

CITY OF REEDSPORT

OREGON

AUDIT REPORT

as of

JUNE 30, 2010

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, Oregon

CITY OF REEDSPORT, OREGON

LIST OF OFFICERS

CITY COUNCIL

| | | |
|-------------------|-----------------|---|
| Mayor | Keith Tymchuk | 1405 Ranch Rd. Reedsport, Oregon 97467 |
| Council President | Bill Otis | 2775 Greenbriar Ave. Reedsport, Oregon 97467 |
| Councilor | Diane Essig | 255 Winchester Ave. Reedsport, Oregon 97467 |
| Councilor | Mike Macho | 324 Bittersweet Cr. Reedsport, Oregon 97467 |
| Councilor | Tonya Wahl | 2398 Arthur Dr. Reedsport, Oregon 97467 |
| Councilor | Bill Walker | 950 View Street Reedsport, Oregon 97467 |
| Councilor | Ginger Anderson | 760 Ranch Rd. Reedsport, Oregon 97467 |

MANAGEMENT TEAM

| | |
|----------------------------|------------------|
| City Manager | Scott Somers |
| Financial Officer | Vera Koch |
| Police Chief | Mark Fandrey |
| Fire Chief | Tom Anderson |
| Public Work Superintendent | Floyd Dollar |
| City Recorder | Deanna Schafer |
| UDC Director | Diane Novak |
| City Planner | Melissa Anderson |
| City Attorney | Steve Miller |
| City Prosecuting Attorney | David Anderson |
| Municipal Judge | John Cable |

REGISTERED AGENT

None

CITY OF REEDSPORT, OREGON

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GRIMSTAD & ASSOCIATES

Certified Public Accountants

530 NW 3rd St., Ste. E

PO Box 1930

Newport, OR 97365

November 18, 2010

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Reedsport
Reedsport, Oregon

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Reedsport, Oregon as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Reedsport's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Reedsport as of June 30, 2010, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund, State Tax Street Fund and Reedsport Urban Renewal Agency for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2010, on my consideration of City of Reedsport's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedsport's basic financial statements as a whole. The supplementary information, including the combining nonmajor fund financial statements, budgetary comparison schedules, reconciliation schedules, schedule of debt maturities and schedule of property tax transactions, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Signe Grimstad

Signe Grimstad
Certified Public Accountant

Management's Discussion and Analysis

As management of City of Reedsport ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19.7 million (*net assets*); of this amount, \$2.9 million (*unrestricted net assets*) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net assets increased by \$1.5 million. \$1.3 million of this increase is attributable to the business-type activities.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1.4 million, an increase of \$74 thousand in comparison with the prior year. Approximately \$1 million of this total is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the unreserved fund balance of the general fund was \$665 thousand, or 30 percent of total general fund expenditures.
- The City's total debt increased by \$762 thousand (6 %) during the current fiscal year. The major portion of the increase is due to renovation of the wastewater treatment plant. The City retired the 1980 City of Reedsport Revenue Sewer Bond principal debt of \$603 thousand.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad view of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused time off).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. Business-type activities of the City include water, wastewater, stormwater, and building rental services.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the street fund, both considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and street fund to demonstrate compliance with this budget.

Proprietary funds. The City has four proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for water, wastewater, stormwater and building rental services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information.

The budgetary information for the nonmajor funds and the combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$19.7 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (77%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Reedsport's Net Assets, in thousands

| | Governmental | | Business-Type | | Total | |
|---|--------------|-------|---------------|--------|--------|--------|
| | Activities | | Activities | | | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current and other assets | 1,806 | 1,704 | 4,677 | 6,704 | 6,483 | 8,408 |
| Capital assets | 3,709 | 3,639 | 25,695 | 21,356 | 29,404 | 24,995 |
| Total assets | 5,515 | 5,343 | 30,372 | 28,060 | 35,887 | 33,403 |
| Long-term liabilities outstanding | 172 | 172 | 13,397 | 13,155 | 13,569 | 13,327 |
| Other liabilities | 270 | 290 | 2,323 | 1,578 | 2,593 | 1,868 |
| Total liabilities | 442 | 462 | 15,720 | 14,733 | 16,162 | 15,195 |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 3,575 | 3,485 | 11,621 | 8,063 | 15,196 | 11,548 |
| Restricted | \$375 | 465 | 1,215 | 341 | 1,590 | 807 |
| Unrestricted | 1,124 | 930 | 1,816 | 4,523 | 2,940 | 5,853 |
| | 5,074 | 4,880 | 14,652 | 12,927 | 19,726 | 18,208 |

An additional portion of the City's net assets (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,940) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased by \$1.5 million during the current fiscal year. This increase represents the degree to which increases in ongoing revenue have exceeded similar increases in ongoing expenses. The increase is also represented by the difference in the basis of accounting used in the government wide statements and that in the fund financial statements.

Governmental Business. Those activities increased the City’s net assets by \$193,000, thereby accounting for 12% of the total growth in net assets of the City. Key elements of this are as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|--------------|-----------------------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 533 | 422 | 2,237 | 2,218 | 2,770 | 2,640 |
| Operating grants /contributions | 69 | 134 | 11 | 11 | 80 | 145 |
| Capital grants and contributions | 43 | 0 | 759 | 0 | 802 | 0 |
| General revenues: | | | | | | |
| Property taxes | 1,389 | 1,290 | | | 1,389 | 1,290 |
| Other taxes | 654 | 681 | | | 654 | 681 |
| Other Revenue | 74 | 92 | | | 74 | 92 |
| Investment income | 8 | 23 | 39 | 114 | 47 | 137 |
| Total revenues | <u>2,770</u> | <u>2,642</u> | <u>3,046</u> | <u>2,343</u> | <u>5,816</u> | <u>4,985</u> |
| Expenses: | | | | | | |
| General government | 940 | 907 | | | 940 | 907 |
| Public safety | 1,230 | 1,399 | | | 1,230 | 1,399 |
| Highways and streets | 219 | 442 | | | 219 | 442 |
| Culture and recreation | 347 | 323 | | | 347 | 323 |
| Water | | | 698 | 788 | 698 | 788 |
| Wastewater | | | 595 | 678 | 595 | 678 |
| Stormwater | | | 161 | 94 | 161 | 94 |
| Dunes NRA Lease | | | 56 | 60 | 56 | 60 |
| Total expenses | <u>2,736</u> | <u>3,071</u> | <u>1,510</u> | <u>1,620</u> | <u>4,246</u> | <u>4,691</u> |
| Change in net assets prior to Grants/Contributions | 35 0 | (429) 0 | 1,536 0 | 723 36 | 1,571 0 | 295 36 |
| Transfers | <u>158</u> | <u>167</u> | <u>(158)</u> | <u>(167)</u> | <u>0</u> | <u>0</u> |
| Change in net assets | 193 | (262) | 1,378 | 557 | 1,571 | 295 |
| Beginning net assets | <u>4,881</u> | <u>5,330</u> | <u>13,327</u> | <u>12,770</u> | <u>18,208</u> | <u>18,100</u> |
| Prior period adjustment | <u>0</u> | <u>(188)</u> | <u>(52)</u> | <u>0</u> | <u>(52)</u> | <u>(188)</u> |
| Ending net assets | <u>5,074</u> | <u>4,880</u> | <u>14,652</u> | <u>13,327</u> | <u>19,726</u> | <u>18,208</u> |

Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s *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. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,374 thousand, an increase of \$68 thousand in comparison with the prior year. Approximately \$1 million of the total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$665 thousand, all of which is unreserved.

The fund balance of the City's general fund increased by \$58 thousand during the current fiscal year, key factors in this decline were increases in revenue and a slight decrease in expenditures from the prior year.

General Fund Budgetary Highlights

Differences between the original budget and final budget were relatively minor and are attributable to increased revenues from permits and grants and unforeseen additional personal services and permit related expenditures. Staff maintains a conservative approach for expending funds.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as June 30, 2009 amounts to \$29,404 thousand (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, systems, park facilities, roads, bridges, culverts and wastewater treatment plant construction which is near completion.

Major capital asset events during the current fiscal year included the construction in progress for the City's wastewater treatment plant upgrade, reconstruction of a street, upgrade to Crestview water pump station, some building improvements, renovation of Arthur Bowman wastewater collection system and other projects necessary for the day to day operations of the City.

**City of Reedsport's Capital Assets
(Net of Depreciation), in thousands**

| | Governmental | | Business-Type | | Total | |
|--------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | Activity | | Activity | | | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 613 | \$ 613 | \$ 48 | \$ 48 | \$ 661 | \$ 661 |
| Construction in progress | - | - | - | 12,499 | - | 12,499 |
| Buildings | 599 | 1,302 | 421 | 135 | 1,020 | 1,437 |
| Machinery and equipment | 1,642 | 1,024 | 128 | 39 | 1,770 | 1,063 |
| Infrastructure / Systems | 855 | 699 | 25,098 | 8,635 | 25,953 | 9,334 |
| | <u>\$ 3,709</u> | <u>\$ 3,638</u> | <u>\$ 25,695</u> | <u>\$ 21,356</u> | <u>\$ 29,404</u> | <u>\$ 24,994</u> |

Additional information on the City's fixed assets can be found in Note4.C of this report.

Long-term liabilities

City of Reedsport's Long-term liabilities, in thousands

| | Governmental | | BusinessType | | Total | |
|----------------------|---------------|---------------|------------------|------------------|------------------|------------------|
| | Activity | | Activity | | | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Loans payable | \$ 134 | \$ 154 | \$ 13,504 | \$ 12,020 | \$ 13,638 | \$ 12,174 |
| Capital leases | - | - | - | - | - | - |
| Compensated absences | 96 | 96 | 39 | 37 | 135 | 133 |
| Revenue bonds | - | - | 570 | 1,273 | 570 | 1,273 |
| | <u>\$ 230</u> | <u>\$ 250</u> | <u>\$ 14,113</u> | <u>\$ 13,330</u> | <u>\$ 14,343</u> | <u>\$ 13,580</u> |

Economic Factors and Next Year's Budgets and Rates.

The City of Reedsport has been under property tax compression since 1997 with both Measure 50 and Measure 5. Assessed value is allowed to increase a maximum of 3% per year. The assessed value increase does not keep pace with the increases in personnel costs, and material and services costs. Several staffing positions continue to remain unfilled.

The Wastewater Utility rate is anticipated to increase to meet the requirements of debt repayment of the Wastewater Utility Plant and collection system updates. Rural Community Assistance Corporation recently completed a wastewater rate study which includes an asset management plan.

The Water Utility monthly service rates are anticipated to remain the same as the previous year. The City intends to begin a water rate study with an asset management plan with Rural Community Assistance Corporation.

The Stormwater Utility monthly service rates are anticipated to remain the same as the previous year.

Request for Information

This financial report is designed to provide a general overview of the City of Reedsport's finances for all or those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager.

CITY OF REEDSPORT, OREGON

STATEMENT OF NET ASSETS
as of June 30, 2010

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash & cash equivalents | \$ 1,499,099 | \$ 4,350,346 | \$ 5,849,445 |
| Receivables | | | |
| Taxes | 151,260 | 0 | 151,260 |
| Accounts | 55,991 | 215,713 | 271,704 |
| Intergovernmental | 49,723 | 58,969 | 108,692 |
| Notes | 20,862 | 0 | 20,862 |
| Inventories | 28,910 | 51,743 | 80,653 |
| Total current assets | <u>1,805,845</u> | <u>4,676,771</u> | <u>6,482,616</u> |
| Capital assets | | | |
| Land | 613,070 | 47,836 | 660,906 |
| Depreciable capital assets | 6,477,822 | 29,718,332 | 36,196,154 |
| Accumulated depreciation | <u>(3,381,789)</u> | <u>(4,071,166)</u> | <u>(7,452,955)</u> |
| Net capital assets | <u>3,709,103</u> | <u>25,695,002</u> | <u>29,404,105</u> |
| Total assets | <u>5,514,948</u> | <u>30,371,773</u> | <u>35,886,721</u> |
| LIABILITIES | | | |
| Accounts payable | 110,251 | 790,861 | 901,112 |
| Payroll & related accruals | 100,812 | 0 | 100,812 |
| Accrued interest payable | 0 | 725,635 | 725,635 |
| Deferred revenue | 0 | 48,430 | 48,430 |
| Deposits payable | 0 | 41,309 | 41,309 |
| Compensated absences - current | 36,385 | 22,968 | 59,353 |
| Notes payable - current | 22,159 | 588,364 | 610,523 |
| Bonds payable - current | <u>0</u> | <u>105,000</u> | <u>105,000</u> |
| Total current liabilities | <u>269,607</u> | <u>2,322,567</u> | <u>2,592,174</u> |
| Noncurrent liabilities | | | |
| Notes payable - net of current | 111,592 | 12,915,752 | 13,027,344 |
| Bonds payable - net of current | 0 | 465,000 | 465,000 |
| Compensated absences - net of current | <u>59,999</u> | <u>16,292</u> | <u>76,291</u> |
| Total noncurrent liabilities | <u>171,591</u> | <u>13,397,044</u> | <u>13,568,635</u> |
| Total liabilities | <u>441,198</u> | <u>15,719,611</u> | <u>16,160,809</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 3,575,352 | 11,620,886 | 15,196,238 |
| Restricted - capital projects | 374,579 | 184,474 | 559,053 |
| Restricted - debt service | 0 | 1,030,604 | 1,030,604 |
| Unrestricted | <u>1,123,819</u> | <u>1,816,201</u> | <u>2,940,020</u> |
| Total net assets | <u>\$ 5,073,750</u> | <u>\$ 14,652,165</u> | <u>\$ 19,720,156</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

