

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**



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

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

**2009-2010**  
**FINANCIAL REPORT**

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

2009-2010  
**FINANCIAL REPORT**

<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
Ron Shay, Mayor	January 1, 2011
Sam Locklin	January 1, 2011
William Boyle	January 1, 2013
Jim Gates	January 1, 2011
Suzan Turley	January 1, 2013
Richard Winn	January 1, 2013
Kenneth Gibson	January 1, 2011

All council members receive mail at the address shown below.

ADMINISTRATION

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

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

**TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
FINANCIAL STATEMENTS AND SCHEDULES:	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Statements:	
Balance Sheet--Governmental Funds	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances--Government Funds	10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	11
Notes to Basic Financial Statements	12
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance--Actual and Budget General Fund	21
SUPPLEMENTARY INFORMATION:	
Schedules of Revenues, Expenditures and Changes in Fund Balances--Actual and Budget	
Major Funds:	
Street Fund	23
Transportation Improvement Fund	24
Combining Balance Sheet--Nonmajor Governmental Funds	25
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-- Nonmajor Governmental Funds	26
Schedules of Revenues, Expenditures and Changes in Fund Balance-- Actual and Budget	
Nonmajor Governmental Funds:	
Local Option Levy Fund	27
9-1-1 Pass Thru Fund	28
Parks SDC Fund	29
Schedule of Property Tax Transactions and Balances of Taxes Uncollected: General Fund	30
INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS	31

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

September 15, 2010

Mayor and City Council  
City of King City  
King City, Oregon

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of King City, Washington County, Oregon as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of King City at June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed on the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of King City's basic financial statements. The supplementary information, listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Pauly, Rogers and Co., P.C.*  
**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, 2010. Please read it in conjunction with the City's transmittal letter and the City's financial statements and notes, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets were \$13,265,744 at June 30, 2010.
- During the year, the City's net assets decreased by \$127,895.
- The general fund reported a fund balance this year of \$415,996.

**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 government, reporting the City's 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 financial statements also include notes that explain some of the information in the 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 assets includes all of the government'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 assets and how they have changed. Net assets 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 assets are 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. Most of 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 - Most of 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 ASSETS**

	<u>2009</u>	<u>2010</u>
<b>ASSETS:</b>		
Current and Other Assets	\$ 1,276,774	\$ 1,113,935
Capital Assets, Net	12,233,730	12,226,834
Total Assets	<u>13,510,504</u>	<u>13,340,769</u>
<b>LIABILITIES</b>		
Current and Other Liabilities	116,865	75,025
Total Liabilities	<u>116,865</u>	<u>75,025</u>
<b>NET ASSETS</b>		
Invest in Capital Assets, Net of Related Debt	12,233,730	12,226,834
Unrestricted	1,159,909	1,038,910
Total Net Assets	<u>\$ 13,393,639</u>	<u>\$ 13,265,744</u>

**CITY OF KING CITY - CHANGES IN NET ASSETS**

	<u>2009</u>	<u>2010</u>
<b>REVENUES:</b>		
Program Revenues:		
Charges for Services	\$ 454,507	\$ 579,578
Grant and Contributions	-	88,707
General Revenues:		
Property Taxes	526,681	572,490
Other	421,781	221,507
	<u>1,402,969</u>	<u>1,462,282</u>
<b>EXPENSES:</b>		
General Government	749,705	791,742
Street	122,631	157,923
Police	608,375	640,512
	<u>1,480,711</u>	<u>1,590,177</u>
Change in Net Assets	(77,742)	(127,895)
Beginning Net Assets	<u>13,471,381</u>	<u>13,393,639</u>
Ending Net Assets	<u>\$ 13,393,639</u>	<u>\$ 13,265,744</u>

The City's total revenues were \$1,462,282. The Net Assets decreased by \$127,895 indicating a decrease in the City's financial position.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Revenues from governmental fund types totaled \$1,434,560 in 2009-10. Governmental fund balances totaled \$1,008,204 at June 30, 2010. A summary of changes in governmental fund balances follows:

