

**CITY OF NORTH PLAINS**

**WASHINGTON COUNTY, OREGON**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED  
JUNE 30, 2008**

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**CITY OF NORTH PLAINS**

Washington County, Oregon

**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2008

CITY OF NORTH PLAINS

TABLE OF CONTENTS

June 30, 2008

<u>INTRODUCTION</u>	PAGE
CITY OFFICIALS -----	1
 <u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT -----	2
MANAGEMENT'S DISCUSSION AND ANALYSIS -----	3
 <u>BASIC FINANCIAL STATEMENTS:</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS -----	5
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS -----	6
 FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS -----	7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS -----	8
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUNDS -----	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUNDS -----	10
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS - PROPRIETARY FUNDS -----	11
NOTES TO FINANCIAL STATEMENTS -----	12
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
NOTES TO BUDGETARY COMPARISON SCHEDULE -----	24
BUDGETARY COMPARISON SCHEDULE - CASH BASIS	
..General Fund -----	25-26
..State Tax, Transportation, and Storm Drainage Fund -----	27
..Traffic Impact Fees Fund -----	28
 <u>SUPPLEMENTARY INFORMATION:</u>	
COMBINING BALANCE SHEET - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS -----	30
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS -----	31
BUDGETARY COMPARISON SCHEDULE - CASH BASIS	
..Parks Capital Improvement Fund -----	32
..Vehicle and Equipment Reserve Fund -----	33
..Water Fund -----	34
..Water Systems Improvement Fund -----	35
..Local Improvement City Assessment Fund -----	36
SCHEDULE OF PROPERTY TAX TRANSACTIONS -----	37
 <u>AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS</u>	
AUDITOR'S COMMENTS AND DISCLOSURES -----	39

CITY OF NORTH PLAINS  
Washington County, Oregon

CITY OFFICIALS

June 30, 2008

MAYOR

Cheri L. Olson  
Post Office Box 371  
North Plains, Oregon 97133

TERM EXPIRES

December 31, 2008

COUNCIL

Herbert L. Hirst  
Post Office Box 220  
North Plains, Oregon 97133

December 31, 2008

David Smith  
PO Box 582  
13460 NW North Avenue  
North Plains, OR 97133

December 31, 2010

Tom Reh  
Post Office Box 1082  
North Plains, Oregon 97133

December 31, 2008

Robert Kindel, Jr.  
Post Office Box 136  
North Plains, Oregon 97133

December 31, 2008

Aaron Johnson  
Post Office Box 241  
North Plains, Oregon 97133

December 31, 2008

David Hatcher  
Post Office Box 955  
North Plains, Oregon 97133

December 31, 2010

CITY MANAGER AND REGISTERED AGENT

Donald H. Otterman

FINANCE DIRECTOR

Karen-Lee Stolte, C.P.F.A., C.M.C.

CITY RECORDER

Lisa Gibson

REGISTERED OFFICE

31360 NW Commercial Street  
North Plains, Oregon 97133

# DENNIS R. CONNER

Certified Public Accountant

365 South Nehalem  
P. O. Box 1078  
Clatskanie, Oregon 97016

## INDEPENDENT AUDITOR'S REPORT

The Honorable Cheri Olson, Mayor  
and Members of the City Council  
CITY OF NORTH PLAINS  
North Plains, Oregon 97138

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF NORTH PLAINS, Oregon (the City) as of and for the year ended June 30, 2008, 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. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the City prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position-modified cash basis and cash flows-cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The Management's Discussion and Analysis starting on page 3 and the major fund budgetary comparison information starting on page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America (GAAP). I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual budgetary comparison schedules for the non-major funds and the schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.



Dennis R. Conner  
Certified Public Accountant  
January 12, 2009

# CITY OF NORTH PLAINS. OREGON

## Management Discussion and Analysis June 30, 2008

### CONSOLIDATED FINANCIAL INFORMATION Modified Cash Basis

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>
Cash and cash equivalents	\$ 2,583,292	\$ 2,393,331	\$ (189,961)
Capital assets, net of depreciation	<u>7,303,855</u>	<u>7,794,740</u>	<u>490,885</u>
Total assets	9,887,147	10,188,071	300,924
Liabilities - Bonds Payable	<u>1,957,510</u>	<u>1,732,014</u>	<u>(225,496)</u>
Total net assets	<u>\$ 7,929,637</u>	<u>\$ 8,456,057</u>	<u>\$ 526,420</u>

	Fiscal Year Ended <u>June 30, 2007</u>	Fiscal Year Ended <u>June 30, 2008</u>	<u>Increase (Decrease)</u>
Property taxes	\$ 261,670	\$ 289,239	\$ 27,569
Charges for services	999,867	667,197	(332,670)
Intergovernmental	1,736,634	137,457	(1,599,177)
Fines & Forfeitures	364,833	373,994	9,161
Licenses & Permits	388,312	313,782	(74,530)
Assessments	195,372	182,358	(13,014)
Grants	233,078	53,889	(179,189)
Miscellaneous	<u>192,230</u>	<u>159,530</u>	<u>(32,700)</u>
Total Revenues	<u>4,371,996</u>	<u>2,177,445</u>	<u>(2,194,551)</u>
Operating Expenses	1,779,716	1,386,096	(393,620)
Depreciation	162,413	190,524	28,111
Interest on Debt	<u>82,982</u>	<u>74,405</u>	<u>(8,577)</u>
Total expenses	<u>2,025,111</u>	<u>1,651,025</u>	<u>(374,086)</u>
Increase (decrease) in assets	<u>\$ 2,346,885</u>	<u>\$ 526,420</u>	<u>\$ (1,820,465)</u>

**MANAGEMENTS DIRECT COMMENTS:** City management oversees operation of water distribution, streets, parks, land use planning, police, municipal court and general personnel needed to provide these services to the citizens. During fiscal year 2007-08 these operational services were continued at the same level as last year.

Due to the circumstances discovered at the end of last fiscal year, city management has established financial policies and procedures placing significant internal controls concerning cash management. All staff received fraud training, which stressed the proper handling of cash and how to report suspected fraud. Management is committed to taking the appropriate steps necessary to ensure the integrity of all city operations and that the accounting procedures are accurate.

**OVERALL FINANCIAL POSITION:** The adopted 2007-08 city budget was \$6,388,572.00. Beginning cash balances from all funds equaled \$2,596,976.02. During the year \$2,250,981.10 in revenues were received and \$2,435,007.65 expended leaving a cash forward of \$2,412,949.47 for fiscal year 2008-09.

Major differences in the adopted budget and actual figures account for the fact that 76% of the projected revenues were received and only 38% of the proposed expenditures were utilized.

**RESULTS OF OPERATIONS:** Capital expenses throughout the entire budget included office equipment, computer replacement, upgrade of financial and water billing software, lease copy machines, minor street improvements, water rate methodology study, major water line improvements, purchase of police car equipment, and payments for leased police vehicles.

