed a long-term loan payable of \$601,747 from the previous owner of the Beaverton Central Heating and Cooling Plant as a part of the agreement of the asset transfer that took place in FY 2004-05. In June of 2007, the City borrowed an additional \$1,000,000 to finance the construction costs of the Plant expansion. Both loans were issued from the State of Oregon Department of Energy through a Small Scale Energy Loan Program, and the principal and interest payments of both loans will be made with the revenues received from customers of the Plant. Future maturities are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$134,927	\$35,281
2018	78,336	28,352
2019	83,854	22,835
2020	89,759	16,930
2021	96,080	10,608
2022	102,841	3,842
TOTALS	<u><u>\$585,797</u></u>	<u><u>\$117,848</u></u>

General Obligation Bonds

The City issues general obligation (GO) bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Principal and interest payments are paid solely from property tax revenues. The original amount of GO bonds issued in 1999 was \$21,895,000, and on August 16, 2005, the City issued \$13,575,000 GO refunding bonds to advance refund the callable portion of the 1999 bonds. The following is the City's debt service requirements for GO bonds and the stated interest rates for respective maturity years:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Governmental Activities</u>	
		<u>Principal</u>	<u>Interest</u>
2017	5.00%	\$1,530,000	\$200,500
2018	5.00%	1,480,000	124,000
2019	5.00%	1,000,000	50,000
		4,010,000	374,500
Unamortized discount		<u>(8,168)</u>	
TOTALS		<u><u>\$4,001,832</u></u>	<u><u>\$374,500</u></u>

Special Revenue Bonds - Governmental

In October 2013, the City issued \$7,000,000 Special Revenue Bonds and placed \$5,700,000 in the Capital Development Fund to construct improvements to the Beaverton Building at The Round at Beaverton Central. The remaining \$1,300,000 was used as a reimbursement to the General Fund for a portion of the purchase of the building. The City purchased the Beaverton Building in April 2012 in the amount of \$8,841,109 (\$8,041,109 from the General Fund and \$800,000 from the Capital Development Fund), and it became the new City Hall in August 2014.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

The Special Revenue Bonds will be payable solely from franchise fees, and the following is the City's debt service requirements to maturity:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$991,344	\$92,713
2018	1,014,488	69,569
2019	1,038,173	45,885
2020	1,062,410	21,648
2021	359,620	1,732
TOTALS	\$4,466,035	\$231,547

Land purchase contract payable

In October, 2015 the City entered into a four year land purchase contract to purchase a piece of property (0.48 acres) located at the southwest corner of SW Millikan Way and SW Rose Biggi Avenue in the amount of \$385,000. The property is in close proximity to City Hall and has many potential short and long-term uses. Future maturities are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$78,231	\$11,449
2018	81,995	7,685
2019	71,710	3,586
TOTALS	\$231,936	\$22,720

Revenue Bonds – Enterprise Funds

The City issues revenue bonds to finance major construction projects for business-type activities. During fiscal year 2014, the City issued a \$4,019,391 Water Revenue and Refunding Bonds, Series 2014 for the purpose of refunding in full the Water Revenue Bonds, Series 2004 and the Water Revenue Bonds, Series 2004B, payable on a parity basis with the Water Revenue Bonds, Series 2006. The refunding was done to take advantage of the lower interest rate but resulted in an economic loss of \$61,788 due to the unamortized discount on the original issue, and the the aggregate debt service amount of the refunding bond was \$57,394 less than the refunded bonds. The economic loss will be amortized over the life of the new refunding debt .

With the full refunding of the Water Revenue Bonds, Series 2004 and 2004B, the City amended and restated the provisions of the Master Ordinance related to the funding and administration of the Reserve Account. The insurer, National Public Finance Guarantee Corporation, consents to the amendments and has terminated the surety policies relating to the 1994 and 1997 water revenue bonds (which were refunded by the 2004 and 2004B refunding bonds). Outstanding revenue bonds as of June 30, 2016 include the remaining 2006 and 2014 water bonds.