**STATEMENT OF ACTIVITIES AND CHANGES IN
NET ASSETS for the Year Ended June 30, 2010**

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---------------------------------|---------------------|-------------------------|--|--------------------------------------|--|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Governmental Activities | Business-type Activities | Total |
| FUNCTIONS/PROGRAMS | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 940,006 | \$ 206,867 | \$ 68,822 | \$ 0 | \$ (664,317) | \$ 0 | \$ (664,317) |
| Public safety | 1,230,120 | 231,180 | 0 | 0 | (998,940) | 0 | (998,940) |
| Highways & streets | 218,698 | 0 | 0 | 0 | (218,698) | 0 | (218,698) |
| Culture & recreation | 346,845 | 95,277 | 0 | 43,251 | (208,317) | 0 | (208,317) |
| Total governmental activities | <u>2,735,669</u> | <u>533,324</u> | <u>68,822</u> | <u>43,251</u> | <u>(2,090,272)</u> | <u>0</u> | <u>(2,090,272)</u> |
| Business-type activities | | | | | | | |
| Water | 698,392 | 839,681 | 11,165 | 8,660 | 0 | 161,114 | 161,114 |
| Wastewater | 595,107 | 1,223,940 | 0 | 750,000 | 0 | 1,378,833 | 1,378,833 |
| Stormwater | 161,074 | 79,127 | 0 | 0 | 0 | (81,947) | (81,947) |
| Dunes NRA Lease | 55,871 | 94,354 | 0 | 0 | 0 | 38,483 | 38,483 |
| Total business-type activities | <u>1,510,444</u> | <u>2,237,102</u> | <u>11,165</u> | <u>758,660</u> | <u>0</u> | <u>1,496,483</u> | <u>1,496,483</u> |
| Total government | <u>\$ 4,246,113</u> | <u>\$ 2,770,426</u> | <u>\$ 79,987</u> | <u>\$ 801,911</u> | <u>(2,090,272)</u> | <u>1,496,483</u> | <u>(593,789)</u> |
| General revenues | | | | | | | |
| Property taxes | | | | | 1,388,775 | 0 | 1,388,775 |
| Other taxes | | | | | 654,480 | 0 | 654,480 |
| Other revenue | | | | | 73,616 | 0 | 73,616 |
| Investment income | | | | | 8,596 | 38,917 | 47,513 |
| Transfers | | | | | 157,780 | (157,780) | 0 |
| Total gen. revenues & transfers | | | | | <u>2,283,247</u> | <u>(118,862)</u> | <u>2,164,385</u> |
| Change in net assets | | | | | 192,975 | 1,377,621 | 1,570,596 |
| Net assets - beginning of year | | | | | 4,880,775 | 13,327,310 | 18,208,085 |
| Prior period adjustment | | | | | 0 | (52,766) | (52,766) |
| Net assets - end of year | | | | | <u>\$ 5,073,750</u> | <u>\$ 14,652,165</u> | <u>\$ 19,720,156</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
as of June 30, 2010

| | General Fund | Street Fund | Urban Renewal Agency | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash & cash equivalents | \$ 845,951 | \$ 11,273 | \$ 74,659 | \$ 567,215 | \$ 1,499,098 |
| Receivables | | | | | |
| Taxes | 146,094 | 0 | 5,166 | 0 | 151,260 |
| Accounts | 52,509 | 3,482 | 0 | 0 | 55,991 |
| Intergovernmental | 31,370 | 15,723 | 0 | 2,630 | 49,723 |
| Notes | 0 | 0 | 0 | 20,862 | 20,862 |
| Due from other funds | 0 | 0 | 0 | 19,223 | 19,223 |
| Inventories | 0 | 0 | 0 | 28,910 | 28,910 |
| Total assets | <u>\$ 1,075,924</u> | <u>\$ 30,478</u> | <u>\$ 79,825</u> | <u>\$ 638,840</u> | <u>\$ 1,825,067</u> |
| LIABILITIES & FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 102,014 | \$ 1,901 | \$ 735 | \$ 5,600 | \$ 110,250 |
| Payroll & related accruals | 151,532 | 1,566 | 0 | 4,099 | 157,197 |
| Due to other funds | 19,223 | 0 | 0 | 0 | 19,223 |
| Unearned revenue | 137,933 | 0 | 4,460 | 20,862 | 163,255 |
| Total liabilities | <u>410,702</u> | <u>3,467</u> | <u>5,195</u> | <u>30,561</u> | <u>449,925</u> |
| Fund Balances | | | | | |
| Reserved - Capital projects | 0 | 0 | 0 | 374,579 | 374,579 |
| Unreserved | | | | | |
| General fund | 665,222 | 0 | 0 | 0 | 665,222 |
| Special revenue | 0 | 27,011 | 74,630 | 233,700 | 335,341 |
| Total fund balances | <u>665,222</u> | <u>27,011</u> | <u>74,630</u> | <u>608,279</u> | <u>1,375,142</u> |
| Total liabilities & fund balance | <u>\$ 1,075,924</u> | <u>\$ 30,478</u> | <u>\$ 79,825</u> | <u>\$ 638,840</u> | <u>\$ 1,825,067</u> |

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS**

GOVERNMENTAL FUND BALANCES \$ 1,375,142

GOVERNMENTAL FUNDS

| | |
|---|----------------|
| Capital assets, net of accumulated depreciation | 3,709,103 |
| Compensated absences | (39,999) |
| Notes payable | (133,751) |
| Deferred revenue | 163,255 |
| | <u>163,255</u> |

NET ASSETS \$ 5,073,750

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS for the Year Ended June 30, 2010

| | General Fund | Street Fund | Urban Renewal Agency | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes | \$ 1,288,639 | \$ 0 | \$ 75,683 | \$ 0 | \$ 1,364,322 |
| Franchise taxes | 167,804 | 0 | 0 | 0 | 167,804 |
| Fuel taxes | 0 | 231,305 | 0 | 0 | 231,305 |
| Alcohol taxes | 48,540 | 0 | 0 | 0 | 48,540 |
| Lodging taxes | 141,634 | 0 | 0 | 25,902 | 167,536 |
| Other taxes | 39,295 | 0 | 0 | 0 | 39,295 |
| Licenses & permits | 118,259 | 0 | 0 | 0 | 118,259 |
| Intergovernmental revenues | 26,278 | 0 | 0 | 0 | 26,278 |
| Charges for services | 62,330 | 0 | 0 | 109,573 | 171,903 |
| Fines & penalties | 216,884 | 0 | 0 | 0 | 216,884 |
| Investment earnings | 4,578 | 753 | 308 | 2,957 | 8,596 |
| Other revenue | 62,204 | 2,240 | 0 | 9,172 | 73,616 |
| Grants & contracts | 28,522 | 0 | 0 | 83,551 | 112,073 |
| Total revenues | <u>2,204,967</u> | <u>234,298</u> | <u>75,991</u> | <u>231,155</u> | <u>2,746,411</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 795,139 | 0 | 9,360 | 126,735 | 931,234 |
| Public safety | 1,361,541 | 0 | 0 | 0 | 1,361,541 |
| Highways & streets | 0 | 164,270 | 0 | 132,699 | 296,969 |
| Culture & recreation | 57,545 | 0 | 0 | 166,824 | 224,369 |
| Debt service | 15,866 | 0 | 0 | 0 | 15,866 |
| Total expenditures | <u>2,230,091</u> | <u>164,270</u> | <u>9,360</u> | <u>426,258</u> | <u>2,829,979</u> |
| Excess (def) of revenues over expenditures | (25,124) | 70,028 | 66,631 | (195,103) | (83,568) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in/out | <u>82,756</u> | <u>(53,540)</u> | <u>0</u> | <u>128,564</u> | <u>157,780</u> |
| Excess (def) of revenues over expenditures | 57,632 | 16,488 | 66,631 | (66,539) | 74,212 |
| FUND BALANCES - Beg. of year | <u>607,590</u> | <u>10,523</u> | <u>7,999</u> | <u>674,818</u> | <u>1,300,930</u> |
| FUND BALANCES - End of year | <u>\$ 665,222</u> | <u>\$ 27,011</u> | <u>\$ 74,630</u> | <u>\$ 608,279</u> | <u>\$ 1,375,142</u> |

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES**

| | |
|--|-------------------|
| EXCESS OF REVENUES OVER EXPENDITURES GOVERNMENTAL FUNDS | \$ 74,212 |
| Capitalized assets | 293,087 |
| Disposal of capital assets | (3,304) |
| Repayment of long-term debt | 20,555 |
| Change in deferred revenue | 24,453 |
| Compensated absences | 4,279 |
| Depreciation | <u>(220,307)</u> |
| Changes in net assets | <u>\$ 192,975</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

STREET FUND

| | Original Budget | Final Budget | Actual | Variance |
|---|--------------------|-----------------|------------------|------------------|
| REVENUES | | | | |
| Fuel taxes | \$ 215,000 | \$ 215,000 | \$ 231,305 | \$ 16,305 |
| Investment earnings | 2,000 | 2,000 | 753 | (1,247) |
| Other revenue | <u>1,600</u> | <u>2,500</u> | <u>2,240</u> | <u>(260)</u> |
| Total revenues | <u>218,600</u> | <u>219,500</u> | <u>234,298</u> | <u>14,799</u> |
| EXPENDITURES | | | | |
| Personal services | 54,170 | 54,170 | 53,305 | 865 |
| Materials & services | <u>120,890</u> | <u>121,790</u> | <u>111,894</u> | <u>9,896</u> |
| Total expenditures | <u>175,060</u> | <u>175,960</u> | <u>165,198</u> | <u>10,762</u> |
| Excess (def) of revenues over expenditures | <u>43,540</u> | <u>43,540</u> | <u>69,100</u> | <u>25,560</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 0 | 20,000 | 20,000 | 0 |
| Transfers out | <u>(53,540)</u> | <u>(73,540)</u> | <u>(73,540)</u> | <u>0</u> |
| Total other financing sources (uses) | <u>(53,540)</u> | <u>(53,540)</u> | <u>(53,540)</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | (10,000) | (10,000) | 15,560 | 25,560 |
| GAAP ADJUSTMENT | | | | |
| Compensated absences | 0 | 0 | 928 | 928 |
| FUND BALANCE - Beginning of year | <u>10,000</u> | <u>10,000</u> | <u>10,523</u> | <u>523</u> |
| FUND BALANCE - End of year | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 27,011</u> | <u>\$ 27,011</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

REEDSPORT URBAN RENEWAL AGENCY

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|------------------|------------------|
| REVENUES | | | |
| Property taxes | \$ 19,030 | \$ 75,683 | \$ 56,653 |
| Investment earnings | 150 | 308 | 158 |
| | <u>19,180</u> | <u>75,991</u> | <u>56,811</u> |
| EXPENDITURES | | | |
| Materials and services | 3,480 | 2,029 | 1,451 |
| Capital outlay | 25,000 | 7,331 | 17,669 |
| | <u>28,480</u> | <u>9,360</u> | <u>19,120</u> |
| Excess (def) of revenues over expenditures | (9,300) | 66,631 | 75,931 |
| FUND BALANCE - Beginning of year | <u>9,300</u> | <u>7,999</u> | <u>(1,301)</u> |
| FUND BALANCE - End of year | <u>\$ 0</u> | <u>\$ 74,630</u> | <u>\$ 74,630</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
as of June 30, 2010

| | Water Utility Fund | Wastewater Utility Fund | Stormwater Utility Fund | Dunes NRA Lease Fund | Total |
|---|-----------------------|-------------------------------|-------------------------------|-------------------------|----------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash & cash equivalents | \$ 1,612,159 | \$ 2,654,328 | 58,667 | \$ 25,192 | \$ 4,350,346 |
| Receivables | | | | | |
| Accounts | 83,881 | 124,132 | 7,700 | 0 | 215,713 |
| Intergovernmental | 2,212 | 55,041 | 1,470 | 246 | 58,969 |
| Inventories | 39,637 | 12,106 | 0 | 0 | 51,743 |
| Total current assets | <u>1,737,889</u> | <u>2,845,607</u> | <u>67,837</u> | <u>25,438</u> | <u>4,676,771</u> |
| Capital assets | | | | | |
| Capital assets not being depreciated | 47,836 | 0 | 0 | 0 | 47,836 |
| Depreciable capital assets | 8,914,054 | 19,762,271 | 433,152 | 608,855 | 29,718,332 |
| Accumulated depreciation | (3,041,262) | (641,254) | (188,951) | (199,699) | (4,071,166) |
| Net capital assets | <u>5,920,628</u> | <u>19,121,017</u> | <u>244,201</u> | <u>409,156</u> | <u>25,695,002</u> |
| Total assets | <u>7,658,517</u> | <u>21,966,624</u> | <u>312,038</u> | <u>434,594</u> | <u>30,371,773</u> |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 11,241 | 777,614 | 876 | 1,130 | 790,861 |
| Accrued interest payable | 8,479 | 717,156 | 0 | 0 | 725,635 |
| Deferred revenue | 48,430 | 0 | 0 | 0 | 48,430 |
| Deposits payable | 15,483 | 24,284 | 1,542 | 0 | 41,309 |
| Compensated absences - current | 11,953 | 9,642 | 735 | 638 | 22,968 |
| Notes payable - current | 12,319 | 576,045 | 0 | 0 | 588,364 |
| Bonds payable - current | 105,000 | 0 | 0 | 0 | 105,000 |
| Total current liabilities | <u>212,905</u> | <u>2,104,741</u> | <u>3,153</u> | <u>1,768</u> | <u>2,322,567</u> |
| Noncurrent liabilities | | | | | |
| Notes payable | 219,758 | 12,695,994 | 0 | 0 | 12,915,752 |
| Bonds payable | 465,000 | 0 | 0 | 0 | 465,000 |
| Compensated absences | 8,479 | 6,840 | 521 | 452 | 16,292 |
| Total noncurrent liabilities | <u>693,237</u> | <u>12,702,834</u> | <u>521</u> | <u>452</u> | <u>13,397,044</u> |
| Total liabilities | <u>906,142</u> | <u>14,807,575</u> | <u>3,674</u> | <u>2,220</u> | <u>15,719,611</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 5,118,551 | 5,848,978 | 244,201 | 409,156 | 11,620,886 |
| Restricted - capital projects | 52,453 | 126,813 | 5,208 | 0 | 184,474 |
| Restricted - debt service | 63,216 | 967,388 | 0 | 0 | 1,030,604 |
| Unrestricted | 1,518,155 | 215,870 | 58,955 | 23,218 | 1,816,201 |
| Total net assets | <u>\$ 6,752,375</u> | <u>\$ 7,159,049</u> | <u>\$ 308,364</u> | <u>\$ 432,374</u> | <u>\$ 14,652,165</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS for the Year Ended June 30, 2010**

