

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223



**CITY OF KING CITY**  
**WASHINGTON COUNTY, OREGON**

**2015-2016**  
**FINANCIAL REPORT**

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**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**2015-2016  
FINANCIAL REPORT**

<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
Ken Gibson, Mayor	January 1, 2017
Al Reu, President	January 1, 2017
Dennis Gelfand	January 1, 2019
Chi Nguyen-Ventura	January 1, 2019
Smart Ocholi	January 1, 2017
Robert Olmstead	January 1, 2019
Billie Reynolds	January 1, 2019

All council members receive mail at the address shown below.

**ADMINISTRATION**

Michael Weston, City Manager  
15300 S.W. 116<sup>th</sup> Avenue  
King City, Oregon 97224

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**WASHINGTON COUNTY, OREGON**  
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PAULY, ROGERS AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
(503) 620-2632 ♦ (503) 684-7523 FAX  
www.paulyrogersandcpcpas.com

October 31, 2016

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

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the City of King City, as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the 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 basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 internal control. Accordingly, we 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 basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Modified Opinion**

The City does not maintain historical cost and depreciation records for streets and street improvements acquired prior to June 30, 2013 or depreciation records for those assets. We were unable to apply alternative procedures to satisfy ourselves regarding the historical cost and depreciation of streets and street improvements.

### **Modified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Modified Opinion" paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of King City, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The City adopted the provisions of GASB 72 – *Fair Value Measurement and Application* and GASB 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management discussion and analysis or the schedules of funding progress and employee contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, 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 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, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

The listing of City Council members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 31, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" in the middle.

Roy R. Rogers, CPA  
PAULY, ROGERS AND CO., P.C

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## **CITY OF KING CITY, OREGON MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the City of King City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements and notes, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position was \$16,442,259 at June 30, 2016.
- During the year, the City's net position increased by \$754,062.
- The general fund reported a fund balance this year of \$1,245,996.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the City, reporting the operations in more detail than the government-wide statements. The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's assets and liabilities. This is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the Governmental activities. The City's basic services are included here, such as general government, public safety, planning and building, streets, parks, and interest on long-term debt. Property taxes, franchise taxes, permits and fees, and intergovernmental revenues finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following kinds of funds:

- Governmental funds - The City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### CITY OF KING CITY – NET POSITION

	2016	2015	% Change
<b>ASSETS:</b>			
Current and other assets	\$ 4,739,531	\$ 3,986,035	18.9%
Capital assets (net)	12,087,046	12,114,257	-0.2%
Total assets	16,826,577	16,100,292	4.5%
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	74,390	-	100.0%
<b>LIABILITIES:</b>			
Current and other liabilities	370,181	258,447	43.2%
Noncurrent liabilities (net)	21,283	41,036	-48.1%
Total liabilities	391,464	299,483	30.7%
<b>DEFERRED INFLOWS OF RESOURCES:</b>	67,244	112,612	-40.3%
<b>NET POSITION:</b>			
Net investment in capital assets	12,046,010	12,054,889	-0.1%
Restricted	2,460,059	1,792,081	37.3%
Unrestricted	1,936,190	1,841,227	5.2%
Total net position	\$ 16,442,259	\$ 15,688,197	4.8%

## CITY OF KING CITY – CHANGES IN NET POSITION

	2016	2015	% Change
<b>REVENUES:</b>			
Program Revenues:			
Charges for Services	\$ 1,727,019	\$ 451,690	282.3%
Grant and Contributions	11,900	45,500	-73.8%
General Revenues:			
Property Tax	797,142	752,060	6.0%
Other	420,664	534,971	-21.4%
Total Revenues	2,956,725	1,784,221	65.7%
<b>EXPENSES:</b>			
General Government	1,133,320	557,804	103.2%
Street	119,100	83,308	43.0%
Police	950,243	804,711	18.1%
Total Expenses	2,202,663	1,445,823	52.3%
Change in Net Position	754,062	338,398	122.8%
Beginning Net Position	15,688,197	15,349,799	2.2%
Ending Net Position	\$ 16,442,259	\$ 15,688,197	4.8%

The City's total revenues were \$2,956,725. The Net Position increased by \$754,062 indicating an increase in the City's financial position.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2,952,057 in 2015-16. Governmental fund balances totaled \$4,634,969 at June 30, 2016. A summary of changes in governmental fund balances follows:

	June 30, 2016	June 30, 2015	Change
General Fund	\$ 1,245,996	\$ 1,008,601	\$ 237,395
Street Fund	341,951	256,065	85,886
Transportation Development Fund	2,460,059	1,792,081	667,978
Local Option Levy Fund	19,537	14,616	4,921
Parks SDC Fund	442,020	450,668	(8,648)
Transportation Improvement Fund	125,406	124,607	799
Total	\$ 4,634,969	\$ 3,646,638	\$ 988,331

## **BUDGETARY HIGHLIGHTS**

During the year, actual revenues were less than budgetary estimates and actual expenditures were less than budgetary appropriations.