The City covenants in the Master Water Bond Ordinance to charge rates and fees in connection with the operation of the water system which, when combined with other gross revenues, are adequate to generate net revenues in each fiscal year at least equal to 1.20 times annual debt service due in that fiscal year for senior lien debt and outstanding bonds. If the net revenues fail to meet this level, the City is required to promptly

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

increase its rates and fees or reduce expenses to a level so that net revenues are projected to meet the required level. As of June 30, 2016 the City was in compliance with these requirements. The following is the City's outstanding revenue bonds, and the interest rates shown represent the stated rates for respective maturities:

Year Ending June 30	2006		2014		TOTAL	
	Principal	Interest (4.00%- 4.20%)	Principal	Interest (1.48%)	Principal	Interest
2017	\$490,000	\$245,735	\$751,225	\$11,118	\$1,241,225	\$256,853
2018	515,000	226,135			515,000	226,135
2019	535,000	205,535			535,000	205,535
2020	560,000	184,135			560,000	184,135
2021	585,000	161,735			585,000	161,735
2022-2026	3,355,000	430,145			3,355,000	430,145
	6,040,000	1,453,420	751,225	11,118	6,791,225	1,464,538
Unamortized Discount	(2,874)		(3,333)		(6,207)	
TOTALS	\$6,037,126	\$1,453,420	\$747,892	\$11,118	\$6,785,018	\$1,464,538

Contracts Payable

The City has two contracts payable with the U.S. Department of the Interior, Bureau of Reclamation for water rights at Scoggins Dam. The first contract is for 2,500 acre feet of water rights and the second contract is for 1,500 acre feet of water rights. Both contracts are due and payable in annual installments and bear interest at 3.5%. Because the imputed interest rate of 11% is greater than the 3.5% stated interest rate, there is an unamortized discount amount being amortized against the annual interest expense. The ending balance of both contracts at June 30, 2016 totals \$544,151 (net of \$252,715 unamortized discount).

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Balance</u>
U.S. Department of Interior, Bureau of Reclamation - contract payable Scoggins Dam	3.5%	\$796,866

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

Debt service requirements to maturity on contracts payable are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$37,219	\$27,890
2018	38,521	26,588
2019	39,870	25,240
2020	41,266	23,844
2021	42,710	22,400
2022-2026	237,046	88,501
2027-2031	177,599	49,311
2032-2036	182,635	19,616
	796,866	283,390
Unamortized discount	(252,715)	
TOTALS	<u>\$544,151</u>	<u>\$283,390</u>

Changes in Long-term Liabilities and Compensated Absences

Long-term liability and compensated absences activity for the year ended June 30, 2016, was as follows:

Bonds and Obligations Payable and Compensated Absences	Beginning Balance 06/30/2015	Additions	Reductions	Ending Balance 06/30/2016	Due Within One Year
Governmental Activities:					
General obligation bonds	\$5,449,111		(\$1,447,279)	\$4,001,832	\$1,527,278
Special revenue bonds	5,434,763		(968,728)	4,466,035	991,344
Loan payable, Sec. 108	445,000		(40,000)	405,000	42,000
Loan payable, State Energy	721,799		(136,002)	585,797	134,927
Umrein land sale contract	-	\$385,000	(153,064)	231,936	78,231
Compensated absences	3,204,918	3,811,104	(3,560,653)	3,455,369	559,751
Governmental activities long term liabilities and compensated absences	<u>\$15,255,591</u>	<u>\$4,196,104</u>	<u>(\$6,305,726)</u>	<u>\$13,145,969</u>	<u>\$3,333,531</u>
Business-Type Activities:					
Revenue bonds	\$8,543,419		(\$1,758,401)	\$6,785,018	\$1,237,602
Contracts payable	564,984		(20,833)	544,151	21,901
Compensated absences	368,744	\$495,498	(452,442)	411,800	62,195
Business-type activities long term liabilities and compensated absences	<u>\$9,477,147</u>	<u>\$495,498</u>	<u>(\$2,231,676)</u>	<u>\$7,740,969</u>	<u>\$1,321,698</u>

Internal service funds predominantly serve the governmental funds. Accordingly, at year end, \$258,341 of internal service funds compensated absences is included in the governmental activities. The liability for compensated absences are liquidated within each individual budgetary fund. Also, for the governmental activities, State Energy loan payables are liquidated by the General Fund; Section 108 loan payables are

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

liquidated by a nonmajor fund; general obligation bonds and special revenue bonds are liquidated by debt service funds.