Cash reserves were unable to be maintained because of refunds to systems development charges in all major capital improvement funds. A large transfer from water fund is planned in order to repay the state drinking water loan. Property taxes dedicated to police services increased the 3% allowed by law.

**SIGNIFICANT BUDGETARY VARIANCES:**

	<u>2007-08</u>	<u>2006-2007</u>	<u>% Inc/Decrease</u>
Payroll	\$ 950,097.26	\$ 904,588.57	5.0 % Inc.
Materials & Services	833,486.86	781,053.49	6.7 % Inc.
Capital Outlay	351,223.20	2,404,161.82	85.4 % Dec.
Debt Service Pmts.	299,900.32	355,895.52	15.1% Dec.

Payroll increases were only 1% over last year. The city belongs to a trust for all three types of insurances (property & liability, health benefits and workers compensation). Through unique strategies City County Insurance Services have been able to hold premium costs down over the last two years.

Materials & services increases were slightly elevated due to rising fuel costs and the effect they have had on driving the price on all goods and services.

**SIGNIFICANT CAPITAL ASSETS:** Capital outlays were decreased. All computers were replaced with a three year guarantee. The financial and water billing software were upgraded. Two new modules were purchased with plan to bring them on line the next fiscal year. Several water lines were upgraded. The appropriate police car leases were extended or the equipment changed out according to the rotation policy. This ensures the police staff are using quality, safe equipment in the execution of their police duties.

**LONG-TERM DEBT ACTIVITY:** The city currently has debt service with the state loan for the Glencoe 16" water line extension. This loan is a 20-year loan and we have made three payments.

The proposed 2008-09 budget is approximately 16% less than last year. This is due to no major projects being planned. The city plans to install security system features at city hall, community hall and the library. A new phone system with voice mail capabilities is also anticipated.

The projected revenues will continue to fund existing payroll, materials and services and proposed projects. No local option for public safety services is planned.

**URBAN RENEWAL AGENCY** The North Plains Urban Renewal Agency received \$29, 976 in tax increment revenue and earned \$160 interest. The Agency reimbursed the City \$7,300 for administrative expenses during the year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT:** This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the city's activities and finances to demonstrate the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen-Lee Stolte, Finance Director or Donald H. Otterman, City Manager at 503.647.5555 in North Plains, OR.

E-mail: [Karen-Lee@northplains.org](mailto:Karen-Lee@northplains.org); [Don@northplains.org](mailto:Don@northplains.org)

CITY OF NORTH PLAINS

Washington County, Oregon

STATEMENT OF NET ASSETS-MODIFIED CASH BASIS

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Urban Renewal Agency</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,834,250	\$ 559,081	\$ 2,393,331	\$ 22,836
Deposit Account	16,499	-	16,499	
Capital Assets (Note 3B):				
Land	128,051	730	128,781	
Other Capital Assets, Net of Depreciation	<u>4,318,210</u>	<u>3,347,749</u>	<u>7,665,959</u>	<u>-</u>
Total Assets	<u>6,297,010</u>	<u>3,907,560</u>	<u>10,204,570</u>	<u>22,836</u>
<u>LIABILITIES</u>				
Refundable Deposits	16,499	-	16,499	
Bond Payments:				
Due in One Year	-	151,623	151,623	
Due in More Than One Year	<u>-</u>	<u>1,580,391</u>	<u>1,580,391</u>	
Total Liabilities	<u>16,499</u>	<u>1,732,014</u>	<u>1,748,513</u>	<u>-</u>
<u>NET ASSETS</u>	<u>\$ 6,280,511</u>	<u>\$ 2,175,546</u>	<u>\$ 8,456,057</u>	<u>\$ 22,836</u>
Invested in Capital Assets, Net of Related Debt	4,446,261	1,616,465	6,062,726	-
Restricted For:				
Debt Service	-	93,239	93,239	
Other Purposes	1,140,701	465,842	1,606,543	22,836
Unrestricted	<u>693,549</u>	<u>-</u>	<u>693,549</u>	<u>-</u>
Total Net Assets	<u>\$ 6,280,511</u>	<u>\$ 2,175,546</u>	<u>\$ 8,456,057</u>	<u>\$ 22,836</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS

Year Ended June 30, 2008

	Program (Expenses)/Revenues				Net Expense and Changes in Net Assets			Component Unit
	Expense	New Assets Less Depr.	Charges For Services	Grants	Governmental Activities	Business Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
<b>Government Activities</b>								
Building and Parks	\$ (210,744)	\$ 144,624	\$ -	\$ -	\$ (66,120)	-	\$ (66,120)	\$ -
City Planning	(135,478)		-	-	(135,478)	-	(135,478)	
Police	(398,794)	30,126	-	-	(368,668)	-	(368,668)	
Municipal Court	(176,399)		-	-	(176,399)	-	(176,399)	
Sewer	(17,059)		-	-	(17,059)	-	(17,059)	
Supporting Services	(210,511)	5,777	-	-	(204,734)	-	(204,734)	
Library Department	(90,387)		-	53,889	(36,498)	-	(36,498)	
Infrastructure	(183,825)	367,566	77,830	-	261,571	-	261,571	
	<u>(1,423,197)</u>	<u>548,093</u>	<u>77,830</u>	<u>53,889</u>	<u>(743,385)</u>	-	<u>(743,385)</u>	
<b>Business-Type Activities</b>								
Water	(610,075)	Depr. (91,441)	589,367	-		(112,149)	(112,149)	
Interest on Long Term Debt	(74,405)		-	-		(74,405)	(74,405)	
Total	<u>(684,480)</u>	<u>(91,441)</u>	<u>589,367</u>	<u>-</u>		<u>(186,554)</u>	<u>(186,554)</u>	
<b>Component Unit</b>								
Urban Renewal	(7,300)							<u>(7,300)</u>
<b>General Revenue</b>								
Taxes					289,239	-	289,239	29,976
Intergovernmental					137,457	-	137,457	
Fines and Forfeitures					373,994	-	373,994	
License and Permits					313,782	-	313,782	
Assessments, for Water Debt					-	182,358	182,358	
Miscellaneous					119,547	39,982	159,530	160
Transfer of Capital Assets					-	-	-	
Net Funds Transfer					10,000	(10,000)	-	
Total					<u>1,244,019</u>	<u>212,340</u>	<u>1,456,360</u>	<u>30,136</u>
<b>CHANGE IN NET ASSETS</b>					500,634	25,786	526,420	22,836
<b>NET ASSETS, July 1, 2007</b>					<u>5,779,877</u>	<u>2,149,760</u>	<u>7,929,637</u>	<u>-</u>
<b>NET ASSETS, June 30, 2008</b>					<u>\$ 6,280,511</u>	<u>\$ 2,175,546</u>	<u>\$ 8,456,057</u>	<u>\$ 22,836</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2008

	<u>General Fund</u>	<u>State Tax, Transportation and Storm Drainage Fund</u>	<u>Traffic Impact Fees Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$ 693,549</u>	<u>\$ 489,511</u>	<u>\$ 329,666</u>	<u>\$ 321,524</u>	<u>\$ 1,834,250</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Fund Balances:					
Reserved	-	489,511	329,666	-	819,177
Unreserved	693,549	-	-	-	693,549
Reserved, non-major government funds	-	-	-	321,524	321,524
Total	<u>693,549</u>	<u>489,511</u>	<u>329,666</u>	<u>321,524</u>	<u>1,834,250</u>
Total Liabilities and Fund Balances	<u>\$ 693,549</u>	<u>\$ 489,511</u>	<u>\$ 329,666</u>	<u>\$ 321,524</u>	<u>\$ 1,834,250</u>

Reconciliation to Statement of Net Assets

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.

