

CITY OF BANKS

Washington County, Oregon

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2012

CITY OF BANKS

Washington County, Oregon

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CITY OF BANKS

Washington County, Oregon

CITY OFFICIALS

June 30, 2012

MAYOR

Term Expires

John Kinsky
Banks, Oregon 97106

December 31, 2012

COUNCIL PRESIDENT

Pete Edison
Banks, Oregon 97106

December 31, 2014

COUNCIL

Craig Stewart
Banks, Oregon 97106

December 31, 2012

Rob Fowler
Banks, Oregon 97106

December 31, 2014

Brian Biehl
Banks, Oregon 97106

December 31, 2012

Mark Gregg
Banks, Oregon 97106

December 31, 2014

Christy Greagor
Banks, Oregon 97106

December 31, 2012

CITY MANAGER

Jim Hough
120 South Main Street
Banks, Oregon 97106

RECORDER-TREASURER

Jolynn Becker
120 South Main Street
Banks, Oregon 97106

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

INDEPENDENT AUDITOR'S REPORT

The Honorable John Kinsky, Mayor
and Members of the City Council
City of Banks
Washington County, Oregon

I have audited the accompanying 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 as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Banks' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the City prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Banks, Oregon as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on page 5 and fund budgetary comparison schedules starting on page 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual budgetary comparison schedules for the non-major funds and the schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Water and Related Funds comparative balance sheets and comparative statements of revenues, expenditures, and fund equity found on pages 58 and 59 are required by the United States Department of Agriculture - Rural Utilities Service.



Dennis R. Conner
Certified Public Accountant
October 17, 2012

City of Banks

Management Discussion and Analysis

FYE June 30, 2012

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, 2012.

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets 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. These statements also include information about long-term debt, capital assets and associated depreciation.

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.

Required Supplementary Information: This Management's Discussion and Analysis and the General Fund and other major fund Budgetary Comparison Schedules represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report includes the non-major fund Budgetary Comparison Schedules, the property tax schedule, and auditor's comments. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual 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 - CHANGE IN NET ASSETS

	Governmental Activities 2010-11	Governmental Activities 2011-12	Business-Type Activities 2010-11	Business-Type Activities 2011-12	Total 2010-11	Total 2011-12	Variance Favorable (Unfavorable)
PROGRAM RECEIPTS							
Charges for Services	\$ 22,514	\$ 32,525	\$ 417,219	\$ 481,253	\$ 439,733	\$ 513,778	\$ 74,045
Operating Grants	36,504	19,002	-	-	36,504	19,002	(17,502)
Total	59,018	51,527	417,219	481,253	476,237	532,780	56,543
GENERAL RECEIPTS							
Property Taxes	369,545	380,023	-	-	369,545	380,023	10,478
Intergovernmental	237,146	268,368	-	-	237,146	268,368	31,222
Fines & Forfeitures	30,185	30,421	-	-	30,185	30,421	236
Licenses & Permits	143,454	181,030	-	-	143,454	181,030	37,576
Interest	5,719	9,799	6,844	3,757	12,563	13,556	993
Miscellaneous	77,540	5,962	1,565	706	79,105	6,668	(72,437)
Total	863,589	875,603	8,409	4,463	871,998	880,066	8,068
Total Receipts	922,607	927,130	425,628	485,716	1,348,235	1,412,846	64,611
EXPENDITURES							
Police	(191,177)	(201,023)	-	-	(191,177)	(201,023)	(9,846)
Administrative	(306,365)	(247,899)	-	-	(306,365)	(247,899)	58,466
Library	(200,879)	(228,070)	-	-	(200,879)	(228,070)	(27,191)
Streets & Roads	(45,918)	(63,768)	-	-	(45,918)	(63,768)	(17,850)
Parks & Other	(42,841)	(234,451)	-	-	(42,841)	(234,451)	(191,610)
Water	-	-	(439,161)	(472,762)	(439,161)	(472,762)	(33,601)
Total	(787,180)	(975,211)	(439,161)	(472,762)	(1,226,341)	(1,447,973)	(221,632)
INTERFUND TRANSFERS	(53,977)	146,708	53,977	(146,708)	-	0	0
CAPITAL CONTRIBUTIONS							
Net Change Capital Assets	(9,257)	139,293	-	-	(9,257)	139,293	148,550
Decrease (Increase) Debt	(210,592)	8,428	210,592	-	-	8,428	8,428
Capital Assets Purchased for							
Library & General Fund	-	-	(8,961)	-	(8,961)	-	8,961
Total	(219,849)	147,721	201,631	-	(18,218)	147,721	165,939
Increase (Decrease) in Net Assets	\$ (138,399)	\$ 246,350	\$ 242,075	\$ (133,755)	\$ 103,676	\$ 112,595	\$ 8,919

CITY OF BANKS - NET ASSETS

	Governmental Activities <u>June 30, 2011</u>	Governmental Activities <u>June 30, 2012</u>	Business-Type Activities <u>June 30, 2011</u>	Business-Type Activities <u>June 30, 2012</u>	Total <u>June 30, 2011</u>	Total <u>June 30, 2012</u>	Increase (Decrease)
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 1,165,073	\$ 1,350,864	\$ 1,724,749	\$ 378,554	\$ 2,889,822	\$ 1,729,417	\$(1,160,405)
Capital Assets, Net of Depreciation	872,525	1,011,818	3,379,611	4,386,070	4,252,136	5,397,888	1,145,752
Total	<u>2,037,598</u>	<u>2,362,682</u>	<u>5,104,360</u>	<u>4,764,624</u>	<u>7,141,958</u>	<u>7,127,305</u>	<u>(14,653)</u>
<u>LIABILITIES</u>							
Bonds Payable	210,592	202,164	2,047,990	1,929,169	2,258,582	2,131,333	(127,249)
Total Net Assets	<u>\$ 1,827,006</u>	<u>\$ 2,160,518</u>	<u>\$ 3,056,370</u>	<u>\$ 2,835,454</u>	<u>\$ 4,883,376</u>	<u>\$ 4,995,972</u>	<u>\$ 112,596</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, 2012 the City of Banks:

- Continued to operate the Public Safety Local Option Levy.
- Continued to operate under the Countywide Library Local Option Levy, recently 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.
- Conducted an Urban Growth Boundary (UGB) Expansion Study Area Reanalysis.
- Expanded the Banks Urban Growth Boundary.
- Adopted the Banks Transportation System Plan.
- Adopted the Banks Parks and Recreation Master Plan.
- Institutionalized the Internal Audit Subcommittee of the Banks City Council with ongoing meetings being held.
- Adjusted specific annual Water Rate increases through June 30 2014, incorporating previously adopted automatic annual increases.
- 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 three Resolutions permitting inter-fund loans from the Traffic Impact Fee Reserve Fund #06, 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.

Variations Between Adopted and Actual Budget Amounts

During the Fiscal Year Ended June 30, 2012 the City of Banks made one budget change to the originally adopted Operating Budget. The change was necessary to adjust for emergent requirements not predictable when the original budget proposal was drafted. The change adjusted categories of expenditures to end the fiscal year with accurate tabulation of information.