H. Fund Balance

The fund balance for governmental funds as of June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Library Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>						
<u>Restricted:</u>						
Capital projects					\$8,827,697	\$8,827,697
Road maintenance		\$4,035,085				4,035,085
Education			\$1,480,385			1,480,385
Debt service					406,741	406,741
Urban area economic development					1,880,963	1,880,963
Building inspections				\$2,358,955		
Other purposes					146,350	146,350
		4,035,085	1,480,385	2,358,955	11,261,751	16,777,221
<u>Committed to:</u>						
Arts and culture	\$8,971					8,971
Equipment replacement	923,046					923,046
Street lighting					310,438	310,438
Capital projects					852,903	852,903
	932,017				1,163,341	2,095,358
<u>Assigned to:</u>						
Multi-year projects	822,340					822,340
Compensated absences	2,572,005					2,572,005
Appropriated fund balance	5,729,320					5,729,320
	9,123,665					9,123,665
<u>Unassigned:</u>						
	9,294,655					9,294,655
Total Fund Balances	<u>\$19,350,337</u>	<u>\$4,035,085</u>	<u>\$1,480,385</u>	<u>\$2,358,955</u>	<u>\$12,425,092</u>	<u>\$37,290,899</u>

III. OTHER INFORMATION

A. Participation in Public Employees' Retirement System

1. Pension Plan

The City contributes to the Oregon Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple-employer defined benefit plan that provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges and school districts. The system provides retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

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June 30, 2016

2. Description of benefit terms:

Plan Benefits – Employees of the City are provided with pensions through OPERS. All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. OPERS produces an independently audited CAFR that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits provided under Chapter 238-Tier One/Tier Two - Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits – The OPERS 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 either 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:

- Member was employed by a OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in a OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-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 OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

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. Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA on benefits. The Oregon Supreme

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Court on April 30, 2015, overturned certain elements of the law as they were deemed unconstitutional (*Everice Moro et al v. State of Oregon et al*). As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

Benefits provided under Chapter 238A – OPSRP. OPSRP pension program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. Employees of the City are considered to be in the General Service category.

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 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.

3. Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set 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

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amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

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

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.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of 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.

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

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation – Mean		2.75

Changes in Plan Provisions Subsequent to Measurement Date – At its July 31, 2015 meeting, the PERS Board lowered the “assumed rate” from 7.75% to 7.5% effective January 1, 2016. The rate will be used for the determination of contribution rates beginning July 1, 2017.

4. Contributions

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015.

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June 30, 2016

The City's contributions for the year ended June 30, 2016 were \$4,513,756. The rates in effect for the fiscal year ended June 30, 2016 were: (1) Tier1/Tier 2 – 14.76%, and (2) OPSRP general service – 7.82%, and (3) OPSRP Police – 11.93%. These contribution rates do not include the rates for Retirement Health Insurance Accounts or 6% employee contribution to individual Account Program (IAP).

5. Pension Assets/Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$30,019,375 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2015. The City's proportionate share was based on a projection of the City's long term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2016 the City's proportion was 0.52285252 percent.

For the year ended June 30, 2016, the City recognized net pension expense of \$29,010,702 for the defined benefit portion of the pension plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,618,797	
Net difference between projected and actual earnings on pension plan investments		\$6,292,741
Changes in proportionate share	654,117	
Differences between employer contributions and employer's proportionate share of system contributions		2,857,652
	2,272,914	9,150,393
Contributions subsequent to the measurement date	4,513,756	
	\$6,786,670	\$9,150,393

Deferred outflows of resources related to pensions of \$4,513,756 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense / (income) as follows:

Year ending June 30	Year Ending June 30,	Deferred Outflow/(Inflow) of Reources (prior to post- measurement date contributions)
2016	2017	(\$3,173,003)
2017	2018	(3,173,003)
2018	2019	(3,173,003)
2019	2020	2,626,959
2020	2021	14,571
		(\$6,877,479)

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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2016

6. Sensitivity of the City's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following represents the City's proportionate share of the pension liability/(asset) calculated using the discount rate of 7.75 percent, as well as what the City's share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of net pension liability/(asset)	\$72,450,628	\$30,019,375	(\$5,738,829)

7. Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

Participation in OPERS defined benefit pension plans also participate in their defined contribution plan. An Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completed 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump-sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions

The City has chosen to pay the employees contributions to the plan. Six percent of covered payroll is paid for general service and police employees. For FY 15-16 the City paid \$2,352,388.

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B. Retirement Health Insurance Account (RHIA)

Plan Description – As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit, other post employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premium of eligible retirees. Oregon Revised Statutes (ORS) 238.420 establishes this trust fund. Authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004.

OPERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to OPERS, PO Box 23700, Tigard, Oregon, 97281-37400.

