

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



12700 SW 72nd Ave.
Tigard, OR 97223

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

2013-2014
FINANCIAL REPORT

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

2013-2014
FINANCIAL REPORT

| <u>CITY COUNCIL</u> | <u>TERM EXPIRES</u> |
|---------------------|---------------------|
| Ron Shay, Mayor | January 1, 2015 |
| Al Reu | January 1, 2017 |
| Darrel Unruh | January 1, 2017 |
| David Newham | January 1, 2015 |
| Ken Gibson | January 1, 2015 |
| Malka Sekey | January 1, 2015 |
| Suzan Turley | January 1, 2017 |

All council members receive mail at the address shown below.

ADMINISTRATION

David Wells, 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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(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

October 15, 2014

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 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, 2014, and the related notes to the 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Basis for Modified Opinion

The City does not maintain historical cost and depreciation records for streets and street improvements acquired prior to June 30, 2013 or depreciation records for these 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 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, 2014, 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 No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. 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 Management's Discussion and Analysis and 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 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 15, 2014, 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.



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

**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, 2014. 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 \$15,501,948 at June 30, 2014.
- During the year, the City's net position increased by \$603,082.
- The general fund reported a fund balance this year of \$814,535.

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 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 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>2014</u> | <u>2013</u> |
|---------------------------------------|----------------------|----------------------|
| ASSETS: | | |
| Current and Other Assets | \$ 3,537,659 | \$ 3,061,243 |
| Capital Assets, Net | <u>12,141,463</u> | <u>12,071,302</u> |
| Total Assets | <u>15,679,122</u> | <u>15,132,545</u> |
| LIABILITIES: | | |
| Current Liabilities | 113,716 | 229,255 |
| Long-Term Liabilities | <u>59,368</u> | <u>-</u> |
| Total Liabilities | <u>173,084</u> | <u>229,255</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| | <u>4,090</u> | <u>4,424</u> |
| NET POSITION: | | |
| Net Invested in Capital Assets | 12,065,082 | 12,071,302 |
| Restricted | 1,776,306 | 1,402,051 |
| Unrestricted | <u>1,660,560</u> | <u>1,425,513</u> |
| Total Net Position | <u>\$ 15,501,948</u> | <u>\$ 14,898,866</u> |

CITY OF KING CITY - CHANGES IN NET POSITION

| | <u>2014</u> | <u>2013</u> |
|-------------------------|----------------------|----------------------|
| REVENUES: | | |
| Program Revenues: | | |
| Charges for Services | \$ 1,259,485 | \$ 1,765,639 |
| Grant and Contributions | 47,935 | 11,500 |
| General Revenues: | | |
| Property Taxes | 701,055 | 625,429 |
| Other | 418,653 | 335,957 |
| | <u>2,427,128</u> | <u>2,738,525</u> |
| EXPENSES: | | |
| General Government | 928,689 | 1,003,692 |
| Street | 98,931 | 148,312 |
| Police | 796,426 | 694,145 |
| | <u>1,824,046</u> | <u>1,846,149</u> |
| Change in Net Position | 603,082 | 892,376 |
| Beginning Net Position | <u>14,898,866</u> | <u>14,006,490</u> |
| Ending Net Position | <u>\$ 15,501,948</u> | <u>\$ 14,898,866</u> |

The City's total revenues were \$2,427,128. The Net Position increased by \$603,082 indicating an increase in the City's financial position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2,417,457 in 2013-14. Governmental fund balances totaled \$3,426,430 at June 30, 2014. A summary of changes in governmental fund balances follows:

CITY OF KING CITY - CHANGES IN GOVERNMENTAL FUND BALANCES

| | <u>June 30,</u> <u>2014</u> | <u>June 30,</u> <u>2013</u> | <u>Change</u> |
|---------------------------------|--------------------------------|--------------------------------|-------------------|
| General Fund | \$ 814,535 | \$ 664,258 | \$ 150,277 |
| Street Fund | 246,720 | 254,945 | (8,225) |
| Transportation Development Fund | 1,776,306 | 1,401,375 | 374,931 |
| Local Option Levy Fund | 5,667 | 1,670 | 3,997 |
| Parks SDC Fund | 459,229 | 377,474 | 81,755 |
| Transportation Improvement Fund | <u>123,973</u> | <u>123,317</u> | <u>656</u> |
| Total | <u>\$ 3,426,430</u> | <u>\$ 2,823,039</u> | <u>\$ 603,391</u> |

