

RESOLUTION NO.

A RESOLUTION ACKNOWLEDGING THE RECEIPT OF THE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE  
CITY OF EUGENE FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015

The City Council of the City of Eugene finds that:

The firm of Isler CPA has completed the audit of the financial statements of the City of Eugene for the fiscal year ended June 30, 2015, as required by ORS 297.425 and, pursuant to ORS 297.465, reported to the Mayor and City Council on its findings.

NOW, THEREFORE,

BE IT RESOLVED by the City Council of the City of Eugene, a Municipal Corporation of the State of Oregon, as follows:

Section 1. That the Council hereby acknowledges that it has received the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

The foregoing resolution adopted the 11th day of January, 2016.

City Recorder



December 23, 2015

To the City Council  
City of Eugene, Oregon

An Independently Owned Member  
**McGLADREY ALLIANCE**



We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eugene for the year ended June 30, 2015, and have issued our report thereon dated December 23, 2015. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated August 14, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Eugene are described in the footnotes to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

The financial statements include: (1) implementation of GASB 68 relating to pension reporting – see the expanded disclosures in 5(C); see note 5(I) regarding the change in accounting for pensions; and, see note 5(J) regarding the allocation of the pension bonds to the various funds.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most significant estimate affecting the financial statements is the determination of depreciation on capital assets. The accounting policies relating to capital assets and depreciation are described in the footnotes to the comprehensive annual financial report. The PERS footnote 5(C) discusses assumptions used to value the pension obligation.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. There were no known or likely material misstatements identified during the audit.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 23, 2015.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

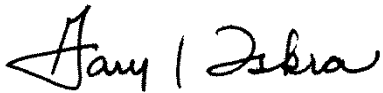
**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles, implementation of new accounting standards, and the impact of new auditing standards with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Eugene and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**ISLER CPA**

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large initial "G" and "I".

**By Gary Iskra, a member of the firm**

### Information on General Fund, Fund Balance Trends

The FY15 Comprehensive Annual Financial Report (CAFR) includes key data related to the General Fund's Ending Fund Balance. Fund balance information is contained in several places:

- Governmental Funds, Balance Sheet, Exhibit 3, page 29.
- Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance, Exhibit 4, page 30.
- Notes to Basic Financial Statements, Note (P), Fund Balance, pages 46-47.
- General Fund, Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual, Schedule A-1, page 81.

Included in these exhibits and statements is information on the change in General Fund balance from the prior year, as well as a breakdown of elements of fund balance.

#### General Fund Ending Working Capital (Budget Basis)

FY15 actual results show an ending working capital (EWC) in the General Fund, reporting fund (including the Main Subfund, Cultural Services Subfund and Equipment Replacement Subfund) of \$40,179,466 which is \$2,153,281 less than the FY14 EWC and \$965,104 more than anticipated for carryover resources in the FY16 Adopted Budget. These figures are reported on a Budget Basis of accounting. The chart below compares FY14 and FY15 Ending Working Capital for the General Fund (Budget Basis).

General Fund Ending Working Capital Budget Basis	Main Subfund	Cultural Services Subfund	Equipment Replacement Subfund	Total Reporting Fund *
FY14	\$38,503,285	\$2,487,501	\$1,341,961	\$42,332,747
FY15	36,559,410	2,378,693	1,241,363	40,179,466
Change	(1,943,875)	(108,808)	(100,598)	(2,153,281)

#### General Fund Ending Fund Balance (GAAP Basis)

On a Generally Accepted Accounting Principles (GAAP) basis, the FY14 Ending Fund Balance represented 33% of the General Fund revenues in FY14, which decreased to 31% based upon FY15 actual results. GAAP results differ from budget basis results because the budget is created on a modified accrual basis while GAAP rules are slightly different in terms of when revenues and expenditures are recognized. The chart below compares FY14 and FY15 Ending Fund Balance for the General Fund (GAAP Basis). For the Main Subfund, the decrease in Ending Working capital is a result of the FY15 strategy to use reserves to balance the budget.

General Fund Ending Working Capital GAAP Basis	Main Subfund	Cultural Services Subfund	Equipment Replacement Subfund	Total Reporting Fund *
FY14	\$39,117,324	\$2,488,436	\$1,362,302	\$42,968,062
FY15	37,411,228	2,380,537	1,241,849	41,033,614
Change	(1,706,096)	(107,899)	(120,453)	(1,934,448)

\*Source: CAFR Exhibit 3, page 29 (FY14).

\*Source: CAFR Exhibit 3, page 29 (FY15).

General Fund Ending Balance Classifications

The General Fund Ending Fund Balances for FY14 and FY15 are shown below according to the classifications in the CAFR. This chart shows the components of the Ending Fund Balance and how they have changed from FY14 to FY15. It is important to remember that, although at June 30, 2015 there was a portion of fund balance that was considered, under accounting rules, to be “Unassigned”, that amount has subsequently been appropriated by City Council and is no longer available for spending.

General Fund Ending Balance Classifications (FY14 and FY15)

Category	Item	Explanation	FY14	FY15
Non-Spendable		Prepays and deposits have already been paid out and are not available for other spending	\$ 623,852	\$837,243
Restricted	Cultural Services	From Transient Room Tax; must be spent according to state law.	1,088,331	1,107,064
Assigned	Unappropriated Ending Fund Balance	Pay bills and payroll until property taxes are received in November; set at 2 months of expenditures per Council policy	21,710,000	23,040,000
	Cultural Services	Prudent reserve for operation of Hult Center, etc.	1,400,106	1,273,473
	Reserve for Encumbrance	Contracts that were in effect but not complete as of June 30	2,439,332	2,543,769
	Reserve for Next Year's Spending	Used to balance the subsequent year's budget	1,724,995	810,398
	Reserve for Revenue Shortfall	Prudent reserve for the General Fund; target is 8% of expenditures	6,134,237	9,451,371
	Other Reserves	For property tax appeals and equipment replacement	1,224,706	1,069,153
Unassigned		Appropriated on supplemental budget #1 in December of the subsequent year and no longer available for spending	6,622,503	901,143
		Total Fund Balance	\$42,968,062	\$41,033,614

Source: CAFR Exhibit 3, page 29, and CAFR Note (1)(O), page 46-47 (FY14).

Source: CAFR Exhibit 3, page 29, and CAFR Note (1)(P), page 46-47 (FY15).