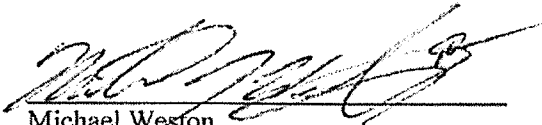
Total net change for all governmental fund types during the year was an increase of \$988,331.

## **CAPITAL ASSETS**

At June 30, 2016, the City had \$12,087,046 invested in capital assets. More detailed information about the City's capital assets is presented in the notes to the financial statements.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the City of King City. Our address is: 15300 SW 116<sup>th</sup> Avenue, King City, Oregon 97224-2693.



Michael Weston  
City Manager

**BASIC FINANCIAL STATEMENTS**

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

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**CITY OF KING CITY**  
**WASHINGTON COUNTY, OREGON**

**STATEMENT OF NET POSITION**

**June 30, 2016**

**ASSETS:**

Cash and Investments	\$ 4,431,518
Property Taxes Receivable	35,314
Accounts Receivable	233,737
Prepaid Expenses	38,962
Capital Assets, not being depreciated	11,901,120
Capital Assets, net of depreciation	<u>185,926</u>
 Total Assets	 16,826,577

**DEFERRED OUTFLOWS OF RESOURCES:**

Pension Related Deferrals	<u>74,390</u>
 Total Assets and Pension Related Deferrals	 <u>16,900,967</u>

**Current Liabilities**

Accounts Payable	65,990
Payroll Liabilities	144
Unearned Revenue	4,425
Net Pension Liability	264,428
Vested Compensated Absences	15,441
Long-Term Debt Due in One Year	19,753
Long-Term Liabilities	
Long-Term Debt Due After One Year	<u>21,283</u>
 Total Liabilities	 391,464

**DEFERRED INFLOWS OF RESOURCES:**

Pension Related Deferrals	<u>67,244</u>
 Total Liabilities and Pension Related Deferrals	 <u>458,708</u>

**NET POSITION:**

Net Investment in Capital Assets	12,046,010
Restricted	2,460,059
Unrestricted	<u>1,936,190</u>
 Total Net Position	 <u>\$ 16,442,259</u>

See accompanying notes to basic financial statements

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANT AND CONTRIBUTIONS	
General Government	\$ 1,133,320	\$ 955,775	\$ 11,900	\$ (165,645)
Street	119,100	700,057	-	580,957
Police	<u>950,243</u>	<u>71,187</u>	<u>-</u>	<u>(879,056)</u>
Total Governmental Activities	<u>\$ 2,202,663</u>	<u>\$ 1,727,019</u>	<u>\$ 11,900</u>	<u>(463,744)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	797,142
Interest and Investment Earnings	26,418
Miscellaneous	<u>394,246</u>

Total General Revenues 1,217,806

Changes in Net Position 754,062

Net Position – Beginning 15,688,197

Net Position – Ending \$ 16,442,259

See accompanying notes to basic financial statements

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	GENERAL FUND	STREET FUND	TRANSPORTATION DEVELOPMENT TAX FUND	LOCAL OPTION LEVY FUND	PARKS SDC FUND	TRANSPORTATION IMPROVEMENT FUND	TOTAL
<b>ASSETS:</b>							
Cash and Investments	\$ 4,431,518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,431,518
Taxes Receivable	35,314	-	-	-	-	-	35,314
Accounts Receivable	233,737	-	-	-	-	-	233,737
Prepaid Expenses	38,962	-	-	-	-	-	38,962
Due From Other Funds	-	341,951	2,460,059	19,537	442,020	125,406	3,388,973
<b>Total Assets</b>	<b>\$ 4,739,531</b>	<b>\$ 341,951</b>	<b>\$ 2,460,059</b>	<b>\$ 19,537</b>	<b>\$ 442,020</b>	<b>\$ 125,406</b>	<b>\$ 8,128,504</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:</b>							
<b>LIABILITIES:</b>							
Due to Other Funds	\$ 3,388,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,388,973
Payroll Payable	144	-	-	-	-	-	144
Accounts Payable	65,990	-	-	-	-	-	65,990
<b>Total Liabilities</b>	<b>3,455,107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,455,107</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unearned Revenue - Taxes	34,003	-	-	-	-	-	34,003
Unearned Revenue - Other	4,425	-	-	-	-	-	4,425
<b>Total Deferred Inflows of Resources</b>	<b>38,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,428</b>
<b>FUND BALANCE:</b>							
<b>Fund Balances:</b>							
Nonspendable	38,962	-	-	-	-	-	38,962
Restricted	-	-	2,460,059	-	-	-	2,460,059
Committed	-	341,951	-	19,537	442,020	125,406	928,914
Unassigned	1,207,034	-	-	-	-	-	1,207,034
<b>Total Fund Balances</b>	<b>1,245,996</b>	<b>341,951</b>	<b>2,460,059</b>	<b>19,537</b>	<b>442,020</b>	<b>125,406</b>	<b>4,634,969</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 4,739,531</b>	<b>\$ 341,951</b>	<b>\$ 2,460,059</b>	<b>\$ 19,537</b>	<b>\$ 442,020</b>	<b>\$ 125,406</b>	<b>\$ 8,128,504</b>