| | Water Utility Fund | Wastewater Utility Fund | Stormwater Utility Fund | Dunes NRA Lease Fund | Total |
|---|-----------------------|-------------------------------|-------------------------------|-------------------------|----------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 833,659 | \$ 1,219,311 | \$ 74,489 | \$ 93,833 | \$ 2,221,292 |
| Miscellaneous | 6,022 | 4,630 | 4,638 | 521 | 15,811 |
| Total operating revenues | 839,681 | 1,223,941 | 79,127 | 94,354 | 2,237,103 |
| OPERATING EXPENSES | | | | | |
| Personal services | 275,872 | 288,519 | 29,294 | 25,323 | 619,008 |
| Materials and services | 205,525 | 186,873 | 30,225 | 12,721 | 435,344 |
| Capital outlay | 100 | 10,682 | 91,180 | 318 | 102,280 |
| Depreciation | 192,022 | 98,073 | 10,375 | 17,509 | 317,979 |
| Total operating expenses | 673,519 | 584,147 | 161,074 | 55,871 | 1,474,612 |
| Operating income (loss) | 166,162 | 639,794 | (81,947) | 38,483 | 762,491 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest earnings | 14,548 | 23,532 | 760 | 73 | 38,913 |
| Grants | 11,165 | 750,000 | 0 | 0 | 761,165 |
| Disposal of assets | 0 | (7,987) | 0 | 0 | (7,987) |
| Interest expense | (24,873) | (2,972) | 0 | 0 | (27,845) |
| Total nonoperating revenues (exp) | 840 | 762,573 | 760 | 73 | 764,246 |
| Income (loss) before transfers & capital contributions | 167,002 | 1,402,367 | (81,187) | 38,556 | 1,526,740 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Capital contributions | 8,660 | 0 | 0 | 0 | 8,660 |
| Transfers in | 568,582 | 19,674,663 | 5,000 | 0 | 20,248,245 |
| Transfers out | (616,682) | (19,753,463) | (1,900) | (33,980) | (20,406,025) |
| Total other financing sources (uses) | (39,440) | (78,800) | 3,100 | (33,980) | (149,120) |
| Change in net assets | 127,562 | 1,323,567 | (78,087) | 4,576 | 1,377,620 |
| NET ASSETS - Beginning of year | 6,677,577 | 5,835,482 | 386,451 | 427,798 | 13,327,311 |
| Prior period adjustment | (52,764) | 0 | 0 | 0 | (52,764) |
| NET ASSETS - End of year | \$ 6,752,375 | \$ 7,159,049 | \$ 308,364 | \$ 432,374 | \$ 14,652,165 |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Year Ended June 30, 2010

| | Water Fund | Wastewater Utility Fund | Stormwater Utility Fund | Dunes NRA Lease Fund | Totals |
|--|---------------------|-------------------------------|-------------------------------|-------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts from customers & users | \$ 838,184 | \$ 1,219,257 | \$ 78,881 | \$ 94,108 | \$ 2,230,430 |
| Cash payments to suppliers | (199,649) | 26,800 | (120,846) | (13,977) | (307,671) |
| Cash payments to employees | (273,439) | (286,478) | (31,856) | (25,549) | (617,322) |
| Net cash provided (used) by operating activities | <u>365,096</u> | <u>959,579</u> | <u>(73,821)</u> | <u>54,582</u> | <u>1,305,437</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Operating grant | 11,165 | 0 | 0 | 0 | 11,165 |
| Transfers from other funds | 0 | 0 | 5,000 | 0 | 5,000 |
| Transfers to other funds | (48,100) | (73,800) | (1,900) | (33,980) | (157,780) |
| Net cash provided (used) by noncapital financing act. | <u>(36,935)</u> | <u>(73,800)</u> | <u>3,100</u> | <u>(33,980)</u> | <u>(141,615)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | (185,236) | (4,535,979) | 0 | 0 | (4,721,215) |
| Capital contributions - SDC fees | 8,660 | 0 | 0 | 0 | 8,660 |
| Capital grant | 0 | 750,000 | 0 | 0 | 750,000 |
| Issuance of debt | 0 | 2,009,195 | 0 | 0 | 2,009,195 |
| Principal paid on debt | (112,251) | (603,047) | 0 | 0 | (715,298) |
| Interest expense | (36,491) | (15,871) | 0 | 0 | (52,362) |
| Net cash provided (used) by capital and related financing activities | <u>(325,318)</u> | <u>(2,395,702)</u> | <u>0</u> | <u>0</u> | <u>(2,721,020)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest income | <u>14,548</u> | <u>23,532</u> | <u>759</u> | <u>73</u> | <u>38,912</u> |
| Net increase (decrease) in cash & cash equivalents | 17,391 | (1,486,391) | (69,962) | 20,675 | (1,518,286) |
| Cash & cash equivalents - Beginning of year (including restricted cash \$4,314,374) | <u>1,594,768</u> | <u>4,140,719</u> | <u>128,629</u> | <u>4,517</u> | <u>5,868,632</u> |
| Cash & cash equivalents - End of year (including restricted cash \$2,790,815) | <u>\$ 1,612,159</u> | <u>\$ 2,654,328</u> | <u>\$ 58,667</u> | <u>\$ 25,192</u> | <u>\$ 4,350,346</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities | | | | | |
| Operating income (loss) | \$ 166,162 | \$ 639,794 | \$ (81,947) | \$ 38,483 | \$ 762,492 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities | | | | | |
| Depreciation (Increase) decrease in operating assets | 192,022 | 98,073 | 10,375 | 17,509 | 317,979 |
| Accounts receivable | 2,839 | (4,683) | (246) | (246) | (2,336) |
| Inventories | 238 | (7,004) | 0 | 0 | (6,766) |
| Increase (decrease) in operating liabilities | | | | | |
| Accounts payable | 5,738 | 231,358 | 559 | (938) | 236,718 |
| Compensated absences | 2,433 | 2,041 | (2,562) | (226) | 1,686 |
| Deferred revenue & deposits payable | (4,336) | 0 | 0 | 0 | (4,336) |
| Net cash provided (used) by operating activities | <u>\$ 365,096</u> | <u>\$ 959,579</u> | <u>\$ (73,821)</u> | <u>\$ 54,582</u> | <u>\$ 1,305,437</u> |
| Supplemental | | | | | |
| Interest capitalized | \$ 0 | \$ 414,480 | \$ 0 | \$ 0 | \$ 414,480 |

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Reedsport was incorporated in 1919. The present charter was enacted in 2006. The government of the City is vested in a City Council and a Mayor who are responsible for rule making, budget preparation and enforcement, expenditure approval and hiring of the City's management personnel. The Council consists of six members elected at large. Three Councilors are elected at each biennial general election. The Mayor is elected to serve a term of two years. The Mayor and Council are elected by vote of the general public. The Council appoints the City Manager, Municipal Judge and City Attorney.

The basic financial statements present the City and its blended component unit, the Reedsport Urban Renewal Agency (Agency), an entity for which the City is financially accountable, in accordance with GASB 39. The Agency, although a legally separate entity, is a part of the City's operations. It was organized to construct and administer capital improvements as outlined in the City's Urban Renewal Plan. The City Council serves as its governing board. All activities of the Agency are recorded in a general fund. Complete financial statements for the Agency can be obtained at City Hall, Reedsport, Oregon.

These financial statements include all funds, organizations, departments and offices that are not legally separate from the City of Reedsport. The Reedsport Urban Renewal Agency, a component unit, is included for financial reporting purposes as a major fund. There are no other organizations, due to either their nature or significance to the City, that would make these general purpose financial statements incomplete or misleading by their exclusion.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information on the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are financed primarily through franchise taxes and transient room taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities and Changes in Net Assets demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges 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 revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collected within sixty 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 judgements, are recorded only when the payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Fund accounts for the maintenance, operation and construction of the City's streets. The primary source of revenues is state shared highway funds.

Urban Renewal Agency is used to administer property tax revenues for the funding of the Urban Renewal plan through designated projects.

The City reports the following major proprietary funds:

Water Utility Fund reports financial activity related to supply, treatment and distribution of water, with the primary revenue coming from user fees.

Wastewater Utility Fund accounts for the resources and expense related to collection and treatment of wastewater. The primary source of revenue is user fees.

Stormwater Fund accounts for revenue derived from providing for storm water services. Expenses are for the operation and maintenance of the storm water system.

Dunes NRA Lease Fund accounts for the lease of City buildings to the USDA Forest Service for the Oregon Dunes NRA headquarters.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include leases and rent income, capital grants, and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

The City's 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. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The City's investment policies are governed by Oregon statutes. The statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 4A.

Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The cost of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

Assets that may be refunded or are committed to be used for the payment of bonded debt are classed as restricted assets. Restricted resources are expended first to fund appropriations for which those restrictions were to be utilized.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, sidewalks and similar public domain items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined in the City's capitalization policy as having a historic cost or market value in excess of \$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 assets are valued at their estimated fair market value at the date of the donation.

Additions, improvements and other capital outlays that significantly improve the useful life or increase the capacity of an asset are capitalized. Other costs incurred for maintenance and repairs are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

| | <u>Years</u> |
|------------------------|--------------|
| Buildings & Structures | 30 - 50 |
| Land Improvements | 25 |
| Machinery & Equipment | 7 - 10 |
| Vehicles | 5 |
| Infrastructure | 10 - 40 |

Long Term Obligations

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities and proprietary fund type Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the debt. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from net proceeds received, are reported as debt service expenditures.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory and sick leave benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers and as a general rule are eliminated from the enterprise financial statements. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Reserved Fund Balance/Restricted Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted net assets reported in the Statement of Net Assets represent amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Balance Sheet for governmental funds includes a reconciliation between total fund balances and total net assets of governmental activities in the government-wide Statement of Net Assets. The elements of that reconciliation are as follows:

Capital assets are not financial resources in the governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2010

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.

Liabilities not due and payable in the current period are not recorded in governmental funds but are reported in the Statement of Net Assets.

The Statement of Revenues, Expenditures, and Changes in Fund Balance for governmental funds includes a reconciliation between total net change in fund balances and changes in net assets of governmental activities in the government-wide Statement of Activities and Changes in Net Assets. The elements of that reconciliation are as follows:

Acquisition of capital assets is recorded as capital outlay in governmental funds, but the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.

Governmental funds do not report expenditures for compensated absences since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred.

Governmental funds defer revenues that do not provide current financial resources, but the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.

Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. The payment of debt principal affects the Statement of Activities and is reported as a decrease in noncurrent liabilities in the Statement of Net Assets.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

The City legally adopts an annual budget for each governmental and proprietary fund type prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personal services, materials and services, capital outlay, debt service, interfund transactions, operating contingency, and all other requirement levels. Expenditures cannot legally exceed appropriations at these control levels.

Budgets are prepared using a modified accrual basis of accounting. Reconciliation schedules bring the modified accrual basis to full accrual for compliance with generally accepted accounting principles.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified only by the City Council by the use of appropriation transfers between the levels of control. In addition, Oregon Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapse at year end.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Deficit Fund Balances

| | |
|------------------------------------|--------------|
| Water Filtration Debt Reserve Fund | \$ (801,955) |
| Wastewater Capital Debt Fund | (13,272,039) |
| Wastewater DEQ Improvement Fund | (952,749) |
| Wastewater Capital OECCD Imp. Fund | (243,323) |

When the Water and Wastewater funds are combined with the reserve and debt service funds, there are no deficit fund balances.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash and cash equivalents as of June 30, are classified in the accompanying Statement of Net Assets as follows:

| | |
|---|--------------------|
| | <u>Balance</u> |
| Cash, cash equivalents & investments | \$2,683,760 |
| Cash, cash equivalents & invest. - restricted | 3,165,685 |
| Total | <u>\$5,849,445</u> |

Cash and cash equivalents as of June 30 consist of the following:

| | |
|--|--------------------|
| | <u>Balance</u> |
| Cash on hand | \$ 700 |
| Deposits with financial institutions | 4,801,177 |
| Investments - external investment pool | 1,047,568 |
| Total cash & investments | <u>\$5,849,445</u> |

Restricted cash represents customer deposits of \$41,309, debt service of \$1,039,063, System Development fees of \$184,374 and Capital Projects of \$1,900,939.

Deposits

At the end of the fiscal year, the City's total deposits with financial institutions have a bank value of \$4,792,193.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminating the requirement of certificates of participation and created a shared liability structure of qualified depositories. At year end, \$500,000 of the City's deposits were insured by the FDIC and the remaining balances were in qualified depository banks: Bank of America and Umpqua Bank.

