

# **CITY OF BANKS**

Washington County, Oregon

## **AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2016

CITY OF BANKS

Washington County, Oregon

TABLE OF CONTENTS

June 30, 2016

<u>INTRODUCTION</u>	<u>Page</u>
CITY OFFICIALS -----	3
 <b><u>FINANCIAL SECTION</u></b>	
INDEPENDENT AUDITOR'S REPORT -----	4
MANAGEMENT'S DISCUSSION AND ANALYSIS -----	6
 <b><u>BASIC FINANCIAL STATEMENTS:</u></b>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS -----	11
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS -----	12
FUND FINANCIAL STATEMENTS:	
STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS -----	13
STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS -----	14
STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUNDS -----	15
STATEMENT OF RECEIPTS, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUNDS -----	16
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS - PROPRIETARY FUNDS -----	17
NOTES TO FINANCIAL STATEMENTS -----	18
 <b><u>SUPPLEMENTARY INFORMATION:</u></b>	
BUDGETARY COMPARISON SCHEDULES - CASH BASIS (GENERAL FUND & SPECIAL REVENUE FUNDS)	
..General Fund -----	39
..Library Fund -----	40
..Street and Road Fund -----	41
..Police Fund -----	42
.. Traffic Impact Fees Reserve Fund -----	43
COMBINING STATEMENT OF ASSETS & LIABILITIES - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS -----	44
COMBINING STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS -----	45
BUDGETARY COMPARISON SCHEDULES - CASH BASIS (OTHER FUNDS)	
..Parks & Trees Fund -----	46
..Transportation Development Tax Reserve Fund -----	47
..Park SDC Fund -----	48
..Capital Projects Reserve Fund #13 -----	49
..Capital Projects Fund #14 -----	50
..Water Fund -----	51
..Water Depreciation Reserve Fund -----	52
..Water Bonded Debt Fund -----	53
..Systems Development Reserve Fund -----	54
..Water Equipment Reserve Fund -----	55
..Water Utility Projects Fund -----	56
SCHEDULE OF PROPERTY TAX TRANSACTIONS -----	57
COMPARATIVE BALANCE SHEETS - WATER AND RELATED FUNDS -----	58

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -  
WATER AND RELATED FUNDS----- 59

**AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS**

AUDITOR'S COMMENTS AND DISCLOSURES----- 61

CITY OF BANKS

Washington County, Oregon

CITY OFFICIALS

June 30, 2016

MAYOR

Term Expires

Pete Edison  
Banks, Oregon 97106

December 31, 2016

COUNCIL PRESIDENT

Mark Gregg  
Banks, Oregon 97106

December 31, 2018

COUNCIL

Dan Keller  
Banks, Oregon 97106

December 31, 2018

Mark Walsh  
Banks, Oregon 97106

December 31, 2018

Brian Biehl  
Banks, Oregon 97106

December 31, 2016

Michael Nelson  
Banks, Oregon 97106

December 31, 2016

Teri Branstitre  
Banks, Oregon 97106

December 31, 2016

CITY MANAGER

Jolynn Becker  
13680 NW Main St.  
Banks, Oregon 97106

CITY RECORDER

Angie Lanter  
13680 NW Main St.  
Banks, Oregon 97106

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

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

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

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Banks (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

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

**Report on Supplementary and Other Information**

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

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

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

**Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for audits of Oregon Municipal Corporations, I have also issued my report dated November 2, 2016, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Dennis R. Conner  
Certified Public Accountant  
November 2, 2016

# City of Banks

## Management Discussion and Analysis

FYE June 30, 2016

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, 2016.

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

### **Report Components**

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

### **Basic Financial Statements**

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

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

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

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

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

**CITY OF BANKS - NET POSITION**

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2016	Business-Type Activities June 30, 2015	Business-Type Activities June 30, 2016	Total June 30, 2015	Total June 30, 2016	Increase (Decrease)
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 1,813,718	\$ 1,929,661	\$ 287,590	\$ 248,504	\$ 2,101,308	\$ 2,178,165	\$ 76,857
Capital Assets, Net of Depreciation	977,115	989,550	4,098,726	3,971,130	5,075,841	4,960,680	(115,161)
<b>Total</b>	<b>2,790,833</b>	<b>2,919,211</b>	<b>4,386,316</b>	<b>4,219,634</b>	<b>7,177,149</b>	<b>7,138,845</b>	<b>(38,304)</b>
<b>LIABILITIES</b>							
Bonds Payable	120,480	111,062	1,607,066	1,470,893	1,727,546	1,581,955	(145,591)
<b>Total Net Position</b>	<b>\$ 2,670,353</b>	<b>\$ 2,808,149</b>	<b>\$ 2,779,250</b>	<b>\$ 2,748,741</b>	<b>\$ 5,449,603</b>	<b>\$ 5,556,890</b>	<b>\$ 107,287</b>

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

	Governmental Activities 2014-15	Governmental Activities 2015-16	Business-Type Activities 2014-15	Business-Type Activities 2015-16	Total 2014-15	Total 2015-16	Variance Favorable (Unfavorable)
<b>PROGRAM RECEIPTS</b>							
Charges for Services	\$ 232,410	\$ 211,140	\$ 568,728	\$ 569,194	\$ 801,138	\$ 780,333	\$ (20,805)
Operating Grants	23,980	11,705	-	-	23,980	11,705	(12,275)
<b>Total</b>	<b>256,390</b>	<b>222,845</b>	<b>568,728</b>	<b>569,194</b>	<b>825,118</b>	<b>792,038</b>	<b>(33,080)</b>
<b>GENERAL RECEIPTS</b>							
Property Taxes	463,858	509,922	-	-	463,858	509,922	46,064
Intergovernmental	284,431	344,704	-	-	284,431	344,704	60,273
Interest	8,841	12,126	1,726	1,816	10,567	13,943	3,376
Grants	-	-	-	7,171	-	7,171	7,171
Miscellaneous	60,582	4,215	578	33	61,160	4,248	(56,912)
<b>Total</b>	<b>817,712</b>	<b>870,968</b>	<b>2,304</b>	<b>9,021</b>	<b>820,016</b>	<b>879,988</b>	<b>59,972</b>
<b>Total Receipts</b>	<b>1,074,102</b>	<b>1,093,812</b>	<b>571,032</b>	<b>578,214</b>	<b>1,645,134</b>	<b>1,672,027</b>	<b>26,893</b>
<b>EXPENSES</b>							
Administrative	(294,144)	(323,064)	-	-	(294,144)	(323,064)	(28,920)
Library	(242,958)	(245,547)	-	-	(242,958)	(245,547)	(2,589)
Police	(214,444)	(218,958)	-	-	(214,444)	(218,958)	(4,514)
Streets & Roads	(57,254)	(54,842)	-	-	(57,254)	(54,842)	2,412
Parks & Other	(59,170)	(59,394)	-	-	(59,170)	(59,394)	(224)
Depreciation	(53,515)	(54,210)	-	-	(53,515)	(54,210)	(695)
Water	-	-	(632,694)	(608,724)	(632,694)	(608,724)	23,970
<b>Total</b>	<b>(921,485)</b>	<b>(956,015)</b>	<b>(632,694)</b>	<b>(608,724)</b>	<b>(1,554,179)</b>	<b>(1,564,739)</b>	<b>(10,560)</b>
Increase (Decrease) in Net Position	<b>\$ 152,617</b>	<b>\$ 137,797</b>	<b>\$ (61,662)</b>	<b>\$ (30,510)</b>	<b>\$ 90,955</b>	<b>\$ 107,287</b>	<b>\$ 16,332</b>