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

Fund ending fund balances are higher than originally projected as tabulated below:

No.	Fund	Unappropriated Ending Balance	Actual Ending Balance
1	General	\$ 85,000	\$ 396,249
2	Water	18,000	41,556
3	Library	18,000	35,660
4	Street/Road	70,000	337,206
5	Water Bonded Debt	43,720	43,956
6	Traffic Impact	-	421,803
7	Police	26,000	41,588
8	System Development	-	17,547
9	Water Depreciation	-	177,940
10	Park	10,000	17,727
11	Traffic Development Tax	-	6,672
12	Capital Equipment Reserve	-	-
13	Capital Projects Reserve	-	84,329
14	Capital Projects	-	7,830
15	Water Utility Equipment Reserve	-	-
16	Water Utility Reserve	-	-
17	Water Utility Projects	-	97,555
18	Parks SDC	-	1,800
	Total	<u>\$ 270,720</u>	<u>\$ 1,729,417</u>

Capital Asset and Long-Term Debt Activity

While no new capital asset activity is noted, significant capital planning 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 has sold Certificates of Participation through the League of Oregon Cities Capital Asset Program (LOCAP) in the amount of \$1,565,000. That amount is expected to fund and cover all of the projects currently in process. The projects are all in the design stage and are expected to be completed during FY 2011-2012

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. It is noted that much of the infrastructure (including the decorative street lights) in the newest subdivision development (Arbor Village) is reaching the end of its normal life and that capital maintenance will most probably be increasing in the near future. In order to address this issue somewhat, the City of Banks has worked with Portland General Electric to effect transfer of ownership for city-owned streetlights (Option B program) to utility-owned lights (Option A program.) That

ownership has been completed during FY 2011-2012; all but one of the streetlights in the City of Banks are now utility-owned (Option A program.)

Facts, Decisions, and Conditions Affecting Next Year and Beyond

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

- Will adopt formalized Financial Management Policies and Procedures.
- Will to receive a credit for Public Employee Retirement System (PERS) contributions.
- Will continue full funding of employee vacation bank liability.
- Will refine the size of the Unappropriated Ending Fund Balances in regular operating Funds.
- Will continue to implement the updated Water Utility rate study.
- Will begin “streaming” of City Council meetings on the enhanced City website.
- Will implement the Banks Transportation System Plan.
- Will implement the adopted Urban Growth Boundary expansion (land use) process.
- Will implement credit card processing procedures for the convenience of customers
- Will begin replacement of approximately 6 miles of water distribution main from the municipal spring water source to the main reservoir.
- Will complete the upgrade of Behrman Well #2 and install a manifold system to provide for pump redundancy with Behrman Well #1.
- Will replace and upgrade traffic and street signage throughout the City.
- Will continue to repair water distribution system infrastructure.
- Will begin the Banks Urban Reserves designation process.
- Will execute Phase I of the Banks Public Library renovation plan.
- Will begin planning Phase II of the Banks Public Library renovation and expansion plan.
- Will complete the interior buildout of the Public Works Building.
- Will complete the upgrade of energy efficiency measures in City Hall.
- Will install solar panels on the Public Works Building and on the Public Library.
- Will seek voter approval for a new Banks Police Services Local Option Levy to replace the current Levy when it expires on June 30, 2012.
- 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.

Financial and Managerial Personnel

City Manager:	Jim Hough
City Recorder / Treasurer:	Jolynn Becker
Public Works Director:	Jim Hough
Library Director:	Denise Holmes
Community Development Director:	Jim Hough
Parks & Trees Director:	Jim Hough
Public Works Administrative Assistant / Water Clerk:	Angela Lanter

For questions about this MD&A, or additional financial information, contact the City of Banks Finance Director at 120 South Main Street, Banks, Oregon 97106, or by telephone at 503-324-5112, extension 200.

CITY OF BANKS

Washington County, Oregon

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,350,863	\$ 334,598	\$ 1,685,461
Restricted for Debt Service	-	43,956	43,956
Capital Assets:			
Land & Projects in Progress	213,431	1,902,318	2,115,749
Other Capital Assets, Net of Depreciation	798,387	2,483,752	3,282,139
<u>Total Assets</u>	2,362,681	4,764,624	7,127,305
<u>LIABILITIES</u>			
Long-term Liabilities:			
Due in One Year	8,428	120,767	129,195
Due in More Than One Year	193,735	1,808,403	2,002,138
<u>Total Liabilities</u>	202,164	1,929,169	2,131,333
<u>NET ASSETS</u>	\$ 2,160,518	\$ 2,835,454	\$ 4,995,972
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 809,654	\$ 2,456,901	\$ 3,266,555
Restricted For:			
Debt Service	-	43,956	43,956
Other Purposes	807,269	-	807,269
Unrestricted	543,595	334,598	878,192
<u>Total Net Assets</u>	\$ 2,160,518	\$ 2,835,454	\$ 4,995,972

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year Ended June 30, 2012

	Program Receipts and Expenditures			Net (Expenditures) Receipts and Changes in Net Assets		
	Expenditures	Charges For Services	Grants	Governmental Activities	Business Activities	Total
<u>PRIMARY GOVERNMENT</u>						
<u>Government Activities</u>						
Police	\$ (201,023)	\$ -	\$ -	\$ (201,023)	\$ -	\$ (201,023)
Administrative	(247,899)	-	8,922	(238,977)	-	(238,977)
Library	(228,070)	-	10,080	(217,990)	-	(217,990)
Streets and Roads	(63,768)	-	-	(63,768)	-	(63,768)
Parks & Other	(234,451)	32,525	-	(201,926)	-	(201,926)
Net Change Capital Assets	139,293	-	-	139,293	-	139,293
Net Change Long Term Debt	8,428	-	-	8,428	-	8,428
	(835,918)	32,525	19,002	(775,962)	-	(775,962)
 <u>Business-Type Activities</u>						
Water	(472,762)	481,253	-		8,491	8,491
<u>Total Primary Government</u>	(1,308,680)	513,778	19,002	(775,962)	8,491	(767,471)
 <u>General Receipts</u>						
Taxes				380,023	-	380,023
Intergovernmental				268,368	-	268,368
Fines and Forfeitures				30,421	-	30,421
License and Permits				181,030	-	181,030
Interest				9,799	3,757	13,556
Miscellaneous				5,962	706	6,668
				875,603	4,463	880,066
Transfers				146,708	(146,708)	0
<u>CHANGE IN NET ASSETS</u>				246,350	(133,755)	112,595
<u>NET ASSETS, Beginning</u>				1,914,168	2,969,208	4,883,376
<u>NET ASSETS, Ending</u>				\$ 2,160,518	\$ 2,835,454	\$ 4,995,972

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Library Fund	Street and Road Fund	Traffic Fee Reserve Fund	Police Fund	Capital Projects Fund	Non- Major Funds	Total
<u>ASSETS</u>								
Cash and Cash Equivalents	<u>\$396,249</u>	<u>\$35,660</u>	<u>\$ 337,206</u>	<u>\$ 421,803</u>	<u>\$ 41,588</u>	<u>\$ 7,830</u>	<u>\$ 110,528</u>	<u>\$ 1,350,863</u>
<u>FUND BALANCES</u>								
Restricted - Special Revenue Funds	\$ -	\$ -	\$ 337,206	\$ 421,803	\$ 41,588	\$ -	\$ 6,672	\$ 807,269
Committed - Special Revenue Funds	-	35,660	-	-	-	-	19,527	55,187
Committed - Capital Project Funds	-	-	-	-	-	7,830	84,329	92,158
Unassigned	<u>396,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,249</u>
Total	<u>\$396,249</u>	<u>\$35,660</u>	<u>\$ 337,206</u>	<u>\$ 421,803</u>	<u>\$ 41,588</u>	<u>\$ 7,830</u>	<u>\$ 110,528</u>	<u>\$ 1,350,863</u>

Reconciliation to Statement of Net Assets

Fund Balances	\$ 1,350,863
Amounts reported for governmental activities in the Statement of Net Assets 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.	1,011,818
Long term debt obligations payable are not due and payable in this reporting period, and therefore are not reported in the fund statements.	<u>(202,164)</u>
Net Assets of Government Activities	<u>\$ 2,160,518</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, 2012

