

CITY OF DONALD
MARION COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF DONALD
MARION COUNTY, OREGON**

MODIFIED CASH BASIS FINANCIAL STATEMENTS

**WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF DONALD
MARION COUNTY, OREGON

Mayor and City Council

TERM EXPIRES

Rick Olmsted, Mayor	December 31, 2018
Jan Olsen, Council President	December 31, 2020
Fred Hartley	December 31, 2018
Katie Gonzalez	December 31, 2018
Ellen Clemmons	December 31, 2020
Abby Hungate	December 31, 2018
Brad Oxenford	December 31, 2020

All councilors receive their mail at the address listed below

Heidi Bell, City Manager
10710 Main St. NE
PO Box 388
Donald, OR 97020

CITY OF DONALD
MARION COUNTY, OREGON
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CITY OF DONALD
MARION COUNTY, OREGON

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PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

February 7, 2018

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Donald
Marion County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Donald, as of and for the year ended June 30, 2017, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's 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 auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Donald, as of June 30, 2017, and the respective changes in modified cash basis financial position and budgetary comparisons for the general fund and street fund, and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 77 – *Tax Abatement Disclosures* during the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters*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, as listed in the table of contents, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements.

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have 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 them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 7, 2018 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 opinion on compliance.



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.



CITY OF DONALD

Management Discussion and Analysis

Fiscal Year Ending: June 30, 2017

This report is commonly called a Management Discussion and Analysis (MDA) because it is a narrative overview and analysis of the financial statements that are prepared by the City Manager and Accountant of the City of Donald, Oregon. A MDA is provided at the beginning of an audit report to help prepare a reader with insight into the operations and financial activities for the City for the fiscal year ending June 30, 2017. The report is meant to be comprehensive and reader-friendly. However, it should not be taken as a replacement for the annual audit financial report, which consists of the financial statements, notes to the financial statements and other information prepared by an independent auditor. The City of Donald's independent audit firm is Pauly, Rogers and CO., CPA located in Tigard, Oregon and has been serving in this capacity since 2012.

Financial Highlights			
June 30,			
	2017	2016	Change
Net Position	\$ 3,246,580	\$ 2,818,140	\$ 428,440
Change in Net Position	\$ 428,440	\$ 8,362	\$ 420,078
Governmental Net Position	\$ 480,794	\$ 443,660	\$ 37,134
Proprietary Net Position	\$ 2,765,786	\$ 2,374,480	\$ 391,306

Financial Highlights for Fiscal Year 2016-2017

- At the close of the fiscal year the City's Net Position for both governmental and proprietary funds was \$3,246,580. At the end of fiscal year 2015-2016 the Net Position was \$2,818,140 so this is an increase of \$428,440. This is a good indication that the City is doing well financially.
- The City's Total Liabilities at June 30, 2017 was \$175,000, which is equal to the City's one outstanding general obligation bond debt. At the close of the fiscal year prior it was \$190,000. This is another good predictor that the City is doing well financially.
- At June 30, 2017, the City's governmental activities reported ending Net Position of \$480,794, which is an increase of \$37,134. This includes the General Fund, Street Fund and Debt Service Fund.
- At June 30, 2017 the City's proprietary funds reported a total Net Position of \$2,765,786, which is an increase from the year prior of \$391,306. This includes the Water Fund, Sewer Fund and the five System Development Charge Funds: Water, Sewer, Storm Drain, Transportation and Parks.

Overview of Financial Statements

The following discussion and analysis is intended to serve as an introduction to the City of Donald's basic financial statements and other required supplementary information.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. These statements are reported using the modified-cash basis of accounting. Some of the information that a reader can gain by reading a government's financial statements: is a better understanding of a municipality's overall financial position including if it is improving or deteriorating, is to evaluate whether the government's current year revenues were sufficient to pay for current year services, to see what the cost are of providing services to citizens, to assess the finances of the government in its entirety, or see how the government finances its operations (through user-fees versus general tax revenues). The two statements included in the MDA are the Statement of Net Position and Statement of Activities. Here is a short description of each statement's purpose.

The *Statement of Net Position* presents information on the City's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the Net Position changed during the most recent fiscal year based on analyzing the receipts and expenditures.

Both government-wide financial statements report the information into two categories: *Governmental Activities*, which is supported by taxes and intergovernmental revenues and the other is called *Business-Type Activities*, which most revenues come from user-fees or charges to customers/developers.

Governmental Activities include the General Fund and Street Fund. The General Fund includes City functions such as administration, parks/community center, economic development, community development, police services, planning and building activities. It is mostly supported by the collection of property taxes, intergovernmental revenues and franchise fees. The Street Fund revenue comes from the State Gas Tax, which the City receives a proportionate share of and it pays for the maintenance of the City streets. The City's Debt Service fund is accounted for and reported separately. It is discussed later in this analysis.

Business-type activities include the water and wastewater utility operations because they are funded through the collection of customer user-fees. The five system development funds are also reported in the Business-Type Activities column.

The **Fund Financial Statements** provide more detailed information about each of the City's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for

What is a Fund?

“A fiscal and accounting entity self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific, regulated activities and objectives.” State of Oregon's *Local Budgeting Manual*

specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements (including Oregon Budget Laws). Funds can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements instead focus on the acquisition and use of current spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful in obtaining an understanding of each fund's activity. The City's governmental funds are the General Fund, Street Fund and Debt Service Fund because most of these funds revenues are collected via property taxes, franchise fees and intergovernmental money.

Proprietary (Enterprise) Funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Fund and Sewer Fund operations because these fund's revenues are mainly generated through user-fees charged to customers. All five System Development funds are enterprise funds because the revenue is collected from users/developers.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

Other Supplementary Information provides additional information to the basic financial statements and accompanying notes. This report also presents the budgetary comparison schedules, the combining of non-major fund financial statements, and other schedules.

The audit also contains a letter from the City's auditor and it is required by the State of Oregon. The document is called the *Independent Auditor's Report* and it is supplemental communications on the City's compliance and internal controls that are required by Oregon statutes. It is delivered to the Mayor and City Council.

Government-Wide Financial Analysis

Below is the *Statement of Net Position* to provide you a comparison of the fiscal year that just ended to the one prior. The City of Donald uses a modified cash basis system of accounting to report its financials. As noted earlier, Net Position may serve as a useful indicator of a government's financial health. The term restricted represents resources that are subject to external restrictions on their use, such as debt service payments, capital projects or system development funds. Unrestricted net position is available for general operations of the City. Here are a few highlights that can be gleaned from the statement.

- The Governmental Activities funds *Cash and Investments* increased by \$16,120 and the *Capital Assets* increased by \$6,014.
- The Business-Type Activities funds *Cash and Investments* increased by \$100,137 and the *Capital Assets* increased by \$291,169.
- The City's Liabilities decreased by 15,000, which was the principle payment on its outstanding bond debt. Property taxes are collected for the specific purpose to pay off this debt.
- The Governmental Activities and Business-Type Activities both saw an overall increase in the amount of *Unrestricted and Restricted* revenues collected.
- Overall, there was at least some growth in each of the measurements from the last fiscal year. A good indication that the City is at least slightly better off.

