

# **CITY OF BANKS**

Washington County, Oregon

## **AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2015

CITY OF BANKS

Washington County, Oregon

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CITY OF BANKS

Washington County, Oregon

CITY OFFICIALS

June 30, 2015

MAYOR

Term Expires

Pete Edison  
Banks, Oregon 97106

December 31, 2016

COUNCIL PRESIDENT

Mark Gregg  
Banks, Oregon 97106

December 31, 2018

COUNCIL

Dan Keller  
Banks, Oregon 97106

December 31, 2018

Mark Walsh  
Banks, Oregon 97106

December 31, 2018

Brian Biehl  
Banks, Oregon 97106

December 31, 2016

Michael Nelson  
Banks, Oregon 97106

December 31, 2016

Teri Branstitre  
Banks, Oregon 97106

December 31, 2016

CITY MANAGER

Jolynn Becker  
13680 NW Main St.  
Banks, Oregon 97106

CITY RECORDER

Angie Lanter  
13680 NW Main St.  
Banks, Oregon 97106

**DENNIS R. CONNER**  
CERTIFIED PUBLIC ACCOUNTANT  
CLATSKANIE, OREGON 97016

**INDEPENDENT AUDITOR'S REPORT**  
Modified Cash Basis Financial Statements

To the Mayor and City Council  
City of Banks  
Banks, Oregon

I have audited the accompanying modified cash financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Banks, Oregon (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in modified cash financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1C.

**Basis of Accounting**

I draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

**Report on Supplementary and Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, budgetary comparison schedules, and other financial schedules listed in the table of contents, and the management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1C.

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

**Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for audits of Oregon Municipal Corporations, I have also issued my report dated September 2, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Dennis R. Conner  
Certified Public Accountant  
September 2, 2015

# City of Banks

## Management Discussion and Analysis

FYE June 30, 2015

This Management Discussion and Analysis of the City of Banks financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds.

### **Report Components**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting as described in the notes to financial statements.

### **Basic Financial Statements**

**Government-Wide Financial Statements:** The Statement of Net Position and the Statement of Activities provide information about the City's government-wide (or "as a whole") activities, and include information about long-term debt, capital assets, and associated depreciation.

**Fund Financial Statements:** Fund financial statements focus on the individual parts of the City's government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant ("major") funds. For the City of Banks as a governmental activity, these statements tell how these services were financed in the short term as well as what remains for future spending.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements, and provide expanded explanation and detail regarding the information reported in the statements.

**Supplementary Information** - The General Fund and other fund budgetary comparison schedules, the property tax schedule, and other financial information are provided to address specific needs of various users of the report.

The following is condensed financial information for the prior and current fiscal years, prepared on the modified cash basis of accounting as described in Note 1 of the basic financial statements.

**CITY OF BANKS - NET POSITION**

	Governmental Activities <u>June 30, 2014</u>	Governmental Activities <u>June 30, 2015</u>	Business-Type Activities <u>June 30, 2014</u>	Business-Type Activities <u>June 30, 2015</u>	Total <u>June 30, 2014</u>	Total <u>June 30, 2015</u>	Increase (Decrease)
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 1,666,508	\$ 1,813,718	\$ 344,038	\$ 287,590	\$ 2,010,546	\$ 2,101,307	\$ 90,761
Capital Assets, Net of Depreciation	980,631	977,115	4,233,377	4,098,726	5,214,008	5,075,841	(138,167)
Total	<u>2,647,139</u>	<u>2,790,833</u>	<u>4,577,415</u>	<u>4,386,316</u>	<u>7,224,554</u>	<u>7,177,148</u>	<u>(47,406)</u>
<b>LIABILITIES</b>							
Bonds Payable	129,403	120,480	1,736,504	1,607,066	1,865,907	1,727,546	(138,361)
<b>Total Net Position</b>	<u>\$ 2,517,736</u>	<u>\$ 2,670,352</u>	<u>\$ 2,840,911</u>	<u>\$ 2,779,250</u>	<u>\$ 5,358,647</u>	<u>\$ 5,449,602</u>	<u>\$ 90,955</u>

**CITY OF BANKS - CHANGE IN NET POSITION**

	Governmental Activities <u>2013-14</u>	Governmental Activities <u>2014-15</u>	Business-Type Activities <u>2013-14</u>	Business-Type Activities <u>2014-15</u>	Total <u>2013-14</u>	Total <u>2014-15</u>	Variance Favorable (Unfavorable)
<b>PROGRAM RECEIPTS</b>							
Charges for Services	\$ 197,130	\$ 232,410	\$ 540,336	\$ 568,728	\$ 737,466	\$ 801,138	\$ 63,672
Operating Grants	64,253	23,980	-	-	64,253	23,980	(40,273)
Total	<u>261,383</u>	<u>256,390</u>	<u>540,336</u>	<u>568,728</u>	<u>801,719</u>	<u>825,118</u>	<u>23,399</u>
<b>GENERAL RECEIPTS</b>							
Property Taxes	447,203	463,858	-	-	447,203	463,858	16,655
Intergovernmental	280,604	284,431	-	-	280,604	284,431	3,827
Interest	8,422	8,841	2,041	1,726	10,463	10,566	103
Miscellaneous	6,406	60,582	1,399	578	7,805	61,160	53,355
Total	<u>742,635</u>	<u>817,712</u>	<u>3,440</u>	<u>2,304</u>	<u>746,075</u>	<u>820,016</u>	<u>73,941</u>
Total Receipts	<u>1,004,018</u>	<u>1,074,102</u>	<u>543,776</u>	<u>571,032</u>	<u>1,547,794</u>	<u>1,645,134</u>	<u>97,340</u>
<b>EXPENSES</b>							
Administrative	(238,113)	(294,144)	-	-	(238,113)	(294,144)	(56,031)
Library	(228,348)	(242,958)	-	-	(228,348)	(242,958)	(14,610)
Police	(209,833)	(214,444)	-	-	(209,833)	(214,444)	(4,611)
Streets & Roads	(58,029)	(57,254)	-	-	(58,029)	(57,254)	775
Parks & Other	(55,063)	(59,170)	-	-	(55,063)	(59,170)	(4,107)
Depreciation	(49,936)	(53,515)	-	-	(49,936)	(53,515)	(3,579)
Water	-	-	(533,271)	(632,694)	(533,271)	(632,694)	(99,423)
Total	<u>(839,322)</u>	<u>(921,485)</u>	<u>(533,271)</u>	<u>(632,694)</u>	<u>(1,372,593)</u>	<u>(1,554,179)</u>	<u>(181,586)</u>
Increase (Decrease) in Net Position	<u>\$ 164,696</u>	<u>\$ 152,617</u>	<u>\$ 10,505</u>	<u>\$ (61,662)</u>	<u>\$ 175,201</u>	<u>\$ 90,955</u>	<u>\$ (84,246)</u>

## Management's Direct Comments

### Overall Financial Position

The City is financially sound. The Budget is balanced. There are sufficient funds to cover all of the accounts. Overall cash assets are adequate to sustain ongoing operations in the City and to provide continued service at the existing level. We operate during the fiscal year from a spending plan, continuously monitoring revenues actually realized and anticipating expenditures appropriately timed. Our income to debt ratio is at a satisfactory level and our financial management, including financial monitoring, is sound and accurate. The City is in compliance with all federal, state and county financial regulations.

### Significant Transactions and Changes

During the Fiscal Year ended June 30, 2015 the City of Banks:

- Continued to operate the Public Safety Local Option Levy which expires on June 30, 2017.
- Continued to operate under the Countywide Library Local Option Levy, extended by the electorate of Washington County (including residents of the City of Banks).
- Continued expansion of Unappropriated Ending Fund Balances in regular operating Funds to adequate levels.
- Continued the funding of employee vacation bank liability in regular operating Funds to adequate levels.
- Conducted multiple annual comprehensive insurance and surety reviews with staff and insurance agent representation.
- Continued to institutionalize the Internal Audit Subcommittee of the Banks City Council with ongoing meetings being held.
- Continued Water System Master Plan Capital Improvement Plan (CIP) project implementation.
- Continued to utilize the City of Banks website to enhance communications with the citizenry.
- Adopted two Resolutions permitting inter-fund loans from the Library Fund #03, and the Police Services Fund #07, to be repaid in the Fiscal Year. It is not anticipated that the authority will be utilized except in extraordinary circumstances. It is also not anticipated that the process will be necessary once the Unappropriated Ending Fund Balance(s) is (are) attained in the appropriate operating funds in the next and follow-on Fiscal Years.
- Started the Water Rate Study for the next 5 years
- Completed the Special Event Application and Planning Guide

### Variations Between Adopted and Actual Budget Amounts

During the Fiscal Year Ended June 30, 2015 the City of Banks did not made any budget changes to the originally adopted Operating Budget.

