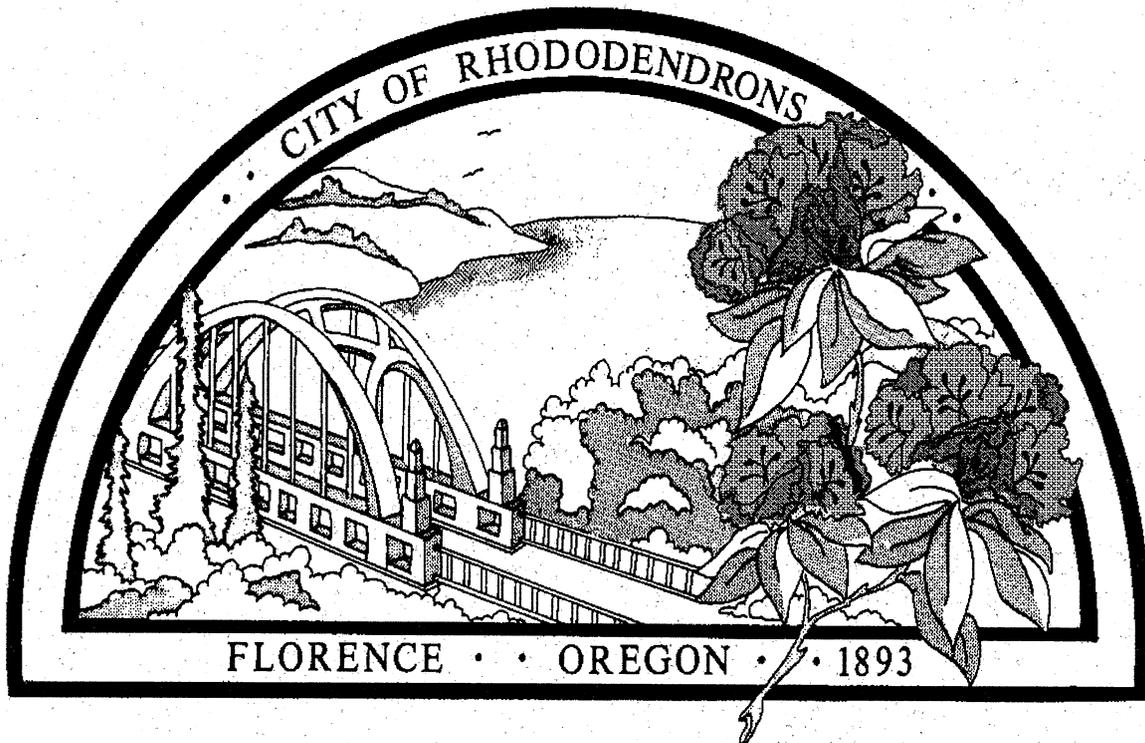


CITY OF FLORENCE, OREGON



FINANCIAL STATEMENTS
FOR THE YEAR ENDED

JUNE 30, 2008

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INTRODUCTORY SECTION

**CITY OF FLORENCE, OREGON
PRINCIPAL OFFICIALS**

ELECTED OFFICIALS

Mayor
Council President
Council Vice President
Councilor
Councilor

Phil Brubaker
Nola Xavier
Paul Holman
Alan Burns
Sue Roberts

STATUTORY OFFICIALS

Budget Committee

Mayor
Council President
Council Vice President
Councilor
Councilor
Member
Member
Member
Member
Member

Phil Brubaker
Nola Xavier
Paul Holman
Alan Burns
Sue Roberts
K. C. Short
John Murphey
Dave Sullivan
Pat Zeh
Phil Zoller

STAFF

City Manager
Assistant City Manager
City Recorder
Finance Director
Public Works Director
Police Chief
Community Development Director
Florence Events Center Director

Robert Willoughby
Jacque Morgan
Barbara Miller
David Armstrong
Mike Miller
Maurice Sanders
Sandra Belson
Kevin Rhodes

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Merina & Company, LLP, West Linn, Oregon



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of Florence, Oregon
Florence, Oregon

We 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 Florence, Oregon, as of and for the year ended June 30, 2008, 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 Florence, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinions.

In our 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 Florence, Oregon, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Oregon's basic financial statements. The introductory section and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 22, 2008

Management's Discussion and Analysis

The management of the City of Florence offers readers of the City of Florence's financial statements this narrative overview and analysis of the financial activities of the City of Florence for the fiscal year ended June 30, 2008.

Financial Highlights

Net Assets - The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$22,481,945. Of this amount, \$5,795,221 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets - The City's total net assets decreased by \$19,631 due increased cost of operations in the water and wastewater utilities and the Events Center.

Governmental Funds - As of the close of the fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$4,073,780.

At the end of the fiscal year, unreserved fund balance for the general fund was \$736,575 or 23% percent of total general fund expenditures.

The City of Florence's total debt increased \$999,416 during the fiscal year. The increase is attributable to a bridge loan taken for construction costs related to the Spruce Street LID and a capital lease for a new street sweeper, net of the scheduled payments of principal on existing debt.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City of Florence'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 of Florence is improving or deteriorating.

The statement of activities presents information showing how the City'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 vacation leave). The governmental activities of the City of Florence include general government, public safety, highways and streets, airport, culture and recreation, and community development. The business type activities include water, wastewater, stormwater, and the operation of the Florence Events Center.

Fund Financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Florence, 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 of Florence 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 City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Florence maintains thirteen 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, Street Fund, Grant projects Fund, and Bancroft Bond Fund. All of these funds are considered to be major funds.

Data from the other nine non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the other supplementary information described below.

Proprietary Funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent four segments of operations: Water, Wastewater, Storm Water, and Florence Events Center operation.

Fiduciary funds. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

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

Required Supplementary Information. Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Budgetary comparison schedule for major governmental funds are presented immediately following the notes to the basic financial statements.

Other Supplementary Information. The combining statements for the non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary 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. In the case of the City of Florence, assets exceeded liabilities by \$22,481,945 at the close of the most recent fiscal year.

By far the largest portion of the City of Florence's net assets (68%) 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 of Florence uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Florence'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.

**Table 1
Summary of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 4,551,292	\$ 3,150,162	\$ 2,752,612	\$ 3,617,198	\$ 7,303,904	\$ 6,767,360
Other assets	610,016	756,448	724,351	734,506	1,334,367	1,490,954
Capital assets	11,982,246	10,955,100	21,386,679	20,867,557	33,368,925	31,822,657
Total assets	17,143,554	14,861,710	24,863,642	25,219,261	42,007,196	40,080,971
Other Liabilities	759,387	262,830	789,679	339,796	1,549,066	602,626
Long term debt outstanding	4,838,052	3,122,750	13,138,133	13,854,019	17,976,185	16,976,769
Total liabilities	5,597,439	3,385,580	13,927,812	14,193,815	19,525,251	17,579,395
Net assets:						
Invested in capital assets, net of debt	7,387,088	7,832,350	8,439,392	7,042,077	15,826,480	14,874,427
Restricted for debt service	-	-	860,244	860,244	860,244	860,244
Unrestricted (deficit)	4,159,027	3,643,780	1,636,194	3,123,125	5,795,221	6,766,905
Total net assets	\$ 11,546,115	\$ 11,476,130	\$ 10,935,830	\$ 11,025,446	\$ 22,481,945	\$ 22,501,576

A portion of the City of Florence's net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance, \$860,244 is restricted for future debt service, and \$5,795,221 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the City of Florence's net assets by \$69,985.

Business-type activities. Business-type activities decreased the City of Florence's net assets by \$89,616.

Table 2
Governmental and Proprietary Activities

	Governmental Activities		Business-type Activities		Total Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>

REVENUES						
Program revenues						
Charges for services	\$ 706,231	\$ 693,685	\$ 4,268,705	\$ 4,068,056	\$ 4,974,936	\$ 4,761,741
Operating grants and contributions	131,578	373,655	-	-	131,578	373,655
Capital grants and contributions	-	260,105	182,171	189,542	182,171	449,647
General revenues						
Taxes	2,934,201	2,989,090	-	-	2,934,201	2,989,090
Franchise fees	478,708	424,435	-	-	478,708	424,435
Grants and contribution not restricted	-	-	-	-	-	-
Interest and investment earnings	242,172	231,911	128,498	160,052	370,670	391,963
Fines and forfeitures	237,082	243,952	-	-	237,082	243,952
Miscellaneous revenues	339,062	185,735	24,851	35,348	363,913	221,083
Gain (loss) on sale of assets	-	(729,069)	-	-	-	(729,069)
Total Revenues	<u>5,069,034</u>	<u>4,673,499</u>	<u>4,604,225</u>	<u>4,452,998</u>	<u>9,673,259</u>	<u>9,126,497</u>
EXPENSES						
Programs	<u>4,975,254</u>	<u>5,019,089</u>	<u>4,717,636</u>	<u>4,384,209</u>	<u>9,692,890</u>	<u>9,403,298</u>
Total Expenses	<u>4,975,254</u>	<u>5,019,089</u>	<u>4,717,636</u>	<u>4,384,209</u>	<u>9,692,890</u>	<u>9,403,298</u>
Excess (deficiency) before transfers	93,780	(345,590)	(113,411)	68,789	(19,631)	(276,801)
Transfers in(out)	(23,795)	64,350	23,795	(64,350)	-	-
Change in net assets	69,985	(281,240)	(89,616)	4,439	(19,631)	(276,801)
Beginning net assets	<u>11,476,130</u>	<u>11,757,370</u>	<u>11,025,446</u>	<u>11,021,007</u>	<u>22,501,576</u>	<u>22,778,377</u>
Ending net assets	<u>\$ 11,546,115</u>	<u>\$ 11,476,130</u>	<u>\$ 10,935,830</u>	<u>\$ 11,025,446</u>	<u>\$ 22,481,945</u>	<u>\$ 22,501,576</u>

Financial Analysis of the City's funds

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

At the end of the fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$4,073,780. Approximately 93% percent of this total amount (\$3,796,124) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The general fund increased by \$110,497 in 2008. The Street fund, Bancroft Bond fund, and Grants Projects fund, changed by \$480,974, (\$75,724), and \$6,310 respectively. All other governmental funds experienced a net change in their fund balances of \$315,439.

Proprietary funds. The combined water operations had a net increase in fund balances of \$82,442. Net balances in wastewater operations decreased by \$389,578. The decrease is due to payments on long-term debt. The combined events center operations had an increase in fund balances of \$1,150. Balances in storm water operations increased by \$216,370.

General Fund Budgetary Highlights

There were no significant changes to the budget of the General Fund during the 2007-2008 year.

Capital Asset and Debt Administration

Capital assets. The City of Florence's investment in capital assets for its governmental and business type activities as of June 30, 2008 amounts to \$33,368,925 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and improvements, utility systems, equipment and vehicles, and construction in process.

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,857,306	\$ 1,857,306	\$ 322,253	\$ 322,253	\$ 2,179,559	\$ 2,179,559
Buildings and improvements	6,677,832	6,677,832	23,201,859	23,201,859	29,879,691	29,879,691
Infrastructure and improvements	6,417,951	6,361,818	-	-	6,417,951	6,361,818
Utility systems	-	-	8,516,634	8,255,721	8,516,634	8,255,721
Equipment and vehicles	1,753,121	1,734,228	1,724,469	1,532,430	3,477,590	3,266,658
Construction in process	1,589,824	166,100	1,050,550	-	2,640,374	166,100
Less accumulated depreciation	(6,313,789)	(5,842,184)	(13,429,086)	(12,444,706)	(19,742,875)	(18,286,890)
Total	\$ 11,982,246	\$ 10,955,100	\$ 21,386,679	\$ 20,867,557	\$ 33,368,925	\$ 31,822,657

Table 4
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Beginning balance	\$ 10,955,100	\$ 11,256,436	\$ 20,867,557	\$ 21,801,633	\$ 31,822,657	\$ 33,058,069
Additions	1,554,864	469,030	1,512,802	45,689	3,067,666	514,719
Depreciation	(527,718)	(557,731)	(993,680)	(979,765)	(1,521,398)	(1,537,496)
Deletions, net of depreciation	-	(212,635)	-	-	-	(212,635)
Ending balance	\$ 11,982,246	\$ 10,955,100	\$ 21,386,679	\$ 20,867,557	\$ 33,368,925	\$ 31,822,657

Additional information on the City's capital assets can be found in the notes to the basis financial statements – note 4.

