

CITY OF REEDSPORT

OREGON

AUDIT REPORT

as of

JUNE 30, 2011

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	Ginger Anderson	760 Ranch Rd. Reedsport, Oregon 97467
Councilor	Diane Essig	255 Winchester Ave. Reedsport, Oregon 97467
Councilor	Mike Macho	324 Bittersweet Cr. Reedsport, Oregon 97467
Councilor	Kathi Wall-Meyer	1026 Fir Ave. Reedsport, Oregon 97467
Councilor	Bill Walker	950 View Street Reedsport, Oregon 97467
Councilor	Bill Otis	2775 Greenbriar Ave. Reedsport, Oregon 97467

MANAGEMENT TEAM

City Manager	Scott Somers
Financial Director	Vera Koch
Police Chief	Mark Fandrey
Fire Chief	Tom Anderson
Public Work Director	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

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CITY OF REEDSPORT, OREGON

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November 7, 2011

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, 2011, 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, 2011, 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 7, 2011, 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 my 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining nonmajor funds, budgetary and reconciliation schedules, debt maturity, property tax schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



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, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19.4 million (*net assets*); of this amount, \$2.7 million (*unrestricted net assets*) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net assets decreased by \$250 thousand. The decrease is mostly attributable to an increase in liabilities with the business-type activities.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1.5 million, an increase of \$100 thousand in comparison with the prior year. Approximately \$800 thousand 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 \$669 thousand, or 29 percent of total general fund expenditures.
- The City's total debt increased by \$868 thousand (6 %) during the current fiscal year. The major portion of the increase is due to renovation of the wastewater treatment plant.

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 \$19.5 million at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (72.5%) 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			
	2011	2010	2011	2010	2011	2010
Current and other assets	1,968	1,806	5,055	4,677	7,023	6,483
Capital assets	3,698	3,709	25,474	25,695	29,171	29,404
Total assets	5,666	5,515	30,529	30,372	36,194	35,887
Long-term liabilities outstanding	139	172	14,311	13,397	14,450	13,569
Other liabilities	328	270	1,951	2,323	2,279	2,593
Total liabilities	467	442	16,262	15,720	16,729	16,162
Net assets						
Invested in capital assets, net of related debt	3,586	3,575	10,539	11,621	14,125	15,196
Restricted	807	375	1,806	1,215	2,613	1,590
Unrestricted	805	1,124	1,923	1,816	2,728	2,940
	<u>5,198</u>	<u>5,074</u>	<u>14,267</u>	<u>14,652</u>	<u>19,466</u>	<u>19,726</u>

An additional portion of the City’s net assets (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,728) may be used to meet the government’s ongoing obligations to citizens and creditors.

The City’s net assets decreased by \$261 thousand during the fiscal year. This decrease represents the increase in debt obligation as incurred with the wastewater treatment plant and collection system. The debt increase offsets the effect of increases in ongoing revenue continuing to exceed similar increases in ongoing expenses. The City’s net asset total 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. Change in net assets are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	437	533	2,427	2,237	2,864	2,770
Operating grants /contributions	67	69	11	11	78	80
Capital grants and contributions	151	43	8	759	159	802
General revenues:						
Property taxes	1,402	1,389			1,402	1,389
Other taxes	699	654			699	654
Other Revenue	77	74			77	74
Investment income	8	8	27	39	35	47
Total revenues	<u>2,841</u>	<u>2,770</u>	<u>2,473</u>	<u>3,046</u>	<u>5,314</u>	<u>5,816</u>
Expenses:						
General government	752	940			752	940
Public safety	1,415	1,230			1,415	1,230
Highways and streets	223	219			223	219
Culture and recreation	452	347			452	347
Water			770	698	770	698
Wastewater			1,825	595	1,825	595
Stormwater			82	161	82	161
Dunes NRA Lease			56	56	56	56
Total expenses	<u>2,842</u>	<u>2,736</u>	<u>2,733</u>	<u>1,510</u>	<u>5,575</u>	<u>4,246</u>
Change in net assets prior to	(1)	35	(260)	1,536	(261)	1,571
Transfers	<u>125</u>	<u>158</u>	<u>(125)</u>	<u>(158)</u>	<u>0</u>	<u>0</u>
Change in net assets	124	193	(385)	1,378	(261)	1,571
Beginning net assets	<u>5,074</u>	<u>4,881</u>	<u>14,652</u>	<u>13,327</u>	<u>19,726</u>	<u>18,208</u>
Prior period adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>(52)</u>	<u>0</u>	<u>(52)</u>
Ending net assets	<u>5,198</u>	<u>5,074</u>	<u>14,267</u>	<u>14,652</u>	<u>19,465</u>	<u>19,726</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 \$1,475 thousand, an increase of \$100 thousand in comparison with the prior year. Approximately \$670 thousand 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 \$669 thousand, all of which is unreserved.

The fund balance of the City's general fund increased by \$4 thousand during the current fiscal year, key factors in this decline were decreases in revenue and a slight increase 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 grants insurance reimbursements and unforeseen additional building maintenance and capital outlay 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, 2011 amounts to \$29,171 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.

Major capital asset events during the current fiscal year included the completion of the City's wastewater treatment plant upgrade, some building improvements, the purchase of a fire pumper truck, rebuild of damaged Crestview repeater base 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 Activity		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 613	\$ 613	\$ 48	\$ 48	\$ 661	\$ 661
Construction in progress	-	-	-	-	-	-
Buildings	638	599	431	421	1,069	1,020
Machinery and equipment	1,633	1,642	111	128	1,744	1,770
Infrastructure / Systems	813	855	24,884	25,098	25,697	25,953
	<u>\$ 3,697</u>	<u>\$ 3,709</u>	<u>\$ 25,474</u>	<u>\$ 25,695</u>	<u>\$ 29,171</u>	<u>\$ 29,404</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			
	2011	2010	2011	2010	2011	2010
Loans payable	\$ 111	\$ 134	\$ 14,469	\$ 13,504	\$ 14,580	\$ 13,638
Capital leases	-	-	-	-	-	-
Compensated absences	125	96	40	39	165	135
Revenue bonds	-	-	465	570	465	570
	<u>\$ 236</u>	<u>\$ 230</u>	<u>\$ 14,974</u>	<u>\$ 14,113</u>	<u>\$ 15,210</u>	<u>\$ 14,343</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. With the economic downturn in the state, compression has increased as real property assessed values move closer to real market values. 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 increased in January of 2011 to meet the requirements of debt repayment of the Wastewater Utility Plant and collection system updates. Council adopted an asset management plan which includes a schedule of wastewater rate increases for both the metered users and the non metered users. Reedsport is still a flat rate utility system with property owners installing water meters at their option and cost.

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 Storm water Utility monthly service rates are anticipated to remain the same as the previous year. The City continues striving toward obtaining loan or grants for the Downtown Storm Water reroute project. During periods of heavy rainfall, areas of the downtown storm water infrastructure are not adequate to dispose of surface water quickly enough to prevent flooding of some areas and buildings. Funding for repayment of this project debt is anticipated to be through Urban Renewal District funding and storm water rate increase.

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, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash & cash equivalents	\$ 1,668,935	\$ 4,739,540	\$ 6,408,475
Receivables			
Taxes	172,864	0	172,864
Accounts	54,530	258,673	313,203
Intergovernmental	19,043	1,224	20,267
Notes	20,862	0	20,862
Inventories	32,126	55,635	87,761
Total current assets	<u>1,968,360</u>	<u>5,055,072</u>	<u>7,023,432</u>
Capital assets			
Land	613,070	47,836	660,906
Depreciable capital assets	6,668,761	30,415,825	37,084,586
Accumulated depreciation	<u>(3,584,229)</u>	<u>(4,989,880)</u>	<u>(8,574,109)</u>
Net capital assets	<u>3,697,602</u>	<u>25,473,781</u>	<u>29,171,383</u>
Total assets	<u>5,665,962</u>	<u>30,528,853</u>	<u>36,194,815</u>
LIABILITIES			
Accounts payable	104,925	243,074	347,999
Payroll & related accruals	126,274	0	126,274
Accrued interest payable	0	971,029	971,029
Deferred revenue	0	30,347	30,347
Deposits payable	0	41,309	41,309
Compensated absences - current	73,183	23,906	97,089
Notes payable - current	23,897	531,193	555,090
Bonds payable - current	0	110,000	110,000
Total current liabilities	<u>328,279</u>	<u>1,950,858</u>	<u>2,279,137</u>
Noncurrent liabilities			
Notes payable - net of current	87,476	13,938,565	14,026,041
Bonds payable - net of current	0	355,000	355,000
Compensated absences - net of current	51,916	16,959	68,875
Total noncurrent liabilities	<u>139,392</u>	<u>14,310,524</u>	<u>14,449,916</u>
Total liabilities	<u>467,671</u>	<u>16,261,382</u>	<u>16,729,053</u>
Net assets			
Invested in capital assets, net of related debt	3,586,229	10,539,023	14,125,252
Restricted - capital projects	806,677	193,020	999,697
Restricted - debt service	0	1,612,770	1,612,770
Unrestricted	805,385	1,922,661	2,728,046
Total net assets	<u>\$ 5,198,291</u>	<u>\$ 14,267,474</u>	<u>\$ 19,465,765</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, 2011**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Urban Renewal Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash & cash equivalents	\$ 876,469	\$ 70,141	\$ 126,346	\$ 595,979	\$ 1,668,935
Receivables					
Taxes	165,343	0	7,521	0	172,864
Accounts	50,768	3,762	0	0	54,530
Intergovernmental	16,687	0	0	2,356	19,043
Notes	0	0	0	20,862	20,862
Due from other funds	0	0	0	18,426	18,426
Inventories	0	0	0	32,126	32,126
Total assets	<u>\$ 1,109,267</u>	<u>\$ 73,903</u>	<u>\$ 133,867</u>	<u>\$ 669,749</u>	<u>\$ 1,986,786</u>
LIABILITIES & FUND BALANCES					
Liabilities					
Accounts Payable	\$ 68,556	\$ 1,773	\$ 879	\$ 33,717	\$ 104,925
Payroll & related accruals	192,140	2,260	0	5,057	199,457
Due to other funds	18,426	0	0	0	18,426
Unearned revenue	161,118	0	6,626	20,862	188,606
Total liabilities	<u>440,240</u>	<u>4,033</u>	<u>7,505</u>	<u>59,636</u>	<u>511,414</u>
Fund Balances					
Restricted	0	69,870	126,362	0	196,232
Committed - capital projects	0	0	0	453,819	453,819
Committed - other	0	0	0	156,294	156,294
Unassigned	669,027	0	0	0	669,027
Total fund balances	<u>669,027</u>	<u>69,870</u>	<u>126,362</u>	<u>610,113</u>	<u>1,475,372</u>
Total liabilities & fund balance	<u>\$ 1,109,267</u>	<u>\$ 73,903</u>	<u>\$ 133,867</u>	<u>\$ 669,749</u>	<u>\$ 1,986,786</u>