BUDGETARY HIGHLIGHTS

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

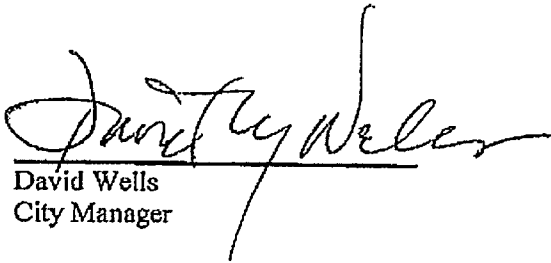
Total net change for all governmental fund types during the year was an increase of \$603,391.

CAPITAL ASSETS

At June 30, 2014, the City had \$12,141,463 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.



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 POSITION
June 30, 2014

ASSETS:

| | |
|---------------------------------------|-----------------------|
| Cash and Investments | \$ 3,298,820 |
| Property Taxes Receivable | 31,578 |
| Accounts Receivable | 188,140 |
| Prepaid Expenses | 19,121 |
| Capital Assets, not being depreciated | 11,901,120 |
| Capital Assets, net of depreciation | <u>240,343</u> |
| Total Assets | <u>15,679,122</u> |

LIABILITIES:

Current Liabilities:

| | |
|-----------------------------------|--------------------|
| Accounts Payable | 76,919 |
| Payroll Liabilities | 54 |
| Unearned Revenue | 4,090 |
| Vested Compensated Absences | 19,730 |
| Long-Term Debt Due in One Year | 17,013 |
| Long-Term Liabilities | |
| Long-Term Debt Due After One Year | <u>59,368</u> |
| Total Liabilities | <u>177,174</u> |

NET POSITION:

| | |
|----------------------------------|--------------------------|
| Net Investment in Capital Assets | 12,065,082 |
| Restricted | 1,776,306 |
| Unrestricted | <u>1,660,560</u> |
| Total Net Position | <u>\$ 15,501,948</u> |

See accompanying notes to basic financial statements

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014**

| FUNCTIONS | EXPENSES | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|-------------------------------|---------------------|-------------------------|---|--|
| | | CHARGES FOR SERVICES | OPERATING GRANT AND CONTRIBUTIONS | |
| General Government | \$ 928,689 | \$ 766,651 | \$ 47,935 | \$ (114,103) |
| Street | 98,931 | 410,355 | - | 311,424 |
| Police | <u>796,426</u> | <u>82,479</u> | <u>-</u> | <u>(713,947)</u> |
| Total Governmental Activities | <u>\$ 1,824,046</u> | <u>\$ 1,259,485</u> | <u>\$ 47,935</u> | <u>(516,626)</u> |

General Revenues:

Taxes:

| | |
|---|----------------|
| Property Taxes, Levied for General Purposes | 701,055 |
| Interest and Investment Earnings | 16,058 |
| Miscellaneous | <u>402,595</u> |