## 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, 2016 the City of Banks:

- Continued to operate the Public Safety Local Option Levy which expires on June 30, 2017.
- Continued to operate under the Countywide Library Local Option Levy, extended by the electorate of Washington County (including residents of the City of Banks).
- Continued expansion of Unappropriated Ending Fund Balances in regular operating Funds to adequate levels.
- Continued the funding of employee vacation bank liability in regular operating Funds to adequate levels.
- Conducted multiple annual comprehensive insurance and surety reviews with staff and insurance agent representation.
- Continued to institutionalize the Internal Audit Subcommittee of the Banks City Council with ongoing meetings being held.
- Continued Water System Master Plan Capital Improvement Plan (CIP) project implementation.
- Continued to utilize the City of Banks website to enhance communications with the citizenry.
- Adopted one Resolution permitting inter-fund loans from the Library Fund #03 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.
- Working on a Water Rate Study for the next 5 years

### Variations between Adopted and Actual Budget Amounts

During the Fiscal Year Ended June 30, 2016 the City of Banks did made following budget changes to the originally adopted Operating Budget.

- Transferring appropriations from Personal Services to Material Services for the Library Fund.
- Received unanticipated revenues of \$20,000 to the Water Fund and authorized the appropriation of \$20,000 to Water Fund's Capital Outlay.
- Established the new Transportation System Development Charge Reserve Fund.

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

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

No.	Fund	Budgeted Ending Balance	Actual Ending Balance
1	General	\$ 100,000	\$ 494,313
2	Water	10,000	16,908
3	Library	10,000	66,281
4	Street/Road	70,000	506,772
5	Water Bonded Debt	43,720	44,489
6	Traffic Impact	-	426,047
7	Police	56,000	215,585
8	System Development	-	20,808
9	Water Depreciation	-	166,299
10	Park	19,000	19,099
11	Traffic Development Tax	-	11,563
13	Capital Projects Reserve	-	186,324
14	Capital Projects	-	-
15	Water Equipment Reserve	-	-
17	Water Utility Projects	-	-
18	Parks SDC	-	3,677
	Total	<u>\$ 308,720</u>	<u>\$ 2,178,165</u>

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

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

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

#### Changes in Assessed Condition of Infrastructure Assets

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

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

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

- Will to receive a credit for Public Employee Retirement System (PERS) contributions.
- Will continue full funding of employee vacation bank liability.
- Will continue to implement the updated Water Utility Rate Study.
- Will begin the next Water Utility rate study in 2014 for implementation in 2017.
- Will begin replacement of approximately 6 miles of water distribution main from the municipal spring water source to the main reservoir.
- Will continue to repair water distribution system infrastructure.
- Will accept annexation petitions when presented.
- Will begin Phase II of the Banks Public Library renovation and expansion plan.
- Will continue the phased repair and upgrade of sidewalks throughout the City.
- Will complete the looping of water mains in the City.
- Will replace water lines along Cedar Canyon Road and Banks Road.
- Will establish a Water Utility Asset Management program.
- Will complete the upgrades to Greenville City Park.
- Will complete the Banks Vision 2036 Master Plan

Financial and Managerial Personnel

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

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

CITY OF BANKS

Washington County, Oregon

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

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,929,661	\$ 204,015	\$ 2,133,676
Restricted for Debt Service	-	44,489	44,489
Capital Assets:			
Land	58,042	589,171	647,213
Other Capital Assets, Net of Depreciation	<u>931,508</u>	<u>3,381,959</u>	<u>4,313,467</u>
<b><u>Total Assets</u></b>	<b><u>2,919,211</u></b>	<b><u>4,219,634</u></b>	<b><u>7,138,845</u></b>
<b><u>LIABILITIES</u></b>			
Long-term Liabilities:			
Due in One Year	9,419	136,725	146,144
Due in More Than One Year	<u>101,642</u>	<u>1,334,169</u>	<u>1,435,811</u>
<b><u>Total Liabilities</u></b>	<b><u>111,062</u></b>	<b><u>1,470,893</u></b>	<b><u>1,581,955</u></b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	878,488	2,500,237	3,378,725
Restricted For:			
Debt Service	-	44,489	44,489
Other Purposes	1,159,967	-	1,159,967
Unrestricted	<u>769,693</u>	<u>204,015</u>	<u>973,708</u>
<b><u>Total Net Position</u></b>	<b><u>\$ 2,808,149</u></b>	<b><u>\$ 2,748,741</u></b>	<b><u>\$ 5,556,890</u></b>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

Year Ended June 30, 2016

	<u>Program Receipts and Expenses</u>			<u>Net (Expense) Receipts and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Grants</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
<b><u>PRIMARY GOVERNMENT</u></b>						
<b><u>Government Activities</u></b>						
Administrative	\$ (323,064)	\$ 181,444	\$ 8,200	\$ (133,421)	\$ -	\$ (133,421)
Library	(245,547)	-	3,505	(242,042)	-	(242,042)
Police	(218,958)	12,437	-	(206,522)	-	(206,522)
Streets and Roads	(54,842)	-	-	(54,842)	-	(54,842)
Parks & Other	(59,394)	17,260	-	(42,134)	-	(42,134)
Depreciation	(54,210)	-	-	(54,210)	-	(54,210)
	<u>(956,015)</u>	<u>211,140</u>	<u>11,705</u>	<u>(733,170)</u>	<u>-</u>	<u>(733,170)</u>
<b><u>Business-Type Activities</u></b>						
Water	(608,724)	569,194	-		(39,531)	(39,531)
<b><u>Total Primary Government</u></b>	<u>(1,564,739)</u>	<u>780,333</u>	<u>11,705</u>	<u>(733,170)</u>	<u>(39,531)</u>	<u>(772,701)</u>
<b><u>General Receipts</u></b>						
Property Taxes				509,922	-	509,922
Intergovernmental				344,704	-	344,704
Grants				-	7,171	7,171
Interest				12,126	1,816	13,943
Miscellaneous				4,215	33	4,248
				<u>870,968</u>	<u>9,021</u>	<u>879,988</u>
<b><u>CHANGE IN NET POSITION</u></b>				137,797	(30,510)	107,287
<b><u>NET POSITION, Beginning</u></b>				<u>2,670,352</u>	<u>2,779,250</u>	<u>5,449,601</u>
<b><u>NET POSITION, Ending</u></b>				<u>\$ 2,808,149</u>	<u>\$ 2,748,740</u>	<u>\$ 5,556,889</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

