

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Beaverton (City), Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the City of Beaverton, Oregon (the primary government) and its component unit, the Beaverton Urban Redevelopment Agency (Agency). The component unit is blended and reported as if it is part of the City.

The City of Beaverton, Oregon, was incorporated in 1893 and operates under the provisions of its own charter and applicable State law, with a Mayor-Council form of government. The Mayor is the Chief Executive of the City and chairs City Council meetings. The Mayor does not vote, except in the event of a tie. The Mayor may veto an ordinance or other legislative enactment; the Council may override the veto by a four-fifths vote. The City Council (the "Council") is comprised of five members. The Mayor serves a four-year term. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Finance Director, other officers, and department directors are appointed by the Mayor.

The City of Beaverton provides a full range of municipal services to the community which includes police protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation, building inspection and regulation, library, municipal court and other services. Fire protection services are provided by Tualatin Valley Fire and Rescue and park services are provided by Tualatin Hills Park and Recreation District.

Blended Component Unit – The Beaverton Urban Redevelopment Agency is a legally separate public body created by ordinance of the City in March 2010 and approved by the voters in November 2011. The Agency's governing body is substantively the same governing body of the City as the governing board consists of members of the City Council, Mayor and three citizens. Additionally, the City's management has operational responsibility for the Agency as it manages the activities of the Agency in essentially the same manner in which it manages the City's own operations.

The Agency receives funds through tax increment financing pursuant to Oregon Revised Statutes (ORS) 457.420 through 457.450. Separate financial statements for the Agency can be obtained from the finance department of the City of Beaverton, 12725 SW Millikan Way, Beaverton, Oregon 97005.

The accounts of the City and its component unit are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances (net position), revenues, expenditures (expenses) and deferred inflows/outflows of resources.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise (business-type) funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplemental information.

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary funds financial statements are presented on the full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, and court fines revenues are recognized when fines are assessed and become due. Grants and similar items are recognized as revenue as soon as all eligible and reimbursable expenditures are incurred.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's ongoing operations. The operating revenues of the City's enterprise funds include but are not limited to, charges to customers for water, sewer and storm drain service. Significant operating expenses include personnel, materials and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues, expenses and contributions.

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets, liabilities and deferred inflows of resources generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in those net assets. These funds use the modified accrual basis of accounting whereby revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a related fund liability is incurred, except for interfund transactions which are recorded on the accrual basis and interest on general long-term debt which is recorded as due. Significant governmental funds revenues which were subject to accrual at June 30, 2015 under the modified accrual basis of accounting were as follows: property taxes, municipal court fines, state, county, and local shared revenues which are collected within 60 days subsequent to year end.

In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt, compensated absences, pension and other post-employment benefits are included. Also in the government-wide financial statements, certain indirect costs have been included as part of the program expenses for the various functional activities.

Other receipts become measurable and available when cash is received and recognized as revenue at that time, except for revenues for grants and shared revenues which are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met.

Deferred inflow of resources arises in the governmental funds' balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This deferred inflow of resources consists primarily of uncollected property taxes and municipal court fines not deemed available to finance operations of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability. In the government-wide Statement of Net Position, deferred outflows of resources and deferred inflows of resources relating to pensions and bonds payables are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

The City reports the following major governmental funds:

- **General Fund**
This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, state and county shared revenues and fines and forfeitures. Primary expenditures are for general government, planning and development, engineering services, and public safety. The General Fund includes two other budgetary funds (State Revenue Sharing Fund and Beaverton Arts Commission Fund).
- **Street Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from county and state motor fuel taxes apportioned from the State of Oregon, and restricted for expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

- **Library Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from a county library special levy, property taxes levied and donations received and restricted for operation of the City library. This fund consists of two budgetary funds (Library Fund and Library Donation Fund).
- **Building Fund (Special Revenue Fund)**
Accounts for revenues generated by the Building Division. Revenues are restricted for expenditures related to plan review and inspection.

The City reports the following major proprietary funds:

- **Water Fund** (this fund consists of three budgetary funds, Water Operating Fund, Water Debt Service Fund, and Water Construction Fund)
- **Sewer Fund**
- **Storm Drain Fund**

These funds account for the operations, maintenance, debt service and capital construction projects for water, sewer and stormwater which are funded mostly through monthly user fees, system development fees, other extra capacity revenues and bond sale proceeds.

Additionally, the City reports nonmajor funds within the governmental fund type as follows:

- **Special Revenue Funds** to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.
- **Debt Service Funds** to account for the accumulation of resources and payment of principal and interest on general obligation, special revenue debt service, local improvement districts (Bancroft), and other long-term debt of governmental funds.
- **Capital Projects Funds** to account for the construction of street, infrastructure, building and capital improvement projects.

