CITY OF REEDSPORT
OREGON

AUDIT REPORT

as of

JUNE 30, 2012

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	Megan Jacquot

REGISTERED AGENT

None

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November 13, 2012

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, 2012, 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, 2012, 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 13, 2012, 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.

Members:
AICPA, OSCPA & OAIA

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. This supplemental information is the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. This supplemental 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, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $20 million *(net assets);* of this amount, $4.4 million *(unrestricted net assets)* may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net assets increased by $617 thousand. The net asset increase is mostly attributable to a decrease 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 $1.7 million, an increase of $221 thousand in comparison with the prior year. Approximately $1.5 million of this total is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the unreserved fund balance of the General Fund was $725 thousand, or 37 percent of total general fund expenditures.
- The City's total debt decreased by $681 thousand (5 %) during the current fiscal year. The major portion of the decrease is due to yearly debt repayment of utility debts.

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 $20 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (71%) 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 Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	2,158	1,968	4,138	5,055	6,296	7,023
Capital assets	3,697	3,698	25,007	25,474	28,664	29,171
Total assets	5,855	5,666	29,145	30,529	34,960	36,194
Long-term liabilities outstanding	52	139	13,702	14,311	13,753	14,450
Other liabilities	273	328	890	1,951	1,164	2,279
Total liabilities	325	467	14,592	16,262	14,917	16,729
Net assets						
Invested in capital assets, net of related debt	3,697	3,585	10,643	10,539	14,340	14,125
Restricted	298	807	1,012	1,806	1,310	2,613
Unrestricted	1,535	805	2,897	1,923	4,432	2,728
	5,530	5,198	14,552	14,267	20,082	19,466

An additional portion of the City's net assets (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* %($4,432) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased by $617 thousand during the fiscal year. This increase in assets represents a decrease in debt obligation due to wastewater treatment plant and collection system principal debt repayment which began in November 2011 as well as retirement of the Riverfront Special Public Works debt. This net asset increase also represents the increase of ongoing revenue to meet or 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 Activities

Governmental activities increased the City's net assets by $332 thousand.

Governmental Business. Change in net assets is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	393	437	2,727	2,427	3,120	2,864
Operating grants /contributions	33	67	11	11	44	78
Capital grants and contributions	91	151	19	8	110	159
General revenues:						
Property taxes	1,413	1,402			1,413	1,402
Other taxes	709	699			709	699
Other Revenue	107	77			107	77
Investment income	9	8	28	27	37	35
Total revenues	2,755	2,841	2,785	2,473	5,540	5,314
Expenses:						
General government	738	751			673	752
Public safety	1,378	1,415			1,378	1,415
Highways and streets	157	229			157	223
Culture and recreation	300	452			300	452
Water			765	770	765	770
Wastewater			1,769	1,825	1,769	1,825
Stormwater			84	82	84	82
Dunes NRA Lease			56	56	56	56
Long Term Debt			58	0	58	0
Total expenses	2,573	2,842	2,732	2,733	5,305	5,575
Change in net assets prior to	182	(1)	53	(260)	294	(261)
Grants/Contributions	0	0	0	0	0	0
Transfers	149	125	(149)	(125)	0	0
Change in net assets	332	124	(37)	(385)	294	(261)
Beginning net assets	5,198	5,074	14,267	14,652	19,465	19,726
Prior period adjustment	0	0	323	0	323	0
Ending net assets	5,530	5,198	14,552	14,267	20,082	19,465

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 $1,697 thousand, an increase of $221 thousand in comparison with the prior year. Approximately $726 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 $726 thousand, all of which is unreserved.

The fund balance of the City's general fund increased by $56 thousand during the current fiscal year, with the key factor for this increase was reduced expenditures, delaying the purchase of items until the following year due to decreases in revenue. The compression on the property tax revenue was greater than had been budgeted.

General Fund Budgetary Highlights

Differences between the original budget and final budget were relatively minor and are attributable to grant opportunities and a reimbursable training program. 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 of June 30, 2012 amounts to $28,704 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 replacement of the Bowman & Longwood water pump station, debt retirement of land adjacent to city shop, completion of the City's wastewater treatment plant upgrade, library renovation project, 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	
	2012	2011	2012	2011	2012	2011
Land	$ 613	$ 613	$ 157	$ 48	$ 770	$ 661
Construction in progress	148	-	-	-	148	-
Buildings	604	639	414	430	1,018	1,069
Machinery and equipment	1,561	1,633	94	111	1,655	1,744
Infrastructure / Systems	771	813	24,342	25,207	25,113	26,020
	$ 3,697	$ 3,698	$ 25,007	$ 25,796	$ 28,704	$ 29,494

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 Activity		BusinessType Activity		Total	
	2012	# 2011	2012	2011	2012	2011
Loans payable	$ -	$ 111	$ 14,009	$ 14,470	$ 14,009	$ 14,581
Capital leases	-	-	-	-	-	-
Compensated absences	124	125	42	41	166	166
Revenue bonds	-	-	355	465	355	465
	$ 124	$ 236	$ 14,406	$ 14,976	$ 14,530	$ 15,212

Economic Factors and Next Year's Budgets and Rates.

The City of Reedsport has been under property tax compression since 1997 as a result of Measure 50 and Measure 5 with compression reaching an all time high of $63,000 in fiscal year 2011/2012. With the economic downturn in the state, compression increases as real property assessed values move closer to real market values. Assessed value is allowed to increase a maximum of 3% per year but when compression is present, the increase does not keep pace with the increases in personnel costs, and material and services costs. Several staffing positions continue to remain unfilled to offset the loss of property tax revenue.

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 in the near future.

The Storm water Utility monthly service rates are anticipated to remain the same as the previous year. The City continues striving toward obtaining a 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.

On May 15, 2012, the electors of Reedsport passed Ballot Measure Initiative 10-119 which amended the Reedsport City Charter requiring voter approval of tax or fee increased adopted after August 1, 2010. The City Council sought legal assistance to interpret what impact the Measure would have on the City's current contract debt obligations to DEQ and ECDD. On November 2, 2012, a Circuit Court judgment was issued enforcing the City's ability to increase fees to meet said debt obligations notwithstanding Measure 10-119.

As a result of Ballot Measure Initiative 10-119, the administrative fees increases designed to cover special services to individuals have been terminated.

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, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & cash equivalents	$ 1,836,593	$ 3,818,621	$ 5,655,214
Receivables			
Taxes	179,142	0	179,142
Accounts	62,851	273,447	336,298
Intergovernmental	30,238	1,224	31,462
Notes	20,862	0	20,862
Inventories	28,236	44,776	73,012
Total current assets	2,157,922	4,138,068	6,295,990
Capital assets			
Capital assets not being depreciated	761,054	157,182	918,236
Depreciable capital assets	6,734,191	30,792,640	37,526,831
Accumulated depreciation	(3,797,788)	(5,942,991)	(9,740,779)
Net capital assets	3,697,457	25,006,831	28,704,288
Total assets	5,855,379	29,144,899	35,000,278
LIABILITIES			
Accounts payable	85,813	12,110	97,923
Payroll & related accruals	114,699	0	114,699
Accrued interest payable	0	99,047	99,047
Deferred revenue	0	26,738	26,738
Deposits payable	0	47,896	47,896
Compensated absences - current	72,852	24,981	97,833
Notes payable - current	0	564,692	564,692
Bonds payable - current	0	115,000	115,000
Total current liabilities	273,364	890,464	1,163,828
Noncurrent liabilities			
Notes payable - net of current	0	13,444,034	13,444,034
Bonds payable - net of current	0	240,000	240,000
Compensated absences - net of current	51,681	17,722	69,403
Total noncurrent liabilities	51,681	13,701,756	13,753,437
Total liabilities	325,045	14,592,220	14,917,265
Net assets			
Invested in capital assets, net of related debt	3,697,457	10,643,105	14,340,562
Restricted - capital projects	297,538	207,383	504,921
Restricted - debt service	0	805,176	805,176
Unrestricted	1,535,339	2,897,018	4,432,357
Total net assets	$ 5,530,334	$ 14,552,682	$ 20,083,016