See accompanying notes to basic financial statements

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**RECONCILIATION OF GOVERNMENTAL BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2016**

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Total Fund Balances - Governmental Funds	\$ 4,634,969
Capital assets are not financial resources and therefore are not reported in the governmental funds.	12,087,046
The Net Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.	(264,428)
All liabilities are reported in the Statement of Net Position whereas in governmental funds, liabilities not due and payable in the current period are not reported. Capital Leases Payable	(41,036)
Vested compensated absences are not accounted for in the governmental funds.	(15,441)
A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.	34,003
Deferred Inflows and Outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings, and contributions subsequent to the measurement date. Deferred Outflows Deferred Inflows	74,390 (67,244)
Net Position	<u>\$ 16,442,259</u>

See accompanying notes to basic financial statements

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

	GENERAL FUND	STREET FUND	TRANSPORTATION DEVELOPMENT TAX FUND	LOCAL OPTION LEVY FUND	PARKS SDC FUND	TRANSPORTATION IMPROVEMENT FUND	TOTAL
<b>REVENUES:</b>							
Property Taxes	\$ 582,880	\$ -	\$ -	\$ 209,594	\$ -	\$ -	\$ 792,474
Alcoholic Beverage Tax	52,769	-	-	-	-	-	52,769
Cigarette Tax	5,207	-	-	-	-	-	5,207
Motel Tax	57,384	-	-	-	-	-	57,384
State Gas Tax	-	198,942	-	-	-	-	198,942
Washington Co. Gas Tax	-	12,683	-	-	-	-	12,683
City Privilege Tax	-	32,268	-	-	-	-	32,268
State Revenue Sharing	32,384	-	-	-	-	-	32,384
Bike Path	-	2,010	-	-	-	-	2,010
Grants	11,900	-	-	-	-	-	11,900
Court Fines	71,187	-	-	-	-	-	71,187
Licenses/Permits/Fees	894,194	-	-	-	-	-	894,194
Traffic Development Tax	-	-	654,106	-	-	-	654,106
Interest on Investments	6,820	1,749	13,872	327	2,851	799	26,418
Water Revenue	61,151	-	-	-	-	-	61,151
Miscellaneous	599	45,951	-	-	430	-	46,980
<b>Total Revenues</b>	<b>1,776,475</b>	<b>293,603</b>	<b>667,978</b>	<b>209,921</b>	<b>3,281</b>	<b>799</b>	<b>2,952,057</b>
<b>EXPENDITURES:</b>							
Personal Services	932,333	-	-	-	-	-	932,333
Materials & Services	860,476	102,480	-	-	-	-	962,956
Capital Outlay	6,629	61,808	-	-	-	-	68,437
<b>Total Expenditures</b>	<b>1,799,438</b>	<b>164,288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,963,726</b>
Excess of Revenues Over, (Under) Expenditures	(22,963)	129,315	667,978	209,921	3,281	799	988,331
<b>Other Financing Sources, (Uses)</b>							
Transfers In	260,358	-	-	-	-	-	260,358
Transfer Out	-	(43,429)	-	(205,000)	(11,929)	-	(260,358)
<b>Total Other Financing Sources, (Uses)</b>	<b>260,358</b>	<b>(43,429)</b>	<b>-</b>	<b>(205,000)</b>	<b>(11,929)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>237,395</b>	<b>85,886</b>	<b>667,978</b>	<b>4,921</b>	<b>(8,648)</b>	<b>799</b>	<b>988,331</b>
<b>Beginning Fund Balance</b>	<b>1,008,601</b>	<b>256,065</b>	<b>1,792,081</b>	<b>14,616</b>	<b>450,668</b>	<b>124,607</b>	<b>3,646,638</b>
<b>Ending Fund Balance</b>	<b>\$ 1,245,996</b>	<b>\$ 341,951</b>	<b>\$ 2,460,059</b>	<b>\$ 19,537</b>	<b>\$ 442,020</b>	<b>\$ 125,406</b>	<b>\$ 4,634,969</b>