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

GOVERNMENTAL FUND BALANCES	\$ 1,475,372
GOVERNMENTAL FUNDS	
Capital assets, net of accumulated depreciation	3,697,602
Compensated absences	(51,916)
Notes payable	(111,373)
Deferred revenue	188,606
NET ASSETS	<u>\$ 5,198,291</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 BALANCES
GOVERNMENTAL FUNDS for the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Urban Renewal Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 1,306,098	\$ 0	\$ 70,632	\$ 0	\$ 1,376,730
Franchise taxes	169,956	0	0	0	169,956
Fuel taxes	0	241,713	0	0	241,713
Alcohol taxes	50,121	0	0	0	50,121
Lodging taxes	135,341	0	0	24,279	159,620
Other taxes	43,996	0	0	0	43,996
Licenses & permits	72,206	0	0	0	72,206
Intergovernmental revenues	34,128	0	0	0	34,128
Charges for services	62,706	0	0	104,105	166,811
Fines & penalties	197,710	0	0	0	197,710
Investment earnings	4,122	1,036	567	1,705	7,430
Other revenue	50,869	999	0	25,720	77,588
Grants & contracts	67,069	0	0	151,417	218,486
Total revenues	<u>2,194,322</u>	<u>243,748</u>	<u>71,199</u>	<u>307,226</u>	<u>2,816,495</u>
EXPENDITURES					
Current					
General government	797,658	0	19,467	84,874	901,999
Public safety	1,401,377	0	0	0	1,401,377
Highways & streets	0	178,544	0	6,095	184,639
Culture & recreation	59,467	0	0	278,160	337,627
Debt service	15,866	0	0	0	15,866
Total expenditures	<u>2,274,368</u>	<u>178,544</u>	<u>19,467</u>	<u>369,129</u>	<u>2,841,508</u>
Excess (def) of revenues over expenditures	(80,046)	65,204	51,732	(61,903)	(25,013)
OTHER FINANCING SOURCES (USES)					
Transfers in/out	<u>83,851</u>	<u>(22,345)</u>	<u>0</u>	<u>63,734</u>	<u>125,240</u>
Excess (def) of revenues over expenditures	3,805	42,859	51,732	1,831	100,227
FUND BALANCES - Beg. of year	<u>665,222</u>	<u>27,011</u>	<u>74,630</u>	<u>608,282</u>	<u>1,375,145</u>
FUND BALANCES - End of year	<u>\$ 669,027</u>	<u>\$ 69,870</u>	<u>\$ 126,362</u>	<u>\$ 610,113</u>	<u>\$ 1,475,372</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	\$ 100,227
Capitalized assets	190,939
Repayment of long-term debt	22,378
Change in deferred revenue	25,354
Compensated absences	(11,917)
Depreciation	<u>(202,440)</u>
Changes in net assets	<u>\$ 124,541</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, 2011**

	Original Budget	Final Budget	Actual	Variance
GENERAL FUND				
REVENUES				
Property taxes	\$ 1,313,000	\$ 1,313,000	\$ 1,306,098	\$ (6,902)
Franchise taxes	164,800	164,800	169,956	5,156
Alcohol taxes	55,000	55,000	50,121	(4,879)
Lodging taxes	155,000	155,000	135,341	(19,659)
Other taxes	43,470	43,470	43,996	526
Licenses and permits	81,560	81,560	72,206	(9,354)
Intergovernmental revenues	38,500	40,000	34,128	(5,872)
Charges for services	61,975	61,975	62,706	731
Fines and penalties	250,000	250,000	197,710	(52,290)
Investment earnings	5,000	5,000	4,122	(878)
Other revenue	39,000	49,600	50,869	1,269
Grants and contracts	55,000	90,365	67,069	(23,296)
Total revenues	<u>2,262,305</u>	<u>2,309,770</u>	<u>2,194,323</u>	<u>(115,447)</u>
EXPENDITURES				
City council	5,035	5,035	3,117	1,918
City manager	148,540	148,540	140,873	7,667
Finance	113,380	112,480	108,955	3,525
Legal services	38,320	38,320	36,940	1,380
Municipal court	146,645	146,645	124,919	21,726
Community development	59,810	61,410	43,851	17,559
City recorder	32,905	32,905	30,582	2,323
Community building	25,520	25,520	22,267	3,253
Nondepartmental	334,125	338,625	271,008	67,617
Police	1,086,335	1,107,255	1,034,112	73,143
Special police operations	25,000	25,000	9,668	15,332
Municipal jail	142,570	142,570	133,446	9,124
Fire	117,510	142,310	124,302	18,008
Building inspection	55,220	55,220	44,665	10,555
Animal control	23,260	23,260	5,779	17,481
Public service	60,175	60,175	49,405	10,770
Library	22,510	22,510	16,729	5,781
Senior center	26,450	28,495	28,308	187
Dial-A-Ride	15,515	17,015	14,430	2,585
Debt service	15,875	15,875	15,866	9
Contingency	119,000	112,000	0	112,000
Total expenditures	<u>2,613,700</u>	<u>2,661,165</u>	<u>2,259,222</u>	<u>401,943</u>
Excess (def) of revenues over expenditures	<u>(351,395)</u>	<u>(351,395)</u>	<u>(64,899)</u>	<u>286,496</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	139,965	139,965	138,851	(1,114)
Transfers out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>0</u>
Total other financing sources (uses)	<u>84,965</u>	<u>84,965</u>	<u>83,851</u>	<u>(1,114)</u>
Excess (def) of revenues over expenditures	(266,430)	(266,430)	18,951	285,381
Unappropriated ending fund balance	(310,000)	(310,000)	0	310,000
GAAP ADJUSTMENT				
Compensated absences	0	0	(15,146)	(15,146)
FUND BALANCE - Beginning of year	<u>576,430</u>	<u>576,430</u>	<u>665,222</u>	<u>88,792</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 669,027</u>	<u>\$ 669,027</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, 2011**

STREET FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fuel taxes	\$ 218,000	\$ 241,713	\$ 23,713
Investment earnings	600	1,036	436
Other revenue	<u>200</u>	<u>999</u>	<u>799</u>
 Total revenues	 <u>218,800</u>	 <u>243,748</u>	 <u>24,949</u>
EXPENDITURES			
Personal services	57,140	56,086	1,054
Materials & services	<u>140,315</u>	<u>121,765</u>	<u>18,550</u>
 Total expenditures	 <u>197,455</u>	 <u>177,850</u>	 <u>19,605</u>
 Excess (def) of revenues over expenditures	 <u>21,345</u>	 <u>65,898</u>	 <u>44,553</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	20,000	0	20,000
Transfers out	<u>(42,345)</u>	<u>(22,345)</u>	<u>20,000</u>
 Total other financing sources (uses)	 <u>(22,345)</u>	 <u>(22,345)</u>	 <u>0</u>
 Excess (def) of revenues over expenditures	 (1,000)	43,553	44,553
GAAP ADJUSTMENT			
Compensated absences	0	(694)	(694)
 FUND BALANCE - Beginning of year	 <u>1,000</u>	 <u>27,011</u>	 <u>26,011</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 69,870</u>	 <u>\$ 69,870</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, 2011**

REEDSPORT URBAN RENEWAL AGENCY

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 78,900	\$ 78,900	\$ 70,632	\$ (8,268)
Investment earnings	400	400	567	167
Total revenue	<u>79,300</u>	<u>79,300</u>	<u>71,199</u>	<u>(8,101)</u>
EXPENDITURES				
Personal services	13,000	0	0	0
Materials and services	12,500	25,500	19,467	6,033
Capital outlay	<u>125,800</u>	<u>125,800</u>	<u>0</u>	<u>125,800</u>
Total expenditures	<u>151,300</u>	<u>151,300</u>	<u>19,467</u>	<u>131,833</u>
Excess (def) of revenues over expenditures	(72,000)	(72,000)	51,732	123,732
FUND BALANCE - Beginning of year	<u>72,000</u>	<u>72,000</u>	<u>74,630</u>	<u>2,630</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,362</u>	<u>\$ 126,362</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, 2011