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

CITY OF REEDSPORT, OREGON

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS for the Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities							
General government	$ 738,334	$ 120,346	$ 33,457	$ 19,370	$ (565,161)	$ 0	$ (565,161)
Public safety	1,377,946	171,959	0	0	(1,205,987)	0	(1,205,987)
Highways & streets	157,205	0	0	0	(157,205)	0	(157,205)
Culture & recreation	299,945	100,564	0	72,000	(127,381)	0	(127,381)
Total governmental activities	2,573,430	392,869	33,457	91,370	(2,055,734)	0	(2,055,734)
Business-type activities							
Water	765,109	834,242	10,850	8,660	0	88,643	88,643
Wastewater	1,768,890	1,722,393	0	4,000	0	(42,497)	(42,497)
Stormwater	83,756	75,492	0	7,145	0	(1,119)	(1,119)
Dunes NRA Lease	56,213	94,796	0	0	0	38,583	38,583
Total business-type activities	2,673,968	2,726,923	10,850	19,805	0	83,610	83,610
Total government	$ 5,247,398	$ 3,119,792	$ 44,307	$ 111,175	(2,055,734)	83,610	(1,972,124)
		General revenues					
		Property taxes			1,413,388	0	1,413,388
		Other taxes			709,245	0	709,245
		Other revenue			107,115	0	107,115
		Investment income			8,789	28,184	36,973
		Transfers			149,240	(149,240)	0
		Total gen. revenues & transfers			2,387,777	(121,055)	2,266,722
		Change in net assets			332,043	(37,445)	294,598
		Net assets - beginning of year			5,198,291	14,590,127	19,788,418
		Net assets - end of year			$ 5,530,334	$ 14,552,682	$ 20,083,016

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, 2012

	General Fund	Street Fund	Urban Renewal Agency	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	$ 900,647	$ 111,389	$ 185,287	$ 639,270	$ 1,836,593
Receivables					
Taxes	169,889	0	9,253	0	179,142
Accounts	59,227	3,624	0	0	62,851
Intergovernmental	27,882	0	0	2,356	30,238
Notes	0	0	0	20,862	20,862
Due from other funds	0	0	0	19,148	19,148
Inventories	0	0	0	28,236	28,236
Total assets	$ 1,157,645	$ 115,013	$ 194,540	$ 709,872	$ 2,177,070
LIABILITIES & FUND BALANCES					
Liabilities					
Accounts Payable	$ 74,194	$ 854	$ 440	$ 10,325	$ 85,813
Payroll & related accruals	180,122	2,363	0	5,600	188,085
Due to other funds	19,148	0	0	0	19,148
Unearned revenue	158,442	0	8,358	20,862	187,662
Total liabilities	431,906	3,217	8,798	36,787	480,708
Fund Balances					
Reserved - Capital projects	0	0	0	492,238	492,238
Unreserved					
General fund	725,739	0	0	0	725,739
Special revenue	0	111,796	185,742	181,381	478,919
Total fund balances	725,739	111,796	185,742	673,619	1,696,896
Total liabilities & fund balance	$ 1,157,645	$ 115,013	$ 194,540	$ 710,406	$ 2,177,604

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

GOVERNMENTAL FUND BALANCES	$ 1,696,896
GOVERNMENTAL FUNDS	
Capital assets, net of accumulated depreciation	3,697,458
Compensated absences	(51,682)
Deferred revenue	187,662
NET ASSETS	$ 5,530,334

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, 2012

	General Fund	Street Fund	Urban Renewal Agency	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 1,332,198	$ 0	$ 81,190	$ 0	$ 1,413,388
Franchise taxes	165,906	0	0	0	165,906
Fuel taxes	0	276,662	0	0	276,662
Alcohol taxes	52,939	0	0	0	52,939
Lodging taxes	144,837	0	0	25,002	169,839
Other taxes	43,899	0	0	0	43,899
Licenses & permits	58,199	0	0	0	58,199
Intergovernmental revenues	46,710	0	0	0	46,710
Charges for services	62,147	0	0	100,564	162,711
Fines & penalties	171,959	0	0	0	171,959
Investment earnings	4,821	433	854	2,681	8,789
Other revenue	47,447	3,029	0	9,929	60,405
Grants & contracts	33,457	0	2,250	89,120	124,827
Total revenues	2,164,519	280,124	84,294	227,296	2,756,233
EXPENDITURES					
Current					
General government	772,779	0	24,914	797	798,490
Public safety	1,349,507	0	0	0	1,349,507
Highways & streets	0	168,086	0	22,800	190,886
Culture & recreation	45,978	0	0	276,546	322,524
Capital outlay	0	6,678	0	0	6,678
Debt service	15,866	0	0	0	15,866
Total expenditures	2,184,130	174,764	24,914	300,143	2,683,951
Excess (def) of revenues over expenditures	(19,611)	105,360	59,380	(72,847)	72,282
OTHER FINANCING SOURCES (USES)					
Transfers in/out	76,323	(63,435)	0	136,352	149,240
Excess (def) of revenues over expenditures	56,712	41,925	59,380	63,505	221,522
FUND BALANCES - Beg. of year	669,027	69,871	126,362	610,114	1,475,374
FUND BALANCES - End of year	$ 725,739	$ 111,796	$ 185,742	$ 673,619	$ 1,696,896

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

EXCESS OF REVENUES OVER EXPENDITURES	$ 221,522
GOVERNMENTAL FUNDS	
Capitalized assets	231,793
Disposal of capital assets	(4,254)
Repayment of long-term debt	111,373
Change in deferred revenue	(944)
Compensated absences	235
Depreciation	(227,682)
Changes in net assets	$ 332,043

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, 2012

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ 1,325,000	$ 1,325,000	$ 1,332,198	$ 7,198
Franchise taxes	164,800	164,800	165,906	1,106
Alcohol taxes	40,000	40,000	52,939	12,939
Lodging taxes	150,000	151,500	144,837	(6,663)
Other taxes	44,620	44,620	43,899	(721)
Licenses and permits	78,590	78,590	58,199	(20,391)
Intergovernmental revenues	34,000	44,000	46,710	2,710
Charges for services	63,190	63,190	62,147	(1,043)
Fines and penalties	190,000	190,000	171,959	(18,041)
Investment earnings	3,300	3,300	4,821	1,521
Other revenue	31,100	31,800	47,447	15,647
Grants and contracts	40,300	51,300	33,457	(17,843)
Total revenues	2,164,900	2,188,100	2,164,520	(23,580)
EXPENDITURES				
City council	12,235	12,235	10,755	1,480
City manager	156,075	156,600	145,862	10,738
Finance	124,505	124,870	122,992	1,878
Legal services	38,295	38,295	35,455	2,840
Municipal court	104,070	104,145	99,146	4,999
Community development	35,245	35,265	32,456	2,809
City recorder	32,320	32,415	30,851	1,564
Community building	13,250	13,250	13,210	40
Nondepartmental	335,830	335,830	273,805	62,025
Police	1,206,430	1,238,380	1,099,522	138,858
Municipal jail	10,750	10,750	4,087	6,663
Fire	106,385	108,385	82,744	25,641
Building inspection	55,050	55,085	37,423	17,662
Animal control	20,800	20,800	7,664	13,136
Public service	123,435	133,840	126,757	7,083
Library	11,820	11,820	11,535	285
Senior center	15,270	15,270	14,217	1,053
Dial-A-Ride	18,385	20,615	20,226	389
Debt service	15,875	15,875	15,866	9
Contingency	147,105	122,605	0	122,605
Total expenditures	2,583,130	2,606,330	2,184,573	421,757
Excess (def) of revenues over expenditures	(418,230)	(418,230)	(20,053)	398,177
OTHER FINANCING SOURCES (USES)				
Transfers in	139,990	139,990	138,083	(1,907)
Transfers out	(61,760)	(61,760)	(61,760)	0
Total other financing sources (uses)	78,230	78,230	76,323	(1,907)
Excess (def) of revenues over expenditures	(340,000)	(340,000)	56,269	396,269
Unappropriated ending fund balance	(310,000)	(310,000)	0	310,000
GAAP ADJUSTMENT				
Compensated absences	0	0	443	443
FUND BALANCE - Beginning of year	650,000	650,000	669,027	19,027
FUND BALANCE - End of year	$ 0	$ 0	$ 725,739	$ 725,739