RHIA Funding Policy – Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provide in OPRS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement, or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) received both Medicare Parts A and B coverage, and (3) enroll in the PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The City currently contributes 0.53% of annual covered Tier 1 and Tier 2 payroll and 0.45% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City’s contributions to RHIA for the fiscal years ended June 30, 2016, 2015 and 2014 were approximately \$194,000, \$195,000 and \$175,000 respectively, which equal the required contributions for that year.

C. Other Post Employment Benefits (OPEB)

1. Plan Description

The City is required by Oregon Revised Statute 243.303 to provide retirees (if they elect) with group health and dental insurance coverage from the date of retirement age to age 65 at the same rates as provided to current City employees. The Government Accounting Standards Board Statement Number 45 is applicable to the City due to the resulting implicit rate subsidy. This single-employer “plan” is not a stand-alone plan and there are no separately issued financial statements. The City does not provide any explicit employee benefits.

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2. Funding Policy

The City collects insurance premiums from participating retirees each month. The premium payments are then deposited into the City's self-insurance fund. The City then includes the retirees' payments along with its payment of current employee premiums to the insurance carriers at the established amounts for each coverage type. As of the actuarial report date August 1, 2014, 23 retirees and 11 spouses were participating in the plan and on average over the last thirteen years, 38.33% of the retirees elected to participate in the plan. The premium rates are established each year through negotiation with the various insurance carriers.

3. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the Annual Required Contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represent a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 10 years. The following schedule shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the City OPEB obligation to the plan:

Annual Required Contribution (ARC)	\$715,375
Interest on prior year net OPEB contribution	136,860
Adjustment to ARC	<u>(470,179)</u>
Annual OPEB cost	382,056
Implicit benefit payments	<u>(174,800)</u>
Increase in net OPEB obligation	207,256
Net OPEB obligation – beginning of year	<u>3,910,295</u>
Net OPEB obligation – end of year	<u><u>\$4,117,551</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for FY 2013-14 through FY 2015-16 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributions	Net OPEB Obligation
06/30/2013	\$660,560	32%	\$3,079,089
06/30/2014	635,770	35%	3,493,964
06/30/2015	661,058	37%	3,910,295
06/30/2016	382,056	46%	4,117,551

4. Funding Status and Funding Progress

As of August 1, 2014, the most recent actuarial valuation, the plan was zero percent funded as the plan is operated on a pay-as-you-go basis. The actuarial accrued liability for benefits was \$3,675,873 and also equaled the unfunded actuarial accrued liability (UAAL). The annual payroll of active employees covered by the plan (covered payroll) was \$36.3 million and the ratio of the UAAL to the covered payroll was 10.1%.

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June 30, 2016

The plan's actuarial valuation involves estimates of amounts and assumptions about the probability of events far into the future, such as, future employment, mortality and healthcare cost trends. Amounts determined about the funding status of the plan and the annual required contributions are subject to periodic revision as actual results for each period are compared with past expectations and new assumptions are made about the future.

5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the health benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions include techniques that are designed to reduce the effects of short-term volatility in actuarial results consistent with the long term perspective of the calculations.

In the August 1, 2014 valuation, the projected unit credit cost method was used. The investment return for the City was assumed to be 3.5% to reflect the long-term annual investment returns for the Oregon Local Government Investment Pool and comparable investment vehicles. Other actuarial assumptions include a 2.75% inflation component; health care cost increases of 5.75% in the first year (August 1, 2015 premiums compared with August 1, 2014 premiums). In future years, the medical and vision cost trend varies between 6.75% and 5.00% due to the timing of the excise tax scheduled to affect health care benefits beginning in 2018. The trend then settles to an ultimate rate of 4.75%. Dental costs will increase 4.5% in all future years. The UAAL is being amortized as a level dollar amount over a rolling period of 10 years.

D. Risk Management

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Significant real and personal property exposures are covered by insurance for loss from all perils, including earthquake and flood damage. General and automobile liability exposures are insured up to \$10,000,000 per occurrence, and are subject to a \$125,000 aggregate deductible. The City retains the first \$650,000 for police and other classifications per workers' compensation claim and transfers the excess exposure through commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). At June 30, 2016, \$144,334 and \$361,000 of those liabilities are outstanding in the General Liability Program and in the Workers' Compensation Program, respectively. Changes in the City's claims liability for the years ended June 30, 2015 and 2016 are as follows:

	Balance <u>July 1</u>	Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance <u>June 30</u>
2014-2015	\$505,334	\$407,101	(\$407,101)	\$505,334
2015-2016	505,334	549,638	(549,638)	505,334

E. Commitments and Contingencies

Workers' compensation, general liability, auto, unemployment and dental claims covered by the City's Insurance Fund (Internal Service Fund) are reviewed, and losses are accrued based on the judgment of City management. In the opinion of City management, the ultimate disposition of these claims will not have a material adverse effect on the financial position or results of operations of the Internal Service Funds.