Final budget amounts are consistent with final actual budget amounts for the General Fund.

Major Fund ending fund balances are higher than originally projected as tabulated in the following table:

No.	Fund	Budgeted Ending Balance	Actual Ending Balance
1	General	\$ 100,000	\$ 501,572
2	Water	15,000	33,381
3	Library	15,000	29,386
4	Street/Road	70,000	500,246
5	Water Bonded Debt	43,720	45,133
6	Traffic Impact	-	424,649
7	Police	56,000	155,764
8	System Development	-	20,679
9	Water Depreciation	-	184,928
10	Park	19,000	26,352
11	Traffic Development Tax	-	11,491
13	Capital Projects Reserve	-	160,604
14	Capital Projects	-	-
15	Water Equipment Reserve	-	3,020
17	Water Utility Projects	-	449
18	Parks SDC	-	3,654
	Total	<u>\$ 318,720</u>	<u>\$ 2,101,307</u>

#### Capital Asset and Long-Term Debt Activity

While no new capital asset activity is noted, significant capital asset activity has occurred, which has required indebtedness to accomplish replacement and upgrade of Water Utility infrastructure, as well as remodeling of the Banks Public Library and completion of the Public Works Building internal build-out. The Banks City Council had sold Certificates of Participation through the League of Oregon Cities Capital Asset Program (LOCAP) in the amount of \$1,565,000. That amount funded and covered all of the projects currently in process. The projects are all essentially complete with only minor "punch list" items remaining to be accomplished.

The long-term Water Utility debt will remain relatively moderate as we proceed with normal capital maintenance of the water distribution system, and execution of the Water System Master Plan Capital Improvement Plan.

#### Changes in Assessed Condition of Infrastructure Assets

There have been no significant changes in the assessed condition of eligible infrastructure assets of the City.

#### Facts, Decisions, and Conditions Affecting Next Year and Beyond

In the coming Fiscal Year, and beyond, the City of Banks:

- Will to receive a credit for Public Employee Retirement System (PERS) contributions.
- Will continue full funding of employee vacation bank liability.
- Will continue to implement the updated Water Utility Rate Study.
- Will begin the next Water Utility rate study in 2014 for implementation in 2016.
- Will implement the Banks Transportation System Plan.
- Will begin replacement of approximately 6 miles of water distribution main from the municipal spring water source to the main reservoir.
- Will continue to repair water distribution system infrastructure.
- Will accept annexation petitions when presented.
- Will begin Phase II of the Banks Public Library renovation and expansion plan.
- Will install solar panels on the Public Library.
- Will continue the phased repair and upgrade of sidewalks throughout the City.
- Will complete the looping of water mains in the City.
- Will replace water lines along Cedar Canyon Road and Banks Road.
- Will establish a Water Utility Asset Management program.
- Will complete the upgrades to Greenville City Park.

Financial and Managerial Personnel

City Manager:	Jolynn Becker
City Recorder:	Angie Lanter
Finance Director:	Jolynn Becker
Public Works Director:	Jolynn Becker
Library Director:	Denise Holmes
Community Development Director:	Jolynn Becker
Parks & Trees Director:	Jolynn Becker
Public Works Administrative Assistant / Water Clerk:	Michelle Warren

For questions about this MD&A, or additional financial information, contact the City of Banks Finance Director at 13680 NW Main Street, Banks, Oregon 97106, or by telephone at 503-324-5112, extension 102.

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,813,718	\$ 242,457	\$ 2,056,175
Restricted for Debt Service	-	45,133	45,133
Capital Assets:			
Land	35,557	583,133	618,690
Other Capital Assets, Net of Depreciation	<u>941,558</u>	<u>3,515,593</u>	<u>4,457,151</u>
<u>Total Assets</u>	<u>2,790,833</u>	<u>4,386,316</u>	<u>7,177,148</u>
<b><u>LIABILITIES</u></b>			
Long-term Liabilities:			
Due in One Year	9,419	136,173	145,592
Due in More Than One Year	<u>111,061</u>	<u>1,470,893</u>	<u>1,581,954</u>
<u>Total Liabilities</u>	<u>120,480</u>	<u>1,607,066</u>	<u>1,727,546</u>
<b><u>NET POSITION</u></b>	<b><u>\$ 2,670,352</u></b>	<b><u>\$ 2,779,250</u></b>	<b><u>\$ 5,449,602</u></b>
 <b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	\$ 856,635	\$ 2,491,660	\$ 3,348,295
Restricted For:			
Debt Service	-	45,133	45,133
Other Purposes	1,092,150	-	1,092,150
Unrestricted	<u>721,567</u>	<u>242,457</u>	<u>964,024</u>
<u>Total Net Position</u>	<u>\$ 2,670,352</u>	<u>\$ 2,779,250</u>	<u>\$ 5,449,602</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

Year Ended June 30, 2015

	<u>Program Receipts and Expenses</u>			<u>Net (Expense) Receipts and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Grants</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
<b><u>PRIMARY GOVERNMENT</u></b>						
<b><u>Government Activities</u></b>						
Administrative	\$ (294,144)	\$ 198,068	\$ 20,200	\$ (75,876)	\$ -	\$ (75,876)
Library	(242,958)	-	3,780	(239,178)	-	(239,178)
Police	(214,444)	15,272	-	(199,172)	-	(199,172)
Streets and Roads	(57,254)	-	-	(57,254)	-	(57,254)
Parks & Other	(59,170)	19,069	-	(40,101)	-	(40,101)
Depreciation	(53,515)	-	-	(53,515)	-	(53,515)
	<u>(921,485)</u>	<u>232,410</u>	<u>23,980</u>	<u>(665,095)</u>	<u>-</u>	<u>(665,095)</u>
<b><u>Business-Type Activities</u></b>						
Water	(632,694)	568,728	-		(63,966)	(63,966)
<b><u>Total Primary Government</u></b>	<u>(1,554,179)</u>	<u>801,138</u>	<u>23,980</u>	<u>(665,095)</u>	<u>(63,966)</u>	<u>(729,061)</u>
<b><u>General Receipts</u></b>						
Property Taxes				463,858	-	463,858
Intergovernmental				284,431	-	284,431
Interest				8,841	1,726	10,566
Miscellaneous				60,582	578	61,160
				<u>817,712</u>	<u>2,304</u>	<u>820,016</u>
<b><u>CHANGE IN NET POSITION</u></b>				152,617	(61,662)	90,955
<b><u>NET POSITION, Beginning</u></b>				<u>2,517,735</u>	<u>2,840,911</u>	<u>5,358,646</u>
<b><u>NET POSITION, Ending</u></b>				<u>\$ 2,670,352</u>	<u>\$ 2,779,249</u>	<u>\$ 5,449,601</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS**

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Library Fund	Street and Road Fund	Traffic Fee Reserve Fund	Police Fund	Non- Major Funds	Total
<b><u>ASSETS</u></b>							
Cash and Cash Equivalents	<u>\$501,572</u>	<u>\$29,386</u>	<u>\$ 500,246</u>	<u>\$ 424,649</u>	<u>\$155,764</u>	<u>\$ 202,101</u>	<u>\$ 1,813,718</u>
<b><u>FUND BALANCES</u></b>							
Restricted - Special Revenue Funds	\$ -	\$ -	\$ 500,246	\$ 424,649	\$155,764	\$ 11,491	\$ 1,092,150
Committed - Special Revenue Funds	-	29,386	-	-	-	30,006	59,392
Committed - Capital Project Funds	-	-	-	-	-	160,604	160,604
Unassigned	501,572	-	-	-	-	-	501,572
Total	<u>\$501,572</u>	<u>\$29,386</u>	<u>\$ 500,246</u>	<u>\$ 424,649</u>	<u>\$155,764</u>	<u>\$ 202,101</u>	<u>\$ 1,813,718</u>

