

**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR 2004-2005



**Pauly, Rogers, and Co., P.C.
12700 SW 72nd Ave
Tigard, OR 97223**

CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

2004-2005
FINANCIAL REPORT

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**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

2004-2005
FINANCIAL REPORT

<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
Dee Wescott, Mayor	2009
John Hartsock, Mayor Pro Tem	2007
Barb Ledbury	2009
Randy Shannon	2007
Jim Wright	2007

All council members receive mail at the address shown below.

ADMINISTRATION

John Bingham, City Manager
19920 SE Hwy 212
Damascus, OR 97015

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**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 8, 2005

Mayor and City Council
City of Damascus
Damascus, Oregon

ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Damascus, Clackamas County, Oregon, as of June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the City of Damascus.

A review consists principally of inquiries of management personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America, as further described in Note 1 to the financial statements.

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

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**CITY OF DAMASCUS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Our discussion and analysis of City of Damascus' financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's Financial Statements, which follows this MD&A. The City was formed during 2004-05. Comparative information will be presented in future years.

FINANCIAL HIGHLIGHTS

- At June 30, 2005, the City's liabilities exceeded its assets by \$172,591.
- The general fund reported an ending fund balance of \$30,809.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual report consists of a series of financial statements that show information for the City as a whole. The Statement of Net Assets and the Statement of Activities provides information about the activities of the City as a whole and presents a longer-term view of the City's finances. The fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the general fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

These statements present information on the City's finances in a manner similar to private sector businesses. One of the most important questions asked about the City is, "Is the City as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information on the City as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets shows the City's assets and liabilities, with the difference between the two reported as net assets. All capital assets and long-term liabilities, and general government functions, are shown in the Statement of Net Assets.

The Statement of Activities shows revenues, expenses, and the change in net assets for the City as a whole. Revenues and expenses attributable to specific functions are segregated from general revenues, to display the extent to which general revenues support each function.

FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions as are reported as governmental activities in the government-wide financial statements. The governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net assets were as follows:

	<u>2005</u>
Assets	
Current and other assets	\$ 60,978
Total assets	<u>60,978</u>
Liabilities	
Current liabilities	233,569
Total liabilities	<u>233,569</u>
Net Assets	
Net assets: unrestricted	(172,591)
Total net assets	<u>\$ (172,591)</u>

The City's revenues and expenses for fiscal year 2004-2005, were as follows:

	<u>2005</u>
Revenues	
Total Revenues	-
Expenses	
Interest on Long-Term Debt	172,591
Total Expenses	<u>172,591</u>
Change in Net Assets	(172,591)
Beginning Net Assets	-
Ending Net Assets	<u>\$ (172,591)</u>

FUND FINANCIAL ANALYSIS

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance measures the City's net resources available for appropriation in the next fiscal year. As of June 30, 2005, total fund balance of the governmental funds was \$30,809. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

The City had just one fund during 2004-05. In future years the City will report a Community Development Fund, a Road Fund, a Debt Service Fund, and a 911 Tax Fund.

BUDGET VARIATIONS IN THE GENERAL FUND

There are only minor differences in budget versus actual expenditures for 2004-2005.

CAPITAL ASSETS

The City did not have any capital assets at June 30, 2005.

DEBT ADMINISTRATION


The City did not have any long-term debt at June 30, 2005.

2005-2006 BUDGET

The budget for 2005-2006 has total appropriations of \$4,108,805. The City will have five separate funds in 2005-06 to account for this budget.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our taxpayers, employees, investors and creditors with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the Finance Department at the City of Damascus offices, located at: 19920 SE Hwy 212, Damascus, Oregon 97015.