	General Fund	Library Fund	Street & Road Fund	Traffic Fee Reserve Fund	Police Fund	Capital Projects Fund	Non-Major Funds	Total
<u>RECEIPTS</u>								
Taxes	\$ 193,959	\$ -	\$ -	\$ -	\$ 186,064	\$ -	\$ -	\$ 380,023
Intergovernmental	38,237	126,399	103,732	-	-	-	-	268,368
Fines and Forfeitures	15,563	6,121	-	-	8,737	-	-	30,421
Licenses, Permits and Fees	148,096	-	-	-	-	-	32,934	181,030
Charges for Services	-	-	-	-	-	-	32,525	32,525
Interest	2,254	194	1,706	2,234	346	2,571	494	9,799
Grants	8,922	10,080	-	-	-	-	-	19,002
Miscellaneous	674	342	1,515	-	-	-	3,431	5,962
Total	407,705	143,136	106,953	2,234	195,147	2,571	69,384	927,130
<u>EXPENDITURES</u>								
Personal Services	75,587	156,970	25,466	-	9,445	-	20,674	288,143
Materials & Services	158,995	46,680	27,434	1,300	191,578	-	42,916	468,902
Capital Outlay	11,737	12,209	9,568	-	-	141,449	29,412	204,375
Debt Service & Loan Fees	1,580	12,210	-	-	-	-	-	13,790
Total	247,899	228,070	62,468	1,300	201,023	141,449	93,002	975,211
<u>RECEIPTS OVER (UNDER) EXPENDITURES</u>								
	159,806	(84,934)	44,485	934	(5,876)	(138,878)	(23,618)	(48,080)
<u>OTHER FINANCING SOURCES</u>								
Transfers In	-	94,154	-	-	25,000	146,708	33,086	298,949
Transfers (Out)	(152,240)	-	-	-	-	-	-	(152,240)
Total	(152,240)	94,154	-	-	25,000	146,708	33,086	146,708
<u>NET CHANGE IN FUND BALANCES</u>								
	7,566	9,221	44,485	934	19,124	7,830	9,469	98,628
<u>FUND BALANCES, Beginning</u>								
	388,684	26,439	292,721	420,868	22,464	-	101,059	1,252,235
<u>FUND BALANCES, Ending</u>								
	\$ 396,249	\$ 35,660	\$ 337,206	\$421,803	\$ 41,588	\$ 7,830	\$ 110,528	\$ 1,350,863

Reconciliation to Statement of

Net Change in Fund Balances - Total Governmental	\$ 98,628
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	181,350
Depreciation Expense	(42,057)
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	8,428
Change in Net Assets of Governmental Activities	<u>\$ 246,350</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

PROPRIETARY FUNDS - COMBINED

June 30, 2012

	<u>Water</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 334,598
Cash Restricted for Debt Service	43,956
Capital Assets:	
Land & Projects in Progress	1,902,318
Other Capital Assets, Net of Depreciation	<u>2,483,752</u>
Total	<u>4,764,624</u>
<u>LIABILITIES</u>	
Bonds Payable:	
Due Within One Year	120,767
Due in More Than One Year	<u>1,808,403</u>
Total	<u>1,929,169</u>
<u>NET ASSETS</u>	<u>\$ 2,835,454</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	2,456,901
Restricted for Debt Service	43,956
Unrestricted	<u>334,598</u>
<u>Total Net Assets</u>	<u>\$ 2,835,454</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF RECEIPTS, EXPENDITURES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

PROPRIETARY FUNDS - COMBINED

Year Ended June 30, 2012

	<u>Water</u>
<u>OPERATING RECEIPTS</u>	
Water Sales	\$ 478,428
SDC Charges	<u>2,825</u>
Total	<u>481,253</u>
<u>OPERATING EXPENDITURES</u>	
Water Expenses Paid	(292,058)
Depreciation Expense	<u>(99,611)</u>
Total	<u>(391,669)</u>
OPERATING INCOME (LOSS)	<u>89,584</u>
<u>NON-OPERATING RECEIPTS</u>	
Interest Earned	3,757
Other Receipts	<u>706</u>
Total	<u>4,463</u>
<u>NON-OPERATING EXPENDITURES</u>	
Interest Expense	<u>(81,093)</u>
NET INCOME (LOSS)	<u>12,953</u>
<u>INTERFUND TRANSFERS</u>	
Transfers In	1,246,093
Transfers (Out)	<u>(1,392,801)</u>
Total	<u>(146,708)</u>
CHANGE IN NET ASSETS	(133,755)
<u>NET ASSETS, Beginning</u>	<u>2,969,208</u>
<u>NET ASSETS, Ending</u>	<u>\$ 2,835,454</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, 2012

	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts From Customers	\$ 481,253
Payment to Suppliers	(128,558)
Payments to Employees	(163,500)
Net Cash Provided by (Used In) Operating Activities	<u>189,195</u>
<u>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</u>	
Transfers From Other Funds	1,246,093
Transfers To Other Funds	(1,392,801)
Net Cash Provided by (Used In) Financing Activities	<u>(146,708)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Assets	(1,106,070)
Payments of Debt Principal	(118,821)
Payments of Debt Interest	(81,093)
Net Cash Used in Capital and Related Financing Activities	<u>(1,305,984)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest and Other Receipts	<u>4,463</u>
<u>NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS</u>	(1,259,034)
<u>CASH BALANCE, Beginning</u>	<u>1,637,587</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 378,553</u>
Reconciliation of Operating Income to net cash provided by Operating Activities:	
Operating Income	\$ 89,584
Adjustment for Depreciation Expense	<u>99,611</u>
Net Cash Provided by Operating Activities	<u>\$ 189,195</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. As allowed under GASB, the City does not apply FASB guidance issued after November 30, 1989, unless specifically adopted by GASB.

1A FINANCIAL REPORTING ENTITY

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

Primary Government: CITY OF BANKS

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 Assets 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 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.

GASB 54:

The Governmental Accounting Standards Board (GASB) has issued their Statement 54 - *"Fund Balance Reporting and Governmental Fund Type Definitions"* for financial reports for periods beginning after June 15, 2010. This statement applies to the governmental funds statements on pages 12 and 13.

Fund balances will now be 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 the following enterprise funds:

<u>Fund</u>	<u>Brief Description</u>
<u>Water Fund</u>	This fund accounts for revenues and expenditures related to the City’s water system. It is a major fund.
<u>Water Depreciation Reserve Fund</u>	This fund accounts for revenue designated for water systems improvement. It is a major fund.
<u>Water Bonded Debt Fund</u>	This fund accounts for paying off water system improvement debt. It is funded primarily by transfers from the Water Fund. It is a non-major fund.
<u>Water SDC Fund</u>	This fund accounts for revenue generated by systems development charges and is designated to be spent on authorized water system improvements. It is a non-major fund.
<u>Capital Projects Fund-Proprietary</u>	This fund accounts for funds spent on capital projects. It is funded by LOCAP Certificates of Participation. It is a major fund. This fund was closed in FY 2011-12 and the balance transferred to the Capital Projects Fund-Governmental and the Water Utility Projects Fund.
<u>Water Utility Projects Fund</u>	This fund is designated for expenditures on water systems improvement projects. It is funded by LOCAP Certificates of Participation. It is a major fund.

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 Assets 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 assets/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, 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 financials would be presented on the accrual basis of accounting.