Long-term debt. At the end of the fiscal year, the City of Florence had total long-term debt outstanding of \$17,542,445. \$1,850,000 is a 1995 general obligation bond for the City's Justice Center that houses our police department, municipal court, and Lane County's justice court. Street improvement debt amounts to a total of \$387,983 outstanding. \$2,000,000 is a bridge loan for construction of the Spruce Street LID. A note payable for \$357,175 to provide infrastructure improvements to our airport industrial park rounds out the governmental activities debt. Of the business-type debt, \$2,858,358 is attributable to water system improvements; \$8,901,185 is outstanding on wastewater collection and treatment improvements, and \$1,050,000 is attributable to events center operations. \$137,744 is attributable to stormwater as a capital lease for a street sweeper.

Table 5
Outstanding Debt at Year-end

	<u>2008</u>	<u>2007</u>
Governmental Activities		
GO bonds, series 1994 (1990B)	\$ -	\$ 10,000
Justice Center advance refunding (1998A)	1,850,000	2,075,000
GO bonds, series 1994 (1994A)	155,000	190,000
Limited tax improvement bonds, series 1993	-	40,000
Limited tax improvement bonds, series 1998	215,000	230,000
Industrial park - airport	357,175	387,436
2 nd Street parking lot	17,983	21,525
	<hr/>	<hr/>
Spruce Street LID bridge loan	2,000,000	-
	<hr/>	<hr/>
Sub-total	4,595,158	2,953,961
Business-type Activities		
Water refunding revenue bonds (1998)	175,000	225,000
Sewer revenue bonds (1999)	25,000	50,000
2004 Refinancing of 1995 Event Center bonds	1,050,000	1,165,000
Wastewater facilities construction	8,876,185	9,409,984
Water plant expansion (1994)	57,458	63,916
Water system improvements	553,138	615,805
Water system improvements (2003)	2,075,000	2,185,000
Storm Water - Capital lease for street sweeper	137,744	-
Unamortized discount	(2,238)	(4,475)
	<hr/>	<hr/>
Sub-total	12,947,287	13,710,235
	<hr/>	<hr/>
Total	\$ 17,542,445	\$ 16,664,196

State statutes limit the amount of general obligation debt an Oregon city may issue to 3% of total assessed value of all taxable property within its boundary. The current debt limitation for the City of Florence is approximately \$22,000,000. Only \$1,850,000 of the outstanding debt is counted within the statutory limitation as the remaining debt is either wholly or partially financed by revenues other than a general tax levy.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements – note 6.

Economic Factors. Lane County's unemployment rate ended the fiscal year at 5.4%. 153 building permits were issued for residential development in fiscal 2008. In addition, permits were issued for 77 commercial developments and improvements.

Requests for information. This financial report is designed to provide a general overview of the City of Florence's financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Florence, 250 Highway 101, Florence, Oregon 97439.

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds
 - Fiduciary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF FLORENCE, OREGON
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,551,292	\$ 2,752,612	\$ 7,303,904
Property taxes receivable	110,211	-	110,211
Due from other governments	4,571	-	4,571
Accounts receivable	227,020	558,544	785,564
Grants receivable	8,936	-	8,936
Interest receivable	44	-	44
Notes receivable	116,715	-	116,715
Bond costs	-	38,292	38,292
Inventories	-	127,515	127,515
	<u>5,018,789</u>	<u>3,476,963</u>	<u>8,495,752</u>
Total current assets			
Noncurrent assets:			
Assessments receivable	142,519	-	142,519
Capital assets, net	11,982,246	21,386,679	33,368,925
	<u>12,124,765</u>	<u>21,386,679</u>	<u>33,511,444</u>
Total noncurrent assets			
	<u>\$ 17,143,554</u>	<u>\$ 24,863,642</u>	<u>\$ 42,007,196</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 674,677	\$ 617,569	\$ 1,292,246
Interest payable	84,710	172,110	256,820
Current portion of long-term debt	557,080	1,132,343	1,689,423
	<u>1,316,467</u>	<u>1,922,022</u>	<u>3,238,489</u>
Total current liabilities			
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	4,280,972	12,005,790	16,286,762
	<u>4,280,972</u>	<u>12,005,790</u>	<u>16,286,762</u>
Total noncurrent liabilities			
	<u>5,597,439</u>	<u>13,927,812</u>	<u>19,525,251</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	7,387,088	8,439,392	15,826,480
Restricted for:			
Debt Service	-	860,244	860,244
Unrestricted	4,159,027	1,636,194	5,795,221
	<u>11,546,115</u>	<u>10,935,830</u>	<u>22,481,945</u>
Total net assets			
Total liabilities and net assets	<u>\$ 17,143,554</u>	<u>\$ 24,863,642</u>	<u>\$ 42,007,196</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF FLORENCE, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net Expense Revenue and Change in Net Asset			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
General government	\$ 680,609	\$ 122,956	\$ -	\$ -	\$ (557,653)	\$ -	\$ (557,653)
Public safety	2,484,809	117,911	57,135	-	(2,309,763)	-	(2,309,763)
Economic development	439,703	337,187	74,443	-	(28,073)	-	(28,073)
Highways and streets	751,824	114,403	-	-	(637,421)	-	(637,421)
Airport	156,707	13,774	-	-	(142,933)	-	(142,933)
Culture and recreation	290,426	-	-	-	(290,426)	-	(290,426)
Interest on long-term debt	171,176	-	-	-	(171,176)	-	(171,176)
Total governmental activities	4,975,254	706,231	131,578	-	(4,137,445)	-	(4,137,445)
Business type activities:							
Water Operations	1,580,140	1,486,567	-	-	-	(93,573)	(93,573)
Wastewater Operations	2,176,500	1,977,196	-	-	-	(199,304)	(199,304)
Events Center Operations	626,539	257,903	-	182,171	-	(186,465)	(186,465)
Storm Water	334,457	547,039	-	-	-	212,582	212,582
Total business type activities	4,717,636	4,268,705	-	182,171	-	(266,760)	(266,760)
Total government	\$ 9,692,890	\$ 4,974,936	\$ 131,578	\$ 182,171	(4,137,445)	(266,760)	(4,404,205)
General revenues:							
Taxes:							
Property taxes					2,295,133	-	2,295,133
Public Service taxes and state revenue sharing					639,068	-	639,068
Franchise fees					478,708	-	478,708
Interest and investment earnings					242,172	128,498	370,670
Miscellaneous revenues					339,062	24,851	363,913
Fines and forfeitures					237,082	-	237,082
Transfers in (out)					(23,795)	23,795	-
Total general revenues and transfers					4,207,430	177,144	4,384,574
Change in net assets					69,985	(89,616)	(19,631)
Net assets - beginning					11,476,130	11,025,446	22,501,576
Net assets - ending					\$ 11,546,115	\$ 10,935,830	\$ 22,481,945

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Street Fund

The Street Fund is used to account for maintenance and construction of the City's streets. State gasoline taxes, Lane County urban transition revenues, and assessments for street improvements are used to finance various street projects and ongoing maintenance.

Grants Projects Fund

The Grant Projects Fund accounts for major capital grant projects.

Bancroft Bond Fund

The Bancroft Bond Fund is used to account for special assessments receivable and the servicing of related bonded debt. The fund is financed through special assessment principal

CITY OF FLORENCE, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	<u>General Fund</u>	<u>Street Fund</u>	<u>Grants Projects Fund</u>	<u>Bancroft Bond Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS						
Cash and cash equivalents	\$ 923,284	\$ 827,772	\$ 18,630	\$ 799,325	\$ 1,944,173	\$ 4,513,184
Property taxes receivable	93,679	-	-	-	16,532	110,211
Due from other governments	4,571	-	-	-	-	4,571
Accounts receivable	107,026	34,941	-	-	85,053	227,020
Assessments receivable	-	99,857	-	42,662	-	142,519
Grants receivable	3,931	-	5,005	-	-	8,936
Interest receivable	-	-	-	-	44	44
Notes receivable	-	-	-	-	116,715	116,715
Due from other funds	24,475	-	-	-	-	24,475
Total assets	<u>\$ 1,156,966</u>	<u>\$ 962,570</u>	<u>\$ 23,635</u>	<u>\$ 841,987</u>	<u>\$ 2,162,517</u>	<u>\$ 5,147,675</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable and accrued expenses	\$ 333,781	\$ 274,398	\$ 2,537	\$ -	\$ 25,874	\$ 636,590
Due to other funds	-	-	-	-	24,475	24,475
Deferred revenue	86,610	99,857	-	42,662	183,701	412,830
Total liabilities	<u>420,391</u>	<u>374,255</u>	<u>2,537</u>	<u>42,662</u>	<u>234,050</u>	<u>1,073,895</u>

FUND BALANCES:

Reserved for:

Debt service	-	-	-	-	277,656	277,656
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Unreserved, reported in:

General fund	736,575	-	-	-	-	736,575
Special revenue fund	-	588,315	21,098	-	1,650,811	2,260,224
Debt service fund	-	-	-	799,325	-	799,325

Total fund balance 736,575 588,315 21,098 799,325 1,928,467 4,073,780

Total liabilities and fund balance \$ 1,156,966 \$ 962,570 \$ 23,635 \$ 841,987 \$ 2,162,517

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 11,982,246

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 412,830

Internal service funds are used by management to charge the costs of the administrative services department to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 21

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (4,922,762)

Net Assets \$ 11,546,115

The accompanying notes are an integral part of the basic financial statements.

CITY OF FLORENCE, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund	Street Fund	Grants Projects Fund	Bancroft Bond Fund	Other Governmental	Total Governmental
REVENUES:						
Taxes	\$ 1,837,840	\$ -	\$ -	\$ -	\$ 442,642	\$ 2,280,482
Franchise taxes	478,708	-	-	-	-	478,708
Licenses and fees	143,083	-	-	-	41,436	184,519
Intergovernmental	174,625	403,843	-	-	60,600	639,068
Assessments	-	35,753	-	10,456	78,650	124,859
Grants and contributions	-	-	57,135	-	74,443	131,578
Fines and forfeitures	237,082	-	-	-	-	237,082
Charges for services	4,530	-	-	-	229,625	234,155
Permits	-	-	-	-	239,247	239,247
Interest revenue	130,197	15,747	-	40,165	56,063	242,172
Miscellaneous revenue	30,687	14,766	-	-	293,609	339,062
Total revenues	3,036,752	470,109	57,135	50,621	1,516,315	5,130,932
EXPENDITURES:						
Current:						
General government	291,637	-	50,825	-	341,964	684,426
Public safety	2,312,316	-	-	-	-	2,312,316
Economic development	418,637	-	-	-	-	418,637
Highways and streets	-	460,318	-	-	447	460,765
Airport	-	-	-	-	100,050	100,050
Culture and recreation	208,732	-	-	-	35,250	243,982
Capital outlay	26,068	1,528,817	-	-	-	1,554,885
Debt service:						
Principal	-	-	-	100,000	258,803	358,803
Interest	-	-	-	26,345	109,432	135,777
Total expenditures	3,257,390	1,989,135	50,825	126,345	845,946	6,269,641
Revenues over (under) expenditures	(220,638)	(1,519,026)	6,310	(75,724)	670,369	(1,138,709)
OTHER FINANCING SOURCES (USES):						
Issuance of debt	-	2,000,000	-	-	-	2,000,000
Transfers in	331,135	-	-	-	-	331,135
Transfers out	-	-	-	-	(354,930)	(354,930)
Total other financing sources (uses)	331,135	2,000,000	-	-	(354,930)	1,976,205
Net changes in fund balances	110,497	480,974	6,310	(75,724)	315,439	837,496
FUND BALANCES, BEGINNING	626,078	107,341	14,788	875,049	1,613,028	3,236,284
FUND BALANCES, ENDING	\$ 736,575	\$ 588,315	\$ 21,098	\$ 799,325	\$ 1,928,467	\$ 4,073,780

The accompanying notes are an integral part of the basic financial statements.

CITY OF FLORENCE, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Amounts reported in the statement of activities are different because:

Net change in fund balances	\$ 837,496
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The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Current year depreciation	(527,739)	
Capital asset additions	<u>1,558,543</u>	1,030,804

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(2,061,898)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which proceeds exceeded repayments.

Debt service principal payments	284,698	
Accrued interest expense	<u>(35,399)</u>	249,299

Internal service funds are used by management to charge the costs of the administrative services department to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>14,284</u>
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Change in net assets of governmental activities	<u>\$ 69,985</u>
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The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

Proprietary Funds

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent four segments of operations – Water, Wastewater, Events Center, and Storm Water. Included in these segments are:

Water Operations

Water Fund

The Water Fund accounts for the operation of the City's water utility system. The primary source of revenues consists of water sales.

Water System Development Fund

The Water System Development Fund accounts for system development fees charged on new construction. The proceeds are used to finance major expansions of the water system.

Wastewater Operations

Wastewater Fund

The Wastewater Fund accounts for the operation of the City's wastewater system. The primary source of revenue consists of charges for wastewater services.

Wastewater System Development Fund

The Wastewater System Development Fund accounts for system development fees on new construction. The proceeds are used to finance major expansions of the wastewater system.