See accompanying notes to the basic financial statements

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

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**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

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Net Changes in Fund Balances - Governmental Funds	\$ 988,331
Payment of vested compensated absences is an expenditure in the governmental funds, but the payment reduces the liability in the Statement of Net Position. Additions to vested compensated absences is an expense for the Statement of Activities but not for the governmental funds.	6,356
Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the City recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Net Position, there is no deferred revenue and the full property tax receivable is accrued.	4,668
Principle payment of debt service over the life of the loan reduce the loan amount in governmental funds. However, in the Statement of Activites these are expensed because fixed assets are not recorded on the books. Principle Debt Service Payments	18,332
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: Capital Asset Depreciation Expense	6,200 (33,411)
The Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.	<u>(236,414)</u>
Change in Net Position	<u>\$ 754,062</u>

See accompanying notes to basic financial statements

**CITY OF KING CITY**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. THE FINANCIAL REPORTING ENTITY**

The City of King City is a municipal corporation governed by an elected seven member council. Accounting principles generally accepted in the United States of America require that these basic financial statements present the City of King City (the primary government) and all component units, if basic any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the City's reporting because of the significance of their operational or financial relationships with the City. There are no component units.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The Statement of Net Position and Statements of Activities display information about the reporting government as a whole.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions."

Program Revenues included in the Statement of Activities derives directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the general revenues.

All direct expenses are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt, if any, is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities and Changes in Net Position, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

**FUND FINANCIAL STATEMENTS**

The accounts are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)**

**GOVERNMENTAL FUND TYPES**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

**FUND EQUITY**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are—nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)**

There are no assigned fund balances at year end.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

**C. DESCRIPTION OF FUNDS**

There are the following major funds:

**GENERAL FUND**

The General Fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. Its main sources of revenues are property taxes, franchise fees, interest and revenue from the State of Oregon.

**STREET FUND**

Accounts for revenue and expenditures of the road maintenance program. Principal revenue sources are state highway funds and Washington County gas tax.

**TRANSPORTATION DEVELOPMENT TAX FUND**

Accounts for revenue received from systems development charges, which are spent on street capacity improvements. The principal revenue source is traffic impact fees.

**LOCAL OPTION LEVY FUND**

Accounts for revenue received from Local Option Levy. The amount is then transferred to the General Fund.

**PARKS SDC FUND**

Accounts for revenue received from METRO Grant and Park SDC Fees, which are spent on Park Improvements.

**TRANSPORTATION IMPROVEMENT FUND**

Accounts for street capacity improvements.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGET**

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except capital outlay is expensed when purchased, depreciation expense is not recorded, compensated absences are expensed when paid, inventory is expensed when purchased, pension costs are not recorded until paid, and property taxes are recorded when received.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels of control for:

<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
City Council	Personal Services
Administration	Materials and Services
Police Department	Capital Outlay
General Services	Interagency/Fund Transactions
Interagency/Fund Transaction	Operating Contingency
Operating Contingency	

Expenditures cannot legally exceed the above appropriation levels except in the case of restricted revenues which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations.

**E. CASH AND CASH EQUIVALENTS**

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**F. ACCOUNTS RECEIVABLE**

Accounts receivable consists of fines and fees that are sent to collections at year end and other amounts due that are yet to be received. There is no allowance for doubtful accounts because management believes all fines and fees to be collectible. The amount of accounts receivable over 90 days old is \$144,113.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. PROPERTY TAXES RECEIVABLE**

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Position. In the Fund Financial Statements property taxes that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as unearned revenue because it is not deemed available to finance operations of the current period.

An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

**H. CAPITAL ASSETS**

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction, maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	30 to 50 years
Equipment	5 to 10 years

**I. RETIREMENT PLAN**

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**J. VESTED COMPENSATED ABSENCES**

It is the policy to permit employees to accumulate earned unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the City. All unused vacation pay is accrued when earned in the government-wide financial statements.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. ESTIMATES**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**L. INVESTMENTS**

Investments are reported at fair value. The investments, authorized under state statutes, are comprised of investments in the state administered Oregon State Treasurer's Local Government Investment Pool.