Statements of Net Positions						
June 30,						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Cash & Investments	\$ 346,221	\$ 330,101	\$ 1,216,252	\$ 1,116,115	\$ 1,562,473	\$ 1,446,216
Other Assets					\$ -	\$ -
Capital Assets	\$ 309,573	\$ 303,559	\$ 1,549,534	\$ 1,258,365	\$ 1,859,107	\$ 1,561,924
Total Assets	\$ 655,794	\$ 633,660	\$ 2,765,786	\$ 2,374,480	\$ 3,421,580	\$ 3,008,140
Other Liabilities	175,000	190,000		0	\$ 175,000	\$ 190,000
Net Position						
Fund Net Position	\$ 134,573	\$ 113,559	\$ 1,549,534	\$ 1,258,365	\$ 1,684,107	\$ 1,371,924
Restricted	\$ 179,244	\$ 170,392	\$ 296,398	\$ 296,166	\$ 475,642	\$ 466,558
Unrestricted	\$ 166,977	\$ 159,709	\$ 919,854	\$ 819,949	\$ 1,086,831	\$ 979,658
Total Net Position	\$ 480,794	\$ 443,660	\$ 2,765,786	\$ 2,374,480	\$ 3,246,580	\$ 2,818,140

The *Statement of Activities* helps to see changes in receipts and disbursements and can give a reader a deeper understanding to the City's financial health. This statement can help decipher if receipts are keeping pace with expenses. The audit report can provide even more information about a specific fund's receipts and disbursements. Here are a few highlights that can be garnered from this statement.

- The Governmental Activities *Fines, Fees and Charges for Services* was the only area of receipts that increased, \$9,933, which was due to the increase in collection of business and planning fees.
- There was a slight decrease of \$2,789 in the amount of property taxes collected for the General Fund.
- The General Fund receives franchise fees and this year it was only up by \$750; even with the increased percentage from PGE (5%) and Loren's Sanitation (5%). Indicating that other utilities are cheaper or not being used by citizens.
- *Intergovernmental* collections decreased by \$17,488. This number represents sales tax collections from the State for cigarettes and liquor as well as a revenue share.
- *Interest and Miscellaneous* was also down by \$7,816.
- Overall it is a good thing that the Governmental Activities funds could spend less to offset the reduction in receipts received. The revenues outpace the expenses by \$8,262. This is a good indication that the City cannot count on revenues that fluctuate or are dependent on people's behaviors.
- Business-Type Activities saw an increase in *Fines, Fees and Charges for Services* by \$133,606. A significant portion of this is from the collection of System Development Charges from developers.
- The Water Fund received more in user-fees than the year prior. It is advised that the Budget Committee and City Council continue to approve user-fees increasing yearly to keep up with the rise in expenses. This year the expenses for the Water Fund were \$232,722 and customers paid \$247,151, which means that the Water Fund collected \$14,429 more than spent, which is not a much money to pay for broken equipment or failed machinery for utility.
- The Sewer Fund received more in user-fees than the year prior. It is advised that the Budget Committee and City Council continue to approve user-fees increasing yearly to keep up with the rise in expenses. This year the expenses for the Sewer Fund was \$280,107 and customers paid \$293,463, which means that the Sewer Fund collected \$13,356 more than spent, which is not a much money to pay for broken equipment or failed machinery for utility.
- Business-Type Activities received two grants. One from Marion County Economic Development Community Fund for \$50,000 to bore under the railroad track and the high pressured natural gas line to provide water service to the Donald Industrial Park. The other was a \$200,000 forgivable loan from the State's Infrastructure Finance Authority; this money was used on the actual water pipe put in the ground to serve the Donald Industrial Park. This loan will become a grant after the State verifies the employment numbers at the Donald Industrial Park.
- This year the System Development Charges expended \$13,833 from developers.

Statements of Activities						
June 30,						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Receipts						
Program Receipts						
Fines, Fees, Charges for Services	\$ 27,691	\$ 17,758	\$ 616,681	\$ 467,477	\$ 644,372	\$ 485,235
Capital Grants and Contributions			\$ -	\$ 2,250	\$ -	\$ 2,250
General Receipts						
Property Taxes	\$ 73,743	\$ 76,532	\$ -	\$ -	\$ 73,743	\$ 76,532
Franchise Fees	\$ 50,173	\$ 49,423	\$ -	\$ -	\$ 50,173	\$ 49,423
Intergovernmental	\$ 72,676	\$ 90,164	\$ 250,000	\$ 15,849	\$ 322,676	\$ 106,013
Interest & Misc.	\$ 22,605	\$ 30,421	\$ 17,197	\$ 23,342	\$ 39,802	\$ 53,763
Rental Income	\$ -	\$ -	\$ 23,244	\$ 23,244	\$ 23,244	\$ 23,244
Total Receipts	\$ 246,888	\$ 264,298	\$ 907,122	\$ 532,162	\$ 1,154,010	\$ 796,460
Disbursements						
General Government	\$ 172,399	\$ 177,727	\$ -	\$ -	\$ 172,399	\$ 177,727
Capital Outlay	\$ 4,917	\$ 26,620	\$ -	\$ 36,128	\$ 4,917	\$ 62,748
Street	\$ 38,866	\$ 42,732	\$ -	\$ -	\$ 38,866	\$ 42,732
Special Payments	\$ -	\$ 10,648	\$ -	\$ -	\$ -	\$ 10,648
Debt Service	\$ 18,658	\$ 15,119	\$ -	\$ -	\$ 18,658	\$ 15,119
Water	\$ -	\$ -	\$ 226,166	\$ 233,815	\$ 226,166	\$ 233,815
Sewer	\$ -	\$ -	\$ 267,959	\$ 260,297	\$ 267,959	\$ 260,297
System Development			\$ 13,833			
Total Disbursements	\$ 234,840	\$ 272,846	\$ 507,958	\$ 530,240	\$ 742,798	\$ 803,086
Change in Net Position Before Transfers	\$ 12,048	\$ (8,548)	\$ 399,164	\$ 1,922	\$ 411,212	\$ (6,626)
Interfund Transfers	\$ 7,858	\$ 19,192	\$ (7,858)	\$ (19,192)	\$ -	\$ -
Net Disbursements of Capital Assets	\$ 20,995	\$ 26,611			\$ 20,995	\$ 26,611
Loss on Disposal/Depreciation of Capital Assets	\$ (14,981)	\$ (12,063)			\$ (14,981)	\$ (12,063)
Bonds Payable	\$ 15,000	\$ 5,000	\$ -	\$ -	\$ 15,000	\$ 5,000
Change in Net Position	\$ 40,920	\$ 30,192	\$ 391,306	\$ (17,270)	\$ 432,226	\$ 12,922

Fund-Based Financial Analysis

The focus of **Governmental Funds** is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

At June 30, 2017, the City's governmental funds reported combined Net Position of \$480,794 which is an increase of \$37,134 from last fiscal year's ending balance of \$443,660. The proprietary funds reported a combined Net Position of \$2,765,786, which is an increase of \$391,306, from the prior year of \$2,374,480.

The *General Fund* is the essential and primary operating fund for the City. This fiscal year's ending fund balance was \$166,977 and is an increase of \$7,268 from the beginning fund balance of \$159,709. The General Fund received just \$63,105 in property taxes. It is advised that the City's leadership take advantage of any new resources that are presented for the General Fund. This Fund provides the funding for some many of the

activities that citizens want more of like policing, community development, park equipment and code enforcement. The Community Center was renovated during this year and was added to the capital asset register.