**CITY OF KING CITY - CHANGES IN GOVERNMENTAL FUND BALANCES**

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>	<u>Change</u>
General Fund	\$ 415,996	\$ 350,213	\$ 65,783
Street Fund	360,742	309,886	50,856
Transportation Improvement Fund	171,234	391,029	(219,795)
Other Governmental	60,232	105,727	(45,495)
Total	<u>\$ 1,008,204</u>	<u>\$ 1,156,855</u>	<u>\$ (148,651)</u>

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

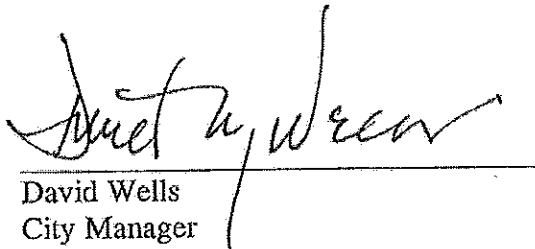
The net change in other governmental fund balance during the year was a decrease of \$45,495 and total fund balances for all governmental fund types during the year was a decrease of \$148,651.

## **CAPITAL ASSETS**

At June 30, 2010, the City had \$12,226,834 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.



David Wells  
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 ASSETS  
June 30, 2010

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ASSETS:

Cash and Investments	\$ 899,377
Property Taxes Receivable	53,224
Accounts Receivable	129,110
Prepaid Expenses	32,224
Capital Assets, net of depreciation	<u>12,226,834</u>
 Total Assets	 <u>13,340,769</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	51,607
Payroll Payable	55
Vested Compensated Absences	18,678
Unearned Revenue	<u>4,685</u>
 Total Liabilities	 <u>75,025</u>

NET ASSETS

Invested in Capital Assets - Net	12,226,834
Unrestricted	<u>1,038,910</u>
 Total Net Assets	 <u>\$ 13,265,744</u>

See accompanying notes to basic financial statements

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

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010**

FUNCTIONS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANT AND CONTRIBUTIONS	
General Government	\$ 791,742	\$ 453,460	\$ 31,707	\$ (306,575)
Street	157,923	0	57,000	(100,923)
Police	640,512	126,118	0	(514,394)
<b>Total Governmental Activities</b>	<b>\$ 1,590,177</b>	<b>\$ 579,578</b>	<b>\$ 88,707</b>	<b>(921,892)</b>

General Revenues	
Taxes:	
Property Taxes, Levied for General Purposes	572,490
Interest and Investment Earnings	6,718
Miscellaneous	214,789
<b>Total General Revenues</b>	<b>793,997</b>
Changes in Net Assets	(127,895)
Net Assets - Beginning	13,393,639
Net Assets - Ending	<b>\$ 13,265,744</b>

See accompanying notes to basic financial statements

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	GENERAL FUND	STREET FUND	TRANSPORTATION IMPROVE- MENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS:</b>					
Cash and Investments	\$ 899,377	\$ 0	\$ 0	\$ 0	\$ 899,377
Taxes Receivable	53,224	0	0	0	53,224
Accounts Receivable	129,110	0	0	0	129,110
Prepaid Expenses	32,224	0	0	0	32,224
Due From Other Funds	0	360,742	171,234	60,232	592,208
<b>Total Assets and Other Debits</b>	<b>\$ 1,113,935</b>	<b>\$ 360,742</b>	<b>\$ 171,234</b>	<b>\$ 60,232</b>	<b>\$ 1,706,143</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>LIABILITIES:</b>					
Due to Other Funds	\$ 592,208	\$ 0	\$ 0	\$ 0	\$ 592,208
Unearned Revenue - Taxes	49,384	0	0	0	49,384
Unearned Revenue - Other	4,685	0	0	0	4,685
Payroll Payable	55	0	0	0	55
Accounts Payable	51,607	0	0	0	51,607
<b>Total Liabilities</b>	<b>697,939</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>697,939</b>
<b>FUND BALANCE:</b>					
<b>Fund Balances:</b>					
Reserved for Prepaid Expenses	32,224	0	0	0	32,224
Unreserved, reported in:					
General Fund	383,772	0	0	0	383,772
Special Revenue Funds	0	360,742	171,234	60,232	592,208
<b>Total Fund Balances</b>	<b>415,996</b>	<b>360,742</b>	<b>171,234</b>	<b>60,232</b>	<b>1,008,204</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,113,935</b>	<b>\$ 360,742</b>	<b>\$ 171,234</b>	<b>\$ 60,232</b>	<b>\$ 1,706,143</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 ASSETS**  
**June 30, 2010**

