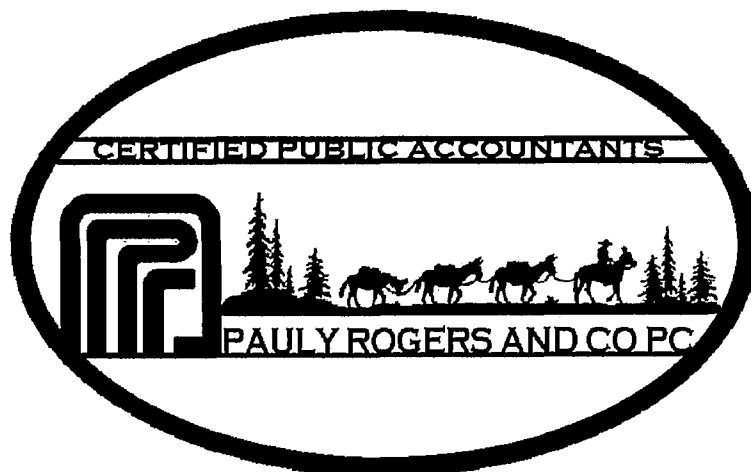


**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



**12700 SW 72nd Ave.
Tigard, OR 97223**

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

2016-2017
FINANCIAL REPORT

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

**2016-2017
FINANCIAL REPORT**

<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
Ken Gibson, Mayor	January 2019
Robert Olmstead, President	January 2019
Billie Reynolds	January 2019
Chi Nguyen-Ventura	January 2019
Smart Ocholi	January 2020
John Boylston	January 2020
Gretchen Buehner	January 2020

All council members receive mail at the address shown below.

ADMINISTRATION

Michael Weston, City Manager
15300 S.W. 116th Avenue
King City, Oregon 97224

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON
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PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcpcas.com

November 17, 2017

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, 2017, 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 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, 2017, 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 Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 77 *Tax Abatement Disclosures* for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

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's discussion and analysis or the schedules of net pension liability and contributions for PERS because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

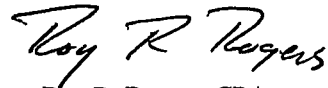
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 November 17, 2017, 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" and "R".

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, 2017. 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 \$16,126,838 at June 30, 2017.
- During the year, the City's net position decreased by \$315,421.
- The general fund reported a fund balance this year of \$1,340,587.

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

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
ASSETS:			
Current and other assets	\$ 5,135,585	\$ 4,739,531	8.36%
Capital assets (net)	<u>12,052,602</u>	<u>12,087,046</u>	<u>-0.28%</u>
Total assets	<u>17,188,187</u>	<u>16,826,577</u>	<u>2.15%</u>
DEFERRED OUTFLOWS OF			
RESOURCES:	<u>357,976</u>	<u>74,390</u>	<u>381.22%</u>
LIABILITIES:			
Current and other liabilities	1,377,255	370,181	272.05%
Noncurrent liabilities (net)	<u>21,283</u>	<u>21,283</u>	<u>0.00%</u>
Total liabilities	<u>1,398,538</u>	<u>391,464</u>	<u>257.26%</u>
DEFERRED INFLOWS OF			
RESOURCES:	<u>20,787</u>	<u>67,244</u>	<u>-69.09%</u>
NET POSITION:			
Net investment in capital assets	12,031,319	12,046,010	-0.12%
Restricted	2,231,470	2,460,059	-9.29%
Unrestricted	<u>1,864,049</u>	<u>1,936,190</u>	<u>-3.73%</u>
Total net position	<u>\$ 16,126,838</u>	<u>\$ 16,442,259</u>	<u>-1.92%</u>