Events Center Operations

Events Center Fund

The Events Center Fund is used to account for the operation of the Florence Events Center. The revenue sources consist of admission fees, charges for services, and room tax revenues.

Events Center Reserve Fund

The Events Center Reserve Fund is used to account for the capital reserve for the Florence Events Center.

Events Center Debt Service Fund

The Events Center Debt Service Fund is used to account for the lease-purchase financing arrangement for the construction of the Florence Events Center. The debt service fund is financed primarily through a twenty-year intergovernmental agreement with Lane County.

Storm Water

Storm Water Fund

The Storm Drain Utility Fund is used to account for the City's storm drain system. The primary source of revenue are assessments.

Storm Water SDC Fund

The Storm Water SDC funds accounts for system development charges assessed to finance expansions of the storm water system.

For Generally Accepted Accounting Principles purposes, these aforementioned funds are consolidated and included as four separate Enterprises funds.

Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Internal Service Fund

The Internal Service Fund is used to account for administrative services departments including City Council/Mayor, City Manager, and Finance. Administrative expenses are apportioned to each receiving fund or department based on a time and effort study.

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2008

	Business-Type Activities - Enterprise Funds					Governmental
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total	Internal Service Fund
ASSETS						
Cash and cash equivalents	\$ 874,274	\$ 1,505,751	\$ 106,825	\$ 265,762	\$ 2,752,612	\$ 38,108
Accounts receivables	198,930	291,681	-	67,933	558,544	-
Inventories	76,394	51,121	-	-	127,515	-
Bond costs	-	-	38,292	-	38,292	-
Total current assets	<u>1,149,598</u>	<u>1,848,553</u>	<u>145,117</u>	<u>333,695</u>	<u>3,476,963</u>	<u>38,108</u>
Capital assets, net	<u>5,886,083</u>	<u>12,481,640</u>	<u>2,531,148</u>	<u>487,808</u>	<u>21,386,679</u>	<u>-</u>
Total assets	<u>\$ 7,035,681</u>	<u>\$ 14,330,193</u>	<u>\$ 2,676,265</u>	<u>\$ 821,503</u>	<u>\$ 24,863,642</u>	<u>\$ 38,108</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable	\$ 16,714	\$ 542,184	\$ 4,020	\$ 2,400	\$ 565,318	\$ 17,661
Payroll liabilities	15,863	20,447	10,147	5,794	52,251	20,426
Interest payable	29,973	126,409	14,272	1,456	172,110	-
Current portion of long-term debt	316,813	653,175	141,024	21,331	1,132,343	-
Total current liabilities	<u>379,363</u>	<u>1,342,215</u>	<u>169,463</u>	<u>30,981</u>	<u>1,922,022</u>	<u>38,087</u>
NONCURRENT LIABILITIES:						
Noncurrent portion of long-term debt	<u>2,617,450</u>	<u>8,323,915</u>	<u>935,000</u>	<u>129,425</u>	<u>12,005,790</u>	<u>-</u>
Total non current liabilities	<u>2,617,450</u>	<u>8,323,915</u>	<u>935,000</u>	<u>129,425</u>	<u>12,005,790</u>	<u>-</u>
Total liabilities	<u>2,996,813</u>	<u>9,666,130</u>	<u>1,104,463</u>	<u>160,406</u>	<u>13,927,812</u>	<u>38,087</u>
NET ASSETS:						
Invested in capital assets, net of related debt	3,027,725	3,580,455	1,481,148	350,064	8,439,392	-
Restricted for:						
Debt service	-	860,244	-	-	860,244	-
Unrestricted	1,011,143	223,364	90,654	311,033	1,636,194	21
Total net assets	<u>4,038,868</u>	<u>4,664,063</u>	<u>1,571,802</u>	<u>661,097</u>	<u>10,935,830</u>	<u>21</u>
Total liabilities and net assets	<u>\$ 7,035,681</u>	<u>\$ 14,330,193</u>	<u>\$ 2,676,265</u>	<u>\$ 821,503</u>	<u>\$ 24,863,642</u>	<u>\$ 38,108</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FLORENCE, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 For the Fiscal Year Ended June 30, 2008**

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total	Internal Service Fund
OPERATING REVENUES:						
System development fees	\$ 223,628	\$ 208,537	\$ -	\$ -	\$ 432,165	\$ -
Charges for services	1,262,939	1,768,659	257,903	547,039	3,836,540	759,010
Intergovernmental	-	-	182,171	-	182,171	-
Miscellaneous income	15,957	6,835	2,059	-	24,851	-
Total operating revenues	<u>1,502,524</u>	<u>1,984,031</u>	<u>442,133</u>	<u>547,039</u>	<u>4,475,727</u>	<u>759,010</u>
OPERATING EXPENSES:						
Materials and services	584,773	783,469	198,137	139,454	1,705,833	211,044
Personal services	466,039	562,763	301,567	162,268	1,492,637	533,682
Depreciation	390,462	470,020	101,919	31,279	993,680	-
Total operating expenses	<u>1,441,274</u>	<u>1,816,252</u>	<u>601,623</u>	<u>333,001</u>	<u>4,192,150</u>	<u>744,726</u>
Operating income (loss)	61,250	167,779	(159,490)	214,038	283,577	14,284
NON-OPERATING INCOME (EXPENSE):						
Interest income	25,567	89,587	9,556	3,788	128,498	-
Interest expense	(138,866)	(360,248)	(24,916)	(1,456)	(525,486)	-
Total non-operating income (expenses)	<u>(113,299)</u>	<u>(270,661)</u>	<u>(15,360)</u>	<u>2,332</u>	<u>(396,988)</u>	<u>-</u>
Net income (loss) before transfers	(52,049)	(102,882)	(174,850)	216,370	(113,411)	14,284
TRANSFERS:						
Transfers in (out)	134,491	(286,696)	176,000	-	23,795	-
Change in net assets	82,442	(389,578)	1,150	216,370	(89,616)	14,284
NET ASSETS, BEGINNING	<u>3,956,426</u>	<u>5,053,641</u>	<u>1,570,652</u>	<u>444,727</u>	<u>11,025,446</u>	<u>(14,263)</u>
NET ASSETS, ENDING	<u>\$ 4,038,868</u>	<u>\$ 4,664,063</u>	<u>\$ 1,571,802</u>	<u>\$ 661,097</u>	<u>\$ 10,935,830</u>	<u>\$ 21</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds					Governmental
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 1,503,549	\$ 1,983,934	\$ 442,133	\$ 546,139	\$ 4,475,755	\$ 779,534
Cash paid to employees and others for salaries and benefits	(405,006)	(516,741)	(283,592)	(152,840)	(1,358,179)	(533,682)
Cash paid to suppliers and others	(571,397)	(288,961)	(232,905)	(150,841)	(1,244,104)	(212,524)
Net cash provided by operating activities	527,146	1,178,232	(74,364)	242,458	1,873,472	33,328
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in (out)	134,491	(286,696)	176,000	-	23,795	-
Net cash provided by non-capital financing activities	134,491	(286,696)	176,000	-	23,795	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(13,470)	(1,011,490)	-	(487,842)	(1,512,802)	-
Proceeds from capital assets	-	-	-	157,668	157,668	-
Debt principal payments	(267,386)	(582,038)	(115,000)	(19,924)	(984,348)	-
Interest paid	(142,027)	(366,539)	(47,090)	-	(555,656)	-
Bond costs	-	-	4,787	-	4,787	-
Loss on capital assets	-	-	-	-	-	3,658
Net cash provided by capital and related financing activities	(422,883)	(1,960,067)	(157,303)	(350,098)	(2,890,351)	3,658
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	25,567	89,587	9,556	3,788	128,498	-
Net cash provided by investing activities	25,567	89,587	9,556	3,788	128,498	-
Net increase in cash and cash equivalents	264,321	(978,944)	(46,111)	(103,852)	(864,586)	36,986
CASH AND CASH EQUIVALENTS, BEGINNING	609,953	2,484,695	152,936	369,614	3,617,198	1,122
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 874,274</u>	<u>\$ 1,505,751</u>	<u>\$ 106,825</u>	<u>\$ 265,762</u>	<u>\$ 2,752,612</u>	<u>\$ 38,108</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$ 61,250	\$ 167,779	\$ (159,490)	\$ 214,038	\$ 283,577	\$ 14,284
Adjustments						
Depreciation and amortization	390,462	470,020	101,919	31,279	993,680	-
Decrease (increase) in:						
Accounts receivable and due from other funds	1,025	(97)	-	(900)	28	98
Inventories	8,372	(6,721)	-	-	1,651	-
Assessments receivable	3,689	-	-	-	3,689	-
Increase (decrease) in:						
Accounts payable and accrued expenses	5,004	501,229	(34,768)	(11,387)	460,078	(1,480)
Payroll liabilities	7,145	9,398	4,454	2,667	23,664	-
Deferred revenue	(3,689)	-	-	-	(3,689)	20,426
Accrued compensated absences	53,888	36,624	13,521	6,761	110,794	-
Net cash provided by operating activities	<u>\$ 527,146</u>	<u>\$ 1,178,232</u>	<u>\$ (74,364)</u>	<u>\$ 242,458</u>	<u>\$ 1,873,472</u>	<u>\$ 33,328</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS
Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results.

Agency Funds

Municipal Court Agency Fund

The Municipal Court Agency Fund is used to account for bail held by the City pending the outcome of judicial action.

**CITY OF FLORENCE, OREGON
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008**

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 21,081
Total assets	<u>\$ 21,081</u>
LIABILITIES:	
Accounts payable and accrued expenses	<u>\$ 21,081</u>
Total liabilities	21,081
NET ASSETS:	<u>-</u>
Total liabilities and net assets	<u>\$ 21,081</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

1. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Reporting Entity

The City is a municipal corporation governed by an elected mayor and four-member council. As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The City has no blended or discretely presented component units.

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

C. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The new GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds for 2008:

- *General Fund*
- *Street Fund*
- *Bancroft Bond Fund*
- *Grants Projects Fund*

The City reports each of its four proprietary funds as major funds. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent five segments of operations – Water, Wastewater, Events Center, and Storm Water. The City reports the following proprietary funds:

- *Water Operations*
- *Wastewater Operations*
- *Events Center Operations*
- *Storm Water Operations*

Fiduciary Funds reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The agency funds of the City are:

- *Municipal Court Agency Fund*

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

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The government-wide financial statements and the Proprietary Funds Financial Statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide Statement of Net Assets, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and bases of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expended to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

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

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financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's Water, Wastewater, Storm Water, and Events Center Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary financial statements have incorporated all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

E. Cash and Investments

For the purposes of the statement of cash flows the City considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

F. Receivables

Uncollected property taxes receivable collected within sixty days following year end are considered measurable and available and are recognized as revenues. All other uncollected property taxes receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent.

Assessments receivable are recognized at the time property owners are assessed for property improvements. Assessments receivable expected to be collected within sixty days following year end and are considered measurable and available and are recognized as revenue. All other assessments receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue.

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Receivables for grants and state shared revenues, included in accounts receivable are recorded as revenues in governmental fund types as earned. Receivables of the proprietary fund types are recorded as revenues as earned, including services earned but not billed

G. Interfund Loans Receivables/Payables

Short-term interfund loans are classified as “Due to and due from other funds”.

H. Inventories

Inventories in the Water and Wastewater Funds consist of expendable supplies held for maintenance and improvements. Inventories are stated at cost using the consumption method.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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. No interest costs were capitalized during the year ended June 30, 2008.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	40
Improvements	25
Infrastructure	25–40
Vehicles	5
Furniture & Equipment	5

Monthly depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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J. Deferred Revenues

Deferred revenues represent uncollected property taxes and other revenues not deemed available to finance operations of the current period.

K. Compensated Absences

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, accumulated vested vacation pay is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Funds used to liquidate accrued compensated absences included the general fund, street fund, building program fund, water fund, wastewater fund, event center fund, and the storm water fund.

L. Net Assets and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net assets. The City's other restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations 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.

M. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

N. Accounting Estimates

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

CITY OF FLORENCE
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2. Cash and Cash Equivalents

At June 30, 2008 investments included in cash and cash equivalents consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 5,044,900

A. Interest rate risk

The City of Florence does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Credit risk

State statutes authorize the City of Florence to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company.

The City's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

C. Concentration of credit risk

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

The City has a concentration in the Local Government Investment Pool representing 70% of cash and cash equivalents at June 30, 2008.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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D. Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. Oregon Revised Statutes requires the depository institution to maintain on deposit, with a collateral pool manager, security having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager. However, in accordance with State statutes, the State Treasurer allows certain depository banks to be the custodian with respect to their own pledged collateral securities. For these institutions, the State Treasurer is the collateral pool manager. The total bank balance, at June 30, 2008, shown on the bank statements was \$2,532,986. Of these deposits, \$158,591 was covered by federal depository insurance. The balances of \$2,374,395 covered by \$4,000,000 in collateral certificates held by the pledging financial institutions' trust department or agent, but not in the government's name.