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
ASSETS					
Current Assets					
Cash & cash equivalents	\$ 1,688,318	\$ 2,887,431	114,969	\$ 48,822	\$ 4,739,540
Receivables					
Accounts	84,400	166,928	7,345	0	258,673
Intergovernmental	0	0	1,224	0	1,224
Inventories	45,357	10,278	0	0	55,635
Total current assets	<u>1,818,075</u>	<u>3,064,637</u>	<u>123,538</u>	<u>48,822</u>	<u>5,055,072</u>
Capital assets					
Capital assets not being depreciated	47,836	0	0	0	47,836
Depreciable capital assets	8,935,086	20,413,665	433,152	633,922	30,415,825
Accumulated depreciation	(3,232,791)	(1,342,602)	(199,327)	(215,160)	(4,989,880)
Net capital assets	<u>5,750,131</u>	<u>19,071,063</u>	<u>233,825</u>	<u>418,762</u>	<u>25,473,781</u>
Total assets	<u>7,568,206</u>	<u>22,135,700</u>	<u>357,363</u>	<u>467,584</u>	<u>30,528,853</u>
LIABILITIES					
Current Liabilities					
Accounts payable	20,578	220,901	1,374	221	243,074
Accrued interest payable	10,356	960,673	0	0	971,029
Deferred revenue	30,347	0	0	0	30,347
Deposits payable	15,483	24,284	1,542	0	41,309
Compensated absences - current	12,931	8,626	1,480	869	23,906
Notes payable - current	12,395	518,798	0	0	531,193
Bonds payable - current	110,000	0	0	0	110,000
Total current liabilities	<u>212,090</u>	<u>1,733,282</u>	<u>4,396</u>	<u>1,090</u>	<u>1,950,858</u>
Noncurrent liabilities					
Notes payable	207,363	13,731,202	0	0	13,938,565
Bonds payable	355,000	0	0	0	355,000
Compensated absences	9,173	6,119	1,050	617	16,959
Total noncurrent liabilities	<u>571,536</u>	<u>13,737,321</u>	<u>1,050</u>	<u>617</u>	<u>14,310,524</u>
Total liabilities	<u>783,626</u>	<u>15,470,603</u>	<u>5,446</u>	<u>1,707</u>	<u>16,261,382</u>
Net assets					
Invested in capital assets, net of related debt	5,065,373	4,821,063	233,825	418,762	10,539,023
Restricted - capital projects	60,882	127,022	5,116	0	193,020
Restricted - debt service	77,056	1,535,714	0	0	1,612,770
Unrestricted	1,581,269	181,298	112,976	47,115	1,922,661
Total net assets	<u>\$ 6,784,581</u>	<u>\$ 6,665,097</u>	<u>\$ 351,916</u>	<u>\$ 465,877</u>	<u>\$ 14,267,474</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, 2011**

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
OPERATING REVENUES					
Charges for services	\$ 810,026	\$ 1,392,627	\$ 73,700	\$ 93,613	\$ 2,369,966
Miscellaneous	6,502	2,569	48,088	227	57,386
Total operating revenues	816,528	1,395,196	121,788	93,840	2,427,352
OPERATING EXPENSES					
Personal services	290,000	300,559	32,215	25,697	648,471
Materials and services	229,039	233,156	38,689	11,975	512,859
Capital outlay	26,381	11,975	634	2,650	41,640
Depreciation	191,529	701,348	10,376	15,461	918,714
Total operating expenses	736,949	1,247,038	81,914	55,783	2,121,685
Operating income (loss)	79,579	148,158	39,874	38,057	305,667
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	11,816	15,092	528	135	27,571
Grants	11,015	0	0	0	11,015
Interest expense	(33,634)	(578,402)	0	0	(612,036)
Total nonoperating revenues (exp)	(10,803)	(563,310)	528	135	(573,450)
Income (loss) before transfers & capital contributions	68,776	(415,152)	40,402	38,192	(267,780)
OTHER FINANCING SOURCES (USES)					
Capital contributions	8,330	0	0	0	8,330
Transfers in	255,270	913,740	5,000	0	1,174,010
Transfers out	(300,170)	(992,540)	(1,850)	(4,690)	(1,299,250)
Total other financing sources (uses)	(36,570)	(78,800)	3,150	(4,690)	(116,910)
Change in net assets	32,206	(493,952)	43,552	33,502	(384,690)
NET ASSETS - Beginning of year	6,752,375	7,159,049	308,364	432,375	14,652,166
NET ASSETS - End of year	\$ 6,784,581	\$ 6,665,097	\$ 351,916	\$ 465,877	\$ 14,267,474

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, 2011

	Water Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers & users	\$ 800,135	\$ 1,353,874	\$ 122,389	\$ 94,086	\$ 2,370,484
Cash payments to suppliers	(251,803)	(247,262)	(38,826)	(15,534)	(553,425)
Cash payments to employees	<u>(288,328)</u>	<u>(302,296)</u>	<u>(30,941)</u>	<u>(25,301)</u>	<u>(646,866)</u>
Net cash provided (used) by operating activities	<u>260,004</u>	<u>804,316</u>	<u>52,622</u>	<u>53,251</u>	<u>1,170,193</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grant	11,015	0	0	0	11,015
Transfers from other funds	255,270	913,740	5,000	0	1,174,010
Transfers to other funds	<u>(300,170)</u>	<u>(992,540)</u>	<u>(1,850)</u>	<u>(4,690)</u>	<u>(1,299,250)</u>
Net cash provided (used) by noncapital financing act.	<u>(33,885)</u>	<u>(78,800)</u>	<u>3,150</u>	<u>(4,690)</u>	<u>(114,225)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(21,032)	(1,204,149)	0	(25,067)	(1,250,248)
Capital contributions - SDC fees	8,330	0	0	0	8,330
Issuance of debt	0	1,031,530	0	0	1,031,530
Principal paid on debt	(117,319)	0	0	0	(117,319)
Interest expense	<u>(31,757)</u>	<u>(334,886)</u>	<u>0</u>	<u>0</u>	<u>(366,643)</u>
Net cash provided (used) by capital and related financing activities	<u>(161,778)</u>	<u>(507,505)</u>	<u>0</u>	<u>(25,067)</u>	<u>(694,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	<u>11,818</u>	<u>15,092</u>	<u>530</u>	<u>136</u>	<u>27,576</u>
Net increase (decrease) in cash & cash equivalents	76,159	233,103	56,302	23,630	389,194
Cash & cash equivalents - Beginning 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>
Cash & cash equivalents - End of year (including restricted cash \$1,918,097)	<u>\$ 1,688,318</u>	<u>\$ 2,887,431</u>	<u>\$ 114,969</u>	<u>\$ 48,822</u>	<u>\$ 4,739,540</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ 79,579	\$ 148,158	\$ 39,874	\$ 38,057	\$ 305,667
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities					
Depreciation	191,529	701,348	10,376	15,461	918,714
(Increase) decrease in operating assets					
Accounts receivable	1,690	(41,322)	601	246	(38,785)
Inventories	(5,720)	1,828	0	0	(3,892)
Increase (decrease) in operating liabilities					
Accounts payable	9,337	(3,959)	497	(909)	4,966
Compensated absences	1,672	(1,737)	1,274	396	1,605
Deferred revenue & deposits payable	<u>(18,083)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18,083)</u>
Net cash provided (used) by operating activities	<u>\$ 260,004</u>	<u>\$ 804,316</u>	<u>\$ 52,622</u>	<u>\$ 53,251</u>	<u>\$ 1,170,193</u>

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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.

Fund Balance Classifications

Fund Balances may be committed by resolution of the City's Board of Directors. Similarly a fund balance commitment may be modified or rescinded by Board resolution. The City considers committed fund balances to have been spent when an expenditure is incurred for which committed or unassigned fund balances could be used.

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, 2011

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, 2011

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Deficit Fund Balances

Water Filtration Debt Reserve Fund	\$ (684,181)
Wastewater Capital Debt Fund	(14,342,345)
Wastewater DEQ Improvement Fund	(151,923)

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	\$4,490,378
Cash, cash equivalents & invest. - restricted	1,918,097
Total	<u>\$6,408,475</u>

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

	<u>Balance</u>
Cash on hand	\$ 700
Deposits with financial institutions	4,628,514
Investments - external investment pool	1,779,261
Total cash & investments	<u>\$6,408,475</u>

Restricted cash represents customer deposits of \$41,309, debt service of \$1,623,126, System Development fees of \$193,020 and Capital Projects of \$60,642.

Deposits

At the end of the fiscal year, the City's total deposits with financial institutions have a bank value of \$4,658,136.

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 \$1,779,261 in the State of Oregon Local Government Investment Pool.