The *Street Fund* received its revenue of \$58,867 from the State's Gas Tax and \$1,615 in interest. The fund balance at the end of the fiscal year was \$170,304; this is an increase of \$16,699 from the beginning fund balance of \$153,605. This fund continues to report a savings for future capital costs that will be required to maintain Donald's street system.

Proprietary (Enterprise) Funds account for the acquisition, operations and maintenance of the water and sewer systems. These funds are predominately self-supported through user-fees that are billed to customers. All five System Development Funds are funded through new development projects and are also proprietary funds.

The *Water Fund* accounts for the operation of the City's water system. The beginning Net Position for the fiscal year was \$863,327 and ended at \$889,266 which was an increase of \$25,939. The increase is partly due to staff making every attempt to save money, which is a struggle as outside expenses for repairs and maintenance, utilities and fuel costs continue to rise and the system continues to age. Other factors that added to this increase include the Future Reserve Fee of \$3 that is collected monthly- totaling \$14,192. Also, the Water Fund added \$25,800 to its capital asset register for the replacement of the green sand inside the filters and \$8,195 for its contribution for a new Public Works truck.

The *Sewer Fund* represents the operation of the City's sewer (wastewater) system. The beginning Net Position was \$1,214,987 and the ending Net Position was \$1,275,347; this was an increase of \$60,360. Part of this large increase was that the staff was focused on saving money and only did required maintenance on the system. There is some expectation of expensive equipment needing to be replaced and repairs to the sewer treatment plant in the near future. Other factors for this increase in Net Position are that Sewer Fund collects a monthly \$2 Future Reserve Fee from its customers -totaling \$9,389. Also, the City provides a wastewater utility service to the Fargo Interchange and this account paid more to the City than budgeted for and this is most likely due to the addition of new businesses in that area. Additions to the capital asset register for sewer include its contribution for a new Public Works truck of \$8,195 and replacing eight sewer main line valves at a cost of \$19,452.

The *Water System Fund: System Development Charges* accounts for the collection and expenses associated with water infrastructure projects and enhancements as per the Capital Improvement Plan. This year \$11,798 was collected from developers and \$250,000 from grants (intergovernmental). The fund expended money to pay for the water boring and installation of the water line. The beginning Net Position was \$53,908 and the ending Net Position was \$317,628 which is a difference of \$263,720 and all can be attributed to the water line project.

The *Sewer System Fund: System Development Charges* accounts for the collection and expenses associated with the sewer infrastructure projects and enhancements as per the Capital Improvement Plan. This year the Fund collected \$11,987 from developers. There were no expenditures. The beginning Net Position was 242,258 and the ending Net Position was \$253,415.

The Transportation System Development Charge was created by City Council in March 2016 for the collection and expenses associated with the transportation infrastructure projects and enhancements as per the Capital Improvement Plan. There was collection from developers and no expenditures. The ending Net Position was \$12,218.

The Stormwater System Development Charge was created by City Council in March 2016 for the collection and expenses associated with the stormwater infrastructure projects and enhancements as per the Capital Improvement Plan. There was collection from developers and no expenditures. The ending Net Position was \$17,912.

The Park System Development Charge was created by City Council in March 2016 for the collection and expenses associated with the park infrastructure projects and enhancements as per the Capital Improvement Plan. Collections for this can only come from residential developments. There were no collections. The Net Position is zero.

Long Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$175,000. The City has one outstanding General Obligation Bond which was issued for \$375,000 on March 8, 2005. This bond matures on December 7, 2025. The principal and interest for the bond is paid by taxes from Donald property owners. During the fiscal year \$15,000 was paid toward the principal and \$3,658 to interest. The City changed banks in January 2016 to reduce the bond interest rate from 5.25% to 3.29% resulting in a long-term savings for tax payers.

State statute limits the amount of general obligation debt a governmental entity may issue to three percent of its total assessed valuation. According to Marion County Tax Assessor’s records the City of Donald’s total assessed valuation for the 2016-2017 fiscal year was \$68,189,636. The outstanding debt falls well below the threshold for the State’s permissible debt limit levels. Additional information on the City's long-term debt can be found in the notes to the basic financial statements.

Statements of Net Positions						
June 30,						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 175,000	\$ 190,000	\$ -	\$ -	\$ 175,000	\$ 190,000
Totals	\$ 175,000	\$ 190,000	\$ -	\$ -	\$ 175,000	\$ 190,000

Economic Factors and the Next Year's Budget

The City of Donald's Budget is recommended by the City Manager to the Budget Committee. The Budget Committee is composed of the mayor and six elected at-large councilors as well as seven community members. The Budget Committee took into consideration the following factors and assumptions when working on the budget.

- a. Prior history of revenues and expenses;
- b. Needed capital projects in the Street, Water and Sewer Funds;
- c. Increases in personnel costs;
- d. Keeping levels of service consistent with expected revenues;
- e. Raising water and sewer fees based on the report and recommendations from the water and sewer rate study;
- f. Expected revenues that will be generated from property taxes and state share revenues.

The Budget Committee voted 11-0 to recommend the budget for approval the City Council. The Council voted on June 30, 2015 to approve the budget with a vote of 5 ayes and no nays. Resolution No. 390-15

Requests for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the municipality's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Donald
PO Box 388
10710 Main St. N.E.
Donald, OR 97020
Phone: 503-678-5543

CITY OF DONALD
MARION COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2017

ASSETS	GOVERNMENTAL	BUSINESS TYPE	TOTAL
Current:			
Cash and Investments	\$ 346,221	\$ 1,216,252	\$ 1,562,473
Total Current Assets	<u>346,221</u>	<u>1,216,252</u>	<u>1,562,473</u>
Non-Current:			
Capital Assets (Net of Accumulated Depreciation)	<u>309,573</u>	<u>1,549,534</u>	<u>1,859,107</u>
Total Assets	<u>655,794</u>	<u>2,765,786</u>	<u>3,421,580</u>
 LIABILITIES			
Bonds Payable:			
Due within one year	15,000	-	15,000
Due in more than one year	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total Long Term Liabilities	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Total Liabilities	<u>175,000</u>	<u>-</u>	<u>175,000</u>
 NET POSITION:			
Net Investment in Capital Assets	134,573	1,549,534	1,684,107
Restricted for:			
Debt Service	8,940	-	8,940
Street	170,304	-	170,304
System Development	-	296,398	296,398
Unrestricted	<u>166,977</u>	<u>919,854</u>	<u>1,086,831</u>
TOTAL NET POSITION	<u>\$ 480,794</u>	<u>\$ 2,765,786</u>	<u>\$ 3,246,580</u>

See accompanying notes to the basic financial statements

**CITY OF DONALD
MARION COUNTY, OREGON**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net Revenues (Expenses) and Changes in Net Position		Total	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Governmental Activities							
General government	\$ 175,290	\$ 27,691	\$ -	\$ -	\$ (147,599)	\$ -	\$ (147,599)
Highways and streets	38,664	-	-	-	(38,664)	-	(38,664)
Interest on long-term debt	3,658	-	-	-	(3,658)	-	(3,658)
Total Governmental Activities	217,612	27,691	-	-	(189,921)	-	(189,921)
Business-Type Activities							
Water	226,166	251,634	-	-	-	25,468	25,468
Sewer	267,959	304,246	-	-	-	36,287	36,287
System Development	13,833	84,045	-	-	-	70,212	70,212
Total Business-Type Activities	507,958	639,925	-	-	-	131,967	131,967
Total Primary Government	\$ 725,570	\$ 667,616	\$ -	\$ -	(189,921)	131,967	(57,954)
General Revenues (Expenses)							
Property Taxes					73,743	-	73,743
Franchise Fees					50,173	-	50,173
Intergovernmental					72,676	250,000	322,676
Interest and Miscellaneous					22,605	17,197	39,802
Total General Revenues					219,197	267,197	486,394
Transfers					7,858	(7,858)	-
Change in Net Position					37,134	391,306	428,440
Beginning Net Position					443,660	2,374,480	2,818,140
Ending Net Position					\$ 480,794	\$ 2,765,786	\$ 3,246,580