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

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Library Fund	Street and Road Fund	Traffic Fee Reserve Fund	Police Fund	Non- Major Funds	Total
<b><u>ASSETS</u></b>							
Cash and Cash Equivalents	<u>\$494,313</u>	<u>\$66,281</u>	<u>\$ 506,772</u>	<u>\$ 426,047</u>	<u>\$215,585</u>	<u>\$ 220,663</u>	<u>\$ 1,929,661</u>
<b><u>FUND BALANCES</u></b>							
Restricted - Special Revenue Funds	\$ -	\$ -	\$ 506,772	\$ 426,047	\$215,585	\$ 11,563	\$ 1,159,967
Committed - Special Revenue Funds	-	66,281	-	-	-	22,777	89,057
Committed - Capital Project Funds	-	-	-	-	-	186,324	186,324
Unassigned	494,313	-	-	-	-	-	494,313
Total	<u>\$494,313</u>	<u>\$66,281</u>	<u>\$ 506,772</u>	<u>\$ 426,047</u>	<u>\$215,585</u>	<u>\$ 220,663</u>	<u>\$ 1,929,661</u>

Reconciliation to Statement of Net Position

Fund Balances	\$ 1,929,661
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities net of accumulated depreciation are not <u>financial</u> resources, and therefore not reported in the fund statements.	989,550
Long term debt obligations payable are not due and payable in this reporting period, and therefore are not reported in the fund statements.	<u>(111,062)</u>
Net Position of Government Activities	<u>\$ 2,808,149</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, 2016

	General Fund	Library Fund	Street & Road Fund	Traffic Fee Reserve Fund	Police Fund	Non-Major Funds	Total
<u>RECEIPTS</u>							
Taxes	\$ 232,597	\$ -	\$ -	\$ -	\$ 277,326	\$ -	\$ 509,922
Intergovernmental	40,369	192,390	111,945	-	-	-	344,704
Fines and Forfeitures	6,049	6,388	-	-	-	-	12,437
Licenses, Permits and Fees	156,773	-	-	-	-	24,670	181,444
Charges for Services	-	-	-	-	-	17,260	17,260
Interest	3,162	541	3,039	2,642	1,454	1,289	12,126
Grants	8,200	3,505	-	-	-	-	11,705
Miscellaneous	2,551	762	196	-	-	707	4,215
Total	<u>449,701</u>	<u>203,585</u>	<u>115,179</u>	<u>2,642</u>	<u>278,780</u>	<u>43,925</u>	<u>1,093,812</u>
<u>EXPENDITURES</u>							
Current:							
Administrative	307,022	-	-	-	-	-	307,022
Police	-	-	-	-	218,958	-	218,958
Library	-	241,386	-	-	-	-	241,386
Streets & Roads	-	-	53,598	1,244	-	-	54,842
Parks & Other	-	-	-	-	-	59,394	59,394
Capital Outlay	27,093	-	55,055	-	-	-	82,149
Debt Service	1,618	12,501	-	-	-	-	14,118
Total	<u>335,733</u>	<u>253,887</u>	<u>108,653</u>	<u>1,244</u>	<u>218,958</u>	<u>59,394</u>	<u>977,869</u>
<u>RECEIPTS OVER (UNDER) EXPENDITURES</u>	<u>113,968</u>	<u>(50,302)</u>	<u>6,526</u>	<u>1,398</u>	<u>59,821</u>	<u>(15,468)</u>	<u>115,943</u>
<u>OTHER FINANCING SOURCES</u>							
Transfers In	-	87,197	-	-	-	34,030	121,227
Transfers (Out)	(121,227)	-	-	-	-	-	(121,227)
Total	<u>(121,227)</u>	<u>87,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,030</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(7,259)</u>	<u>36,895</u>	<u>6,526</u>	<u>1,398</u>	<u>59,821</u>	<u>18,562</u>	<u>115,943</u>
<u>FUND BALANCES, Beginning</u>	<u>501,572</u>	<u>29,386</u>	<u>500,246</u>	<u>424,649</u>	<u>155,764</u>	<u>202,101</u>	<u>1,813,718</u>
<u>FUND BALANCES, Ending</u>	<u>\$ 494,313</u>	<u>\$ 66,281</u>	<u>\$ 506,772</u>	<u>\$ 426,047</u>	<u>\$ 215,585</u>	<u>\$ 220,663</u>	<u>\$ 1,929,661</u>

Reconciliation to Statement of

Net Change in Fund Balances - Total Governmental Funds \$ 115,943

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 66,645  
 Depreciation Expense (54,210)

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 9,419

Change in Net Position of Governmental Activities \$ 137,797

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

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

PROPRIETARY FUNDS - COMBINED

June 30, 2016

	<u>Water</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 204,015
Cash Restricted for Debt Service	44,489
<u>Noncurrent Assets:</u>	
Land	589,171
Other Capital Assets, Net of Depreciation	<u>3,381,959</u>
<u>Total Assets</u>	<u>4,219,634</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loans Payable	136,725
<u>Noncurrent Liabilities:</u>	
Loans Payable	<u>1,334,169</u>
<u>Total Liabilities</u>	<u>1,470,893</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,500,237
Restricted for Debt Service	44,489
Unrestricted	<u>204,015</u>
<u>Total Net Position</u>	<u>\$ 2,748,741</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

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

PROPRIETARY FUNDS - COMBINED

Year Ended June 30, 2016

	<u>Water</u>
<u>OPERATING RECEIPTS</u>	
Water Sales	\$ 569,194
SDC Charges	-
Total	<u>569,194</u>
<u>OPERATING EXPENSES</u>	
Water Expenses Paid	(408,355)
Depreciation Expense	<u>(133,634)</u>
Total	<u>(541,989)</u>
OPERATING INCOME (LOSS)	<u>27,205</u>
<u>NON-OPERATING RECEIPTS</u>	
Interest Earned	1,816
Grants	7,171
Other Receipts	33
Total	<u>9,021</u>
<u>NON-OPERATING EXPENSES</u>	
Interest Expense	<u>(66,735)</u>
CHANGE IN NET POSITION	<u>(30,510)</u>
<u>NET POSITION, Beginning</u>	<u>2,779,250</u>
<u>NET POSITION, Ending</u>	<u>\$ 2,748,740</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, 2016

	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts From Customers	\$ 569,194
Payment to Suppliers	(215,287)
Payments to Employees	(193,068)
Net Cash Provided by (Used In) Operating Activities	<u>160,839</u>
 <u>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</u>	
Transfers From Other Funds	63,500
Transfers To Other Funds	(63,500)
Grants Received	7,171
Net Cash Provided by (Used In) Financing Activities	<u>7,171</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Assets	(6,038)
Payments of Debt Principal	(136,173)
Payments of Debt Interest	(66,735)
Net Cash Used in Capital and Related Financing Activities	<u>(208,946)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest and Other Receipts	<u>1,850</u>
 <u>NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS</u>	
	(39,086)
<u>CASH BALANCE, Beginning</u>	<u>287,590</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 248,503</u>
 Reconciliation of Operating Income to net cash provided by Operating Activities:	
Operating Income	\$ 27,205
Adjustment for Depreciation Expense	<u>133,634</u>
Net Cash Provided by Operating Activities	<u>\$ 160,839</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

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

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

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

**1A FINANCIAL REPORTING ENTITY**

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

Primary Government:	CITY OF BANKS
---------------------	---------------

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, The Financial Reporting Entity.