**M. SUPPLY INVENTORY**

Detailed supply inventory records are not maintained. Supply inventories are considered to be immaterial by management at year end.

**N. INTANGIBLE ASSETS**

Intangible assets (such as easements and right of ways) are recorded at their original cost if purchased or estimated value at date of donation if donated. The city has not adopted a policy on capitalization of intangible assets. There were no intangible assets purchased or donated in fiscal year 2015-2016.

**O. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

**P. INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

**Q. NET POSITION**

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. NET POSITION (CONTINUED)**

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted assets – consists of all other assets that are not included in the other categories previously mentioned.

**R. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2016, there were deferred outflows of \$74,390 representing pension related deferrals.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2016, there were deferred inflows of \$67,244 representing pension related deferrals.

**S. FAIR VALUE IMPUTS AND METHODOLOGIES AND HIERARCHY**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

**Level 1** – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

**Level 2** – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

**Level 3** – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**2. CASH AND INVESTMENTS**

**DEPOSITS**

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

**CREDIT RISK – DEPOSITS**

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. As of June 30, 2016, all of the bank balance of \$74,709 was insured by FDIC.

**INVESTMENTS**

The policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Cash and Investments at June 30, 2016 (recorded at fair value) consisted of:

Deposits With Financial Institutions:	2016
Petty Cash	\$ 150
Demand Deposits:	
Checking	55,863
Investments	<u>4,375,505</u>
 Total	 <u>\$ 4,431,518</u>

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	19-59
State Treasurer's Investment Pool	\$ 4,375,505	\$ 4,375,505	\$ -	\$ -
Total	\$ 4,375,505	\$ 4,375,505	\$ -	\$ -

**Interest Rate Risk -Investments**

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

**Credit Risk**

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

**Concentration of Credit Risk**

At June 30, 2016, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government be invested in bankers' acceptances of any qualified financial institution. At June 30, 2016, there was compliance with all percentage restrictions.

**3. CAPITAL ASSETS**

The changes in Capital assets are as follows:

	7/1/2015	Additions	Deletions	6/30/2016
Governmental Activities:				
Non Depreciable Capital Assets				
Infrastructure	\$ 11,901,120	\$ -	\$ -	\$ 11,901,120
Total Depreciable Capital Assets	11,901,120	-	-	11,901,120
Depreciable Capital Assets				
Buildings & Improvements	283,656	-	-	283,656
Equipment	244,950	6,200	-	251,150
Total Depreciable Capital Assets	528,606	6,200	-	534,806
Accumulated Depreciation	315,469	\$ 33,411	\$ -	348,880
Net Depreciable Capital Assets	213,137			185,926
Total Capital Assets	\$ 12,114,257			\$ 12,087,046

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year was charged as follows:

Governmental Activities:

General Government	\$ 17,191
Street	1,807
Police	<u>14,413</u>

Total Depreciation Expense	<u>\$ 33,411</u>
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**4. CAPITAL LEASES**

There are two lease agreements for police automobiles. The lease terms are as follows:

<u>Date Entered Into</u>	<u>Total Amount</u>	<u>Payment Terms</u>	<u>Final Payment</u>	<u>Payments Made in 2015-16</u>
7/8/2013	\$ 66,453	\$15,345/Annually	7/8/2017	\$ 12,266
2/28/2014	<u>32,861</u>	\$7,588/Annually	2/28/2018	<u>6,066</u>
Total	<u>\$ 99,314</u>			<u>\$ 18,332</u>

Future lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2016-17	19,753	3,180
2017-18	<u>21,283</u>	<u>1,650</u>
Total	<u>\$ 41,036</u>	<u>\$ 4,830</u>

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. PENSION PLAN**

**PLAN DESCRIPTION**

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

If the link is expired please contact Oregon PERS for this information.

- a. PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i) 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, and 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 benefits results.
- ii) 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 contributions are met:
- member was employed by PERS employer at the time of death,
  - member died within 120 days after termination of PERS covered employment,
  - member died as a result of injury sustained while employed in a PERS-covered job, or
  - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii) 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.
- iv) 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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. PENSION PLAN (CONTINUED)**

**PLAN DESCRIPTION (CONTINUED)**

**b. OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

**i) Pension Benefits.** 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 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.