1D ASSETS, LIABILITIES, AND NET ASSETS

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 Assets. 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 Assets. 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 two years. 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 ASSET CLASSIFICATION

Government-Wide Financial Statements

Net assets are classified and displayed in three components:

- a. Invested in capital assets, net of related debt - 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 net assets - Consists of net assets with constraints placed on the 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 net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Fund Financial Statements

Governmental fund net assets are classified as fund balances. Proprietary fund net assets are 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 expenditures for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and expenditures 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 Assets 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 Assets, 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, 2012. Cash and investments of the City at June 30, 2012 were:

US Bank Checking Account	\$ 89,389
Local Government Investment Pool -	43,956
Local Government Investment Pool	1,594,707
Office Petty Cash & Postage Machine	1,365
Total	<u>\$ 1,729,417</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, 2012, total demand deposits and savings accounts per bank statements were \$148,918. 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, 2012, the City had invested \$1,594,707 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, 2012.

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, 2012 was unqualified.

Concentration Risk: The City had concentrations in the following investment: LGIP 92.2%.

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, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
GOVERNMENTAL ACTIVITIES				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 35,557	\$ -	\$ -	\$ 35,557
Projects in Progress	8,961	168,913	-	177,874
Total	<u>\$ 44,518</u>	<u>\$ 168,913</u>	<u>\$ -</u>	<u>\$ 213,431</u>
<u>Depreciable Capital Assets</u>				
Land Improvements	447,186	-	-	447,186
Buildings	596,392	-	-	596,392
Vehicles & Equipment	51,758	12,437	-	64,195
Total	<u>1,095,336</u>	<u>12,437</u>	<u>-</u>	<u>1,107,773</u>
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(38,582)	(17,039)	-	(55,621)
Buildings	(204,470)	(16,147)	-	(220,617)
Vehicles & Equipment	(24,277)	(8,871)	-	(33,148)
Total	<u>(267,329)</u>	<u>(42,057)</u>	<u>-</u>	<u>(309,386)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 828,007</u>	<u>\$ (29,620)</u>	<u>\$ -</u>	<u>\$ 798,387</u>
Total Capital Assets, Net of Depreciation	<u>\$ 872,525</u>	<u>\$ 139,293</u>	<u>\$ -</u>	<u>\$ 1,011,818</u>
	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
BUSINESS-TYPE ACTIVITIES				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 583,133	\$ -	\$ -	\$ 583,133
Projects in Progress	236,065	1,083,120	-	1,319,185
Total	<u>\$ 819,198</u>	<u>\$ 1,083,120</u>	<u>\$ -</u>	<u>\$ 1,902,318</u>
<u>Depreciable Capital Assets</u>				
Water System	3,607,267	-	-	3,607,267
Buildings	218,030	-	-	218,030
Equipment	151,846	22,950	-	174,796
Total	<u>3,977,143</u>	<u>22,950</u>	<u>-</u>	<u>4,000,093</u>
<u>Less Accumulated Depreciation For:</u>				
Water System	(1,324,374)	(87,260)	-	(1,411,634)
Buildings	(46,435)	(7,062)	-	(53,497)
Equipment	(45,921)	(5,289)	-	(51,210)
Total	<u>(1,416,730)</u>	<u>(99,611)</u>	<u>-</u>	<u>(1,516,341)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$2,560,413</u>	<u>\$ (76,661)</u>	<u>\$ -</u>	<u>\$ 2,483,752</u>
Total Capital Assets, Net of Depreciation	<u>\$3,379,611</u>	<u>\$ 1,006,459</u>	<u>\$ -</u>	<u>\$ 4,386,070</u>
TOTAL CAPITAL ASSETS, ALL ACTIVITIES	<u>\$4,252,136</u>	<u>\$ 1,145,752</u>	<u>\$ -</u>	<u>\$ 5,397,888</u>

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

Governmental Activities: General	\$42,622
Business-Type Activities: Water	\$99,576

Governmental fund capital spending included the following:

- New telephone system
- Construction-in-Progress included work on the library and public works building.

Proprietary fund capital spending included the following:

- Replace turbidimeters
- Construction-in-Progress included work on water system improvements and the public works building.

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, 2012, were as follows:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 152,241
Library	94,154	-
Parks	33,086	-
Streets	-	-
Traffic Impact Reserve	-	-
Police	25,000	-
Traffic Development	-	-
Parks SDC	-	-
Capital Equipment Reserve	-	-
Capital Project Reserve	-	-
Capital Projects-Governmental	146,708	-
Water	36,808	31,000
Water Depreciation Reserve	10,000	36,808
Water Bonded Debt	21,000	-
Capital Projects-Proprietary	-	1,324,993
SDC	-	-
Water Utility Projects	1,178,285	-
Total Transfers	<u>\$ 1,545,042</u>	<u>\$ 1,545,042</u>

INTERFUND BALANCES

At June 30, 2012 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:

Year Ending June 30	WATER FUND		WATER BONDED DEBT FUND	
	Safe Drinking Water Loan		Water Slow Sand Filter	
	Oregon Economic Develop. Interest Rate 4.5%		Farmers Home Admin. Interest Rate 5.0%	
	Principal	Interest	Principal	Interest
2012	\$ 33,160	\$ 20,654	\$ 9,089	\$ 11,731
2013	\$ 34,652	\$ 19,161	\$ 9,543	\$ 11,277
2014	36,211	17,602	10,020	10,800
2015	37,841	15,973	10,521	10,299
2016	39,544	14,270	11,048	9,772
2017	41,323	12,490	11,600	9,220
2018	43,183	10,630	12,180	8,640
2019	45,126	8,688	12,789	8,031
2020	47,156	6,657	13,428	7,392
2021	49,278	4,535	14,100	6,720
2022	51,496	2,317	14,805	6,015
2023			15,545	5,275
2024			16,322	4,498
2025			17,138	3,682
2026			17,995	2,825
2027			18,895	1,925
2028			19,594	991
Bal 6/30/12	\$ 425,810	\$ 112,323	\$ 225,523	\$ 107,362

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

Year Ending June 30	MULTIPLE FUNDS				
	Coupon	Principal	Interest	Expenses	Payment
2012	1.50%	\$ 85,000	\$ 52,570	\$ 1,500	\$ 139,070
2013	1.75%	\$ 85,000	\$ 51,295	\$ 1,500	\$ 137,795
2014	2.00%	90,000	49,808	1,500	141,308
2015	2.35%	90,000	48,008	1,500	139,508
2016	2.70%	95,000	45,893	1,500	142,393
2017	3.00%	95,000	43,328	1,500	139,828
2018	3.25%	100,000	40,478	1,500	141,978
2019	3.50%	100,000	37,228	1,500	138,728
2020	3.70%	105,000	33,728	1,500	140,228
2021	3.85%	110,000	29,843	1,500	141,343
2022	4.00%	115,000	25,608	1,500	142,108
2023	4.10%	115,000	21,008	1,500	137,508
2024	4.20%	120,000	16,293	1,500	137,793
2025	4.25%	125,000	11,253	1,500	137,753
2026	4.40%	135,000	5,940	1,500	142,440
Balance 6/30/12		\$ 1,480,000	\$ 459,705	\$ 21,000	\$ 1,960,705

Debt principal activity for the year ended June 30, 2012, was as follows:

PRINCIPAL

Loan	Beginning Balance	Paid	Ending Balance	Due Within One Year	Due After One Year
Safe Drinking Water Loan (OED)	\$ 458,970	\$ (33,160)	\$ 425,810	\$ 34,652	\$ 391,158
Water Slow Sand Filter (FHA)	234,612	(9,089)	225,523	9,543	215,980
LOCAP Loan - Water	1,409,817	(76,572)	1,333,245	76,572	1,256,674
LOCAP Loan - Library	137,403	(7,463)	129,940	7,463	122,478
LOCAP Loan - General Fund	17,780	(966)	16,815	966	15,849
	\$ 2,258,582	\$ (127,249)	\$ 2,131,333	\$ 129,195	\$ 2,002,138

Total payment activity for the year ended June 30, 2012, was as follows:

TOTAL PAYMENTS

Loan	Fund	Principal	Interest & Fees	Total
Safe Drinking Water Loan (OED)	Water	\$ 33,160	\$ 20,654	\$ 53,814
Water Slow Sand Filter (FHA)	Water Debt	9,089	11,731	20,820
LOCAP Loan	Water	76,572	48,708	125,280
LOCAP Loan	Library	7,463	4,747	12,210
LOCAP Loan	General	966	614	1,580
		\$ 127,249	\$ 86,455	\$ 213,704

3E OPERATING LEASE

On May 9, 2006, the City entered into a lease agreement to rent a copier. The lease terms are for 63 months with rental payments of \$233. Rent expense for the year ended June 30, 2012 was \$2,796. The future minimum rental payments are as follows:

<u>Year Ended June 30</u>	<u>Future Minimum Rental Payments</u>
2013	\$233

Note 4 - OTHER NOTES

4A EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Multiple-Employer Defined Benefit Plan

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("PERS"), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits are assumed at 8.0% for Tier One and there is no guaranty of future interest credits for Tier Two members.