Investments

At year end, the City has total funds of \$1,047,568 in the State of Oregon Local Government Investment Pool.

| | | | | |
|----------------------------------|--------------------|--|----------------------------------|--------------------|
| | <u>Fair Value</u> | <u>Weighted average maturity in days</u> | <u>% of investment portfolio</u> | <u>Credit Risk</u> |
| Local Government Investment Pool | <u>\$1,047,568</u> | 1 | 100 | Unrated |

The "weighted average maturity in days" assumes that all investments are held to maturity.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

A. DEPOSITS AND INVESTMENTS

Investments

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council. At the end of the fiscal year, the fair value of the City's deposits with the LGIP approximately equals the value of the pool shares. The OSTF financial statements are available at <http://ost.state.or.us>.

Interest rate risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool.

Concentration of credit risk

At June 30, 2010, the City had 100% of total investments in the Oregon State Treasury's Local Government Investment Pool.

B. RECEIVABLES

Receivables at June 30 consist of the following:

| | <u>Property Taxes</u> | <u>Accounts Receiv- able</u> | <u>Inter- governmental</u> | <u>Notes & Loans Receivable</u> | <u>Total</u> |
|----------------------------|---------------------------|--------------------------------------|--------------------------------|---|-------------------|
| Governmental | | | | | |
| General Fund | \$ 146,094 | \$ 52,509 | \$ 31,370 | \$ 0 | \$ 229,973 |
| Street Fund | 0 | 3,482 | 15,723 | 0 | 19,205 |
| URA | 5,166 | 0 | 0 | 0 | 5,166 |
| Other Government Funds | 0 | 0 | 2,630 | 20,862 | 23,492 |
| Total Governmental | <u>151,260</u> | <u>55,991</u> | <u>49,723</u> | <u>20,862</u> | <u>277,836</u> |
| Business-Type | | | | | |
| Water Fund | 0 | 83,881 | 2,212 | 0 | 86,093 |
| Wastewater Fund | 0 | 124,132 | 55,041 | 0 | 179,173 |
| Stormwater Fund | 0 | 7,700 | 1,470 | 0 | 9,170 |
| Dunes NRA Lease Fund | 0 | 0 | 246 | 0 | 246 |
| Total Business-Type | <u>0</u> | <u>215,713</u> | <u>58,969</u> | <u>0</u> | <u>274,682</u> |
| Total | <u>\$ 151,260</u> | <u>\$ 271,704</u> | <u>\$ 108,692</u> | <u>\$ 20,862</u> | <u>\$ 552,518</u> |

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

B. RECEIVABLES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported are as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---------------------------|-----------------------|----------------------|
| Property Taxes | | |
| General Fund | \$ 126,041 | |
| Urban Renewal Agency | 4,460 | |
| Unforfeited Bail Deposits | | |
| General Fund | 11,892 | |
| Notes & Loans | | |
| General Capital Imp. Fund | 20,862 | |
| Customer Deposits | | |
| Water Fund | | \$ 15,483 |
| Wastewater Fund | | 24,284 |
| Stormwater Fund | | <u>1,542</u> |
| Total | <u>\$ 163,255</u> | <u>\$ 41,309</u> |

Accounts Receivable

Uncollected accounts receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible has been established.

Notes Receivable

The City has an agreement with U.S. Department of Housing and Urban Development (HUD) in which qualifying individual property owners receive financing from HUD for the purposes of rehabilitating their properties. These loans are managed by the City and repayments are to be used to finance additional loans to new qualifying property owners in the future. The balance of these notes as of June 30, 2010 was \$20,862. This balance is offset in the governmental funds balance sheet by unearned revenues.

Property Taxes Receivable

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

B. RECEIVABLES

Property Taxes Receivable

Taxes collected within approximately sixty days of the fiscal year end are recognized as revenue, and the remaining balance of property taxes receivable is recorded as deferred revenue as it is not considered available to finance operations of the current period. Uncollected property taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

C. CAPITAL ASSETS

Capital asset activity for year end June 30, was as follows:

| | <u>7-01</u> <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>6-30</u> <u>Balance</u> |
|---|-------------------------------|------------------|-------------------|-------------------------------|
| Governmental Activities | | | | |
| Capital assets, not depreciated | | | | |
| Land | \$ 613,070 | \$ 0 | \$ 0 | \$ 613,070 |
| Capital assets, being depreciated | | | | |
| Building | 2,086,553 | 133,391 | 0 | 2,219,944 |
| Machinery & equipment | 2,815,428 | 33,194 | (8,850) | 2,839,772 |
| Infrastructure | <u>1,291,604</u> | <u>126,502</u> | <u>0</u> | <u>1,418,106</u> |
| Total capital assets being depreciated | <u>6,193,585</u> | <u>293,087</u> | <u>(8,850)</u> | <u>6,427,822</u> |
| Less - accum. depreciation | | | | |
| Building | (1,589,905) | (31,478) | 0 | (1,621,383) |
| Machinery & equipment | (1,051,998) | (150,902) | 5,546 | (1,197,354) |
| Infrastructure | <u>(525,125)</u> | <u>(37,927)</u> | <u>0</u> | <u>(563,052)</u> |
| Total accum. depreciation | <u>(3,167,028)</u> | <u>(220,307)</u> | <u>5,546</u> | <u>(3,381,789)</u> |
| Total capital assets, net of depreciation | <u>3,026,557</u> | <u>72,780</u> | <u>(3,304)</u> | <u>3,096,033</u> |
| Governmental activities capital assets, net | <u>\$ 3,639,627</u> | <u>\$ 72,780</u> | <u>\$ (3,304)</u> | <u>\$3,709,103</u> |

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

| | <u>7/01 Balance</u> | <u>Additions & Transfers</u> | <u>Deletions & Transfers</u> | <u>6/30 Balance</u> |
|---|-------------------------|--------------------------------------|--------------------------------------|-------------------------|
| Business-type Activities | | | | |
| Assets not being depreciated | | | | |
| Land | \$ 47,836 | \$ 0 | \$ 0 | \$ 47,836 |
| Construction in Progress | <u>12,499,353</u> | <u>2,680,157</u> | <u>(15,179,510)</u> | <u>0</u> |
| Total capital assets, not depreciated | <u>12,547,189</u> | <u>2,680,157</u> | <u>(15,179,510)</u> | <u>47,836</u> |
| Assets being depreciated | | | | |
| Buildings & improvements | 682,401 | 0 | 0 | 682,401 |
| Machinery & equipment | 342,890 | 0 | (23,539) | 319,351 |
| Systems | <u>14,430,417</u> | <u>17,164,365</u> | <u>(2,878,202)</u> | <u>28,716,580</u> |
| Total capital assets, being depreciated | <u>15,455,708</u> | <u>17,164,365</u> | <u>(2,901,741)</u> | <u>29,718,332</u> |
| Less - accum. depreciation | | | | |
| Building & improvements | (243,018) | (17,555) | 0 | (260,973) |
| Machinery & equipment | (183,059) | (23,828) | 15,552 | (191,335) |
| Systems | <u>(6,220,864)</u> | <u>(276,196)</u> | <u>2,878,202</u> | <u>(3,618,858)</u> |
| Total accum. depreciation | <u>(6,646,941)</u> | <u>(317,979)</u> | <u>2,893,754</u> | <u>(4,071,166)</u> |
| Total capital assets, net of depreciation | <u>8,808,767</u> | <u>16,846,386</u> | <u>(7,987)</u> | <u>25,647,166</u> |
| Business-type activities Capital assets, net | <u>\$ 21,355,956</u> | <u>\$19,526,543</u> | <u>\$(15,187,497)</u> | <u>\$25,695,002</u> |

Additions to construction in progress includes capitalized interest in the amount of \$414,480.

Reclassification

Beginning accumulated depreciation balances have been reclassified to match the classification of assets. Total accumulated depreciation did not change.

Depreciation expense was charged to functions/programs of the primary government as follows:

| | <u>Balance</u> |
|----------------------------------|-------------------|
| Governmental activities | |
| General government | \$ 17,740 |
| Public safety | 28,275 |
| Highways & streets | 44,927 |
| Culture & recreation | 126,365 |
| Total dep. exp. - gov. act. | <u>\$ 220,307</u> |
| Business-type activities | |
| Water | \$ 192,022 |
| Wastewater | 98,073 |
| Stormwater | 10,375 |
| Dunes NRA lease | 17,509 |
| Total dep. exp. - bus. type act. | <u>\$ 317,979</u> |

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

D. INTERFUND TRANSFERS

| | Transfers In | | | | | |
|------------------------|-----------------------|----------------------|--------------------------|--------------------------|-----------------------------------|------------------------|
| | General Fund | Water Fund | Waste- water Funds | Storm- water Funds | Nonmajor Governmental Funds | Total Out |
| Transfer Out | | | | | | |
| General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 60,000 | \$ 60,000 |
| Street Fund | 11,500 | 0 | 0 | 0 | 42,040 | 53,540 |
| Nonmajor Govn't Funds | 2,766 | 0 | 0 | 0 | 0 | 2,766 |
| Water Fund | 48,100 | 408,770 | 0 | 0 | 0 | 456,870 |
| Wastewater Fund | 73,800 | 0 | 638,825 | 5,000 | 0 | 717,625 |
| Stormwater Fund | 1,900 | 0 | 0 | 0 | 0 | 1,900 |
| Dune NRA Lease Fund | 4,690 | 0 | 0 | 0 | 29,290 | 33,980 |
| Total transfers in | <u>\$ 142,756</u> | <u>\$408,770</u> | <u>\$ 638,825</u> | <u>\$ 5,000</u> | <u>\$ 131,330</u> | <u>\$1,326,681</u> |

The purpose of inter-fund transfers in the enterprise funds is primarily to build reserves for future capital expenditures and projects. Inter-fund transfers in the governmental funds are primarily to provide resources to funds which are not self-supporting.

Due To/From Other Funds

The General Fund owes the Riverfront Fund \$19,223 as of June 30, for unremitted tourism taxes.

E. LONG TERM LIABILITIES

During the year ended June 30, the following changes occurred in long-term liabilities:

| | Original Amount | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------|--------------------|----------------------|----------------|-------------------|--------------------|---------------------------|
| Governmental Type | | | | | | |
| Note payable | \$ 115,000 | \$ 112,146 | \$ 0 | \$ 7,354 | \$ 104,792 | \$ 8,123 |
| Loan payable | | | | | | |
| OECD | 172,688 | 42,160 | 0 | 13,201 | 28,959 | 14,036 |
| Compensated absences | | 96,067 | 316 | 0 | 96,383 | 36,384 |
| Total governmental type | | <u>250,373</u> | <u>316</u> | <u>20,555</u> | <u>230,134</u> | <u>58,543</u> |

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

| | <u>Original Amount</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------------|----------------------------|------------------------------|--------------------|-------------------|---------------------------|------------------------------------|
| Business Type | | | | | | |
| Bonds payable | | | | | | |
| Water rev. refunding | 1,005,000 | 670,000 | 0 | 100,000 | 570,000 | 105,000 |
| Water pollution | 1,200,000 | <u>603,047</u> | <u>0</u> | <u>603,047</u> | <u>0</u> | <u>0</u> |
| Total bonds payable | | <u>1,273,047</u> | <u>0</u> | <u>703,047</u> | <u>570,000</u> | <u>105,000</u> |
| Loans payable | | | | | | |
| OECD Water SPWF | 304,638 | 244,328 | 0 | 12,251 | 232,077 | 12,319 |
| DEQ Revolving loan | 13,500,000 | 10,065,498 | 1,011,000 | 0 | 11,076,498 | 515,220 |
| OECD SPWF | 2,250,000 | <u>1,710,338</u> | <u>485,203</u> | <u>0</u> | <u>2,195,541</u> | <u>60,825</u> |
| Total loans payable | | <u>12,020,164</u> | <u>1,496,203</u> | <u>12,251</u> | <u>13,504,116</u> | <u>588,364</u> |
| Compensated absences | | <u>37,573</u> | <u>1,687</u> | <u>0</u> | <u>39,260</u> | <u>22,967</u> |
| Total business type | | <u>13,330,784</u> | <u>1,497,890</u> | <u>715,298</u> | <u>14,113,376</u> | <u>716,331</u> |
| Total long-term liabilities | | <u>\$13,581,157</u> | <u>\$1,498,206</u> | <u>\$ 735,853</u> | <u>\$14,343,510</u> | <u>\$ 794,874</u> |

Compensated Absences

In prior years, compensated absences have been liquidated primarily by the general, state tax street, water, wastewater, and stormwater.

Loans Payable - Governmental Type

In January 2010 the City purchased land from a private party on a promissory note for \$115,000 at an interest rate of 10%, due in monthly installments of \$1,520, maturing 2019. The balance due on this note at June 30, 2010 was \$104,792.

The Riverfront Revitalization Project, a Special Public Works Fund, entered into a loan agreement during July 1992 for \$172,688 at an interest rate of 6.32%. Payment of \$15,866 is due annually on December 1, including interest. BNY Western Trust Company manages the loan; however, the funds were loaned from Oregon Economic Development Department. The balance due on this note was \$28,959 at June 30, 2010. It matures in 2012.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

Governmental Type Activities Future Maturities of Long-Term Debt

Below is a summary of future governmental type debt obligations:

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-------------------|------------------|-------------------|
| 2011 | \$ 22,159 | \$ 11,944 | \$ 34,103 |
| 2012 | 23,896 | 10,207 | 34,103 |
| 2013 | 9,913 | 8,323 | 18,236 |
| 2014 | 10,951 | 7,285 | 18,236 |
| 2015 | 12,098 | 6,138 | 18,236 |
| 2016-19 | 54,733 | 10,615 | 65,348 |
| Total | <u>\$ 133,751</u> | <u>\$ 54,513</u> | <u>\$ 188,264</u> |

Bonds Payable - Business Type

The City issued revenue bonds to provide funds for the acquisition and construction of major capital water improvements. The bonds have terms as follows:

On January 11, 2005, the City issued \$1,005,000 of 10 year Series A water revenue refunding bonds bearing an interest rate of 4.26%. The bonds call for annual principal payments on October 1, including interest. The balance due on the bonds at June 30 was \$570,000 and it matures in 2015.