Total General Revenues 1,119,708

Changes in Net Position 603,082

Net Position – Beginning 14,898,866

Net Position – Ending \$ 15,501,948

See accompanying notes to basic financial statements

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

| | GENERAL FUND | STREET FUND | TRANSPORTATION DEVELOPMENT TAX FUND | LOCAL OPTION LEVY FUND | PARKS SDC FUND | TRANSPORTATION IMPROVEMENT FUND | TOTAL |
|---|---------------------|-------------------|---|------------------------------|----------------------|---------------------------------------|---------------------|
| ASSETS: | | | | | | | |
| Cash and Investments | \$ 3,298,820 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,298,820 |
| Taxes Receivable | 31,578 | - | - | - | - | - | 31,578 |
| Accounts Receivable | 188,140 | - | - | - | - | - | 188,140 |
| Prepaid Expenses | 19,121 | - | - | - | - | - | 19,121 |
| Due From Other Funds | - | 246,720 | 1,776,306 | 5,667 | 459,229 | 123,973 | 2,611,895 |
| Total Assets | \$ 3,537,659 | \$ 246,720 | \$ 1,776,306 | \$ 5,667 | \$ 459,229 | \$ 123,973 | \$ 6,149,554 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE: | | | | | | | |
| LIABILITIES: | | | | | | | |
| Due to Other Funds | \$ 2,611,895 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,611,895 |
| Payroll Payable | 54 | - | - | - | - | - | 54 |
| Accounts Payable | 76,919 | - | - | - | - | - | 76,919 |
| Total Liabilities | 2,688,868 | - | - | - | - | - | 2,688,868 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | |
| Unearned Revenue - Taxes | 30,166 | - | - | - | - | - | 30,166 |
| Unearned Revenue - Other | 4,090 | - | - | - | - | - | 4,090 |
| Total Deferred Inflows of Resources | 34,256 | - | - | - | - | - | 34,256 |
| FUND BALANCE: | | | | | | | |
| Fund Balances: | | | | | | | |
| Nonspendable | 19,121 | - | - | - | - | - | 19,121 |
| Restricted | - | - | 1,776,306 | - | - | - | 1,776,306 |
| Committed | - | 246,720 | - | 5,667 | 459,229 | 123,973 | 835,589 |
| Unassigned | 795,414 | - | - | - | - | - | 795,414 |
| Total Fund Balances | 814,535 | 246,720 | 1,776,306 | 5,667 | 459,229 | 123,973 | 3,426,430 |
| Total Liabilities, Deferred Inflows and Fund Balance | \$ 3,537,659 | \$ 246,720 | \$ 1,776,306 | \$ - | \$ 459,229 | \$ 123,973 | \$ 6,149,554 |

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, 2014

| | |
|--|-----------------------------|
| Total Fund Balances - Governmental Funds | \$ 3,426,430 |
| Capital assets are not financial resources and therefore are not reported in the governmental funds. | 12,141,463 |
| 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 | (76,381) |
| Vested compensated absences are not accounted for in the governmental funds | (19,730) |
| 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. | <u>30,166</u> |
| Net Position | <u><u>\$ 15,501,948</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, 2014**