Signature


Title

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CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2005

ASSETS:

Cash and Investments	\$ 60,978
Total Assets	<u>60,978</u>

LIABILITIES

Accounts Payable	22,296
Payroll Liabilities	7,873
Loan Payable	<u>203,400</u>
Total Liabilities	<u>233,569</u>

NET ASSETS

Unrestricted	<u>(172,591)</u>
Total Net Assets	<u>\$ (172,591)</u>

See Accountants' Report and Accompanying Notes

CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the year ended June 30, 2005

<u>FUNCTIONS</u>	<u>EXPENSES</u>	<u>OPERATING GRANT AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
General Government	\$ 172,591	\$ 0	\$ (172,591)
Total Governmental Activities	<u>\$ 172,591</u>	<u>\$ 0</u>	<u>(172,591)</u>
			Changes in Net Assets (172,591)
			Net Assets - Beginning <u>0</u>
			Net Assets - Ending <u>\$ (172,591)</u>

See Accountants' Report and Accompanying Notes

CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2005

	GENERAL FUND
ASSETS:	
Cash and Investments	\$ 60,978
Total Assets and Other Debits	<u>\$ 60,978</u>
LIABILITIES AND FUND BALANCE:	
LIABILITIES:	
Accounts Payable	\$ 22,296
Payroll Liabilities	<u>7,873</u>
Total Liabilities	<u>30,169</u>
FUND BALANCE:	
Fund Balances:	
Unreserved	<u>30,809</u>
Total Fund Balance	<u>30,809</u>
Total Liabilities and Fund Balance	<u>\$ 60,978</u>

See Accountants' Report and Accompanying Notes

CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2005

Total Fund Balances - Governmental Funds	\$ 30,809
Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities.	<u>(203,400)</u>
Net Assets	<u>\$ (172,591)</u>

See Accountants' Report and Accompanying Notes

CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2005

	GENERAL FUND
REVENUES:	
Grants	\$ 0
Total Revenues	<u>0</u>
EXPENDITURES:	
Personal Services	59,511
Materials & Services	113,080
Total Expenditures	<u>172,591</u>
Excess of Revenues Over, -Under Expenditures	<u>(172,591)</u>
Other Financing Sources, -Uses	
Loan Proceeds	<u>203,400</u>
Total Other Financing Sources, -Uses	<u>203,400</u>
Net Change in Fund Balance	30,809
Beginning Fund Balance	<u>0</u>
Ending Fund Balance	<u><u>\$ 30,809</u></u>

See Accountants' Report and Accompanying Notes

CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY TO STATEMENT OF ACTIVITIES
For the year ended June 30, 2005

Net Changes in Fund Balances - Governmental Funds	\$ 30,809
Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Activities, issuing long-term debt decreases net assets.	<u>(203,400)</u>
Change in Net Assets	<u><u>\$ (172,591)</u></u>

See Accountants' Report and Accompanying Notes

**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2005**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES:				
Grants	\$ 25,000	\$ 25,000	\$ 0	\$ (25,000)
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>(25,000)</u>
EXPENDITURES:				
Personal Services				
Salaries	78,706	78,706	55,107	23,599
Benefits	16,154	16,154	4,404	11,750
Total Personal Services	<u>94,860</u>	<u>94,860 (1)</u>	<u>59,511</u>	<u>35,349</u>
Materials and Services				
Office Supplies	5,000	5,000	2,017	2,983
Training	2,500	2,500	672	1,828
Office Equipment	1,500	1,500	793	707
Insurance	5,000	5,000	0	5,000
Legal Services	26,250	26,250	40,664	(14,414)
Audit Fees	8,000	8,000	0	8,000
Contract Services	35,800	35,800	37,170	(1,370)
Printing	5,000	5,000	2,281	2,719
Building Maintenance	2,000	2,000	0	2,000
Telephone	3,000	3,000	2,237	763
Heat and Energy	420	420	0	420
Electricity	900	900	0	900
Water and Sewer	500	500	0	500
Garbage	360	360	0	360
Rent	5,500	5,500	0	5,500
Conferences	2,000	2,000	0	2,000
Per Diem	2,500	2,500	0	2,500
Community Education	25,000	25,000	4,050	20,950
Dues and Subscriptions	1,000	1,000	1,242	(242)
Elections	2,500	2,500	1,934	566
Legal Description for Incorporation	7,500	7,500	7,490	10
Advertising	3,500	3,500	1,803	1,697
Miscellaneous	0	0	10,727	(10,727)
Total Materials and Services	<u>145,730</u>	<u>145,730 (1)</u>	<u>113,080</u>	<u>32,650</u>
Capital Outlay	75,000	75,000 (1)	0	75,000
Contingency	30,000	30,000 (1)	0	30,000
Total Expenditures	<u>345,590</u>	<u>345,590 (1)</u>	<u>172,591</u>	<u>172,999</u>
Excess of Revenues Over/-Under Expenditures	(320,590)	(320,590)	(172,591)	147,999
OTHER FINANCING SOURCES:				
Loan Proceeds	325,000	325,000	203,400	(121,600)
Total Other Financing Sources	<u>325,000</u>	<u>325,000</u>	<u>203,400</u>	<u>(121,600)</u>
Net Change in Fund Balance	4,410	4,410	30,809	26,399
Beginning Fund Balance	0	0	0	0
Ending Fund Balance	<u>\$ 4,410</u>	<u>\$ 4,410</u>	<u>\$ 30,809</u>	<u>\$ 26,399</u>