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Total Fund Balances - Governmental Funds	\$ 1,008,204
Capital assets are not financial resources and therefore are not reported in the governmental funds.	12,226,834
Vested compensated absences not accounted for in the governmental funds	(18,678)
A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.	<u>49,384</u>
Net Assets	<u><u>\$ 13,265,744</u></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, 2010**

	GENERAL FUND	STREET FUND	TRANSPORTATION IMPROVE- MENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES:</b>					
Property Taxes	\$ 429,005	\$ 0	\$ 0	\$ 115,762	\$ 544,767
City Franchise Fees	213,350	0	0	0	213,350
Alcoholic Beverage Tax	28,765	0	0	0	28,765
Cigarette Tax	3,712	0	0	0	3,712
Motel Tax	16,571	0	0	0	16,571
State Gas Tax	0	104,698	0	0	104,698
Washington Co. Gas Tax	0	10,866	0	0	10,866
City Privilege Tax	0	26,265	0	0	26,265
State Revenue Sharing	16,494	0	0	0	16,494
Bike Path	0	1,058	0	0	1,058
Grants	31,707	32,000	0	0	63,707
Court Fines	126,118	0	0	0	126,118
Metro Excise Tax	5,144	0	0	0	5,144
Licenses/Permits/Fees	80,532	0	0	0	80,532
Passport Fees	23,125	0	0	0	23,125
Traffic Impact Fees	0	0	48,624	0	48,624
Special Cities Allotment - Grant	0	25,000	0	0	25,000
Interest on Investments	2,191	2,107	1,690	730	6,718
Water Revenue	4,119	0	0	0	4,119
Miscellaneous	55,456	6,100	0	23,371	84,927
<b>Total Revenues</b>	<b>1,036,289</b>	<b>208,094</b>	<b>50,314</b>	<b>139,863</b>	<b>1,434,560</b>
<b>EXPENDITURES:</b>					
Personal Services	772,419	0	0	0	772,419
Materials & Services	365,228	58,684	0	15,051	438,963
Capital Outlay	3,137	55,125	270,109	43,458	371,829
<b>Total Expenditures</b>	<b>1,140,784</b>	<b>113,809</b>	<b>270,109</b>	<b>58,509</b>	<b>1,583,211</b>
Excess of Revenues Over, -Under Expenditures	(104,495)	94,285	(219,795)	81,354	(148,651)
<b>Other Financing Sources, -Uses</b>					
Transfers In	170,278	0	0	0	170,278
Transfer Out	0	(43,429)	0	(126,849)	(170,278)
<b>Total Other Financing Sources, -Uses</b>	<b>170,278</b>	<b>(43,429)</b>	<b>0</b>	<b>(126,849)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>65,783</b>	<b>50,856</b>	<b>(219,795)</b>	<b>(45,495)</b>	<b>(148,651)</b>
<b>Beginning Fund Balance</b>	<b>350,213</b>	<b>309,886</b>	<b>391,029</b>	<b>105,727</b>	<b>1,156,855</b>
<b>Ending Fund Balance</b>	<b>\$ 415,996</b>	<b>\$ 360,742</b>	<b>\$ 171,234</b>	<b>\$ 60,232</b>	<b>\$ 1,008,204</b>

See accompanying notes to 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, 2010**

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Net Changes in Fund Balances - Governmental Funds	\$ (148,651)
Payment of vested compensated absences is an expenditure in the governmental funds, but the payment reduces the liability in the Statement of Net Assets. Additions to vested compensated absences is an expense for the Statement of Activities but not for the governmental funds.	(2,378)
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 Assets, there is no deferred revenue and the full property tax receivable is accrued.	30,030
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 - net	<u>(6,896)</u>
Change in Net Assets	<u><u>\$ (127,895)</u></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 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 39, are separate organizations that are included in the City's reporting entity 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 Assets and Statements of Activities display information about the reporting government as a whole.