	Fair Value	Weighted average maturity in days	% of investment portfolio	Credit Risk
Local Government Investment Pool	<u>\$1,779,261</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, 2011

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, 2011, 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	\$ 165,343	\$ 50,768	\$ 16,687	\$ 0	\$ 232,798
Street Fund	0	3,762	0	0	3,762
URA	7,521	0	0	0	7,521
Other Government Funds	0	0	2,356	20,862	23,218
Total Governmental	<u>172,864</u>	<u>54,530</u>	<u>19,043</u>	<u>20,862</u>	<u>267,299</u>
Business-Type					
Water Fund	0	84,400	0	0	84,400
Wastewater Fund	0	166,928	0	0	166,928
Stormwater Fund	0	7,345	1,224	0	8,569
Dunes NRA Lease Fund	0	0	0	0	0
Total Business-Type	<u>0</u>	<u>258,673</u>	<u>1,224</u>	<u>0</u>	<u>259,897</u>
Total	<u>\$ 172,864</u>	<u>\$ 313,203</u>	<u>\$ 20,267</u>	<u>\$ 20,862</u>	<u>\$ 527,196</u>

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2011**

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	\$ 143,583	
Urban Renewal Agency	6,626	
Unforfeited Bail Deposits		
General Fund	17,535	
Notes & Loans		
General Capital Imp. Fund	20,862	
Customer Deposits		
Water Fund		\$ 15,483
Wastewater Fund		24,284
Stormwater Fund		<u>1,542</u>
	<u>\$ 188,606</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, 2011 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, 2011

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	2,219,944	59,731	0	2,279,675
Machinery & equipment	2,839,772	131,208	0	2,970,980
Infrastructure	<u>1,418,106</u>	<u>0</u>	<u>0</u>	<u>1,418,106</u>
Total capital assets being depreciated	<u>6,477,822</u>	<u>190,939</u>	<u>0</u>	<u>6,668,761</u>
Less - accum. depreciation				
Building	(1,621,383)	(19,992)	0	(1,641,374)
Machinery & equipment	(1,197,354)	(140,316)	0	(1,337,670)
Infrastructure	<u>(563,052)</u>	<u>(42,132)</u>	<u>0</u>	<u>(605,185)</u>
Total accum. depreciation	<u>(3,381,789)</u>	<u>(202,440)</u>	<u>0</u>	<u>(3,584,229)</u>
Total capital assets, net of depreciation	<u>3,096,033</u>	<u>(11,501)</u>	<u>0</u>	<u>3,084,532</u>
Governmental activities capital assets, net	<u>\$ 3,709,103</u>	<u>\$ (11,501)</u>	<u>\$ 0</u>	<u>\$3,697,602</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2011

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
Assets being depreciated				
Buildings & improvements	682,401	25,067	0	707,468
Machinery & equipment	319,351	0	0	319,351
Systems	<u>28,716,580</u>	<u>672,426</u>	<u>0</u>	<u>29,389,006</u>
Total capital assets, being depreciated	<u>29,718,332</u>	<u>697,493</u>	<u>0</u>	<u>30,415,825</u>
Less - accum. depreciation				
Building & improvements	(260,973)	(15,801)	0	(276,774)
Machinery & equipment	(191,335)	(17,269)	0	(208,604)
Systems	<u>(3,618,858)</u>	<u>(885,644)</u>	<u>0</u>	<u>(4,504,502)</u>
Total accum. depreciation	<u>(4,071,166)</u>	<u>(918,714)</u>	<u>0</u>	<u>(4,989,880)</u>
 Total capital assets, net of depreciation	 <u>25,647,166</u>	 <u>(221,221)</u>	 <u>0</u>	 <u>25,425,945</u>
 Business-type activities Capital assets, net	 <u>\$ 25,695,002</u>	 <u>\$ (221,221)</u>	 <u>\$ 0</u>	 <u>\$25,473,781</u>

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

	<u>Balance</u>
Governmental activities	
General government	\$ 35,447
Public safety	13,736
Highways & streets	38,190
Culture & recreation	<u>115,067</u>
 Total dep. exp. - gov. act.	 <u>\$ 202,440</u>
 Business-type activities	
Water	\$ 191,529
Wastewater	701,348
Stormwater	10,376
Dunes NRA lease	<u>15,461</u>
 Total dep. exp. - bus. type act.	 <u>\$ 918,714</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

D. INTERFUND TRANSFERS

	<u>Transfers In</u>					<u>Total Out</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Waste- water Funds</u>	<u>Storm- water Funds</u>	<u>Nonmajor Governmental Funds</u>	
Transfer Out						
General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,000	\$ 55,000
Street Fund	11,225	0	0	0	11,120	22,345
Nonmajor Govn't Funds	2,386	0	0	0	0	2,386
Water Fund	44,900	255,270	0	0	0	300,170
Wastewater Fund	73,800	0	913,740	5,000	0	992,540
Stormwater Fund	1,850	0	0	0	0	1,850
Dune NRA Lease Fund	<u>4,690</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,690</u>
Total transfers in	<u>\$ 138,851</u>	<u>\$255,270</u>	<u>\$ 913,740</u>	<u>\$ 5,000</u>	<u>\$ 66,120</u>	<u>\$1,378,981</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 \$18,426 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:

	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Type						
Note payable	\$ 115,000	\$ 104,792	\$ 0	\$ 8,342	\$ 96,450	\$ 8,974
Loan payable						
OECD	172,688	28,959	0	14,036	14,923	14,923
Compensated absences		<u>96,383</u>	<u>28,716</u>	<u>0</u>	<u>125,099</u>	<u>73,183</u>
Total governmental type		<u>230,134</u>	<u>28,716</u>	<u>22,378</u>	<u>236,472</u>	<u>97,080</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2011

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	<u>570,000</u>	<u>0</u>	<u>105,000</u>	<u>465,000</u>	<u>110,000</u>
Loans payable						
OECD Water SPWF	304,638	232,077	0	12,319	219,758	12,395
DEQ Revolving loan	13,500,000	11,076,498	923,502	0	12,000,000	457,973
OECD SPWF	2,250,000	<u>2,195,541</u>	<u>54,459</u>	<u>0</u>	<u>2,250,000</u>	<u>60,825</u>
Total loans payable		<u>13,504,116</u>	<u>977,961</u>	<u>12,319</u>	<u>14,469,758</u>	<u>531,193</u>
Compensated absences		<u>39,260</u>	<u>1,605</u>	<u>0</u>	<u>40,865</u>	<u>23,907</u>
Total business type		<u>14,113,376</u>	<u>979,566</u>	<u>117,319</u>	<u>14,975,623</u>	<u>665,100</u>
Total long-term liabilities		<u>\$14,343,510</u>	<u>\$1,008,282</u>	<u>\$ 139,697</u>	<u>\$15,212,095</u>	<u>\$ 762,180</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, 2011 was \$96,450.

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 \$14,923 at June 30, 2011. It matures in 2012.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2011

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:

Fiscal Year Ending	Principal	Interest	Total
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	13,365	4,871	18,236
2017-19	41,150	5,744	46,894
Total	<u>\$ 111,373</u>	<u>\$ 42,568</u>	<u>\$ 153,941</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 \$465,000 and it matures in 2015.

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 \$219,758.

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 \$12,000,000, 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 \$12,000,000 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, 2011 a separate fund has been established for this reserve requirement.

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 \$2,250,000, with the loan maturing 2032.

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG-TERM LIABILITIES

Loans Payable - Business Type

Below is a summary of future business type debt obligations:

Fiscal Year Ending 6-30	Revenue Bonds		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 110,000	\$ 17,466	\$ 531,193	\$1,406,205	\$ 641,193	\$1,423,671
2013	115,000	12,674	548,233	518,192	663,233	530,865
2014	115,000	7,775	565,847	497,856	680,847	505,631
2015	125,000	2,663	584,054	476,835	709,054	479,497
2016	0	0	607,878	455,282	607,878	455,282
2017-21	0	0	3,344,746	1,920,443	3,344,746	1,920,443
2022-26	0	0	3,887,293	1,252,878	3,887,293	1,252,878
2027-31	0	0	4,090,966	483,548	4,090,966	483,548
2032-33	0	0	309,548	21,802	309,548	21,802
Total	\$ 465,000	\$ 40,577	\$14,469,758	\$7,033,041	\$14,934,758	\$7,073,617

F. PENSION PLAN

Plan Description

All City employees hired before January 1, 2011 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).

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.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN

Plan Description

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, 2011

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>2011</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 2011 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>
2009	\$ 110,353	100%	\$ 0
2010	94,010	100%	0
2011	105,223	100%	0

NOTE 5 - 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.

Evaluation of Subsequent Events

The City has evaluated subsequent events through November 7, 2011, the date which the financial statements were available to be issued.

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**CITY OF REEDSPORT
OREGON**

SUPPLEMENTAL INFORMATION SECTION

**CITY OF REEDSPORT
OREGON**

Nonmajor Governmental Funds

CITY OF REEDSPORT, OREGON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
as of June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash & cash equivalents	\$ 115,773	\$ 480,206	\$ 595,979
Receivables			
Intergovernmental	2,356	0	2,356
Due from other funds	18,426	0	18,426
Notes	0	20,862	20,862
Inventories	<u>32,126</u>	<u>0</u>	<u>32,126</u>
 Total assets	 <u>\$ 168,681</u>	 <u>\$ 501,068</u>	 <u>\$ 669,749</u>
 LIABILITIES & FUND BALANCE			
Liabilities			
Accounts payable	\$ 7,330	\$ 26,387	\$ 33,717
Payroll and related liabilities	5,057	0	5,057
Unearned revenue	<u>0</u>	<u>20,862</u>	<u>20,862</u>
 Total liabilities	 <u>12,387</u>	 <u>47,249</u>	 <u>59,636</u>
 Fund Balance			
Committed - Capital projects	0	453,819	453,819
Committed - other	<u>156,294</u>	<u>0</u>	<u>156,294</u>
 Total fund balances	 <u>156,294</u>	 <u>453,819</u>	 <u>610,113</u>
 Total liabilities & fund balance	 <u>\$ 168,681</u>	 <u>\$ 501,068</u>	 <u>\$ 669,749</u>

CITY OF REEDSPORT, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS for the Year Ended June 30, 2011**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
REVENUES			
Taxes	\$ 24,279	\$ 0	\$ 24,279
Charges for services	104,105	0	104,105
Investment earnings	676	1,029	1,705
Grants and contracts	0	151,417	151,417
Miscellaneous	401	25,319	25,720
	<hr/>	<hr/>	<hr/>
Total revenues	129,461	177,765	307,226
EXPENDITURES			
General government	0	84,874	84,874
Highways and streets	0	6,095	6,095
Culture and recreation	259,481	18,679	278,160
	<hr/>	<hr/>	<hr/>
Total expenditures	259,481	109,648	369,129
Excess (def) of revenues over expenditures	<hr/>	<hr/>	<hr/>
	(130,020)	68,117	(61,903)
OTHER FINANCING SOURCES (USES)			
Transfers in	55,000	11,120	66,120
Transfers out	(2,386)	0	(2,386)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	52,614	11,120	63,734
Excess (def) of revenues over expenditures	<hr/>	<hr/>	<hr/>
	(77,406)	79,237	1,831
FUND BALANCES - Beginning of year	<hr/>	<hr/>	<hr/>
	233,700	374,582	608,282
FUND BALANCES - End of year	<hr/>	<hr/>	<hr/>
	\$ 156,294	\$ 453,819	\$ 610,113