(1) Appropriation Level

See Accountants' Report and Accompanying Notes

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CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City 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. THE FINANCIAL REPORTING ENTITY

The City of Damascus is a municipal corporation governed by an elected five member council. Accounting principles generally accepted in the United States of America require that these financial statements present the City of Damascus (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 39, are separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City of Damascus has no component units.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Assets and Statements of Activities display information about the reporting government as a whole.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

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

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified.

**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

FUND FINANCIAL STATEMENTS

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

GOVERNMENTAL FUND TYPES

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

C. DESCRIPTION OF FUNDS

The City reports the following major fund:

GENERAL FUND

The General Fund accounts for all financial resources and expenditures of the City. Its main source of financing is loan proceeds.

D. BUDGET

Since the City did not come into existence until December of 2004, it was not required to be follow the normal budget process as outlined by state law. The Council adopted a budget based on advise from the League of Oregon Cities and the state.

Expenditure budgets are appropriated at the following levels of control: Personal services, materials and services, capital outlay and operating contingency.

Expenditures can not legally exceed the above appropriation levels except in the case of restricted revenues which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations.

**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

G. NET ASSETS

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

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are no restricted assets.

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

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements was \$73,903. Of these deposits, all were covered by federal depositor insurance. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depositor institution to maintain on deposit with the collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. All bank balances in excess of federal depository insurance, if any, are collateralized by securities held by an entity other than the financial institution as an agent of the bank. This collateral is held in the name of the bank(s).

INVESTMENTS

The City's policy is to follow state statutes governing cash management. 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.

**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (Continued)

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2005.

Cash and Investments at June 30, 2005, (recorded at fair value) consisted of:

Deposits With Financial Institutions:	<u>2005</u>
Demand Deposits:	
Checking	<u>\$ 60,978</u>
Total	<u><u>\$ 60,978</u></u>

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

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2005, the City had no investments.

3. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. 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 in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

4. LINE OF CREDIT

The City took out a line of credit with Clackamas County Bank in order to meet the short-term financial needs to begin operations before receiving property tax revenues. The City will begin receiving property taxes in the fall of 2005. At June 30, 2005, the outstanding balance on the line of credit was \$203,400. The full amount is due in November 2005 when the City receives its first property tax distribution. The interest rate on the line is 4.75%.

**CITY OF DAMASCUS
CLACKAMAS COUNTY, OREGON**

ACCOUNTANTS' COMMENTS AND DISCLOSURES

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 8, 2005

2004-2005 ACCOUNTANTS' COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATION

REVIEW REPORT REQUIREMENTS

Oregon Administrative Rules 162-40-000 through 162-40-160 of the *Minimum Standards for Review of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in review reports. The required schedules, comments and disclosures not included in the preceding section of this report are set forth as follows:

COLLATERAL

We are not aware of any failure to comply with legal requirements relating to the amount and adequacy of collateral pledged by depositories to secure funds of the City.