**Reconciliation to Statement of Net Position**

Fund Balances	\$ 1,813,718
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities net of accumulated depreciation are not <u>financial</u> resources, and therefore not reported in the fund statements.	977,115
Long term debt obligations payable are not due and payable in this reporting period, and therefore are not reported in the fund statements.	<u>(120,480)</u>
Net Position of Government Activities	<u>\$ 2,670,352</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	<u>General</u>	<u>Library</u>	<u>Street &amp;</u>	<u>Traffic Fee</u>	<u>Police</u>	<u>Non-</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Road</u>	<u>Reserve</u>	<u>Fund</u>	<u>Major</u>	
			<u>Fund</u>	<u>Fund</u>		<u>Funds</u>	
<u>RECEIPTS</u>							
Taxes	\$ 211,639	\$ -	\$ -	\$ -	\$ 252,220	\$ -	\$ 463,858
Intergovernmental	44,622	132,289	107,520	-	-	-	284,431
Fines and Forfeitures	8,421	6,851	-	-	-	-	15,272
Licenses, Permits and Fees	172,628	-	-	-	-	25,440	198,068
Charges for Services	-	-	-	-	-	19,069	19,069
Interest	2,349	215	2,351	2,105	860	960	8,841
Grants	20,200	3,780	-	-	-	-	23,980
Miscellaneous	7,489	497	49,667	-	-	2,929	60,582
Total	<u>467,349</u>	<u>143,632</u>	<u>159,538</u>	<u>2,105</u>	<u>253,080</u>	<u>48,399</u>	<u>1,074,102</u>
<u>EXPENDITURES</u>							
Current:							
Administrative	293,582	-	-	-	-	-	293,582
Police	-	-	-	-	214,444	-	214,444
Library	-	238,611	-	-	-	-	238,611
Streets & Roads	-	-	56,010	1,244	-	-	57,254
Parks & Other	-	-	-	-	-	59,170	59,170
Capital Outlay	-	-	49,999	-	-	-	49,999
Debt Service	1,585	12,247	-	-	-	-	13,832
Total	<u>295,166</u>	<u>250,859</u>	<u>106,009</u>	<u>1,244</u>	<u>214,444</u>	<u>59,170</u>	<u>926,893</u>
<u>RECEIPTS OVER (UNDER)</u>							
<u>EXPENDITURES</u>	<u>172,182</u>	<u>(107,227)</u>	<u>53,529</u>	<u>860</u>	<u>38,636</u>	<u>(10,771)</u>	<u>147,210</u>
<u>OTHER FINANCING SOURCES</u>							
Transfers In	-	92,992	-	-	-	33,300	126,292
Transfers (Out)	(126,292)	-	-	-	-	-	(126,292)
Total	<u>(126,292)</u>	<u>92,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,300</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	45,890	(14,235)	53,529	860	38,636	22,529	147,210
<u>FUND BALANCES, Beginning</u>	<u>455,681</u>	<u>43,621</u>	<u>446,717</u>	<u>423,789</u>	<u>117,128</u>	<u>179,572</u>	<u>1,666,508</u>
<u>FUND BALANCES, Ending</u>	<u>\$ 501,572</u>	<u>\$ 29,386</u>	<u>\$ 500,246</u>	<u>\$ 424,649</u>	<u>\$ 155,764</u>	<u>\$ 202,101</u>	<u>\$ 1,813,718</u>
<u>Reconciliation to Statement of</u>							
Net Change in Fund Balances - Total Governmental Funds							\$ 147,210
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.							
Capital Asset Additions							49,999
Depreciation Expense							(53,515)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Activities.							
Loan Payments							<u>8,924</u>
Change in Net Position of Governmental Activities							<u>\$ 152,617</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

PROPRIETARY FUNDS - COMBINED

June 30, 2015

	<u>Water</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 242,457
Cash Restricted for Debt Service	45,133
<u>Noncurrent Assets:</u>	
Land	583,133
Other Capital Assets, Net of Depreciation	<u>3,515,593</u>
Total	<u>4,386,316</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loans Payable	136,173
<u>Noncurrent Liabilities:</u>	
Loans Payable	<u>1,470,893</u>
Total	<u>1,607,066</u>
<u>NET POSITION</u>	<u>\$ 2,779,250</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,491,660
Restricted for Debt Service	45,133
Unrestricted	<u>242,457</u>
<u>Total Net Position</u>	<u>\$ 2,779,250</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF RECEIPTS, EXPENSES, AND**  
**CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS - COMBINED**

Year Ended June 30, 2015

	<u>Water</u>
<b><u>OPERATING RECEIPTS</u></b>	
Water Sales	\$ 568,728
SDC Charges	-
Total	<u>568,728</u>
<b><u>OPERATING EXPENSES</u></b>	
Water Expenses Paid	(427,172)
Depreciation Expense	<u>(134,651)</u>
Total	<u>(561,823)</u>
OPERATING INCOME (LOSS)	<u>6,906</u>
<b><u>NON-OPERATING RECEIPTS</u></b>	
Interest Earned	1,726
Other Receipts	<u>578</u>
Total	<u>2,304</u>
<b><u>NON-OPERATING EXPENSES</u></b>	
Interest Expense	<u>(70,871)</u>
NET INCOME (LOSS)	<u>(61,662)</u>
<b><u>INTERFUND TRANSFERS</u></b>	
Transfers In	64,000
Transfers (Out)	<u>(64,000)</u>
Total	<u>-</u>
CHANGE IN NET POSITION	(61,662)
<u>NET POSITION</u> , Beginning	<u>2,840,911</u>
<u>NET POSITION</u> , Ending	<u>\$ 2,779,249</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**

PROPRIETARY FUNDS - COMBINED

Year Ended June 30, 2015

	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts From Customers	\$ 568,728
Payment to Suppliers	(247,098)
Payments to Employees	(180,073)
Net Cash Provided by (Used In) Operating Activities	<u>141,557</u>
 <u>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</u>	
Transfers From Other Funds	64,000
Transfers To Other Funds	(64,000)
Net Cash Provided by (Used In) Financing Activities	<u>-</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Assets	-
Payments of Debt Principal	(129,438)
Payments of Debt Interest	(70,871)
Net Cash Used in Capital and Related Financing Activities	<u>(200,310)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest and Other Receipts	<u>2,304</u>
 <u>NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS</u>	
	(56,449)
<u>CASH BALANCE, Beginning</u>	<u>344,038</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 287,589</u>
 Reconciliation of Operating Income to net cash provided by Operating Activities:	
Operating Income	\$ 6,906
Adjustment for Depreciation Expense	<u>134,651</u>
Net Cash Provided by Operating Activities	<u>\$ 141,557</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C, these financial statements are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

**New Accounting Pronouncement - GASB Statement No. 68 and 71**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. Adoption of these statements has no effect on the financial statements of entities using the modified cash basis of accounting, and therefore does not apply for the City of Banks..

**1A FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is composed of the following:

Primary Government:	CITY OF BANKS
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In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, The Financial Reporting Entity.

**1B BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: government and proprietary. Proprietary funds are also referred to as enterprise funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type.

b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The funds of the financial reporting entity are described below:

## GOVERNMENTAL FUNDS

### General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City.

The City includes the following special revenue funds:

<u>Fund</u>	<u>Brief Description</u>
<u>Library Fund</u>	This fund accounts for revenues and expenditures designated for operating the library. The principal funding sources are intergovernmental receipts from Washington County and transfers from the General Fund. It is a major fund.
<u>Street and Road Fund</u>	This fund accounts for Oregon gasoline tax apportionments and expenditures for those street improvements specified by Oregon Revised Statutes. It is a major fund.
<u>Police Fund</u>	This fund accounts for revenues and expenditures designated for operating the police department. It is funded by local option tax receipts. It is a major fund.
<u>Parks and Trees Fund</u>	This fund accounts for operation of the city parks and trees. It is partially funded by park maintenance fees paid by a local homeowner's association and transfers from the General Fund. It is a non-major fund.

### Capital Projects Funds

Capital projects funds are used to account for resources that are restricted, committed, or assigned to expenditures for capital outlays.

The City has the following capital projects funds:

<u>Fund</u>	<u>Brief Description</u>
<u>Traffic Impact Fees Reserve Fund</u>	This fund accounts for revenue designated for street and road improvements. It is a major fund.
<u>Capital Projects Fund-Governmental</u>	This fund accounts for funds spent on capital projects. It is funded by LOCAP Certificates of Participation. It is a non-major fund.
<u>Capital Project Reserve Fund</u>	This fund accounts for funds set aside for capital projects. It is funded by revenue not designated for other uses. It is a non-major fund.
<u>Park SDC Fund</u>	This fund accounts for revenue designated for park system improvements. It is a non-major fund.
<u>Transportation Development Tax Reserve Fund</u>	This fund accounts for revenue designated for street and road improvements. It is a non-major fund.