**1B BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

**FUND FINANCIAL STATEMENTS**

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

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

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

The funds of the financial reporting entity are described below:

## GOVERNMENTAL FUNDS

### General Fund

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

### Special Revenue Funds

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

The City includes the following special revenue funds:

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

### Capital Projects Funds

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

The City has the following capital projects funds:

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

## **FUND BALANCE:**

Governmental fund balances are categorized in five ways:

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

### **Special Revenue Funds:**

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

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

## **PROPRIETARY FUNDS**

### **Enterprise Funds**

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

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

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

### **MEASUREMENT FOCUS**

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

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

## BASIS OF ACCOUNTING

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

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

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

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

### CASH AND CASH EQUIVALENTS

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

### CAPITAL ASSETS

#### Government-Wide Financial Statements

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

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

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

#### Fund Financial Statements

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

## NET POSITION CLASSIFICATION

### Government-Wide Financial Statements

Net Position is classified and displayed in three components:

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

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

**Fund Financial Statements**

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

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

**PROGRAM RECEIPTS**

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

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

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

**OPERATING RECEIPTS AND EXPENDITURES**

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

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

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**1G USE OF ESTIMATES**

The preparation of financial statements in conformity with the modified cash 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.

Overexpenditure: Debt service expenditure in the Water Fund exceeded the budget by \$20,648.

**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, 2016. Cash and investments of the City at June 30, 2016 were:

US Bank Checking Account	\$ 87,116
Local Government Investment Pool -	45,809
Local Government Investment Pool	2,043,683
Office Petty Cash & Postage Machine	1,556
Total	\$ 2,178,164

**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, 2016, total demand deposits and savings accounts per bank statements were \$116,475. 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, 2016, the City had invested \$2,043,683 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, 2016.

**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, 2016 was unqualified.

**Concentration Risk:** The City had concentrations in the following investment: LGIP 93.8%.

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

### 3B CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>GOVERNMENTAL ACTIVITIES</b>				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 35,557	\$ -	\$ -	\$ 35,557
Equipment not in Service	-	22,485	-	22,485
	<u>\$ 35,557</u>	<u>\$ 22,485</u>	<u>\$ -</u>	<u>\$ 58,042</u>
<u>Depreciable Capital Assets</u>				
Land Improvements	538,105	44,160	-	582,265
Buildings	783,621	-	-	783,621
Vehicles & Equipment	81,000	-	-	81,000
Total	<u>1,402,726</u>	<u>44,160</u>	<u>-</u>	<u>1,446,886</u>
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(113,215)	(28,093)	-	(141,308)
Buildings	(282,395)	(20,828)	-	(303,223)
Vehicles & Equipment	(65,558)	(5,289)	-	(70,847)
Total	<u>(461,168)</u>	<u>(54,210)</u>	<u>-</u>	<u>(515,378)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 941,558</u>	<u>\$ (10,050)</u>	<u>\$ -</u>	<u>\$ 931,508</u>
Total Capital Assets, Net of Depreciation	<u>\$ 977,115</u>	<u>\$ 12,435</u>	<u>\$ -</u>	<u>\$ 989,550</u>
	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
<b>BUSINESS-TYPE ACTIVITIES</b>				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 583,133	\$ -	\$ -	\$ 583,133
Equipment not in Service	-	6,038	-	6,038
	<u>\$ 583,133</u>	<u>\$ 6,038</u>	<u>\$ -</u>	<u>\$ 589,171</u>
<u>Depreciable Capital Assets</u>				
Water System	4,822,580	-	-	4,822,580
Buildings	413,638	-	-	413,638
Equipment	174,796	-	-	174,796
Total	<u>5,411,014</u>	<u>-</u>	<u>-</u>	<u>5,411,014</u>
<u>Less Accumulated Depreciation For:</u>				
Water System	(1,734,576)	(116,787)	-	(1,851,363)
Buildings	(88,943)	(11,951)	-	(100,894)
Equipment	(71,902)	(4,896)	-	(76,798)
Total	<u>(1,895,421)</u>	<u>(133,634)</u>	<u>-</u>	<u>(2,029,055)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$3,515,593</u>	<u>\$ (133,634)</u>	<u>\$ -</u>	<u>\$ 3,381,959</u>
Total Capital Assets, Net of Depreciation	<u>\$4,098,726</u>	<u>\$ (127,596)</u>	<u>\$ -</u>	<u>\$ 3,971,130</u>
<u>TOTAL CAPITAL ASSETS, ALL ACTIVITIES</u>	<u>\$5,075,841</u>	<u>\$ (115,161)</u>	<u>\$ -</u>	<u>\$ 4,960,680</u>

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

Governmental Activities:	\$54,210
Business-Type Activities:	\$133,634

Capital expenditures for FY 15-16 included a new Public Works shop truck and a slurry seal for the Arbor Village subdivision.

### 3C INTERFUND TRANSFERS AND BALANCES

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

Transfers between funds of the government for the year ended June 30, 2016, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
1-General	\$ -	\$ 121,227
2-Water	-	63,500
3-Library	87,197	-
5-Water Bonded Debt	20,500	-
9-Water Depreciation Reserve	40,000	-
10-Parks	34,030	-
15-Water Equipment Reserve	3,000	-
<u>Total Transfers</u>	<u>\$ 184,727</u>	<u>\$ 184,727</u>

### INTERFUND BALANCES

At June 30, 2016 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:

**WATER FUND**  
Safe Drinking Water Loan  
Oregon Economic & Community Development Dept.  
Interest Rate 4.5%

Fiscal Year	Principal	Interest	Payment
2016-17	\$ 41,323	\$ 12,490	\$ 53,813
2017-18	43,183	10,630	53,813
2018-19	45,126	8,688	53,814
2019-20	47,156	6,657	53,813
2020-21	49,278	4,535	53,813
2021-22	51,496	2,317	53,813
Balance 6/30/16	<u>\$ 277,562</u>	<u>\$ 45,317</u>	<u>\$ 322,879</u>

**WATER BONDED DEBT FUND**  
Water Slow Sand Filter  
Farmers Home Administration  
Interest Rate 5.0%

Fiscal Year	Principal	Interest	Payment
2016-17	\$ 11,600	\$ 9,220	\$ 20,820
2017-18	12,180	8,640	20,820
2018-19	12,789	8,031	20,820
2019-20	13,428	7,392	20,820
2020-21	14,100	6,720	20,820
2021-26	81,805	22,295	104,100
2026-28	38,489	2,916	41,405
Balance 6/30/16	<u>\$ 184,391</u>	<u>\$ 65,214</u>	<u>\$ 249,605</u>