In August 1980 the City issued \$1,200,000 of 40 year serial water pollution bonds bearing an interest rate of 5%, maturing in 2021. The bonds call for annual principal payments on August 6, and semi-annual interest payments on February and August 6. The bond was paid off in the year ended June 30, 2010.

Loans Payable - Business Type

Revenue bonds are direct obligations of the proprietary funds and pledge the revenues of each utility.

On December 1, 2003, the City entered into a \$304,638 20 year loan agreement with the State of Oregon Economic Development Department to assist in the construction of new water lines. The note bears an interest rate of 4.17%, with annual payments due on December 1, including interest, maturing 2024. The balance due on the loan at June 30 was \$232,077.

In December 2004, the City entered into a loan agreement with the Department of Environmental Quality (DEQ) through the State of Oregon for a Clean Water State Revolving Fund Loan in the amount of \$13,500,000, bearing an interest rate of 3.06%. Principal and interest payments are not due until the project is complete. The balance due on the loan at June 30 was \$11,076,498 and it matures in 2030. The loan agreement requires the City to maintain a reserve account of \$464,326 once payment begins. As of June 30, 2010 a separate fund has been established for this reserve requirement. Balance available to draw is \$2,423,502.

In August 2006, the City obtained a revolving Special Public Works Fund loan through the Oregon Economic and Community Development Department (OECD) for \$2,250,000 bearing an interest rate of 4.66%. Principal and interest payments are not due until the project is complete. The balance due on the loan at June 30 was \$2,195,541, with the loan maturing 2032. Balance available to draw is \$54,459.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG-TERM LIABILITIES

Loans Payable - Business Type

The business loan obligations include advances not yet received from the 2004 DEQ loan and 2006 OECDD loan as follows:

| | <u>Revenue Bonds</u> | <u>Loans Payable</u> | <u>Total</u> |
|-----------------------------|--------------------------|--------------------------|-------------------------|
| Debt Obligation | | | |
| Balance at 6/30/10 | \$ 570,000 | \$13,504,116 | \$14,074,116 |
| DEQ - available | 0 | 2,423,502 | 2,423,502 |
| OECDD - available | <u>0</u> | <u>54,459</u> | <u>54,459</u> |
| Total future obligation | <u>\$ 570,000</u> | <u>\$15,982,077</u> | <u>\$16,552,077</u> |

Below is a summary of future business type debt obligations:

| Fiscal Year Ending 6-30 | <u>Revenue Bonds</u> | | <u>Loans Payable</u> | | <u>Total</u> | |
|----------------------------|-----------------------|----------------------|-------------------------|------------------------|-------------------------|------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2011 | \$ 105,000 | \$ 22,046 | \$ 588,364 | \$1,878,157 | \$ 693,364 | \$1,900,202 |
| 2012 | 110,000 | 17,466 | 607,160 | 569,546 | 717,160 | 587,012 |
| 2013 | 115,000 | 12,674 | 626,588 | 547,107 | 741,588 | 559,781 |
| 2014 | 115,000 | 7,775 | 646,663 | 523,932 | 761,663 | 531,707 |
| 2015 | 125,000 | 2,663 | 667,413 | 499,981 | 792,413 | 502,644 |
| 2016-20 | 0 | 0 | 3,698,470 | 2,109,881 | 3,698,470 | 2,109,881 |
| 2021-25 | 0 | 0 | 4,318,164 | 1,374,648 | 4,318,164 | 1,374,648 |
| 2026-30 | 0 | 0 | 4,519,707 | 523,072 | 4,519,707 | 523,072 |
| 2031-32 | <u>0</u> | <u>0</u> | <u>309,548</u> | <u>21,802</u> | <u>309,548</u> | <u>21,802</u> |
| Total | <u>\$ 570,000</u> | <u>\$ 62,622</u> | <u>\$15,982,077</u> | <u>\$8,048,127</u> | <u>\$16,552,077</u> | <u>\$8,110,749</u> |

F. PENSION PLAN

Plan Description

All City employees hired before January 1, 2010 are participants under one or more plans currently available through Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system administered under ORS 238 and 238A.

The 1995 Legislature created a second tier of benefits for those who became members after 1995. The second tier does not have the Tier One assumed earnings rate guarantee.

There are currently two programs with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: (1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and (2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN

Plan Description

Beginning January 1, 2004, all employees who are active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP, not into the member's PERS account.

Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700, phone 503-598-7377 or by URL: http://Oregon.gov/PERS/section/financial_reports/financials.shtml

PERS benefits vest after five years of continuous service or at age 50. General Service employees may retire after reaching age 55. Employees with 30 years of service receive unreduced benefits. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service. Tier Two members are eligible for full benefits at age 60.

Retirement benefits are based on final average salary and length of service and are calculated under either a money match, full formula or a formula plus annuity computation if a greater benefit results. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

Funding Policy

Employees who participate in the Plan contribute 6% of their wages to IAP. The City contributes at a rate determined periodically by PERS based on actuarial valuations performed at least every two years.

Effective January 1, 2000, the City elected to participate in the Local Government Rate Pool (LGRP). The LGRP was created by legislative act of the State of Oregon and provided local governments the option to pool their PERS related assets and liabilities with others that elected to participate in the pool, whereby contribution rates are determined based on the overall experience of the pool versus the potentially more volatile experience of individual employers. The LGRP was expanded and replaced by the State and Local Government Rate Pool (the SLGRP). The City made the election to join the SLGRP as of January 1, 2002.

PERS sets the rate for the SLGRP, based on the independent actuarial study that is performed every two years. The amortization method used is a 22 year closed group, fixed term. PERS is reducing the amortization on new liabilities each year until it gets to the 20 year amortization standard it has set in policy.

Significant economic assumptions used in the actuarial valuation include: (a) rate of return on the investment of present and future assets of 8% per annum compounded annually, (b) projected salary increases at 4% per year compounded annually, (c) increases due to promotions and longevity that vary by age and service, (d) pre and post-mortality life expectancies of employees, based upon several mortality tables, (e) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience, (f) consumer price inflation at 3% per year, and (g) a factor for unused sick leave that is used to calculate retirement benefits under the Full Formula and Formula Plus Annuity benefit calculations.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN

Fund Policy

The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Rates for the prior three years, expressed as a percentage of covered payroll, were:

| | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-----------------------|-------------|-------------|-------------|
| PERS Tier1/Tier 2 | 1.23% | 1.23% | 1.29% |
| OPSRP General Service | 1.61% | 1.61% | .19% |
| OPSRP Police/Fire | 4.88% | 4.88% | 1.95% |

The required contribution rates for 2010 are as follows:

| | |
|-----------------------|-------|
| PERS Tier1/Tier 2 | 1.29% |
| OPSRP General Service | .19% |
| OPSRP Police/Fire | 1.95% |

The amounts contributed to PERS during the prior three years were equal to the required contribution for each year as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Annual Required Contribution</u> | <u>% Contributed</u> | <u>Remaining Obligation</u> |
|---------------------------------------|---|--------------------------|---------------------------------|
| 2008 | \$ 106,034 | 100% | \$ 0 |
| 2009 | 110,353 | 100% | 0 |
| 2010 | 94,010 | 100% | 0 |

NOTE 5 - PRIOR PERIOD ADJUSTMENT

During the year the City discovered that due to an error in the billing program a few commercial customers had been over-charged for water service over a period of years. The customers were notified and given refunds or credits on their account. The accumulated amount of the over billing was \$52,766.

NOTE 6 - OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; tort; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Commitments and Contingencies

The City is aware of several matters of litigation claims. Although the outcomes cannot be determined, it is the opinion that settlement of these matters will not have a material effect on the combined financial position and results of operations of the City.

The City has a noncancellable lease for two photo copiers that expires in May of 2013. Current year expense was \$12,000. The annual requirements for the following years: \$12,000 for June 30, 2011, \$12,000 for June 30, 2012 and \$5,000 for June 30, 2013.

CITY OF REEDSPORT, OREGON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
as of June 30, 2010

| | Special Revenue Funds | Capital Projects Funds | Total |
|---------------------------------------|--------------------------|---------------------------|-----------------------|
| ASSETS | | | |
| Cash & cash equivalents | \$ 192,349 | \$ 374,867 | \$ 567,216 |
| Receivables | | | |
| Intergovernmental | 2,630 | 0 | 2,630 |
| Due from other funds | 19,223 | 0 | 19,223 |
| Notes | 0 | 20,862 | 20,862 |
| Inventories | <u>28,910</u> | <u>0</u> | <u>28,910</u> |
| Total assets | <u>\$ 243,111</u> | <u>\$ 395,729</u> | <u>\$ 638,840</u> |
| LIABILITIES & FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ 5,312 | \$ 288 | \$ 5,600 |
| Payroll and related liabilities | 4,099 | 0 | 4,099 |
| Unearned revenue | <u>0</u> | <u>20,862</u> | <u>20,862</u> |
| Total liabilities | <u>9,411</u> | <u>21,150</u> | <u>30,561</u> |
| Fund Balance | | | |
| Reserved - Capital outlay | 0 | 374,579 | 374,579 |
| Unreserved | <u>233,700</u> | <u>0</u> | <u>233,700</u> |
| Total fund balances | <u>233,700</u> | <u>374,579</u> | <u>608,279</u> |
| Total liabilities & fund balance | <u>\$ 243,111</u> | <u>\$ 395,729</u> | <u>\$ 638,840</u> |

CITY OF REEDSPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS for the Year Ended June 30, 2010

| | Special Revenue Funds | Capital Projects Funds | Total |
|---|--------------------------|---------------------------|------------|
| REVENUES | | | |
| Taxes | \$ 25,902 | \$ 0 | \$ 25,902 |
| Charges for services | 109,573 | 0 | 109,573 |
| Investment earnings | 1,283 | 1,674 | 2,957 |
| Grants and contracts | 0 | 83,551 | 83,551 |
| Miscellaneous | 399 | 8,773 | 9,172 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 137,157 | 93,998 | 231,155 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | |
| General government | 0 | 126,735 | 126,735 |
| Highways and streets | 0 | 132,699 | 132,699 |
| Culture and recreation | 159,853 | 6,971 | 166,824 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 159,853 | 266,405 | 426,258 |
| | <hr/> | <hr/> | <hr/> |
| Excess (def) of revenues over expenditures | (22,696) | (172,407) | (195,103) |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 50,000 | 101,330 | 151,330 |
| Transfers out | (2,766) | (20,000) | (22,766) |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 47,234 | 81,330 | 128,564 |
| | <hr/> | <hr/> | <hr/> |
| Excess (def) of revenues over expenditures | 24,538 | (91,077) | (66,539) |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES - Beginning of year | 209,162 | 465,656 | 674,818 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES - End of year | \$ 233,700 | \$ 374,579 | \$ 608,279 |
| | <hr/> | <hr/> | <hr/> |

CITY OF REEDSPORT, OREGON

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
as of June 30, 2010

| | Bicycle/Footpath Fund | Fire Equipment Fund | Riverfront Fund | Total |
|---------------------------------------|--------------------------|------------------------|----------------------|-----------------------|
| ASSETS | | | | |
| Cash & cash equivalents | \$ 28,328 | \$ 132,749 | \$ 31,272 | \$ 192,349 |
| Receivables | | | | |
| Intergovernmental | 150 | 2,357 | 123 | 2,630 |
| Due from other funds | 0 | 0 | 19,223 | 19,223 |
| Inventories | <u>0</u> | <u>0</u> | <u>28,910</u> | <u>28,910</u> |
| Total assets | <u>\$ 28,478</u> | <u>\$ 135,105</u> | <u>\$ 79,528</u> | <u>\$ 243,111</u> |
| LIABILITIES & FUND BALANCE | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 0 | \$ 0 | \$ 5,312 | \$ 5,312 |
| Payroll and related liabilities | <u>0</u> | <u>0</u> | <u>4,099</u> | <u>4,099</u> |
| Total liabilities | 0 | 0 | 9,411 | 9,411 |
| Fund Balance | | | | |
| Unreserved | <u>28,478</u> | <u>135,105</u> | <u>70,117</u> | <u>233,700</u> |
| Total liabilities & fund balance | <u>\$ 28,478</u> | <u>\$ 135,105</u> | <u>\$ 79,528</u> | <u>\$ 243,111</u> |

CITY OF REEDSPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS for the Year Ended June 30, 2010

| | Bicycle/Footpath Fund | Fire Equipment Fund | Riverfront Fund | Total |
|---|--------------------------|------------------------|--------------------|-------------------|
| REVENUES | | | | |
| Taxes | \$ 1,786 | \$ 0 | \$ 24,116 | \$ 25,902 |
| Charges for services | 0 | 14,296 | 95,277 | 109,573 |
| Investment earnings | 184 | 792 | 307 | 1,283 |
| Miscellaneous | 0 | 0 | 399 | 399 |
| | <u>1,970</u> | <u>15,088</u> | <u>120,099</u> | <u>137,157</u> |
| EXPENDITURES | | | | |
| Culture and recreation | 100 | 0 | 159,753 | 159,853 |
| Excess (def) of revenues over expenditures | <u>1,870</u> | <u>15,088</u> | <u>(39,654)</u> | <u>(22,696)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 0 | 15,000 | 35,000 | 50,000 |
| Transfers out | 0 | (2,766) | 0 | (2,766) |
| Total other financing sources (uses) | <u>0</u> | <u>12,234</u> | <u>35,000</u> | <u>47,234</u> |
| Excess (def) of revenues over expenditures | 1,870 | 27,322 | (4,654) | 24,538 |
| FUND BALANCES - Beginning of year | <u>26,608</u> | <u>107,783</u> | <u>74,771</u> | <u>209,162</u> |
| FUND BALANCES - End of year | <u>\$ 28,478</u> | <u>\$ 135,105</u> | <u>\$ 70,117</u> | <u>\$ 233,700</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