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2017

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ 166,977	\$ 170,304	\$ 8,940	\$ 346,221
Total Assets	<u>\$ 166,977</u>	<u>\$ 170,304</u>	<u>\$ 8,940</u>	<u>\$ 346,221</u>
FUND BALANCES				
Restricted	\$ -	\$ 170,304	\$ 8,940	\$ 179,244
Unassigned	<u>166,977</u>	<u>-</u>	<u>-</u>	<u>166,977</u>
Total Fund Balances	<u>\$ 166,977</u>	<u>\$ 170,304</u>	<u>\$ 8,940</u>	<u>\$ 346,221</u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION - MODIFIED CASH BASIS**
June 30, 2017

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

Fund Balances	\$ 346,221
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as a disbursement in governmental funds. The statement of net position includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	309,573
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.</p>	
Bonds Payable	<u>(175,000)</u>
Total Net Position	<u><u>\$ 480,794</u></u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
Receipts				
Property Taxes	\$ 63,105	\$ -	\$ 10,638	\$ 73,743
Franchise Fees	50,173	-	-	50,173
Licenses and Permits	27,691	-	-	27,691
Intergovernmental	13,809	58,867	-	72,676
Interest and Miscellaneous	20,817	1,615	173	22,605
Total Receipts	<u>175,595</u>	<u>60,482</u>	<u>10,811</u>	<u>246,888</u>
Disbursements				
Current:				
General Government	172,399	-	-	172,399
Highways and Streets	-	38,866	-	38,866
Community Development	3,786	-	-	3,786
Capital Outlay	-	4,917	-	4,917
Special Payments	-	-	-	-
Debt Service	-	-	18,658	18,658
Total Disbursements	<u>176,185</u>	<u>43,783</u>	<u>18,658</u>	<u>238,626</u>
Excess of Receipts Over, -Under Disbursements	(590)	16,699	(7,847)	8,262
Other Financing Sources, -Uses				
Transfers In	17,858	-	-	17,858
Transfers Out	(10,000)	-	-	(10,000)
Total Other Financing Sources, -Uses	<u>7,858</u>	<u>-</u>	<u>-</u>	<u>7,858</u>
Net Change in Fund Balance	7,268	16,699	(7,847)	16,120
Beginning Fund Balance - Modified Cash Basis	<u>159,709</u>	<u>153,605</u>	<u>16,787</u>	<u>330,101</u>
Ending Fund Balance - Modified Cash Basis	<u>\$ 166,977</u>	<u>\$ 170,304</u>	<u>\$ 8,940</u>	<u>\$ 346,221</u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**
For the Year Ended June 30, 2017

Explanation of certain differences between the governmental fund statement of receipts, disbursements, and changes in fund balance and the government-wide statement of activities

Excess of Receipts over Disbursements	\$ 16,120
<p>Governmental funds report capital outlays as disbursements. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as a depreciation disbursement. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Disbursements of Capital Assets	20,995
Depreciation Disbursement	(14,981)
<p>Changes in Bonds Payable have an effect on net income in the governmental funds. On the government wide statements, however, changes are posted to the liability account on the balance sheet.</p>	
	<u>15,000</u>
Change in Net Position	<u><u>\$ 37,134</u></u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Property Taxes	\$ 57,737	\$ 57,737	\$ 63,105	\$ 5,368
Licenses and Permits	33,600	33,600	27,691	(5,909)
Franchise Fees	49,800	49,800	50,173	373
Intergovernmental	34,235	34,235	13,809	(20,426)
Interest and Miscellaneous	2,750	2,750	20,817	18,067
Total Receipts	<u>178,122</u>	<u>178,122</u>	<u>175,595</u>	<u>(2,527)</u>
Disbursements				
Administration	115,188	115,188 (1)	105,417	9,771
Building & Planning	38,600	38,600 (1)	14,124	24,476
Public Safety	25,000	25,000 (1)	24,035	965
Parks	30,878	32,378 (1)	28,823	3,555
Community Development	4,500	4,500 (1)	3,786	714
Contingency	46,213	44,713 (1)	-	44,713
Total Disbursements	<u>260,379</u>	<u>260,379</u>	<u>176,185</u>	<u>84,194</u>
Excess of Receipts Over, -Under Disbursements	(82,257)	(82,257)	(590)	81,667
Other Financing Sources, -Uses				
Transfers In	18,024	18,024	17,858	(166)
Transfers Out	(10,000)	(10,000) (1)	(10,000)	-
Total Other Financing Sources, -Uses	<u>8,024</u>	<u>8,024</u>	<u>7,858</u>	<u>-</u>
Net Change in Fund Balance	(74,233)	(74,233)	7,268	81,667
Beginning Fund Balance	<u>162,165</u>	<u>162,165</u>	<u>159,709</u>	<u>(2,456)</u>
Ending Fund Balance	<u>\$ 87,932</u>	<u>\$ 87,932</u>	<u>\$ 166,977</u>	<u>\$ 79,211</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>STREET FUND</u>				
Receipts				
Intergovernmental	\$ 56,000	\$ 56,000	\$ 58,867	\$ 2,867
Interest and Miscellaneous	950	950	1,615	665
Total Receipts	<u>56,950</u>	<u>56,950</u>	<u>60,482</u>	<u>3,532</u>
Disbursements				
Personal Services	19,228	19,228 (1)	18,135	1,093
Materials and Services	42,130	42,130 (1)	20,731	21,399
Capital Outlay	24,800	24,800 (1)	4,917	19,883
Contingency	42,380	42,380 (1)	-	42,380
Total Disbursements	<u>128,538</u>	<u>128,538</u>	<u>43,783</u>	<u>84,755</u>
Net Change in Fund Balance	(71,588)	(71,588)	16,699	88,287
Beginning Fund Balance	<u>149,418</u>	<u>149,418</u>	<u>153,605</u>	<u>4,187</u>
Ending Fund Balance	<u>\$ 77,830</u>	<u>\$ 77,830</u>	<u>\$ 170,304</u>	<u>\$ 92,474</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

**CITY OF DONALD
MARION COUNTY, OREGON**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2017**

	Water Fund	Sewer Fund	Water System Fund	Sewer System Fund
ASSETS:				
Current Assets				
Cash and Investments	\$ 411,064	\$ 508,790	\$ 12,853	\$ 253,415
Total Current Assets	411,064	508,790	12,853	253,415
Capital Assets, Net	478,202	766,557	304,775	-
Total Assets	889,266	1,275,347	317,628	253,415
NET POSITION:				
Net Investment in Capital Assets	478,202	766,557	304,775	-
Restricted for System Developmen	-	-	12,853	253,415
Unrestricted	411,064	508,790	-	-
Total Net Position	\$ 889,266	\$ 1,275,347	\$ 317,628	\$ 253,415