| | GENERAL FUND | STREET FUND | TRANSPORTATION DEVELOPMENT TAX FUND | LOCAL OPTION LEVY FUND | PARKS SDC FUND | TRANSPORTATION IMPROVEMENT FUND | TOTAL |
|---|------------------|-----------------|---|------------------------------|----------------------|---------------------------------------|------------------|
| REVENUES: | | | | | | | |
| Property Taxes | \$ 507,547 | \$ - | \$ - | \$ 183,837 | \$ - | \$ - | \$ 691,384 |
| City Franchise Fees | 194,482 | - | - | - | - | - | 194,482 |
| Alcoholic Beverage Tax | 42,134 | - | - | - | - | - | 42,134 |
| Cigarette Tax | 4,439 | - | - | - | - | - | 4,439 |
| Motel Tax | 48,460 | - | - | - | - | - | 48,460 |
| State Gas Tax | - | 185,351 | - | - | - | - | 185,351 |
| Washington Co. Gas Tax | - | 12,137 | - | - | - | - | 12,137 |
| City Privilege Tax | - | 29,355 | - | - | - | - | 29,355 |
| State Revenue Sharing | 28,847 | - | - | - | - | - | 28,847 |
| Bike Path | - | 1,872 | - | - | - | - | 1,872 |
| Grants | 47,935 | 50,000 | - | - | - | - | 97,935 |
| Court Fines | 82,479 | - | - | - | - | - | 82,479 |
| Metro Excise Tax | 17,422 | - | - | - | - | - | 17,422 |
| Licenses/Permits/Fees | 234,940 | - | - | - | - | - | 234,940 |
| School CET | 169,288 | - | - | - | - | - | 169,288 |
| OR State Surcharge | 18,360 | - | - | - | - | - | 18,360 |
| Passport Fees | 31,675 | - | - | - | - | - | 31,675 |
| Traffic Development Tax | - | - | 366,575 | - | - | - | 366,575 |
| Interest on Investments | 3,682 | 1,000 | 8,356 | 160 | 2,204 | 656 | 16,058 |
| Water Revenue | 8,964 | - | - | - | - | - | 8,964 |
| Miscellaneous | - | 43,780 | - | - | 91,520 | - | 135,300 |
| Total Revenues | 1,440,654 | 323,495 | 374,931 | 183,997 | 93,724 | 656 | 2,417,457 |
| EXPENDITURES: | | | | | | | |
| Personal Services | 816,798 | - | - | - | - | - | 816,798 |
| Materials & Services | 696,662 | 86,793 | - | - | - | - | 783,455 |
| Capital Outlay | 112,289 | 201,498 | - | - | 40 | - | 313,827 |
| Total Expenditures | 1,625,749 | 288,291 | - | - | 40 | - | 1,914,080 |
| Excess of Revenues Over, (Under) Expenditures | (185,095) | 35,204 | 374,931 | 183,997 | 93,684 | 656 | 503,377 |
| Other Financing Sources, (Uses) | | | | | | | |
| Transfers In | 235,358 | - | - | - | - | - | 235,358 |
| Transfer Out | - | (43,429) | - | (180,000) | (11,929) | - | (235,358) |
| Capital Lease Proceeds | 100,014 | - | - | - | - | - | 100,014 |
| Total Other Financing Sources, (Uses) | 335,372 | (43,429) | - | (180,000) | (11,929) | - | 100,014 |
| Net Change in Fund Balance | 150,277 | (8,225) | 374,931 | 3,997 | 81,755 | 656 | 603,391 |
| Beginning Fund Balance | 664,258 | 254,945 | 1,401,375 | 1,670 | 377,474 | 123,317 | 2,823,039 |
| Ending Fund Balance | \$ 814,535 | \$ 246,720 | \$ 1,776,306 | \$ 5,667 | \$ 459,229 | \$ 123,973 | \$ 3,426,430 |

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, 2014

| | |
|--|----------------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ 603,391 |
| 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. | (3,760) |
| 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. | 9,671 |
| New capital leases in the current year are reported as expenditures in the governmental funds, whereas they are reported as changes in capital leases payable in the Statement of Net Position. Capital Lease Payable | (76,381) |
| Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: Capital Asset Depreciation Expense | 100,014 <u>(29,853)</u> |
| Change in Net Position | <u>\$ 603,082</u> |

See accompanying notes to basic financial statements

**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 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 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 and Changes in Net Position display information about the reporting government as a whole.

The Statement of Net Position and the Statement of Activities and Changes in Net Position 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 and Changes in Net Position 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 and Changes in Net Position. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt, if any, is considered an indirect expense and is reported separately on the Statement of Activities and Changes in Net Position. 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 numbers of funds are 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 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

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. 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 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 except for the General Fund, Police Department, which exceed budgeted appropriations by \$52,453.

E. 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 \$127,352.

F. 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.

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. PROPERTY TAXES RECEIVABLE (CONTINUED)

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.

G. 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 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 |

H. 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 401(k) retirement plan. Contributions to the plan are made on the same basis as above.

I. 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-wide financial statements.

J. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. SUPPLY INVENTORY

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

M. 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 2013-2014.

N. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items.

O. 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.

P. 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.

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.

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2014, all of the bank balance of \$29,815 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.

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.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2014. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2014 (recorded at fair value) consisted of:

| | |
|---------------------------------------|---------------------|
| Deposits With Financial Institutions: | <u>2014</u> |
| Petty Cash | \$ 150 |
| Demand Deposits: | |
| Checking | 22,439 |
| Investments | <u>3,276,231</u> |
| Total | <u>\$ 3,298,820</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

| Investment Type | Fair Value | Investment Maturities (in months) | | |
|-----------------------------------|--------------|-----------------------------------|------|-------|
| | | Less than 3 | 3-18 | 18-59 |
| State Treasurer's Investment Pool | \$ 3,276,231 | \$ 3,276,231 | \$ - | \$ - |
| Total | \$ 3,276,231 | \$ 3,276,231 | \$ - | \$ - |

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.