## **FUND BALANCE:**

Governmental fund balances are categorized in five ways:

- 1) **Non-spendable** - resources that must be maintained intact due to legal or contractual requirements, such as the principal of an endowment.
- 2) **Restricted** - that portion of a fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by creditors, contributors, or laws and regulations.
- 3) **Committed** - that portion of a fund balance that reflects limitations the City imposes on itself by action of the Council.
- 4) **Assigned** - that portion of a fund balance that reflects its intended use. Authority for an assigned fund balance can be delegated by the Council to another body (such as a committee) or an official of the City.
- 5) **Unassigned** - that portion of the General Fund balance that does not fall within one of the categories above.

### **Special Revenue Funds:**

If a special revenue fund (other than debt service or capital projects funds) does not have a substantial portion of its revenues coming from a source (or sources) with restrictions specified for the use of those funds, it will be considered to be part of the General Fund in the governmental funds financial statements. Funds whose principal source of revenue is transfers from other funds will generally be combined into the General Fund.

The City has no special revenue funds that need to be combined with the General Fund.

## **PROPRIETARY FUNDS**

### **Enterprise Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises: 1) where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or 2) where the government's council has decided that periodic determination of net income is appropriate for accountability purposes. The City has one enterprise fund for water service.

## **1C MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

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

### **MEASUREMENT FOCUS**

The governmental fund financial statements use a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The governmental fund types are maintained using the modified accrual basis of accounting whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred except for interest expense on long-term debt, which is recorded as due.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The City considers revenues available if they are collected within 60 days of year-end with the exception of investment interest, which is recognized when earned. Significant revenues, which are measurable and available under the modified accrual basis of accounting, are property tax revenues.

## BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements and governmental business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation and interest expense in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

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

## **1D ASSETS, LIABILITIES, AND NET POSITION**

### CASH AND CASH EQUIVALENTS

The City considers cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool are the same as the value of the pool shares.

### CAPITAL ASSETS

#### Government-Wide Financial Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their fair market value at the time of acquisition.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Life</u>
Land	Permanent
Buildings	20-40 Years
Equipment	2-10 Years
Vehicles	2-10 Years

#### Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

## NET POSITION CLASSIFICATION

### Government-Wide Financial Statements

Net Position is classified and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted - Consists of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments: or (2) law though constitutional provisions or enabling legislation.
- c. Unrestricted - All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted assets prior to the use of unrestricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

**Fund Financial Statements**

Governmental fund net position is classified as fund balances. Proprietary fund net position is classified the same as in the government-wide statements.

**1E RECEIPTS, EXPENDITURES, AND EXPENSES**

**PROGRAM RECEIPTS**

In the Statement of Activities, modified cash basis receipts that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program receipts. The City has program receipts in the following activity:

Charges for Water Service: Charges to water customers for usage of City water.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**OPERATING RECEIPTS AND EXPENDITURES**

Operating receipts and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and expenses not related to capital and related financing, noncapital financing, or investing activities.

**1F INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

**Government-Wide Financial Statements**

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
- b. Internal activities - Amount reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

**Fund Financial Statements**

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements;

- a. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- c. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustment to expenditures/expenses in the respective funds.
- d. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

**1G USE OF ESTIMATES**

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

**2A BUDGETARY INFORMATION**

The City budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified cash basis of accounting.

**2B CONTRACTUAL REGULATIONS**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City has no instances of noncompliance that are considered material to the financial statements.

**Note 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS**

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3A CASH AND INVESTMENTS**

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on a combined balance sheet as Cash and Cash Equivalents. Deposits with financial institutions consist of bank demand deposits.

Cash and investments are recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2015. Cash and investments of the City at June 30, 2015 were:

US Bank Checking Account	\$ 45,891
Local Government Investment Pool -	45,633
Local Government Investment Pool	2,008,545
Office Petty Cash & Postage Machine	1,239
Total	<u>\$ 2,101,307</u>

**Deposits:** The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$250,000 applies respectively, to total demand deposits and to total savings accounts at each financial institution. Where balances exceed \$250,000, banks are required to pledge collateral, based on their

capital condition. Banks are required to provide quarterly reporting of their public funds deposits to the State Treasurer's office, which will be the basis for their collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25% if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits which is monitored on a weekly basis. At June 30, 2015, total demand deposits and savings accounts per bank statements were \$68,009. All these deposits were covered by federal depository insurance.

**Investments:** The City's cash management policies are governed by state statutes. Statutes authorize the City to invest in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States' agencies and instrumentalities and the Oregon State Treasurer's Local Government Investment Pool (LGIP). On June 30, 2015, the City had invested \$2,054,178 with the Oregon Short-Term Fund (ORTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's comprehensive Annual Financial Report. The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value on June 30, 2015.

**Credit Risk:** The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment office for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of the investments. The overall credit quality of the pool is not rated. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2015 was unqualified.

**Concentration Risk:** The City had concentrations in the following investment: LGIP 97.8%.

**Interest Rate Risk:** The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

### 3B CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>GOVERNMENTAL ACTIVITIES</b>				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 35,557	\$ -	\$ -	\$ 35,557
<u>Depreciable Capital Assets</u>				
Land Improvements	488,106	49,999	-	538,105
Buildings	783,621	-	-	783,621
Vehicles & Equipment	81,000	-	-	81,000
Total	<u>1,352,727</u>	<u>49,999</u>	<u>-</u>	<u>1,402,726</u>
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(90,789)	(22,426)	-	(113,215)
Buildings	(261,568)	(20,827)	-	(282,395)
Vehicles & Equipment	(55,296)	(10,262)	-	(65,558)
Total	<u>(407,653)</u>	<u>(53,515)</u>	<u>-</u>	<u>(461,168)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 945,074</u>	<u>\$ (3,516)</u>	<u>\$ -</u>	<u>\$ 941,558</u>
Total Capital Assets, Net of Depreciation	<u>\$ 980,631</u>	<u>\$ (3,516)</u>	<u>\$ -</u>	<u>\$ 977,115</u>
	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
<b>BUSINESS-TYPE ACTIVITIES</b>				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 583,133	\$ -	\$ -	\$ 583,133
<u>Depreciable Capital Assets</u>				
Water System	4,822,580	-	-	4,822,580
Buildings	413,638	-	-	413,638
Equipment	174,796	-	-	174,796
Total	<u>5,411,014</u>	<u>-</u>	<u>-</u>	<u>5,411,014</u>
<u>Less Accumulated Depreciation For:</u>				
Water System	(1,617,787)	(116,789)	-	(1,734,576)
Buildings	(76,991)	(11,952)	-	(88,943)
Equipment	(65,992)	(5,910)	-	(71,902)
Total	<u>(1,760,770)</u>	<u>(134,651)</u>	<u>-</u>	<u>(1,895,421)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$3,650,244</u>	<u>\$ (134,651)</u>	<u>\$ -</u>	<u>\$ 3,515,593</u>
Total Capital Assets, Net of Depreciation	<u>\$4,233,377</u>	<u>\$ (134,651)</u>	<u>\$ -</u>	<u>\$ 4,098,726</u>
<b>TOTAL CAPITAL ASSETS, ALL ACTIVITIES</b>	<u>\$5,214,008</u>	<u>\$ (138,167)</u>	<u>\$ -</u>	<u>\$ 5,075,841</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:	\$53,515
Business-Type Activities:	\$134,651

Governmental fund capital spending was for a slurry seal project in the Arbor Village subdivision.

### 3C INTERFUND TRANSFERS AND BALANCES

Transfers are used to move unrestricted revenues to finance various expenditures that the City must account for in other funds in accordance with budgetary authorization. Transfers within the proprietary funds are generally used to finance debt payments and capital expenditures.

Transfers between funds of the government for the year ended June 30, 2015, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
1-General	\$ -	\$ 126,292
2-Water	-	64,000
3-Library	92,992	-
5-Water Bonded Debt	22,000	-
9-Water Depreciation Reserve	40,000	-
10-Parks	33,300	-
15-Water Equipment Reserve	2,000	-
<u>Total Transfers</u>	<u>\$ 190,292</u>	<u>\$ 190,292</u>

### INTERFUND BALANCES

At June 30, 2015 there were no interfund balances.

### 3D LONG-TERM DEBT

**General Obligation Bonds** - The government issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 year serial bonds, except for refunding issues.