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, 2012

STREET FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Fuel taxes	$ 230,000	$ 230,000	$ 276,662	$ 46,662
Investment earnings	500	500	433	(67)
Other revenue	300	300	3,029	2,729
Total revenues	230,800	230,800	280,124	49,325
EXPENDITURES				
Personal services	59,245	59,645	60,268	(623)
Materials & services	116,000	116,000	101,593	14,407
Capital outlay	20,000	20,000	6,678	13,322
Debt service	6,120	6,120	6,120	0
Contingency	6,000	5,600	0	5,600
Total expenditures	207,365	207,365	174,659	32,706
Excess (def) of revenues over expenditures	23,435	23,435	105,465	82,030
OTHER FINANCING SOURCES (USES)				
Transfers out	(63,435)	(63,435)	(63,435)	0
Total other financing sources (uses)	(63,435)	(63,435)	(63,435)	0
Excess (def) of revenues over expenditures	(40,000)	(40,000)	42,030	82,030
GAAP ADJUSTMENT				
Compensated absences	0	0	(103)	(103)
FUND BALANCE - Beginning of year	40,000	40,000	69,871	29,871
FUND BALANCE - End of year	$ 0	$ 0	$ 111,796	$ 111,796

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, 2012

REEDSPORT URBAN RENEWAL AGENCY

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ 71,000	$ 71,000	$ 81,190	$ 10,190
Grants	2,250	2,250	2,250	0
Investment earnings	500	500	854	354
Total revenue	73,750	73,750	84,294	10,544
EXPENDITURES				
Materials and services	13,400	8,800	2,086	6,714
Capital outlay	120,350	124,950	15,199	109,751
Debt service	60,000	60,000	7,629	52,371
Total expenditures	193,750	193,750	24,914	168,836
Excess (def) of revenues over expenditures	(120,000)	(120,000)	59,380	179,380
FUND BALANCE - Beginning of year	120,000	120,000	126,362	6,362
FUND BALANCE - End of year	$ 0	$ 0	$ 185,742	$ 185,742

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, 2012

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
ASSETS					
Current Assets					
Cash & cash equivalents	$ 1,711,025	$ 1,916,167	$ 114,524	$ 76,905	$ 3,818,621
Receivables					
Accounts	81,797	184,052	7,598	0	273,447
Intergovernmental	0	0	1,224	0	1,224
Inventories	35,690	9,086	0	0	44,776
Total current assets	1,828,512	2,109,305	123,346	76,905	4,138,068
Capital assets					
Capital assets not being depreciated	92,182	0	65,000	0	157,182
Depreciable capital assets	8,989,250	20,736,316	433,152	633,922	30,792,640
Accumulated depreciation	(3,425,904)	(2,075,096)	(209,704)	(232,287)	(5,942,991)
Net capital assets	5,655,528	18,661,220	288,448	401,635	25,006,831
Total assets	7,484,040	20,770,525	411,794	478,540	29,144,899
LIABILITIES					
Current Liabilities					
Accounts payable	8,378	3,267	181	284	12,110
Accrued interest payable	8,940	90,107	0	0	99,047
Deferred revenue	26,738	0	0	0	26,738
Deposits payable	12,295	34,318	1,283	0	47,896
Compensated absences - current	13,852	8,652	1,210	1,267	24,981
Notes payable - current	12,480	547,181	5,031	0	564,692
Bonds payable - current	115,000	0	0	0	115,000
Total current liabilities	197,683	683,525	7,705	1,551	890,464
Noncurrent liabilities					
Notes payable	194,883	13,195,449	53,702	0	13,444,034
Bonds payable	240,000	0	0	0	240,000
Compensated absences	9,827	6,138	858	899	17,722
Total noncurrent liabilities	444,710	13,201,587	54,560	899	13,701,756
Total liabilities	642,393	13,885,112	62,265	2,450	14,592,220
Net assets					
Invested in capital assets, net of related debt	5,093,165	4,918,590	229,715	401,635	10,643,105
Restricted - capital projects	69,833	131,576	5,974	0	207,383
Restricted - debt service	80,170	725,006	0	0	805,176
Unrestricted	1,598,479	1,110,241	113,840	74,455	2,897,018
Total net assets	$ 6,841,648	$ 6,885,413	$ 349,528	$ 476,090	$ 14,552,682

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, 2012

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
OPERATING REVENUES					
Charges for services	$ 823,810	$ 1,716,649	$ 75,211	$ 94,345	$ 2,710,015
Miscellaneous	10,432	5,744	281	451	16,908
Total operating revenues	834,242	1,722,393	75,492	94,796	2,726,923
OPERATING EXPENSES					
Personal services	296,131	269,985	27,201	28,055	621,372
Materials and services	227,423	275,864	37,105	11,031	551,423
Capital outlay	16,965	18,091	9,073	0	44,129
Debt service	6,120	6,120	0	0	12,240
Depreciation	193,114	732,495	10,377	17,127	953,113
Total operating expenses	739,753	1,302,555	83,756	56,213	2,182,278
Operating income (loss)	94,489	419,838	(8,264)	38,583	544,645
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	13,323	13,962	580	320	28,185
Grants	10,850	0	0	0	10,850
Interest expense	(25,356)	(466,335)	0	0	(491,691)
Total nonoperating revenues (exp)	(1,183)	(452,373)	580	320	(452,656)
Income (loss) before transfers & capital contributions	93,306	(32,535)	(7,684)	38,903	91,992
OTHER FINANCING SOURCES (USES)					
Capital contributions	8,660	4,000	7,145	0	19,805
Transfers in	230,400	1,039,500	0	0	1,269,900
Transfers out	(275,300)	(1,113,300)	(1,850)	(28,690)	(1,419,140)
Total other financing sources (uses)	(36,240)	(69,800)	5,295	(28,690)	(129,435)
Change in net assets	57,066	(102,335)	(2,389)	10,213	(37,443)
NET ASSETS - Beginning of year					
As previously reported	6,784,582	6,665,097	351,917	465,877	14,267,476
Prior period adjustment	0	322,651	0	0	322,654
Restated	6,784,582	6,987,748	351,917	465,877	14,590,127
NET ASSETS - End of year	$ 6,841,648	$ 6,885,413	$ 349,528	$ 476,090	$ 14,552,682

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, 2012

	Water Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers & users	$ 830,048	$ 1,715,303	$ 74,980	$ 94,796	$ 2,715,127
Cash payments to suppliers	(253,041)	(516,517)	(47,371)	(10,968)	(827,897)
Cash payments to employees	(294,556)	(269,940)	(27,663)	(27,374)	(619,533)
Net cash provided (used) by operating activities	282,451	928,846	(54)	56,454	1,267,697
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grant	10,850	0	0	0	10,850
Transfers from other funds	230,400	1,039,500	0	0	1,269,900
Transfers to other funds	(275,300)	(1,113,300)	(1,850)	(28,690)	(1,419,140)
Net cash provided (used) by noncapital financing act.	(34,050)	(73,800)	(1,850)	(28,690)	(138,390)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(98,510)	0	0	0	(98,510)
Capital contributions - SDC fees	8,660	4,000	878	0	13,538
Principal paid on debt	(122,395)	(507,370)	0	0	(629,765)
Interest expense	(26,772)	(1,336,902)	0	0	(1,363,674)
Net cash provided (used) by capital and related financing activities	(239,017)	(1,840,272)	878	0	(2,078,411)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	13,323	13,962	581	319	28,185
Net increase (decrease) in cash & cash equivalents	22,707	(971,264)	(445)	28,083	(920,919)
Cash & cash equivalents - Beginning of year (including restricted cash $1,918,097)	1,688,318	2,887,431	114,969	48,822	4,739,540
Cash & cash equivalents - End of year (including restricted cash $1,069,395)	$ 1,711,025	$ 1,916,167	$ 114,524	$ 76,905	$ 3,818,621
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ 94,489	$ 419,838	$ (8,264)	$ 38,583	$ 544,645
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities					
Depreciation	193,114	732,495	10,377	17,127	953,113
(Increase) decrease in operating assets					
Accounts receivable	2,603	(17,124)	(253)	0	(14,774)
Inventories	9,667	1,192	0	0	10,859
Increase (decrease) in operating liabilities					
Accounts payable	(12,200)	(217,634)	(1,193)	63	(230,964)
Compensated absences	1,575	45	(462)	681	1,839
Deferred revenue & deposits payable	(6,797)	10,034	(259)	0	2,978
Net cash provided (used) by operating activities	$ 282,451	$ 928,846	$ (54)	$ 56,454	$ 1,267,697

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

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.