INDEBTEDNESS

The City's debt outstanding was within the legal limits as defined in the Oregon Revised Statutes.

2004-2005 AND 2005-2006 BUDGETS

We are not aware of any failure to comply with the legal requirements related to the preparation and adoption of the annual budgets for the years ended June 30, 2005 and June 30, 2006.

INSURANCE AND FIDELITY BONDS

We are not aware of any failure to comply with legal requirements relating to insurance and fidelity bonds, however, we are not competent by training and experience to comment on the adequacy of insurance coverage. We recommend the City consult appropriate advisers related to these issues.

PUBLIC CONTRACTS AND PURCHASING

Based on our procedures, we are not aware of any failure to comply with legal requirements relating to the policy that public agencies shall make every effort to construct public improvements at the least cost to the public agency.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

Based on our procedures, we are not aware of any failure to comply with appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.

CITY OF DAMSCUS
CLACKAMAS COUNTY, OREGON

2004-2005 ACCOUNTANTS' COMMENTS AND DISCLOSURES (Continued)

HIGHWAY FUNDS

The City did not receive state highway funds during the fiscal year 2004-2005.

INVESTMENTS

Based on our procedures, the City appears to be in compliance with legal requirements pertaining to the investment of public funds. The City had no investments at June 30, 2005.

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

SECRETARY OF STATE

CLIENT'S COPY

SUMMARY OF REVENUES AND EXPENDITURES

Name of Municipal Corporation: CITY OF DAMASCUS
 Address: 19920 SE Hwy 212, Damascus, OR 97015
 Period Covered by Audit Report: From: 7/1/04 To: 6/30/05

Total Revenues and/or Receipts - All Funds		\$ <u>0</u>
Less:		
Interfund loans and transfers	\$ <u>0</u>	
Receipts from short-term loans	<u>0</u>	
Taxes, assessments and other collections to be distributed to other governmental units*	<u>0</u>	<u>0</u>
Net Revenues and/or Receipts		\$ <u>0</u>
Total Expenditures and/or Disbursements - All Funds		\$ <u>172,591</u>
Less:		
Interfund loans and transfers	\$ <u>0</u>	
Principal Payments - short-term loans	<u>0</u>	
Principal Payments - bonded or other long-term debt	<u>0</u>	
Principal Payments - warrants issued during prior years	<u>0</u>	
Turnovers to other municipal corporations:*		
Taxes and Assessments	<u>0</u>	
Other Distributions	<u>0</u>	
Other Trust Moneys	<u>0</u>	<u>0</u>
Net Expenditures and/or Disbursements		\$ <u>172,591</u>

The above information is based upon the revenues and expenditures for all funds of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature

PLEASE ENCLOSE PAYMENT WITH SUMMARY

Over	Not Over	Fee	ORS 297.485 (1)
\$ -	\$ 50,000	\$ 20	... The filing fee shall be determined by the total expenditures made by the municipal corporation for any and all purposes during the calendar or fiscal year audited, except that expenditures for principal of bonded debt, principal of short-term loans, principal of warrants redeemed which were issued during prior audit periods, transfers or loans between funds and turnovers of taxes or other trust moneys to other municipal corporations shall not be included in the total expenditures upon which the amount of the fee is based. (Net Expenditures and/or Disbursements)
50,000	150,000	40	
150,000	500,000	150	
500,000	1,000,000	200	
1,000,000	5,000,000	250	
5,000,000	10,000,000	300	
10,000,000	50,000,000	350	
50,000,000		400	

Within 30 days after submitting the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

For Use by Division of Audits

Account Code _____ Firm Code _____ Filing Fee \$ _____