4,446,261

Capital debt obligations payable are not due and payable in the current period and therefore are not reported in the funds.

-

Net assets of governmental activities

\$ 6,280,511

See Notes to Financial Statements

CITY OF NORTH PLAINS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	State Tax, Transportation and Storm Drainage	Traffic Impact Fees	Other Governmental	Total
<u>REVENUE</u>					
Taxes	\$ 289,239	\$ -	\$ -	\$ -	\$ 289,239
Charges for Services	-	67,605	-	10,225	77,830
Intergovernmental	50,187	87,270	-	-	137,457
Fines and Forfeitures	373,994	-	-	-	373,994
License and Permits	310,402	-	3,380	-	313,782
Grants	53,889	-	-	-	53,889
Miscellaneous	57,197	23,285	14,904	24,161	119,547
Total	<u>1,134,908</u>	<u>178,160</u>	<u>18,284</u>	<u>34,386</u>	<u>1,365,738</u>
<u>EXPENDITURES</u>					
Building and Parks	60,005	-	-	150,739	210,744
City Planning	135,478	-	-	-	135,478
Police	359,875	-	-	38,919	398,794
Municipal Court	176,399	-	-	-	176,399
Sewer	17,059	-	-	-	17,059
Supporting Services	210,511	-	-	-	210,511
Library Department	90,387	-	-	-	90,387
Streets	-	159,807	24,018	-	183,825
Total	<u>1,049,714</u>	<u>159,807</u>	<u>24,018</u>	<u>189,658</u>	<u>1,423,197</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	85,194	18,353	(5,734)	(155,272)	(57,459)
<u>OTHER FINANCING SOURCES [USES]</u>					
Transfers In	-	-	-	37,600	37,600
Transfers Out	<u>(26,600)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(27,600)</u>
<u>INCREASE TO FUND BALANCES</u>	58,594	17,353	(5,734)	(117,672)	(47,459)
<u>FUND BALANCES, July 1, 2007</u>	<u>634,955</u>	<u>472,158</u>	<u>335,400</u>	<u>439,196</u>	<u>1,881,709</u>
<u>FUND BALANCES, June 30, 2008</u>	<u>\$ 693,549</u>	<u>\$ 489,511</u>	<u>\$ 329,666</u>	<u>\$ 321,524</u>	<u>\$ 1,834,250</u>
<u>Reconciliation to Statement of Activities:</u>					
Net change in fund balances - total governmental funds					\$ (47,459)
Amounts reported for governmental activities in the Statement of Activities is different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:					
Capital assets purchased					647,176
Capital assets transferred to Water Fund					-
Depreciation expense					<u>(99,083)</u>
					<u>548,093</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Assets:					
Debt obligation					<u>-</u>
Change in net assets of governmental activities					<u>\$ 500,634</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

STATEMENT OF NET ASSETS-MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2008

	<u>Water Fund</u>	<u>Water Systems Capital Improvement Fund</u>	<u>LID Assessment Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 390,191	\$ 75,651	\$ 93,239	\$ 559,081
Capital Assets (Note 3B):				
Land	730	-	-	730
Other Capital Assets, Net of Depreciation	<u>3,347,749</u>	<u>-</u>	<u>-</u>	<u>3,347,749</u>
Total Assets	<u>3,738,670</u>	<u>75,651</u>	<u>93,239</u>	<u>3,907,560</u>
<u>LIABILITIES</u>				
Long-term Liabilities (Note 3D):				
Due in One Year	151,623	-	-	151,623
Due in More Than One Year	<u>1,580,391</u>	<u>-</u>	<u>-</u>	<u>1,580,391</u>
Total Liabilities	<u>1,732,014</u>	<u>-</u>	<u>-</u>	<u>1,732,014</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	1,616,465	-	-	1,616,465
Restricted for:				
Debt Service	-	-	93,239	93,239
Other Purposes	390,191	75,651	-	465,842
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 2,006,656</u>	<u>\$ 75,651</u>	<u>\$ 93,239</u>	<u>\$ 2,175,546</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN

NET ASSETS-MODIFIED CASH BASIS

PROPRIETARY FUNDS

Year Ended June 30, 2008

	<u>Water Fund</u>	<u>Water Systems Capital Improvement Fund</u>	<u>LID Assessment Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>				
Water Sales Receipts	\$ 578,647	\$ 10,720	\$ -	\$ 589,367
<u>OPERATING EXPENSES</u>				
Water Expenses Paid	567,028	32,103	10,944	610,075
Depreciation Expense	91,441	-	-	91,441
Total	<u>658,469</u>	<u>32,103</u>	<u>10,944</u>	<u>701,516</u>
<u>OPERATING INCOME</u>	<u>(79,823)</u>	<u>(21,383)</u>	<u>(10,944)</u>	<u>(112,149)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Miscellaneous Receipts and Interest Income	28,524	7,608	3,851	39,982
Assessments	-	-	182,358	182,358
Interest Paid on Capital Debt	-	(66,512)	(7,893)	(74,405)
Principal Paid on Debt for Water Fund	225,496	(67,820)	(157,676)	-
Capital Assets Purchased by Water System	34,233	(34,233)	-	-
Transfer to Water Systems Improvement	(30,000)	30,000	-	-
Transfer to Vehicle and Equipment Fund	(10,000)	-	-	(10,000)
Total Non-Operating Revenue (Expenses)	<u>248,252</u>	<u>(130,957)</u>	<u>20,640</u>	<u>137,935</u>
CHANGE IN NET ASSETS	168,430	(152,340)	9,696	25,786
<u>NET ASSETS, July 1, 2007</u>	<u>1,838,226</u>	<u>227,991</u>	<u>83,543</u>	<u>2,149,760</u>
<u>NET ASSETS, June 30, 2008</u>	<u>\$ 2,006,656</u>	<u>\$ 75,651</u>	<u>\$ 93,239</u>	<u>\$ 2,175,546</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