**CITY OF REEDSPORT
OREGON**

**GOVERNMENTAL
Nonmajor Funds - Special Revenue Funds**

CITY OF REEDSPORT, OREGON

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
as of June 30, 2011

	<u>Bicycle/Footpath Fund</u>	<u>Fire Equipment Fund</u>	<u>Riverfront Fund</u>	<u>Total</u>
ASSETS				
Cash & cash equivalents	\$ 30,513	\$ 48,532	\$ 36,728	\$ 115,773
Receivables				
Intergovernmental	0	2,356	0	2,356
Due from other funds	0	0	18,426	18,426
Inventories	<u>0</u>	<u>0</u>	<u>32,126</u>	<u>32,126</u>
 Total assets	 <u>\$ 30,513</u>	 <u>\$ 50,888</u>	 <u>\$ 87,280</u>	 <u>\$ 168,681</u>
LIABILITIES & FUND BALANCE				
Liabilities				
Accounts payable	\$ 0	\$ 0	\$ 7,330	\$ 7,330
Payroll and related liabilities	<u>0</u>	<u>0</u>	<u>5,057</u>	<u>5,057</u>
 Total liabilities	 0	 0	 12,387	 12,387
Fund Balance				
Committed	<u>30,513</u>	<u>50,888</u>	<u>74,893</u>	<u>156,294</u>
 Total liabilities & fund balance	 <u>\$ 30,513</u>	 <u>\$ 50,888</u>	 <u>\$ 87,280</u>	 <u>\$ 168,681</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, 2011**

	<u>Bicycle/Footpath Fund</u>	<u>Fire Equipment Fund</u>	<u>Riverfront Fund</u>	<u>Total</u>
REVENUES				
Taxes	\$ 1,891	\$ 0	\$ 22,388	\$ 24,279
Charges for services	0	16,805	87,300	104,105
Investment earnings	151	281	244	676
Miscellaneous	<u>0</u>	<u>0</u>	<u>401</u>	<u>401</u>
 Total revenues	 2,042	 17,086	 110,333	 129,461
EXPENDITURES				
Culture and recreation	<u>7</u>	<u>113,917</u>	<u>145,557</u>	<u>259,481</u>
 Excess (def) of revenues over expenditures	 <u>2,035</u>	 <u>(96,831)</u>	 <u>(35,224)</u>	 <u>(130,020)</u>
OTHER FINANCING SOURCES				
Transfers in	0	15,000	40,000	55,000
Transfers out	<u>0</u>	<u>(2,386)</u>	<u>0</u>	<u>(2,386)</u>
 Total other financing sources (uses)	 <u>0</u>	 <u>12,614</u>	 <u>40,000</u>	 <u>52,614</u>
 Excess (def) of revenues over expenditures	 2,035	 (84,217)	 4,776	 (77,406)
 FUND BALANCES - Beginning of year	 <u>28,478</u>	 <u>135,105</u>	 <u>70,117</u>	 <u>233,700</u>
 FUND BALANCES - End of year	 <u>\$ 30,513</u>	 <u>\$ 50,888</u>	 <u>\$ 74,893</u>	 <u>\$ 156,294</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

BICYCLE/FOOTPATH FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fuel taxes	\$ 1,750	\$ 1,891	\$ 141
Investment earnings	<u>200</u>	<u>151</u>	<u>(49)</u>
Total revenues	<u>1,950</u>	<u>2,042</u>	<u>92</u>
EXPENDITURES			
Materials and services	100	7	93
Capital outlay	<u>30,050</u>	<u>0</u>	<u>30,050</u>
Total expenditures	<u>30,150</u>	<u>7</u>	<u>30,143</u>
Excess (def) of revenues over expenditures	(28,200)	2,035	30,235
FUND BALANCE - Beginning of year	<u>28,200</u>	<u>28,478</u>	<u>278</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 30,513</u>	<u>\$ 30,513</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

FIRE EQUIPMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	\$ 19,000	\$ 16,805	\$ (2,195)
Investment earnings	500	281	(219)
Other revenue	<u>500</u>	<u>0</u>	<u>(500)</u>
 Total revenues	 20,000	 17,086	 (2,913)
 EXPENDITURES			
Capital outlay	<u>165,500</u>	<u>113,917</u>	<u>51,583</u>
 Excess (def) of revenues over expenditures	 <u>(145,500)</u>	 <u>(96,831)</u>	 <u>48,669</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	15,000	0
Transfers out	<u>(3,500)</u>	<u>(2,386)</u>	<u>1,114</u>
 Total other financing sources (uses)	 <u>11,500</u>	 <u>12,614</u>	 <u>1,114</u>
 Excess (def) of revenues over expenditures	 (134,000)	 (84,217)	 49,783
 FUND BALANCE - Beginning of year	 <u>134,000</u>	 <u>135,105</u>	 <u>1,105</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 50,888</u>	 <u>\$ 50,888</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

RIVERFRONT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Lodging taxes	\$ 25,000	\$ 22,388	\$ (2,612)
Charges for services	86,300	87,300	1,000
Investment earnings	400	244	(156)
Other revenue	<u>250</u>	<u>401</u>	<u>151</u>
 Total revenues	 <u>111,950</u>	 <u>110,333</u>	 <u>(1,616)</u>
EXPENDITURES			
Personal services	73,665	72,281	1,384
Materials & services	100,185	72,316	27,869
Contingency	<u>5,000</u>	<u>0</u>	<u>5,000</u>
 Total expenditures	 <u>178,850</u>	 <u>144,596</u>	 <u>34,254</u>
 Excess (def) of revenues over expenditures	 (66,900)	 (34,263)	 32,637
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>40,000</u>	<u>40,000</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 (26,900)	 5,737	 32,637
GAAP ADJUSTMENT			
Compensated absences	0	(961)	(961)
 FUND BALANCE - Beginning of year	 <u>26,900</u>	 <u>70,117</u>	 <u>43,217</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 74,893</u>	 <u>\$ 74,893</u>

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**CITY OF REEDSPORT
OREGON**

**GOVERNMENTAL
Nonmajor - Capital Projects Funds**

CITY OF REEDSPORT, OREGON

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
as of June 30, 2011

	<u>General Capital Improvement Fund</u>	<u>Street Capital Equipment Fund</u>	<u>Library Renovation Fund</u>	<u>Total</u>
ASSETS				
Cash & cash equivalents	\$ 156,121	\$ 192,423	\$ 131,662	\$ 480,206
Notes receivable	<u>20,862</u>	<u>0</u>	<u>0</u>	<u>20,862</u>
 Total assets	 <u>\$ 176,983</u>	 <u>\$ 192,423</u>	 <u>\$ 131,662</u>	 <u>\$ 501,068</u>
LIABILITIES & FUND BALANCE				
Liabilities				
Accounts payable	\$ 17,329	\$ 0	\$ 9,058	\$ 26,387
Unearned revenue	<u>20,862</u>	<u>0</u>	<u>0</u>	<u>20,862</u>
 Total liabilities	 38,191	 0	 9,058	 47,249
Fund Balance				
Committed	<u>138,792</u>	<u>192,423</u>	<u>122,604</u>	<u>453,819</u>
 Total liabilities & fund balance	 <u>\$ 176,983</u>	 <u>\$ 192,423</u>	 <u>\$ 131,662</u>	 <u>\$ 501,068</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, 2011**

	<u>General Capital Improvement Fund</u>	<u>Street Capital Equipment Fund</u>	<u>Library Renovation Fund</u>	<u>Total</u>
REVENUES				
Investment earnings	\$ 905	\$ 0	\$ 124	\$ 1,029
Grants and contracts	7,417	94,000	50,000	151,417
Miscellaneous	<u>4,368</u>	<u>0</u>	<u>20,951</u>	<u>25,319</u>
 Total revenues	 <u>12,690</u>	 <u>94,000</u>	 <u>71,075</u>	 <u>177,765</u>
EXPENDITURES				
Personal services	7,006	0	0	7,006
Materials and services	13,010	0	0	13,010
Capital outlay	<u>64,858</u>	<u>6,095</u>	<u>18,679</u>	<u>89,632</u>
 Total expenditures	 <u>84,874</u>	 <u>6,095</u>	 <u>18,679</u>	 <u>109,648</u>
 Excess (def) of revenues over expenditures	 <u>(72,184)</u>	 <u>87,905</u>	 <u>52,396</u>	 <u>68,117</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	0	11,120	0	11,120
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total other financing sources (uses)	 <u>0</u>	 <u>11,120</u>	 <u>0</u>	 <u>11,120</u>
 Excess (def) of revenues over expenditures	 <u>(72,184)</u>	 <u>99,025</u>	 <u>52,396</u>	 <u>79,237</u>
 FUND BALANCES - Beginning of year	 <u>210,976</u>	 <u>93,398</u>	 <u>70,208</u>	 <u>374,582</u>
 FUND BALANCES - End of year	 <u>\$ 138,792</u>	 <u>\$ 192,423</u>	 <u>\$ 122,604</u>	 <u>\$ 453,819</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