The Statement of Net Assets 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 derive 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 of general long-term debt 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 Assets and the Statement of Activities, 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.

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

**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)**

**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 numbers of funds are maintained consistent with legal and managerial requirements.

**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 by the government.

**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 IMPROVEMENT FUND**

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

**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 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>
Administration	Personal Services
Police Department	Materials and Services
General Services	Capital Outlay
Interagency/Fund Transaction	Interagency/Fund Transactions
Operating Contingency	Operating Contingency

Expenditures can not 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, except for the 9-1-1 Pass Thru Fund which was overspent by \$4,500.

**E. PROPERTY TAXES RECEIVABLE**

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Assets. 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 deferred revenue because it is not deemed available to finance operation 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**F. 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. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of two years. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are 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

**G. RETIREMENT PLAN**

Police officers are currently the only participants in the Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

Other employees are eligible to participate in a qualified 401k retirement plan. Contributions to the plan are made on the same basis as above.

**H. 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 not a policy to pay any amounts when employees separate from service with the City. All unused vacation pay is accrued when earned in the government-fund financial statements.

**I. ESTIMATES**

The preparation of 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 financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**J. INVESTMENTS**

Investments are reported at fair value in accordance with GASB 31. The investments, authorized under state statutes, are comprised of investments in the state administered Oregon State Treasurer's Local Government Investment Pool.

**K. SUPPLY INVENTORY**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**L. 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 FY10. The city is a Phase 3 government for GASB 34 purposes and therefore is not required to retroactively report the value of intangible assets acquired in prior years.

**M. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

**N. 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.

**O. NET ASSETS**

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

Invested in capital assets, net of related debt – 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.

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. There were no restricted assets at June 30, 2010.

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

**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, 2010, all of the bank balance of \$49,195 was insured by FDIC.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**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.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), 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 was in compliance with all portfolio guidelines at June 30, 2010.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2010 the fair value of the position in the LGIP is 99.56% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2010 (recorded at fair value) consisted of:

Deposits With Financial Institutions:		<u>2010</u>		
Petty Cash		\$	49	
Demand Deposits:				
Checking			17,211	
Investments			<u>882,117</u>	
Total		\$	<u>899,377</u>	

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	18-59
State Treasurer's Investment Pool	\$ 882,117	\$ 882,117	\$ -	\$ -
Total	\$ 882,117	\$ 882,117	\$ -	\$ -

**Interest Rate Risk**

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Credit Risk

Oregon Revised Statutes does 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, 2010, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2010, there was compliance with all percentage restrictions.

**3. CAPITAL ASSETS**

The changes in Capital assets for 2009-10 are as follows:

	Balance on 07/01/09	Adjustments	Additions	Deletions	Balance on 06/30/10
Governmental Activities:					
Buildings & Improvements	\$ 283,656		\$ 0	\$ 0	\$ 283,656
Infrastructure	11,901,120		0	0	11,901,120
Equipment	306,588		0	0	306,588
	<u>12,491,364</u>		<u>0</u>	<u>0</u>	<u>12,491,364</u>
Total Capital Assets	12,491,364		0	0	12,491,364
Accumulated Depreciation	257,634	(4,686)	\$ 11,582	\$ 0	264,530
Net Capital Assets	<u>\$ 12,233,730</u>				<u>\$ 12,226,834</u>

Depreciation expense for the year was charged as follows:

Governmental Activities:	
General Government	\$ 5,767
Street	1,150
Police	<u>4,665</u>
Total Depreciation Expense-	
Governmental Activities	<u>\$ 11,582</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. PENSION PLAN**