The Oregon Public Employees Retirement Fund (OPERF) applies to contributions made for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF. There are two programs, the Pension Program and the Individual Account Program (IAP).

The Pension Program, the defined benefit portion of the plan, applies to qualifying employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

The Individual Account Program requires that beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS/section/financial.

Funding Policy - Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. Currently, the City pays the member required contribution. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

The employer contribution rates are updated every two years. The City's PERS contribution rates for the year ended June 30, 2012 and the rates for the new fiscal year are shown below:

Rate Category	FY 11-12 Net Rate	FY 12-13 Net Rate
Tier 1 / Tier 2	7.09%	7.09%
OPSRP General	3.24%	3.24%
OPSRP Police & Fire	5.95%	5.95%

Annual Pension Cost - The City's contributions to the pension plan for the last three Fiscal Years are shown below.

Year Ended by June 30	Annual Pension Cost (APC)	Percentage of APC Contributed
2010	\$18,175	100%
2011	\$18,662	100%
2012	\$32,108	100%

The latest funding status of the City's pension plan is shown below:

PERS FUNDING STATUS*	
Latest Valuation Date	12/31/10
Unfunded Actuarial Liability (UAL)	-\$1,689
Combined Valuation Payroll	\$271,020
Net UAL as a Percent of Payroll	-1%
*per Mercer Consulting report dated:	11/18/11

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BANKS

Banks, Oregon

June 30, 2012

BUDGETARY INFORMATION

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

The City Council adopts the original budget by resolution prior to the beginning of the City's fiscal year (July 1 through June 30). The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, debt service and other expenditures for the fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the above mentioned expenditure categories, and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the City Council at a regular Council meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the City Council.

The City Council can make resolution transfers to move appropriations from one category to another within the same fund. A resolution can also be used to transfer resources and appropriation authority from the general fund to any other fund in the budget. However, a supplemental budget must be used to transfer resources and appropriation authority from a special revenue fund to the general fund. The City may appropriate funds from the contingency category up to a maximum of 15% of the total appropriation of that fund. A supplemental budget is required to appropriate any remaining balance in the contingency category.

Appropriations lapse at year-end.

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Taxes and Related Items	\$ 181,507	\$ 181,507	\$ 193,959	\$ 12,452
Licenses, Permits and Fees	125,035	125,035	148,096	23,061
Intergovernmental	24,500	24,500	38,237	13,737
Interest	1,501	1,501	2,254	753
Miscellaneous	1,000	1,000	674	(326)
Grants	6,000	6,000	8,922	2,922
Court Fines, etc.	18,000	18,000	15,563	(2,437)
Total	<u>357,543</u>	<u>357,543</u>	<u>407,705</u>	<u>50,162</u>
<u>TRANSFERS</u>				
From Water Fund	125,281	-	-	-
From Library Fund	9,193	-	-	-
Total	<u>134,474</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL RECEIPTS & TRANSFERS	 <u>492,017</u>	 <u>357,543</u>	 <u>407,705</u>	 <u>50,162</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Personal Services	85,426	85,426	75,587	9,839
Material and Services	205,948	205,948	158,995	46,953
Capital Outlay	13,000	13,000	11,737	1,263
Debt Service	139,070	1,580	1,580	-
Operating Contingencies	76,963	79,979	-	79,979
Total	<u>520,407</u>	<u>385,933</u>	<u>247,899</u>	<u>138,034</u>
<u>TRANSFERS</u>				
To Police Fund	31,000	31,000	25,000	6,000
To Library Fund	99,476	99,476	94,154	5,322
To Park Fund	46,965	46,965	33,086	13,879
Total	<u>177,441</u>	<u>177,441</u>	<u>152,240</u>	<u>25,201</u>
 TOTAL EXPENDITURES AND TRANSFERS	 <u>697,848</u>	 <u>563,374</u>	 <u>400,139</u>	 <u>163,235</u>
 NET CHANGE IN FUND BALANCE	 (205,831)	 (205,831)	 7,566	 213,397
 <u>CASH BALANCE</u> , Beginning	 <u>290,831</u>	 <u>290,831</u>	 <u>388,684</u>	 <u>97,853</u>
 <u>CASH BALANCE</u> , Ending	 <u>\$ 85,000</u>	 <u>\$ 85,000</u>	 <u>\$ 396,249</u>	 <u>\$ 311,249</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

LIBRARY FUND

Year Ended June 30, 2012

	Original Budget	Final Budget	Receipts	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Circulation Reimbursement	\$ 123,084	\$ 123,084	\$ 126,399	\$ 3,315
Fines and Fees	6,000	6,000	6,121	121
Interest	200	200	194	(6)
Grants/Donations	34,000	34,000	10,080	(23,920)
Miscellaneous	1,300	1,300	342	(958)
Total	164,584	164,584	143,136	(21,448)
<u>TRANSFERS</u>				
From General Fund	99,476	99,476	94,154	(5,322)
TOTAL RECEIPTS AND TRANSFERS	264,060	264,060	237,290	(26,770)
	Original Budget	Final Budget	Expenditures	Variance Favorable (Unfavorable)
<u>CASH EXPENDITURES</u>				
Personal Services	176,523	171,523	156,970	14,553
Material and Services	44,060	49,060	46,680	2,380
Capital Outlay	31,830	31,830	12,209	19,621
Debt Service	-	12,210	12,210	
Operating Contingencies	2,932	2,932	-	2,932
Total	255,345	267,555	228,070	39,485
<u>TRANSFERS</u>				
To General Fund	9,193	-	-	-
TOTAL EXPENDITURES & TRANSFERS	264,538	267,555	228,070	39,485
NET CHANGE IN FUND BALANCE	(478)	(3,495)	9,221	12,716
<u>CASH BALANCE</u> , Beginning	18,478	21,495	26,439	4,944
<u>CASH BALANCE</u> , Ending	\$ 18,000	\$ 18,000	\$ 35,660	\$ 17,660

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

STREETS AND ROADS FUND

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Intergovernmental	\$ 49,000	\$ 49,000	\$ 103,732	\$ 54,732
Interest	1,500	1,500	1,706	206
Miscellaneous	4,457	4,457	1,515	(2,942)
TOTAL RECEIPTS	<u>54,957</u>	<u>54,957</u>	<u>106,953</u>	<u>51,996</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Personal Services	37,782	37,782	25,466	12,316
Material and Services	34,895	34,895	27,434	7,461
Capital Outlay	149,500	149,500	9,568	139,932
Contingency	9,913	9,913	-	9,913
TOTAL EXPENDITURES	<u>232,090</u>	<u>232,090</u>	<u>62,468</u>	<u>169,622</u>
NET CHANGE IN FUND BALANCE	(177,133)	(177,133)	44,485	221,618
<u>CASH BALANCE</u>, Beginning	<u>247,133</u>	<u>247,133</u>	<u>292,721</u>	<u>45,588</u>
<u>CASH BALANCE</u>, Ending	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 337,206</u>	<u>\$ 267,206</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