CITY OF KING CITY – CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
REVENUES:			
Program Revenues:			
Charges for Services	\$ 1,031,244	\$ 1,727,019	-40.29%
Grant and Contributions	28,837	11,900	142.33%
General Revenues:			
Property Tax	831,419	797,142	4.30%
Other	<u>437,941</u>	<u>420,664</u>	<u>4.11%</u>
Total Revenues	<u>2,329,441</u>	<u>2,956,725</u>	<u>-21.22%</u>
EXPENSES:			
General Government	1,248,685	1,133,320	10.18%
Street	163,128	119,100	36.97%
Police	<u>1,233,049</u>	<u>950,243</u>	<u>29.76%</u>
Total Expenses	<u>2,644,862</u>	<u>2,202,663</u>	<u>20.08%</u>
Change in Net Position	-315,421	754,062	-141.83%
Beginning Net Position	<u>16,442,259</u>	<u>15,688,197</u>	<u>4.81%</u>
Ending Net Position	<u>\$ 16,126,838</u>	<u>\$ 16,442,259</u>	<u>-1.92%</u>

The City's total revenues were \$2,329,441. The Net Position decreased by \$315,421 indicating a decrease in the City's financial position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2,325,583 in 2016-17. Governmental fund balances totaled \$4,405,892 at June 30, 2017. A summary of changes in governmental fund balances follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
General Fund	\$1,340,587	\$1,245,996	\$94,591
Street Fund	376,117	341,951	\$34,166
Transportation Development Fund	2,231,470	2,460,059	(\$228,589)
Local Option Levy Fund	21,189	19,537	\$1,652
Parks SDC Fund	436,162	442,020	(\$5,858)
Transportation Improvement Fund	<u>367</u>	<u>125,406</u>	<u>(\$125,039)</u>
Total	<u>\$4,405,892</u>	<u>\$4,634,969</u>	<u>(\$229,077)</u>

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 a decrease of \$229,077.

CAPITAL ASSETS

At June 30, 2017, the City had \$12,052,602 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 116th Avenue, King City, Oregon 97224-2693.

A handwritten signature in black ink, appearing to read 'Michael Weston', is written over a horizontal line.

Michael Weston
City Manager

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

BASIC FINANCIAL STATEMENTS

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2017

ASSETS:

Cash and Investments	\$ 4,842,484
Property Taxes Receivable	38,748
Accounts Receivable	214,775
Prepaid Expenses	39,578
Capital Assets, not being depreciated	11,901,120
Capital Assets, net of depreciation	<u>151,482</u>
 Total Assets	 17,188,187

DEFERRED OUTFLOWS OF RESOURCES:

Pension Related Deferrals	<u>357,976</u>
Total Assets and Pension Related Deferrals	<u>17,546,163</u>

Current Liabilities

Accounts Payable	688,467
Unearned Revenue	3,365
Net Pension Liability	658,717
Vested Compensated Absences	26,706
Long-Term Debt Due in One Year	<u>21,283</u>
 Total Liabilities	 1,398,538

DEFERRED INFLOWS OF RESOURCES:

Pension Related Deferrals	<u>20,787</u>
Total Liabilities and Pension Related Deferrals	<u>1,419,325</u>

NET POSITION:

Net Investment in Capital Assets	12,031,319
Restricted	2,231,470
Unrestricted	<u>1,864,049</u>
 Total Net Position	 <u><u>\$ 16,126,838</u></u>

See accompanying notes to basic financial statements

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

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANT AND CONTRIBUTIONS	
General Government	\$ 1,248,685	\$ 694,543	\$ 28,837	\$ (525,305)
Street	163,128	288,522	-	125,394
Police	1,233,049	48,179	-	(1,184,870)
Total Governmental Activities	<u>\$ 2,644,862</u>	<u>\$ 1,031,244</u>	<u>\$ 28,837</u>	<u>(1,584,781)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

831,419

Interest and Investment Earnings

51,367

Miscellaneous

386,574

Total General Revenues

1,269,360

Changes in Net Position

(315,421)