See accompanying notes to the basic financial statements

**CITY OF DONALD
MARION COUNTY, OREGON**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2017**

	Park System Fund	Stormwater System Fund	Transportation System Fund	Total
ASSETS:				
Current Assets				
Cash and Investments	\$ -	\$ 17,912	\$ 12,218	\$ 1,216,252
Total Current Assets	-	17,912	12,218	1,216,252
Capital Assets, Net	-	-	-	1,549,534
Total Assets	-	17,912	12,218	2,765,786
NET POSITION:				
Net Investment in Capital Assets	-	-	-	1,549,534
Restricted for System Developmen	-	17,912	12,218	296,398
Unrestricted	-	-	-	919,854
Total Net Position	\$ -	\$ 17,912	\$ 12,218	\$ 2,765,786

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Water Fund	Sewer Fund	Water System Fund	Sewer System Fund
OPERATING REVENUE				
Charges for Services	\$ 251,634	\$ 304,246	\$ 11,798	\$ 11,987
Intergovernmental	-	-	250,000	-
Interest and Miscellaneous	357	357	11,876	-
Total Operating Revenue	<u>251,991</u>	<u>304,603</u>	<u>273,674</u>	<u>11,987</u>
OPERATING EXPENSES				
Personal Services	139,530	139,530	-	-
Materials and Services	60,152	79,665	-	3,324
Depreciation	26,484	48,764	10,509	-
Total Operating Expenses	<u>226,166</u>	<u>267,959</u>	<u>10,509</u>	<u>3,324</u>
Operating Income/(Loss)	<u>25,825</u>	<u>36,644</u>	<u>263,165</u>	<u>8,663</u>
NONOPERATING REVENUE (EXPENSES)				
Interest on Investments	4,043	4,401	555	2,494
Rental Income	-	23,244	-	-
Total Nonoperating Revenue (Expenses)	<u>4,043</u>	<u>27,645</u>	<u>555</u>	<u>2,494</u>
CAPITAL CONTRIBUTIONS (EXPENSES)				
Capital Contributions	-	-	-	-
Capital Outlay	-	-	-	-
Transfers In	5,000	5,000	-	-
Transfers Out	(8,929)	(8,929)	-	-
Total Capital Contributions (Expenses)	<u>(3,929)</u>	<u>(3,929)</u>	<u>-</u>	<u>-</u>
Change in Net Position	25,939	60,360	263,720	11,157
Beginning Net Position	<u>863,327</u>	<u>1,214,987</u>	<u>53,908</u>	<u>242,258</u>
Ending Net Position	<u>\$ 889,266</u>	<u>\$ 1,275,347</u>	<u>\$ 317,628</u>	<u>\$ 253,415</u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Park System Fund	Stormwater System Fund	Transportation System Fund	Total
OPERATING REVENUE				
Charges for Services	\$ -	\$ 17,912	\$ 12,218	\$ 609,795
Intergovernmental	-	-	-	250,000
Interest and Miscellaneous	-	-	-	12,590
Total Operating Revenue	-	17,912	12,218	872,385
OPERATING EXPENSES				
Personal Services	-	-	-	279,060
Materials and Services	-	-	-	143,141
Depreciation	-	-	-	85,757
Total Operating Expenses	-	-	-	507,958
Operating Income/(Loss)	-	17,912	12,218	364,427
NONOPERATING REVENUE (EXPENSES)				
Interest on Investments	-	-	-	11,493
Rental Income	-	-	-	23,244
Total Nonoperating Revenue (Expenses)	-	-	-	34,737
CAPITAL CONTRIBUTIONS (EXPENSES)				
Capital Contributions	-	-	-	-
Capital Outlay	-	-	-	-
Transfers In	-	-	-	10,000
Transfers Out	-	-	-	(17,858)
Total Capital Contributions (Expenses)	-	-	-	(7,858)
Change in Net Position	-	17,912	12,218	391,306
Beginning Net Position	-	-	-	2,374,480
Ending Net Position	\$ -	\$ 17,912	\$ 12,218	\$ 2,765,786

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Water Fund	Sewer Fund	Water System Fund	Sewer System Fund
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 251,991	\$ 304,603	\$ 273,674	\$ 11,987
Cash Paid to Suppliers	(60,152)	(79,665)	-	(3,324)
Cash Paid to Employees	(139,530)	(139,530)	-	-
Net Cash Provided -Used by Operating Activities:	<u>52,309</u>	<u>85,408</u>	<u>273,674</u>	<u>8,663</u>
Cash Flows from Noncapital Financing Activities				
Transfers Out	(8,929)	(8,929)	-	-
Transfers In	5,000	5,000	-	-
Net Cash Provided -Used by Noncapital Financing Activities	<u>(3,929)</u>	<u>(3,929)</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Capital Contributions (Outlay)	-	-	-	-
Rental Income	-	23,244	-	-
Additions/Deletions to Capital Assets	(33,995)	(27,647)	(315,284)	-
Net Cash Provided -Used by Capital and Related Financing Activities	<u>(33,995)</u>	<u>(4,403)</u>	<u>(315,284)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on Investments	4,043	4,401	555	2,494
Net Increase -Decrease in Cash and Cash Equivalents	18,428	81,477	(41,055)	11,157
Cash and Investments at Beginning of Year	392,636	427,313	53,908	242,258
Cash and Investments at End of Year	<u>\$ 411,064</u>	<u>\$ 508,790</u>	<u>\$ 12,853</u>	<u>\$ 253,415</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income, -Loss	\$ 25,825	\$ 36,644	\$ 263,165	\$ 8,663
Noncash Items Included in Income:				
Depreciation	26,484	48,764	10,509	-
Decrease -Increase in Accounts Receivable and Accrued Liabilities	-	-	-	-
Net Cash Provided -Used by Operating Activities:	<u>\$ 52,309</u>	<u>\$ 85,408</u>	<u>\$ 273,674</u>	<u>\$ 8,663</u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Park System Fund	Stormwater System Fund	Transportation System Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ -	\$ 17,912	\$ 12,218	\$ 872,385
Cash Paid to Suppliers	-	-	-	(143,141)
Cash Paid to Employees	-	-	-	(279,060)
Net Cash Provided -Used by Operating Activities:	-	17,912	12,218	450,184
Cash Flows from Noncapital Financing Activities				
Transfers Out	-	-	-	(17,858)
Transfers In	-	-	-	10,000
Net Cash Provided -Used by Noncapital Financing Activities	-	-	-	(7,858)
Cash Flows from Capital and Related Financing Activities:				
Capital Contributions (Outlay)	-	-	-	-
Rental Income	-	-	-	23,244
Additions/Deletions to Capital Assets	-	-	-	(376,926)
Net Cash Provided -Used by Capital and Related Financing Activities	-	-	-	(353,682)
Cash Flows from Investing Activities:				
Interest on Investments	-	-	-	11,493
Net Increase -Decrease in Cash and Cash Equivalents	-	17,912	12,218	100,137
Cash and Investments at Beginning of Year	-	-	-	1,116,115
Cash and Investments at End of Year	\$ -	\$ 17,912	\$ 12,218	1,216,252
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income, -Loss	\$ -	\$ 17,912	\$ 12,218	364,427
Noncash Items Included in Income:				
Depreciation	-	-	-	85,757
Decrease -Increase in Accounts Receivable and Accrued Liabilities	-	-	-	-
Net Cash Provided -Used by Operating Activities:	\$ -	\$ 17,912	\$ 12,218	\$ 450,184

See accompanying notes to the basic financial statements

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with the modified cash basis of accounting 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 City's accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The City of Donald was incorporated in 1912. The City of Donald is vested in a Council and Mayor. The Council is composed of six council members elected at large, three are elected biennially to serve terms of four years. The Mayor is elected at each biennial general election to serve a term of two years. The administration and appointment of staff is the responsibility of the City Manager.