Year Ended June 30, 2008

	<u>Water Fund</u>	<u>Water Systems Capital Improvement Fund</u>	<u>LID Assessment Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts From Customers	\$ 578,647	\$ 10,720	\$ -	\$ 589,367
Payment to Suppliers	(259,724)	(32,103)	(10,944)	(302,770)
Payments to Employees	<u>(307,305)</u>	<u>-</u>	<u>-</u>	<u>(307,305)</u>
Net Cash Provided by Operating Activities	<u>11,618</u>	<u>(21,383)</u>	<u>(10,944)</u>	<u>(20,708)</u>
<u>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</u>				
Grant Receipts	-	-	-	-
Transfers from Other Funds	-	30,000	-	30,000
Transfers to Other Funds	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Net Cash Provided by (Used In) Financing Activities	<u>(40,000)</u>	<u>30,000</u>	<u>-</u>	<u>(10,000)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchase of Capital Assets	-	(34,233)	-	(34,233)
Assessments	-	-	182,358	182,358
New Debt Issuance	-	-	-	-
Principal Paid on Debt	-	(67,820)	(157,676)	(225,496)
Interest Paid on Debt	<u>-</u>	<u>(66,512)</u>	<u>(7,893)</u>	<u>(74,405)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>(168,565)</u>	<u>16,789</u>	<u>(151,776)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and Other Receipts	<u>28,524</u>	<u>7,608</u>	<u>3,851</u>	<u>39,982</u>
Net Cash Provided by Investing Activities	<u>28,524</u>	<u>7,608</u>	<u>3,851</u>	<u>39,982</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	142	(152,340)	9,696	(142,502)
<u>CASH BALANCE, Beginning</u>	<u>390,049</u>	<u>227,991</u>	<u>83,543</u>	<u>701,583</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 390,191</u>	<u>\$ 75,651</u>	<u>\$ 93,239</u>	<u>\$ 559,081</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>				
Operating Income	\$ (79,823)	\$ (21,383)	\$ (10,944)	\$ (112,149)
Adjustment to reconcile operating income to cash provided by operating activities:				
Depreciation Expense	<u>91,441</u>	<u>-</u>	<u>-</u>	<u>91,441</u>
Net cash provided by operating activities	<u>\$ 11,618</u>	<u>\$ (21,383)</u>	<u>\$ (10,944)</u>	<u>\$ (20,708)</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**1A FINANCIAL REPORTING ENTITY**

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

Primary Government:	CITY OF NORTH PLAINS
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In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The City established the North Plains Urban Renewal Agency (the Agency) in 2006 in compliance with ORS Chapter 457. Based on the above action, the Agency is a component unit of the City of North Plains. Although it is legally separate from the city, but because of the significance of its financial relationship with the City, the Agency is included as if it were a part of the reporting entity in the financial statements as a component unit of the City.

**1B BASIS OF PRESENTATION**

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

*Fund financial statements* of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: government, proprietary and fiduciary. The City has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**GOVERNMENTAL FUNDS**

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

*Special Revenue Funds* are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

<u>Fund</u>	<u>Brief Description</u>
Parks Capital Improvement	Accounts for revenues designated for capital improvements of the City's parks, excluding improvements of the water system. It is a non-major fund.
State Tax, Transportation and Storm Drainage	Accounts for Oregon gasoline tax apportionments and expenditures for those street improvements specified by Oregon Revised Statutes. It is a major fund.
Traffic Impact Fees	Accounts for revenue designated for improvement of traffic arterials and traffic safety improvements. It is a major fund.
Vehicle and Equipment Reserve	Accounts for transfers from other funds designated for replacement of vehicles and equipment. It is a non-major fund.
North Plains Urban Renewal Agency	This funds accounts for the payment of principal and interest on tax increment bonds and other contractual obligations. Currently there is no outstanding debt in this fund.

**PROPRIETARY FUNDS**

*Enterprise Funds* are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds, all of which are major.

<u>Fund</u>	<u>Brief Description</u>
Water	Accounts for the activities of the public trust in providing water services to the public.
Water System Improvement	Accounts for transfers from the Water Fund for the purpose of capital improvements and major acquisitions.
Local Improvement City Assessment	Accounts for revenue and payments related to water system improvements in the Eastside Local Improvement City.

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

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

**MEASUREMENT FOCUS**

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitation of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of

available expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

## BASIS OF ACCOUNTING

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

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

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

## 1D ASSETS, LIABILITIES, AND EQUITY

### CASH AND INVESTMENTS

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

### CAPITAL ASSETS

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

In the *government-wide financial statements*, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1979. Prior to July 1, 1979, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003, are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The capitalization threshold and range of estimated useful lives by type of asset are as follows:

	<u>Life</u>	<u>Capitalization Threshold</u>
Buildings	50 Years	\$ 100,000
Water System Improvements	50 Years	\$ 100,000
Equipment	10 Years	\$ 5,000
Infrastructure	50 Years	\$ 100,000

In the *fund financial statements*, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in government-wide statements.

#### EQUITY CLASSIFICATION

In the *government-wide financial statements*, equity is classified as net assets and displayed in three components:

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

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

In the *fund financial statements*, fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

### 1E REVENUES, EXPENDITURES, AND EXPENSES

#### PROGRAM REVENUES

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

General Government -	Grants.
Streets -	Commercial vehicle and gasoline excise tax shared by the State and operating grants.
Water -	Charges to water customers for usage of City water.

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

#### OPERATING REVENUE AND EXPENSES

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

## 1F INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

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

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

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

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

## 1G USE OF ESTIMATES

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

### Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City had no instances of non-compliance that were considered material to the financial statements.

### Note 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### 3A CASH AND CASH EQUIVALENTS

Cash and investments were recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2008. Cash and investments of the City at June 30, 2008 were:

Petty Cash	\$ 250
Cash in Bank - West Coast Bank	20,000
Cash in Local Government Investment Pool	<u>2,373,080</u>
Total Cash & Cash Equivalents	<u>\$ 2,393,330</u>

Cash and investments are reflected in the basic financial statements as follows:

Cash and Investments	\$ 693,548
Restricted Assets - Cash and Investments	<u>1,699,782</u>
Total	<u>\$ 2,393,330</u>

**Deposits:** The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$100,000 applies respectively, to total demand deposits and to total savings accounts at each financial institution. Where balances exceed \$100,000, banks are required to pledge collateral, based on their capital condition. Banks are required to provide quarterly reporting of their public funds deposits to the State Treasurer's office, which will be the basis for their collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25% if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits which is monitored on a weekly basis. At June 30, 2008, total demand deposits and savings accounts per bank statements were \$102,817. All these deposits were covered by federal depository insurance.

**Investments:** At June 30, 2008, the City had invested \$2,373,079 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual financial Report. The Oregon Short-Term Fund board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2008.

**Credit Risk:** The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon short-Term funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits of the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2008 was unqualified.