GENERAL CAPITAL IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Licenses and permits	\$ 0	\$ 0	\$ 599	\$ 599
Investment earnings	25	25	905	880
Other revenue	0	3,000	3,769	769
Grants and contracts	<u>65,300</u>	<u>65,300</u>	<u>7,417</u>	<u>(57,883)</u>
 Total revenues	 <u>65,325</u>	 <u>68,325</u>	 <u>12,690</u>	 <u>(55,634)</u>
EXPENDITURES				
Personal services	7,390	7,390	7,006	384
Materials & services	2,740	13,240	13,010	230
Capital outlay	<u>245,195</u>	<u>257,695</u>	<u>64,858</u>	<u>192,837</u>
 Total expenditures	 <u>255,325</u>	 <u>278,325</u>	 <u>84,874</u>	 <u>193,451</u>
 Excess (def) of revenues over expenditures	 (190,000)	 (210,000)	 (72,184)	 137,816
 FUND BALANCE - Beginning of year	 <u>190,000</u>	 <u>210,000</u>	 <u>210,976</u>	 <u>976</u>
 FUND BALANCE - End of year	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 138,792</u></u>	 <u><u>\$ 138,792</u></u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

STREET CAPITAL EQUIPMENT FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
ODOT SCA allotment	<u>\$ 0</u>	<u>\$ 94,000</u>	<u>\$ 94,000</u>
Total revenues	0	94,000	94,000
EXPENDITURES			
Capital outlay	<u> 181,120</u>	<u> 6,095</u>	<u> 175,025</u>
Excess (def) of revenues over expenditures	(181,120)	87,905	269,025
OTHER FINANCING SOURCES (USES)			
Transfers in	<u> 11,120</u>	<u> 11,120</u>	<u> 0</u>
Excess (def) of revenues over expenditures	(170,000)	99,025	269,025
FUND BALANCE - Beginning of year	<u> 170,000</u>	<u> 93,398</u>	<u> (76,602)</u>
FUND BALANCE - End of year	<u><u> 0</u></u>	<u><u> 192,423</u></u>	<u><u> 192,423</u></u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

LIBRARY RENOVATION FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 25	\$ 124	\$ 99
Contracts and grants	150,000	50,000	(100,000)
Other revenue	<u>3,000</u>	<u>20,951</u>	<u>17,951</u>
Total revenue	<u>153,025</u>	<u>71,075</u>	<u>(81,950)</u>
EXPENDITURES			
Materials and services	2,000	0	2,000
Capital outlay	<u>183,625</u>	<u>18,679</u>	<u>164,946</u>
Total expenditures	<u>185,625</u>	<u>18,679</u>	<u>166,946</u>
Excess (def) of revenues over expenditures	(32,600)	52,396	84,996
FUND BALANCE - Beginning of year	<u>32,600</u>	<u>70,208</u>	<u>37,608</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 122,604</u>	<u>\$ 122,604</u>

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**CITY OF REEDSPORT
OREGON**

Proprietary Funds - Major Funds

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WATER UTILITY FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	\$ 847,000	\$ 810,026	\$ (36,974)
Investment earnings	12,500	11,490	(1,010)
Other revenue	<u>2,300</u>	<u>6,502</u>	<u>4,202</u>
 Total revenues	 <u>861,800</u>	 <u>828,018</u>	 <u>(33,781)</u>
EXPENDITURES			
Personal services	298,740	290,000	8,740
Materials & services	296,950	228,589	68,361
Capital outlay	30,000	0	30,000
Contingency	<u>10,940</u>	<u>0</u>	<u>10,940</u>
 Total expenditures	 <u>636,630</u>	 <u>518,589</u>	 <u>118,041</u>
 Excess (def) of revenues over expenditures	 225,170	 309,429	 84,259
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(300,170)</u>	<u>(300,170)</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 (75,000)	 9,259	 84,259
 NET ASSETS - Beginning of Year (Budget basis)	 <u>75,000</u>	 <u>85,545</u>	 <u>10,545</u>
 NET ASSETS - End of year (Budget basis)	 <u>\$ 0</u>	 94,804	 <u>\$ 94,804</u>
GAAP ADJUSTMENT			
Capital assets, net		<u>5,750,131</u>	
 NET ASSETS - End of Year (GAAP basis)		 <u>\$ 5,844,935</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WATER SYSTEM DEVELOPMENT FUND

	<u>Original & Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 8,660	\$ 8,330	\$ (330)
Interest earnings	<u>100</u>	<u>98</u>	<u>(2)</u>
 Total revenues	8,760	8,428	(332)
 EXPENDITURES			
Capital outlay	<u>65,460</u>	<u>0</u>	<u>65,460</u>
 Excess (def) of revenues over expenditures	(56,700)	8,428	65,128
 NET ASSETS - Beginning of year (Budget/GAAP basis)	<u>56,700</u>	<u>52,454</u>	<u>(4,246)</u>
 NET ASSETS - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 60,882</u>	<u>\$ 60,882</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WATER FILTRATION DEBT RESERVE FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 100	\$ 28	\$ (72)
EXPENDITURES			
Materials and services	8,900	450	8,450
Debt service	<u>127,050</u>	<u>127,046</u>	<u>4</u>
Total expenditures	<u>135,950</u>	<u>127,496</u>	<u>8,454</u>
Excess (def) of revenues over expenditures	(135,850)	(127,468)	8,382
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>127,550</u>	<u>129,800</u>	<u>2,250</u>
Excess (def) of revenues over expenditures	(8,300)	2,332	10,632
NET ASSETS - Beginning of year (Budget basis)	<u>8,300</u>	<u>8,601</u>	<u>301</u>
NET ASSETS - End of year (Budget basis)	<u>\$ 0</u>	10,933	<u>\$ 10,933</u>
GAAP ADJUSTMENTS			
Bonds payable		(465,000)	
Loans payable		(219,758)	
Accrued interest payable		<u>(10,356)</u>	
NET ASSETS - End of Year (GAAP basis)		<u>\$ (684,181)</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WATER CAPITAL IMPROVEMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES	\$ 0	\$ 0	\$ 0
EXPENDITURES			
Capital outlay	<u>1,501,270</u>	<u>47,413</u>	<u>1,453,857</u>
Excess (def) of revenues over expenditures	(1,501,270)	(47,413)	1,453,857
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>101,270</u>	<u>101,270</u>	<u>0</u>
Excess (def) of revenues over expenditures	(1,400,000)	53,857	1,453,857
NET ASSETS			
Beginning of year (Budget/GAAP basis)	<u>1,400,000</u>	<u>1,432,609</u>	<u>32,609</u>
End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 1,486,466</u>	<u>\$ 1,486,466</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WATER SPWF DEBT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Grants	\$ 11,000	\$ 11,015	\$ 15
Interest earnings	<u>500</u>	<u>200</u>	<u>(300)</u>
Total revenues	<u>11,500</u>	<u>11,215</u>	<u>(285)</u>
EXPENDITURES			
Capital outlay	76,855	0	76,855
Debt service	<u>22,035</u>	<u>22,030</u>	<u>5</u>
Total expenditures	<u>98,890</u>	<u>22,030</u>	<u>76,860</u>
Excess (def) of revenues over expenditures	(87,390)	(10,815)	76,575
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>24,200</u>	<u>24,200</u>	<u>0</u>
Excess (def) of revenues over expenditures	(63,190)	13,385	76,575
NET ASSETS			
Beginning of year (Budget/GAAP basis)	<u>63,190</u>	<u>63,094</u>	<u>(96)</u>
End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 76,479</u>	<u>\$ 76,479</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, 2011

WATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Water Utility Fund	\$ 828,018	\$ 818,759	\$ 9,259
Water Systems Development Fund	8,428	0	8,428
Water Filtration Debt Reserve Fund	129,828	127,496	2,332
Water Capital Improvement Fund	101,270	47,413	53,857
Water SPWF Debt Fund	<u>35,415</u>	<u>22,030</u>	<u>13,385</u>
 Total budgetary basis	 <u>\$ 1,102,959</u>	 <u>\$ 1,015,698</u>	 87,261
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capitalized assets			21,032
Depreciation			(191,529)
Accrued interest			(1,877)
Payment of debt principal			<u>117,319</u>
 Change in net assets			 32,206
 NET ASSETS - Beginning of year			 <u>6,752,375</u>
 NET ASSETS - End of year			 <u>\$ 6,784,581</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WASTEWATER UTILITY FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	\$ 1,871,290	\$ 1,342,000	\$ 1,392,627	\$ 50,627
Interest earnings	4,500	4,500	4,479	(21)
Other revenue	600	600	2,568	1,968
	<u>1,876,390</u>	<u>1,347,100</u>	<u>1,399,675</u>	<u>52,575</u>
EXPENDITURES				
Personal services	311,035	311,035	300,559	10,476
Materials & services	290,925	290,925	233,154	57,771
Capital outlay	40,000	40,000	3,150	36,850
Contingency	25,000	25,000	0	25,000
	<u>666,960</u>	<u>666,960</u>	<u>536,864</u>	<u>130,096</u>
Excess (def) of revenues over expenditures	1,209,430	680,140	862,811	182,671
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,319,430)</u>	<u>(790,140)</u>	<u>(790,140)</u>	<u>0</u>
Excess (def) of revenues over expenditures	(110,000)	(110,000)	72,671	182,671
NET ASSETS - Beginning of year (Budget basis)	<u>110,000</u>	<u>110,000</u>	<u>119,419</u>	<u>9,419</u>
NET ASSETS - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	192,090	<u>\$ 192,090</u>
GAAP ADJUSTMENT				
Capital assets, net			<u>19,071,063</u>	
NET ASSETS - End of Year (GAAP basis)			<u>\$ 19,263,153</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WASTEWATER CAPITAL DEBT FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 0	\$ 0	\$ 0
EXPENDITURES			
Debt service	<u>0</u>	<u>0</u>	<u>0</u>
Excess (def) of revenues over expenditures	0	0	0
NET ASSETS - Beginning of year (Budget basis)	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS - End of year (Budget basis)	<u><u>\$ 0</u></u>	0	<u><u>\$ 0</u></u>
GAAP ADJUSTMENTS			
Accrued interest payable		(92,345)	
Loans payable		<u>(14,250,000)</u>	
NET ASSETS - End of Year (GAAP basis)		<u><u>\$ (14,342,345)</u></u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