Plan Description and Provisions

Police Officers are the only city participants in the State of Oregon Public Employees Retirement System (PERS), an agent multiple-employer defined benefit, public employee pension plan. Police Officers who are full-time employees become members of PERS after six months of service in any one year. Part-time and temporary employees are covered by the plan after 600 hours of employment. Generally, employees who retire at or after age 55 with 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.67 percent of their final average monthly salary for each year of credited service. Final average monthly salary is based upon either the three calendar years out of the last ten calendar years of employment during which the highest salaries were earned or the last 36 calendar months of membership, whichever is larger. Benefits fully vest on reaching 5 years of service. Vested employees with fewer than 30 years of service will receive reduced benefits if retirement occurs prior to age 58 (age 60 if hired after January 1, 1996). PERS also provides death and disability benefits. Benefits are established by state statute.

The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Description of Funding Policy

Covered employees are required by State statute to contribute 6% of their salary to the plan. The City is required to contribute at actuarially determined rates, as adopted by the PERS Board. The rate effective July 1, 2009 is 17.43% of salary covered under the plan for Tier 1 and Tier 2 employees (PERS) and 12.79% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The contributions to the plan for the years ending June 30, 2010, 2009 and 2008 were \$39,700, \$32,906 and \$32,545, respectively, and were equal to the required contributions for each year.

The Schedule of Funding Progress:

Dec. 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Percent	Covered Payroll	Unfunded Actuarial Accrued Liability/Payroll
2009	\$ 22,476	\$ 29,029	\$ (130,559)	77%	\$ 238,510	-55%
2008	\$ 19,859	\$ 27,551	\$ (180,108)	72%	\$ 221,570	-81%

**5. OTHER QUALIFIED PLAN**

There is available to permanent employees, other than public safety employees, a 401k 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 \$26,607.

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**6. DEFERRED COMPENSATION**

There is a deferred compensation plan 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. 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 plan is funded only by employee contributions and is handled by an independent investment company.

**7. 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.

**8. 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 is 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.

**9. OPERATING LEASES**

There is a lease for an auto. The lease is as follows:

<u>Date</u> <u>Entered Into</u>	<u>Total</u> <u>Amount</u>	<u>Payment</u> <u>Terms</u>	<u>Final</u> <u>Payment</u>
12/2009	\$ 28,045	\$11,078/Annually	12/2011

Future minimum lease payments are as follows:

2010-11	\$ 11,078
2011-12	11,078
Total	<u>\$ 22,156</u>

Lease payments totaled \$30,180 in 2009-2010.

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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, 2010**

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
<b>REVENUES:</b>				
Property Taxes - Current	\$ 422,700	\$ 422,700	\$ 419,090	\$ (3,610)
Property Taxes - Delinquent	7,500	7,500	9,915	2,415
City Franchise Fees	180,000	184,000	213,350	29,350
Alcoholic Beverage Tax	27,000	27,000	28,765	1,765
Cigarette Tax	4,000	4,000	3,712	(288)
Motel Tax	27,000	27,000	16,571	(10,429)
State Revenue Sharing	17,000	17,000	16,494	(506)
Grants	15,755	36,755	31,707	(5,048)
Court Fines	130,000	130,000	126,118	(3,882)
Licenses/Permits/Fees	20,000	20,000	13,112	(6,888)
Metro Excise Tax	5,000	5,000	5,144	144
Site Review Fees	4,000	4,000	-	(4,000)
New Development Review	500	500	1,383	883
Building Permits	90,000	90,000	66,037	(23,963)
Passport Fees	20,000	20,000	23,125	3,125
Interest on Investments	8,000	8,000	2,191	(5,809)
Water Revenue	3,100	3,100	4,119	1,019
Miscellaneous	19,700	59,700	55,456	(4,244)
	<u>\$ 1,001,255</u>	<u>\$ 1,066,255</u>	<u>\$ 1,036,289</u>	<u>\$ (29,966)</u>
Total Revenues				