Net Position – Beginning

16,442,259

Net Position – Ending

\$ 16,126,838

See accompanying notes to basic financial statements

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	GENERAL FUND	STREET FUND	TRANSPORTATION DEVELOPMENT TAX FUND	LOCAL OPTION LEVY FUND	PARKS SDC FUND	TRANSPORTATION IMPROVEMENT FUND	TOTAL
ASSETS:							
Cash and Investments	\$ 4,842,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,842,484
Taxes Receivable	38,748	-	-	-	-	-	38,748
Accounts Receivable	214,775	-	-	-	-	-	214,775
Prepaid Expenses	39,578	-	-	-	-	-	39,578
Due From Other Funds	-	376,117	2,231,837	21,189	436,162	367	3,065,672
Total Assets	\$ 5,135,585	\$ 376,117	\$ 2,231,837	\$ 21,189	\$ 436,162	\$ 367	\$ 8,201,257
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:							
LIABILITIES:							
Due to Other Funds	\$ 3,065,305	\$ -	\$ 367	\$ -	\$ -	\$ -	\$ 3,065,672
Accounts Payable	688,467	-	-	-	-	-	688,467
Unearned Revenue - Other	3,365	-	-	-	-	-	3,365
Total Liabilities	3,757,137	-	367	-	-	-	3,757,504
DEFERRED INFLOWS OF RESOURCES:							
Unearned Revenue - Taxes	37,861	-	-	-	-	-	37,861
Total Deferred Inflows of Resources	37,861	-	-	-	-	-	37,861
FUND BALANCE:							
Fund Balances:							
Nonspendable	39,578	-	-	-	-	-	39,578
Restricted	-	-	2,231,470	-	-	-	2,231,470
Committed	-	376,117	-	21,189	436,162	367	833,835
Unassigned	1,301,009	-	-	-	-	-	1,301,009
Total Fund Balances	1,340,587	376,117	2,231,470	21,189	436,162	367	4,405,892
Total Liabilities, Deferred Inflows and Fund Balance	\$ 5,135,585	\$ 376,117	\$ 2,231,837	\$ 21,189	\$ 436,162	\$ 367	\$ 8,201,257

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, 2017**

Total Fund Balances - Governmental Funds	\$ 4,405,892
Capital assets are not financial resources and therefore are not reported in the governmental funds.	12,052,602
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.	(658,717)
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	(21,283)
Vested compensated absences are not accounted for in the governmental funds.	(26,706)
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.	37,861
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	357,976
Deferred Inflows	<u>(20,787)</u>
Net Position	<u>\$ 16,126,838</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, 2017**