**ii) 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.

**iii) 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.

**iv) Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

**FUNDING POLICY**

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. The 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, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$50,548, excluding amounts to fund employer specific liabilities. In addition approximately \$20,661 in employee contributions were paid or picked up by the City in fiscal 2016.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. PENSION PLAN (CONTINUED)**

**FUNDING POLICY (CONTINUED)**

At June 30, 2016, the City reported a net pension liability of \$264,428 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 0.005 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 14,259	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(55,430)
Changes in proportion and differences between City contributions and proportionate share of contributions	9,583	(11,814)
Subtotal - Amortized Deferrals (below)	23,842	(67,244)
City contributions subsequent to measurement date	50,548	-
Net deferred outflow (inflow) of resources	<u>\$ 74,390</u>	<u>\$ (67,244)</u>

Subtotal amounts related to pension as deferred outflows of resources, \$23,842, and deferred inflows of resources, \$67,244, net to (\$43,402) and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ (23,779)
2018	(23,779)
2019	(23,779)
2020	26,723
2021	1,211
Total	<u>\$ (43,402)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financial.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx).

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. PENSION PLAN (CONTINUED)**

**ACTUARIAL VALUATIONS**

The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal 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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessarily to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) 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.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. PENSION PLAN (CONTINUED)**

**ACTUARIAL VALUATIONS (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts 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 method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

**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 the 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.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	<u>Decrease</u> <u>(6.75%)</u>	<u>Rate</u> <u>(7.75%)</u>	<u>Increase</u> <u>(8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 638,188	\$ 264,428	\$ (50,553)

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. PENSION PLAN (CONTINUED)**

**ACTUARIAL VALUATIONS (CONTINUED)**

**Individual Account Program** - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online at the below website, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700,

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

**6. OTHER QUALIFIED PLAN**

There is available to permanent employees, other than public safety employees, a 401(k) qualified retirement plan.

The plan is a defined contribution plan, where by council resolution the City contributes an amount equivalent to the combined employer and employee contributions made for employees who participate in PERS. The employee is not required to contribute. The total amount contributed to the plan in the current fiscal year was \$40,290.

Benefits vest 50% after one year and 100% after two years of permanent employment. Under the plan employees may not withdraw funds until reaching age 62. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

**7. DEFERRED COMPENSATION**

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**8. RISK MANAGEMENT**

There is exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**9. PROPERTY TAX LIMITATIONS**

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

**10. DUE TO AND DUE FROM**

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". There was \$3,388,973 due from the general fund to other funds due to a pooled bank account, which shows all cash and investments in the general fund. The break out of this amount for the fiscal year ended June 30, 2016 was \$341,951 to the Street Fund, \$2,460,059 to the Transportation Development Tax Fund, \$19,537 to the Local Option Levy Fund, \$442,020 to the Parks SDC Fund, and \$125,406 to the Transportation Improvement Fund.

**11. INTERFUND TRANSFERS**

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$	\$ 260,358
Street Fund	43,429	
Local Option Levy Fund	205,000	
Parks System Development	11,929	
	<u>\$ 260,358</u>	<u>\$ 260,358</u>

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing.

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**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2016**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Property Taxes - Current	\$ 560,000	\$ 575,000	\$ 574,675	\$ (325)
Property Taxes - Delinquent	10,000	10,000	8,205	(1,795)
City Franchise Fees	205,000	205,000	223,872	18,872
Alcoholic Beverage Tax	48,000	48,000	52,769	4,769
Cigarette Tax	4,500	4,500	5,207	707
Motel Tax	41,000	41,000	57,384	16,384
State Revenue Sharing	30,000	30,000	32,384	2,384
Grants	12,295	12,295	11,900	(395)
Court Fines	75,000	75,000	71,187	(3,813)
Licenses/Permits/Fees	20,000	20,000	23,343	3,343
Metro Excise Tax	15,000	23,350	25,796	2,446
School CET	150,000	234,505	246,123	11,618
OR State Surcharge	16,500	24,300	26,582	2,282
Site Review Fees	3,000	3,000	838	(2,162)
New Development Review	3,000	3,000	5,101	2,101
New Development Deposit	-	-	3,800	3,800
Building Permits	190,000	265,835	292,839	27,004
Passport Fees	36,000	36,000	45,900	9,900
Interest on Investments	3,000	3,000	6,820	3,820
Water Revenue	55,000	55,000	61,151	6,151
Miscellaneous	1,000	1,000	599	(401)
Total Revenues	<u>\$ 1,478,295</u>	<u>\$ 1,669,785</u>	<u>\$ 1,776,475</u>	<u>\$ 106,690</u>

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**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET**