Continued on page - 22-

**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, 2010**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>EXPENDITURES:</b>				
City Council				
Materials and Services:	\$ 23,335	\$ 23,335	\$ 17,711	\$ 5,624
Total City Council	<u>23,335</u>	<u>23,335</u> (1)	<u>17,711</u>	<u>5,624</u>
Administration Department:				
Personal Services:	267,725	271,225	260,946	10,279
Materials and Services:	263,395	307,795	221,428	86,367
Capital Outlay:	<u>3,000</u>	<u>3,000</u>	<u>656</u>	<u>2,344</u>
Total Administration	<u>534,120</u>	<u>582,020</u> (1)	<u>483,030</u>	<u>98,990</u>
Police Department:				
Personal Services:	517,183	524,183	511,473	12,710
Materials and Services:	158,385	172,785	126,089	46,696
Capital Outlay:	<u>4,600</u>	<u>4,600</u>	<u>2,481</u>	<u>2,119</u>
Total Police Department	<u>680,168</u>	<u>701,568</u> (1)	<u>640,043</u>	<u>61,525</u>
General Services:				
Contingency	<u>210,910</u>	<u>277,514</u>	<u>0</u>	<u>277,514</u>
Total General Services	<u>210,910</u>	<u>277,514</u> (1)	<u>0</u>	<u>277,514</u>
Total Expenditures	<u>1,448,533</u>	<u>1,584,437</u>	<u>1,140,784</u>	<u>438,029</u>
Excess of Revenues Over, -Under Expenditures	<u>(447,278)</u>	<u>(518,182)</u>	<u>(104,495)</u>	<u>413,687</u>
Other Financing Sources, -Uses:				
Transfers In	<u>167,278</u>	<u>170,278</u>	<u>170,278</u>	<u>0</u>
Total Other Financing Sources, -Uses	<u>167,278</u>	<u>170,278</u>	<u>170,278</u>	<u>0</u>
Net Change in Fund Balance	(280,000)	(347,904)	65,783	413,687
Beginning Fund Balance	<u>280,000</u>	<u>347,904</u>	<u>350,213</u>	<u>2,309</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 415,996</u>	<u>\$ 415,996</u>

**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, 2010

<u>STREET FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
<b>REVENUES:</b>				
State Gas Tax	\$ 90,000	\$ 90,000	\$ 104,698	\$ 14,698
Washington County Gas Tax	11,000	11,000	10,866	(134)
City Privilege Tax	27,000	27,000	26,265	(735)
Bike Path	900	900	1,058	158
Interest on Investments	3,000	3,000	2,107	(893)
Special Cities Allotment	25,000	25,000	25,000	0
USA/SWM Fees	20,000	20,000	0	(20,000)
Grant - CDBG	35,000	35,000	32,000	(3,000)
Miscellaneous	0	0	6,100	6,100
<b>Total Revenues</b>	<u>211,900</u>	<u>211,900</u>	<u>208,094</u>	<u>(3,806)</u>
<b>EXPENDITURES:</b>				
Materials and Services	111,720	111,720	(1) 58,684	53,036
Capital Outlay	150,000	275,000	(1) 55,125	219,875
Contingency	247,910	91,637	(1) 0	91,637
<b>Total Expenditures</b>	<u>509,630</u>	<u>478,357</u>	<u>113,809</u>	<u>364,548</u>
Excess of Revenues Over, -Under Expenditure	<u>(297,730)</u>	<u>(266,457)</u>	<u>94,285</u>	<u>360,742</u>
<b>Other Financing Sources, -Uses:</b>				
Transfer Out	<u>(43,429)</u>	<u>(43,429)</u>	(1) (43,429)	<u>0</u>
<b>Total Other Sources, -Uses</b>	<u>(43,429)</u>	<u>(43,429)</u>	<u>(43,429)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	<u>(341,159)</u>	<u>(309,886)</u>	<u>50,856</u>	<u>360,742</u>
<b>Beginning Fund Balance</b>	<u>341,159</u>	<u>309,886</u>	<u>309,886</u>	<u>0</u>
<b>Ending Fund Balance</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 360,742</u>	<u>\$ 360,742</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, 2010