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, 2014, 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 a local government be invested in bankers' acceptances of any qualified financial institution. At June 30, 2014, there was compliance with all percentage restrictions.

3. CAPITAL ASSETS

The changes in Capital assets are as follows:

| | 7/1/2013 | Additions | Deletions | 6/30/2014 |
|--------------------------|---------------|-----------|-------------|---------------|
| Governmental Activities: | | | | |
| Buildings & Improvements | \$ 283,656 | \$ - | \$ - | \$ 283,656 |
| Infrastructure | 11,901,120 | - | - | 11,901,120 |
| Equipment | 181,385 | 100,014 | (42,349) | 239,050 |
| Total Capital Assets | 12,366,161 | 100,014 | (42,349) | 12,423,826 |
| Accumulated Depreciation | 294,859 | \$ 29,853 | \$ (42,349) | 282,363 |
| | \$ 12,071,302 | | | \$ 12,141,463 |

Depreciation expense for the year was charged as follows:

| | |
|----------------------------|-----------|
| Governmental Activities: | |
| General Government | \$ 15,199 |
| Street | 1,619 |
| Police | 13,035 |
| Total Depreciation Expense | \$ 29,853 |

**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>Date Entered Into</u> | <u>Total Amount</u> | <u>Payment Terms</u> | <u>Final Payment</u> | <u>Payments Made in 2013-14</u> |
|------------------------------|-------------------------|--------------------------|--------------------------|-------------------------------------|
| 7/8/2013 | \$ 66,453 | \$15,345/Annually | 7/8/2017 | \$ 15,345 |
| 2/28/2014 | 32,861 | \$7,588/Annually | 2/28/2018 | 7,588 |
| Total | <u>\$ 99,314</u> | | | <u>\$ 22,933</u> |

Future lease payments are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|---------|------------------|------------------|
| 2014-15 | \$ 17,013 | \$ 5,920 |
| 2015-16 | 18,332 | 4,601 |
| 2016-17 | 19,753 | 3,180 |
| 2017-18 | <u>21,283</u> | <u>1,650</u> |
| Total | <u>\$ 76,381</u> | <u>\$ 15,351</u> |

5. 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 20 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. PENSION PLAN (CONTINUED)

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 for the two year period beginning July 1, 2013 is 15.84% of salary covered under the plan for Tier 1 and Tier 2 employees (PERS) and for employees covered under the Oregon Public Services Retirement Plan (OPSRP) the current rate is 6.89% for general services and 9.62% for police and fire. The contributions to the plan for the years ending June 30, 2014, 2013 and 2012 were \$54,397, \$51,697 and \$43,133, respectively, and were equal to the required contributions for each year.

The most current Schedule of Funding Progress:

| Dec. 31 | | Actuarial | Unfunded | | | Unfunded |
|-----------|-----------------|-----------|-------------------|---------|------------|-------------------|
| Valuation | Actuarial Value | Accrued | Actuarial | Funded | Covered | Actuarial Accrued |
| Date | of Assets | Liability | Accrued Liability | Percent | Payroll | Liability/Payroll |
| 2013 | \$ 27,855 | \$ 31,739 | \$ (84,019) | 88% | \$ 308,927 | -27% |
| 2012 | \$ 25,464 | \$ 30,602 | \$ (131,454) | 83% | \$ 282,694 | -47% |
| 2010 | \$ 23,879 | \$ 30,285 | \$ (152,845) | 79% | \$ 264,724 | -58% |

The City's actuary determined that there is no other post-employment benefit liability under GASB Statement No. 45.

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 \$28,936.

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.