**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

Fiscal year	Coupon	MULTIPLE FUNDS			
		Principal	Interest	Expenses	Payment
2016-17	3.00%	\$ 95,000	\$ 43,328	\$ 1,500	\$ 139,828
2017-18	3.25%	100,000	40,478	1,500	141,978
2018-19	3.50%	100,000	37,228	1,500	138,728
2019-20	3.70%	105,000	33,728	1,500	140,228
2020-21	3.85%	110,000	29,843	1,500	141,343
2021-26	4.0-4.4%	610,000	80,100	7,500	697,600
Balance 6/30/16		<u>\$ 1,120,000</u>	<u>\$ 264,703</u>	<u>\$ 15,000</u>	<u>\$ 1,399,703</u>

Debt principal activity for the year ended June 30, 2016, was as follows:

Loan	PRINCIPAL				
	Beginning Balance	Paid	Ending Balance	Due Within One Year	Due After One Year
<u>Business-Type</u>					
Safe Drinking Water Loan (OED)	\$ 317,106	\$ (39,544)	\$ 277,562	\$ 39,544	\$ 238,018
Water Slow Sand Filter (FHA)	195,439	(11,048)	184,391	11,600	172,791
LOCAP Loan - Water	1,094,521	(85,581)	1,008,940	85,581	923,360
Total	<u>1,607,066</u>	<u>(136,173)</u>	<u>1,470,893</u>	<u>136,725</u>	<u>1,334,169</u>
<u>Governmental</u>					
LOCAP Loan - Library	\$ 106,676	\$ (8,340)	\$ 98,336	\$ 8,340	\$ 89,996
LOCAP Loan - General Fund	13,805	(1,079)	12,726	1,079	11,646
Total	<u>120,481</u>	<u>(9,419)</u>	<u>111,062</u>	<u>9,419</u>	<u>101,642</u>
Total All Debt	<u>\$ 1,727,547</u>	<u>\$(145,592)</u>	<u>\$ 1,581,955</u>	<u>\$ 146,144</u>	<u>\$ 1,435,811</u>

Total payment activity for the year ended June 30, 2016, was as follows:

<b>TOTAL PAYMENTS</b>				
Loan	Fund	Principal	Interest & Fees	Total
<b><u>Business-Type</u></b>				
Safe Drinking Water Loan (OED)	Water	\$ 39,544	\$ 14,270	\$ 53,814
Water Slow Sand Filter (FHA)	Water Debt	11,048	9,772	20,820
LOCAP Loan	Water	85,581	42,693	128,274
Total		<u>136,173</u>	<u>66,735</u>	<u>202,908</u>
<b><u>Governmental</u></b>				
LOCAP Loan	Library	8,340	4,161	12,501
LOCAP Loan	General	1,079	538	1,618
Total		<u>9,419</u>	<u>4,699</u>	<u>14,118</u>
Total All Debt		<u>\$ 145,592</u>	<u>\$ 71,435</u>	<u>\$ 217,027</u>

### 3E OPERATING LEASE

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

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

### Note 4 - OTHER NOTES

#### 4A EMPLOYEE PENSION PLAN

##### General Information about the Pension Plan

##### Plan Description

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

##### Benefits Provided

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

##### Pension Benefits

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

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

### **Death Benefits**

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

### **Disability Benefits**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

### **Benefit Changes**

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

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

### **Pension Benefits**

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

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

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

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if

the pension program is terminated, the date on which termination becomes effective.

### **Death Benefits**

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

### **Disability Benefits**

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

### **Benefit Changes After Retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

## **3. OPSRP Individual Account Program (OPSRP IAP)**

### **Pension Benefits**

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

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

### **Death Benefits**

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

### **Recordkeeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

## Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$15,341, excluding amounts to fund employer specific liabilities. The employer contribution rates are updated every two years. The City's PERS contribution rates for the year ended June 30, 2016 and the rates for the new year are shown below:

Rate Category	FY 15-16 Net Rate	FY 16-17 Net Rate
Tier 1 / Tier 2	6.95%	6.95%
OPSRP General	3.63%	3.63%
OPSRP Police & Fire	7.74%	7.74%

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

## Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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

### Long-term Expected Rate of Return

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

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
<b>Total</b>	<b>100.00%</b>	
 Assumed Inflation - Mean		 2.75%

### Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

### Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension

liability.

### **Pension Plan Fiduciary Net Position**

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

### **Changes in Plan Provisions During the Measurement Period**

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

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

This change in benefit terms were reflected in the current valuation.

### **Changes in Plan Provisions Subsequent to Measurement Date**

There were no changes subsequent to the June 30, 2015 measurement date.

## **4B RISK MANAGEMENT**

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

The City manages these various risks of loss as follows:

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

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

## **4C COMMITMENTS AND CONTINGENCIES**

### **Grant Program Involvement**

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

### **Litigation**

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

SUPPLEMENTARY INFORMATION

CITY OF BANKS, OREGON

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2016

**BUDGET LAW**

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

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

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

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

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

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

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

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

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

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

## PROPERTY TAX CALENDAR

The budget officer prepares a proposed budget.

Notice of the budget committee meeting is published.

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

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

The budget committee approves the budget.

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

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

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

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

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

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

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

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GENERAL FUND

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Property Taxes and Related Items	\$ 200,881	\$ 200,881	\$ 232,597	\$ 31,716
Licenses, Permits, Fees, Intergovernmental	116,000	116,000	124,949	8,949
Intergovernmental	34,000	34,000	40,369	6,369
Interest	1,500	1,500	3,162	1,662
Grants	6,000	6,000	8,200	2,200
Court Fines, etc.	9,000	9,000	6,049	(2,951)
Community Development Fees	37,200	37,200	31,824	(5,376)
Miscellaneous	1,600	1,600	2,551	951
Total	<u>406,181</u>	<u>406,181</u>	<u>449,701</u>	<u>43,520</u>
 <u>CASH EXPENDITURES</u>				
Personal Services	92,690	92,690	78,812	13,878
Material and Services	320,480	320,480	228,210	92,270
Capital Outlay	107,000	107,000	27,093	79,907
Debt Service	1,700	1,700	1,618	82
Operating Contingencies	54,967	54,967	-	54,967
Total	<u>576,837</u>	<u>576,837</u>	<u>335,733</u>	<u>241,104</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(170,656)</u>	<u>(170,656)</u>	<u>113,968</u>	<u>284,624</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Library Fund	(106,644)	(106,644)	(87,197)	19,447
Transfer to Park Fund	(95,600)	(95,600)	(34,030)	61,570
Total	<u>(202,244)</u>	<u>(202,244)</u>	<u>(121,227)</u>	<u>81,017</u>
NET CHANGE IN CASH BALANCE	(372,900)	(372,900)	(7,259)	365,641
<u>CASH BALANCE, Beginning</u>	<u>472,900</u>	<u>472,900</u>	<u>501,572</u>	<u>28,672</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 494,313</u>	<u>\$ 394,313</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