Additionally, the City reports the following fund type:

- **Internal service funds** account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City's internal service funds include Reprographics, Garage, Information Systems, Geographic Information Systems, Public Works Administration, and Insurance. The aggregate of all internal service funds are reflected in the proprietary fund financial statements.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash and Investments

The City maintains cash and investments (reported at amortized cost) in a common pool. Investments with a remaining maturity of more than one year are reported in accordance with GASB Statement No. 31. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total pooled cash and investments.

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

2. *Receivables*

Property taxes receivable and court fines receivable of the governmental fund types, which have been collected within 60 days subsequent to year end, are considered measurable and available and therefore are recognized as revenues. The remaining balances of the receivable are offset by deferred inflow of resources and, accordingly, have not been recorded as revenue in the fund financial statements. Court fines receivables are turned over to an external collection agency after approximately 180 days, and the receivable balance reflects historical collection rate. The court fines receivable is partially offset by the amount collected on behalf of the State of Oregon and Washington County that are shown as due to other governments in the liabilities section. Property taxes become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Property taxes are levied on November 15. Taxes unpaid and outstanding as of May 16 are considered delinquent.

Assessment liens receivable are recorded as other governmental fund receivables at the time property owners are assessed for property improvements. The receivable balances that have not been collected within 60 days subsequent to year end are offset by deferred inflow of resources and accordingly, have not been recorded as revenue in the fund financial statements. Assessment interest receivable is recorded as earned; the assessment interest revenue is recognized when it becomes measurable and available.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed. The enterprise fund receivables relate to billings for residential and commercial customers that utilize the City's water, sewer and storm drain services. Receivables in enterprise funds are stated net of an allowance for uncollectibles.

3. *Inventory of Materials and Supplies*

Inventory in the proprietary fund types, determined by physical count, are recorded at cost (first-in, first-out basis) and are charged to expense as used (consumption method).

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure (e.g., streets and roads, bridges, sidewalks, water reservoirs, water, sewer and storm lines, and similar items), and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. The City has elected to include its costs of rights of way acquired subsequent to July 1, 1980 as part of infrastructure. The City has also elected not to report infrastructure acquired prior to July 1, 1980. The threshold for capitalized equipment and improvements is \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Estimated useful lives used in computing depreciation are:

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

<u>Assets</u>	<u>Years</u>
Equipment and Software	2-10
Heating and Cooling System	40
Buildings and improvements	50
Infrastructure, utilities	50-65
Infrastructure, street	40-75
Intangible Water Rights	40

Interest costs in the enterprise funds are capitalized as part of the costs of capital assets during the period of construction based on the weighted average borrowing costs incurred. In fiscal year 2014-15, \$26,178 interest expense was capitalized.

5. Investments in Joint Ventures

Investments in joint ventures with other governmental units are reported at cost plus or minus the City's share of operating income or loss (Note II. E).

6. Intangible Assets

Intangible assets consist of water rights, easements, and internally developed software. Some water rights and all internally developed software are amortized on the straight-line method over the estimated useful lives.

7. Compensated Absences

Earned but unpaid compensatory time is recorded as an expense in the proprietary fund types and government-wide statements. In the Statement of Net Position, the current portion of the compensated absences balance is separately reported as amount due within one year in the long term liability section. There is no liability for unpaid accumulated sick leave since the City has a policy to not pay any amounts when employees retire or are terminated.

8. Long-Term Debt

In the government-wide financial statements and also in the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are amortized using the straight-line method, which approximates the effective interest method, over the related debt repayment period. Unamortized bond discount costs or premiums are offset against bonds payable. Bond issuance costs are expensed when incurred, in accordance with GASB 65. Additionally, any resulting difference from a current refunding or advance refunding is shown as a deferred outflow or inflow of resources and is recognized as a component of interest expense in a straight-line method over the remaining life of the old debt or new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

9. Pension Liability

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting.

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS.

10. Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. Fund balance is reported as restricted when the constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The Council action that imposed the limitation would need to occur no later than the close of the reporting period. The City Council can modify or rescind the legislative action at any time through passage of an additional resolution.

The net resources that are constrained by the City's intent to use them are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be set aside for specific purposes during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned in the City's fund financial statements. The City's assigned fund balance category also reflects the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's adopted budget, as well as the encumbered amounts that represents commitments of the City's resources. Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

The City does not have an established policy on the spending order of restricted or unrestricted fund balances. As a result, it is assumed that restricted resources are spent first when expenditures are incurred; when unrestricted resources are spent, the order of spending is committed, assigned, and unassigned fund balance when available.

11. Net Position

Net position whose use is restricted for construction, debt service or by other agreement is segregated on the government-wide Statement of Net Position and the Proprietary Fund Statement of Net

These are an excerpt from the City's Comprehensive Annual Financial Report (CAFR) and a particular year's report may contain some slight modifications not reflected herein.

Position. When both restricted and unrestricted net positions are available, the City will apply restricted resources as appropriate, then unrestricted as necessary.

12. Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.