3. Property Taxes and Assessments Receivable

Property taxes receivable, which have been collected within sixty days subsequent to year end, are considered measurable and available and are therefore recognized as revenue.

All other property taxes receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied as of July 1 of each fiscal year on values assessed as of that date. Property taxes attach as an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Lane County and remitted to the City.

Assessments receivable are amounts billed to property owners upon completion of the benefiting project.

Uncollected taxes and assessments are deemed to be substantially collectible or recoverable through liens. Therefore, no allowance for uncollectible accounts has been established.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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4. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 1,857,306	\$ -	\$ -	\$ 1,857,306
Construction in progress	166,100	1,423,724	-	1,589,824
Total capital assets, non-depreciable	2,023,406	1,423,724	-	3,447,130
Capital assets, depreciable:				
Buildings and improvements	6,677,832	-	-	6,677,832
Equipment and vehicles	1,734,228	75,007	(56,114)	1,753,121
Infrastructure	6,361,818	56,133	-	6,417,951
Total capital assets, depreciable	14,773,878	131,140	(56,114)	14,848,904
Total	16,797,284	1,554,864	(56,114)	18,296,034
Less accumulated depreciation for:				
Buildings and improvements	(2,140,365)	(198,881)	-	(2,339,246)
Equipment and vehicles	(1,385,148)	(80,901)	56,114	(1,409,935)
Infrastructure	(2,316,671)	(247,936)	-	(2,564,607)
Total accumulated depreciation	(5,842,184)	(527,718)	56,114	(6,313,789)
Net depreciable capital assets	8,931,694	(396,578)	-	8,535,116
Net capital assets	\$ 10,955,100	\$ 1,027,146	\$ -	\$ 11,982,246
Business-type activities totals				
Capital Assets, non-depreciable:				
Land	\$ 322,253	\$ -	\$ -	\$ 322,253
Construction in progress	-	1,050,550	-	1,050,550
Total capital assets, non-depreciable	322,253	1,050,550	-	1,372,803
Capital assets, depreciable:				
Building and improvements	23,201,859	-	-	23,201,859
Utility systems	8,255,721	260,913	-	8,516,634
Equipment and vehicles	1,532,430	201,339	(9,300)	1,724,469
Total capital assets, depreciable	32,990,010	462,252	(9,300)	33,442,962
Total	33,312,263	1,512,802	(9,300)	34,815,765
Less accumulated depreciation for:				
Building and improvements	(5,925,711)	(702,731)	-	(6,628,442)
Utility systems	(5,169,207)	(229,856)	-	(5,399,063)
Equipment and vehicles	(1,349,788)	(61,093)	9,300	(1,401,581)
Total accumulated depreciation	(12,444,706)	(993,680)	9,300	(13,429,086)
Net depreciable capital assets	20,545,304	(531,428)	-	20,013,876
Net capital assets	\$ 20,867,557	\$ 519,122	\$ -	\$ 21,386,679

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ (2,086)
Public safety	(131,889)
Economic development	(13,715)
Highways & streets	(282,968)
Airport	(54,900)
Culture and recreation	(42,160)
Total depreciation expense - governmental activities	<u>\$ (527,718)</u>
Business-type activities:	
Events Center	\$ (101,919)
Wastewater	(470,020)
Water	(390,462)
Storm Water	(31,279)
Total depreciation expense - business-type activities	<u>\$ (993,680)</u>

5. Interfund Receivables, Payables, and Transfers

A. Interfund Receivables and Payables

Interfund balances which represent unsettled overdrafts of pooled cash as of June 30, 2008, are as follows:

	Due to Other Funds	Due From Other Funds
General Fund	\$ -	\$ 24,475
Room Tax Fund	4,575	-
911 Emergency Fund	19,900	-
	<u>\$ 24,475</u>	<u>\$ 24,475</u>

B. Interfund Transfers

	Transfer In	Transfer Out
Major Governmental Funds:		
General Fund	\$ 331,135	\$ -
Total Major Governmental Funds	<u>331,135</u>	<u>-</u>
Non-major Governmental Funds:		
911 Emergency Fund	-	178,930
RTMP Grant Fund	-	65,000
Room Tax Fund	-	111,000
Total Non-major Governmental Funds	<u>-</u>	<u>354,930</u>

CITY OF FLORENCE
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Proprietary Funds:		
Water Fund	468,000	333,509
Wastewater Fund	195,000	481,696
Events Center	176,000	-
Total Proprietary Funds	<u>839,000</u>	<u>815,205</u>
Total All Funds	<u>\$ 1,170,135</u>	<u>\$ 1,170,135</u>

Interfund transfers are used to pay for administrative services provided by the general fund and contribute to the cost of capital projects.

6. Long Term Debt

During the year ended June 30, 2008, long-term liability activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
Bonds payable	\$ 2,085,000	\$ -	\$ (235,000)	\$ 1,850,000	\$ 230,000
Notes payable	408,961	2,000,000	(33,803)	2,375,158	34,186
Special assessments	<u>460,000</u>	<u>-</u>	<u>(90,000)</u>	<u>370,000</u>	<u>50,000</u>
Total bonds and notes payable	<u>2,953,961</u>	<u>2,000,000</u>	<u>(358,803)</u>	<u>4,595,158</u>	<u>314,186</u>
Compensated absences	<u>168,789</u>	<u>242,894</u>	<u>(168,789)</u>	<u>242,894</u>	<u>242,894</u>
Total governmental activities	<u>\$ 3,122,750</u>	<u>\$ 2,242,894</u>	<u>\$ (527,592)</u>	<u>\$ 4,838,052</u>	<u>\$ 557,080</u>
Business-type Activities					
Bonds payable	\$ 1,435,525	\$ -	\$ (187,763)	\$ 1,247,762	\$ 192,762
Capital lease payable	-	157,668	(19,924)	137,744	8,319
Notes payable	10,089,710	-	(602,929)	9,486,781	625,416
Special assessments	<u>2,185,000</u>	<u>-</u>	<u>(110,000)</u>	<u>2,075,000</u>	<u>115,000</u>
Total bonds and notes payable	<u>13,710,235</u>	<u>157,668</u>	<u>(920,616)</u>	<u>12,947,287</u>	<u>941,497</u>
Compensated absences	<u>143,784</u>	<u>190,846</u>	<u>(143,784)</u>	<u>190,846</u>	<u>190,846</u>
Total business-type activities	<u>\$13,854,019</u>	<u>\$ 348,514</u>	<u>\$ (1,064,400)</u>	<u>\$13,138,133</u>	<u>\$ 1,132,343</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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A. Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as twenty-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2008 are as follows:

Governmental Activities

During 1998 the City issued \$2,615,000 of advanced refunded general obligation debt at 3.70% - 4.60% on its original justice center construction bond. Semiannual payments are made from assessments on the property benefiting from the improvements. Bond principal and interest is payable semiannually through September 2014.

\$ 1,850,000

Total bonds payable

\$ 1,850,000

Annual debt service requirements to maturity for bonds payable are as follows:

Governmental Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 230,000	\$ 77,538	\$ 307,538
2010	245,000	67,264	312,264
2011	250,000	56,435	306,435
2012	265,000	45,039	310,039
2013	275,000	32,955	307,955
2014-2018	585,000	27,184	612,184
Total	<u>\$ 1,850,000</u>	<u>\$ 306,415</u>	<u>\$ 2,156,415</u>

CITY OF FLORENCE
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The City also issues bonds where income derived from acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding, net of unamortized discount of \$2,238, are as follows as of June 30, 2008:

Business Type Activities

In 1999, the City issued bonds in the amount of \$225,000 at 4.25% - 5.25% for sewer main reconstruction. Bond principal and interest is payable semiannually through June 2009.	\$ 25,000
On August 1, 1998, the City issued bonds in the amount of \$640,000 at 3.50% - 4.80% for water plant expansion. Bond principal and interest is payable semiannually through April 2011.	172,762
On July 1, 2004, the City issued bonds in the amount of \$1,480,000 at 3.37% (average) for 1995 full faith and credit refunding obligations. Bond principal and interest is payable semiannually through August 2015.	<u>1,050,000</u>
Total bonds payable	<u>\$ 1,247,762</u>

Annual debt service requirements to maturity for bonds payable are as follows:

Business Type Activities

Year Ending June 30,	Principal	Interest	Total
2009	\$ 192,762	\$ 47,772	\$ 240,534
2010	185,000	39,763	224,763
2011	185,000	32,351	217,351
2012	125,000	24,878	149,878
2013	135,000	20,096	155,096
2014-2018	<u>425,000</u>	<u>27,578</u>	<u>452,578</u>
Total	<u>\$ 1,247,762</u>	<u>\$ 192,438</u>	<u>\$ 1,440,200</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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B. General Obligation Notes Payable

General obligation notes payable consist of three long-term notes obtained from the Special Public Works Fund of the Oregon Economic Development Department, one long-term note from the State of Oregon Revolving Fund and one local improvement district bond anticipation note from U.S Bank National Association. The following schedule provides specific information about these notes:

Governmental Activities

On September 6, 1996, the City received proceeds in the amount of \$611,000 from the Special Public Works Fund of the Oregon Economic Development Department (OEDD) for systems improvements for the airport business park infrastructure. Loan principal and interest is payable annually at 5.32% through December 2016.	\$ 357,175
On March 15, 2004, the City received proceeds in the amount of \$31,793 from the Oregon Housing and Community Services program for improvements to the 2 nd Street parking lot. Loan principal and interest is payable annually at 3.00% through March 2019.	17,983
On December 19, 2007, the City received proceeds in the amount of \$2,000,000 for Spruce Street local improvements. The note is due December 2009 or upon completion of the project, whichever is earlier. The note bears interest at 4.10% and is payable at the maturity date.	<u>2,000,000</u>
Total notes payable	<u>\$ 2,375,158</u>

Annual debt service requirements to maturity for notes payable are as follows:

Governmental Activities			
Year Ending June 30,	Principal	Interest	Total
2009	\$ 34,186	\$ 20,073	\$ 54,259
2010	39,593	18,322	57,915
2011	40,021	16,273	56,294
2012	40,469	14,205	54,674
2013	39,561	12,080	51,641
2014-2018	<u>181,328</u>	<u>25,597</u>	<u>206,925</u>
Total	<u>\$ 375,158</u>	<u>\$ 106,550</u>	<u>\$ 481,708</u>
Anticipation Note	<u>2,000,000</u>		
Total	<u>\$ 2,375,158</u>		

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Business-Type Activities

<p>During 1994 the City received 1,147,000 of financing from Special Public Works Fund of the Oregon Economic Development Department (OEDD) to finance expansion of the City's water plant. Annual payments on the 20 year loan are made from revenues from the water users. The annual interest rate is 5.8%. Loan principal and interest is payable annually through December 2014.</p>	\$ 553,138
<p>On June 21, 1995, the City received \$120,000 of financing from Special Public Works Fund of the Oregon Economic Development Department (OEDD) to finance improvements to the City's water system. The annual interest rate is 6%. Loan principal and interest is payable annually through December 2014.</p>	57,458
<p>During 1998 the City received \$12,043,197 of financing from the State Revolving Fund for expansion of the wastewater system. This project was completed in fiscal year 2001-2002. Loan principal and interest is payable semiannually through February 2021. The annual interest rate is 3.4%</p>	<u>8,876,185</u>
Total notes payable	<u>\$ 9,486,781</u>

Annual debt service requirements to maturity for notes payable are as follows:

<u>Business-Type Activities</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 625,416	\$ 335,288	\$ 960,704
2010	648,779	311,928	960,707
2011	673,048	287,655	960,703
2012	698,265	262,440	960,705
2013	724,466	236,238	960,704
2014-2018	3,707,384	770,107	4,477,491
2019-2023	<u>2,409,423</u>	<u>146,676</u>	<u>2,556,099</u>
Total	<u>\$ 9,486,781</u>	<u>\$ 2,350,332</u>	<u>\$ 11,837,113</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

C. Special Assessments

The City has issued special assessment debt in past years for construction of streets and water system expansion. These bonds will be repaid from amounts levied against property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency.