	GENERAL FUND	STREET FUND	TRANSPORTATION DEVELOPMENT TAX FUND	LOCAL OPTION LEVY FUND	PARKS SDC FUND	TRANSPORTATION IMPROVEMENT FUND	TOTAL
REVENUES:							
Property Taxes	\$ 611,494	\$ -	\$ -	\$ 216,067	\$ -	\$ -	\$ 827,561
City Franchise Fees	203,648	-	-	-	-	-	203,648
Alcoholic Beverage Tax	53,572	-	-	-	-	-	53,572
Cigarette Tax	3,684	-	-	-	-	-	3,684
Motel Tax	52,262	-	-	-	-	-	52,262
State Gas Tax	-	206,552	-	-	-	-	206,552
Washington Co. Gas Tax	-	13,075	-	-	-	-	13,075
City Privilege Tax	-	32,509	-	-	-	-	32,509
State Revenue Sharing	34,970	-	-	-	-	-	34,970
Bike Path	-	2,085	-	-	-	-	2,085
Grants	12,400	-	-	-	16,437	-	28,837
Court Fines	48,179	-	-	-	-	-	48,179
Metro Excise Tax	10,155	-	-	-	-	-	10,155
Licenses/Permits/Fees	187,414	-	-	-	-	-	187,414
New Development Deposit	614	-	-	-	-	-	614
School CET	102,104	-	-	-	-	-	102,104
OR State Surcharge	11,178	-	-	-	-	-	11,178
Passport Fees	66,200	-	-	-	-	-	66,200
Traffic Development Tax	-	-	239,402	-	-	-	239,402
Interest on Investments	12,785	3,517	28,408	585	4,911	1,161	51,367
Developmental charges	-	-	-	-	31,616	-	31,616
Water Revenue	65,177	-	-	-	-	-	65,177
CWS/Surface Water Mgmt Fees	-	49,120	-	-	-	-	49,120
Miscellaneous	4,302	-	-	-	-	-	4,302
Total Revenues	1,480,138	306,858	267,810	216,652	52,964	1,161	2,325,583
EXPENDITURES:							
Personal Services	1,000,878	-	-	-	-	-	1,000,878
Materials & Services	692,041	111,279	-	-	-	-	803,320
Capital Outlay	35,194	92,369	472,399	-	24,300	126,200	750,462
Total Expenditures	1,728,113	203,648	472,399	-	24,300	126,200	2,554,660
Excess of Revenues Over, (Under) Expenditures	(247,975)	103,210	(204,589)	216,652	28,664	(125,039)	(229,077)
Other Financing Sources, (Uses)							
Transfers In	342,566	-	-	-	-	-	342,566
Transfer Out	-	(69,044)	(24,000)	(215,000)	(34,522)	-	(342,566)
Total Other Financing Sources, (Uses)	342,566	(69,044)	(24,000)	(215,000)	(34,522)	-	-
Net Change in Fund Balance	94,591	34,166	(228,589)	1,652	(5,858)	(125,039)	(229,077)
Beginning Fund Balance	1,245,996	341,951	2,460,059	19,537	442,020	125,406	4,634,969
Ending Fund Balance	<u>\$ 1,340,587</u>	<u>\$ 376,117</u>	<u>\$ 2,231,470</u>	<u>\$ 21,189</u>	<u>\$ 436,162</u>	<u>\$ 367</u>	<u>\$ 4,405,892</u>

See accompanying notes to the basic financial statements

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

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Net Changes in Fund Balances - Governmental Funds	\$ (229,077)
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.	(11,265)
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.	3,858
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	19,753
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: Depreciation Expense	(34,444)
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>(64,246)</u>
Change in Net Position	\$ <u><u>(315,421)</u></u>

See accompanying notes to basic financial statements

NOTES TO THE
BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 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 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

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, pension costs, 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

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

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 \$147,722.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 2016-2017.

O. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2017 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

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 basic financial statements 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, 2017, there were deferred outflows of \$357,976 representing pension related deferrals in the Statement of Net Position.

In addition to liabilities, the basic financial statements 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, 2017, the City has two types of items, which qualify for reporting in this category. The first of this category is unavailable revenue of \$37,861 reported in the governmental funds balance sheet for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City's Statement of Net Position shows another Deferred Inflow of \$20,787 representing pension related deferrals.

S. FAIR VALUE INPUTS 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).

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. FAIR VALUE IMPUTS AND METHODOLOGIES AND HIERARCHY (CONTINUED)

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.

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, 2017, all of the bank balance of \$82,161 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's compliance with all portfolio guidelines can be found in their annual report when issued. 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. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments at June 30, 2017 (recorded at fair value) consisted of:

Deposits With Financial Institutions:	2017
Petty Cash	\$ 150
Demand Deposits:	
Checking	80,485
Investments	4,761,849
Total	<u>\$ 4,842,484</u>

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	19-59
State Treasurer's Investment Pool	\$ 4,761,849	\$ 4,761,849	\$ -	\$ -
Total	<u>\$ 4,761,849</u>	<u>\$ 4,761,849</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017, 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, 2017, there was compliance with all percentage restrictions.