7. 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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

9. PROPERTY TAX LIMITATIONS

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

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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, 2014**

| | <u>GENERAL FUND</u> | | | |
|-----------------------------|----------------------------|-------------------------|---------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
| REVENUES: | | | | |
| Property Taxes - Current | \$ 480,000 | \$ 502,000 | \$ 497,975 | \$ (4,025) |
| Property Taxes - Delinquent | 10,000 | 10,000 | 9,572 | (428) |
| City Franchise Fees | 195,000 | 195,000 | 194,482 | (518) |
| Alcoholic Beverage Tax | 40,000 | 40,000 | 42,134 | 2,134 |
| Cigarette Tax | 5,000 | 5,000 | 4,439 | (561) |
| Motel Tax | 30,000 | 30,000 | 48,460 | 18,460 |
| State Revenue Sharing | 26,000 | 26,000 | 28,847 | 2,847 |
| Grants | 12,295 | 82,730 | 47,935 | (34,795) |
| Court Fines | 65,000 | 65,000 | 82,479 | 17,479 |
| Licenses/Permits/Fees | 16,000 | 20,000 | 21,694 | 1,694 |
| Metro Excise Tax | 15,000 | 20,000 | 17,422 | (2,578) |
| School CET | 150,000 | 180,000 | 169,288 | (10,712) |
| OR State Surcharge | 15,000 | 20,000 | 18,360 | (1,640) |
| New Development Review | 3,000 | 6,000 | 14,828 | 8,828 |
| Building Permits | 200,000 | 230,000 | 198,418 | (31,582) |
| Passport Fees | 30,000 | 30,000 | 31,675 | 1,675 |
| Interest on Investments | 3,000 | 3,000 | 3,682 | 682 |
| Annexation | 3,500 | - | - | - |
| Water Revenue | 7,600 | 7,600 | 8,964 | 1,364 |
| Miscellaneous | 1,000 | 1,000 | - | (1,000) |
| Total Revenues | <u>\$ 1,307,395</u> | <u>\$ 1,473,330</u> | <u>\$ 1,440,654</u> | <u>\$ (32,676)</u> |

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2014

| | <u>GENERAL FUND</u> | | | VARIANCE POSITIVE (NEGATIVE) |
|--|----------------------------|-------------------------|-------------------|------------------------------------|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | |
| EXPENDITURES: | | | | |
| City Council | | | | |
| Materials and Services | \$ 27,760 | \$ 22,980 | \$ 17,732 | \$ 5,248 |
| Total City Council | <u>27,760</u> | <u>22,980</u> (1) | <u>17,732</u> | <u>5,248</u> |
| Administration Department | | | | |
| Personal Services | 316,397 | 273,217 | 229,261 | 43,956 |
| Materials and Services | 530,131 | 694,826 | 567,755 | 127,071 |
| Capital Outlay | 3,000 | 3,000 | 2,322 | 678 |
| Total Administration | <u>849,528</u> | <u>971,043</u> (1) | <u>799,338</u> | <u>171,705</u> |
| Police Department | | | | |
| Personal Services | 594,761 | 600,901 | 587,537 | 13,364 |
| Materials and Services | 145,580 | 146,875 | 111,175 | 35,700 |
| Capital Outlay | 4,600 | 8,450 | 109,967 | (101,517) |
| Total Police Department | <u>744,941</u> | <u>756,226</u> (1) | <u>808,679</u> | <u>(52,453)</u> |
| General Services | | | | |
| Contingency | 515,524 | 622,697 | - | 622,697 |
| Total General Services | <u>515,524</u> | <u>622,697</u> (1) | <u>-</u> | <u>622,697</u> |
| Total Expenditures | <u>2,137,753</u> | <u>2,372,946</u> | <u>1,625,749</u> | <u>747,197</u> |
| Excess of Revenues Over, (Under) | | | | |
| Expenditures | (830,358) | (899,616) | (185,095) | 714,521 |
| Other Financing Sources, (Uses): | | | | |
| Transfers In | 230,358 | 235,358 | 235,358 | - |
| Capital Lease Proceeds | - | - | 100,014 | 100,014 |
| Total Other Financing Sources, (Uses) | <u>230,358</u> | <u>235,358</u> | <u>335,372</u> | <u>100,014</u> |
| Net Change in Fund Balance | (600,000) | (664,258) | 150,277 | 814,535 |
| Beginning Fund Balance | 600,000 | 664,258 | 664,258 | - |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 814,535</u> | <u>\$ 814,535</u> |

(1) Appropriation Level

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON
SUPPLEMENTARY INFORMATION