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The City is the defendant in several legal actions currently pending. Although their outcome cannot be determined, it is the opinion of management that settlement of these matters will not have a material effect on the financial position and results of operations of the City.

The City has active construction projects as of June 30, 2016 which represent multi-year contracts. As of June 30, 2016, the amount of uncompleted contracts for various projects totals \$1,676,616.

F. Transactions with Clean Water Services of Washington County

In April 1976, the City entered into a contract with the Clean Water Services (CWS) of Washington County whereby the City acts as a collection agent for CWS for sewer service charges and sewer connection charges inside the City's limits. The City, in 1990, also entered into a contract with CWS to collect storm drain charges. In accordance with the agreements, the City collects all charges on behalf of CWS and remits all applicable collections to CWS, except for 16.385% of sewer service charges, 3.983% of sewer connection charges collected, and 75% of applicable surface water (storm drain) charges collected. During fiscal year 2016, the City paid \$21,398,351 to CWS and retained \$7,123,246 as charges for services revenues and \$95,872 as sewer systems development charge revenues included in the Business-type activities.

G. Restatement

For the year ended June 30, 2016, the City recorded three prior period adjustments to the beginning net position in the Statement of Activities to reflect the following changes:

- Re-allocation of pension-related balances (per GASB Statement No. 68) between the business type and governmental type activities in the amount of \$59,954 to adjust for the misallocation recorded in fiscal year 2014-15.
- Re-allocation of other post employment benefits (OPEB) liability (per GASB Statement No. 45) to the internal service funds in the amount of \$279,115. In previous years, internal service funds did not report OPEB liability in its statements as they are consolidated with governmental activities at the government wide level. This resulted in prior period adjustments of \$30,410 between the Governmental Activities and Business-Type activities.
- An adjustment was made to reduce the City's amount of equity interest reported in the joint ventures of the Joint Water Commission and Barney Reservoir Joint Ownership Commission. The equity variance was primarily due to a difference in the estimated useful life of capital assets used for calculating depreciation between the City and joint ventures which resulted in the City's equity interest being overstated. The adjusted amount reflects the City's equity interest as reported in the 2015 audited financial statements of the joint ventures. This resulted in a prior period adjustment of \$3,960,725 in the Business-Type activities.

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June 30, 2016

As a result of these restatements, the beginning net position has been restated as follows:

	Statement of Net Position		Effect of Change
	As Originally Reported	As Restated	
Governmental Activities:			
Assets:			
Net pension asset	\$10,037,027	\$9,977,073	(\$59,954)
Noncurrent liabilities:			
Net other postemployment benefits obligation	(\$3,509,200)	(\$3,539,610)	(\$30,410)
Net position	\$181,820,546	\$181,730,182	(\$90,364)
Business Type Activities:			
Assets:			
Net pension asset	\$950,967	\$1,010,921	\$59,954
Investments in joint ventures	\$24,640,858	\$20,680,133	(\$3,960,725)
Noncurrent liabilities:			
Net other postemployment benefits obligation	(\$401,095)	(\$370,685)	\$30,410
Net position	\$227,788,553	\$223,918,192	(\$3,870,361)

H. Subsequent Event

Bond Issuance

On November 8, 2016, the City of Beaverton issued \$5,615,000 Water Revenue and Refunding Bonds Series 2016, with a cash contribution of \$615,000, to refund the City's 2006 outstanding Water Revenue Bonds of \$6,040,000. The refunding was undertaken to take advantage of the market conditions and resulted in a net present value savings of \$611,104.

Public Safety Center Property Tax Measure

On November 8, 2016 City of Beaverton voters approved a property tax measure that will allow the City to issue up to \$35 million in general obligation bonds that will be repaid through property taxes over a period of up to 21 years. The bonds will pay for the capital costs of constructing and equipping an earthquake-resistant public safety center on property already owned by the city. The building would house the City's police department, emergency management division and other public safety services.