Governmental Activities

During 1994 the City issued \$610,000 of series 1994 of GO bonds. This Series bond pays interest of 4.90% -6.20%. The bond matures in September 2012. Loan principal and interest is payable semiannually through September 2012. 155,000

During 1998-99 the City issued \$ 350,000 Limited Tax Improvement bonds (Series 1998). This Series 1998 bond pays interest of 3.80% - 5.10%. Loan principal and interest is payable semiannually through September 2018. 215,000

Total special assessments \$ 370,000

Annual debt service requirements to maturity for special assessment debt are as follows:

Governmental Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 50,000	\$ 18,936	\$ 68,936
2010	50,000	16,110	66,110
2011	50,000	13,275	63,275
2012	50,000	10,425	60,425
2013	50,000	7,560	57,560
2014-2018	100,000	17,850	117,850
2019-2023	20,000	510	20,510
Total	<u>\$ 370,000</u>	<u>\$ 84,666</u>	<u>\$ 454,666</u>

Business-Type Activities

During 2003, the City issued \$2,670,000 of Water GO bonds for water system improvement. The bond pays interest of 2.00% - 4.60%. The bond matures in June 2022. Loan principal and interest is payable semiannually through June 2022. \$ 2,075,000

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Annual debt service requirements to maturity for special assessment debt are as follows:

<u>Business-Type Activities</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 115,000	\$ 85,763	\$ 200,763
2010	120,000	82,313	202,313
2011	125,000	78,413	203,413
2012	125,000	71,694	196,694
2013	130,000	66,718	196,718
2014-2018	740,000	259,475	999,475
2019-2023	720,000	84,155	804,155
Total	<u>\$ 2,075,000</u>	<u>\$ 728,531</u>	<u>\$ 2,803,531</u>

D. Capital Leases

The City has entered into a lease agreement for financing the acquisition of certain equipment. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is an analysis of equipment leased under capital leases as of June 30, 2008.

	<u>Lease Obligation</u>	<u>Equipment Carrying Value</u>
Stormwater Fund:		
Elgin Crosswind Sweeper, 5.07%, \$11,811 annual payment including interest, final payment due February 07, 2015.	<u>\$ 137,744</u>	<u>\$ 157,688</u>
Total	<u>\$ 137,744</u>	<u>\$ 157,688</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2008.

<u>Years ending</u> <u>June 30,</u>	General Fund Amount
2009	\$ 11,811
2010	11,811
2011	11,811
2012	11,811
2013	11,811
2014-2018	59,054
2019-2023	<u>47,243</u>
Total minimum lease payments	165,352
Less amount representing interest	<u>(27,608)</u>
Present value of future minimum lease payments	<u>\$ 137,744</u>

E. Interim Financing Loan

On May 2, 2008 the City entered into a loan agreement with the Oregon Economic and Community Development Department to receive a loan in the amount of \$1,144,500 to finance the Florence Wastewater Transmission Line & Intersection Improvements. The maximum term of the loan is 2.5 years and has an annual interest rate of 2.91%. As of June 30, 2008, the City had not drawn on the loan.

7. Jointly Governed Organization

High speed communication corporations have installed fiber optic lines through cities from Bandon to Florence without providing local governments and commercial companies an opportunity to connect to world markets through their high speed communication systems. Lack of such communication opportunities could hinder economic development within the South Central Coast area. Meetings of representatives from Coos Bay/North Bend, Bandon, Coquille, Florence, Douglas, Cottage Grove, Coos County, Lane County, Reedsport, Eugene, Springfield and high-speed communication consultants were held and it was decided that the communities should form the Fiber South Consortium for the control and operation of a fiber optic system. The consortium successfully negotiated with Williams Communication Corporation for fiber lines for use by the Consortium. As of June 30, 2008, the Consortium had not yet placed these fiber lines into use for local entities and companies needing high-speed communication capabilities.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

8. Pension Plan

A. Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

B. Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan.

The OPERF rate in effect for the year ended June 30, 2008 was 9.82% and the annual pension cost was \$452,879. This was comprised of \$281,836 in employer contributions and \$171,043 of employee contributions. The OPSRP rates in effect for the year ended June 30, 2008 were 10.19% for general employees 13.46% for police and fire employees. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

C. Annual Pension Cost

The following table presents three-year trend information for the City's employee pension plan:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 428,902	100%	\$ -
6/30/07	465,961	100%	-
6/30/08	452,879	100%	-

9. Intergovernmental Agreement

In April of 1999, the City entered into an agreement with Siuslaw Rural Fire Protection District, pursuant to ORS 190.010. Under the agreement, the City turned over ownership of all assets of the fire department to the District on June 30, 1999. The City paid the sum of \$212,806 during the year ended June 30, 2008 to the District to provide fire protection and emergency services to the City. Adjustments to the amount of compensation to the District will be renegotiated annually. The amount negotiated for the fiscal year ending June 30, 2009 is \$229,830. The contract will remain in effect for an indefinite term, but may be terminated by either party with one-year advance notice.

10. Risk Management

The City is exposed to various risks of loss related to errors and omissions; automobile; damage to or destruction of assets; bodily injury; and worker's compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

11. Contingencies and Commitments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although the City expects such amounts, if any, to be immaterial.

Management and the City's legal counsel are not aware of any contingencies that would require disclosure under Statement of Financial Accounting Standards No. 5.

The City has recognized as a liability on that portion of construction contracts representing construction completed through June 30, 2008.

The City is committed under various construction contracts at June 30, 2008. Projects in progress at June 30, 2008 are summarized as follows:

The project budget for the Phase 2 Spruce Street LID totals \$1,020,104.00. As of June 30, 2008, \$605,485.45 has been expended. The project is 59% complete and expenditures total 59% of the project budget.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

The project budget for the Rhododendron Drive Force Main Replacement project totals \$793,430.00. As of June 30, 2008, \$218,476.25 has been expended. The project is 28% complete and expenditures total 28% of the project budget

The project budget for the Joint Trench Agreement totals \$585,589.08. As of June 30, 2008, \$511,570.61 has been expended. The project is 87% complete and expenditures total 87% of the project budget.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- **Budgetary Comparison Schedules**
 - General Fund
 - Street Fund
 - Grants Projects Fund

CITY OF FLORENCE, OREGON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,785,000	\$ 1,785,000	\$ 1,837,840	\$ 52,840
Franchise taxes	389,500	389,500	478,708	89,208
Licenses and fees	118,000	118,000	143,083	25,083
Intergovernmental	161,500	161,500	174,625	13,125
Fines and forfeitures	240,000	240,000	237,082	(2,918)
Charges for services	6,000	6,000	4,530	(1,470)
Interest revenue	45,000	45,000	130,197	85,197
Miscellaneous revenue	51,200	51,200	30,687	(20,513)
Total revenues	<u>2,796,200</u>	<u>2,796,200</u>	<u>3,036,752</u>	<u>240,552</u>
EXPENDITURES:				
General government	301,658	306,658	291,637	15,021
Public safety	2,492,646	2,496,146	2,312,316	183,830
Economic development	419,849	419,849	418,637	1,212
Culture and recreation	211,764	211,764	208,732	3,032
Capital outlay	122,490	122,490	26,068	96,422
Contingency	148,810	140,310	-	140,310
Total expenditures	<u>3,697,217</u>	<u>3,697,217</u>	<u>3,257,390</u>	<u>439,827</u>
Revenues over (under) expenditures	(901,017)	(901,017)	(220,638)	680,379
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>341,017</u>	<u>341,017</u>	<u>331,135</u>	<u>(9,882)</u>
Total other financing sources (uses)	<u>341,017</u>	<u>341,017</u>	<u>331,135</u>	<u>(9,882)</u>
Net changes in fund balances	(560,000)	(560,000)	110,497	670,497
FUND BALANCE, BEGINNING	<u>560,000</u>	<u>560,000</u>	<u>626,078</u>	<u>66,078</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,575</u>	<u>\$ 736,575</u>

CITY OF FLORENCE, OREGON
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 640,000	\$ 640,000	\$ 403,843	\$ (236,157)
Assessments	14,650	14,650	35,753	21,103
Interest revenue	19,400	19,400	15,747	(3,653)
Miscellaneous revenue	12,500	12,500	14,766	2,266
Total revenues	<u>686,550</u>	<u>686,550</u>	<u>470,109</u>	<u>(216,441)</u>
EXPENDITURES:				
Personal service	93,890	93,890	89,638	4,252
Materials and service	453,162	453,162	370,680	82,482
Capital outlay	2,734,317	2,734,317	1,528,817	1,205,500
Contingency	181	181	-	181
Total expenditures	<u>3,281,550</u>	<u>3,281,550</u>	<u>1,989,135</u>	<u>1,292,415</u>
Revenues over (under) expenditures	(2,595,000)	(2,595,000)	(1,519,026)	1,075,974
OTHER FINANCING SOURCES (USES):				
Issuance of debt	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,000,000</u>	<u>(500,000)</u>
Total other financing sources (uses)	2,500,000	2,500,000	2,000,000	(500,000)
Net changes in fund balances	(95,000)	(95,000)	480,974	575,974
FUND BALANCES, BEGINNING	<u>100,000</u>	<u>100,000</u>	<u>107,341</u>	<u>7,341</u>
FUND BALANCES, ENDING	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 588,315</u>	<u>\$ 583,315</u>

**CITY OF FLORENCE, OREGON
GRANTS PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants and contributions	\$ 2,000,000	\$ 2,000,000	\$ 57,135	\$ (1,942,865)
Total revenues	2,000,000	2,000,000	57,135	(1,942,865)
EXPENDITURES:				
Personal service	40,082	65,082	50,825	14,257
Materials and service	57,700	57,700	-	57,700
Capital outlay	1,902,218	1,877,218	-	1,877,218
Total expenditures	2,000,000	2,000,000	50,825	1,949,175
Net changes in fund balances	-	-	6,310	6,310
FUND BALANCES, BEGINNING	-	-	14,788	14,788
FUND BALANCES, ENDING	\$ -	\$ -	\$ 21,098	\$ 21,098

CITY OF FLORENCE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008

Stewardship, Compliance, and Accountability

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution. The City budgets all funds, except the Fiduciary Funds, as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking the approval of the Council. The city had several appropriation transfers during the year-ended June 30, 2008. The city had a supplemental budget during the year-ended June 30, 2008. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2008:

Fund	Budget Category	Amount of Over-Expenditure
Storm Water	Capital Outlay	23,691

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Enterprise Funds
- Other Financial Schedules

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

These funds account for revenue derived from specific taxes or other earmarked revenue sources, which are legally restricted to expenditures for specified purposes. Funds included in this category are:

Room Tax Fund

The Room Tax Fund is used to account for The City's room tax receipts. These taxes are used to help support the Florence Events Center and to accomplish specific Chamber of Commerce and tourism-

911 Emergency Fund

The 911 Emergency Fund is used to account for revenue from the 911 telephone tax and user fees from various special districts for operation of the Western Lane County Public Safety Answering Point

Rehab Loan Fund

The Rehab Loan Fund was created to account for revenues and expenditures under the Community Development Block Grant Program. The federal program allows the City through grants to make low interest loans to low-income homeowners for housing rehabilitation through the Lane Regional Housing Rehabilitation Program. The City also uses some repaid CDBG monies to operate its own loan

Airport Capital Project Fund

The Airport Capital Project Fund is used to account for improvement/upgrade of the City's airport facilities.

Building Program Fund

The Building Program Fund accounts for the receipt of building-related revenues and contracted building inspection services.

Airport Operations Fund

The Airport Operations Fund is used to account for the development and operation of the City's public airport and Business Park.

Street Systems Development Fund

The Street Systems Development Fund is used to account for major street improvements. The primary source of revenues is street system development fees on new construction within the City.

RTMP Grant Fund

The RTMP grant Fund accounts for Rural Tourism Marketing and Promotion grant funds

Debt Service Funds

These funds are used to account for revenues and expenditures related to the servicing of general long-

General Obligation Debt Service Fund

The General Obligation Debt Service Fund is used to account for general obligation bonds. Currently, a bond for the construction of the Justice Center is accounted for in this fund.

Bancroft Bond Fund

The Bancroft Bond Fund is used to account for special assessments receivable and the servicing of related bonded debt. The fund is financed through special assessment principal and interest collections.