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2014

STREET FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|--|--------------------|-----------------|-------------------|------------------------------------|
| REVENUES: | | | | |
| State Gas Tax | \$ 160,000 | \$ 160,000 | \$ 185,351 | \$ 25,351 |
| Washington County Gas Tax | 12,000 | 12,000 | 12,137 | 137 |
| City Privilege Tax | 32,000 | 32,000 | 29,355 | (2,645) |
| Bike Path | 1,600 | 1,600 | 1,872 | 272 |
| Interest on Investments | 1,800 | 1,800 | 1,000 | (800) |
| CWS/SWM Fees | 38,000 | 43,781 | 43,780 | (1) |
| Grant - SCA | 40,000 | 50,000 | 50,000 | - |
| Miscellaneous | 500 | 500 | - | (500) |
| | <u>285,900</u> | <u>301,681</u> | <u>323,495</u> | <u>21,814</u> |
| Total Revenues | | | | |
| EXPENDITURES: | | | | |
| Materials and Services | 125,720 | 125,720 (1) | 86,793 | 38,927 |
| Capital Outlay | 200,000 | 210,000 (1) | 201,498 | 8,502 |
| Contingency | 196,751 | 177,477 (1) | - | 177,477 |
| | <u>522,471</u> | <u>513,197</u> | <u>288,291</u> | <u>224,906</u> |
| Total Expenditures | | | | |
| Excess of Revenues Over, (Under) Expenditures | (236,571) | (211,516) | 35,204 | 246,720 |
| Other Financing Sources, (Uses): | | | | |
| Transfer Out | (43,429) | (43,429) (1) | (43,429) | - |
| | <u>(43,429)</u> | <u>(43,429)</u> | <u>(43,429)</u> | <u>-</u> |
| Total Other Sources, (Uses) | | | | |
| Net Change in Fund Balance | (280,000) | (254,945) | (8,225) | 246,720 |
| Beginning Fund Balance | 280,000 | 254,945 | 254,945 | - |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 246,720</u> | <u>\$ 246,720</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, 2014

TRANSPORTATION DEVELOPMENT TAX FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
|----------------------------|----------------------------|-------------------------|---------------------|---|
| REVENUES: | | | | |
| Traffic Development Tax | \$ 333,250 | \$ 379,905 | \$ 366,575 | \$ (13,330) |
| Interest On Investments | <u>6,000</u> | <u>6,000</u> | <u>8,356</u> | <u>2,356</u> |
| Total Revenues | <u>339,250</u> | <u>385,905</u> | <u>374,931</u> | <u>(10,974)</u> |
| EXPENDITURES: | | | | |
| Contingency | <u>1,639,250</u> | <u>1,787,280</u> (1) | - | <u>1,787,280</u> |
| Total Expenditures | <u>1,639,250</u> | <u>1,787,280</u> | - | <u>1,787,280</u> |
| Net Change in Fund Balance | (1,300,000) | (1,401,375) | 374,931 | 1,776,306 |
| Beginning Fund Balance | <u>1,300,000</u> | <u>1,401,375</u> | <u>1,401,375</u> | <u>-</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,776,306</u> | <u>\$ 1,776,306</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, 2014

LOCAL OPTION LEVY FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
|---|----------------------------|-------------------------|------------------|---|
| REVENUES: | | | | |
| Interest On Investments | \$ 200 | \$ 200 | \$ 160 | \$ (40) |
| Property Delinquent | 3,000 | 3,000 | 4,368 | 1,368 |
| Serial Levy | <u>171,800</u> | <u>176,800</u> | <u>179,469</u> | <u>2,669</u> |
| Total Revenues | <u>175,000</u> | <u>180,000</u> | <u>183,997</u> | <u>3,997</u> |
| Other Financing Sources, (Uses): | | | | |
| Transfers Out | <u>(175,000)</u> | <u>(180,000) (1)</u> | <u>(180,000)</u> | <u>-</u> |
| Total Other Sources, (Uses) | <u>(175,000)</u> | <u>(180,000)</u> | <u>(180,000)</u> | <u>-</u> |
| Net Change in Fund Balance | - | - | 3,997 | 3,997 |
| Beginning Fund Balance | <u>-</u> | <u>-</u> | <u>1,670</u> | <u>1,670</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,667</u> | <u>\$ 5,667</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, 2014