The City of Donald is a primary government. A primary government is financially accountable for the organizations (component units) that make up its legal entity. The City has considered whether there are other organizations for which it is financially accountable, and has concluded that there are no such component units.

Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial operations of the City are accounted for in the following major funds:

GENERAL FUND

This fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. The principal sources of revenue are property taxes, state shared revenues, and franchise fees.

STREET FUND

This fund accounts for monies expended for maintenance and improvement of the City's roads and streets. The principal source of revenue is state highway fund apportionment. Fund balances are restricted for the improvement of the City's roads and streets.

WATER FUND

This fund accounts for the maintenance, operation, and construction of the City's water intake, purification and delivery systems. The principal source of revenue is user fees.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

SEWER FUND

This fund accounts for the maintenance, operation and construction of the City's wastewater collection and treatment system. The principal source of revenue is user fees.

WATER AND SEWER SYSTEM IMPROVEMENT FUNDS

These funds account for the accumulation of resources for, and the payment of, construction of the City's wastewater collection and treatment systems. The principal source of revenue is system development fees.

PARK, STORMWATER AND TRANSPORTATION SYSTEM DEVELOPMENT FUNDS

These funds account for the accumulation of resources for, and the payment of, construction of the City's park, stormwater and transportation systems. The principal source of revenue is system development fees.

DEBT SERVICE FUND

This fund accounts for the accumulation of resources for, and the payment of, principal and interest on bonds payable. Revenues are provided by property tax collection and interest. Fund balances are restricted for debt.

C. BASIS OF ACCOUNTING

The City follows the cash basis of accounting with certain minor modifications, including capital assets, depreciation expense, and long-term debt. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. This basis of accounting is applied to both the government-wide financial statements, and the governmental and business type fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets is capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, receipts are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the modified cash basis of accounting is preferable for the City due to the City's small size and the necessity of assessing available cash resources. The modified cash basis of accounting is allowed under Oregon Local Budget Law.

The modified cash basis proprietary fund distinguishes operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for the enterprise fund includes the cost of sales and services, administrative disbursements, and capital outlay. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND BALANCE

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 of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- 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. This authority has been granted to the City Manager and the Accountant.
- 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.

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.

E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The City has adopted, at July 1, 2003, the principles of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), as they are applicable to cash basis financial statements. The Statement requires that the City present both government-wide and fund financial statements, and reconcile the two types of statements, if necessary.

The government-wide statements report information on the City irrespective of fund activity, and the fund financial statements report information using the City’s funds. In total, the results presented using both of these methods are the same.

The government-wide financial reports information on the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS (CONTINUED)

activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segments is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

F. BUDGET

A budget is prepared and legally adopted for each fund on cash basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with cash basis accounting. The City begins its budget process early in each year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in the 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 adopted and appropriations are made no later than June 30th.

Expenditures budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Interfund Transactions, Debt Service, and Operating Contingency. Expenditures cannot legally exceed 10% above the appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original appropriations, and several appropriation transfers. Expenditures of the various funds were within authorized appropriation levels.

G. CASH

Cash and cash equivalents

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

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CASH (CONTINUED)

Fair Value Inputs and Methodologies and Hierarchy

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

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

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

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

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

H. PROPERTY TAXES RECEIVABLE

Property taxes receivable is recorded in the General Fund to indicate the amount of uncollected taxes that the City can expect to receive in the future. Such taxes are offset by a liability to indicate that these amounts have not been recorded as receipts. Real and personal property are assessed and property taxes become a lien against the property as of July 1 of each year. Property taxes are payable in three installments, following the lien date on November 15, February 15, and May 15. Taxes not received by May 15th are considered delinquent. As required by law, Marion County manages tax collections for the City. Substantially all taxes receivable are considered collectible through liens on the underlying property.

I. CAPITAL ASSETS

Capital assets are stated at historical cost, or estimated historical cost if actual cost is not available. Donated capital assets are recorded at the fair market value of such assets at the date of donation. Capital assets include land, buildings, improvements, infrastructure and equipment defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated life of one year or more. Maintenance and repairs that do not add to the value of the assets or extend the assets’ lives are charged to expenditures as incurred and are not capitalized.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. CAPITAL ASSETS (CONTINUED)

Depreciation is computed using the straight-line method over the useful lives of the related capital assets, except for land, right-of-ways and works of art, which are considered inexhaustible in nature and are not depreciated. The estimated useful lives of the various categories of assets are as follows:

Buildings	40 years
Sewer and Water Systems	20 to 50 years
Equipment and Other	5 to 20 years
Infrastructure	20 years

Upon disposal of such assets, the accounts are relieved of the related cost and accumulated depreciation and resulting gains or losses are reflected in income.

J. RETIREMENT PLAN

Substantially all of the City's full-time employees are participants in the ICMA retirement savings plan, a defined contribution plan. Contributions are made to an account in the employee's name for the exclusive benefit of the employee and the employee's beneficiaries. The value of the account is based on the contributions made and the investment performance over time. In the plan, normal retirement age is defined as 60 years of age. The plan requires all participants to be full time employees of at least 18 years of age. The plan calls for the City to contribute 6% of the employee's earnings for the plan year. The City currently pays for the employee's 6% share as well. Participation is not required.

K. LONG-TERM DEBT

Although the cash basis of accounting does not require that debt be displayed, the City believes that presentation of this information is important. Accordingly, the details of debt are presented in these notes to the financial statements and are reported as a liability in the Statement of Net Position.

2. CASH AND INVESTMENTS

State statutes govern the City's cash management policies. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

The audited financial reports of the Oregon Short Term Fund can be found here:

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

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

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due to/from Other Funds. Cash and Investments (recorded at fair value) consisted of:

	<u>2017</u>
Deposits with Financial Institutions:	
Demand Deposits	\$ 147,006
Petty Cash	200
Local Government Investment Pool	<u>1,415,267</u>
Total	<u>\$ 1,562,473</u>

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

The City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 1,415,267	\$ 1,415,267	\$ -
Total	\$ 1,415,267	\$ 1,415,267	\$ -

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. The City does not have any investments that have a maturity date.

Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

Concentration of Deposit Risk

At year-end, the City's net carrying amount of deposits was \$147,006 and the bank balance was \$164,270. Of these deposits, \$164,270 was covered by federal depository insurance; the remainder is collateralized under the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and City policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2017 are as follows:

	<u>GOVERNMENTAL FUNDS</u>			
	<u>Balance</u>			<u>Balance</u>
Capital Assets:	<u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2017</u>
Not depreciated:				
Land	\$ 29,000	\$ -	\$ -	\$ 29,000
Depreciated				
Park and Park Improvements	63,630		-	63,630
Building and Improvements	257,275	12,800	-	270,075
Equipment	6,168	8,195	-	14,363
Infrastructure	45,654	-	-	45,654
Total	<u>401,727</u>	<u>20,995</u>	<u>-</u>	<u>422,722</u>
Accumulated Depreciation:				
Park and Park Improvements	42,215	1,275	-	43,490
Building and Improvements	39,510	7,503	-	47,013
Equipment	6,168	1,638	-	7,806
Infrastructure	10,275	4,565	-	14,840
Total	<u>98,168</u>	<u>14,981</u>	<u>-</u>	<u>113,149</u>
Total Capital Assets, net	<u>\$ 303,559</u>			<u>\$ 309,573</u>
		Depreciation Expense:		
		General Governmen \$	12,231	
		Highways and Streets	2,750	
		Total Depreciatic \$	<u>14,981</u>	
		<u>PROPRIETARY FUNDS</u>		
	<u>Balance</u>			<u>Balance</u>
Capital Assets:	<u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2017</u>
Not depreciated:				
Land and Land Improvements	\$ 18,492	\$ -	\$ -	\$ 18,492
Depreciated				
Buildings and Improvements	82,797	-	-	82,797
Equipment	189,551	16,390	-	205,941
Water System Infrastructure	942,930	341,084	-	1,284,014
Sewer System Infrastructure	1,951,633	19,452	-	1,971,085
Total	<u>3,185,403</u>	<u>376,926</u>	<u>-</u>	<u>3,562,329</u>
Accumulated Depreciation:				
Buildings and Improvements	47,712	3,779	-	51,491
Equipment	137,567	11,339	-	148,906
Water System Infrastructure	520,836	26,522	-	547,358
Sewer System Infrastructure	1,220,923	44,117	-	1,265,040
Total	<u>1,927,038</u>	<u>85,757</u>	<u>-</u>	<u>2,012,795</u>
Total Capital Assets, net	<u>\$ 1,258,365</u>			<u>\$ 1,549,534</u>

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. RISK MANAGEMENT

The City is exposed 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. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

5. LONG-TERM DEBT

The changes in long-term debt for the year ended June 30, 2017 is comprised of the following:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due within 1 year</u>
\$375,000 was issued on March 8, 2005 to finance capital expansions and improvements to the City's water system and wastewater systems. The interest rate is 5.25%. The loan was refinanced with US Bank in 2015 at a rate of 3.29%. Repayments are made out of the Governmental Debt Service Fund. The loan matures in 2025.	\$ 190,000	\$ -	\$ 15,000	\$ 175,000	\$ 15,000
Total Long Term Debt	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 175,000</u>	<u>\$ 15,000</u>

Future maturities of long term debt are as follows:

	<u>Principal</u>	<u>Interest Due</u>
Amounts Payable in Fiscal Year:		
2016-2017	\$ 15,000	\$ 5,838
2017-2018	15,000	5,337
2018-2019	15,000	4,837
2019-2020	15,000	4,348
2020-2021	15,000	3,836
2022-2026	100,000	8,999
Totals	<u>\$ 175,000</u>	<u>\$ 33,195</u>

6. INTERFUND TRANSFERS

Interfund Transfers were done to finance operations between funds.

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 10,000	\$ 17,858
Water Fund	8,929	5,000
Sewer Fund	8,929	5,000
	<u>\$ 27,858</u>	<u>\$ 27,858</u>

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. INTERFUND TRANSFERS (CONTINUED)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool 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 set in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

8. COMMITMENTS AND CONTINGENCIES

The City during its regular course of business may be involved in various claims and legal matters relating to its operations. The City does not believe that there is any pending or threatened litigation, claims or assessments that may have a material impact on its June 30, 2017 financial statements.

9. SINGLE EMPLOYER PENSION PLAN

Plan Description: The City of Donald provides a single employer defined contribution pension plan called The ICMA Retirement Corporation Governmental Money Purchase Plan & Trust. The plan is administered by ICMA Retirement Corporation. Currently, the City contributes 6% of earnings for each participant of the plan.

Funding Policy: The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Employer contributions for each plan year are required to be contributed to the Trust no later than the 15th day of the tenth calendar month following the end of the calendar year or fiscal year. Each participant may make voluntary (unmatched) contributions to the plan subject to limitations. Vesting provisions are defined as 50% after one year of service, 100% after two years. Pension expense for the year ended June 30, 2016 and 2017 were \$26,507 and \$27,574 respectively.

10. TAX ABATEMENTS

As of June 30, 2017, Marion County provides tax abatements through one program: Enterprise Zone.

Enterprise Zone ([ORS 285C.175](#)):

The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor. The

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. TAX ABATEMENTS (CONTINUED)

Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

<u>Tax Abatement Program</u>	<u>Amount Abated During the year</u>
Enterprise Zone	\$ 12,644

CITY OF DONALD
MARION COUNTY, OREGON

SUPPLEMENTARY INFORMATION

**CITY OF DONALD
MARION COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017**

<u>DEBT SERVICE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Receipts				
Property Taxes	\$ 10,314	\$ 10,314	\$ 10,638	\$ 324
Interest	<u>70</u>	<u>70</u>	<u>173</u>	<u>103</u>
Total Receipts	<u>10,384</u>	<u>10,384</u>	<u>10,811</u>	<u>427</u>
Disbursements				
Debt Service	<u>19,458</u>	<u>19,458 (1)</u>	<u>18,658</u>	<u>800</u>
Total Disbursements	<u>19,458</u>	<u>19,458</u>	<u>18,658</u>	<u>800</u>
Net Change in Fund Balance	(9,074)	(9,074)	(7,847)	1,227
Beginning Fund Balance	<u>16,470</u>	<u>16,470</u>	<u>16,787</u>	<u>317</u>
Ending Fund Balance	<u>\$ 7,396</u>	<u>\$ 7,396</u>	<u>\$ 8,940</u>	<u>\$ 1,544</u>

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

<u>WATER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Receipts				
Charges for Services	\$ 310,904	\$ 310,904	\$ 251,634	\$ (59,270)
Interest and Miscellaneous	7,660	7,660	4,400	(3,260)
Total Receipts	<u>318,564</u>	<u>318,564</u>	<u>256,034</u>	<u>(62,530)</u>
Disbursements				
Personal Services	146,009	146,009 (1)	139,531	6,478
Materials and Services	146,900	146,900 (1)	58,512	88,388
Capital Outlay	39,600	39,600 (1)	35,634	3,966
Contingency	145,740	145,740 (1)	-	145,740
Total Disbursements	<u>478,249</u>	<u>478,249</u>	<u>233,677</u>	<u>244,572</u>
Excess of Receipts Over -Under Disbursements	(159,685)	(159,685)	22,357	182,042
Other Financing Sources, -Uses				
Transfers In	5,000	5,000	5,000	-
Transfers Out	(8,929)	(8,929) (1)	(8,929)	-
Total Other Financing Sources, -Uses	<u>(3,929)</u>	<u>(3,929)</u>	<u>(3,929)</u>	<u>-</u>
Net Change in Fund Balance	(163,614)	(163,614)	18,428	182,042
Beginning Fund Balance	<u>373,094</u>	<u>373,094</u>	<u>392,636</u>	<u>19,542</u>
Ending Fund Balance	<u>\$ 209,480</u>	<u>\$ 209,480</u>	411,064	<u>\$ 201,584</u>

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	<u>478,202</u>
Net Position	<u>\$ 889,266</u>