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.

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.

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.

	Years
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.

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.

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.

Overexpenditure

The City overexpended appropriations for personal services in the Street Fund by $623.

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:

	Balance
Cash, cash equivalents & investments	$4,585,819
Cash, cash equivalents & invest. - restricted	1,069,395
Total	$5,655,214

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

	Balance
Cash on hand	$ 900
Deposits with financial institutions	5,207,383
Investments - external investment pool	446,931
Total cash & investments	$5,655,214

Restricted cash represents customer deposits of $47,896, debt service of $814,116, and System Development fees of $207,383.

Deposits

At the end of the fiscal year, the City's total deposits with financial institutions have a bank value of $5,233,072.

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 $446,931 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	$ 446,931	1	100	Unrated

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

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, 2012, 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:

	Property Taxes	Accounts Receiv-able	Inter-governmental	Notes & Loans Receivable	Total
Governmental					
General Fund	$ 169,889	$ 59,227	$ 27,882	$ 0	$ 256,998
Street Fund	0	3,624	0	0	3,624
URA	9,253	0	0	0	9,253
Other Government Funds	0	0	2,356	20,862	23,218
Total Governmental	179,142	62,851	30,238	20,862	293,093
Business-Type					
Water Fund	0	81,797	0	0	81,797
Wastewater Fund	0	184,052	0	0	184,052
Stormwater Fund	0	7,598	1,224	0	8,822
Dunes NRA Lease Fund	0	0	0	0	0
Total Business-Type	0	273,447	1,224	0	274,671
Total	$ 179,142	$ 336,298	$ 31,462	$ 20,862	$ 567,764

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:

	Unavailable	Unearned
Property Taxes		
General Fund	$ 148,129	
Urban Renewal Agency	8,358	
Unforfeited Bail Deposits		
General Fund	10,313	
Notes & Loans		
General Capital Imp. Fund	20,862	
Customer Deposits		
Water Fund		$ 12,295
Wastewater Fund		34,318
Stormwater Fund		1,283
Total	$ 187,662	$ 47,896

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 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.

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:

	7-01 Balance	Additions	Deletions	6-30 Balance
Governmental Activities				
Capital assets, not depreciated				
Land	$ 613,070	$ 0	$ 0	$ 613,070
Construction in progress	0	147,984	0	147,984
Total capital assets not being depreciated	613,070	147,984	0	761,054
Capital assets, being depreciated				
Building	2,279,675	0	0	2,279,675
Machinery & equipment	2,970,980	83,809	(18,379)	3,036,410
Infrastructure	1,418,106	0	0	1,418,106
Total capital assets being depreciated	6,668,761	83,809	(18,379)	6,734,191
Less - accum. depreciation				
Building	(1,641,374)	(33,777)	0	(1,675,151)
Machinery & equipment	(1,337,670)	(151,773)	14,123	(1,475,320)
Infrastructure	(605,185)	(42,132)	0	(647,317)
Total accum. depreciation	(3,584,229)	(227,682)	14,123	(3,797,788)
Total capital assets, net of depreciation	3,084,532	(143,873)	(4,256)	2,936,403
Governmental activities capital assets, net	$ 3,697,602	$ 4,111	$ (4,256)	$3,697,457

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

	Restated 7/01 Balance	Additions & Transfers	Deletions & Transfers	6/30 Balance
Business-type Activities				
Assets not being depreciated				
Land	$ 47,836	$ 65,000	$ 0	$ 112,836
Construction in progress	0	44,346	0	44,346
Total assets not being depreciated	47,836	109,346	0	157,182
Assets being depreciated				
Buildings & improvements	707,468	0	0	707,468
Machinery & equipment	319,351	0	0	319,351
Systems	29,711,657	54,164	0	29,765,821
Total capital assets, being depreciated	30,738,476	54,164	0	30,792,640
Less - accum. depreciation				
Building & improvements	(276,774)	(16,952)	0	(293,726)
Machinery & equipment	(208,604)	(16,696)	0	(225,300)
Systems	(4,504,502)	(919,463)	0	(5,423,964)
Total accum. depreciation	(4,989,880)	(953,111)	0	(5,942,991)
Total capital assets, net of depreciation	25,748,596	(898,947)	0	24,849,649
Business-type activities Capital assets, net	$ 25,796,432	$ (789,601)	$ 0	$25,006,831

Beginning capital assets have been restated to include $322,651 of the waste water treatment plant. See Note 5.

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

	Balance
Governmental activities	
General government	$ 30,388
Public safety	28,439
Highways & streets	43,450
Culture & recreation	125,405
Total dep. exp. - gov. act.	$ 227,682
Business-type activities	
Water	$ 193,114
Wastewater	732,494
Stormwater	10,376
Dunes NRA lease	17,127
Total dep. exp. - bus. type act.	$ 953,111

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

D. INTERFUND TRANSFERS

	Transfers In					
	General Fund	Water Fund	Waste-water Funds	Storm-water Funds	Nonmajor Governmental Funds	Total Out
Transfer Out						
General Fund	$ 11,250	$ 0	$ 0	$ 0	$ 61,760	$ 73,010
State Gas Tax Fund	1,593	0	0	0	52,185	53,778
Nonmajor Govn't Funds	44,900	230,400	0	0	0	275,300
Water Fund	73,800	0	1,039,500	0	0	1,113,000
Wastewater Fund	0	0	211,000	0	0	211,000
Stormwater Fund	1,850	0	0	108,665	0	110,515
Dune NRA Lease Fund	4,690	0	0	0	24,000	28,690
Total transfers in	$ 138,083	$230,400	$1,250,500	$ 108,665	$ 137,945	$1,865,593

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

Due To/From Other Funds

The General Fund owes the Riverfront Fund $19,148 as of June 30, for unremitted tourism taxes.

E. LONG TERM LIABILITIES

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

	Original Amount	7/01 Balance	Additions	Reductions	6/30 Balance	Due Within One Year
Governmental Type						
Note payable	$ 115,000	$ 96,450	$ 0	$ 96,450	$ 0	$ 0
Loan payable						
OECDD	172,688	14,923	0	14,923	0	0
Compensated absences		125,099	0	566	124,533	72,852
Total governmental type		236,472	0	111,939	124,533	72,852

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business Type						
Bonds payable						
Water rev. refunding	1,005,000	465,000	0	110,000	355,000	115,000
Loans payable						
OECDD Water SPWF	304,638	219,758	0	12,395	207,363	12,480
DEQ Revolving loan	12,000,000	12,000,000	0	457,973	11,542,027	472,094
OECDD SPWF	2,250,000	2,250,000	0	49,397	2,200,603	75,087
Note payable	65,000	0	65,000	6,267	58,733	5,031
Total loans payable		14,469,758	65,000	526,032	14,008,726	564,692
Compensated absences		40,865	1,838	0	42,703	17,722
Total business type		14,975,623	66,838	636,032	14,406,429	697,414
Total long-term liabilities		$15,212,095	$ 66,838	$ 747,971	$14,530,962	$ 770,266

Compensated Absences

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

E. LONG TERM LIABILITIES

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 $355,000 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 $207,363.

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

Loans Payable - Business Type

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 $11,542,027 and it matures in 2030. The loan agreement requires the City to maintain a reserve account of $422,285 once payment begins. As of June 30 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 (OECDD) 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 $2,200,603, with the loan maturing 2032.

In March 2012, the City entered into a contract to purchase real property for $65,000. The purchase price consists of a down payment of $5,000 and a $60,000 note bearing an interest rate of 4%. The balance due on the note at June 30 was $58,733, with the note maturing in 2022.