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

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in Capital assets are as follows:

	<u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2017</u>
Governmental Activities:				
Non-Depreciable Capital Assets				
Infrastructure	\$ 11,901,120	\$ -	\$ -	\$ 11,901,120
Total Non-Depreciable Capital Assets	11,901,120	-	-	11,901,120
Depreciable Capital Assets				
Buildings & Improvements	283,656	-	-	283,656
Equipment	251,150	-	-	251,150
Total Depreciable Capital Assets	534,806	-	-	534,806
Accumulated Depreciation	348,880	\$ 34,444	\$ -	383,324
Net Depreciable Capital Assets	185,926			151,482
Total Capital Assets	<u>\$ 12,087,046</u>			<u>\$ 12,052,602</u>

Depreciation expense for the year was charged as follows:

Governmental Activities:	
General Government	\$ 16,262
Street	2,124
Police	<u>16,058</u>
Total Depreciation Expense	<u>\$ 34,444</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL LEASES

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

	<u>Original Issue</u>	<u>Outstanding July 1, 2016</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2017</u>
2013 Lease	\$ 66,453	\$ 27,458	\$ -	\$ 13,217	\$ 14,241
2014 Lease	32,861	13,578	-	6,536	7,042
		<u>\$ 41,036</u>	<u>\$ -</u>	<u>\$ 19,753</u>	<u>\$ 21,283</u>

Future lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2017-18	<u>\$ 21,283</u>	<u>\$ 1,650</u>
Total	<u>\$ 21,283</u>	<u>\$ 1,650</u>

5. DEFINED BENEFIT 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/Financials/Actuarial-Financial-Information.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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

- 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.

- 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

- 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.

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. 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, 2017 were \$53,336 excluding amounts to fund employer specific liabilities. In addition approximately \$21,198 in employee contributions were paid or picked up by the City in fiscal 2017.

PENSION ASSET OR LIABILITY

At June 30, 2017, the City reported a net pension liability of \$658,717 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. 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, 2016, the City's proportion was .004 percent.

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 21,793	\$ -
Changes in assumptions	140,488	-
Net difference between projected and actual earnings on pension plan investments	130,135	-
Net changes in proportionate share and differences between City contributions and proportionate share of contributions	<u>12,224</u>	<u>(20,787)</u>
Subtotal - Amortized Deferrals (below)	304,640	(20,787)
 City contributions subsequent to measurement date	 <u>53,336</u>	 <u>-</u>
 Net deferred outflow (inflow) of resources	 <u>\$ 357,976</u>	 <u>\$ (20,787)</u>

FUNDING POLICY

Subtotal amounts related to pension as deferred outflows of resources, \$304,640, and deferred inflows of resources, (\$20,787), net to \$283,853 and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 50,449
2019	50,449
2020	98,570
2021	74,280
2022	10,105
Thereafter	-
Total	<u>\$ 283,853</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 8, 2017. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT 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, 2014 rolled forward to June 30, 2016
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	2.50 percent(reduced from 2.75%)
Investment rate of return	7.50 percent(reduced from 7.75%)
Projected salary increase	3.50 percent overall payroll growth; salaries for individuals are assumed to grow at 3.50 percent plus assumed rates of merit/longevity increases based on service(reduced from 3.75%). 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 BB(changed from 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

5. DEFINED BENEFIT 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, 2014

Discount Rate – The discount rate used to measure the total pension liability was 7.50 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.

Assumed Asset allocation:

Asset Class/Strategy	Low Range	High Range	OIC 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%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

ACTUARIAL VALUATIONS(CONTINUED)

Asset Class	Target	Compound 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 Equity	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	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	Decrease (6.50%)	Rate (7.50%)	Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 1,063,608	\$ 658,717	\$ 320,299

Changes Subsequent to the Measurement Date:

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The actuarial effect of this change on the net pension liability has not yet been determined.

As reflected in the December 31, 2014 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 passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.50%.

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/Documents/GASB/2014/GASB-Disclosure-Information.pdf>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 \$44,747.

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.

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 voters imposed 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 voters 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

10. INTERFUND RECEIVABLES / PAYABLES

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”.