**For the Year Ended June 30, 2016**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
City Council				
Materials and Services	\$ 31,150	\$ 28,900	\$ 25,677	\$ 3,223
Total City Council	31,150	28,900 (1)	25,677	3,223
Administration Department				
Personal Services	276,350	285,738	246,823	38,915
Materials and Services	565,113	736,303	702,669	33,634
Capital Outlay	4,000	4,000	-	4,000
Total Administration	845,463	1,026,041 (1)	949,492	76,549
Police Department				
Personal Services	736,751	736,751	685,510	51,241
Materials and Services	153,775	144,125	132,130	11,995
Capital Outlay	6,900	16,900	6,629	10,271
Total Police Department	897,426	897,776 (1)	824,269	73,507
General Services				
Contingency	709,614	986,027	-	986,027
Total General Services	709,614	986,027 (1)	-	986,027
Total Expenditures	2,483,653	2,938,744	1,799,438	1,139,306
Excess of Revenues Over, (Under)				
Expenditures	(1,005,358)	(1,268,959)	(22,963)	1,245,996
Other Financing Sources, (Uses):				
Transfers In	255,358	260,358	260,358	-
Net Change in Fund Balance	(750,000)	(1,008,601)	237,395	1,245,996
Beginning Fund Balance	750,000	1,008,601	1,008,601	-
Ending Fund Balance	\$ -	\$ -	\$ 1,245,996	\$ 1,245,996

(1) Appropriation Level  
Continued from page -31-

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

**At June 30, 2016**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.005 %	\$ 264,428	\$ 350,407	75.5 %	91.9 %
2015	0.004	(91,744)	300,611	(30.5)	103.6
2014	0.004	206,546	273,970	75.4	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**SCHEDULE OF CONTRIBUTIONS**

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	\$ 50,548	\$ 50,548	\$ -	\$ 352,707	14.3 %
2015	45,565	45,565	-	350,407	13.0
2014	36,360	36,360	-	300,611	12.1

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

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**CITY OF KING CITY**  
**WASHINGTON COUNTY, OREGON**  
**SUPPLEMENTARY INFORMATION**

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**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2016**

**STREET FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
State Gas Tax	\$ 170,000	\$ 170,000	\$ 198,942	\$ 28,942
Washington County Gas Tax	12,000	12,000	12,683	683
City Privilege Tax	32,000	32,000	32,268	268
Bike Path	1,700	1,700	2,010	310
Interest on Investments	1,800	1,800	1,749	(51)
CWS/SWM Fees	44,000	44,000	45,951	1,951
Miscellaneous	500	500	-	(500)
Total Revenues	<u>262,000</u>	<u>262,000</u>	<u>293,603</u>	<u>31,603</u>
<b>EXPENDITURES:</b>				
Materials and Services	129,560	133,560 (1)	102,480	31,080
Capital Outlay	240,000	240,000 (1)	61,808	178,192
Contingency	67,011	101,111 (1)	-	101,111
Total Expenditures	<u>436,571</u>	<u>474,671</u>	<u>164,288</u>	<u>310,383</u>
Excess of Revenues Over, (Under) Expenditures	(174,571)	(212,671)	129,315	341,986
Other Financing Sources, (Uses):				
Transfer Out	<u>(43,429)</u>	<u>(43,429) (1)</u>	<u>(43,429)</u>	<u>-</u>
Total Other Sources, (Uses)	<u>(43,429)</u>	<u>(43,429)</u>	<u>(43,429)</u>	<u>-</u>
Net Change in Fund Balance	(218,000)	(256,100)	85,886	341,986
Beginning Fund Balance	<u>218,000</u>	<u>256,100</u>	<u>256,065</u>	<u>(35)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,951</u>	<u>\$ 341,951</u>

(1) Appropriation Level

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2016**

TRANSPORTATION DEVELOPMENT TAX FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Traffic Development Tax	\$ 333,250	\$ 333,250	\$ 654,106	\$ 320,856
Interest On Investments	10,000	10,000	13,872	3,872
Total Revenues	<u>343,250</u>	<u>343,250</u>	<u>667,978</u>	<u>324,728</u>
EXPENDITURES:				
Contingency	<u>2,133,250</u>	<u>2,133,250</u> (1)	-	<u>2,133,250</u>
Total Expenditures	<u>2,133,250</u>	<u>2,133,250</u>	-	<u>2,133,250</u>
Net Change in Fund Balance	(1,790,000)	(1,790,000)	667,978	2,457,978
Beginning Fund Balance	<u>1,790,000</u>	<u>1,790,000</u>	<u>1,792,081</u>	<u>2,081</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,460,059</u>	<u>\$ 2,460,059</u>