TRANSPORTATION IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
<b>REVENUES:</b>				
Traffic Impact Fees	\$ 25,000	\$ 25,000	\$ 48,624	\$ 23,624
Interest On Investments	<u>15,000</u>	<u>15,000</u>	<u>1,690</u>	<u>(13,310)</u>
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>50,314</u>	<u>10,314</u>
 <b>EXPENDITURES:</b>				
Materials and Services	400,414	400,414 (1)	270,109	130,305
Contingency	<u>45,000</u>	<u>45,000 (1)</u>	<u>0</u>	<u>45,000</u>
Total Expenditures	<u>445,414</u>	<u>445,414</u>	<u>270,109</u>	<u>175,305</u>
Net Change in Fund Balance	(405,414)	(405,414)	(219,795)	185,619
Beginning Fund Balance	<u>405,414</u>	<u>405,414</u>	<u>391,029</u>	<u>(14,385)</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 171,234</u>	<u>\$ 171,234</u>

(1) Appropriations Level

CITY OF KING CITY  
WASHINGTON COUNTY, OREGON

COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS  
June 30, 2010

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	<u>SPECIAL REVENUE FUNDS</u>		
	<u>LOCAL OPTION LEVY FUND</u>	<u>PARKS SDC FUND</u>	<u>TOTAL</u>
ASSETS:			
Due From Other Funds	\$ 22,991	\$ 37,241	\$ 60,232
Total Assets	<u>\$ 22,991</u>	<u>\$ 37,241</u>	<u>\$ 60,232</u>
LIABILITIES AND FUND BALANCES:			
Fund Balances:			
Unreserved	\$ 22,991	\$ 37,241	\$ 60,232
Total Liabilities and Fund Balances	<u>\$ 22,991</u>	<u>\$ 37,241</u>	<u>\$ 60,232</u>

CITY OF KING CITY  
WASHINGTON COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010

	<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL</u>
	<u>LOCAL OPTION LEVY FUND</u>	<u>911 PASS THRU</u>	<u>PARKS SDC FUND</u>	
REVENUES:				
Interest on Investments	\$ 234	\$ 0	\$ 496	\$ 730
Serial Levy	115,762	0	0	115,762
Developmental Charges	0	0	8,320	8,320
Property Delinquent	0	0	0	0
Miscellaneous	0	15,051	0	15,051
Total Revenues	<u>115,996</u>	<u>15,051</u>	<u>8,816</u>	<u>139,863</u>
EXPENDITURES:				
Capital Outlay	0	0	43,458	43,458
Materials and Services	0	15,051	0	15,051
Total Expenditures	<u>0</u>	<u>15,051</u>	<u>43,458</u>	<u>58,509</u>
Excess of Revenues Over, -Under Expenditures	<u>115,996</u>	<u>0</u>	<u>(34,642)</u>	<u>81,354</u>
Other Financing Sources, -Uses Transfers Out	<u>(114,920)</u>	<u>0</u>	<u>(11,929)</u>	<u>(126,849)</u>
Total Other Sources, -Uses	<u>(114,920)</u>	<u>0</u>	<u>(11,929)</u>	<u>(126,849)</u>
Net Change in Fund Balance	1,076	0	(46,571)	(45,495)
Beginning Fund Balances	<u>21,915</u>	<u>0</u>	<u>83,812</u>	<u>105,727</u>
Ending Fund Balances	<u>\$ 22,991</u>	<u>\$ 0</u>	<u>\$ 37,241</u>	<u>\$ 60,232</u>

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, 2010

LOCAL OPTION LEVY FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES:				
Interest On Investments	\$ 0	\$ 0	\$ 234	\$ 234
Property Delinquent	3,000	3,000	0	(3,000)
Serial Levy	111,920	111,920	115,762	3,842
Total Revenues	<u>114,920</u>	<u>114,920</u>	<u>115,996</u>	<u>1,076</u>
Excess of Revenues Over, -Under Expenditures	<u>114,920</u>	<u>114,920</u>	<u>115,996</u>	<u>1,076</u>
Other Financing Sources, -Uses:				
Transfers Out	<u>(114,920)</u>	<u>(114,920) (1)</u>	<u>(114,920)</u>	<u>0</u>
Total Other Sources, -Uses	<u>(114,920)</u>	<u>(114,920)</u>	<u>(114,920)</u>	<u>0</u>
Net Change in Fund Balance	0	0	1,076	1,076
Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>21,915</u>	<u>21,915</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,991</u>	<u>\$ 22,991</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, 2010