Below is a summary of future business type debt obligations:

	Revenue Bonds		Loans Payable		Total	
Fiscal Year Ending 6-30	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 115,000	$ 12,674	$ 564,692	$ 520,451	$ 679,692	$ 533,125
2014	115,000	7,775	571,083	499,910	686,083	507,685
2015	125,000	2,663	589,504	478,675	714,504	481,338
2016	0	0	613,549	456,901	613,549	456,901
2017	0	0	633,237	433,848	633,237	433,848
2018-22	0	0	3,483,809	1,798,557	3,483,809	1,798,557
2023-27	0	0	3,995,007	1,107,290	3,995,007	1,107,290
2028-32	0	0	3,399,547	336,120	3,399,547	336,120
2033	0	0	158,298	7,377	158,298	7,377
Total	$ 355,000	$ 23,112	$14,008,726	$5,639,129	$14,363,726	$5,662,241

F. PENSION PLAN

Plan Description

All City employees hired before January 1, 2012 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.

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN

Plan Description

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.

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 rated 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.

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN

Funding Policy

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, (3)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.

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:

	2010	2011	2012
PERS Tier1/Tier 2	1.29%	1.29%	4.31%
OPSRP General Service	.19%	.19%	.57%
OPSRP Police/Fire	1.95%	1.95%	3.28%

The required contribution rates for 2012 are as follows:

PERS Tier1/Tier 2	4.31%
OPSRP General Service	.57%
OPSRP Police/Fire	3.28%

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

Fiscal Year Ending June 30	Annual Required Contribution	% Contributed	Remaining Obligation
2010	$ 94,010	100%	$ 0
2011	105,223	100%	0
2012	132,418	100%	0

NOTE 5 - PRIOR PERIOD ADJUSTMENT

During the year it was discovered that the full cost of the wastewater treatment plant completed in 2011 had not been included in capital assets. Capital assets and beginning net assets for the Wastewater Fund have been increased by $322,651 to correct this underreporting. The beginning balances of business-type capital assets (Note 4C) have also been restated.

NOTE 6 - OTHER INFORMATION

Risk Management

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

Commitments and Contingencies

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

The City has a noncancellable lease for two photo copiers that expires in May of 2013. Current year expense was $12,000. The annual requirement for June 30, 2013 is $5,000.

Evaluation of Subsequent Events

The City has evaluated subsequent events through November 13, 2012, 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, 2012

	Special Revenue Funds	Capital Projects Funds	Total
ASSETS			
Cash & cash equivalents	$ 140,846	$ 498,424	$ 639,270
Receivables			
Intergovernmental	2,356	0	2,356
Due from other funds	19,148	0	19,148
Notes	0	20,862	20,862
Inventories	28,236	0	28,236
Total assets	$ 190,586	$ 519,286	$ 709,872
LIABILITIES & FUND BALANCE			
Liabilities			
Accounts payable	$ 4,139	$ 6,186	$ 10,325
Payroll and related liabilities	5,066	0	5,066
Unearned revenue	0	20,862	20,862
Total liabilities	9,205	27,048	36,253
Fund Balance			
Committed - Capital projects	0	492,238	492,238
Committed - other	181,381	0	181,381
Total fund balances	181,381	492,238	673,619
Total liabilities & fund balance	$ 190,586	$ 519,286	$ 709,872

CITY OF REEDSPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS for the Year Ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total
REVENUES			
Taxes	$ 25,002	$ 0	$ 25,002
Charges for services	100,564	0	100,564
Investment earnings	640	2,041	2,681
Grants and contracts	0	89,120	89,120
Miscellaneous	7,615	2,314	9,929
Total revenues	133,821	93,475	227,296
EXPENDITURES			
General government	0	797	797
Highways and streets	0	22,800	22,800
Culture and recreation	152,211	124,335	276,546
Total expenditures	152,211	147,932	300,143
Excess (def) of revenues over expenditures	(18,390)	(54,457)	(72,847)
OTHER FINANCING SOURCES (USES)			
Transfers in	45,070	92,875	137,945
Transfers out	(1,593)	0	(1,593)
Total other financing sources (uses)	43,477	92,875	136,352
Excess (def) of revenues over expenditures	25,087	38,418	63,505
FUND BALANCES - Beginning of year	156,294	453,820	610,114
FUND BALANCES - End of year	$ 181,381	$ 492,238	$ 673,619

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, 2012

	Bicycle/Footpath Fund	Fire Equipment Fund	Riverfront Fund	Total
ASSETS				
Cash & cash equivalents	$ 32,882	$ 74,297	$ 33,667	$ 140,846
Receivables				
Intergovernmental	0	2,356	0	2,356
Due from other funds	0	0	19,148	19,148
Inventories	0	0	28,236	28,236
Total assets	$ 32,882	$ 76,653	$ 81,051	$ 190,586
LIABILITIES & FUND BALANCE				
Liabilities				
Accounts payable	$ 0	$ 0	$ 4,139	$ 4,139
Payroll and related liabilities	0	0	5,066	5,066
Total liabilities	0	0	9,205	9,205
Fund Balance				
Committed	32,882	76,653	71,846	181,381
Total liabilities & fund balance	$ 32,882	$ 76,653	$ 81,051	$ 190,586

CITY OF REEDSPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS for the Year Ended June 30, 2012

	Bicycle/Footpath Fund	Fire Equipment Fund	Riverfront Fund	Total
REVENUES				
Taxes	$ 2,260	$ 0	$ 22,742	$ 25,002
Charges for services	0	13,471	87,093	100,564
Investment earnings	159	285	196	640
Miscellaneous	0	7,128	487	7,615
Total revenues	2,419	20,884	110,518	133,821
EXPENDITURES				
Culture and recreation	50	8,526	143,635	152,211
Excess (def) of revenues over expenditures	2,369	12,358	(33,117)	(18,390)
OTHER FINANCING SOURCES				
Transfers in	0	15,000	30,070	45,070
Transfers out	0	(1,593)	0	(1,593)
Total other financing sources (uses)	0	13,407	30,070	43,477
Excess (def) of revenues over expenditures	2,369	25,765	(3,047)	25,087
FUND BALANCES - Beginning of year	30,513	50,888	74,893	156,294
FUND BALANCES - End of year	$ 32,882	$ 76,653	$ 71,846	$ 181,381

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

BICYCLE/FOOTPATH FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Fuel taxes	$ 1,750	$ 2,260	$ 510
Investment earnings	150	159	9
Total revenues	1,900	2,419	519
EXPENDITURES			
Materials and services	50	50	0
Capital outlay	32,250	0	32,250
Total expenditures	32,300	50	32,250
Excess (def) of revenues over expenditures	(30,400)	2,369	32,769
FUND BALANCE - Beginning of year	30,400	30,513	113
FUND BALANCE - End of year	$ 0	$ 32,882	$ 32,882

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

FIRE EQUIPMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	$ 15,400	$ 13,471	$ (1,929)
Investment earnings	200	285	85
Other revenue	0	7,128	7,128
Total revenues	15,600	20,884	5,285
EXPENDITURES			
Materials & services	5,000	0	5,000
Capital outlay	67,100	8,526	58,574
Total expenditures	72,100	8,526	63,574
Excess (def) of revenues over expenditures	(56,500)	12,358	68,858
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	15,000	0
Transfers out	(3,500)	(1,593)	1,907
Total other financing sources (uses)	11,500	13,407	1,907
Excess (def) of revenues over expenditures	(45,000)	25,765	70,765
FUND BALANCE - Beginning of year	45,000	50,888	5,888
FUND BALANCE - End of year	$ 0	$ 76,653	$ 76,653

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

RIVERFRONT FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Lodging taxes	$ 24,000	$ 24,000	$ 22,742	$ (1,258)
Charges for services	82,800	82,800	87,093	4,293
Investment earnings	250	250	196	(54)
Other revenue	200	200	487	287
Total revenues	107,250	107,250	110,518	3,269
EXPENDITURES				
Personal services	83,870	84,120	83,773	347
Materials & services	82,950	82,950	59,854	23,096
Capital outlay	1,000	1,000	0	1,000
Contingency	5,000	4,750	0	4,750
Total expenditures	172,820	172,820	143,626	29,194
Excess (def) of revenues over expenditures	(65,570)	(65,570)	(33,108)	32,462
OTHER FINANCING SOURCES (USES)				
Transfer in	30,070	30,070	30,070	0
Excess (def) of revenues over expenditures	(35,500)	(35,500)	(3,038)	32,462
GAAP ADJUSTMENT				
Compensated absences	0	0	(9)	(9)
FUND BALANCE - Beginning of year	35,500	35,500	74,893	39,393
FUND BALANCE - End of year	$ 0	$ 0	$ 71,846	$ 71,846