**CITY OF FLORENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,668,041	\$ 276,132	\$ 1,944,173
Property taxes receivable	-	16,532	16,532
Accounts receivable	84,821	232	85,053
Notes receivable	116,715	-	116,715
	<u>116,715</u>	<u>-</u>	<u>116,715</u>
Total assets	<u>\$ 1,869,577</u>	<u>\$ 292,940</u>	<u>\$ 2,162,517</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 25,874	\$ -	\$ 25,874
Due to other funds	24,475	-	24,475
Deferred revenue	168,417	15,284	183,701
	<u>168,417</u>	<u>15,284</u>	<u>183,701</u>
Total liabilities	<u>218,766</u>	<u>15,284</u>	<u>234,050</u>
FUND BALANCES:			
Reserved for:			
Debt service	-	277,656	277,656
Unreserved, reported in:			
Special revenue fund	1,650,811	-	1,650,811
	<u>1,650,811</u>	<u>-</u>	<u>1,650,811</u>
Total fund equity	<u>1,650,811</u>	<u>277,656</u>	<u>1,928,467</u>
Total liabilities and fund equity	<u>\$ 1,869,577</u>	<u>\$ 292,940</u>	<u>\$ 2,162,517</u>

**CITY OF FLORENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2008**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total
REVENUES:			
Taxes	\$ 125,950	\$ 316,692	\$ 442,642
Licenses and fees	41,436	-	41,436
Intergovernmental	60,600	-	60,600
Assessments	78,650	-	78,650
Grants and contributions	74,443	-	74,443
Charges for services	229,625	-	229,625
Permits	239,247	-	239,247
Interest revenue	55,985	78	56,063
Miscellaneous revenue	293,609	-	293,609
Total revenues	<u>1,199,545</u>	<u>316,770</u>	<u>1,516,315</u>
EXPENDITURES:			
General government	341,964	-	341,964
Highways and streets	447	-	447
Airport	100,050	-	100,050
Culture and recreation	35,250	-	35,250
Debt service:			
Principal	30,261	228,542	258,803
Interest	21,122	88,310	109,432
Total expenditures	<u>529,094</u>	<u>316,852</u>	<u>845,946</u>
Revenues over (under) expenditures	670,451	(82)	670,369
OTHER FINANCING SOURCES (USES):			
Transfers out	<u>(354,930)</u>	<u>-</u>	<u>(354,930)</u>
Total other financing sources (uses)	<u>(354,930)</u>	<u>-</u>	<u>(354,930)</u>
Net changes in fund balances	315,521	(82)	315,439
FUND BALANCES, BEGINNING	<u>1,335,290</u>	<u>277,738</u>	<u>1,613,028</u>
FUND BALANCES, ENDING	<u>\$ 1,650,811</u>	<u>\$ 277,656</u>	<u>\$ 1,928,467</u>

**CITY OF FLORENCE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2008**

	<u>Room Tax Fund</u>	<u>911 Emergency Fund</u>	<u>Rehab Loan Fund</u>	<u>Airport Capital Project Fund</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 102,933	\$ 711
Accounts receivable	12,481	20,638	48,938	-
Notes receivable	-	-	-	-
Total assets	<u>\$ 12,481</u>	<u>\$ 20,638</u>	<u>\$ 151,871</u>	<u>\$ 711</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -
Due to other funds	4,575	19,900	-	-
Deferred revenue	-	-	48,938	-
Total liabilities	<u>4,575</u>	<u>19,900</u>	<u>48,938</u>	<u>-</u>
FUND BALANCES:				
Unreserved, reported in:				
Special revenue fund	<u>7,906</u>	<u>738</u>	<u>102,933</u>	<u>711</u>
Total fund equity	<u>7,906</u>	<u>738</u>	<u>102,933</u>	<u>711</u>
Total liabilities and fund equity	<u>\$ 12,481</u>	<u>\$ 20,638</u>	<u>\$ 151,871</u>	<u>\$ 711</u>

<u>Building Program Fund</u>	<u>Airport Operations Fund</u>	<u>Street Systems Development Fund</u>	<u>RTMP Grant Fund</u>	<u>Total</u>
\$ 302,280	\$ 510,088	\$ 747,222	\$ 4,807	\$ 1,668,041
-	2,764	-	-	84,821
-	116,715	-	-	116,715
<u>\$ 302,280</u>	<u>\$ 629,567</u>	<u>\$ 747,222</u>	<u>\$ 4,807</u>	<u>\$ 1,869,577</u>
\$ 23,117	\$ 2,757	\$ -	\$ -	\$ 25,874
-	-	-	-	24,475
-	119,479	-	-	168,417
<u>23,117</u>	<u>122,236</u>	<u>-</u>	<u>-</u>	<u>218,766</u>
<u>279,163</u>	<u>507,331</u>	<u>747,222</u>	<u>4,807</u>	<u>1,650,811</u>
<u>279,163</u>	<u>507,331</u>	<u>747,222</u>	<u>4,807</u>	<u>1,650,811</u>
<u>\$ 302,280</u>	<u>\$ 629,567</u>	<u>\$ 747,222</u>	<u>\$ 4,807</u>	<u>\$ 1,869,577</u>

CITY OF FLORENCE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2008

	Room Tax Fund	911 Emergency Fund	Rehab Loan Fund	Airport Capital Project Fund
REVENUES:				
Taxes	\$ 125,950	\$ -	\$ -	\$ -
Licenses and fees	-	-	-	-
Intergovernmental	-	59,750	-	-
Assessments	-	-	-	-
Grants and contributions	-	-	-	-
Charges for services	-	117,911	-	-
Permits	-	-	-	-
Interest revenue	-	464	4,097	22
Miscellaneous revenue	-	-	-	-
Total revenues	<u>125,950</u>	<u>178,125</u>	<u>4,097</u>	<u>22</u>
EXPENDITURES:				
General government	-	-	-	-
Highways and streets	-	-	-	-
Airport	-	-	-	-
Culture and recreation	35,250	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>35,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	90,700	178,125	4,097	22
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(111,000)</u>	<u>(178,930)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(111,000)</u>	<u>(178,930)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(20,300)	(805)	4,097	22
FUND BALANCES, BEGINNING	<u>28,206</u>	<u>1,543</u>	<u>98,836</u>	<u>689</u>
FUND BALANCES, ENDING	<u>\$ 7,906</u>	<u>\$ 738</u>	<u>\$ 102,933</u>	<u>\$ 711</u>

<u>Building Program Fund</u>	<u>Airport Operations Fund</u>	<u>Street Systems Development Fund</u>	<u>RTMP Grant Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 125,950
41,436	-	-	-	41,436
850	-	-	-	60,600
-	-	78,650	-	78,650
-	-	-	74,443	74,443
97,940	13,774	-	-	229,625
239,247	-	-	-	239,247
6,480	20,505	24,417	-	55,985
4,679	288,930	-	-	293,609
<u>390,632</u>	<u>323,209</u>	<u>103,067</u>	<u>74,443</u>	<u>1,199,545</u>
318,964	-	-	23,000	341,964
-	-	447	-	447
-	100,050	-	-	100,050
-	-	-	-	35,250
-	30,261	-	-	30,261
-	21,122	-	-	21,122
<u>318,964</u>	<u>151,433</u>	<u>447</u>	<u>23,000</u>	<u>529,094</u>
71,668	171,776	102,620	51,443	670,451
-	-	-	(65,000)	(354,930)
-	-	-	(65,000)	(354,930)
71,668	171,776	102,620	(13,557)	315,521
207,495	335,555	644,602	18,364	1,335,290
<u>\$ 279,163</u>	<u>\$ 507,331</u>	<u>\$ 747,222</u>	<u>\$ 4,807</u>	<u>\$ 1,650,811</u>

CITY OF FLORENCE, OREGON
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Municipal Court Agency Fund				
Assets				
Cash	<u>\$ 12,976</u>	<u>\$ 8,105</u>	<u>\$ -</u>	<u>\$ 21,081</u>
Liabilities				
Other current liabilities	<u>\$ 12,976</u>	<u>\$ 8,105</u>	<u>\$ -</u>	<u>\$ 21,081</u>

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary Comparison schedules includes the following:

- General Fund Schedule of Expenditures
- Special Revenue Funds
 - Room Tax Fund
 - 911 Emergency Fund
 - Rehab Loan Fund
 - Airport Capital Project Fund
 - Building Program Fund
 - Airport Operations Fund
 - Street Systems Development Fund
 - RTMP Grant Fund
- Debt Service Funds
 - General Obligation Debt Service Fund
 - Bancroft Bond Fund

**CITY OF FLORENCE, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Police operations:				
Personal services	\$ 1,826,114	\$ 1,826,114	\$ 1,705,893	\$ 120,221
Materials and services	452,132	452,132	390,302	61,830
Capital outlay	18,000	18,000	17,342	658
Subtotal	<u>2,296,246</u>	<u>2,296,246</u>	<u>2,113,537</u>	<u>182,709</u>
Municipal court:				
Personal services	126,734	126,734	128,790	(2,056)
Materials and services	129,924	129,924	115,183	14,741
Subtotal	<u>256,658</u>	<u>256,658</u>	<u>243,973</u>	<u>12,685</u>
Fire services:				
Materials and services	214,400	217,900	216,121	1,779
Subtotal	<u>214,400</u>	<u>217,900</u>	<u>216,121</u>	<u>1,779</u>
Parks:				
Personal services	138,913	138,913	136,825	2,088
Materials and services	72,851	72,851	71,907	944
Capital outlay	98,490	98,490	8,726	89,764
Subtotal	<u>310,254</u>	<u>310,254</u>	<u>217,458</u>	<u>92,796</u>
Planning and development:				
Personal services	212,347	212,347	195,352	16,995
Materials and services	207,502	207,502	223,285	(15,783)
Capital outlay	6,000	6,000	-	6,000
Subtotal	<u>425,849</u>	<u>425,849</u>	<u>418,637</u>	<u>7,212</u>
Non-departmental:				
Materials and services	45,000	50,000	47,664	2,336
Subtotal	<u>45,000</u>	<u>50,000</u>	<u>47,664</u>	<u>2,336</u>
Total expenditures	<u>\$ 3,548,407</u>	<u>\$ 3,556,907</u>	<u>\$ 3,257,390</u>	<u>\$ 299,517</u>

**CITY OF FLORENCE, OREGON
ROOM TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 115,000	\$ 145,000	\$ 125,950	\$ (19,050)
Total revenues	115,000	145,000	125,950	(19,050)
EXPENDITURES:				
Materials and service	27,750	35,250	35,250	-
Total expenditures	27,750	35,250	35,250	-
Revenues over (under) expenditures	87,250	109,750	90,700	(19,050)
OTHER FINANCING SOURCES (USES):				
Transfers out	(87,250)	(138,750)	(111,000)	27,750
Total other financing sources (uses)	(87,250)	(138,750)	(111,000)	27,750
Net changes in fund balances	-	(29,000)	(20,300)	8,700
FUND BALANCES, BEGINNING	-	29,000	28,206	(794)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 7,906	\$ 7,906

CITY OF FLORENCE, OREGON
911 EMERGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 59,750	\$ 9,750
Charges for services	136,017	136,017	117,911	(18,106)
Interest revenue	-	-	464	464
Total revenues	<u>186,017</u>	<u>186,017</u>	<u>178,125</u>	<u>(7,892)</u>
Revenues over (under) expenditures	<u>186,017</u>	<u>186,017</u>	<u>178,125</u>	<u>(7,892)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(186,017)</u>	<u>(186,017)</u>	<u>(178,930)</u>	<u>7,087</u>
Total other financing sources (uses)	<u>(186,017)</u>	<u>(186,017)</u>	<u>(178,930)</u>	<u>7,087</u>
Net changes in fund balances	-	-	(805)	(805)
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>1,543</u>	<u>1,543</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738</u>	<u>\$ 738</u>

CITY OF FLORENCE, OREGON
REHAB LOAN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest revenue	\$ 3,500	\$ 3,500	\$ 4,097	\$ 597
Loan repayments	7,500	7,500	-	(7,500)
		-		
Total revenues	11,000	11,000	4,097	(6,903)
EXPENDITURES:				
Materials and service	108,000	108,000	-	108,000
Total expenditures	108,000	108,000	-	108,000
Revenues over (under) expenditures	(97,000)	(97,000)	4,097	101,097
Net changes in fund balances	(97,000)	(97,000)	4,097	101,097
FUND BALANCES, BEGINNING	97,000	97,000	98,836	1,836
FUND BALANCES, ENDING	\$ -	\$ -	\$ 102,933	\$ 102,933

**CITY OF FLORENCE, OREGON
 AIRPORT CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants and contributions	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Interest revenue		-	22	22
Total revenues	300,000	300,000	22	(299,978)
EXPENDITURES:				
Capital outlay	300,000	300,000	-	300,000
Total expenditures	300,000	300,000	-	300,000
Net changes in fund balances	-	-	22	22
FUND BALANCES, BEGINNING	-	-	689	689
FUND BALANCES, ENDING	\$ -	\$ -	\$ 711	\$ 711

**CITY OF FLORENCE, OREGON
BUILDING PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and fees	\$ 10,000	\$ 10,000	\$ 41,436	\$ 31,436
Intergovernmental	1,000	1,000	850	(150)
Charges for services	75,000	75,000	97,940	22,940
Permits	177,000	177,000	239,247	62,247
Interest revenue	4,000	4,000	6,480	2,480
Miscellaneous revenue	-	-	4,679	4,679
Total revenues	267,000	267,000	390,632	123,632
EXPENDITURES:				
Personal service	264,856	274,856	266,726	8,130
Materials and service	52,851	57,851	52,238	5,613
Contingency	105,293	90,293	-	90,293
Total expenditures	423,000	423,000	318,964	104,036
Revenues over (under) expenditures	(156,000)	(156,000)	71,668	227,668
Net changes in fund balances	(156,000)	(156,000)	71,668	227,668
FUND BALANCES, BEGINNING	156,000	156,000	207,495	51,495
FUND BALANCES, ENDING	\$ -	\$ -	\$ 279,163	\$ 279,163