The Safe Drinking Water Revolving Loan funded by the Oregon Economic and Community Development Department is payable from water user fees only.

The Water Revenue Bonds funded by the United States Department of Agriculture, Rural Utilities Service, are payable from water user fees only. Generally the United States Department of Agriculture, Rural Utilities Service issues 40 year bonds. However, in this instance the bonds were issued for 30 years.

The repayment schedule for this debt is shown below:

Fiscal Year	WATER FUND			WATER BONDED DEBT FUND		
	Principal	Interest	Payment	Principal	Interest	Payment
2014-15	\$ 37,841	\$ 15,973	\$ 53,814	\$ 10,521	\$ 10,299	\$ 20,820
2015-16	39,544	14,270	53,814	11,048	9,772	20,820
2016-17	41,323	12,490	53,813	11,600	9,220	20,820
2017-18	43,183	10,630	53,813	12,180	8,640	20,820
2018-19	45,126	8,688	53,814	12,789	8,031	20,820
2019-20	47,156	6,657	53,813	13,428	7,392	20,820
2020-21	49,278	4,535	53,813	14,100	6,720	20,820
2021-22	51,496	2,317	53,813	14,805	6,015	20,820
2022-23				15,545	5,275	20,820
2023-24				16,322	4,498	20,820
2024-25				17,138	3,682	20,820
2025-26				17,995	2,825	20,820
2026-27				18,895	1,925	20,820
2027-28				19,594	991	20,585
Bal 6/30/15	\$ 317,106	\$ 59,587	\$ 376,693	\$ 195,439	\$ 74,986	\$ 270,425

**LOCAP Certificates of Participation, Series 2010B:** In October, 2010 the City borrowed \$1,565,000 from US Bank through the League of Oregon Cities Cooperative Asset Financing Program, underwritten by Wedbush Securities. The funds will be used for upgrades to the City's water system, remodeling of the library, and a portion of the expansion of the public works building. The final payment is due on 7/1/2026. The underwriting and loan fees totaled \$52,163, resulting in a net to the City of \$1,512,838.

The repayment schedule for this loan is shown below:

LOCAP Certificates of Participation, Series 2010B

<b>MULTIPLE FUNDS</b>					
<u>Fiscal year</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Expenses</u>	<u>Payment</u>
2014-15	2.35%	\$ 90,000	\$ 48,008	\$ 1,500	\$ 139,508
2015-16	2.70%	95,000	45,893	1,500	142,393
2016-17	3.00%	95,000	43,328	1,500	139,828
2017-18	3.25%	100,000	40,478	1,500	141,978
2018-19	3.50%	100,000	37,228	1,500	138,728
2019-20	3.70%	105,000	33,728	1,500	140,228
2020-21	3.85%	110,000	29,843	1,500	141,343
2021-22	4.00%	115,000	25,608	1,500	142,108
2022-23	4.10%	115,000	21,008	1,500	137,508
2023-24	4.20%	120,000	16,293	1,500	137,793
2024-25	4.25%	125,000	11,253	1,500	137,753
2025-26	4.40%	135,000	5,940	1,500	142,440
Balance 6/30/15		<u>\$ 1,215,000</u>	<u>\$ 310,595</u>	<u>\$ 16,500</u>	<u>\$ 1,542,095</u>

Debt principal activity for the year ended June 30, 2015, was as follows:

<b>PRINCIPAL</b>					
<u>Loan</u>	<u>Beginning Balance</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<b><u>Business-Type</u></b>					
Safe Drinking Water Loan (OED)	\$ 354,947	\$ (37,841)	\$ 317,106	\$ 39,544	\$ 277,562
Water Slow Sand Filter (FHA)	205,960	(10,521)	195,439	11,048	184,391
LOCAP Loan - Water	1,175,597	(81,076)	1,094,521	85,581	1,008,940
Total	<u>1,736,504</u>	<u>(129,438)</u>	<u>1,607,066</u>	<u>136,173</u>	<u>1,470,893</u>
<b><u>Governmental</u></b>					
LOCAP Loan - Library	\$ 114,577	\$ (7,901)	\$ 106,676	\$ 8,340	\$ 98,336
LOCAP Loan - General Fund	14,827	(1,022)	13,805	1,079	12,725
Total	<u>129,404</u>	<u>(8,924)</u>	<u>120,480</u>	<u>9,419</u>	<u>111,061</u>
Total All Debt	<u>\$ 1,865,908</u>	<u>\$(138,362)</u>	<u>\$ 1,727,546</u>	<u>\$ 145,592</u>	<u>\$ 1,581,954</u>

Total payment activity for the year ended June 30, 2015, was as follows:

<b>TOTAL PAYMENTS</b>				
Loan	Fund	Principal	Interest & Fees	Total
<b><u>Business-Type</u></b>				
Safe Drinking Water Loan (OED)	Water	\$ 37,841	\$ 15,973	\$ 53,814
Water Slow Sand Filter (FHA)	Water Debt	10,521	10,299	20,820
LOCAP Loan	Water	81,076	44,599	125,676
Total		<u>129,438</u>	<u>70,871</u>	<u>200,310</u>
<b><u>Governmental</u></b>				
LOCAP Loan	Library	7,901	4,346	12,247
LOCAP Loan	General	1,022	562	1,585
Total		<u>8,924</u>	<u>4,909</u>	<u>13,832</u>
Total All Debt		<u>\$ 138,362</u>	<u>\$ 75,780</u>	<u>\$ 214,142</u>

### 3E OPERATING LEASE

In December 2014 the City entered into an agreement with Unifi Equipment Finance to lease a Kyocera copier. The term of the lease is 60 months with a monthly payment of \$355. The future lease payments are shown below:

Year Ended June 30	Future Minimum Rental Payments
2016	\$4,260
2017	4,260
2018	4,260
2019	4,260
2020	4,260
2021	2,130

### Note 4 - OTHER NOTES

#### 4A EMPLOYEE PENSION PLAN

##### General Information about the Pension Plan

##### Plan description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

##### Benefits provided

#### 1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

##### Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options.

These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under 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:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

### **Disability Benefits**

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

## **2. OPSRP Pension Program (OPSRP DB)**

### **Pension Benefits**

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

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

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

A member of the 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. OPSRP Individual Account Program (OPSRP IAP)**

### **Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (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.

### **Recordkeeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

### **Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 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, 2013. Employer contributions for the year ended June 30, 2015 were \$13,941, excluding amounts to fund employer specific liabilities. The employer contribution rates are updated every two years. The City's PERS contribution rates for the year ended June 30, 2015 and the rates for the new year are shown below:

Rate Category	FY 14-15 Net Rate	FY 15-16 Net Rate
Tier 1 / Tier 2	7.83%	6.95%
OPSRP General	3.58%	3.63%
OPSRP Police & Fire	6.31%	7.74%

The contribution rate for the OPSRP Individual Account Program is 6 percent.

### Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, 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 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. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of

December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

### 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 Allocation	Compounded 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 Equities	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%
Total	100.00%	
Assumed Inflation - Mean		2.75%

### 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.

### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

## Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. 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. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

## Changes in Plan Provisions

A summary of key changes in plan provisions are described in the PERS GASB 68 Disclosure Information which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

## Changes of assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the PERS GASB 68 Disclosure Information which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

## 4B RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions	Purchased commercial insurance	None
Workers compensation, health, and life	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## 4C COMMITMENTS AND CONTINGENCIES

### Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant loan programs from year to year. The grant loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

## **Litigation**

The City is a party to various legal proceedings that normally occur in the course of governmental operations. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

SUPPLEMENTARY INFORMATION

CITY OF BANKS, OREGON

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2015

**BUDGET LAW**

The City prepares its annual operating budget under the provisions of the Oregon Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

Local Budget law process requires that certain, specific actions must happen as a local government prepares its annual budget. The process can be broken down into four phases.

**Phase 1** begins the process. The budget officer puts together a proposed budget. In larger local governments, department heads or program managers may help. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.

**Phase 2** is when the budget committee approves the budget. Statutes spell out who can be on the budget committee and who cannot. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

**Phase 3** includes adopting the budget and, when appropriate, certifying property taxes to the county tax assessor. This phase includes a special hearing of the government body and specific public notices, including a summary of the approved budget. Special forms must also be used to notify the county assessor of the local government's property tax levy.