The composition of due to/from is as follows:

<u>Fund</u>	<u>Due From other Funds</u>	<u>Due To other Funds</u>
General Fund	\$ -	\$ 3,065,305
Street Fund	376,117	-
Transportation Development Tax Fund	2,231,837	367
Local Option Levy Fund	21,189	-
Parks SDC Fund	436,162	-
Transportation Improvement Fund	367	-
	<u>\$ 3,065,672</u>	<u>\$ 3,065,672</u>

11. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 342,566
Local Option Levy Fund	215,000	-
Street Fund	69,044	-
Transportation Development Tax Fund	24,000	-
Parks System Development	34,522	-
	<u>\$ 342,566</u>	<u>\$ 342,566</u>

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

12. TAX ABATEMENTS

As of June 30, 2017, City of King City potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2017 for any program covered under GASB 77.

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

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2017

PERS

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
2017	0.0044 %	\$ 658,717	\$ 352,707	186.8 %	80.5 %
2016	0.0046	264,428	350,407	75.5	91.9
2015	0.0040	(91,744)	300,611	(30.5)	103.6
2014	0.0040	206,546	273,970	75.4	92.0

The amounts presented for each fiscal year were actuarially 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
2017	\$ 53,336	\$ 53,336	\$ -	\$ 357,392	14.9 %
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 actuarially 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.

**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, 2017**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Property Taxes - Current	\$ 600,000	\$ 600,000	\$ 603,940	\$ 3,940
Property Taxes - Delinquent	10,000	10,000	7,554	(2,446)
City Franchise Fees	210,000	219,800	203,648	(16,152)
Alcoholic Beverage Tax	48,000	48,800	53,572	4,772
Cigarette Tax	4,500	4,800	3,684	(1,116)
Motel Tax	44,000	44,000	52,262	8,262
State Revenue Sharing	30,000	32,000	34,970	2,970
Grants	13,295	13,295	12,400	(895)
Court Fines	75,000	40,000	48,179	8,179
Licenses/Permits/Fees	20,000	20,000	18,731	(1,269)
Metro Excise Tax	12,500	18,000	10,155	(7,845)
School CET	125,000	180,000	102,104	(77,896)
OR State Surcharge	17,300	20,000	11,178	(8,822)
Site Review Fees	3,000	3,000	1,084	(1,916)
New Development Review	3,000	12,000	12,097	97
New Development Deposit	-	-	614	614
Building Permits	165,000	190,000	155,502	(34,498)
Passport Fees	40,000	60,000	66,200	6,200
Interest on Investments	4,500	4,500	12,785	8,285
Water Revenue	61,150	65,177	65,177	-
Miscellaneous	1,000	1,000	4,302	3,302
Total Revenues	\$ 1,487,245	\$ 1,586,372	\$ 1,480,138	\$ (106,234)

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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, 2017**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
City Council				
Materials and Services	\$ 34,410	\$ 44,510	\$ 37,761	\$ 6,749
Total City Council	34,410	44,510 (1)	37,761	6,749
Administration Department				
Personal Services	303,105	330,195	287,541	42,654
Materials and Services	561,908	940,818	527,490	413,328
Capital Outlay	62,000	67,000	20,751	46,249
Total Administration	927,013	1,338,013 (1)	835,782	502,231
Police Department				
Personal Services	763,995	759,252	713,337	45,915
Materials and Services	166,425	159,425	126,790	32,635
Capital Outlay	14,750	18,750	14,443	4,307
Total Police Department	945,170	937,427 (1)	854,570	82,857
General Services				
Contingency	1,051,010	841,787 (1)	-	841,787
Total Expenditures	2,957,603	3,161,737	1,728,113	1,433,624
Excess of Revenues Over, (Under)				
Expenditures	(1,470,358)	(1,575,365)	(247,975)	1,327,390
Other Financing Sources, (Uses):				
Transfers In	270,358	342,566	342,566	-
Net Change in Fund Balance	(1,200,000)	(1,232,799)	94,591	1,327,390
Beginning Fund Balance	1,200,000	1,232,799	1,245,996	13,197
Ending Fund Balance	\$ -	\$ -	\$ 1,340,587	\$ 1,340,587