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	\$ 5,726	\$ 3,726
EXPENDITURES				
Debt Service	<u>993,910</u>	<u>967,675</u>	<u>0</u>	<u>967,675</u>
Excess (def) of revenues over expenditures	<u>(991,910)</u>	<u>(965,675)</u>	<u>5,726</u>	<u>971,401</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	991,910	462,620	462,620	0
Transfers out	<u>(464,330)</u>	<u>(464,330)</u>	<u>0</u>	<u>464,330</u>
Total other financing sources (uses)	<u>527,580</u>	<u>(1,710)</u>	<u>462,620</u>	<u>464,330</u>
Excess (def) of revenues over expenditures	(464,330)	(967,385)	468,346	1,435,731
NET ASSETS				
Beginning of year (Budget basis)	<u>464,330</u>	<u>967,385</u>	<u>967,388</u>	<u>3</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	1,435,734	<u>\$ 1,435,734</u>
GAAP ADJUSTMENT				
Accrued interest payable			<u>(868,328)</u>	
NET ASSETS - End of Year (GAAP basis)			<u>\$ 567,406</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WASTEWATER OECDD DEBT FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 500	\$ 292	\$ (208)
EXPENDITURES			
Debt Service	<u>435,500</u>	<u>335,312</u>	<u>100,188</u>
Excess (def) of revenues over expenditures	(435,000)	(335,020)	99,980
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>435,000</u>	<u>435,000</u>	<u>0</u>
Excess (def) of revenues over expenditures	0	99,980	99,980
NET ASSETS			
Beginning of year (Budget/GAAP basis)	<u>0</u>	<u>0</u>	<u>0</u>
End of year (Budget/GAAP basis)	<u><u>\$ 0</u></u>	<u><u>\$ 99,980</u></u>	<u><u>\$ 99,980</u></u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WASTEWATER SYSTEM DEVELOPMENT FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 8,000	\$ 0	\$ (8,000)
Interest earnings	<u>50</u>	<u>209</u>	<u>159</u>
 Total revenues	 <u>8,050</u>	 <u>209</u>	 <u>(7,841)</u>
EXPENDITURES			
Materials & services	100	0	100
Capital outlay	<u>134,725</u>	<u>0</u>	<u>134,725</u>
 Total expenditures	 <u>134,825</u>	 <u>0</u>	 <u>134,825</u>
 Excess (def) of revenues over expenditures	 (126,775)	 209	 126,984
NET ASSETS			
Beginning of year (Budget/GAAP basis)	<u>126,775</u>	<u>126,813</u>	<u>38</u>
End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 127,022</u>	<u>\$ 127,022</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WASTEWATER CAPITAL IMPROVEMENT FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 5,000	\$ 4,386	\$ (614)
EXPENDITURES			
Capital outlay	<u>947,720</u>	<u>8,825</u>	<u>938,895</u>
Excess (def) of revenues over expenditures	<u>(942,720)</u>	<u>(4,439)</u>	<u>938,281</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	16,120	16,120	0
Transfers out	<u>(202,400)</u>	<u>(202,400)</u>	<u>0</u>
Total other financing sources (uses)	<u>(186,280)</u>	<u>(186,280)</u>	<u>0</u>
Excess (def) of revenues over expenditures	(1,129,000)	(190,719)	938,281
NET ASSETS			
Beginning of year (Budget/GAAP basis)	<u>1,129,000</u>	<u>1,292,523</u>	<u>163,523</u>
End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 1,101,804</u>	<u>\$ 1,101,804</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WASTEWATER CAPITAL DEQ IMPROVEMENT FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 0	\$ 0	\$ 0
EXPENDITURES			
Capital outlay	<u>1,000,000</u>	<u>596,509</u>	<u>403,491</u>
Excess (def) of revenues over expenditures	(1,000,000)	(596,509)	403,491
OTHER FINANCING SOURCES (USES)			
Loan proceeds	<u>1,000,000</u>	<u>923,502</u>	<u>(76,498)</u>
Excess (def) of revenues over expenditures	0	326,993	326,993
NET ASSETS - Beginning of year (Budget basis)	<u>0</u>	<u>(478,916)</u>	<u>(478,916)</u>
NET ASSETS - End of year (Budget basis)	<u>\$ 0</u>	<u>(151,923)</u>	<u>\$ (151,923)</u>
NET ASSETS - End of Year (GAAP basis)		<u>\$ (151,923)</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

WASTEWATER CAPITAL OECD IMPROVEMENT FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 0	\$ 0	\$ 0
EXPENDITURES			
Capital outlay	<u>500,000</u>	<u>54,885</u>	<u>445,115</u>
Excess (def) of revenues over expenditures	(500,000)	(54,885)	445,115
OTHER FINANCING SOURCES (USES)			
Loan proceeds	<u>500,000</u>	<u>54,885</u>	<u>(445,115)</u>
Excess (def) of revenues over expenditures	0	0	0
NET ASSETS			
Beginning of year (Budget/GAAP basis)	<u>0</u>	<u>0</u>	<u>0</u>
End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2011

WASTEWATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Wastewater Utility Fund	\$ 1,399,675	\$ 1,327,004	\$ 72,671
Wastewater Capital Debt Fund	0	0	0
Wastewater DEQ Debt Fund	468,346	0	468,346
Wastewater OECDD Debt Fund	435,292	335,312	99,980
Wastewater System Development Fund	209	0	209
Wastewater Capital Improvement Fund	20,506	211,225	(190,719)
Wastewater Capital DEQ Improvement Fund	923,502	596,509	326,993
Wastewater Capital OECDD Improvements Fund	<u>54,885</u>	<u>54,885</u>	<u>0</u>
 Total budgetary basis	 <u>\$ 3,302,415</u>	 <u>\$ 2,524,935</u>	 777,480
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capitalized assets			651,394
Depreciation			(701,348)
Issuance of debt			(977,961)
Accrued interest			<u>(243,516)</u>
 Change in net assets			 (493,951)
 NET ASSETS - Beginning of year			 <u>7,159,049</u>
 NET ASSETS - End of year			 <u>\$ 6,665,097</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

STORMWATER UTILITY FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	\$ 73,200	\$ 73,700	\$ 500
Interest earnings	900	520	(380)
Other revenue	<u>500</u>	<u>48,088</u>	<u>47,588</u>
 Total revenues	 <u>74,600</u>	 <u>122,309</u>	 <u>47,709</u>
EXPENDITURES			
Personal services	33,765	32,215	1,550
Materials & services	43,870	38,689	5,181
Capital outlay	58,755	634	58,121
Contingency	<u>1,360</u>	<u>0</u>	<u>1,360</u>
 Total expenditures	 <u>137,750</u>	 <u>71,539</u>	 <u>66,211</u>
 Excess (def) of revenues over expenditures	 <u>(63,150)</u>	 <u>50,770</u>	 <u>113,920</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	5,000	0
Transfers out	<u>(1,850)</u>	<u>(1,850)</u>	<u>0</u>
 Total other financing sources (uses)	 <u>3,150</u>	 <u>3,150</u>	 <u>0</u>
 Excess (def) of revenues over expenditures	 <u>(60,000)</u>	 <u>53,920</u>	 <u>113,920</u>
NET ASSETS - Beginning of year (Budget basis)	<u>60,000</u>	<u>59,055</u>	<u>(945)</u>
NET ASSETS - End of year (Budget basis)	<u>\$ 0</u>	112,975	<u>\$ 112,975</u>
GAAP ADJUSTMENT			
Capital assets, net		<u>233,825</u>	
NET ASSETS - End of Year (GAAP basis)		<u>\$ 346,800</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

STORMWATER SYSTEM DEVELOPMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	\$ 2,000	\$ 0	\$ (2,000)
Interest earnings	<u>15</u>	<u>8</u>	<u>(7)</u>
 Total revenues	 <u>2,015</u>	 <u>8</u>	 <u>(2,007)</u>
EXPENDITURES			
Materials & services	100	0	100
Capital outlay	<u>6,915</u>	<u>0</u>	<u>6,915</u>
 Total expenditures	 <u>7,015</u>	 <u>0</u>	 <u>7,015</u>
 Excess (def) of revenues over expenditures	 (5,000)	 8	 5,008
NET ASSETS			
Beginning of year (Budget/GAAP basis)	<u>5,000</u>	<u>5,108</u>	<u>108</u>
 End of year (Budget/GAAP basis)	 <u>\$ 0</u>	 <u>\$ 5,116</u>	 <u>\$ 5,116</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, 2011

STORMWATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Stormwater Utility Fund	\$ 127,309	\$ 73,389	\$ 53,920
Stormwater System Development Fund	<u>8</u>	<u>0</u>	<u>8</u>
 Total budgetary basis	 <u>\$ 127,318</u>	 <u>\$ 73,389</u>	 53,928
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Depreciation			<u>(10,376)</u>
 Change in net assets			43,552
 NET ASSETS - Beginning of year			<u>308,364</u>
 NET ASSETS - End of year			<u>\$ 351,916</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