LIBRARY FUND

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Circulation Reimbursement	\$ 143,596	\$ 143,596	\$ 192,390	\$ 48,794
Fines and Fees	8,600	8,600	6,388	(2,212)
Interest	250	250	541	291
Grants/Donations	12,000	12,000	3,505	(8,495)
Miscellaneous	1,000	1,000	762	(238)
Total	<u>165,446</u>	<u>165,446</u>	<u>203,585</u>	<u>38,139</u>
<u>CASH EXPENDITURES</u>				
Personal Services	209,345	204,345	192,807	11,538
Material and Services	52,254	57,254	48,579	8,675
Capital Outlay	10,500	10,500	-	10,500
Debt Service	12,505	12,505	12,501	4
Operating Contingencies	771	771	-	771
Total	<u>285,375</u>	<u>285,375</u>	<u>253,887</u>	<u>31,488</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(119,929)</u>	<u>(119,929)</u>	<u>(50,302)</u>	<u>69,627</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>106,644</u>	<u>106,644</u>	<u>87,197</u>	<u>(19,447)</u>
NET CHANGE IN CASH BALANCE	(13,285)	(13,285)	36,895	50,180
<u>CASH BALANCE, Beginning</u>	<u>23,285</u>	<u>23,285</u>	<u>29,386</u>	<u>6,101</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 66,281</u>	<u>\$ 56,281</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

**STREETS AND ROADS FUND**

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>CASH RECEIPTS</u></b>				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 111,945	\$ 26,945
Interest	1,500	1,500	3,039	1,539
Miscellaneous	100	100	196	96
Total	<u>86,600</u>	<u>86,600</u>	<u>115,179</u>	<u>28,579</u>
 <b><u>CASH EXPENDITURES</u></b>				
Personal Services	23,120	23,120	18,253	4,867
Material and Services	72,120	72,120	35,344	36,776
Capital Outlay	166,000	166,000	55,055	110,945
Contingency	<u>249,051</u>	<u>249,051</u>	-	<u>249,051</u>
Total	<u>510,291</u>	<u>510,291</u>	<u>108,653</u>	<u>401,638</u>
 NET CHANGE IN CASH BALANCE	 (423,691)	 (423,691)	 6,526	 430,217
 CASH BALANCE, Beginning	 <u>493,691</u>	 <u>493,691</u>	 <u>500,246</u>	 <u>6,555</u>
 CASH BALANCE, Ending	 <u>\$ 70,000</u>	 <u>\$ 70,000</u>	 <u>\$ 506,772</u>	 <u>\$ 436,772</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

POLICE SERVICES FUND

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Local Option Tax	\$ 236,221	\$ 236,221	\$ 277,326	\$ 41,105
Misc.	600	600	1,454	854
Total	<u>236,821</u>	<u>236,821</u>	<u>278,780</u>	<u>41,959</u>
<u>CASH EXPENDITURES</u>				
Personal Services	8,795	8,795	7,672	1,123
Material and Services	218,309	218,309	211,286	7,023
Operating Contingency	<u>101,954</u>	<u>101,954</u>	<u>-</u>	<u>101,954</u>
Total	<u>329,058</u>	<u>329,058</u>	<u>218,958</u>	<u>110,100</u>
NET CHANGE IN CASH BALANCE	(92,237)	(92,237)	59,821	152,058
<u>CASH BALANCE, Beginning</u>	<u>148,237</u>	<u>148,237</u>	<u>155,764</u>	<u>7,527</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 56,000</u>	<u>\$ 56,000</u>	<u>\$ 215,585</u>	<u>\$ 159,585</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 1,980</u>	<u>\$ 1,980</u>	<u>\$ 2,642</u>	<u>\$ 662</u>
 <u>CASH EXPENDITURES</u>				
Materials & Services	1,300	1,300	1,244	56
Capital Outlay	100,000	100,000	-	100,000
Operating Contingency	<u>325,228</u>	<u>325,228</u>	<u>-</u>	<u>325,228</u>
Total	<u>426,528</u>	<u>426,528</u>	<u>1,244</u>	<u>425,284</u>
 NET CHANGE IN CASH BALANCE	(424,548)	(424,548)	1,398	425,946
 <u>CASH BALANCE, Beginning</u>	<u>424,548</u>	<u>424,548</u>	<u>424,649</u>	<u>101</u>
 <u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,047</u>	<u>\$ 426,047</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

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

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Park Fund	Traffic Development Tax Reserve Fund	Parks SDC Fund	Capital Projects Reserve Fund #13	Capital Projects Fund #14	Total
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	<u>\$ 19,099</u>	<u>\$ 11,563</u>	<u>\$ 3,677</u>	<u>\$ 186,324</u>	<u>\$ -</u>	<u>\$ 220,663</u>
<b><u>FUND BALANCES</u></b>						
Restricted - Special Revenue Funds	\$ -	\$ 11,563	\$ -	\$ -	\$ -	\$ 11,563
Committed - Special Revenue Funds	19,099	-	3,677	-	-	22,777
Committed - Capital Projects Fund	-	-	-	186,324	-	186,324
Total	<u>\$ 19,099</u>	<u>\$ 11,563</u>	<u>\$ 3,677</u>	<u>\$ 186,324</u>	<u>\$ -</u>	<u>\$ 220,663</u>

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, 2016

	Park Fund	Traffic Development Tax Reserve Fund	Parks SDC Fund	Capital Projects Reserve Fund #13	Capital Projects Fund #14	Total
<u>RECEIPTS</u>						
Licenses, Permits and Fees	\$ -	\$ -	\$ -	\$ 24,670	\$ -	\$ 24,670
Charges for Services	17,260	-	-	-	-	17,260
Interest	145	72	23	1,050	-	1,289
Miscellaneous	707	-	-	-	4,971	5,678
Total	<u>18,111</u>	<u>72</u>	<u>23</u>	<u>25,720</u>	<u>4,971</u>	<u>48,897</u>
<u>EXPENDITURES</u>						
Personal Services	14,769	-	-	-	-	14,769
Materials & Services	44,625	-	-	-	-	44,625
Capital Outlay	-	-	-	-	4,971	4,971
Total	<u>59,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,971</u>	<u>64,365</u>
<u>RECEIPTS OVER (UNDER) EXPENDITURES</u>	<u>(41,283)</u>	<u>72</u>	<u>23</u>	<u>25,720</u>	<u>-</u>	<u>(15,468)</u>
<u>OTHER FINANCING SOURCES [USES]</u>						
Transfers In	34,030	-	-	-	-	34,030
Transfers (Out)	-	-	-	-	-	-
Total	<u>34,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,030</u>
<u>NET CHANGE IN CASH BALANCES</u>	<u>(7,253)</u>	<u>72</u>	<u>23</u>	<u>25,720</u>	<u>-</u>	<u>18,562</u>
<u>FUND BALANCES, Beginning</u>	<u>26,352</u>	<u>11,491</u>	<u>3,654</u>	<u>160,604</u>	<u>-</u>	<u>202,101</u>
<u>FUND BALANCES, Ending</u>	<u>\$ 19,099</u>	<u>\$ 11,563</u>	<u>\$ 3,677</u>	<u>\$ 186,324</u>	<u>\$ -</u>	<u>\$ 220,663</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARKS & TREES FUND