(1) Appropriations Level

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2016**

LOCAL OPTION LEVY FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest On Investments	\$ 200	\$ 200	\$ 327	\$ 127
Property Delinquent	3,000	3,000	3,153	153
Serial Levy	<u>196,800</u>	<u>201,800</u>	<u>206,441</u>	<u>4,641</u>
Total Revenues	<u>200,000</u>	<u>205,000</u>	<u>209,921</u>	<u>4,921</u>
Other Financing Sources, (Uses):				
Transfers Out	<u>(200,000)</u>	<u>(205,000) (1)</u>	<u>(205,000)</u>	<u>-</u>
Total Other Sources, (Uses)	<u>(200,000)</u>	<u>(205,000)</u>	<u>(205,000)</u>	<u>-</u>
Net Change in Fund Balance	-	-	4,921	4,921
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>14,616</u>	<u>14,616</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,537</u>	<u>\$ 19,537</u>

(1) Appropriations Level

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2016**

PARKS SDC FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Interest on Investments	\$ 1,800	\$ 1,800	\$ 2,851	\$ 1,051
METRO	10,000	10,000	-	(10,000)
Developmental Charges	83,200	16,640	430	(16,210)
Total Revenues	95,000	28,440	3,281	(25,159)
EXPENDITURES:				
Capital Outlay	10,000	10,000 (1)	-	10,000
Contingency	523,071	457,180 (1)	-	457,180
Total Expenditures	533,071	467,180	-	467,180
Excess of Revenue Over, (Under) Expenditures	(438,071)	(438,740)	3,281	442,021
Other Financing Sources, (Uses):				
Transfers Out	(11,929)	(11,929) (1)	(11,929)	-
Total Other Sources, (Uses)	(11,929)	(11,929)	(11,929)	-
Net Change in Fund Balance	(450,000)	(450,669)	(8,648)	442,021
Beginning Fund Balance	450,000	450,669	450,668	(1)
Ending Fund Balance	\$ -	\$ -	\$ 442,020	\$ 442,020

(1) Appropriations Level

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2016**

TRANSPORTATION IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest On Investments	\$ 800	\$ 800	\$ 799	\$ (1)
Total Revenues	<u>800</u>	<u>800</u>	<u>799</u>	<u>(1)</u>
EXPENDITURES:				
Contingency	<u>125,400</u>	<u>125,400</u>	(1) -	<u>125,400</u>
Total Expenditures	<u>125,400</u>	<u>125,400</u>	<u>-</u>	<u>125,400</u>
Net Change in Fund Balance	(124,600)	(124,600)	799	125,399
Beginning Fund Balance	<u>124,600</u>	<u>124,600</u>	<u>124,607</u>	<u>7</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,406</u>	<u>\$ 125,406</u>

(1) Appropriations Level

**CITY OF KING CITY  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2016**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/15</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/16</u>
<u>General Fund:</u>						
CURRENT:						
2015-16	\$ 818,742	\$ 21,982	\$ (989)	\$ 192	\$ 782,266	\$ 13,697
PRIOR YEARS:						
2014-15	13,035	(1)	(633)	399	5,841	6,961
2013-14	6,469	-	(342)	291	1,485	4,933
2012-13	4,445	-	(444)	405	1,283	3,123
2011-12	2,712	-	(183)	173	454	2,248
2010-11 & Prior	2,591	-	1,812	132	183	4,352
Total Prior	29,252	(1)	210	1,400	9,246	21,617
Total All Funds	<u>\$ 847,994</u>	<u>\$ 21,981</u>	<u>\$ (779)</u>	<u>\$ 1,592</u>	<u>\$ 791,512</u>	<u>\$ 35,314</u>

RECONCILIATION OF REVENUE:

	<u>Revenue</u>
Per County Treasurer Above	\$ 791,512
Accrual of Receivables:	
June 30, 2015	(1,855)
June 30, 2016	1,311
Taxes in lieu	1,506
Total Fund Collections per Financial Statements	<u>\$ 792,474</u>

**Revenue by Fund:**

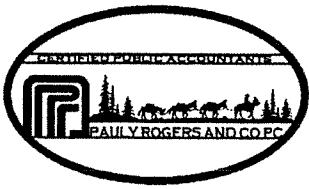
General	\$ 582,880
Local Option Levy	209,594
	<u>\$ 792,474</u>

**CITY OF KING CITY**  
**WASHINGTON COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS**

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October 31, 2016

**Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of King City as of and for the year ended June 30, 2016, and have issued our report thereon dated October 31, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 the basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we 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)**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **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 our testing nothing came to our attention that caused us to believe that the City of King City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted a matter involving the internal control structure and its operation that we consider to be a material weakness under standards established by the American Institute of Certified Public Accountants, which is noted in our management letter dated October 31, 2016.

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

A handwritten signature in cursive script that reads "Roy R. Rogers".

ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C