(1) Appropriation Level
Continued from page -28-

**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, 2017**

STREET FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
State Gas Tax	\$ 170,000	\$ 170,000	\$ 206,552	\$ 36,552
Washington County Gas Tax	12,000	12,000	13,075	1,075
City Privilege Tax	32,000	32,000	32,509	509
Bike Path	1,700	1,700	2,085	385
Interest on Investments	1,500	1,500	3,517	2,017
CWS/SWM Fees	46,000	46,000	49,120	3,120
Miscellaneous	500	500	-	(500)
Total Revenues	<u>263,700</u>	<u>263,700</u>	<u>306,858</u>	<u>43,158</u>
EXPENDITURES:				
Materials and Services	194,960	195,960 (1)	111,279	84,681
Capital Outlay	210,000	225,000 (1)	92,369	132,631
Contingency	61,311	19,696 (1)	-	19,696
Total Expenditures	<u>466,271</u>	<u>440,656</u>	<u>203,648</u>	<u>237,008</u>
Excess of Revenues Over, (Under) Expenditures	(202,571)	(176,956)	103,210	280,166
Other Financing Sources, (Uses):				
Transfer Out	(43,429)	(69,044) (1)	(69,044)	-
Total Other Sources, (Uses)	<u>(43,429)</u>	<u>(69,044)</u>	<u>(69,044)</u>	<u>-</u>
Net Change in Fund Balance	(246,000)	(246,000)	34,166	280,166
Beginning Fund Balance	<u>246,000</u>	<u>246,000</u>	<u>341,951</u>	<u>95,951</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,117</u>	<u>\$ 376,117</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, 2017**

TRANSPORTATION DEVELOPMENT TAX FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Traffic Development Tax	\$ 242,650	\$ 332,000	\$ 239,402	\$ (92,598)
Interest On Investments	10,000	25,000	28,408	3,408
Total Revenues	<u>252,650</u>	<u>357,000</u>	<u>267,810</u>	<u>(89,190)</u>
EXPENDITURES:				
Capital Outlay	673,800	673,800 (1)	472,399	201,401
Contingency	<u>1,912,680</u>	<u>2,119,259 (1)</u>	<u>-</u>	<u>2,119,259</u>
Total Expenditures	<u>2,586,480</u>	<u>2,793,059</u>	<u>472,399</u>	<u>2,320,660</u>
Excess of Revenues, Over (Under) Expenditures	(2,333,830)	(2,436,059)	(204,589)	2,231,470
Other Financing Sources, (Uses):				
Transfer Out	<u>-</u>	<u>(24,000) (1)</u>	<u>(24,000)</u>	<u>-</u>
Total Other Sources, (Uses)	<u>-</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
Net Change in Fund Balance	(2,333,830)	(2,436,059)	(228,589)	2,207,470
Beginning Fund Balance	<u>2,333,830</u>	<u>2,460,059</u>	<u>2,460,059</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 2,231,470</u>	<u>\$ 2,207,470</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, 2017**

LOCAL OPTION LEVY FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Interest On Investments	\$ 200	\$ 200	\$ 585	\$ 385
Property Delinquent	3,000	3,000	2,722	(278)
Serial Levy	211,800	211,800	213,345	1,545
Total Revenues	215,000	215,000	216,652	1,652
EXPENDITURES:				
Personal Services	-	- (1)	-	-
Excess of Revenues Over, (Under) Expenditures	215,000	215,000	216,652	1,652
Other Financing Sources, (Uses):				
Transfers Out	(215,000)	(215,000) (1)	(215,000)	-
Total Other Sources, (Uses)	(215,000)	(215,000)	(215,000)	-
Net Change in Fund Balance	-	-	1,652	1,652
Beginning Fund Balance	-	-	19,537	19,537
Ending Fund Balance	\$ -	\$ -	\$ 21,189	\$ 21,189