BICYCLE/FOOTPATH FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|------------------|------------------|
| REVENUES | | | |
| Fuel taxes | \$ 1,700 | \$ 1,786 | \$ 86 |
| Investment earnings | <u>360</u> | <u>184</u> | <u>(176)</u> |
| Total revenues | <u>2,060</u> | <u>1,970</u> | <u>(90)</u> |
| EXPENDITURES | | | |
| Materials and services | 100 | 100 | 0 |
| Capital outlay | <u>28,620</u> | <u>0</u> | <u>28,620</u> |
| Total expenditures | <u>28,720</u> | <u>100</u> | <u>28,620</u> |
| Excess (def) of revenues over expenditures | (26,660) | 1,870 | 28,530 |
| FUND BALANCE - Beginning of year | <u>26,660</u> | <u>26,608</u> | <u>(52)</u> |
| FUND BALANCE - End of year | <u>\$ 0</u> | <u>\$ 28,478</u> | <u>\$ 28,478</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

FIRE EQUIPMENT FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|--------------------------|--------------------------|
| REVENUES | | | |
| Charges for services | \$ 19,000 | \$ 14,296 | \$ (4,704) |
| Investment earnings | 500 | 792 | 292 |
| Other revenue | <u>1,000</u> | <u>0</u> | <u>(1,000)</u> |
| Total revenues | 20,500 | 15,088 | (5,411) |
| EXPENDITURES | | | |
| Capital outlay | <u>119,500</u> | <u>0</u> | <u>119,500</u> |
| Excess (def) of revenues over expenditures | <u>(99,000)</u> | <u>15,088</u> | <u>114,088</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 15,000 | 15,000 | 0 |
| Transfers out | <u>(5,000)</u> | <u>(2,766)</u> | <u>2,234</u> |
| Total other financing sources (uses) | <u>10,000</u> | <u>12,234</u> | <u>2,234</u> |
| Excess (def) of revenues over expenditures | (89,000) | 27,322 | 116,322 |
| FUND BALANCE - Beginning of year | <u>89,000</u> | <u>107,783</u> | <u>18,783</u> |
| FUND BALANCE - End of year | <u><u>\$ 0</u></u> | <u><u>\$ 135,105</u></u> | <u><u>\$ 135,105</u></u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

RIVERFRONT FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|-----------|------------|
| REVENUES | | | |
| Lodging taxes | \$ 27,000 | \$ 24,116 | \$ (2,884) |
| Charges for services | 86,300 | 95,277 | 8,977 |
| Investment earnings | 1,500 | 307 | (1,193) |
| Other revenue | 250 | 399 | 149 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 115,050 | 120,099 | 5,050 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | |
| Personal services | 71,830 | 71,312 | 518 |
| Materials & services | 101,420 | 79,552 | 21,868 |
| Capital outlay | 10,000 | 10,000 | 0 |
| Contingency | 5,000 | 0 | 5,000 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 188,250 | 160,863 | 27,387 |
| | <hr/> | <hr/> | <hr/> |
| Excess (def) of revenues over expenditures | (73,200) | (40,764) | 32,436 |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in | 35,000 | 35,000 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Excess (def) of revenues over expenditures | (38,200) | (5,764) | 32,436 |
| | <hr/> | <hr/> | <hr/> |
| GAAP ADJUSTMENT | | | |
| Compensated absences | 0 | (4,099) | (4,099) |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE - Beginning of year | 38,200 | 79,980 | 41,780 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE - End of year | \$ 0 | \$ 70,117 | \$ 70,117 |
| | <hr/> | <hr/> | <hr/> |

CITY OF REEDSPORT, OREGON

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
as of June 30, 2010

| | General Capital Improvement Fund | Street Capital Equipment Fund | Library Renovation Fund | Total |
|---|--|-------------------------------------|-------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | | |
| Cash & cash equivalents | \$ 211,220 | \$ 93,397 | \$ 70,250 | \$ 374,867 |
| Notes receivable | <u>20,862</u> | <u>0</u> | <u>0</u> | <u>20,862</u> |
| Total assets | <u>\$ 232,082</u> | <u>\$ 93,397</u> | <u>\$ 70,250</u> | <u>\$ 395,729</u> |
| LIABILITIES & FUND BALANCE | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 245 | \$ 0 | \$ 43 | \$ 288 |
| Unearned revenue | <u>20,862</u> | <u>0</u> | <u>0</u> | <u>20,862</u> |
| Total liabilities | 21,107 | 0 | 43 | 21,150 |
| Fund Balance | | | | |
| Reserved - Capital outlay | <u>210,975</u> | <u>93,397</u> | <u>70,207</u> | <u>374,579</u> |
| Total liabilities & fund balance | <u>\$ 232,082</u> | <u>\$ 93,397</u> | <u>\$ 70,250</u> | <u>\$ 395,729</u> |

CITY OF REEDSPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS for the Year Ended June 30, 2010

| | General Capital Improvement Fund | Street Capital Equipment Fund | Library Renovation Fund | Total |
|---|--|-------------------------------------|-------------------------------|------------|
| REVENUES | | | | |
| Investment earnings | \$ 1,541 | \$ 0 | \$ 133 | \$ 1,674 |
| Grants and contracts | 40,300 | 0 | 43,251 | 83,551 |
| Miscellaneous | 203 | 5,638 | 2,932 | 8,773 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 42,044 | 5,638 | 46,316 | 93,998 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | | |
| Personal services | 6,205 | 0 | 0 | 6,205 |
| Materials and services | 2,548 | 0 | 82 | 2,630 |
| Capital outlay | 117,982 | 132,699 | 6,889 | 257,570 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 126,735 | 132,699 | 6,971 | 266,405 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess (def) of revenues over expenditures | (84,691) | (127,061) | 39,345 | (172,407) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 39,290 | 62,040 | 0 | 101,330 |
| Transfers out | 0 | (20,000) | 0 | (20,000) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 39,290 | 42,040 | 0 | 81,330 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess (def) of revenues over expenditures | (45,401) | (85,021) | 39,345 | (91,077) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| FUND BALANCES - Beginning of year | 256,376 | 178,418 | 30,862 | 465,656 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| FUND BALANCES - End of year | \$ 210,975 | \$ 93,397 | \$ 70,207 | \$ 374,579 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

GENERAL CAPITAL IMPROVEMENT FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|------------------------------|------------------------------|
| REVENUES | | | |
| Licenses and permits | \$ 100 | \$ 0 | \$ (100) |
| Investment earnings | 0 | 1,541 | 1,541 |
| Other revenue | 100 | 203 | 103 |
| Grants and contracts | <u>141,500</u> | <u>40,300</u> | <u>(101,200)</u> |
| Total revenues | <u>141,700</u> | <u>42,044</u> | <u>(99,655)</u> |
| EXPENDITURES | | | |
| Personal services | 6,220 | 6,205 | 15 |
| Materials & services | 4,880 | 2,548 | 2,332 |
| Capital outlay | <u>424,890</u> | <u>117,982</u> | <u>306,908</u> |
| Total expenditures | <u>435,990</u> | <u>126,735</u> | <u>309,255</u> |
| Excess (def) of revenues over expenditures | (294,290) | (84,691) | 209,599 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u>39,290</u> | <u>39,290</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | (255,000) | (45,401) | 209,599 |
| FUND BALANCE - Beginning of year | <u>255,000</u> | <u>256,376</u> | <u>1,376</u> |
| FUND BALANCE - End of year | <u><u>\$ 0</u></u> | <u><u>\$ 210,975</u></u> | <u><u>\$ 210,975</u></u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

STREET CAPITAL EQUIPMENT FUND

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|----------------------------|-------------------------|------------------|------------------|
| REVENUES | | | | |
| ODOT SCA allotment | \$ 125,000 | \$ 125,000 | \$ 0 | \$ (125,000) |
| Other revenue | <u>0</u> | <u>0</u> | <u>5,638</u> | <u>5,638</u> |
| Total revenues | 125,000 | 125,000 | 5,638 | (119,362) |
| EXPENDITURES | | | | |
| Capital outlay | <u>353,040</u> | <u>353,040</u> | <u>132,699</u> | <u>220,341</u> |
| Excess (def) of revenues over expenditures | <u>(228,040)</u> | <u>(228,040)</u> | <u>(127,061)</u> | <u>100,979</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 42,040 | 62,040 | 62,040 | 0 |
| Transfers out | <u>0</u> | <u>(20,000)</u> | <u>(20,000)</u> | <u>0</u> |
| Total other financing sources (uses) | <u>42,040</u> | <u>42,040</u> | <u>42,040</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | (186,000) | (186,000) | (85,021) | 100,979 |
| FUND BALANCE - Beginning of year | <u>186,000</u> | <u>186,000</u> | <u>178,418</u> | <u>(7,582)</u> |
| FUND BALANCE - End of year | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 93,397</u> | <u>\$ 93,397</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

LIBRARY RENOVATION FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|------------------|------------------|
| REVENUES | | | |
| Investment earnings | \$ 25 | \$ 133 | \$ 108 |
| Contracts and grants | 150,000 | 43,251 | (106,749) |
| Other revenue | <u>6,000</u> | <u>2,932</u> | <u>(3,068)</u> |
| Total revenue | <u>156,025</u> | <u>46,316</u> | <u>(109,709)</u> |
| EXPENDITURES | | | |
| Materials and services | 2,000 | 82 | 1,918 |
| Capital outlay | <u>184,325</u> | <u>6,889</u> | <u>177,436</u> |
| Total expenditures | <u>186,325</u> | <u>6,971</u> | <u>179,354</u> |
| Excess (def) of revenues over expenditures | (30,300) | 39,345 | 69,645 |
| FUND BALANCE - Beginning of year | <u>30,300</u> | <u>30,862</u> | <u>562</u> |
| FUND BALANCE - End of year | <u>\$ 0</u> | <u>\$ 70,207</u> | <u>\$ 70,207</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WATER UTILITY FUND

| | Original & Final Budget | Actual | Variance |
|--|----------------------------|---------------------|------------------|
| REVENUES | | | |
| Charges for services | \$ 858,000 | \$ 833,659 | \$ (24,341) |
| Investment earnings | 22,500 | 14,486 | (8,014) |
| Other revenue | <u>2,650</u> | <u>6,022</u> | <u>3,372</u> |
| Total revenues | <u>883,150</u> | <u>854,167</u> | <u>(28,982)</u> |
| EXPENDITURES | | | |
| Personal services | 295,240 | 275,872 | 19,368 |
| Materials & services | 328,900 | 234,905 | 93,995 |
| Capital outlay | 30,000 | 0 | 30,000 |
| Contingency | <u>10,940</u> | <u>0</u> | <u>10,940</u> |
| Total expenditures | <u>665,080</u> | <u>510,777</u> | <u>154,303</u> |
| Excess (def) of revenues over expenditures | 218,070 | 343,390 | 125,320 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers Out | <u>(456,870)</u> | <u>(456,870)</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | <u>(238,800)</u> | <u>(113,480)</u> | <u>125,320</u> |
| NET ASSETS - Beginning of Year (Budget basis) | | | |
| As previously reported | 238,800 | 251,791 | 12,991 |
| Prior period adjustment for overstated water sales | <u>0</u> | <u>(52,766)</u> | <u>(52,766)</u> |
| Restated beginning net assets (Budget basis) | <u>238,800</u> | <u>199,025</u> | <u>(39,775)</u> |
| NET ASSETS - End of year (Budget basis) | <u>\$ 0</u> | 85,545 | <u>\$ 85,545</u> |
| Capital assets, net | | <u>5,920,628</u> | |
| NET ASSETS - End of Year (GAAP basis) | | <u>\$ 6,006,173</u> | |

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010**

WATER SYSTEM DEVELOPMENT FUND

| | <u>Original & Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------------|------------------|------------------|
| REVENUES | | | |
| Charges for services | \$ 21,650 | \$ 8,660 | \$ (12,990) |
| EXPENDITURES | | | |
| Capital outlay | <u>61,150</u> | <u>100</u> | <u>61,050</u> |
| Excess (def) of revenues over expenditures | (39,500) | 8,560 | 48,060 |
| NET ASSETS - Beginning of year (Budget/GAAP basis) | <u>39,500</u> | <u>43,893</u> | <u>4,393</u> |
| NET ASSETS - End of year (Budget/GAAP basis) | <u>\$ 0</u> | <u>\$ 52,453</u> | <u>\$ 52,453</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WATER FILTRATION DEBT RESERVE FUND