**Concentration Risk:** The City had concentrations in the following investment: LGIP 99.2%.

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

### 3B CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2008 was as follows:

	Balance at June 30, 2007	Additions	Deductions	Balance at June 30, 2008
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,017	\$ 126,034	\$ -	\$ 128,051
Total capital assets not being depreciated	<u>\$ 2,017</u>	<u>\$ 126,034</u>	<u>\$ -</u>	<u>\$ 128,051</u>
Capital assets being depreciated:				
Infrastructure	\$ 3,958,256	\$ 452,845	\$ -	\$ 4,411,101
Buildings	153,158	22,799	-	175,957
Police	30,105	35,884	(13,425)	52,564
Equipment	33,643	9,614	-	43,257
Total capital assets being depreciated	<u>4,175,162</u>	<u>521,142</u>	<u>(13,425)</u>	<u>4,682,879</u>
Less accumulated depreciation for:				
Infrastructure	(159,331)	(85,279)	-	(244,610)
Buildings	(66,653)	(4,209)	-	(70,862)
Police	(30,105)	(5,758)	13,425	(22,438)
Equipment	(22,922)	(3,837)	-	(26,759)
Total accumulated depreciation	<u>(279,011)</u>	<u>(99,083)</u>	<u>13,425</u>	<u>(364,669)</u>
Total capital assets net of depreciation	<u>\$ 3,896,151</u>	<u>\$ 422,059</u>	<u>\$ -</u>	<u>\$ 4,318,210</u>
Total Capital Assets (incl. land)	<u>\$ 3,898,168</u>	<u>\$ 548,093</u>	<u>\$ -</u>	<u>\$ 4,446,261</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 730	\$ -	\$ -	\$ 730
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 730</u>
Capital assets being depreciated				
Buildings	\$ 19,174	\$ -	\$ -	\$ 19,174
Machinery and equipment	98,930	-	-	98,930
Utility property and improvements	4,171,276	34,233	-	4,205,509
Total other capital assets at historical cost	<u>4,289,380</u>	<u>34,233</u>	<u>-</u>	<u>4,323,613</u>
Less accumulated depreciation for:				
Buildings	(19,174)	-	-	(19,174)
Machinery and equipment	(59,645)	(6,880)	-	(66,525)
Utility property and improvements	(805,604)	(84,561)	-	(890,165)
Total accumulated depreciation	<u>(884,423)</u>	<u>(91,441)</u>	<u>-</u>	<u>(975,864)</u>
Total capital assets net of depreciation	<u>\$ 3,404,957</u>	<u>\$ (57,208)</u>	<u>\$ -</u>	<u>\$ 3,347,749</u>
Total Capital Assets (incl. land)	<u>\$ 3,405,687</u>	<u>\$ (57,208)</u>	<u>\$ -</u>	<u>\$ 3,348,479</u>
Total All Assets (net of depreciation)	<u>\$ 7,303,855</u>			<u>\$ 7,794,740</u>

Note: Infrastructure valued at \$452,845 was donated to the city by contractors.

See Notes to Financial Statements

### 3C INTERFUND TRANSFERS AND BALANCES

Transfers between funds of the government for the year ended June 30, 2008, were as follows:

	Transfers In	Transfers Out
Major Funds:		
Governmental:		
General Fund	\$ 5,743	\$ 26,600
State Tax		1,000
Business-Type:		
Water Fund		40,000
Water Systems	30,000	
Non-Major Fund:		
Governmental:		
Vehicle & Equipment	37,600	
		5,743
	<u>\$ 73,343</u>	<u>\$ 73,343</u>

The transfers reflected in the above schedule were used to move resources collected by the different funds to the funds authorized to spend the resources.

### INTERFUND BALANCES

At June 30, 2008 there were no interfund balances.

### 3D LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions consists of amounts to be repaid from business-type activities.

Capital debt with West Coast Bank for the Eastside Industrial Area Local Improvement City bonds for the construction of the Eastside local improvements. The City signed bond anticipation notes, series 1997 in the amount of \$2,200,000 to finance the Eastside Industrial Area Local Improvement District. The bond anticipation notes were retired December 1, 1998 by the sale of general obligation bonds in the amount of \$2,200,000. The issue date was November 20, 1998, the interest rate is 4.95%. The final payment is due December 15, 2008. The amortization schedule for this debt follows:

	<u>December 15</u>		<u>June 15</u>		<u>Totals</u>		
2008-09	<u>\$ 81,181</u>	<u>\$ 1,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,181</u>	<u>\$ 1,603</u>	<u>\$ 82,784</u>

During the fiscal year 2004-05, the City began work on the Glencoe Road Water Transmission Main project. Funding for this project was provided by an Environmental Protection Agency Grant and a Safe Drinking Water Revolving Loan issued by the Oregon Economic & Community Development Department. As of June 30, 2007, the City had drawn

the available maximum of \$1,846,808. The first payment on the loan was made on December 1, 2005. The loan has an annual interest rate of 3.87% and a term of 20 years. The amortization schedule for this debt follows:

Year Ended June 30, 2008

SAFE DRINKING WATER REVOLVING LOAN

Fiscal Year	Annual Debt Service		Total
	Principal	Interest	
2007-08	67,820	66,512	134,332
2008-09	70,444	63,887	134,331
2009-10	73,171	61,161	134,332
2010-11	76,002	58,329	134,331
2011-12	78,943	55,388	134,331
2012-13	81,999	52,333	134,332
2013-14	85,172	49,160	134,332
2014-15	88,468	45,864	134,332
2015-16	91,892	42,440	134,332
2016-17	95,448	38,884	134,332
2017-18	99,142	35,190	134,332
2018-19	102,979	31,353	134,332
2019-20	106,964	27,368	134,332
2020-21	111,104	23,228	134,332
2021-22	115,403	18,928	134,331
2022-23	119,869	14,462	134,331
2023-24	124,508	9,823	134,331
2024-25	129,327	5,005	134,332
Balance 6/30/08	<u>\$ 1,650,835</u>	<u>\$ 632,803</u>	<u>\$ 2,283,638</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2008

DEBT ACTIVITY FOR YEAR ENDED JUNE 30, 2008

	BEGINNING BALANCE	PAID	ENDING BALANCE	DUE WITHIN ONE YEAR	DUE AFTER ONE YEAR
PRINCIPAL PAID					
Safe Drinking Water	1,718,655	67,820	1,650,835	70,444	1,580,391
Local Improvement District	238,855	157,676	81,179	81,179	-
TOTAL	<u>\$ 1,957,510</u>	<u>\$ 225,496</u>	<u>\$ 1,732,014</u>	<u>\$ 151,623</u>	<u>\$ 1,580,391</u>
INTEREST PAID					
Safe Drinking Water		66,512			
Local Improvement District		7,893			
TOTAL		<u>\$ 74,405</u>			

Note 4 - OTHER NOTES

**4A EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

Multiple-Employer Defined Benefit Plan

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("PERS"), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits are assumed at 8.0% for Tier One and there is no guaranty of future interest credits for Tier Two members.

The Oregon Public Employees Retirement Fund (OPERF) applies to contributions made for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF. There are two programs, the Pension Program and the PERS program.