**CITY OF FLORENCE, OREGON
AIRPORT OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 12,000	\$ 12,000	\$ 13,774	\$ 1,774
Interest revenue	24,000	24,000	20,505	(3,495)
Miscellaneous revenue	76,000	76,000	288,930	212,930
Total revenues	112,000	112,000	323,209	211,209
EXPENDITURES:				
Personal service	7,112	8,112	7,093	1,019
Materials and service	107,084	107,084	92,957	14,127
Capital outlay	18,000	17,000	-	17,000
Debt service:				
Principal	30,300	30,300	30,261	39
Interest	21,200	21,200	21,122	78
Contingency	228,304	228,304	-	228,304
Total expenditures	412,000	412,000	151,433	260,567
Net changes in fund balances	(300,000)	(300,000)	171,776	471,776
FUND BALANCES, BEGINNING	300,000	300,000	335,555	35,555
FUND BALANCES, ENDING	\$ -	\$ -	\$ 507,331	\$ 507,331

**CITY OF FLORENCE, OREGON
STREET SYSTEMS DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 50,000	\$ 50,000	\$ 78,650	\$ 28,650
Interest revenue	15,000	15,000	24,417	9,417
Total revenues	65,000	65,000	103,067	38,067
EXPENDITURES:				
Materials and service	-	5,000	447	4,553
Capital outlay	683,000	678,000	-	678,000
Total expenditures	683,000	683,000	447	682,553
Net changes in fund balances	(618,000)	(618,000)	102,620	720,620
FUND BALANCES, BEGINNING	618,000	618,000	644,602	26,602
FUND BALANCES, ENDING	\$ -	\$ -	\$ 747,222	\$ 747,222

CITY OF FLORENCE, OREGON
RTMP GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants and contributions	\$ 65,000	\$ 75,000	\$ 74,443	\$ (557)
Total revenues	65,000	75,000	74,443	(557)
EXPENDITURES:				
Materials and service	78,000	23,000	23,000	-
Total expenditures	78,000	23,000	23,000	-
Revenues over (under) expenditures	(13,000)	52,000	51,443	(557)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(70,500)	(65,000)	5,500
Total other financing sources (uses)	-	(70,500)	(65,000)	5,500
Net changes in fund balances	(13,000)	(18,500)	(13,557)	4,943
FUND BALANCES, BEGINNING	13,000	18,500	18,364	(136)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 4,807	\$ 4,807

**CITY OF FLORENCE, OREGON
GENERAL OBLIGATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 327,500	\$ 327,500	\$ 316,692	\$ (10,808)
Interest revenue	2,000	2,000	78	(1,922)
Total revenues	329,500	329,500	316,770	(12,730)
EXPENDITURES:				
Debt service:				
Principal	228,550	228,550	228,542	8
Interest	87,950	88,950	88,310	640
Contingency	273,000	272,000	-	272,000
Total expenditures	589,500	589,500	316,852	272,648
Net changes in fund balances	(260,000)	(260,000)	(82)	259,918
FUND BALANCES, BEGINNING	260,000	260,000	277,738	17,738
FUND BALANCES, ENDING	\$ -	\$ -	\$ 277,656	\$ 277,656

**CITY OF FLORENCE, OREGON
 BANCROFT BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 6,944	\$ 6,944	\$ 10,456	\$ 3,512
Interest revenue	26,919	26,919	40,165	13,246
Total revenues	33,863	33,863	50,621	16,758
EXPENDITURES:				
Materials and service	-	-	-	-
Debt service:				
Principal	100,000	100,000	100,000	-
Interest	26,850	26,850	26,345	505
Contingency	767,013	767,013	-	767,013
Total expenditures	893,863	893,863	126,345	767,518
Net changes in fund balances	(860,000)	(860,000)	(75,724)	784,276
FUND BALANCES, BEGINNING	860,000	860,000	875,049	15,049
FUND BALANCES, ENDING	\$ -	\$ -	\$ 799,325	\$ 799,325

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- Water Operations
 - Water Fund
 - Water System Development Fund

- Wastewater Operations
 - Wastewater Fund
 - Wastewater System Development Fund

- Events Center Operations
 - Events Center Fund
 - Events Center Reserve Fund
 - Events Center Debt Service Fund

- Storm Water
 - Storm Water Fund
 - Storm Water SDC Fund

**CITY OF FLORENCE, OREGON
WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2008**

	<u>Water Fund</u>	<u>Water System Development Fund</u>	<u>Total Water Operations</u>
REVENUES:			
Assessments	\$ -	\$ 223,628	\$ 223,628
Charges for services	1,262,939	-	1,262,939
Interest revenue	-	25,567	25,567
Miscellaneous revenue	15,957	-	15,957
	<u>1,278,896</u>	<u>249,195</u>	<u>1,528,091</u>
EXPENDITURES:			
Personal service	452,649	-	452,649
Materials and service	574,511	1,889	576,400
Capital outlay	13,470	-	13,470
Debt service:			
Principal	229,124	-	229,124
Interest	139,790	-	139,790
	<u>1,409,544</u>	<u>1,889</u>	<u>1,411,433</u>
Total expenditures	<u>1,409,544</u>	<u>1,889</u>	<u>1,411,433</u>
Revenues over (under) expenditures	(130,648)	247,306	116,658
OTHER FINANCING SOURCES (USES):			
Transfers in	468,000	-	468,000
Transfers out	(63,509)	(270,000)	(333,509)
	<u>404,491</u>	<u>(270,000)</u>	<u>134,491</u>
Total other financing sources (uses)	<u>404,491</u>	<u>(270,000)</u>	<u>134,491</u>
Net changes in fund balances	273,843	(22,694)	251,149
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>(10,569)</u>	<u>823,878</u>	<u>813,309</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 263,274</u>	<u>\$ 801,184</u>	<u>\$ 1,064,458</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 1,528,091	\$ 1,411,433
Transfers in/out		134,491	-
Expenditures capitalized		-	(13,470)
Debt service principal payments		-	(229,124)
Interest receivable from/due to other funds		-	2,237
Depreciation and amortization expense		-	390,462
Interest revenue/expense		-	(3,161)
Inventory		-	8,373
Change in accrued absences		-	13,390
		<u>\$ 1,662,582</u>	<u>1,580,140</u>
Total revenues and expenses - generally accepted accounting principles		<u>\$ 1,662,582</u>	<u>1,580,140</u>
Change in net assets			<u>\$ 82,442</u>

CITY OF FLORENCE, OREGON
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 1,307,000	\$ 1,307,000	\$ 1,262,939	\$ (44,061)
Interest revenue	2,000	2,000	-	(2,000)
Miscellaneous revenue	6,000	6,000	15,957	9,957
Total revenues	1,315,000	1,315,000	1,278,896	(36,104)
EXPENDITURES:				
Personal service	533,770	533,770	452,649	81,121
Materials and service	647,408	647,408	574,511	72,897
Capital outlay	223,000	223,000	13,470	209,530
Debt service:				
Principal	229,124	229,124	229,124	-
Interest	139,790	139,790	139,790	-
Contingency	71,080	71,080	-	71,080
Total expenditures	1,844,172	1,844,172	1,409,544	434,628
Revenues over (under) expenditures	(529,172)	(529,172)	(130,648)	398,524
OTHER FINANCING SOURCES (USES):				
Transfers in	445,172	445,172	468,000	22,828
Transfers out	(65,000)	(65,000)	(63,509)	1,491
Total other financing sources (uses)	380,172	380,172	404,491	24,319
Net changes in fund balances	(149,000)	(149,000)	273,843	422,843
FUND BALANCE, BEGINNING BUDGETARY BASIS	149,000	149,000	(10,569)	(159,569)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 263,274	\$ 263,274

**CITY OF FLORENCE, OREGON
WATER SYSTEM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 160,000	\$ 160,000	\$ 223,628	\$ 63,628
Interest revenue	17,000	17,000	25,567	8,567
Total revenues	177,000	177,000	249,195	72,195
EXPENDITURES:				
Materials and service	-	5,000	1,889	3,111
Capital outlay	390,300	390,300	-	390,300
Total expenditures	390,300	395,300	1,889	393,411
Revenues over (under) expenditures	(213,300)	(218,300)	247,306	465,606
OTHER FINANCING SOURCES (USES):				
Transfers out	(276,700)	(271,700)	(270,000)	1,700
Total other financing sources (uses)	(276,700)	(271,700)	(270,000)	1,700
Net changes in fund balances	(490,000)	(490,000)	(22,694)	467,306
FUND BALANCE, BEGINNING BUDGETARY BASIS	490,000	490,000	823,878	333,878
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 801,184	\$ 801,184

CITY OF FLORENCE, OREGON
WASTEWATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2008

	Wastewater Fund	Wastewater System Development Fund	Total Wastewater Operations
REVENUES:			
Assessments	\$ -	\$ 208,537	\$ 208,537
Charges for services	1,768,659	-	1,768,659
Interest revenue	78,126	11,461	89,587
Miscellaneous revenue	6,835	-	6,835
Total revenues	1,853,620	219,998	2,073,618
EXPENDITURES:			
Personal service	549,373	-	549,373
Materials and service	787,837	2,353	790,190
Capital outlay	1,011,490	-	1,011,490
Debt service:			
Principal	558,804	-	558,804
Interest	366,539	-	366,539
Total expenditures	3,274,043	2,353	3,276,396
Revenues over (under) expenditures	(1,420,423)	217,645	(1,202,778)
OTHER FINANCING SOURCES (USES):			
Transfers in	195,000	-	195,000
Transfers out	(286,696)	(195,000)	(481,696)
Total other financing sources (uses)	(91,696)	(195,000)	(286,696)
Net changes in fund balances	(1,512,119)	22,645	(1,489,474)
FUND BALANCE, BEGINNING BUDGETARY BASIS	2,214,221	503,632	2,717,853
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 702,102	\$ 526,277	\$ 1,228,379
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 2,073,618	\$ 3,276,396
Transfers in/out		-	286,696
Expenditures capitalized		-	(1,011,490)
Debt service principal payments		-	(558,804)
Depreciation and amortization expense		-	470,020
Interest revenue/expense		-	(6,291)
Inventory		-	(6,721)
Change in accrued absences		-	13,390
Total revenues and expenses - generally accepted accounting principles		\$ 2,073,618	2,463,196
Change in net assets			\$ (389,578)

**CITY OF FLORENCE, OREGON
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants and contributions	\$ 750,000	\$ 750,000	\$ -	\$ (750,000)
Charges for services	1,769,000	1,769,000	1,768,659	(341)
Interest revenue	70,000	70,000	78,126	8,126
Miscellaneous revenue	11,000	11,000	6,835	(4,165)
Total revenues	<u>2,600,000</u>	<u>2,600,000</u>	<u>1,853,620</u>	<u>(746,380)</u>
EXPENDITURES:				
Personal service	548,343	558,343	549,373	8,970
Materials and service	921,193	921,193	787,837	133,356
Capital outlay	2,302,000	2,292,000	1,011,490	1,280,510
Debt service:				
Principal	558,804	558,804	558,804	-
Interest	378,539	378,539	366,539	12,000
Contingency	254,121	254,121	-	254,121
Total expenditures	<u>4,963,000</u>	<u>4,963,000</u>	<u>3,274,043</u>	<u>1,688,957</u>
Revenues over (under) expenditures	(2,363,000)	(2,363,000)	(1,420,423)	942,577
OTHER FINANCING SOURCES (USES):				
Issuance of debt	202,000	202,000	-	(202,000)
Transfers in	200,000	200,000	195,000	(5,000)
Transfers out	(288,000)	(288,000)	(286,696)	1,304
Total other financing sources (uses)	<u>114,000</u>	<u>114,000</u>	<u>(91,696)</u>	<u>(205,696)</u>
Net changes in fund balances	(2,249,000)	(2,249,000)	(1,512,119)	736,881
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>2,269,000</u>	<u>2,269,000</u>	<u>2,214,221</u>	<u>(54,779)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 702,102</u>	<u>\$ 682,102</u>