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|--|---------------------|-----------------|
| REVENUES | | | |
| Investment earnings | \$ 150 | \$ 62 | \$ (88) |
| EXPENDITURES | | | |
| Materials and services | 600 | 587 | 13 |
| Capital outlay | 8,710 | 0 | 8,710 |
| Debt service | <u>126,415</u> | <u>126,412</u> | <u>3</u> |
| Total expenditures | <u>135,725</u> | <u>126,999</u> | <u>8,726</u> |
| Excess (def) of revenues over expenditures | (135,575) | (126,937) | 8,638 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u>126,915</u> | <u>126,915</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | (8,660) | (22) | 8,638 |
| NET ASSETS - Beginning of year (Budget basis) | <u>8,660</u> | <u>8,623</u> | <u>(37)</u> |
| NET ASSETS - End of year (Budget basis) | <u>\$ 0</u> | 8,601 | <u>\$ 8,601</u> |
| Bonds payable | | (570,000) | |
| Loans payable | | (232,077) | |
| Accrued interest payable | | <u>(8,479)</u> | |
| NET ASSETS - End of Year (GAAP basis) | | <u>\$ (801,955)</u> | |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WATER CAPITAL IMPROVEMENT FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|---------------------|---------------------|
| REVENUES | \$ 0 | \$ 0 | \$ 0 |
| EXPENDITURES | | | |
| Capital outlay | <u>1,516,900</u> | <u>147,561</u> | <u>1,369,339</u> |
| Excess (def) of revenues over expenditures | (1,516,900) | (147,561) | 1,369,339 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u>257,655</u> | <u>257,655</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | (1,259,245) | 110,094 | 1,369,339 |
| NET ASSETS | | | |
| Beginning of year (Budget/GAAP basis) | <u>1,259,245</u> | <u>1,322,516</u> | <u>63,271</u> |
| End of year (Budget/GAAP basis) | <u>\$ 0</u> | <u>\$ 1,432,610</u> | <u>\$ 1,432,610</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WATER SPWF DEBT FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|------------------|------------------|
| REVENUES | | | |
| Grants | \$ 11,160 | \$ 11,165 | \$ 5 |
| EXPENDITURES | | | |
| Materials & services | 100 | 100 | 0 |
| Capital outlay | 62,925 | 0 | 62,925 |
| Debt service | 22,335 | 22,330 | 5 |
| Total expenditures | <u>85,360</u> | <u>22,430</u> | <u>62,930</u> |
| Excess (def) of revenues over expenditures | (74,200) | (11,265) | 62,935 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u>24,200</u> | <u>24,200</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | (50,000) | 12,935 | 62,935 |
| NET ASSETS | | | |
| Beginning of year (Budget/GAAP basis) | <u>50,000</u> | <u>50,159</u> | <u>159</u> |
| End of year (Budget/GAAP basis) | <u>\$ 0</u> | <u>\$ 63,094</u> | <u>\$ 63,094</u> |

CITY OF REEDSPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY
BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS for the Year Ended June 30, 2010

WATER UTILITY FUND

| | <u>Total Revenues</u> | <u>Total Expenditures</u> | <u>Net</u> |
|---|---------------------------|-------------------------------|---------------------|
| Budgetary Basis | | | |
| Water Utility Fund | \$ 854,167 | \$ 967,647 | \$ (113,480) |
| Water Systems Development Fund | 8,660 | 100 | 8,560 |
| Water Filtration Debt Reserve Fund | 126,977 | 126,999 | (22) |
| Water Capital Improvement Fund | 257,655 | 147,561 | 110,094 |
| Water SPWF Debt Fund | <u>35,365</u> | <u>22,430</u> | <u>12,935</u> |
| Total budgetary basis | <u>\$ 1,282,824</u> | <u>\$ 1,264,737</u> | 18,087 |
| Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis | | | |
| Capitalized assets | | | 177,628 |
| Depreciation | | | (192,022) |
| Prior period adjustment | | | (52,766) |
| Accrued interest | | | 11,618 |
| Payment of debt principal | | | <u>112,251</u> |
| Change in net assets | | | 74,796 |
| NET ASSETS - Beginning of year | | | <u>6,624,813</u> |
| NET ASSETS - End of year | | | <u>\$ 6,699,609</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WASTEWATER UTILITY FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|----------------------|-------------------|
| REVENUES | | | |
| Charges for services | \$ 1,264,485 | \$ 1,219,311 | \$ (45,174) |
| Interest earnings | 7,500 | 4,768 | (2,732) |
| Other revenue | 2,500 | 4,629 | 2,129 |
| | <u>1,274,485</u> | <u>1,228,709</u> | <u>(45,776)</u> |
| EXPENDITURES | | | |
| Personal services | 299,785 | 288,519 | 11,266 |
| Materials & services | 276,390 | 186,771 | 89,619 |
| Capital outlay | 40,000 | 1,590 | 38,410 |
| Contingency | 10,980 | 0 | 10,980 |
| | <u>627,155</u> | <u>476,881</u> | <u>150,274</u> |
| Excess (def) of revenues over expenditures | 647,330 | 751,828 | 104,498 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers Out | <u>(732,330)</u> | <u>(717,625)</u> | <u>14,705</u> |
| Excess (def) of revenues over expenditures | (85,000) | 34,203 | 119,203 |
| NET ASSETS - Beginning of year (Budget basis) | <u>85,000</u> | <u>85,216</u> | <u>216</u> |
| NET ASSETS - End of year (Budget basis) | <u>\$ 0</u> | 119,419 | <u>\$ 119,419</u> |
| Capital assets, net | | <u>19,121,017</u> | |
| NET ASSETS - End of Year (GAAP basis) | | <u>\$ 19,240,436</u> | |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WASTEWATER CAPITAL DEBT FUND

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|--|-------------------------------|--------------------|
| REVENUES | | | |
| Investment earnings | \$ 0 | \$ 133 | \$ 133 |
| EXPENDITURES | | | |
| Debt service | <u>635,000</u> | <u>618,918</u> | <u>16,082</u> |
| Excess (def) of revenues over expenditures | <u>(635,000)</u> | <u>(618,785)</u> | <u>16,215</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 658,000 | 643,295 | (14,705) |
| Transfers out | <u>(737,360)</u> | <u>(737,360)</u> | <u>0</u> |
| Total other financing sources (uses) | <u>(79,360)</u> | <u>(94,065)</u> | <u>(14,705)</u> |
| Excess (def) of revenues over expenditures | (714,360) | (712,850) | 1,510 |
| NET ASSETS - Beginning of year (Budget basis) | <u>714,360</u> | <u>712,851</u> | <u>(1,509)</u> |
| NET ASSETS - End of year (Budget basis) | <u><u>\$ 0</u></u> | 0 | <u><u>\$ 0</u></u> |
| Loans payable | | <u>(13,272,039)</u> | |
| NET ASSETS - End of Year (GAAP basis) | | <u><u>\$ (13,272,039)</u></u> | |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WASTEWATER DEQ DEBT FUND

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|----------------------------|-------------------------|-------------------|-------------------|
| REVENUES | | | | |
| Investment earnings | \$ 2,000 | \$ 2,000 | \$ 3,058 | \$ 1,058 |
| EXPENDITURES | | | | |
| Debt Service | <u>502,000</u> | <u>502,000</u> | <u>0</u> | <u>502,000</u> |
| Excess (def) of revenues over expenditures | <u>(500,000)</u> | <u>(500,000)</u> | <u>3,058</u> | <u>503,058</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 875,000 | 964,330 | 964,330 | 0 |
| Transfers out | <u>(375,000)</u> | <u>(464,330)</u> | <u>0</u> | <u>464,330</u> |
| Total other financing sources (uses) | <u>500,000</u> | <u>500,000</u> | <u>964,330</u> | <u>464,330</u> |
| Excess (def) of revenues over expenditures | 0 | 0 | 967,388 | 967,388 |
| NET ASSETS | | | | |
| Beginning of year (Budget/GAAP basis) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| End of year (Budget/GAAP basis) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 967,388</u> | <u>\$ 967,388</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WASTEWATER SYSTEM DEVELOPMENT FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|-------------------|-------------------|
| REVENUES | | | |
| Charges for services | \$ 20,000 | \$ 0 | \$ (20,000) |
| EXPENDITURES | | | |
| Materials & services | 100 | 100 | 0 |
| Capital outlay | <u>142,800</u> | <u>0</u> | <u>142,800</u> |
| Total expenditures | <u>142,900</u> | <u>100</u> | <u>142,800</u> |
| Excess (def) of revenues over expenditures | (122,900) | (100) | 122,800 |
| NET ASSETS | | | |
| Beginning of year (Budget/GAAP basis) | <u>122,900</u> | <u>126,913</u> | <u>4,013</u> |
| End of year (Budget/GAAP basis) | <u>\$ 0</u> | <u>\$ 126,813</u> | <u>\$ 126,813</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WASTEWATER CAPITAL IMPROVEMENT FUND

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|----------------------------|-------------------------|---------------------|---------------------|
| REVENUES | | | | |
| Investment earnings | \$ 30,000 | \$ 30,000 | \$ 15,573 | \$ (14,427) |
| EXPENDITURES | | | | |
| Capital outlay | <u>3,219,890</u> | <u>3,219,890</u> | <u>1,816,318</u> | <u>1,403,572</u> |
| Excess (def) of revenues over expenditures | <u>(3,189,890)</u> | <u>(3,189,890)</u> | <u>(1,800,745)</u> | <u>1,389,145</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 795,890 | 885,220 | 795,890 | (89,330) |
| Transfers out | <u>(938,000)</u> | <u>(1,027,330)</u> | <u>(1,027,330)</u> | <u>0</u> |
| Total other financing sources (uses) | <u>(142,110)</u> | <u>(142,110)</u> | <u>(231,440)</u> | <u>(89,330)</u> |
| Excess (def) of revenues over expenditures | (3,332,000) | (3,332,000) | (2,032,185) | 1,299,815 |
| NET ASSETS | | | | |
| Beginning of year (Budget/GAAP basis) | <u>3,332,000</u> | <u>3,332,000</u> | <u>3,324,709</u> | <u>(7,291)</u> |
| End of year (Budget/GAAP basis) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,292,523</u> | <u>\$ 1,292,523</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WASTEWATER CAPITAL DEQ IMPROVEMENT FUND

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|--|---------------------|---------------------|
| REVENUES | \$ 0 | \$ 0 | \$ 0 |
| EXPENDITURES | | | |
| Materials & services | 2,000 | 0 | 2,000 |
| Capital outlay | <u>1,998,000</u> | <u>1,032,284</u> | <u>965,716</u> |
| Total expenditures | (2,000,000) | (1,032,284) | 967,716 |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of debt | <u>2,000,000</u> | <u>1,011,000</u> | <u>(989,000)</u> |
| Excess (def) of revenues over expenditures | 0 | (21,284) | (21,284) |
| NET ASSETS - Beginning of year (Budget basis) | <u>0</u> | <u>(457,632)</u> | <u>(457,632)</u> |
| NET ASSETS - End of year (Budget basis) | <u>\$ 0</u> | (478,916) | <u>\$ (478,916)</u> |
| Accrued interest payable | | <u>(473,833)</u> | |
| NET ASSETS - End of Year (GAAP basis) | | <u>\$ (952,749)</u> | |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

WASTEWATER CAPITAL OECDD IMPROVEMENT FUND

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|--|---------------------|------------------|
| REVENUES | | | |
| Grants | \$ 750,000 | \$ 750,000 | \$ 0 |
| EXPENDITURES | | | |
| Materials & services | 2,000 | 0 | 2,000 |
| Capital outlay | <u>1,364,000</u> | <u>1,233,393</u> | <u>130,607</u> |
| Total expenditures | <u>1,366,000</u> | <u>1,233,393</u> | <u>132,607</u> |
| Excess (def) of revenues over expenditures | (616,000) | (483,393) | 132,607 |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of debt | <u>616,000</u> | <u>485,203</u> | <u>(130,797)</u> |
| Excess (def) of revenues over expenditures | 0 | 1,810 | 1,810 |
| NET ASSETS - Beginning of year (Budget basis) | <u>0</u> | <u>(1,809)</u> | <u>(1,809)</u> |
| NET ASSETS - End of year (Budget basis) | <u>\$ 0</u> | 1 | <u>\$ 1</u> |
| Accrued interest | | <u>(243,324)</u> | |
| NET ASSETS - End of Year (GAAP basis) | | <u>\$ (243,323)</u> | |

CITY OF REEDSPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY
BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS for the Year Ended June 30, 2010

WASTEWATER UTILITY FUND

| | <u>Total</u> <u>Revenues</u> | <u>Total</u> <u>Expenditures</u> | <u>Net</u> |
|---|---------------------------------|-------------------------------------|-------------------------|
| Budgetary Basis | | | |
| Wastewater Utility Fund | \$ 1,228,709 | \$ 1,194,505 | \$ 34,203 |
| Wastewater Capital Debt Fund | 643,428 | 1,356,278 | (712,850) |
| Wastewater DEQ Debt Fund | 967,388 | 0 | 967,388 |
| Wastewater System Development Fund | 0 | 100 | (100) |
| Wastewater Capital Improvement Fund | 811,463 | 2,843,648 | (2,032,185) |
| Wastewater Capital DEQ Improvement Fund | 1,011,000 | 1,032,284 | (21,284) |
| Wastewater Capital OECD Improvements Fund | <u>1,235,203</u> | <u>1,233,393</u> | <u>1,810</u> |
| Total budgetary basis | <u>\$ 5,897,901</u> | <u>\$ 7,660,208</u> | (1,763,018) |
| Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis | | | |
| Capitalized assets | | | 4,072,902 |
| Disposition of capital assets | | | (7,987) |
| Depreciation | | | (98,073) |
| Issuance of debt | | | (1,496,203) |
| Accrued interest | | | 12,899 |
| Payment of debt principal | | | <u>603,047</u> |
| Change in net assets | | | 1,323,567 |
| NET ASSETS - Beginning of year | | | <u>5,835,482</u> |
| NET ASSETS - End of year | | | <u>\$ 7,159,049</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