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Charges for Services	\$ 32,900	\$ 32,900	\$ 17,260	\$ (15,640)
Interest	60	60	145	85
Grants	200,000	200,000	-	(200,000)
Miscellaneous	200	200	707	507
Total	<u>233,160</u>	<u>233,160</u>	<u>18,111</u>	<u>(215,049)</u>
<u>CASH EXPENDITURES</u>				
Personal Services	18,850	18,850	14,769	4,081
Material and Services	58,730	58,730	44,625	14,105
Capital Outlay	250,000	250,000	-	250,000
Contingency	3,071	3,071	-	3,071
Total	<u>330,651</u>	<u>330,651</u>	<u>59,394</u>	<u>271,257</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(97,491)</u>	<u>(97,491)</u>	<u>(41,283)</u>	<u>56,208</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>95,600</u>	<u>95,600</u>	<u>34,030</u>	<u>(61,570)</u>
NET CHANGE IN CASH BALANCE	(1,891)	(1,891)	(7,253)	(5,362)
<u>CASH BALANCE, Beginning</u>	<u>20,891</u>	<u>20,891</u>	<u>26,352</u>	<u>5,461</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 19,099</u>	<u>\$ 99</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Traffic Development Tax Reserve	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Interest	50	50	72	22
Total	<u>30,050</u>	<u>30,050</u>	<u>72</u>	<u>(29,978)</u>
 <u>CASH EXPENDITURES</u>				
Operating Contingency	<u>41,534</u>	<u>41,534</u>	<u>-</u>	<u>41,534</u>
 NET CHANGE IN CASH BALANCE	 (11,484)	 (11,484)	 72	 11,556
 <u>CASH BALANCE</u> , Beginning	 <u>11,484</u>	 <u>11,484</u>	 <u>11,491</u>	 <u>7</u>
 <u>CASH BALANCE</u> , Ending	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 11,563</u>	 <u>\$ 11,563</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARK SDC FUND

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
SDC Fee - Parks	\$ 5,400	\$ 5,400	\$ -	\$ (5,400)
Interest	16	16	23	7
Total	<u>5,416</u>	<u>5,416</u>	<u>23</u>	<u>(5,393)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>9,068</u>	<u>9,068</u>	<u>-</u>	<u>9,068</u>
NET CHANGE IN CASH BALANCE	(3,652)	(3,652)	23	3,675
<u>CASH BALANCE, Beginning</u>	<u>3,652</u>	<u>3,652</u>	<u>3,654</u>	<u>2</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,677</u>	<u>\$ 3,677</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GOVERNMENTAL CAPITAL PROJECT RESERVE FUND #13

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Franchise Fees	\$ 20,000	\$ 20,000	\$ 24,670	\$ 4,670
Interest	600	600	1,050	450
Total	<u>20,600</u>	<u>20,600</u>	<u>25,720</u>	<u>5,120</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	130,652	130,652	-	130,652
Operating Contingency	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total	<u>155,652</u>	<u>155,652</u>	<u>-</u>	<u>155,652</u>
NET CHANGE IN CASH BALANCE	(135,052)	(135,052)	25,720	160,772
<u>CASH BALANCE, Beginning</u>	<u>135,052</u>	<u>135,052</u>	<u>160,604</u>	<u>25,552</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,324</u>	<u>\$ 186,324</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GOVERNMENTAL CAPITAL PROJECTS FUND #14

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Grants	226,000	226,000	-	(226,000)
Donations	300,000	300,000	-	(300,000)
Misc.	55,000	55,000	4,971	
Total	<u>581,000</u>	<u>581,000</u>	<u>4,971</u>	<u>(526,000)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>581,000</u>	<u>581,000</u>	<u>4,971</u>	<u>576,029</u>
NET CHANGE IN CASH BALANCE	-	-	-	50,029
<u>CASH BALANCE, Beginning</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,029</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER FUND

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Charge for Services (Water Sales, etc.)	\$ 578,100	\$ 578,100	\$ 569,194	\$ (8,906)
Grants	\$ -	\$ 20,000	\$ 7,171	(12,829)
Interest	350	350	303	(47)
Misc.	250	250	33	(217)
Total	<u>578,700</u>	<u>598,700</u>	<u>576,701</u>	<u>(21,999)</u>
 <u>CASH EXPENDITURES</u>				
Personal Services	194,180	194,180	193,068	1,112
Material and Services	174,491	174,491	142,768	31,723
Capital Outlay	-	20,000	11,750	8,250
Debt Service	161,439	161,439	182,087	(20,648)
Operating Contingencies	454	454	-	454
Total	<u>530,564</u>	<u>550,564</u>	<u>529,673</u>	<u>20,891</u>
 RECEIPTS OVER (UNDER) EXPENDITURES	 <u>48,136</u>	 <u>48,136</u>	 <u>47,027</u>	 <u>(1,109)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Water Depreciation Reserve Fund	(40,000)	(40,000)	(40,000)	-
Transfer to Water Bonded Debt Fund	(20,500)	(20,500)	(20,500)	-
Transfer to Water Utility Reserve Fund #15	(3,000)	(3,000)	(3,000)	-
Total	<u>(63,500)</u>	<u>(63,500)</u>	<u>(63,500)</u>	<u>-</u>
 NET CHANGE IN CASH BALANCE	 (15,364)	 (15,364)	 (16,473)	 (1,109)
 <u>CASH BALANCE, Beginning</u>	 <u>25,364</u>	 <u>25,364</u>	 <u>33,381</u>	 <u>8,017</u>
 <u>CASH BALANCE, Ending</u>	 <u>\$ 10,000</u>	 <u>\$ 10,000</u>	 <u>\$ 16,908</u>	 <u>\$ 6,908</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 650</u>	<u>\$ 650</u>	<u>\$ 1,068</u>	<u>\$ 418</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	400	400	344	56
Capital Outlay	164,200	164,200	59,353	104,847
Operating Contingency	52,864	52,864	-	52,864
Total	<u>217,464</u>	<u>217,464</u>	<u>59,697</u>	<u>157,767</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(216,814)</u>	<u>(216,814)</u>	<u>(58,629)</u>	<u>158,185</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	<u>(176,814)</u>	<u>(176,814)</u>	<u>(18,629)</u>	<u>158,185</u>
<u>CASH BALANCE, Beginning</u>	<u>176,814</u>	<u>176,814</u>	<u>184,928</u>	<u>8,114</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,299</u>	<u>\$ 166,299</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest Earned	<u>\$ 220</u>	<u>\$ 220</u>	<u>\$ 296</u>	<u>\$ 76</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	635	635	620	15
Debt Service	20,820	20,820	20,820	-
Operating Contingency	662	662	-	662
Total	<u>22,117</u>	<u>22,117</u>	<u>21,440</u>	<u>677</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(21,897)</u>	<u>(21,897)</u>	<u>(21,144)</u>	<u>753</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	<u>20,500</u>	<u>20,500</u>	<u>20,500</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	<u>(1,397)</u>	<u>(1,397)</u>	<u>(644)</u>	<u>753</u>
<u>CASH BALANCE</u> , Beginning	<u>45,117</u>	<u>45,117</u>	<u>45,133</u>	<u>16</u>
<u>CASH BALANCE</u> , Ending	<u>\$ 43,720</u>	<u>\$ 43,720</u>	<u>\$ 44,489</u>	<u>\$ 769</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER SDC FUND