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

<u>SEWER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Receipts				
Charges for Services	\$ 238,270	\$ 238,270	\$ 304,246	\$ 65,976
Lease of Land	23,244	23,244	23,244	-
Interest and Miscellaneous	77,960	77,960	4,758	(73,202)
Total Receipts	<u>339,474</u>	<u>339,474</u>	<u>332,248</u>	<u>(7,226)</u>
Disbursements				
Personal Services	146,009	146,009 (1)	139,530	6,479
Materials and Services	199,225	199,225 (1)	78,026	121,199
Capital Outlay	44,600	44,600 (1)	29,286	15,314
Contingency	145,740	145,740 (1)	-	145,740
Total Disbursements	<u>535,574</u>	<u>535,574</u>	<u>246,842</u>	<u>288,732</u>
Excess of Receipts Over -Under Disbursements	(196,100)	(196,100)	85,406	281,506
OTHER FINANCING SOURCES				
Transfers In	5,000	5,000	5,000	-
Transfers Out	(8,929)	(8,929) (1)	(8,929)	-
Total Other Financing Sources -Uses	<u>(3,929)</u>	<u>(3,929)</u>	<u>(3,929)</u>	<u>-</u>
Net Change in Fund Balance	(200,029)	(200,029)	81,477	281,506
Beginning Fund Balance	<u>419,013</u>	<u>419,013</u>	<u>427,313</u>	<u>8,300</u>
Ending Fund Balance	<u>\$ 218,984</u>	<u>\$ 218,984</u>	508,790	<u>\$ 289,806</u>
Reconciliation to the Statement of Proprietary Net Position				
Net Capital Assets			<u>766,557</u>	
Net Position			<u>\$ 1,275,347</u>	
(1) Appropriation Level				

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

WATER SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Grants	\$ 400,000	\$ 400,000	\$ 250,000	\$ (150,000)
System Development Charges	3,543	3,543	11,798	8,255
Interest	150	150	555	405
Total Receipts	403,693	403,693	262,353	(141,340)
Disbursements				
Materials and Services	10,000	10,000 (1)	-	10,000
Capital Outlay	390,000	390,000 (1)	303,408	86,592
Contingency	57,998	57,998 (1)	-	57,998
Total Disbursements	457,998	457,998	303,408	154,590
Excess of Revenues Over -Under Expenditures	(54,305)	(54,305)	(41,055)	13,250
OTHER FINANCING SOURCES				
Transfers Out	(71)	(71) (1)	-	71
Total Other Financing Sources, -Uses	(71)	(71)	-	71
Net Change in Fund Balance	(54,376)	(54,376)	(41,055)	13,321
Beginning Fund Balance	58,832	58,832	53,908	(4,924)
Ending Fund Balance	\$ 4,456	\$ 4,456	\$ 12,853	\$ 8,397

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	304,775
Net Position	\$ 317,628

(1) Appropriation Level, see note disclosure #1f

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

SEWER SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 3,600	\$ 3,600	\$ 11,987	\$ 8,387
Interest	1,400	1,400	2,494	1,094
Total Receipts	<u>5,000</u>	<u>5,000</u>	<u>14,481</u>	<u>9,481</u>
Disbursements				
Materials and Services	100,000	100,000 (1)	3,324	96,676
Contingency	10,000	10,000 (1)	-	10,000
Total Disbursements	<u>110,000</u>	<u>110,000</u>	<u>3,324</u>	<u>106,676</u>
Excess of Revenues Over, -Under Expenditures	(105,000)	(105,000)	11,157	116,157
OTHER FINANCING SOURCES, -USES				
Transfers Out	(71)	(71) (1)	-	71
Total Other Financing Sources, -Uses	(71)	(71)	-	71
Net Change in Fund Balance	(105,071)	(105,071)	11,157	116,228
Beginning Fund Balance	<u>242,226</u>	<u>242,226</u>	<u>242,258</u>	<u>32</u>
Ending Fund Balance	<u>\$ 137,155</u>	<u>\$ 137,155</u>	<u>\$ 253,415</u>	<u>\$ 116,260</u>

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

PARK SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 466	\$ 466	\$ -	\$ (466)
Total Receipts	466	466	-	(466)
Excess of Revenues Over, -Under Expenditures	466	466	-	(466)
OTHER FINANCING SOURCES, -USES				
Transfers Out	(9)	(9) (1)	-	9
Total Other Financing Sources, -Uses	(9)	(9)	-	9
Net Change in Fund Balance	457	457	-	(457)
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ 457	\$ 457	\$ -	\$ (457)

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

STORMWATER SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 172	\$ 172	\$ 17,912	\$ 17,740
Total Receipts	172	172	17,912	17,740
Excess of Revenues Over, -Under Expenditures	172	172	17,912	17,740
OTHER FINANCING SOURCES, -USES				
Transfers Out	(3)	(3) (1)	-	3
Total Other Financing Sources, -Uses	(3)	(3)	-	3
Net Change in Fund Balance	169	169	17,912	17,743
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ 169	\$ 169	\$ 17,912	\$ 17,743

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2017

TRANSPORTATION SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 533	\$ 533	\$ 12,218	\$ 11,685
Total Receipts	533	533	12,218	11,685
Excess of Revenues Over, -Under Expenditures	533	533	12,218	11,685
OTHER FINANCING SOURCES, -USES				
Transfers Out	(11)	(11) (1)	-	11
Total Other Financing Sources, -Uses	(11)	(11)	-	11
Net Change in Fund Balance	522	522	12,218	11,696
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ 522</u>	<u>\$ 522</u>	<u>\$ 12,218</u>	<u>\$ 11,696</u>

(1) Appropriation Level

**CITY OF DONALD
MARION COUNTY, OREGON**

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

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-17
CURRENT:						
2016-17	\$ 64,724	\$ 1,712	\$ (244)	\$ 21	\$ 61,389	\$ 1,379
PRIOR YEARS:						
2015-16	1,415	(1)	(73)	54	781	562
2014-15	643	-	(33)	52	259	351
2013-14	373	-	(10)	72	246	117
2012-13	146	-	(9)	35	99	38
Prior	304	-	(33)	39	53	218
Total	\$ 67,605	\$ 1,711	\$ (402)	\$ 273	\$ 62,827	\$ 2,665

RECONCILIATION TO RECEIPTS

Cash Collections by County Treasurer Above	\$ 62,827
Other Taxes in Lieu of Property Taxes	<u>278</u>
Total Receipts	<u>\$ 63,105</u>

**CITY OF DONALD
MARION COUNTY, OREGON**

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

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-17
CURRENT:						
2016-17	\$ 10,583	\$ 280	\$ (40)	\$ 4	\$ 10,037	\$ 226
PRIOR YEARS:						
2015-16	482	-	(25)	18	266	191
2014-15	-	-	-	-	-	-
2013-14	217	-	(6)	42	143	68
2012-13	74	-	-	20	53	21
Prior	162	-	(18)	21	28	116
Total	\$ 11,518	\$ 280	\$ (89)	\$ 105	\$ 10,527	\$ 622

RECONCILIATION TO RECEIPTS

Cash Collections by County Treasurer Above	\$ 10,527
Other Taxes in Lieu of Property Taxes	<u>111</u>
Total Receipts	<u>\$ 10,638</u>

CITY OF DONALD
MARION COUNTY, OREGON

INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

February 7, 2018

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Donald as of and for the year ended June 30, 2017, and have issued our report thereon dated February 7, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Donald's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Donald was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the 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.

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.

Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.