| <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 | \$ 1,600 | \$ 1,600 | \$ 2,204 | \$ 604 |
| METRO | 10,000 | 10,000 | - | (10,000) |
| Developmental Charges | 83,200 | 95,000 | 91,520 | (3,480) |
| Total Revenues | 94,800 | 106,600 | 93,724 | (12,876) |
| EXPENDITURES: | | | | |
| Capital Outlay | 10,000 | 10,000 (1) | 40 | 9,960 |
| Contingency | 422,871 | 462,145 (1) | - | 462,145 |
| Total Expenditures | 432,871 | 472,145 | 40 | 472,105 |
| Excess of Revenue Over, (Under) Expenditures | (338,071) | (365,545) | 93,684 | 459,229 |
| Other Financing Sources, (Uses): | | | | |
| Transfers Out | (11,929) | (11,929) (1) | (11,929) | - |
| Total Other Sources, (Uses) | (11,929) | (11,929) | (11,929) | - |
| Net Change in Fund Balance | (350,000) | (377,474) | 81,755 | 459,229 |
| Beginning Fund Balance | 350,000 | 377,474 | 377,474 | - |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 459,229</u> | <u>\$ 459,229</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, 2014

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 | \$ 656 | \$ (144) |
| Total Revenues | <u>800</u> | <u>800</u> | <u>656</u> | <u>(144)</u> |
| EXPENDITURES: | | | | |
| Contingency | <u>124,231</u> | <u>124,231 (1)</u> | <u>-</u> | <u>124,231</u> |
| Total Expenditures | <u>124,231</u> | <u>124,231</u> | <u>-</u> | <u>124,231</u> |
| Net Change in Fund Balance | (123,431) | (123,431) | 656 | 124,087 |
| Beginning Fund Balance | <u>123,431</u> | <u>123,431</u> | <u>123,317</u> | <u>(114)</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 123,973</u> | <u>\$ 123,973</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, 2014

| TAX YEAR | ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/13 | DEDUCT DISCOUNTS | ADJUSTMENTS TO ROLLS | ADD INTEREST | CASH COLLECTIONS BY COUNTY TREASURER | BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/14 |
|------------------------|--|---------------------|----------------------------|-----------------|---|--|
| General Fund: | | | | | | |
| CURRENT: | | | | | | |
| 2013-14 | \$ 711,695 | \$ 18,750 | \$ (2,133) | \$ 189 | \$ 676,885 | \$ 14,116 |
| PRIOR YEARS: | | | | | | |
| 2012-13 | 13,701 | 65 | (753) | 457 | 6,717 | 6,623 |
| 2011-12 | 7,017 | (1) | (250) | 401 | 2,296 | 4,873 |
| 2010-11 | 5,170 | - | (347) | 521 | 1,968 | 3,376 |
| 2009-10 | 2,853 | - | (335) | 206 | 534 | 2,190 |
| 2008-09 & Prior | 722 | - | (255) | 84 | 151 | 400 |
| Total Prior | 29,463 | 64 | (1,940) | 1,669 | 11,666 | 17,462 |
| Total All Funds | \$ 741,158 | \$ 18,814 | \$ (4,073) | \$ 1,858 | \$ 688,551 | \$ 31,578 |

RECONCILIATION OF REVENUE:

| | Revenue |
|--|-------------------|
| Per County Treasurer Above | \$ 688,551 |
| Accrual of Receivables: | |
| June 30, 2013 | (1,802) |
| June 30, 2014 | 1,412 |
| Other Taxes | 3,223 |
| Total Fund Collections per Financial Statements | \$ 691,384 |

Revenue by Fund:

| | |
|-------------------|-------------------|
| General | \$ 507,547 |
| Local Option Levy | 183,837 |
| | \$ 691,384 |

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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October 15, 2014

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, 2014, and have issued our report thereon dated October 15, 2014. 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 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 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, except as follows:

1. Expenditures were within authorized appropriations except as noted on page 16.

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 a matter involving the internal control structure and its operation that we consider to be a material weakness under standards established by the American Institute of Certified Public Accountants, which is noted in our management letter dated October 15, 2014.

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

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

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