9-1-1 PASS THRU FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
9-1-1 Revenue	\$ 10,551	\$ 10,551	\$ 15,051	\$ 4,500
Total Revenues	<u>10,551</u>	<u>10,551</u>	<u>15,051</u>	<u>4,500</u>
EXPENDITURES:				
9-1-1 Expenditures	<u>10,551</u>	<u>10,551</u>	(1) <u>15,051</u>	<u>(4,500)</u>
Total Expenditures	<u>10,551</u>	<u>10,551</u>	<u>15,051</u>	<u>(4,500)</u>
Net Change in Fund Balance	0	0	0	0
Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2010

<u>PARKS SDC FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
<b>REVENUES:</b>				
Interest on Investments	\$ 2,000	\$ 2,000	\$ 496	\$ (1,504)
METRO	67,000	67,000	0	(67,000)
Developmental Charges	<u>6,000</u>	<u>6,000</u>	<u>8,320</u>	<u>2,320</u>
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>8,816</u>	<u>(66,184)</u>
<b>EXPENDITURES:</b>				
Materials and Services	<u>67,000</u>	<u>67,000</u> (1)	<u>43,458</u>	<u>23,542</u>
Total Expenditures	<u>67,000</u>	<u>67,000</u>	<u>43,458</u>	<u>23,542</u>
<b>Other Financing Sources, -Uses:</b>				
Contingency	79,962	79,962 (1)	0	79,962
Transfers Out	<u>(11,929)</u>	<u>(11,929)</u> (1)	<u>(11,929)</u>	<u>0</u>
Total Other Sources, -Uses	<u>91,891</u>	<u>91,891</u>	<u>(11,929)</u>	<u>(103,820)</u>
Net Change in Fund Balance	(83,891)	(83,891)	(46,571)	(193,546)
Beginning Fund Balance	<u>83,891</u>	<u>83,891</u>	<u>83,812</u>	<u>(79)</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,241</u>	<u>\$ 37,241</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, 2010

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/09	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/10
<u>General Fund:</u>						
CURRENT:						
2009-10	\$ 561,687	\$ 14,121	\$ (2,009)	\$ 200	\$ 530,133	\$ 43,666
PRIOR YEARS:						
2008-09	16,518	(18)	(930)	665	9,670	6,601
2007-08	4,096	335	(358)	339	1,677	2,065
2006-07	1,143	2	(125)	17	615	418
2005-06	266	1	(40)	114	147	191
2004-05& Prior	348	2	(84)	36	15	283
Total Prior	22,371	322	(1,537)	1,171	12,124	9,558
Total All Funds	\$ 584,058	\$ 14,443	\$ (3,546)	\$ 1,371	\$ 542,257	\$ 53,224

RECONCILIATION OF REVENUE:

	Revenue
Per County Treasurer Above	\$ 542,257
Accrual of Receivables:	
June 30, 2009	(3,018)
June 30, 2010	3,840
Other Taxes	1,689
Total Fund Collections per Financial Statements	\$ 544,767
Revenue by Fund:	
General	\$ 429,005
Local Option Levy	115,762
	\$ 544,767

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

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS**

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 
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  - (503) 620-2632 • FAX (503) 684-7523

September 15, 2010

## Independent Auditor's 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, 2010, and have issued our report thereon dated September 15, 2010. 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 City of King City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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 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 [except as follows]:

1. The LB form(s) 1 and 2 for the 2009-2010 budget did not agree with the amounts on the budget detail sheet per ORS 294.386(1).

### 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 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 matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated September 15, 2010.

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.

*Pauly, Rogers and Co. P.C.*  
**PAULY, ROGERS AND CO., P.C**