The Pension Program, the defined benefit portion of the plan, applies to qualifying employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

The PERS program requires that beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at [www.oregon.gov/PERS/section/financial](http://www.oregon.gov/PERS/section/financial).

**Funding Policy** - Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. Currently, the City pays the member required contribution. The City's contribution rate was determined as part of a December 31, 2001 actuarial evaluation, and subsequent revisions. The contribution rates for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

The City's PERS contribution rates for the year ended June 30, 2008 are shown below.

<u>Tier 1/Tier 2</u>	<u>OPSRP General Service</u>	<u>OPSRP Police/Fire</u>
9.90%	11.21%	14.48%

**Annual Pension Cost** - The City's contributions to the pension plan for the last four Fiscal Years are shown below.

<u>Year Ended by 30-Jun</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2005	76,398	100%
2006	97,416	100%
2007	105,980	100%
2008	111,693	100%

#### 4B RISK MANAGEMENT

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

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions	Purchased Commercial Insurance	None
b. Workers compensation, health and life Insurance	Purchased Commercial Insurance	None
c. Physical property loss and natural disasters	Purchased Commercial Insurance	None

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

#### 4C CONTINGENCIES

##### Grant Program Involvement

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

##### Litigation

The City is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the modified cash basis of accounting, the financial statements do not include accrual or provisions for loss contingencies that may result from these proceeding. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

#### 4D COMMITMENTS

The City has entered into an intergovernmental agreement with the North Plains Urban Renewal Agency whereby the City will provide administrative services for the Agency and the Agency will reimburse the City for these expenses.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH PLAINS, OREGON

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2008

BUDGET LAW

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

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

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

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

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

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

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

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

All transfers of appropriations between departments and supplemental appropriations require City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The Budget is prepared on the cash basis of accounting, reporting revenues and expenditures when they result from cash transactions.

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GENERAL FUND

Year Ended June 30, 2008

<u>CASH RECEIPTS</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes and Related Items	275,045	275,045	289,239	14,194
Licenses, Permits and Fees	361,138	361,138	310,402	(50,736)
Intergovernmental	42,380	42,380	50,187	7,807
Grants	51,000	51,000	53,889	2,889
Fines and Forfeitures	321,000	321,000	373,994	52,994
Miscellaneous	60,865	60,865	57,197	(3,668)
<b>TOTAL RECEIPTS</b>	<b>1,111,428</b>	<b>1,111,428</b>	<b>1,134,908</b>	<b>23,480</b>

Expenditures on following page

See Notes to Financial Statements

GENERAL FUND

<u>CASH EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
<u>Building and Park</u>				
Personal Services	47,644	47,644	43,451	4,193
Material and Services	21,800	21,800	14,921	6,879
Capital Outlay	2,100	2,100	1,633	467
Total	<u>71,544</u>	<u>71,544</u>	<u>60,005</u>	<u>11,539</u>
<u>City Planning</u>				
Personal Services	80,974	82,491	73,150	9,341
Material and Services	168,550	158,550	62,328	96,222
Total	<u>249,524</u>	<u>241,041</u>	<u>135,478</u>	<u>105,563</u>
<u>Police</u>				
Personal Services	218,682	218,682	214,945	3,737
Material and Services	158,491	162,011	129,155	32,856
Capital Outlay	18,093	16,573	15,775	798
Total	<u>395,266</u>	<u>397,266</u>	<u>359,875</u>	<u>37,391</u>
<u>Municipal Court</u>				
Personal Services	128,540	98,344	83,329	15,015
Material and Services	82,927	125,927	92,020	33,907
Capital Outlay	3,300	3,300	1,050	2,250
Total	<u>214,767</u>	<u>227,571</u>	<u>176,399</u>	<u>51,172</u>
<u>Sewer Administration</u>				
Personal Services	14,152	14,152	13,465	687
Material and Services	4,300	4,300	3,594	706
Total	<u>18,452</u>	<u>18,452</u>	<u>17,059</u>	<u>1,393</u>
<u>Finance &amp; Admin. Services</u>				
Personal Services	72,330	72,330	64,202	8,128
Material and Services	72,926	130,926	110,682	20,244
Capital Outlay	43,594	42,494	35,627	6,867
Operating Contingencies	93,625	27,000	-	27,000
Total	<u>282,475</u>	<u>272,750</u>	<u>210,511</u>	<u>62,239</u>
<u>Library District</u>				
Personal Services	67,738	71,142	64,560	6,582
Material and Services	28,462	28,462	24,295	4,167
Capital Outlay	1,600	1,600	1,532	68
Total	<u>97,800</u>	<u>101,204</u>	<u>90,387</u>	<u>10,817</u>
<u>CASH TRANSFERS</u>				
Vehicle and Equipment Reserve Fund (PD)	22,600	22,600	22,600	-
Vehicle and Equipment Reserve Fund (Pks)	4,000	4,000	4,000	-
	<u>26,600</u>	<u>26,600</u>	<u>26,600</u>	
UNAPPROPRIATED FUND BALANCE	<u>340,000</u>	<u>340,000</u>	<u>-</u>	<u>340,000</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>1,696,428</u>	<u>1,696,428</u>	<u>1,076,314</u>	<u>620,114</u>
NET CHANGE IN FUND BALANCE	(585,000)	(585,000)	58,594	643,594
<u>CASH BALANCE, Beginning</u>	<u>\$ 585,000</u>	<u>\$ 585,000</u>	<u>\$ 634,955</u>	<u>\$ 49,955</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,549</u>	<u>\$ 693,549</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

STATE TAX, TRANSPORTATION, AND STORM DRAINAGE FUND

Year Ended June 30, 2008

<u>CASH RECEIPTS</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
Charge for Services	300,870	300,870	67,605	(233,265)
Intergovernmental	112,854	112,854	87,270	(25,584)
Miscellaneous	18,500	18,500	23,285	4,785
<b>TOTAL RECEIPTS</b>	<u>432,224</u>	<u>432,224</u>	<u>178,160</u>	<u>(254,064)</u>
<u>CASH EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Street Tax</u>				
Personal Services	35,016	35,016	30,892	4,124
Material and Services	74,240	74,990	43,635	31,355
Capital Outlay	2,200	2,200	1,745	455
Contingency	31,783	31,033	-	31,033
Total	<u>143,239</u>	<u>143,239</u>	<u>76,272</u>	<u>66,967</u>
<u>Transportation and Storm Drainage</u>				
Personal Services	34,580	34,580	30,781	3,799
Material and Services	197,890	200,355	45,992	154,363
Debt Service	-	-	-	-
Capital Outlay	466,115	463,650	6,762	456,888
Total	<u>698,585</u>	<u>698,585</u>	<u>83,535</u>	<u>615,050</u>
<u>CASH TRANSFERS</u>				
Vehicle and Equipment Reserve Fund	1,000	1,000	1,000	-
<b>UNAPPROPRIATED FUND BALANCE</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<u>892,824</u>	<u>892,824</u>	<u>160,807</u>	<u>732,017</u>
<b>NET CHANGE IN FUND BALANCE</b>	(460,600)	(460,600)	17,353	477,953
<u>CASH BALANCE, Beginning</u>	<u>\$ 460,600</u>	<u>\$ 460,600</u>	<u>\$ 472,158</u>	<u>\$ 11,558</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,511</u>	<u>\$ 489,511</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