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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, 2012

	General Capital Improvement Fund	Street Capital Equipment Fund	Library Renovation Fund	Total
ASSETS				
Cash & cash equivalents	$ 198,488	$ 222,887	$ 77,049	$ 498,424
Notes receivable	20,862	0	0	20,862
Total assets	$ 219,350	$ 222,887	$ 77,049	$ 519,286
LIABILITIES & FUND BALANCE				
Liabilities				
Accounts payable	$ 0	$ 0	$ 6,186	$ 6,186
Unearned revenue	20,862	0	0	20,862
Total liabilities	20,862	0	6,186	27,048
Fund Balance				
Committed	198,488	222,887	70,863	492,238
Total liabilities & fund balance	$ 219,350	$ 222,887	$ 77,049	$ 519,286

CITY OF REEDSPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS for the Year Ended June 30, 2012

	General Capital Improvement Fund	Street Capital Equipment Fund	Library Renovation Fund	Total
REVENUES				
Interest earnings	$ 897	$ 1,078	$ 66	$ 2,041
Grants and contracts	17,120	0	72,000	89,120
Miscellaneous	1,786	0	528	2,314
Total revenues	19,803	1,078	72,594	93,475
EXPENDITURES				
Capital outlay	797	22,800	124,335	147,932
Total expenditures	797	22,800	124,335	147,932
Excess (def) of revenues over expenditures	19,006	(21,722)	(51,741)	(54,457)
OTHER FINANCING SOURCES (USES)				
Transfers in	40,690	52,185	0	92,875
Transfers out	0	0	0	0
Total other financing sources (uses)	40,690	52,185	0	92,875
Excess (def) of revenues over expenditures	59,696	30,463	(51,741)	38,418
FUND BALANCES - Beginning of year	138,792	192,424	122,604	453,820
FUND BALANCES - End of year	$ 198,488	$ 222,887	$ 70,863	$ 492,238

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

GENERAL CAPITAL IMPROVEMENT FUND

	Final Budget	Actual	Variance
REVENUES			
Investment earnings	$ 200	$ 897	$ 697
Other revenue	1,000	1,786	786
Grants and contracts	102,350	17,120	(85,230)
Total revenues	103,550	19,803	(83,746)
EXPENDITURES			
Capital outlay	294,240	797	293,443
Total expenditures	294,240	797	293,443
Excess (def) of revenues over expenditures	(190,690)	19,006	209,696
OTHER FINANCING SOURCES (USES)			
Transfers in	40,690	40,690	0
Excess (def) of revenues over expenditures	(150,000)	59,696	209,696
FUND BALANCE - Beginning of year	150,000	138,792	(11,208)
FUND BALANCE - End of year	$ 0	$ 198,488	$ 198,488

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

STREET CAPITAL EQUIPMENT FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Interest earnings	$ 100	$ 100	$ 1,078	$ 978
EXPENDITURES				
Capital outlay	164,285	244,285	22,800	221,485
Excess (def) of revenues over expenditures	(164,185)	(244,185)	(21,722)	222,463
OTHER FINANCING SOURCES (USES)				
Transfers in	52,185	52,185	52,185	0
Excess (def) of revenues over expenditures	(112,000)	(192,000)	30,463	222,463
FUND BALANCE - Beginning of year	112,000	192,000	192,424	424
FUND BALANCE - End of year	$ 0	$ 0	$ 222,887	$ 222,887

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

LIBRARY RENOVATION FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Interest earnings	$ 100	$ 66	$ (34)
Contracts and grants	150,000	72,000	(78,000)
Other revenue	2,000	528	(1,472)
Total revenue	152,100	72,594	(79,506)
EXPENDITURES			
Materials and services	2,000	0	2,000
Capital outlay	270,100	124,335	145,765
Total expenditures	272,100	124,335	147,765
Excess (def) of revenues over expenditures	(120,000)	(51,741)	68,259
FUND BALANCE - Beginning of year	120,000	122,604	2,604
FUND BALANCE - End of year	$ 0	$ 70,863	$ 70,863

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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, 2012

WATER UTILITY FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	$ 836,000	$ 836,000	$ 823,810	$ (12,190)
Investment earnings	4,500	4,500	5,383	883
Other revenue	2,350	2,350	10,432	8,082
Total revenues	842,850	842,850	839,625	(3,224)
EXPENDITURES				
Personal services	308,150	309,150	296,131	13,019
Materials & services	304,000	304,000	227,424	76,576
Capital outlay	10,000	10,000	0	10,000
Debt service	6,120	6,120	6,120	0
Contingency	14,280	13,280	0	13,280
Total expenditures	642,550	642,550	529,675	112,875
Excess (def) of revenues over expenditures	200,300	200,300	309,950	109,650
OTHER FINANCING SOURCES (USES)				
Transfers Out	(275,300)	(275,300)	(275,300)	0
Excess (def) of revenues over expenditures	(75,000)	(75,000)	34,650	109,650
NET ASSETS - Beginning of Year (Budget basis)	75,000	75,000	94,804	19,804
NET ASSETS - End of year (Budget basis)	$ 0	$ 0	129,454	$ 129,454
GAAP ADJUSTMENT				
Capital assets, net			5,655,528	
NET ASSETS - End of Year (GAAP basis)			$ 5,784,982	

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WATER SYSTEM DEVELOPMENT FUND

	Original & Budget	Actual	Variance
REVENUES			
Charges for services	$ 8,660	$ 8,660	$ 0
Interest earnings	100	341	241
Total revenues	8,760	9,001	241
EXPENDITURES			
Capital outlay	69,160	50	69,110
Excess (def) of revenues over expenditures	(60,400)	8,951	69,351
NET ASSETS - Beginning of year (Budget/GAAP basis)	60,400	60,882	482
NET ASSETS - End of year (Budget/GAAP basis)	$ 0	$ 69,833	$ 69,833

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WATER FILTRATION DEBT RESERVE FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Investment earnings	$ 25	$ 49	$ 24
EXPENDITURES			
Debt service	127,500	127,467	33
Total expenditures	127,500	127,467	33
Excess (def) of revenues over expenditures	(127,475)	(127,418)	57
OTHER FINANCING SOURCES (USES)			
Transfers in	127,500	127,500	0
Excess (def) of revenues over expenditures	25	82	57
Unappropriated ending fund balance	(8,625)	0	8,625
NET ASSETS - Beginning of year (Budget basi	8,600	10,934	2,334
NET ASSETS - End of year (Budget basis)	$ 0	11,016	$ 11,016
GAAP ADJUSTMENTS			
Bonds payable		(355,000)	
Loans payable		(207,363)	
Accrued interest payable		(8,940)	
NET ASSETS - End of Year (GAAP basis)		$ (560,287)	

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WATER CAPITAL IMPROVEMENT FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Interest earnings	$ 300	$ 300	$ 7,185	$ 6,885
EXPENDITURES				
Capital outlay	1,491,100	1,577,100	115,425	1,461,675
Excess (def) of revenues over expenditures	(1,490,800)	(1,576,800)	(108,240)	1,468,560
OTHER FINANCING SOURCES (USES)				
Transfers in	90,800	90,800	90,800	0
Excess (def) of revenues over expenditures	(1,400,000)	(1,486,000)	(17,440)	1,468,560
NET ASSETS				
Beginning of year (Budget/GAAP basis)	1,400,000	1,486,000	1,486,466	466
End of year (Budget/GAAP basis)	$ 0	$ 0	$ 1,469,026	$ 1,469,026