**Phase 4** occurs during the fiscal year when the local government is operating under the adopted budget. This phase includes changes to the adopted budget. Changes to the adopted budget must be made before additional money is spent or money is spent for a different purpose than described in the adopted budget.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level on control by department within a fund:

- Personal Services
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

All transfers of appropriations between departments and supplemental appropriations require City Council approval. The Mayor may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

The Budget is prepared on the cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions.

## PROPERTY TAX CALENDAR

The budget officer prepares a proposed budget.

Notice of the budget committee meeting is published.

The budget document is made available at or before the budget committee meeting at which the budget is presented.

The budget committee conducts at least one public meeting for receiving the budget message and the budget document, as well as providing opportunity for public questions or comments.

The budget committee approves the budget.

Notice of the public hearing and a summary of the approved budget is published.

The governing body conducts a public hearing on the approved budget.

The governing body, after public comment and deliberations, adopts the budget and enacts resolutions or ordinances accordingly by June 30.

The governing body certifies the entity's tax, if any, by July 15.

The lien and levy date of the tax is July 1.

Full payment receives a 3% discount if paid by November 15 of each year.

Real property taxes are delinquent if not paid in full by May 15 of the following year.

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GENERAL FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Property Taxes and Related Items	\$ 193,870	\$ 193,870	\$ 211,639	\$ 17,769
Licenses, Permits, Fees, Intergovernmental	116,950	116,300	136,923	20,623
Intergovernmental	31,800	31,800	44,622	12,822
Interest	1,000	1,000	2,349	1,349
Grants	18,000	18,000	20,200	2,200
Court Fines, etc.	9,000	9,000	8,421	(579)
Community Development Fees	37,200	37,200	35,705	(1,495)
Miscellaneous		650	7,489	6,839
Total	<u>407,820</u>	<u>407,820</u>	<u>467,349</u>	<u>59,529</u>
 <u>CASH EXPENDITURES</u>				
Personal Services	78,225	78,225	63,348	14,877
Material and Services	318,295	318,295	230,234	88,061
Capital Outlay	77,000	77,000	-	77,000
Debt Service	1,600	1,600	1,585	15
Operating Contingencies	52,382	52,382	-	52,382
Total	<u>527,502</u>	<u>527,502</u>	<u>295,166</u>	<u>232,336</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(119,682)</u>	<u>(119,682)</u>	<u>172,182</u>	<u>291,864</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Library Fund	(106,627)	(106,627)	(92,992)	13,635
Transfer to Park Fund	(54,850)	(54,850)	(33,300)	21,550
Total	<u>(161,477)</u>	<u>(161,477)</u>	<u>(126,292)</u>	<u>35,185</u>
NET CHANGE IN CASH BALANCE	(281,159)	(281,159)	45,890	327,049
<u>CASH BALANCE, Beginning</u>	<u>381,159</u>	<u>381,159</u>	<u>455,681</u>	<u>74,522</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 501,572</u>	<u>\$ 401,572</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

LIBRARY FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Circulation Reimbursement	\$ 132,548	\$ 132,548	\$ 132,289	\$ (259)
Fines and Fees	8,600	8,600	6,851	(1,749)
Interest	250	250	215	(35)
Grants/Donations	12,000	12,000	3,780	(8,220)
Miscellaneous	1,000	1,000	497	(503)
Total	<u>154,398</u>	<u>154,398</u>	<u>143,632</u>	<u>(10,766)</u>
<u>CASH EXPENDITURES</u>				
Personal Services	211,567	211,567	189,217	22,350
Material and Services	50,412	50,412	49,394	1,018
Capital Outlay	9,700	9,700	-	9,700
Debt Service	12,248	12,248	12,247	1
Operating Contingencies	8,684	8,684	-	8,684
Total	<u>292,611</u>	<u>292,611</u>	<u>250,859</u>	<u>41,752</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(138,213)</u>	<u>(138,213)</u>	<u>(107,227)</u>	<u>30,986</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>106,627</u>	<u>106,627</u>	<u>92,992</u>	<u>(13,635)</u>
NET CHANGE IN CASH BALANCE	(31,586)	(31,586)	(14,235)	17,351
<u>CASH BALANCE, Beginning</u>	<u>46,586</u>	<u>46,586</u>	<u>43,621</u>	<u>(2,965)</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 29,386</u>	<u>\$ 14,386</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

STREETS AND ROADS FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 107,520	\$ 22,520
Interest	1,500	1,500	2,351	851
Grants	240,000	240,000	-	(240,000)
Miscellaneous	100	100	49,667	49,567
Total	<u>326,600</u>	<u>326,600</u>	<u>159,538</u>	<u>(167,062)</u>
 <u>CASH EXPENDITURES</u>				
Personal Services	24,825	24,825	19,888	4,937
Material and Services	76,474	76,474	36,121	40,353
Capital Outlay	363,000	363,000	49,999	313,001
Contingency	200,150	200,150	-	200,150
Total	<u>664,449</u>	<u>664,449</u>	<u>106,009</u>	<u>558,440</u>
 NET CHANGE IN CASH BALANCE	 (337,849)	 (337,849)	 53,529	 391,378
 <u>CASH BALANCE</u> , Beginning	 <u>407,849</u>	 <u>407,849</u>	 <u>446,717</u>	 <u>38,868</u>
 <u>CASH BALANCE</u> , Ending	 <u>\$ 70,000</u>	 <u>\$ 70,000</u>	 <u>\$ 500,246</u>	 <u>\$ 430,246</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

POLICE SERVICES FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Local Option Tax	\$ 227,937	\$ 227,937	\$ 252,220	\$ 24,283
Misc.	600	600	860	260
Total	<u>228,537</u>	<u>228,537</u>	<u>253,080</u>	<u>24,543</u>
 <u>CASH EXPENDITURES</u>				
Personal Services	8,295	8,295	7,242	1,053
Material and Services	207,627	207,627	207,202	425
Operating Contingency	<u>63,108</u>	<u>63,108</u>	-	<u>63,108</u>
Total	<u>279,030</u>	<u>279,030</u>	<u>214,444</u>	<u>64,586</u>
 NET CHANGE IN CASH BALANCE				
	(50,493)	(50,493)	38,636	89,129
 <u>CASH BALANCE, Beginning</u>				
	<u>106,493</u>	<u>106,493</u>	<u>117,128</u>	<u>10,635</u>
 <u>CASH BALANCE, Ending</u>				
	<u>\$ 56,000</u>	<u>\$ 56,000</u>	<u>\$ 155,764</u>	<u>\$ 99,764</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

**TRAFFIC IMPACT FEES RESERVE FUND**

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>CASH RECEIPTS</u></b>				
Interest	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,105</u>	<u>\$ 105</u>
 <b><u>CASH EXPENDITURES</u></b>				
Materials & Services	1,300	1,300	1,244	56
Capital Outlay	100,000	100,000	-	100,000
Operating Contingency	<u>304,470</u>	<u>304,470</u>	<u>-</u>	<u>304,470</u>
Total	<u>405,770</u>	<u>405,770</u>	<u>1,244</u>	<u>404,526</u>
 NET CHANGE IN CASH BALANCE	(403,770)	(403,770)	860	404,630
 <u>CASH BALANCE, Beginning</u>	<u>403,770</u>	<u>403,770</u>	<u>423,789</u>	<u>20,019</u>
 <u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,649</u>	<u>\$ 424,649</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**COMBINING STATEMENT OF ASSETS & LIABILITIES - MODIFIED CASH BASIS**

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Park Fund	Traffic Development Tax Reserve Fund	Parks SDC Fund	Capital Projects Reserve Fund #13	Total
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	<u>\$26,352</u>	<u>\$ 11,491</u>	<u>\$ 3,654</u>	<u>\$ 160,604</u>	<u>\$ 202,101</u>
<b><u>FUND BALANCES</u></b>					
Restricted - Special Revenue Funds	\$ -	\$ 11,491	\$ -	\$ -	\$ 11,491
Committed - Special Revenue Funds	26,352	-	3,654	-	30,006
Committed - Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,604</u>	<u>160,604</u>
Total	<u>\$26,352</u>	<u>\$ 11,491</u>	<u>\$ 3,654</u>	<u>\$ 160,604</u>	<u>\$ 202,101</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**COMBINING STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**MODIFIED CASH BASIS**

NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	<u>Park Fund</u>	<u>Traffic Development Tax Reserve Fund</u>	<u>Parks SDC Fund</u>	<u>Capital Projects Reserve Fund #13</u>	<u>Total</u>
<b><u>RECEIPTS</u></b>					
Licenses, Permits and Fees	\$ -	\$ -	\$ -	\$ 25,440	\$ 25,440
Charges for Services	19,069	-	-	-	19,069
Interest	174	57	18	711	960
Miscellaneous	2,929	-	-	-	2,929
Total	<u>22,173</u>	<u>57</u>	<u>18</u>	<u>26,151</u>	<u>48,399</u>
 <b><u>EXPENDITURES</u></b>					
Personal Services	17,084	-	-	-	17,084
Materials & Services	42,086	-	-	-	42,086
Total	<u>59,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,170</u>
 <b><u>RECEIPTS OVER (UNDER) EXPENDITURES</u></b>	<u>(36,997)</u>	<u>57</u>	<u>18</u>	<u>26,151</u>	<u>(10,771)</u>
 <b><u>OTHER FINANCING SOURCES [USES]</u></b>					
Transfers In	33,300	-	-	-	33,300
Transfers (Out)	-	-	-	-	-
Total	<u>33,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,300</u>
 <b><u>NET CHANGE IN CASH BALANCES</u></b>	<u>(3,697)</u>	<u>57</u>	<u>18</u>	<u>26,151</u>	<u>22,529</u>
 <b><u>FUND BALANCES, Beginning</u></b>	<u>30,049</u>	<u>11,434</u>	<u>3,636</u>	<u>134,453</u>	<u>179,572</u>
 <b><u>FUND BALANCES, Ending</u></b>	<u>\$26,352</u>	<u>\$ 11,491</u>	<u>\$ 3,654</u>	<u>\$160,604</u>	<u>\$ 202,101</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

**PARKS & TREES FUND**

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Charges for Services	\$ 26,745	\$ 26,745	\$ 19,069	\$ (7,676)
Interest	60	60	174	114
Miscellaneous	200	200	2,929	2,729
Total	27,005	27,005	22,173	(4,832)
 <u>CASH EXPENDITURES</u>				
Personal Services	23,263	23,263	17,084	6,179
Material and Services	65,913	65,913	42,086	23,827
Capital Outlay	200	200	-	200
Contingency	2,743	2,743	-	2,743
Total	92,119	92,119	59,170	32,949
 RECEIPTS OVER (UNDER) EXPENDITURES	 (65,114)	 (65,114)	 (36,997)	 28,117
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	54,850	54,850	33,300	(21,550)
 NET CHANGE IN CASH BALANCE	 (10,264)	 (10,264)	 (3,697)	 6,567
 <u>CASH BALANCE, Beginning</u>	 29,264	 29,264	 30,049	 785
 <u>CASH BALANCE, Ending</u>	 \$ 19,000	 \$ 19,000	 \$ 26,352	 \$ 7,352

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

TRANSPORTATION DEVELOPMENT TAX RESERVE FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Traffic Development Tax Reserve	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Interest	50	50	57	7
Total	<u>30,050</u>	<u>30,050</u>	<u>57</u>	<u>(29,993)</u>
 <u>CASH EXPENDITURES</u>				
Operating Contingency	<u>41,482</u>	<u>41,482</u>	<u>-</u>	<u>41,482</u>
 NET CHANGE IN CASH BALANCE	 (11,432)	 (11,432)	 57	 11,489
 <u>CASH BALANCE, Beginning</u>	 <u>11,432</u>	 <u>11,432</u>	 <u>11,434</u>	 <u>2</u>
 <u>CASH BALANCE, Ending</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 11,491</u>	 <u>\$ 11,491</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARK SDC FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
SDC Fee - Parks	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
Interest	16	16	18	2
Total	<u>9,016</u>	<u>9,016</u>	<u>18</u>	<u>(8,998)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>12,649</u>	<u>12,649</u>	<u>-</u>	<u>12,649</u>
NET CHANGE IN CASH BALANCE	(3,633)	(3,633)	18	3,651
<u>CASH BALANCE, Beginning</u>	<u>3,633</u>	<u>3,633</u>	<u>3,636</u>	<u>3</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,654</u>	<u>\$ 3,654</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GOVERNMENTAL CAPITAL PROJECT RESERVE FUND #13

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Franchise Fees	\$ 20,000	\$ 20,000	\$ 25,440	\$ 5,440
Interest	600	600	711	111
Total	<u>20,600</u>	<u>20,600</u>	<u>26,151</u>	<u>5,551</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	130,296	130,296	-	130,296
Operating Contingency	<u>25,000</u>	<u>25,000</u>	-	<u>25,000</u>
Total	<u>155,296</u>	<u>155,296</u>	-	<u>155,296</u>
NET CHANGE IN CASH BALANCE	(134,696)	(134,696)	26,151	160,847
<u>CASH BALANCE</u> , Beginning	<u>134,696</u>	<u>134,696</u>	<u>134,453</u>	<u>(243)</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,604</u>	<u>\$ 160,604</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GOVERNMENTAL CAPITAL PROJECTS FUND #14

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Interest	\$ -			\$ -
Grants	300,000	300,000	-	(300,000)
Donations	179,585	179,585	-	(179,585)
Total	<u>479,585</u>	<u>479,585</u>	<u>-</u>	<u>(479,585)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>479,585</u>	<u>479,585</u>	<u>-</u>	<u>479,585</u>
NET CHANGE IN CASH BALANCE	-	-	-	-
<u>CASH BALANCE</u> , Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER FUND

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Charge for Services (Water Sales, etc.)	\$ 580,250	\$ 579,650	\$ 568,728	\$ (10,922)
Interest		350	360	10
Misc.		250	578	328
Total	<u>580,250</u>	<u>580,250</u>	<u>569,666</u>	<u>(10,584)</u>
 <u>CASH EXPENDITURES</u>				
Personal Services	191,870	191,870	180,073	11,797
Material and Services	180,009	180,009	174,184	5,825
Capital Outlay	-	-	-	-
Debt Service	179,664	179,664	179,488	176
Operating Contingencies	5,272	5,272	-	5,272
Total	<u>556,815</u>	<u>556,815</u>	<u>533,746</u>	<u>23,069</u>
 RECEIPTS OVER (UNDER) EXPENDITURES	 <u>23,435</u>	 <u>23,435</u>	 <u>35,920</u>	 <u>12,485</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Water Depreciation Reserve Fund	(40,000)	(40,000)	(40,000)	-
Transfer to Water Bonded Debt Fund	(22,000)	(22,000)	(22,000)	-
Transfer to Water Utility Reserve Fund #15	(2,000)	(2,000)	(2,000)	-
Total	<u>(64,000)</u>	<u>(64,000)</u>	<u>(64,000)</u>	<u>-</u>
 NET CHANGE IN CASH BALANCE	 (40,565)	 (40,565)	 (28,080)	 12,485
 <u>CASH BALANCE, Beginning</u>	 <u>55,565</u>	 <u>55,565</u>	 <u>61,461</u>	 <u>5,896</u>
 <u>CASH BALANCE, Ending</u>	 <u>\$ 15,000</u>	 <u>\$ 15,000</u>	 <u>\$ 33,381</u>	 <u>\$ 18,381</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER UTILITY DEPRECIATION FUND

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Interest	\$ 800	\$ 800	\$ 994	\$ 194
 <u>CASH EXPENDITURES</u>				
Materials & Services	400	400	344	56
Capital Outlay	181,310	181,310	66,981	114,329
Operating Contingency	74,763	74,763	-	74,763
Total	256,473	256,473	67,325	189,148
RECEIPTS OVER (UNDER) EXPENDITURES	(255,673)	(255,673)	(66,331)	189,342
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	40,000	40,000	40,000	-
NET CHANGE IN CASH BALANCE	(215,673)	(215,673)	(26,331)	189,342
 <u>CASH BALANCE, Beginning</u>	215,673	215,673	211,259	(4,414)
<u>CASH BALANCE, Ending</u>	\$ -	\$ -	\$ 184,928	\$ 184,928

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER BONDED DEBT FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest Earned	<u>\$ 225</u>	<u>\$ 225</u>	<u>\$ 236</u>	<u>\$ 11</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	625	625	620	5
Debt Service	20,820	20,820	20,820	-
Operating Contingency	893	893	-	893
Total	<u>22,338</u>	<u>22,338</u>	<u>21,440</u>	<u>898</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(22,113)</u>	<u>(22,113)</u>	<u>(21,205)</u>	<u>908</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	(113)	(113)	795	908
<u>CASH BALANCE</u> , Beginning	<u>43,833</u>	<u>43,833</u>	<u>44,337</u>	<u>504</u>
<u>CASH BALANCE</u> , Ending	<u>\$ 43,720</u>	<u>\$ 43,720</u>	<u>\$ 45,133</u>	<u>\$ 1,413</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER SDC FUND