TRAFFIC IMPACT FEES FUND

Year Ended June 30, 2008

<u>CASH RECEIPTS</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
License, Permits and Fees	418,180	418,180	3,380	(414,800)
Main Street Project - CWS	-	-	-	
Interest	5,000	5,000	14,904	9,904
<b>TOTAL RECEIPTS</b>	<b>423,180</b>	<b>423,180</b>	<b>18,284</b>	<b>(404,896)</b>
<u>CASH EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Personal Services	27,860	27,860	24,018	3,842
Materials and Services	20,000	20,000	-	20,000
Capital Outlay	700,320	700,320	-	700,320
<b>TOTAL EXPENDITURES</b>	<b>748,180</b>	<b>748,180</b>	<b>24,018</b>	<b>724,162</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(325,000)</b>	<b>(325,000)</b>	<b>(5,734)</b>	<b>319,266</b>
<u>CASH BALANCE, Beginning</u>	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 335,400</u>	<u>\$ 10,400</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,666</u>	<u>\$ 329,666</u>

See Notes to Financial Statements

SUPPLEMENTARY INFORMATION

CITY OF NORTH PLAINS

Washington County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>		
	<u>Parks Capital Improvement</u>	<u>Vehicle and Equipment Reserve</u>	<u>Total Non-major Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$ 283,791</u>	<u>\$ 37,733</u>	<u>\$ 321,524</u>
TOTAL ASSETS	<u>\$ 283,791</u>	<u>\$ 37,733</u>	<u>\$ 321,524</u>
<u>FUND BALANCES</u>			
Restricted for Debt Service Reserved, Reported in Non-major Special Revenue Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>283,791</u>	<u>37,733</u>	<u>321,524</u>
TOTAL FUND BALANCES	<u>\$ 283,791</u>	<u>\$ 37,733</u>	<u>\$ 321,524</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

MODIFIED CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>		
	<u>Parks Capital Improvement</u>	<u>Vehicle and Equipment Reserve</u>	<u>Total Non-major Governmental Funds</u>
<u>REVENUES</u>			
Taxes and Related Items	\$ -	\$ -	\$ -
Charges for Services	10,225	-	10,225
Miscellaneous	<u>17,257</u>	<u>6,904</u>	<u>24,161</u>
Total	<u>27,482</u>	<u>6,904</u>	<u>34,386</u>
<u>EXPENDITURES</u>			
Debt Service	-	-	-
Equipment	-	38,919	38,919
Parks	<u>150,739</u>	<u>-</u>	<u>150,739</u>
Total	<u>150,739</u>	<u>38,919</u>	<u>189,658</u>
<u>REVENUES OVER EXPENDITURES</u>	(123,257)	(32,015)	(155,272)
<u>OTHER FINANCING SOURCES [USES]</u>			
Operating Transfers In	-	37,600	37,600
Close to General Fund	-	-	-
<u>FUND BALANCES, Beginning</u>	<u>407,048</u>	<u>32,148</u>	<u>439,196</u>
<u>FUND BALANCES, Ending</u>	<u>\$ 283,791</u>	<u>\$ 37,733</u>	<u>\$ 321,524</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARKS CAPITAL IMPROVEMENT FUND

Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Charge for Services	377,190	377,190	10,225	(366,965)
Interest	6,000	6,000	17,257	11,257
<b>TOTAL RECEIPTS</b>	<u>383,190</u>	<u>383,190</u>	<u>27,482</u>	<u>(355,708)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	1,500	1,500	-	1,500
Capital Outlay	776,690	776,690	150,739	625,951
<b>TOTAL EXPENDITURES</b>	<u>778,190</u>	<u>778,190</u>	<u>150,739</u>	<u>627,451</u>
<u>NET CHANGE IN FUND BALANCE</u>	(395,000)	(395,000)	(123,257)	271,743
<u>CASH BALANCE, Beginning</u>	<u>\$ 395,000</u>	<u>\$ 395,000</u>	<u>\$ 407,048</u>	<u>\$ 12,048</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,791</u>	<u>\$ 283,791</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

VEHICLE AND EQUIPMENT RESERVE FUND

Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	1,400	1,400	1,504	104
Miscellaneous	-	-	5,400	5,400
	<u>1,400</u>	<u>1,400</u>	<u>6,904</u>	<u>5,504</u>
<u>CASH TRANSFERS</u>				
General Fund	24,600	24,600	26,600	2,000
Water Fund	10,000	10,000	10,000	-
Street Tax, Transportation, and Storm Drainage Fund	1,000	1,000	1,000	-
	<u>35,600</u>	<u>35,600</u>	<u>37,600</u>	<u>2,000</u>
 TOTAL RECEIPTS AND TRANSFERS	 <u>37,000</u>	 <u>37,000</u>	 <u>44,504</u>	 <u>7,504</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	69,000	69,000	38,919	30,081
 NET CHANGE IN FUND BALANCE	 (32,000)	 (32,000)	 5,585	 37,585
 CASH BALANCE, Beginning	 \$ 32,000	 \$ 32,000	 \$ 32,148	 \$ 148
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,733</u>	<u>\$ 37,733</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER FUND

Year Ended June 30, 2008

<u>CASH RECEIPTS</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
Charges for Services	660,250	660,250	578,647	(81,603)
Interest	12,000	12,000	16,506	4,506
Miscellaneous	8,000	8,000	12,018	4,018
Total	<u>680,250</u>	<u>680,250</u>	<u>607,171</u>	<u>(73,079)</u>
TRANSFER FROM GENERAL FUND	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL RECEIPTS & TRANSFERS	<u>680,250</u>	<u>680,250</u>	<u>607,171</u>	<u>(73,079)</u>
<u>CASH EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Personal Services	316,850	321,750	307,305	14,445
Material and Services	308,467	314,641	250,145	64,496
Capital Outlay	27,185	26,435	9,579	16,857
Operating Contingencies	64,748	52,424	-	52,424
Total	<u>717,250</u>	<u>715,250</u>	<u>567,028</u>	<u>148,222</u>
<u>TRANSFERS</u>				
Water Systems Improvement	30,000	30,000	30,000	-
Vehicle and Equipment Reserve Fund	10,000	10,000	10,000	-
	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
UNAPPROPRIATED FUND BALANCE	<u>268,000</u>	<u>268,000</u>	<u>-</u>	<u>268,000</u>
TOTAL CASH EXPENDITURES AND TRANSFERS	<u>1,025,250</u>	<u>1,023,250</u>	<u>607,028</u>	<u>416,222</u>
NET CHANGE IN FUND BALANCE	(345,000)	(343,000)	142	343,142
CASH BALANCE, Beginning	<u>\$ 345,000</u>	<u>\$ 345,000</u>	<u>\$ 390,049</u>	<u>\$ 45,049</u>
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 390,191</u>	<u>\$ 388,191</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER SYSTEMS IMPROVEMENT FUND

Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Charges for Services	673,930	673,930	10,720	(663,210)
Intergovernmental	-	-	-	-
Interest	8,000	8,000	7,608	(392)
Miscellaneous	-	-	-	-
Total	<u>681,930</u>	<u>681,930</u>	<u>18,328</u>	<u>(663,602)</u>
<u>TRANSFER FROM WATER FUND</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
<u>TOTAL RECEIPTS &amp; TRANSFERS</u>	<u>711,930</u>	<u>711,930</u>	<u>48,328</u>	<u>(663,602)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH EXPENDITURES</u>				
<u>Water Department</u>				
Personal Services	-	-	-	-
Materials and Services	333,000	350,635	32,103	318,532
Capital Outlay	248,598	230,963	34,233	196,730
Debt Service	<u>208,332</u>	<u>208,332</u>	<u>134,332</u>	<u>74,000</u>
Total	<u>789,930</u>	<u>789,930</u>	<u>200,668</u>	<u>589,262</u>
<u>UNAPPROPRIATED FUND BALANCE</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>
<u>TOTAL EXPENDITURES</u>	<u>929,930</u>	<u>929,930</u>	<u>200,668</u>	<u>729,262</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(218,000)</u>	<u>(218,000)</u>	<u>(152,340)</u>	<u>65,660</u>
<u>CASH BALANCE, Beginning</u>	<u>\$ 218,000</u>	<u>\$ 218,000</u>	<u>\$ 227,991</u>	<u>\$ 9,991</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,651</u>	<u>\$ 75,651</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

LOCAL IMPROVEMENT DISTRICT ASSESSMENT FUND

Year Ended June 30, 2008

<u>CASH RECEIPTS</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Assessments</u>				
Assessment Principal	157,676	157,676	175,146	17,470
Assessment Interest	7,894	7,894	7,211	(683)
Total	<u>165,570</u>	<u>165,570</u>	<u>182,358</u>	<u>16,788</u>
<u>Other</u>				
Interest on Investments	200	200	3,851	3,651
<b>TOTAL RECEIPTS</b>	<u>165,770</u>	<u>165,770</u>	<u>186,208</u>	<u>20,438</u>
<u>CASH EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Debt Service</u>				
Bond Principal	157,676	157,676	157,676	0
Bond Interest	7,894	7,894	7,893	1
Total	<u>165,570</u>	<u>165,570</u>	<u>165,569</u>	<u>1</u>
<u>Other</u>				
Legal Services	83,200	83,200	10,944	72,256
<b>TOTAL EXPENDITURES</b>	<u>248,770</u>	<u>248,770</u>	<u>176,512</u>	<u>72,258</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 (83,000)	 (83,000)	 9,696	 92,696
 <u>CASH BALANCE, Beginning</u>	 \$ 83,000	 \$ 83,000	 \$ 83,543	 \$ 543
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,239</u>	<u>\$ 93,239</u>

See Notes to Financial Statements

CITY OF NORTH PLAINS

Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

Year Ended June 30, 2008

<u>Year of Levy</u>	<u>Levy &amp; Taxes Receivable, Beginning</u>	<u>Discounts</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Levy &amp; Taxes Receivable, Ending</u>
2007-08	\$ 298,333	\$ (7,575)	\$ (345)	\$ (283,259)	\$ 7,154
2006-07	\$ 5,536	\$ 1	\$ (176)	\$ (3,913)	1,448
2005-06	1,572	4	(159)	(788)	628
2004-05	906	2	(81)	(604)	223
2003-04	310	2	(53)	(226)	32
2002-03	117	-	(9)	(34)	73
2001-02 & Prior	<u>175</u>	<u>-</u>	<u>(2)</u>	<u>(72)</u>	<u>101</u>
Total	<u>\$ 306,947</u>	<u>\$ (7,567)</u>	<u>\$ (825)</u>	<u>\$ (288,896)</u>	<u>\$ 9,660</u>

See Notes to Financial Statements

AUDITOR'S COMMENTS AND  
DISCLOSURES REQUIRED BY STATE REGULATIONS

# DENNIS R. CONNER

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

January 12, 2009

City Council  
CITY OF NORTH PLAINS  
North Plains, Oregon

I have audited the basic financial statements of the CITY OF NORTH PLAINS (the City) as of and for the year ended June 30, 2008, and have issued my report thereon dated January 12, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

### REPORT ON INTERNAL ACCOUNTING CONTROL

In planning and performing my audit of the general purpose financial statements of the City for the year ended June 30, 2008, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basis financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material weakness except for the following:

#### Financial Reporting

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

#### Inadequate Segregation of Accounting Duties

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

### ACCOUNTING RECORDS

The City's accounting records were adequate for audit purposes, except as noted above.

## ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

The City's bank is listed as a qualified depository of public funds in conformity with Oregon Revised Statutes Chapter 295. Public funds depositors are no longer required to request the issuance of "Certificates of Participation" for balances over the Federal Deposit Insurance Corporation insured amount. Banks are now required to provide quarterly reporting of their public funds deposits to the State Treasurer's office, which will be the basis for their collateral pledging for the next quarter. Treasury will monitor each depository bank and ensure compliance with collateralization requirements for all public fund deposits. Banks will be able to pledge a reduced amount, 10% vs. 25%, if they are well capitalized; and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Poorly capitalized banks will still be required to pledge collateral equal to 110% of their deposits which will be monitored on a weekly basis. If you have any questions on Oregon public funds collateralization, call Wendy Finley at (503) 378-3400.

My review of adequacy of collateral securing depository balances indicated the collateral was sufficient for the year ended June 30, 2008.

## INVESTMENTS

My review of deposit and investment balances indicated that, during the year ended June 30, 2008, the City was in compliance with ORS 294 as it pertains to investment of public funds.

## LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the City is in compliance with the limitation imposed by state statute. I noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt.

## BUDGET COMPLIANCE

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2008, and the preparation and adoption of its budget for the year ending June 30, 2009.

## INSURANCE POLICIES AND FIDELITY BONDS

I have reviewed the City's insurance and fidelity bond coverage at June 30, 2008. I ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. I am not competent by training to comment on the adequacy of the insurance policies covering the City-owned property at June 30, 2008.

## PUBLIC CONTRACTS

The City's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

## PROGRAMS FUNDED FROM OUTSIDE SOURCES

I reviewed and tested, to the extent I considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. These activities and reports appeared to meet the requirements of the grantors.

## HIGHWAY FUNDS

The City of North Plains appeared to be in compliance with constitutional and statutory law pertaining to the use of highway funds.

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



Dennis R. Conner  
Certified Public Accountant