POLICE SERVICES FUND

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Local Option Tax	\$ 174,260	\$ 174,260	\$ 186,064	\$ 11,804
911 Telephone Tax	7,500	7,500	8,737	1,237
Interest	306	306	346	40
Total	<u>182,066</u>	<u>182,066</u>	<u>195,147</u>	<u>13,081</u>
<u>TRANSFERS</u>				
From General Fund	<u>31,000</u>	<u>31,000</u>	<u>25,000</u>	(6,000)
TOTAL RECEIPTS AND TRANSFERS	<u>213,066</u>	<u>213,066</u>	<u>220,147</u>	<u>7,081</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Personal Services	8,905	9,455	9,445	10
Material and Services	193,991	193,441	191,578	1,863
Operating Contingency	296	296	-	296
TOTAL EXPENDITURES	<u>203,192</u>	<u>203,192</u>	<u>201,023</u>	<u>2,169</u>
NET CHANGE IN FUND BALANCE	9,874	9,874	19,124	9,250
<u>CASH BALANCE</u> , Beginning	<u>16,126</u>	<u>16,126</u>	<u>22,464</u>	<u>6,338</u>
<u>CASH BALANCE</u> , Ending	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 41,588</u>	<u>\$ 15,588</u>

See Notes to Financial Statements

SUPPLEMENTARY INFORMATION

CITY OF BANKS

Washington County, Oregon

COMBINING STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2012

	<u>Park Fund</u>	<u>Traffic Development Tax Reserve Fund</u>	<u>Parks SDC Fund</u>	<u>Capital Projects Reserve Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$ 17,727</u>	<u>\$ 6,672</u>	<u>\$ 1,800</u>	<u>\$ 84,329</u>	<u>\$ 110,528</u>
<u>FUND BALANCES</u>					
Restricted - Special Revenue Funds	\$ -	\$ 6,672	\$ -	\$ -	\$ 6,672
Committed - Special Revenue Funds	17,727	-	1,800	-	19,527
Committed - Capital Projects Fund	-	-	-	84,329	84,329
Total	<u>\$ 17,727</u>	<u>\$ 6,672</u>	<u>\$ 1,800</u>	<u>\$ 84,329</u>	<u>\$ 110,528</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, 2012

	Park Fund	Traffic Development Tax Reserve Fund	Parks SDC Fund	Capital Projects Reserve Fund	Total
<u>RECEIPTS</u>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Licenses, Permits and Fees	-	6,665	1,800	24,469	32,934
Charges for Services	32,525	-	-	-	32,525
Interest	47	7	-	440	494
Grants	-	-	-	-	-
Miscellaneous	1,761	-	-	1,670	3,431
Total	<u>34,333</u>	<u>6,672</u>	<u>1,800</u>	<u>26,579</u>	<u>69,384</u>
<u>EXPENDITURES</u>					
Personal Services	20,674	-	-	-	20,674
Materials & Services	42,916	-	-	-	42,916
Capital Outlay	-	-	-	29,412	29,412
Debt Service & Loan Fees	-	-	-	-	-
Total	<u>63,590</u>	<u>-</u>	<u>-</u>	<u>29,412</u>	<u>93,002</u>
<u>RECEIPTS OVER (UNDER) EXPENDITURES</u>	<u>(29,257)</u>	<u>6,672</u>	<u>1,800</u>	<u>(2,833)</u>	<u>(23,618)</u>
<u>OTHER FINANCING SOURCES [USES]</u>					
Transfers In	33,086	-	-	-	33,086
Transfers (Out)	-	-	-	-	-
Total	<u>33,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,086</u>
<u>NET CHANGE IN FUND BALANCES</u>	3,830	6,672	1,800	(2,833)	9,469
<u>FUND BALANCES, Beginning</u>	<u>13,898</u>	<u>-</u>	<u>-</u>	<u>87,162</u>	<u>101,059</u>
<u>FUND BALANCES, Ending</u>	<u>\$ 17,727</u>	<u>\$ 6,672</u>	<u>\$ 1,800</u>	<u>\$ 84,329</u>	<u>\$ 110,528</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 2,234</u>	<u>\$ (166)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>-</u>
Operating Contingency	<u>422,328</u>	<u>422,328</u>	<u>-</u>	<u>422,328</u>
TOTAL EXPENDITURES	<u>423,628</u>	<u>423,628</u>	<u>1,300</u>	<u>422,328</u>
NET CHANGE IN FUND BALANCE	<u>(421,228)</u>	<u>(421,228)</u>	<u>934</u>	<u>422,162</u>
<u>CASH BALANCE</u> , Beginning	<u>421,228</u>	<u>421,228</u>	<u>420,868</u>	<u>(360)</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,803</u>	<u>\$ 421,803</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARKS & TREES FUND

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Charges for Services	\$ 30,725	\$ 30,725	\$ 32,525	\$ 1,800
Interest	75	75	47	(28)
Miscellaneous	150	150	1,761	1,611
Total	<u>30,950</u>	<u>30,950</u>	<u>34,333</u>	<u>3,383</u>
<u>TRANSFERS</u>				
From General Fund	<u>46,965</u>	<u>46,965</u>	<u>33,086</u>	<u>(13,879)</u>
TOTAL RECEIPTS AND TRANSFERS	<u>77,915</u>	<u>77,915</u>	<u>67,420</u>	<u>(10,495)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Personal Services	26,460	26,460	20,674	5,786
Material and Services	47,960	47,960	42,916	5,044
Capital Outlay	300	300	-	300
Operating Contingencies	<u>359</u>	<u>359</u>	<u>-</u>	<u>359</u>
TOTAL EXPENDITURES	<u>75,079</u>	<u>75,079</u>	<u>63,590</u>	<u>11,489</u>
NET CHANGE IN FUND BALANCE	2,836	2,836	3,830	994
<u>CASH BALANCE, Beginning</u>	<u>7,164</u>	<u>7,164</u>	<u>13,898</u>	<u>6,734</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 17,727</u>	<u>\$ 7,727</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARK SDC FUND

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
SDC Fee - Parks	\$ -	\$ -	\$ 1,800	\$ 1,800
Interest	-	-	-	-
TOTAL RECEIPTS	-	-	1,800	1,800
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	-	-	-	-
Operating Contingencies	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	1,800	1,800
<u>CASH BALANCE</u> , Beginning	-	-	-	-
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 1,800</u>

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Traffic Development Tax Reserve	\$ 100	\$ 100	\$ 6,665	\$ 6,565
Interest	1	1	7	6
TOTAL RECEIPTS	<u>101</u>	<u>101</u>	<u>6,672</u>	<u>6,571</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Operating Contingency	<u>101</u>	<u>101</u>	<u>-</u>	<u>101</u>
NET CHANGE IN FUND BALANCE	-	-	6,672	6,672
<u>CASH BALANCE</u> , Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,672</u>	<u>\$ 6,672</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

CAPITAL PROJECT RESERVE FUND-GOVERNMENTAL

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Franchise Fees	\$ -	\$ -	\$ 24,469	\$ 24,469
Interest	108	108	440	332
Misc.	-	-	1,670	1,670
TOTAL RECEIPTS	<u>108</u>	<u>108</u>	<u>26,579</u>	<u>26,471</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>72,588</u>	<u>72,588</u>	<u>29,412</u>	<u>43,176</u>
NET CHANGE IN FUND BALANCE	<u>(72,480)</u>	<u>(72,480)</u>	<u>(2,833)</u>	<u>69,647</u>
<u>CASH BALANCE</u> , Beginning	<u>72,480</u>	<u>72,480</u>	<u>87,162</u>	<u>14,682</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,329</u>	<u>\$ 84,329</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