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WATER SPWF DEBT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Grants	$ 10,850	$ 10,850	$ 0
Interest earnings	50	365	315
Total revenues	10,900	11,215	315
EXPENDITURES			
Debt service	21,710	21,700	10
Total expenditures	21,710	21,700	10
Excess (def) of revenues over expenditures	(10,810)	(10,485)	325
OTHER FINANCING SOURCES (USES)			
Transfers in	12,100	12,100	0
Excess (def) of revenues over expenditures	1,290	1,615	325
Unappropriated ending fund balance	(77,290)	0	77,290
NET ASSETS			
Beginning of year (Budget/GAAP basis)	76,000	76,479	479
End of year (Budget/GAAP basis)	$ 0	$ 78,094	$ 78,094

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, 2012

WATER UTILITY FUND

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
Water Utility Fund	$ 839,625	$ 804,975	$ 34,650
Water Systems Development Fund	9,001	50	8,951
Water Filtration Debt Reserve Fund	127,549	127,467	82
Water Capital Improvement Fund	97,985	115,425	(17,440)
Water SPWF Debt Fund	23,315	21,700	1,615
Total budgetary basis	$ 1,097,475	$ 1,069,617	27,858
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capitalized assets			98,510
Depreciation			(193,114)
Accrued interest			1,416
Payment of debt principal			122,396
Change in net assets			57,066
NET ASSETS - Beginning of year			6,784,582
NET ASSETS - End of year			$ 6,841,648

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WASTEWATER UTILITY FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	$ 1,607,850	$ 1,607,850	$ 1,716,649	$ 108,799
Interest earnings	2,000	2,000	4,719	2,719
Other revenue	300	300	5,740	5,440
Total revenues	1,610,150	1,610,150	1,727,109	116,959
EXPENDITURES				
Personal services	327,530	330,530	269,985	60,545
Materials & services	387,750	387,750	275,762	111,988
Capital outlay	15,000	15,000	0	15,000
Debt service	6,120	6,120	6,120	0
Contingency	51,450	48,450	0	48,450
Total expenditures	787,850	787,850	551,868	235,982
Excess (def) of revenues over expenditures	822,300	822,300	1,175,241	352,941
OTHER FINANCING SOURCES (USES)				
Transfers in	211,000	211,000	211,000	0
Transfers Out	(1,113,300)	(1,113,300)	(1,113,300)	0
Total other financing sources (uses)	(902,300)	(902,300)	(902,300)	0
Excess (def) of revenues over expenditures	(80,000)	(80,000)	272,941	352,941
NET ASSETS - Beginning of year (Budget basis)	80,000	80,000	192,090	112,090
NET ASSETS - End of year (Budget basis)	$ 0	$ 0	465,031	$ 465,031
GAAP ADJUSTMENT				
Capital assets, net			18,661,220	
NET ASSETS - End of Year (GAAP basis)			$ 19,126,251	

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WASTEWATER CAPITAL DEBT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Investment earnings	$ 0	$ 0	$ 0
EXPENDITURES			
Debt service	0	0	0
Excess (def) of revenues over expenditures	0	0	0
NET ASSETS - Beginning of year (Budget basis)	0	0	0
NET ASSETS - End of year (Budget basis)	$ 0	0	$ 0
GAAP ADJUSTMENTS			
Accrued interest payable		(90,107)	
Loans payable		(13,742,630)	
NET ASSETS - End of Year (GAAP basis)		$ (13,832,737)	

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WASTEWATER DEQ DEBT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Investment earnings	$ 100	$ 3,773	$ 3,673
EXPENDITURES			
Debt Service	930,270	821,696	108,574
Excess (def) of revenues over expenditures	(930,170)	(817,923)	112,247
OTHER FINANCING SOURCES (USES)			
Transfers in	924,500	924,500	0
Transfers out	(464,330)	0	464,330
Total other financing sources (uses)	460,170	924,500	464,330
Excess (def) of revenues over expenditures	(470,000)	106,577	576,577
NET ASSETS			
Beg of year (Budget/GAAP basis)	470,000	1,435,734	965,734
End of year (Budget/GAAP basis)	$ 0	1,542,311	$ 1,542,311
GAAP ADJUSTMENT			
Accrued interest payable		(868,328)	
NET ASSETS - End of Year (GAAP basis)		$ 673,983	

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WASTEWATER OECDD DEBT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Investment earnings	$ 100	$ 289	$ 189
EXPENDITURES			
Debt Service	154,250	154,247	3
Excess (def) of revenues over expenditures	(154,150)	(153,958)	192
OTHER FINANCING SOURCES (USES)			
Transfers in	105,000	105,000	0
Excess (def) of revenues over expenditures	(49,150)	(48,958)	192
Unappropriated ending fund balance	(50,650)	0	50,650
NET ASSETS			
Beginning of year (Budget/GAAP basis)	99,800	99,981	181
End of year (Budget/GAAP basis)	$ 0	$ 51,023	$ 51,023

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WASTEWATER SYSTEM DEVELOPMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	$ 4,000	$ 4,000	$ 0
Interest earnings	50	654	604
Total revenues	4,050	4,654	604
EXPENDITURES			
Materials & services	100	100	0
Capital outlay	130,725	0	130,725
Total expenditires	130,825	100	130,725
Excess (def) of revenues over expenditures	(126,775)	4,554	131,329
NET ASSETS			
Beginning of year (Budget/GAAP basis)	126,775	127,022	247
End of year (Budget/GAAP basis)	$ 0	$ 131,576	$ 131,576

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WASTEWATER CAPITAL IMPROVEMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Investment earnings	$ 1,000	$ 4,527	$ 3,527
EXPENDITURES			
Capital outlay	700,000	18,090	681,910
Excess (def) of revenues over expenditures	(699,000)	(13,563)	685,437
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	10,000	0
Transfers out	(211,000)	(211,000)	0
Total other financing sources (uses)	(201,000)	(201,000)	0
Excess (def) of revenues over expenditures	(900,000)	(214,563)	685,437
NET ASSETS			
Beginning of year (Budget/GAAP basis)			
As previously reported	900,000	1,101,804	201,804
Merge Capital DEQ Improvement Fund	0	(151,924)	(151,924)
Restated beginning of year	900,000	949,880	49,880
End of year (Budget/GAAP basis)	$ 0	$ 735,317	$ 735,317

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

WASTEWATER CAPITAL DEQ IMPROVEMENT FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES	$ 0	$ 0	$ 0	$ 0
EXPENDITURES				
Capital outlay	0	60,650	0	60,650
Excess (def) of revenues over expenditures	0	(60,650)	0	60,650
NET ASSETS				
Beginning of year (Budget/GAAP basis)				
As previously reported	0	60,650	(151,924)	(212,574)
Merge to WW Capital Improvement Fund	0	0	151,924	151,924
Restated beginning of year	0	60,650	0	(60,650)
NET ASSETS - End of year (Budget basis)	$ 0	$ 60,650	$ 0	$ (60,650)

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, 2012

WASTEWATER UTILITY FUND

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
Wastewater Utility Fund	$ 1,938,108	$ 1,665,167	$ 272,941
Wastewater Capital Debt Fund	0	0	0
Wastewater DEQ Debt Fund	928,273	821,696	106,577
Wastewater OECDD Debt Fund	105,289	154,247	(48,958)
Wastewater System Development Fund	4,654	100	4,554
Wastewater Capital Improvement Fund	14,527	229,090	(214,563)
Total budgetary basis	$ 2,990,851	$ 2,870,300	120,551
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capitalized assets			0
Depreciation			(732,495)
Accrued interest			2,238
Payment of debt principal			507,372
Change in net assets			(102,334)
NET ASSETS - Beginning of year			
As previously reported			6,665,097
Prior period adjustment			322,651
Restated beginning of year			6,987,748
NET ASSETS - End of year			$ 6,885,413