(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, 2017**

	<u>PARKS SDC FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest on Investments	\$ 1,800	\$ 5,000	\$ 4,911	\$ (89)
METRO	16,000	16,000	16,437	437
Developmental Charges	16,640	33,280	31,616	(1,664)
Total Revenues	<u>34,440</u>	<u>54,280</u>	<u>52,964</u>	<u>(1,316)</u>
EXPENDITURES:				
Capital Outlay	16,000	47,000 (1)	24,300	22,700
Contingency	<u>459,511</u>	<u>414,778 (1)</u>	<u>-</u>	<u>414,778</u>
Total Expenditures	<u>475,511</u>	<u>461,778</u>	<u>24,300</u>	<u>437,478</u>
Excess of Revenue Over, (Under) Expenditures	(441,071)	(407,498)	28,664	436,162
Other Financing Sources, (Uses):				
Transfers Out	<u>(11,929)</u>	<u>(34,522) (1)</u>	<u>(34,522)</u>	<u>-</u>
Total Other Sources, (Uses)	<u>(11,929)</u>	<u>(34,522)</u>	<u>(34,522)</u>	<u>-</u>
Net Change in Fund Balance	(453,000)	(442,020)	(5,858)	436,162
Beginning Fund Balance	<u>453,000</u>	<u>442,020</u>	<u>442,020</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,162</u>	<u>\$ 436,162</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, 2017**

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	\$ 1,161	\$ 361
Total Revenues	<u>800</u>	<u>800</u>	<u>1,161</u>	<u>361</u>
EXPENDITURES:				
Capital Outlay	<u>126,200</u>	<u>126,200 (1)</u>	<u>126,200</u>	<u>-</u>
Total Expenditures	<u>126,200</u>	<u>126,200</u>	<u>126,200</u>	<u>-</u>
Net Change in Fund Balance	(125,400)	(125,400)	(125,039)	361
Beginning Fund Balance	<u>125,400</u>	<u>125,400</u>	<u>125,406</u>	<u>6</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367</u>	<u>\$ 367</u>

(1) Appropriations Level

CITY OF KING CITY
WASHINGTON COUNTY, OREGON
SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2017**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/16</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 6/30/17</u>
<u>General Fund:</u>						
CURRENT:						
2016-17	\$ 857,115	\$ 23,038	\$ (2,087)	\$ 195	\$ 818,231	\$ 13,954
PRIOR YEARS:						
2015-16	13,697	18	(1,035)	360	6,459	6,545
2014-15	6,961	-	(51)	262	1,682	5,490
2013-14	4,933	(1)	(47)	367	1,565	3,689
2012-13	3,123	-	(46)	152	574	2,655
Prior	6,600	-	(69)	82	198	6,415
Total Prior	35,314	17	(1,248)	1,223	10,478	24,794
Total All Funds	\$ 892,429	\$ 23,055	\$ (3,335)	\$ 1,418	\$ 828,709	\$ 38,748

RECONCILIATION OF REVENUE:

	<u>Revenue</u>
Per County Treasurer Above	\$ 828,709
Accrual of Receivables:	
June 30, 2016	(1,311)
June 30, 2017	887
Taxes in lieu	3,134
Total Fund Collections per Financial Statements	<u>\$ 831,419</u>

Revenue by Fund:

General	\$ 615,352
Local Option Levy	<u>216,067</u>
	<u>\$ 831,419</u>

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

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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November 17, 2017

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, 2017, and have issued our report thereon dated November 17, 2017. 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).**

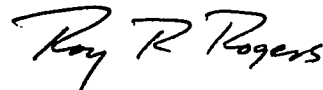
In connection with our testing nothing came to our attention that caused us to believe that the City of King City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative 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 November 17, 2017.

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 black ink that reads "Roy R. Rogers". The signature is written in a cursive, flowing style.

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