CAPITAL PROJECTS FUND #14 (GOVERNMENTAL)

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	\$ -	\$ 700	\$ 2,571	\$ 1,871
<u>TRANSFERS</u>				
From Proprietary Capital Projects Fund	-	146,708	146,708	-
TOTAL RECEIPTS & TRANSFERS	-	147,408	149,279	1,871
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay				
Water Fund	-	-	-	-
Library Fund	-	129,024	123,065	5,959
General Fund	-	18,384	18,384	-
Operating Contingency	-	-	-	-
TOTAL EXPENDITURES	-	147,408	141,449	5,959
NET CHANGE IN FUND BALANCE	-	-	7,830	7,830
<u>CASH BALANCE</u> , Beginning	-	-	-	-
<u>CASH BALANCE</u> , Ending	\$ -	\$ -	\$ 7,830	\$ 7,830

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER FUND

Year Ended June 30, 2012

	Original Budget	Final Budget	Receipts	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Charge for Services (Water Sales, etc.)	\$ 476,750	\$ 476,750	\$ 478,428	\$ 1,678
Interest	200	200	443	243
Misc.	1,500	1,500	231	(1,269)
Total	<u>478,450</u>	<u>478,450</u>	<u>479,102</u>	<u>652</u>
<u>TRANSFERS</u>				
From Water Depr. Fund	102,000	102,000	36,808	(65,192)
TOTAL RECEIPTS AND TRANSFERS	<u>580,450</u>	<u>580,450</u>	<u>515,910</u>	<u>(64,540)</u>
	Original Budget	Final Budget	Expenditures	Variance Favorable (Unfavorable)
<u>CASH EXPENDITURES</u>				
Personal Services	176,379	176,379	163,500	12,880
Material and Services	97,193	115,000	109,580	5,420
Capital Outlay	102,000	84,193	41,308	42,885
Debt Service	53,814	179,095	179,093	2
Operating Contingencies	5,848	5,848	-	5,848
Total	<u>435,234</u>	<u>560,515</u>	<u>493,481</u>	<u>67,034</u>
<u>TRANSFERS</u>				
To General Fund	125,281	-	-	-
To Water Depreciation Reserve Fund	10,000	10,000	10,000	-
To Water Bonded Debt Fund	21,000	21,000	21,000	-
To Capital Equipment Reserve Fund	100	100	-	100
Total	<u>156,381</u>	<u>31,100</u>	<u>31,000</u>	<u>100</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>591,615</u>	<u>591,615</u>	<u>524,481</u>	<u>67,134</u>
NET CHANGE IN CASH BALANCE	(11,165)	(11,165)	(8,571)	2,594
<u>CASH BALANCE</u> , Beginning	<u>29,165</u>	<u>29,165</u>	<u>50,127</u>	<u>20,962</u>
<u>CASH BALANCE</u> , Ending	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 41,556</u>	<u>\$ 23,556</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 1,083</u>	<u>\$ 333</u>
<u>TRANSFERS</u>				
From Water Fund	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
TOTAL RECEIPTS AND TRANSFERS	<u>10,750</u>	<u>10,750</u>	<u>11,083</u>	<u>333</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Operating Contingency	<u>90,349</u>	<u>90,349</u>	<u>-</u>	<u>90,349</u>
<u>TRANSFERS</u>				
To Water Fund	<u>102,000</u>	<u>102,000</u>	<u>36,808</u>	<u>65,192</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>192,349</u>	<u>192,349</u>	<u>36,808</u>	<u>155,541</u>
NET CHANGE IN CASH BALANCE	<u>(181,599)</u>	<u>(181,599)</u>	<u>(25,725)</u>	<u>155,874</u>
<u>CASH BALANCE, Beginning</u>	<u>181,599</u>	<u>181,599</u>	<u>203,665</u>	<u>22,066</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,940</u>	<u>\$ 177,940</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER BONDED DEBT FUND

Year Ended June 30, 2012

	Original Budget	Final Budget	Receipts	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Interest Earned	\$ 250	\$ 250	\$ 235	\$ (15)
<u>TRANSFERS</u>				
From Water Fund	21,000	21,000	21,000	-
TOTAL RECEIPTS AND TRANSFERS	21,250	21,250	21,235	(15)
	Original Budget	Final Budget	Expenditures	Variance Favorable (Unfavorable)
<u>CASH EXPENDITURES</u>				
Materials & Services	650	650	620	30
Debt Service	20,820	20,820	20,820	-
Operating Contingency	224	224	-	224
TOTAL EXPENDITURES	21,694	21,694	21,440	254
NET CHANGE IN CASH BALANCE	(444)	(444)	(206)	238
<u>CASH BALANCE, Beginning</u>	44,164	44,164	44,162	(2)
<u>CASH BALANCE, Ending</u>	<u>\$ 43,720</u>	<u>\$ 43,720</u>	<u>\$ 43,956</u>	<u>\$ 236</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER SDC FUND

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
System Development - Water	\$ 30,000	\$ 30,000	\$ 2,825	\$ (27,175)
System Development Charge Parks	9,000	9,000	-	(9,000)
Interest	80	80	82	2
TOTAL RECEIPTS	<u>39,080</u>	<u>39,080</u>	<u>2,907</u>	<u>(36,173)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	-	-	-	-
Operating Contingency	53,736	53,736	-	53,736
TOTAL EXPENDITURES	<u>53,736</u>	<u>53,736</u>	<u>-</u>	<u>53,736</u>
NET CHANGE IN CASH BALANCE	(14,656)	(14,656)	2,907	17,563
<u>CASH BALANCE</u> , Beginning	<u>14,656</u>	<u>14,656</u>	<u>14,641</u>	<u>(15)</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,547</u>	<u>\$ 17,547</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

CAPITAL PROJECTS FUND #14 (PROPRIETARY)

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	\$ 3,000	\$ -	\$ -	\$ -
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	1,306,838	-	-	-
Operating Contingency	8,237	-	-	-
Total	1,315,075	-	-	-
<u>TRANSFERS</u>				
To Water Utility Projects Fund	-	1,178,285	1,178,285	-
To Capital Projects Fund (Governmental)	-	146,708	146,708	-
Total	-	1,324,993	1,324,993	-
TOTAL EXPENDITURES & TRANSFERS	1,315,075	1,324,993	1,324,993	-
NET CHANGE IN FUND BALANCE	(1,312,075)	(1,324,993)	(1,324,993)	-
<u>CASH BALANCE, Beginning</u>	1,312,075	1,324,993	1,324,993	-
<u>CASH BALANCE, Ending</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, 2012

	Original Budget	Final Budget	Receipts	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Interest	\$ -	\$ 500	\$ 1,915	\$ 1,415
Misc.	-	-	475	475
	-	500	2,390	1,890
TRANSFERS				
From Capital Projects Fund	-	1,178,285	1,178,285	-
	-	1,178,285	1,178,285	-
TOTAL RECEIPTS	-	1,178,785	1,180,675	1,890
	Original Budget	Final Budget	Expenditures	Variance Favorable (Unfavorable)
<u>CASH EXPENDITURES</u>				
Capital Outlay				
Public Works Bldg.	-	198,159	195,608	2,551
Water System Improvement Project	-	980,626	887,512	93,114
	0	-	-	-
TOTAL EXPENDITURES	-	1,178,785	1,083,120	95,665
NET CHANGE IN FUND BALANCE	-	-	97,555	97,555
<u>CASH BALANCE, Beginning</u>	-	-	-	-
<u>CASH BALANCE, Ending</u>	\$ -	\$ -	\$ 97,555	\$ 97,555