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
System Development - Water	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Interest	75	75	129	54
Total	<u>30,075</u>	<u>30,075</u>	<u>129</u>	<u>(29,946)</u>
 <u>CASH EXPENDITURES</u>				
Capital Outlay	30,000	30,000	-	30,000
Contingency	<u>20,751</u>	<u>20,751</u>	<u>-</u>	<u>20,751</u>
Total	<u>50,751</u>	<u>50,751</u>	<u>-</u>	<u>50,751</u>
 NET CHANGE IN CASH BALANCE	 (20,676)	 (20,676)	 129	 20,805
 <u>CASH BALANCE, Beginning</u>	 <u>20,676</u>	 <u>20,676</u>	 <u>20,679</u>	 <u>3</u>
 <u>CASH BALANCE, Ending</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 20,808</u>	 <u>\$ 20,808</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER UTILITY EQUIPMENT RESERVE FUND #15

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 18</u>	<u>\$ (2)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>6,038</u>	<u>6,038</u>	<u>6,038</u>	<u>-</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(6,018)</u>	<u>(6,018)</u>	<u>(6,020)</u>	<u>(2)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	<u>(3,018)</u>	<u>(3,018)</u>	<u>(3,020)</u>	<u>(2)</u>
<u>CASH BALANCE, Beginning</u>	<u>3,018</u>	<u>3,018</u>	<u>3,020</u>	<u>2</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$ (3)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>3,511,956</u>	<u>3,511,956</u>	<u>452</u>	<u>3,511,504</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(3,511,951)</u>	<u>(3,511,951)</u>	<u>(449)</u>	<u>3,511,502</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Loan Funds Received	<u>3,511,503</u>	<u>3,511,503</u>	<u>-</u>	<u>(3,511,503)</u>
NET CHANGE IN CASH BALANCE	<u>(448)</u>	<u>(448)</u>	<u>(449)</u>	<u>(1)</u>
<u>CASH BALANCE, Beginning</u>	<u>448</u>	<u>448</u>	<u>449</u>	<u>1</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

Year Ended June 30, 2016

<u>Year of Levy</u>	<u>Levy &amp; Taxes Receivable, Beginning</u>	<u>Adjustments</u>	<u>Discounts</u>	<u>Collections</u>	<u>Levy &amp; Taxes Receivable, Ending</u>
<b><u>General Fund</u></b>					
2015-16	\$ 240,157	\$ (234)	\$ (6,448)	\$ (229,514)	\$ 4,018
2014-15	3,663	(66)	0	(1,754)	1,956
2013-14	1,908	(15)	0	(524)	1,455
2012-13	1,386	(13)	0	(526)	973
2011-12	842	(3)	0	(195)	698
2010-11	694	(1)	0	(45)	664
2009-10 & Prior	<u>765</u>	<u>(1)</u>	<u>0</u>	<u>(56)</u>	<u>734</u>
Total	<u>\$ 249,414</u>	<u>\$ (332)</u>	<u>\$ (6,447)</u>	<u>\$ (232,614)</u>	<u>\$ 10,498</u>
<b><u>Police Fund</u></b>					
2015-16	\$ 286,481	\$ (279)	\$ (7,692)	\$ (273,785)	\$ 4,793
2014-15	4,370	(78)	0	(2,092)	2,334
2013-14	2,276	(18)	0	(625)	1,735
2012-13	1,653	(15)	0	(628)	1,161
2011-12	807	(3)	0	(187)	669
2010-11	666	(1)	0	(44)	637
2009-10 & Prior	<u>734</u>	<u>(1)</u>	<u>0</u>	<u>(54)</u>	<u>705</u>
Total	<u>\$ 296,986</u>	<u>\$ (395)</u>	<u>\$ (7,691)</u>	<u>\$ (277,413)</u>	<u>\$ 12,033</u>
Total Both Funds	<u>\$ 546,400</u>	<u>\$ (727)</u>	<u>\$ (14,138)</u>	<u>\$ (510,027)</u>	<u>\$ 22,531</u>

Note: Collections include interest on delinquent taxes.

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

WATER AND RELATED FUNDS

COMPARATIVE BALANCE SHEETS\*

June 30, 2014, 2015, 2016

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
<u>ASSETS</u>			
Cash	\$ 299,701	\$ 242,457	\$ 204,015
Cash Restricted - USDA, Rural Utility Service	44,337	45,133	44,489
Capital Assets	5,994,147	5,994,147	6,000,185
Accumulated Depreciation	<u>(1,760,770)</u>	<u>(1,895,421)</u>	<u>(2,029,055)</u>
<u>Total Assets</u>	<u>\$4,577,415</u>	<u>\$4,386,316</u>	<u>\$ 4,219,634</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Long Term Debt	<u>\$1,736,504</u>	<u>\$1,607,066</u>	<u>\$ 1,470,893</u>
<u>FUND EQUITY</u>	<u>2,840,911</u>	<u>2,779,250</u>	<u>2,748,741</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$4,577,415</u>	<u>\$4,386,316</u>	<u>\$ 4,219,634</u>

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

CITY OF BANKS

Washington County, Oregon

WATER AND RELATED FUNDS

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

For the Fiscal Years Ended June 30, 2014, 2015, and 2016

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u>
<u>OPERATING RECEIPTS</u>			
Charge for Services	\$ 540,336	\$ 568,728	\$ 569,194
Miscellaneous	3,440	2,304	9,021
Total	<u>543,776</u>	<u>571,032</u>	<u>578,214</u>
<u>OPERATING EXPENSES</u>			
Personal Services	171,781	180,073	193,068
Debt - Interest	74,622	70,871	66,735
Materials and Services	150,736	247,098	215,287
Depreciation Expense	<u>136,132</u>	<u>134,651</u>	<u>133,634</u>
Total	<u>533,271</u>	<u>632,693</u>	<u>608,724</u>
NET OPERATING INCOME (LOSS)	<u>10,505</u>	<u>(61,662)</u>	<u>(30,510)</u>
<u>FUND EQUITY</u> , Beginning	<u>2,830,407</u>	<u>2,840,912</u>	<u>2,779,250</u>
<u>FUND EQUITY</u> , Ending	<u><u>\$2,840,912</u></u>	<u><u>\$2,779,250</u></u>	<u><u>\$ 2,748,740</u></u>

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

AUDITOR'S COMMENTS AND  
DISCLOSURES REQUIRED BY STATE REGULATIONS

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

AUDITOR'S COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS

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

I have audited the basic financial statements of the City of Banks, Oregon (the City) as of and for the year ended June 30, 2016, and have issued my report thereon dated November 2, 2016. I conducted the audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

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

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

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

Indebtedness limitations, restrictions, and repayment.

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Programs funded by outside sources.

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294).

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

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

Debt service in the Water Fund was overexpended by \$20,648.

OAR 162-10-230 (Internal Control)

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

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

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

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

Financial Reporting

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

Inadequate Segregation of Accounting Duties

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

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



Dennis R. Conner, CPA  
November 2, 2016