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
System Development - Water	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Interest	75	75	102	27
Total	<u>30,075</u>	<u>30,075</u>	<u>102</u>	<u>(29,973)</u>
 <u>CASH EXPENDITURES</u>				
Capital Outlay	40,000	40,000	-	40,000
Contingency	641	641	-	641
Total	<u>40,641</u>	<u>40,641</u>	<u>-</u>	<u>40,641</u>
 NET CHANGE IN CASH BALANCE	 (10,566)	 (10,566)	 102	 10,668
 <u>CASH BALANCE, Beginning</u>	 <u>10,566</u>	 <u>10,566</u>	 <u>20,576</u>	 <u>10,010</u>
 <u>CASH BALANCE, Ending</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 20,679</u>	 <u>\$ 20,679</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER UTILITY EQUIPMENT RESERVE FUND #15

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 15</u>	<u>\$ 5</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>3,015</u>	<u>3,015</u>	<u>-</u>	<u>3,015</u>
Operating Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>3,015</u>	<u>3,015</u>	<u>-</u>	<u>3,015</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(3,005)</u>	<u>(3,005)</u>	<u>15</u>	<u>3,020</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	<u>(1,005)</u>	<u>(1,005)</u>	<u>2,015</u>	<u>3,020</u>
<u>CASH BALANCE</u> , Beginning	<u>1,005</u>	<u>1,005</u>	<u>1,005</u>	<u>0</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,020</u>	<u>\$ 3,020</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER UTILITY PROJECTS FUND #17

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	\$ 20	\$ 20	\$ 19	\$ (1)
 <u>CASH EXPENDITURES</u>				
Capital Outlay				
Water System Improvement Project	4,969	4,969	4,969	-
Total	<u>4,969</u>	<u>4,969</u>	<u>4,969</u>	<u>-</u>
 NET CHANGE IN CASH BALANCE	(4,949)	(4,949)	(4,950)	(1)
 <u>CASH BALANCE</u> , Beginning	<u>4,949</u>	<u>4,949</u>	<u>5,399</u>	<u>450</u>
 <u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449</u>	<u>\$ 449</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

Year Ended June 30, 2015

<u>Year of Levy</u>	<u>Levy &amp; Taxes Receivable, Beginning</u>	<u>Adjustments</u>	<u>Discounts</u>	<u>Collections</u>	<u>Levy &amp; Taxes Receivable, Ending</u>
<b><u>General Fund</u></b>					
2014-15	\$ 217,232	\$ (212)	\$ (5,747)	\$ (207,665)	\$ 3,663
2013-14	4,163	(57)	(8)	(2,314)	1,908
2012-13	2,065	(118)	(3)	(653)	1,386
2011-12	1,512	(205)	(2)	(609)	842
2010-11	1,042	(211)	(2)	(203)	694
2009-10	734	(15)	-	(64)	676
2008-09 & Prior	<u>146</u>	<u>(5)</u>	<u>-</u>	<u>(81)</u>	<u>96</u>
Total	<u>\$ 226,894</u>	<u>\$ (824)</u>	<u>\$ (5,761)</u>	<u>\$ (211,588)</u>	<u>\$ 9,264</u>
<b><u>Police Fund</u></b>					
2014-15	\$ 259,134	\$ (253)	\$ (6,855)	\$ (247,721)	\$ 4,370
2013-14	4,966	(68)	(9)	(2,760)	2,276
2012-13	2,463	(140)	(3)	(779)	1,653
2011-12	1,451	(197)	(2)	(584)	807
2010-11	1,000	(203)	(2)	(195)	666
2009-10	704	(15)	-	(61)	649
2008-09 & Prior	<u>140</u>	<u>(5)</u>	<u>-</u>	<u>(77)</u>	<u>92</u>
Total	<u>\$ 269,858</u>	<u>\$ (880)</u>	<u>\$ (6,872)</u>	<u>\$ (252,178)</u>	<u>\$ 10,512</u>
Total Both Funds	<u>\$ 496,752</u>	<u>\$ (1,704)</u>	<u>\$ (12,633)</u>	<u>\$ (463,766)</u>	<u>\$ 19,777</u>

Note: Collections include interest on delinquent taxes.

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

WATER AND RELATED FUNDS

COMPARATIVE BALANCE SHEETS\*

June 30, 2013, 2014, 2015

	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
<u>ASSETS</u>			
Cash	\$ 280,871	\$ 299,701	\$ 242,457
Cash Restricted - USDA, Rural Utility Service	43,838	44,337	45,133
Capital Assets	5,994,147	5,994,147	5,994,147
Accumulated Depreciation	<u>(1,624,638)</u>	<u>(1,760,770)</u>	<u>(1,895,421)</u>
<u>Total Assets</u>	<u>\$4,694,218</u>	<u>\$4,577,415</u>	<u>\$ 4,386,316</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Long Term Debt	<u>\$1,863,811</u>	<u>\$1,736,504</u>	<u>\$ 1,607,066</u>
<u>FUND EQUITY</u>	<u>2,830,407</u>	<u>2,840,911</u>	<u>2,779,250</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$4,694,218</u>	<u>\$4,577,415</u>	<u>\$ 4,386,316</u>

\* Required by United States Department  
of Agriculture - Rural Utilities Service

CITY OF BANKS

Washington County, Oregon

WATER AND RELATED FUNDS

COMPARATIVE STATEMENTS OF RECEIPTS, EXPENSES, AND CHANGES IN FUND EQUITY\*

For the Fiscal Years Ended June 30, 2013, 2014, and 2015

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>
<u>OPERATING RECEIPTS</u>			
Charge for Services	\$ 542,395	\$ 540,336	\$ 568,728
Miscellaneous	3,195	3,440	2,304
Total	<u>545,590</u>	<u>543,776</u>	<u>571,032</u>
<u>OPERATING EXPENSES</u>			
Personal Services	173,445	171,781	180,073
Debt - Interest	77,998	74,622	70,871
Materials and Services	135,488	150,736	247,098
Depreciation Expense	<u>108,297</u>	<u>136,132</u>	<u>134,651</u>
Total	<u>495,228</u>	<u>533,271</u>	<u>632,694</u>
NET OPERATING INCOME (LOSS)	<u>50,362</u>	<u>10,505</u>	<u>(61,662)</u>
<u>FUND EQUITY, Beginning</u>	<u>2,780,046</u>	<u>2,830,407</u>	<u>2,840,912</u>
<u>FUND EQUITY, Ending</u>	<u><u>\$2,830,408</u></u>	<u><u>\$2,840,912</u></u>	<u><u>\$ 2,779,250</u></u>

\* Required by United States Department  
of Agriculture - Rural Utilities service

AUDITOR'S COMMENTS AND  
DISCLOSURES REQUIRED BY STATE REGULATIONS

DENNIS R. CONNER  
Certified Public Accountant  
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P. O. Box 1078  
Clatskanie, Oregon 97016  
Telephone(503)728-2038

AUDITOR'S COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS

To the Mayor and City Council  
City of Banks  
Banks, Oregon

I have audited the basic financial statements of the City of Banks, Oregon (the City) as of and for the year ended June 30, 2015, and have issued my report thereon dated September 2, 2015. I conducted the audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

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

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

Deposit of public funds with financial institutions (ORS Chapter 295).

Indebtedness limitations, restrictions, and repayment.

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Programs funded by outside sources.

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294).

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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

**OAR 162-10-230 (Internal Control)**

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the

purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiencies in the City's internal control to be significant deficiencies:

### Financial Reporting

The City does not have the capability to prepare or determine if the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles. Limited staffing prevents the City from complying with this recommendation. Since controls at that level are not available within the City, the cost benefit of having the auditor prepare the financial statements, including related footnote disclosures, far outweigh the cost of hiring additional staff or hiring an independent outside source to do the same job. The City believes the outsourcing of the financial statement preparation service to the auditor is not unusual for smaller governments.

### Inadequate Segregation of Accounting Duties

The City does not have sufficient staff to adequately segregate accounting duties. The City has adopted financial controls that are relevant to smaller governmental units. The City believes there is a substantial cost benefit by not increasing staffing levels at this time. However, the City acknowledges the need for extra vigilance on the part of upper management and the Council.

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



Dennis R. Conner, CPA  
September 2, 2015