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

STORMWATER UTILITY FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	$ 73,200	$ 73,200	$ 75,211	$ 2,011
Interest earnings	480	480	278	(202)
Other revenue	300	300	281	(19)
Total revenues	73,980	73,980	75,771	1,791
EXPENDITURES				
Personal services	29,700	30,100	27,201	2,899
Materials & services	42,015	42,015	37,055	4,960
Capital outlay	10,000	10,000	0	10,000
Contingency	1,750	1,350	0	1,350
Total expenditures	83,465	83,465	64,257	19,208
Excess (def) of revenues over expenditures	(9,485)	(9,485)	11,514	20,999
OTHER FINANCING SOURCES (USES)				
Transfers out	(110,515)	(110,515)	(110,515)	0
Total other financing sources (uses)	(110,515)	(110,515)	(110,515)	0
Excess (def) of revenues over expenditures	(120,000)	(120,000)	(99,001)	20,999
NET ASSETS - Beginning of year (Budget basis)	120,000	120,000	112,975	(7,025)
NET ASSETS - End of year (Budget basis)	$ 0	$ 0	13,974	$ 13,974
GAAP ADJUSTMENT				
Capital assets, net			288,448	
Long-term debt			(58,733)	
NET ASSETS - End of Year (GAAP basis)			$ 243,689	

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

STORMWATER SYSTEM DEVELOPMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	$ 880	$ 878	$ (2)
Interest earnings	15	29	14
Total revenues	895	907	12
EXPENDITURES			
Materials & services	100	50	50
Capital outlay	5,895	0	5,895
Total expenditures	5,995	50	5,945
Excess (def) of revenues over expenditures	(5,100)	857	5,957
NET ASSETS			
Beginning of year (Budget/GAAP basis)	5,100	5,117	17
End of year (Budget/GAAP basis)	$ 0	$ 5,974	$ 5,974

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

STORMWATER CAPITAL IMPROVEMENT FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Grants	$ 2,000,000	$ 0	$ 2,000,000
Interest earnings	100	273	(173)
Total revenues	2,000,100	273	1,999,827
EXPENDITURES			
Capital outlay	2,108,765	9,073	2,099,692
Excess (def) of revenues over expenditures	(108,665)	(8,800)	99,865
OTHER FINANCING SOURCES (USES)			
Transfers in	108,665	108,665	0
Excess (def) of revenues over expenditures	0	99,865	99,865
NET ASSETS			
Beginning of year (Budget/GAAP basis)	0	0	0
End of year (Budget/GAAP basis)	$ 0	$ 99,865	$ 99,865

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, 2012

STORMWATER UTILITY FUND

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
Stormwater Utility Fund	$ 75,771	$ 174,772	$ (99,001)
Stormwater System Development Fund	907	50	857
Stormwater Capital Improvement Fund	108,938	9,073	99,865
Total budgetary basis	$ 185,616	$ 183,895	1,721
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Depreciation			(10,377)
Capital assets			65,000
Long-term debt			(58,733)
Change in net assets			(2,389)
NET ASSETS - Beginning of year			351,917
NET ASSETS - End of year			$ 349,528

CITY OF REEDSPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2012

DUNES NRA LEASE FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Charges for services	$ 93,500	$ 94,345	$ 845
Interest earnings	50	320	270
Other revenue	50	451	401
Total revenues	93,600	95,117	1,517
EXPENDITURES			
Personal services	28,650	28,056	594
Materials & services	15,450	11,031	4,419
Capital outlay	60,810	0	60,810
Total expenditures	104,910	39,088	65,822
Excess (def) of revenues over expenditures	(11,310)	56,029	67,339
OTHER FINANCING SOURCES (USES)			
Transfers out	(28,690)	(28,690)	0
Excess (def) of revenues over expenditures	(40,000)	27,339	67,339
NET ASSETS - Beginning of year (Budget basis)	40,000	47,116	7,116
NET ASSETS - End of year (Budget basis)	$ 0	74,455	$ 74,455
GAAP ADJUSTMENT			
Capital assets, net		401,635	
NET ASSETS - End of year (GAAP basis)		$ 476,090	

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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, 2012

CITY

Levy Year	Balance 7/1	Current Levy	Interest & Tax Roll Adjustments	Interest & Tax Collection	Balance 6/30
2011-12	$ 0	$ 1,366,225	$ (36,345)	$ 1,251,233	$ 78,647
2010-11	82,786	0	(458)	37,478	44,850
2009-10	44,924	0	(265)	15,486	29,173
2008-09	25,391	0	(175)	13,290	11,926
2007-08	8,215	0	(265)	5,646	2,304
2006-07	1,443	0	(152)	334	957
2005-06	752	0	(110)	166	476
2004-05	390	0	(3)	67	320
Prior Years	1,442	0	(84)	122	1,236
Totals	$ 165,343	$ 1,366,225	$ (37,857)	$ 1,323,822	$ 169,889

URBAN RENEWAL AGENCY

Levy Year	Balance 7/1	Current Levy	Interest & Tax Roll Adjustments	Interest & Tax Collection	Balance 6/30
2011-12	$ 0	$ 85,068	$ (2,263)	$ 77,908	$ 4,897
2010-11	4,593	0	(26)	2,079	2,488
2009-10	2,739	0	(16)	945	1,778
2008-09	189	0	0	99	90
	$ 7,521	$ 85,068	$ (2,305)	$ 81,031	$ 9,253

CITY OF REEDSPORT, OREGON

FUTURE MATURITIES OF LONG-TERM DEBT
as of June 30, 2012

BUSINESS TYPE
Loans Payable

Note Payable - Land Purchase

Fiscal Year Ending	Principal	Interest	Total
2013	5,031	2,259	7,290
2014	5,236	2,054	7,290
2015	5,449	1,840	7,289
2016	5,671	1,618	7,289
2017	5,902	1,387	7,289
2018-22	31,444	3,135	34,579
Total	$ 58,733	$ 12,293	$ 71,026

BUSINESS TYPE
Bonds Payable

Water Revenue Refunding Bonds

Fiscal Year Ending	Principal	Interest	Total
2013	115,000	12,674	127,674
2014	115,000	7,775	122,775
2015	125,000	2,662	127,662
Total	$ 355,000	$ 23,111	$ 378,111

CITY OF REEDSPORT, OREGON
FUTURE MATURITIES OF LONG-TERM DEBT
as of June 30, 2012

BUSINESS TYPE
Loans Payable

OECDD Water SPWF - 4.17%

Fiscal Year Ending	Principal	Interest	Total
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	17,885	6,717	24,602
2018-22	91,367	22,118	113,485
2023-24	42,619	3,076	45,695
Total	$ 207,363	$ 64,549	$ 271,912

DEQ Revolving Loan

Fiscal Year Ending	Principal	Interest	Total
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	533,069	336,450	869,519
2018-22	2,922,270	1,383,660	4,305,930
2023-27	3,401,453	826,775	4,228,228
2028-31	2,707,710	199,584	2,907,294
Total	$ 11,542,027	$ 4,272,292	$ 15,814,319

OECDD SPWF - 4.66%

Fiscal Year Ending	Principal	Interest	Total
2013	75,087	102,016	177,103
2014	66,626	99,049	165,675
2015	69,730	95,944	165,674
2016	72,980	92,695	165,675
2017	76,381	89,294	165,675
2018-22	438,729	389,645	828,374
2023-27	550,936	277,439	828,375
2028-32	691,837	136,536	828,373
2033	158,297	7,376	165,673
Total	$ 2,200,603	$ 1,289,994	$ 3,490,597

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CITY OF REEDSPORT
OREGON

COMPLIANCE SECTION

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Members:
AICPA, OSCPA & OAIA

November 13, 2012

Independent Auditor's Report
Required by Oregon State Regulations

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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reedsport as of and for the year ended June 30, 2012, which collectively comprise the City of Reedsport's basic financial statements and have issued my report thereon dated November 13, 2012. 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:

BUDGET COMMENTS

The City overexpended appropriations for personal services in the Street Fund by $623.

OTHER COMMENTS

Accountability for Independently Elected Officials

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

Insurance and Fidelity Bonds

I have examined the City's insurance and fidelity bond coverage at June 30, 2012. 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

Management of City of Reedsport is responsible for establishing and maintaining effective 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 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 City Council, Oregon Secretary of State Audits Division, 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

GRIMSTAD & ASSOCIATES
Certified Public Accountants

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November 13, 2012

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

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

I have audited the 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, 2012, which collectively comprise the City of Reedsport's basic financial statements and have issued my report thereon dated November 13, 2012. 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

Management of City of Reedsport is responsible for establishing and maintaining effective 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, OSCPA & 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 City Council, Oregon Secretary of State Audits Division, 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