DUNES NRA LEASE FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	\$ 93,850	\$ 93,850	\$ 93,613	\$ (237)
Interest earnings	50	50	135	85
Other revenue	<u>50</u>	<u>50</u>	<u>227</u>	<u>177</u>
 Total revenues	 <u>93,950</u>	 <u>93,950</u>	 <u>93,976</u>	 <u>26</u>
EXPENDITURES				
Personal services	27,840	27,840	25,697	2,143
Materials & services	15,850	15,850	11,975	3,875
Capital outlay	<u>46,570</u>	<u>68,270</u>	<u>27,717</u>	<u>40,553</u>
 Total expenditures	 <u>90,260</u>	 <u>111,960</u>	 <u>65,390</u>	 <u>46,570</u>
 Excess (def) of revenues over expenditures	 3,690	 (18,010)	 28,586	 46,596
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(4,690)</u>	<u>(4,690)</u>	<u>(4,690)</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 (1,000)	 (22,700)	 23,896	 46,596
 NET ASSETS - Beginning of year (Budget basis)	 <u>1,000</u>	 <u>22,700</u>	 <u>23,219</u>	 <u>519</u>
 NET ASSETS - End of year (Budget basis)	 <u>\$ 0</u>	 <u>\$ 0</u>	 47,115	 <u>\$ 47,115</u>
 GAAP ADJUSTMENT				
Capital assets, net			<u>418,762</u>	
 NET ASSETS - End of year (GAAP basis)			 <u>\$ 465,877</u>	

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**CITY OF REEDSPORT
OREGON**

OTHER FINANCIAL SCHEDULES

CITY OF REEDSPORT, OREGON

**SCHEDULE OF PROPERTY TRANSACTIONS
for the Year Ended June 30, 2011**

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>
2010-11	\$ 0	\$ 1,365,248	\$ (51,268)	\$ 1,231,194	\$ 82,786
2009-10	80,063	0	(3,057)	32,082	44,924
2008-09	38,190	0	(893)	11,906	25,391
2007-08	18,359	0	(330)	9,814	8,215
2006-07	6,287	0	(130)	4,714	1,443
2005-06	1,027	0	(59)	216	752
2004-05	569	0	(32)	147	390
2003-04	476	0	(4)	77	395
Prior Years	1,123	0	(2)	74	1,047
Totals	\$ 146,094	\$ 1,365,248	\$ (55,775)	\$ 1,290,224	\$ 165,343

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>
2010-11	\$ 0	\$ 75,746	\$ (2,844)	\$ 68,309	\$ 4,593
2009-10	4,882	0	(187)	1,956	2,739
2008-09	284	0	(6)	89	189
	\$ 5,166	\$ 75,746	\$ (3,037)	\$ 70,354	\$ 7,521

CITY OF REEDSPORT, OREGON

FUTURE MATURITIES OF LONG-TERM DEBT
as of June 30, 2011

GOVERNMENTAL TYPE
Loans Payable

Note Payable - Land Purchase

Fiscal Year Ending	Principal	Interest	Total
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	13,365	4,872	18,237
2017-19	41,149	5,744	46,893
Total	<u>\$ 96,450</u>	<u>\$ 41,626</u>	<u>\$ 138,076</u>

OECD Loan - 1992

Fiscal Year Ending	Principal	Interest	Total
2012	<u>\$ 14,923</u>	<u>\$ 943</u>	<u>\$ 15,866</u>

BUSINESS TYPE
Bonds Payable

Water Revenue Refunding Bonds

Fiscal Year Ending	Principal	Interest	Total
2012	110,000	17,466	127,466
2013	115,000	12,674	127,674
2014	115,000	7,775	122,775
2015	125,000	2,662	127,662
Total	<u>\$ 465,000</u>	<u>\$ 40,577</u>	<u>\$ 505,577</u>

CITY OF REEDSPORT, OREGON
FUTURE MATURITIES OF LONG-TERM DEBT
as of June 30, 2011

BUSINESS TYPE
Loans Payable

OECD Water SPWF - 4.17%

Fiscal Year Ending	Principal	Interest	Total
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	17,774	7,428	25,202
2017-21	90,691	26,019	116,710
2022-24	61,180	5,892	67,072
Total	<u>\$ 219,758</u>	<u>\$ 73,853</u>	<u>\$ 293,611</u>

DEQ Revolving Loan

Fiscal Year Ending	Principal	Interest	Total
2012	457,973	1,292,051	1,750,024
2013	472,094	407,312	879,406
2014	486,651	390,395	877,046
2015	501,656	372,956	874,612
2016	517,124	355,160	872,284
2017-21	2,834,860	1,485,245	4,320,105
2022-26	3,299,709	945,017	4,244,726
2027-31	3,429,933	316,207	3,746,140
Total	<u>\$ 12,000,000</u>	<u>\$ 5,564,343</u>	<u>\$ 17,564,343</u>

OECD SPWF - 4.66%

Fiscal Year Ending	Principal	Interest	Total
2012	60,825	104,850	165,675
2013	63,659	102,016	165,675
2014	66,626	99,049	165,675
2015	69,730	95,944	165,674
2016	72,980	92,695	165,675
2017-21	419,195	409,179	828,374
2022-26	526,405	301,970	828,375
2027-31	661,033	167,340	828,373
2032	309,547	21,801	331,348
Total	<u>\$ 2,250,000</u>	<u>\$ 1,394,844</u>	<u>\$ 3,644,844</u>

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**CITY OF REEDSPORT
OREGON**

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES

Certified Public Accountants

November 7, 2011

Independent Auditor's Report Required by Oregon State Regulations

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Fax (541) 994-2105

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, 2011, and have issued my report thereon dated November 7, 2011. 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.

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:

OTHER COMMENTS

Accountability for Independently Elected Officials

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

Members:
AICPA, OSCP & OAIA

Insurance and Fidelity Bonds

I have examined the City's insurance and fidelity bond coverage at June 30, 2011. 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.

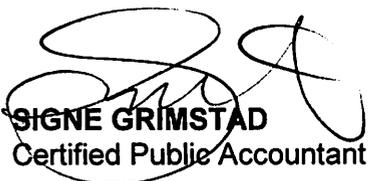
OAR 162-10-0230 Internal Control

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 opinions 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.

This report is intended solely for the information and use of management, the audit committee, Board of Commissioners, and State of Oregon, Division 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
Certified Public Accountant

CITY OF REEDSPORT, OREGON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Year Ended June 30, 2011**

<u>Federal Grant/Pass through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency			
Pass-through program from:			
Oregon Dept. of Environmental Quality Capitalization Grants for Drinking Water State Revolving Fund - Project 76210	* 66.458	R76210	\$ 915,724
Dept. of Homeland Security			
Pass-through program from:			
Oregon Military Dept. Office of Emergency Management State Homeland Security Grants	97.073	10-316 10-317	13,552 <u>6,540</u>
Total Dept. of Homeland Security			<u>20,092</u>
US Dept. of Justice			
Pass-through program from:			
Oregon Dept. of Justice Cops Methamphetamine Initiative Grant Overtime Worked by Law Enforcement Office	16.710	N/A	<u>1,542</u>
Total Expenditures of Federal Awards			<u>\$ 937,358</u>

* Major Program

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Year Ended June 30, 2011**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Reedsport under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Reedsport, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Reedsport.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Pass-through entity identifying numbers are presented where available.

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GRIMSTAD & ASSOCIATES

Certified Public Accountants

November 7, 2011

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

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

I have audited the 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, 2011, which collectively comprise the City of Reedsport's basic financial statements and have issued my report thereon dated November 7, 2011. 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 over financial reporting 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.

Members:
AICPA, OSCP & OAIA

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
Certified Public Accountant

GRIMSTAD & ASSOCIATES

Certified Public Accountants

November 7, 2011

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Lincoln City, OR 97367
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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

I have audited City of Reedsport's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Reedsport's major federal program for the year ended June 30, 2011. City of Reedsport's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Reedsport's management. My responsibility is to express an opinion on City of Reedsport's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Reedsport's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of City of Reedsport's compliance with those requirements.

In my opinion, City of Reedsport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Members:
AICPA, OSCP & OAIA

Internal Control Over Compliance

Management of City of Reedsport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered City of Reedsport's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Reedsport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

City of Reedsport responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit City of Reedsport's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use by management, the audit committee, the City Council and federal award agencies and is not intended to be and should not be used by anyone other than these specified parties.



SIGNE GRIMSTAD
Certified Public Accountant

CITY OF REEDSPORT, OREGON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS/CITY
RESPONSE for the Year Ended June 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Reedsport.
2. There are no significant deficiencies disclosed during the audit.
3. No instances of noncompliance material to the financial statements of City of Reedsport, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.
4. No significant deficiencies relating to the audit of internal control over the major federal award program is reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal award program for the City of Reedsport expresses an unqualified opinion on its major federal program.
6. No audit findings relative to the major federal award program for City of Reedsport is reported under section 510(a) of OMB Circular A-133.
7. Programs tested as a major program: Capitalization Grants for Clean Water State Revolving Funds CFDA 66.458.
8. The threshold used for distinguishing between Type A and B programs is \$300,000.
9. City of Reedsport did not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS for the Year Ended June 30, 2011

Findings - Financial Statements

None

Findings - Major Federal Program

None

CITY OF REEDSPORT, OREGON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS/CITY
RESPONSE for the Year Ended June 30, 2011**

FINDINGS AND QUESTIONED COSTS for the Year Ended June 30, 2009

MAJOR FEDERAL AWARD PROGRAM AUDIT

Environmental Protection Agency

**2009-03 Capitalization Grants for Drinking Water State Revolving Fund -
CFDA 66.458 - Project 76210**

Condition: Loan requires a separate reserve bank account be established.

Recommendation: It was recommended that a separate reserve account be established and the required reserve amount be transferred to the account.

Current Status: The reserve requirement takes effect when the first payment is due on December 1, 2011. The City will establish a separate reserve account prior to that date.