STORMWATER UTILITY FUND

| | Original Budget | Final Budget | Actual | Variance |
|---|--------------------|-----------------|------------|-----------|
| REVENUES | | | | |
| Charges for services | \$ 73,400 | \$ 73,400 | \$ 74,489 | \$ 1,089 |
| Interest earnings | 2,000 | 2,000 | 760 | (1,240) |
| Other revenue | 500 | 4,500 | 4,638 | 138 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 75,900 | 79,900 | 79,888 | (12) |
| EXPENDITURES | | | | |
| Personal services | 33,200 | 33,200 | 29,294 | 3,906 |
| Materials & services | 68,350 | 68,350 | 30,125 | 38,225 |
| Capital outlay | 105,790 | 109,790 | 91,180 | 18,610 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 207,340 | 211,340 | 150,600 | 60,740 |
| Excess (def) of revenues over expenditures | <hr/> | <hr/> | <hr/> | <hr/> |
| | (131,440) | (131,440) | (70,712) | 60,728 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 5,000 | 5,000 | 5,000 | 0 |
| Transfers out | (1,900) | (1,900) | (1,900) | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 3,100 | 3,100 | 3,100 | 0 |
| Excess (def) of revenues over expenditures | <hr/> | <hr/> | <hr/> | <hr/> |
| | (128,340) | (128,340) | (67,612) | 60,728 |
| NET ASSETS - Beginning of year (Budget basis) | <hr/> | <hr/> | <hr/> | <hr/> |
| | 128,340 | 128,340 | 126,667 | (1,673) |
| NET ASSETS - End of year (Budget basis) | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$ 0 | \$ 0 | 59,055 | \$ 59,055 |
| Capital assets, net | | | <hr/> | |
| | | | 244,201 | |
| NET ASSETS - End of Year (GAAP basis) | | | <hr/> | |
| | | | \$ 303,256 | |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

STORMWATER SYSTEM DEVELOPMENT FUND

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|--|-----------------|-----------------|
| REVENUES | | | |
| Charges for services | \$ 4,000 | \$ 0 | \$ (4,000) |
| EXPENDITURES | | | |
| Materials & services | 100 | 100 | 0 |
| Capital outlay | <u>8,200</u> | <u>0</u> | <u>8,200</u> |
| Total expenditures | <u>8,300</u> | <u>100</u> | <u>8,200</u> |
| Excess (def) of revenues over expenditures | (4,300) | (100) | 4,200 |
| NET ASSETS | | | |
| Beginning of year (Budget/GAAP basis) | <u>4,300</u> | <u>5,208</u> | <u>908</u> |
| End of year (Budget/GAAP basis) | <u>\$ 0</u> | <u>\$ 5,108</u> | <u>\$ 5,108</u> |

CITY OF REEDSPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY
BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS for the Year Ended June 30, 2010

STORMWATER UTILITY FUND

| | <u>Total Revenues</u> | <u>Total Expenditures</u> | <u>Net</u> |
|---|---------------------------|-------------------------------|-------------------|
| Budgetary Basis | | | |
| Stormwater Utility Fund | \$ 84,888 | \$ 152,500 | \$ (67,612) |
| Stormwater System Development Fund | <u>0</u> | <u>100</u> | <u>(100)</u> |
| Total budgetary basis | <u>\$ 84,889</u> | <u>\$ 152,600</u> | (67,712) |
| Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis | | | |
| Depreciation | | | <u>(10,375)</u> |
| Change in net assets | | | (78,087) |
| NET ASSETS - Beginning of year | | | <u>386,451</u> |
| NET ASSETS - End of year | | | <u>\$ 308,364</u> |

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2010

DUNES NRA LEASE FUND

| | Original & Final Budget | Actual | Variance |
|---|----------------------------|-------------------|-------------------|
| REVENUES | | | |
| Charges for services | \$ 93,850 | \$ 93,833 | \$ (17) |
| Interest earnings | 50 | 73 | 23 |
| Other revenue | <u>100</u> | <u>521</u> | <u>421</u> |
| Total revenues | <u>94,000</u> | <u>94,428</u> | <u>428</u> |
| EXPENDITURES | | | |
| Personal services | 25,770 | 25,323 | 447 |
| Materials & services | 15,750 | 12,721 | 3,029 |
| Capital outlay | <u>25,000</u> | <u>318</u> | <u>24,682</u> |
| Total expenditures | <u>66,520</u> | <u>38,363</u> | <u>28,157</u> |
| Excess (def) of revenues over expenditures | 27,480 | 56,065 | 28,585 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(33,980)</u> | <u>(33,980)</u> | <u>0</u> |
| Excess (def) of revenues over expenditures | (6,500) | 22,085 | 28,585 |
| NET ASSETS - Beginning of year (Budget basis) | <u>6,500</u> | <u>1,133</u> | <u>(5,367)</u> |
| NET ASSETS - End of year (Budget basis) | <u>\$ 0</u> | 23,218 | <u>\$ 23,218</u> |
| Capital assets, net | | <u>409,156</u> | |
| NET ASSETS - End of year (GAAP basis) | | <u>\$ 432,374</u> | |

CITY OF REEDSPORT, OREGON

**SCHEDULE OF PROPERTY TRANSACTIONS
for the Year Ended June 30, 2010**

CITY

| <u>Levy Year</u> | <u>Balance 7/1</u> | <u>Current Levy</u> | <u>Interest & Tax Roll Adjustments</u> | <u>Interest & Tax Collection</u> | <u>Balance 6/30</u> |
|------------------|------------------------|-------------------------|--|--|-------------------------|
| 2009-10 | \$ 0 | \$ 1,342,751 | \$ (35,741) | \$ 1,226,947 | \$ 80,063 |
| 2008-09 | 68,377 | 0 | (2,368) | 27,819 | 38,190 |
| 2007-08 | 28,771 | 0 | (2,225) | 8,187 | 18,359 |
| 2006-07 | 14,236 | 0 | (197) | 7,752 | 6,287 |
| 2005-06 | 5,814 | 0 | (129) | 4,658 | 1,027 |
| 2004-05 | 964 | 0 | (156) | 239 | 569 |
| 2003-04 | 744 | 0 | (147) | 121 | 476 |
| 2002-03 | 406 | 0 | (82) | 56 | 268 |
| Prior Years | 1,121 | 0 | (130) | 136 | 855 |
| Totals | <u>\$ 120,433</u> | <u>\$ 1,342,751</u> | <u>\$ (41,175)</u> | <u>\$ 1,275,915</u> | <u>\$ 146,094</u> |

URBAN RENEWAL AGENCY

| <u>Levy Year</u> | <u>Balance 7/1</u> | <u>Current Levy</u> | <u>Interest & Tax Roll Adjustments</u> | <u>Interest & Tax Collection</u> | <u>Balance 6/30</u> |
|------------------|------------------------|-------------------------|--|--|-------------------------|
| 2009-10 | \$ 0 | \$ 81,872 | \$ (2,179) | \$ 74,811 | \$ 4,882 |
| 2008-09 | 36 | 0 | 455 | 207 | 284 |
| | <u>\$ 36</u> | <u>\$ 81,872</u> | <u>\$ (1,724)</u> | <u>\$ 75,018</u> | <u>\$ 5,166</u> |

CITY OF REEDSPORT, OREGON

FUTURE MATURITIES OF LONG-TERM DEBT
as of June 30, 2010

GOVERNMENTAL TYPE
Loans Payable

Note Payable - Land Purchase

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|-------------------|------------------|-------------------|
| 2011 | \$ 8,123 | \$ 10,114 | \$ 18,237 |
| 2012 | 8,974 | 9,263 | 18,237 |
| 2013 | 9,913 | 8,323 | 18,236 |
| 2014 | 10,951 | 7,285 | 18,236 |
| 2015 | 12,098 | 6,139 | 18,237 |
| 2016-19 | <u>54,733</u> | <u>10,615</u> | <u>65,348</u> |
| Total | <u>\$ 104,792</u> | <u>\$ 51,739</u> | <u>\$ 156,531</u> |

OECD Loan - 1992

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|------------------|-----------------|------------------|
| 2011 | 14,036 | 1,830 | 15,866 |
| 2012 | <u>14,923</u> | <u>943</u> | <u>15,866</u> |
| Total | <u>\$ 28,959</u> | <u>\$ 2,773</u> | <u>\$ 31,732</u> |

BUSINESS TYPE
Bonds Payable

Water Revenue Refunding Bonds

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|-------------------|------------------|-------------------|
| 2011 | 105,000 | 22,045 | 127,045 |
| 2012 | 110,000 | 17,466 | 127,466 |
| 2013 | 115,000 | 12,674 | 127,674 |
| 2014 | 115,000 | 7,775 | 122,775 |
| 2015 | <u>125,000</u> | <u>2,662</u> | <u>127,662</u> |
| Total | <u>\$ 570,000</u> | <u>\$ 62,622</u> | <u>\$ 632,622</u> |

CITY OF REEDSPORT, OREGON
FUTURE MATURITIES OF LONG-TERM DEBT
as of June 30, 2010

BUSINESS TYPE
Loans Payable

OECD Water SPWF - 4.17%

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|-------------------|------------------|-------------------|
| 2011 | 12,319 | 9,711 | 22,030 |
| 2012 | 12,395 | 9,304 | 21,699 |
| 2013 | 12,480 | 8,864 | 21,344 |
| 2014 | 12,570 | 8,412 | 20,982 |
| 2015 | 12,668 | 7,934 | 20,602 |
| 2016-20 | 90,057 | 29,803 | 119,860 |
| 2021-24 | 79,588 | 9,536 | 89,124 |
| Total | <u>\$ 232,077</u> | <u>\$ 83,564</u> | <u>\$ 315,641</u> |

DEQ Revolving Loan

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|----------------------|---------------------|----------------------|
| 2011 | 515,220 | 1,477,088 | 1,992,308 |
| 2012 | 531,106 | 458,226 | 989,332 |
| 2013 | 547,482 | 439,194 | 986,676 |
| 2014 | 564,363 | 419,576 | 983,939 |
| 2015 | 581,765 | 399,352 | 981,117 |
| 2016-20 | 3,189,218 | 1,670,900 | 4,860,118 |
| 2021-25 | 3,712,172 | 1,063,143 | 4,775,315 |
| 2026-30 | 3,858,674 | 355,731 | 4,214,405 |
| Total | <u>\$ 13,500,000</u> | <u>\$ 6,283,210</u> | <u>\$ 19,783,210</u> |

OECD SPWF - 4.66%

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|---------------------|---------------------|---------------------|
| 2011 | 60,825 | 391,358 | 452,183 |
| 2012 | 63,659 | 102,016 | 165,675 |
| 2013 | 66,626 | 99,049 | 165,675 |
| 2014 | 69,730 | 95,944 | 165,674 |
| 2015 | 72,980 | 92,695 | 165,675 |
| 2016-20 | 419,195 | 409,179 | 828,374 |
| 2021-25 | 526,405 | 301,970 | 828,375 |
| 2026-30 | 661,033 | 167,340 | 828,373 |
| 2031-32 | 309,547 | 21,801 | 331,348 |
| Total | <u>\$ 2,250,000</u> | <u>\$ 1,681,352</u> | <u>\$ 3,931,352</u> |

GRIMSTAD & ASSOCIATES

Certified Public Accountants

530 NW 3rd St., Ste. E

PO Box 1930

Newport, OR 97365

November 18, 2010

Independent Auditor's Report Required by Oregon State Regulations

Honorable Mayor and Members
of the City Council
City of Reedsport
Reedsport, Oregon

I have audited the basic financial statements of the City of Reedsport as of and for the year ended June 30, 2010, and have issued my report thereon dated November 18, 2010. I conducted my 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 Reedsport financial statements are free of material misstatement, I 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I 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.
- Programs funded from outside sources.
- 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 my testing nothing came to my attention that caused me to believe the City of Reedsport was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

- A second notice for the budget committee meeting held in April 2009 was not published as required.

OTHER COMMENTS

Accountability for Independently Elected Officials

No funds were received or disbursed by an independently elected official in the current year.

Insurance and Fidelity Bonds

I have examined the City's insurance and fidelity bond coverage at June 30, 2010. I ascertained that such policies appeared to be in force and comply with legal requirements relating to insurance and fidelity bond coverage mandated by the Board and State statutes. I am not competent by training to comment on the adequacy of the insurance policies covering City-owned property.

OAR 162-10-0230 Internal Control

In planning and performing my audit, I considered City of Reedsport's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Reedsport's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Reedsport's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness, as defined above. However, I identified a deficiency in internal control over financial reporting, described below that I consider to be significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Monitoring

It was found in the current year an error in utility billing that arose from a change over in billing rates. City staff discovered the error, however it had been going on for several years. The error affected a few commercial accounts.

City's Response

The City recognizes the lack of timeliness in detection and is reviewing its monitoring procedures when implementing changes.

The City of Reedsport's response to the finding identified in my audit is described above. I did not audit City of Reedsport's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Board of Commissioners, and State of Oregon, Divisions of Audits, Oregon Economic and Community Development Department, and Department of Environmental Quality and is not intended to be and should not be used by anyone other than these parties.

Signe Grimstad

Signe Grimstad
Certified Public Accountant

GRIMSTAD & ASSOCIATES

Certified Public Accountants

530 NW 3rd St., Ste. E

PO Box 1930

Newport, OR 97365

November 18, 2010

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor and Members
of the City Council
City of Reedsport
Reedsport, Oregon 97476

I have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Reedsport as of and for the year ended June 30, 2010, which collectively comprise the City of Reedsport's basic financial statements and have issued my report thereon dated November 18, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered City of Reedsport's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Reedsport's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Reedsport's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified a deficiency in internal control over financial reporting, described below that I consider to be significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Monitoring

It was found in the current year an error in utility billing that arose from a change over in billing rates. City staff discovered the error, however it had been going on for several years. The error affected a few commercial accounts.

City's Response

The City recognizes the lack of timeliness in detection and is reviewing its monitoring procedures when implementing changes.

The City of Reedsport's response to the finding identified in my audit is described above. I did not audit City of Reedsport's response and, accordingly, I express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Reedsport's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, the City Council and Oregon Economic and Community Development Department, and Department of Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Signe Grimstad

Signe Grimstad
Certified Public Accountant