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

Year Ended June 30, 2012

<u>Year of Levy</u>	<u>Levy & Taxes Receivable, Beginning</u>	<u>Adjustments</u>	<u>Discounts</u>	<u>Collections</u>	<u>Levy & Taxes Receivable, Ending</u>
<u>General Fund</u>					
2011-12	\$ 200,337	\$ 304	\$ (5,135)	\$ (190,593)	\$ 4,981
2010-11	4,575	(215)	32	(1,830)	2,777
2009-10	1,905	(111)	20	(414)	1,577
2008-09	994	(33)	0	(881)	287
2007-08	254	(12)	0	(227)	79
2006-07	70	(6)	0	(17)	53
2005-06 & Prior	<u>96</u>	<u>(14)</u>	<u>-</u>	<u>(17)</u>	<u>75</u>
Total	<u>\$ 208,231</u>	<u>\$ (87)</u>	<u>\$ (5,082)</u>	<u>\$ (193,979)</u>	<u>\$ 9,830</u>
<u>Police Fund</u>					
2011-12	\$ 192,201	\$ 291	\$ (4,926)	\$ (182,853)	\$ 4,779
2010-11	4,389	(206)	31	(1,755)	2,665
2009-10	1,828	(107)	19	(397)	1,513
2008-09	954	(31)	0	(845)	275
2007-08	244	(11)	0	(218)	76
2006-07	-	-	-	-	-
2005-06 & Prior	<u>30</u>	<u>(4)</u>	<u>-</u>	<u>(5)</u>	<u>24</u>
Total	<u>\$ 199,646</u>	<u>\$ (68)</u>	<u>\$ (4,876)</u>	<u>\$ (186,074)</u>	<u>\$ 9,331</u>
Total Both Funds	<u>\$ 407,877</u>	<u>\$ (156)</u>	<u>\$ (9,958)</u>	<u>\$ (380,053)</u>	<u>\$ 19,161</u>

Note: Collections include interest on delinquent taxes.

See Notes to Financial Statements

AUDITOR'S COMMENTS AND
DISCLOSURES REQUIRED BY STATE REGULATIONS

DENNIS R. CONNER
Certified Public Accountant
365 South Nehalem
P. O. Box 1078
Clatskanie, Oregon 97016
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AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

October 17, 2012

City Council
City of Banks, Oregon

I have audited the basic financial statements of the City of Banks (the City) as of and for the year ended June 30, 2012, and have issued my report thereon dated October 17, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

ACCOUNTING AND INTERNAL CONTROL

In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express such an opinion.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. A significant deficiency is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be significant deficiencies except the following:

Financial Reporting

The City does not have the capabilities 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 the related footnote disclosures, far out weigh 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 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.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program, and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories

in which they currently deposit their public funds. The City's bank is listed as a qualified depository of public funds in conformity with ORS 295.

Public funds depositors are no longer required to request the issuance of "Certificates of Participation" for balances over the Federal Deposit Insurance corporation insured amount. Banks are now 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 will monitor each depository bank and ensure compliance with collateralization requirements for all public fund deposits. Banks will be able to pledge a reduced amount, 10% vs. 25%, if they are well capitalized; and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Poorly capitalized banks will still be required to pledge collateral equal to 110% of their deposits which will be monitored on a weekly basis. If you have any questions on Oregon public funds collateralization, call Wendy Finley at (503) 378-3400. My review of adequacy of collateral securing depository balances indicated the collateral was sufficient for the year ended June 30, 2012.

INVESTMENTS

My review of deposit and investment balances indicated that, during the year ended June 30, 2012, the City was in compliance with ORS 294 as it pertains to investment of public funds.

BUDGET COMPLIANCE

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2012, and the preparation and adoption of its budget for the year ending June 30, 2013.

FEDERAL AND STATE PROGRAMS

Financial transactions of Federal and State programs were tested to the extent deemed necessary, and reports submitted by the City were reviewed and found to be in agreement with the records and supported by documentation. Three year comparative statements required by the United States Department of Agriculture-Rural Utilities Service are included.

LEGAL REQUIREMENTS RELATED TO DEBT

The general obligation bonded debt of the City is in compliance with the limitation imposed by state statute. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt.

INSURANCE POLICIES AND FIDELITY BONDS

I have reviewed the City's insurance and fidelity bond coverage on June 30, 2012. I ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. I am not competent by training to comment on the adequacy of the insurance policies covering the City-owned property on June 30, 2012.

PUBLIC CONTRACTS

The City's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

GRANTS

The City appears to have complied with grant regulations and requirements.

HIGHWAY FUNDS

The City of Banks was in compliance with constitutional and statutory law pertaining to the use of highway funds.

Financial reporting requirements

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

A handwritten signature in black ink, appearing to read "Dennis R. Conner". The signature is written in a cursive style with a large initial "D" and a stylized "C".

Dennis R. Conner
Certified Public Accountant

CITY OF BANKS

Washington County, Oregon

WATER AND RELATED FUNDS

COMPARATIVE BALANCE SHEETS*

June 30, 2010, 2011, and 2012

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2012</u>
<u>ASSETS</u>			
Cash	\$ 286,210	\$ 1,680,587	\$ 334,598
Cash Restricted - USDA, Rural Utility Service	44,860	44,162	43,956
Capital Assets	4,560,276	4,796,341	5,902,411
Accumulated Depreciation	<u>(1,317,154)</u>	<u>(1,416,730)</u>	<u>(1,516,341)</u>
<u>Total Assets</u>	<u>\$3,574,192</u>	<u>5,104,360</u>	<u>\$ 4,764,624</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Long Term Debt	<u>\$ 759,895</u>	<u>\$ 2,047,990</u>	<u>\$ 1,929,169</u>
<u>FUND EQUITY</u>	<u>2,814,297</u>	<u>3,056,370</u>	<u>2,835,454</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$3,574,192</u>	<u>\$5,104,360</u>	<u>\$ 4,764,624</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, EXPENDITURES, AND CHANGES IN FUND EQUITY*

For the Fiscal Years Ended June 30, 2010, 2011, and 2012

	June 30, 2010	Restated June 30, 2011	June 30, 2012
<u>OPERATING RECEIPTS</u>			
Charge for Services	\$ 391,046	\$ 417,219	\$ 481,253
Miscellaneous	4,637	8,408	4,463
Total	<u>395,683</u>	<u>425,627</u>	<u>485,716</u>
<u>OPERATING EXPENDITURES</u>			
Personal Services	132,921	161,713	163,500
Debt - Interest	39,954	36,522	81,093
Materials and Services	121,110	141,350	128,558
Depreciation Expense	99,908	99,576	99,611
Total	<u>393,893</u>	<u>439,161</u>	<u>472,762</u>
NET OPERATING INCOME (LOSS)	<u>1,790</u>	<u>(13,534)</u>	<u>12,953</u>
<u>NON-OPERATING RECEIPTS (EXPENDITURES)</u>			
Interfund Transfers	-	(33,185)	(146,708)
Capital Assets Purchased for Library & General Fund	-	(8,961)	-
Debt Acquired for Library & General Fund	-	210,592	-
Total	<u>-</u>	<u>168,446</u>	<u>(146,708)</u>
NET CHANGE IN FUND EQUITY	1,790	154,912	(133,755)
<u>FUND EQUITY, Beginning</u>	<u>2,812,508</u>	<u>2,814,296</u>	<u>2,969,208</u>
<u>FUND EQUITY, Ending</u>	<u>\$2,814,298</u>	<u>\$2,969,208</u>	<u>\$ 2,835,453</u>

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