**CITY OF FLORENCE, OREGON
WASTEWATER SYSTEM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 200,000	\$ 200,000	\$ 208,537	\$ 8,537
Interest revenue	-	-	11,461	11,461
Total revenues	200,000	200,000	219,998	19,998
EXPENDITURES:				
Materials and service	-	5,000	2,353	2,647
Total expenditures	-	5,000	2,353	2,647
Revenues over (under) expenditures	200,000	195,000	217,645	22,645
OTHER FINANCING SOURCES (USES):				
Transfers out	(200,000)	(195,000)	(195,000)	-
Total other financing sources (uses)	(200,000)	(195,000)	(195,000)	-
Net changes in fund balances	-	-	22,645	22,645
FUND BALANCE, BEGINNING	-	-	503,632	503,632
FUND BALANCE, ENDING	\$ -	\$ -	\$ 526,277	\$ 526,277

**CITY OF FLORENCE, OREGON
EVENTS CENTER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2008**

	Events Center Fund	Events Center Reserve Fund	Events Center Debt Service Fund	Total Events Center Operations
REVENUES:				
Intergovernmental	\$ 24,471	\$ -	\$ 157,700	\$ 182,171
Charges for services	257,903	-	-	257,903
Interest revenue	6,050	3,506	-	9,556
Miscellaneous revenue	2,059	-	-	2,059
Total revenues	290,483	3,506	157,700	451,689
EXPENDITURES:				
Personal service	288,045	-	-	288,045
Materials and service	198,137	-	-	198,137
Debt service:				
Principal	-	-	115,000	115,000
Interest	-	-	42,303	42,303
Total expenditures	486,182	-	157,303	643,485
Revenues over (under) expenditures	(195,699)	3,506	397	(191,796)
OTHER FINANCING SOURCES (USES):				
Transfers in	176,000	-	-	176,000
Total other financing sources (uses)	176,000	-	-	176,000
Net changes in fund balances	(19,699)	3,506	397	(15,796)
FUND BALANCE, BEGINNING BUDGETARY BASIS	26,915	83,827	102	110,844
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 7,216	\$ 87,333	\$ 499	\$ 95,048

	Revenues	Expenditures
Total revenue and expenditures above	\$ 451,689	\$ 643,485
Transfers in/out	176,000	-
Debt service principal payments	-	(115,000)
Depreciation and amortization expense	-	101,919
Interest revenue/expense	-	(22,174)
Change in accrued compensated absences	-	13,522
Bond costs	-	4,787
Total revenues and expenses - generally accepted accounting principles	\$ 627,689	626,539
Change in net assets		\$ 1,150

**CITY OF FLORENCE, OREGON
EVENTS CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 25,518	\$ 25,518	\$ 24,471	\$ (1,047)
Charges for services	373,900	373,900	257,903	(115,997)
Interest revenue	4,500	4,500	6,050	1,550
Miscellaneous revenue	15,000	15,000	2,059	(12,941)
Total revenues	418,918	418,918	290,483	(128,435)
EXPENDITURES:				
Personal service	293,968	293,968	288,045	5,923
Materials and service	326,067	326,067	198,137	127,930
Total expenditures	620,035	620,035	486,182	133,853
Revenues over (under) expenditures	(201,117)	(201,117)	(195,699)	5,418
OTHER FINANCING SOURCES (USES):				
Transfers in	147,250	147,250	176,000	28,750
Total other financing sources (uses)	147,250	147,250	176,000	28,750
Net changes in fund balances	(53,867)	(53,867)	(19,699)	34,168
FUND BALANCE, BEGINNING BUDGETARY BASIS	53,867	53,867	26,915	(26,952)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 7,216	\$ 7,216

**CITY OF FLORENCE, OREGON
EVENTS CENTER RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest revenue	\$ 3,000	\$ 3,000	\$ 3,506	\$ 506
Miscellaneous revenue	500	500	-	(500)
Total revenues	3,500	3,500	3,506	6
EXPENDITURES:				
Materials and service	12,000	12,000	-	12,000
Capital outlay	30,000	30,000	-	30,000
Contingency	36,500	36,500	-	36,500
Total expenditures	78,500	78,500	-	78,500
Net changes in fund balances	(75,000)	(75,000)	3,506	78,506
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>75,000</u>	<u>75,000</u>	<u>83,827</u>	<u>8,827</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,333</u>	<u>\$ 87,333</u>

CITY OF FLORENCE, OREGON
EVENTS CENTER DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 156,700	\$ 156,700	\$ 157,700	\$ 1,000
Total revenues	156,700	156,700	157,700	1,000
EXPENDITURES:				
Debt service:				
Principal	115,000	115,000	115,000	-
Interest	42,700	42,700	42,303	397
Total expenditures	157,700	157,700	157,303	397
Net changes in fund balances	(1,000)	(1,000)	397	1,397
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,000	1,000	102	(898)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 499	\$ 499

**CITY OF FLORENCE, OREGON
STORM WATER COMBINED
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2008**

	Storm Water Fund	Storm Water SDC Fund	Total Storm Water
REVENUES:			
Assessments	\$ 399,538	\$ 144,583	\$ 544,121
Charges for services	2,918	-	2,918
Interest revenue	-	3,788	3,788
Total revenues	402,456	148,371	550,827
EXPENDITURES:			
Personal service	155,507	-	155,507
Materials and service	133,020	1,069	134,089
Capital outlay	317,691	195,440	513,131
Total expenditures	606,218	196,509	802,727
Revenues over (under) expenditures	(203,762)	(48,138)	(251,900)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	157,668	-	157,668
Total other financing sources (uses)	157,668	-	157,668
Net changes in fund balances	(46,094)	(48,138)	(94,232)
FUND BALANCE, BEGINNING BUDGETARY BASIS	300,344	119,389	419,733
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 254,250	\$ 71,251	\$ 325,501

	Revenues	Expenditures
Total revenue and expenditures above	\$ 550,827	\$ 802,727
Transfers in/out	-	-
Expenditures capitalized	-	(487,842)
Debt service principal payments	-	(19,924)
Interest receivable from/due to other funds	-	-
Depreciation and amortization expense	-	31,279
Interest revenue/expense	-	1,456
Change in accrued compensated absences	-	6,761
Total revenues and expenses - generally accepted accounting principles	\$ 550,827	334,457
Change in net assets		\$ 216,370

CITY OF FLORENCE, OREGON
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 425,000	\$ 425,000	\$ 399,538	\$ (25,462)
Charges for services	-	-	2,918	2,918
Total revenues	425,000	425,000	402,456	(22,544)
EXPENDITURES:				
Personal service	156,063	161,063	155,507	5,556
Materials and service	192,937	192,937	133,020	59,917
Capital outlay	299,000	294,000	317,691	(23,691)
Contingency	2,000	2,000	-	2,000
Total expenditures	650,000	650,000	606,218	43,782
Revenues over (under) expenditures	(225,000)	(225,000)	(203,762)	21,238
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	157,668	157,668
Total other financing sources (uses)	-	-	157,668	157,668
Net changes in fund balances	(225,000)	(225,000)	(46,094)	178,906
FUND BALANCE, BEGINNING	225,000	225,000	300,344	75,344
FUND BALANCE, ENDING	\$ -	\$ -	\$ 254,250	\$ 254,250

**CITY OF FLORENCE, OREGON
STORM WATER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 70,000	\$ 150,000	\$ 144,583	\$ (5,417)
Interest revenue	2,500	4,000	3,788	(212)
Total revenues	72,500	154,000	148,371	(5,629)
EXPENDITURES:				
Materials and service	-	2,000	1,069	931
Capital outlay	172,500	272,000	195,440	76,560
Total expenditures	172,500	274,000	196,509	77,491
Net changes in fund balances	(100,000)	(120,000)	(48,138)	71,862
FUND BALANCE, BEGINNING	100,000	120,000	119,389	(611)
FUND BALANCE, ENDING	\$ -	\$ -	\$ 71,251	\$ 71,251

BUDGETARY COMPARISON SCHEDULES
Internal Service Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

- Internal Service Fund

**CITY OF FLORENCE, OREGON
INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES:				
City council	\$ 53,300	\$ 68,300	\$ 64,180	\$ 4,120
City manager	331,871	341,871	333,348	8,523
Finance	345,529	345,529	313,904	31,625
City hall	40,500	40,500	29,636	10,864
Capital outlay	12,500	12,500	-	12,500
Total expenditures	<u>783,700</u>	<u>808,700</u>	<u>741,068</u>	<u>67,632</u>
Revenues over (under) expenditures	(783,700)	(808,700)	(741,068)	67,632
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>783,700</u>	<u>808,700</u>	<u>759,010</u>	<u>(49,690)</u>
Total other financing sources (uses)	<u>783,700</u>	<u>808,700</u>	<u>759,010</u>	<u>(49,690)</u>
Net changes in fund balances	-	-	17,942	17,942
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>-</u>	<u>-</u>	<u>(17,921)</u>	<u>(17,921)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 21</u>

	Revenues	Expenditures
Total revenue and expenditures above	\$ -	\$ 741,068
Transfers in/out	759,010	-
Gain/loss on disposal of capital assets	-	3,658
Total revenues and expenses - generally accepted accounting principles	<u>\$ 759,010</u>	<u>744,726</u>
Change in net assets		<u>\$ 14,284</u>

OTHER FINANCIAL SCHEDULES

CITY OF FLORENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2008

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2007</u>	<u>Levy as Extended by Assessor</u>	<u>Cancellations Discounts and Adjustments</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2008</u>
2006-2007	\$ -	\$ 2,269,225	\$ (77,521)	\$ (2,128,044)	\$ 63,660
2006-2007	52,828	-	(7,488)	(22,005)	23,335
2005-2006	19,444	-	(6,888)	(1,649)	10,907
2004-2005	10,068	-	(613)	(4,781)	4,674
2003-2004	4,767	-	(323)	(2,311)	2,133
2002-2003	2,216	-	(161)	(167)	1,888
2001-2002	1,946	-	(520)	280	1,706
2000 and Prior	3,230	-	(3,736)	2,414	1,908
Totals	<u>\$ 94,499</u>	<u>\$ 2,269,225</u>	<u>\$ (97,250)</u>	<u>\$ (2,156,263)</u>	<u>\$ 110,211</u>

Taxes receivable classified by fund:

General Fund	\$ 93,679
General Obligation Debt Service Fund	16,532
	<u>\$ 110,211</u>

**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF FLORENCE, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2008

Introduction

Oregon Administrative Rules 162-10-000 through 162-10-320 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding section of this report. Required comments and disclosures related to our audit of such statements and schedules are contained in this section.

Internal Accounting Control

We have audited the financial statements of the City of Florence, Oregon for the year ended June 30, 2008 and have issued our report thereon dated December 22, 2008.

The management of the City of Florence, Oregon is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control structure, errors or irregularities may never the less occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

CITY OF FLORENCE, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2008

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Florence, Oregon's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Florence, Oregon's financial statements that is more than inconsequential will not be prevented or detected by the City of Florence, Oregon's internal control. We considered certain deficiencies in internal control to be significant deficiencies and have communicated them in writing to management and to those charged with governance in a separate letter dated December 22, 2008.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Florence, Oregon's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the Mayor and City Council, and the State of Oregon, Secretary of State, Division of Audits.

In connection with our audit:

Accounting Records

We found the accounting records of the City to be adequate for audit purposes considering the size and complexity of the municipal corporation.

Collateral

The City was in compliance with ORS Chapter 295 regarding collateral securing deposits for fiscal year ended June 30, 2008, with the following exceptions:

1. Balances in the City's accounts exceeded the amount of the collateral certificate during December 2007, January 2008, February 2008, and March 2008.

Indebtedness

During our audit, nothing came to our attention that caused us to believe the City was not in compliance with limitation and the provision of bond indentures and other agreements.

CITY OF FLORENCE, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2008

Budgets

We reviewed budgets adopted by the City for the current and ensuing fiscal year. Budget preparation and adoption procedures followed by the City appear to be in compliance with Oregon Local Budget Law, with the following exceptions:

1. Expenditures in the following fund exceeded appropriations for the year ended June 30, 2008:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount of Over-expenditure</u>
Storm Water Fund	Capital outlay	\$ 23,691

2. The City did not adopt a supplemental budget prior to expenditures being incurred during June 2008.

Insurance and Fidelity Bonds

We reviewed policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering City -owned property in force at June 30, 2008 are adequate.

Programs Funded from Outside Sources

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. The City appeared to have appropriate procedures for making expenditures on behalf of, and reporting for, such programs.

Highway Funds

The City appears to be in compliance with legal requirements pertaining to the use of Highway Funds.

Investments

The City's investments for the year ended June 30, 2008 were tested and appear to be in compliance with Oregon Revised Statutes with regard to legal restrictions pertaining to the investment of public funds.

Public Contracts and Purchasing

We reviewed and tested the City's procedures for awarding public contracts. The City appears to be in compliance with the cost accounting guidelines developed by the State of Oregon Executive Department with regard to the City's construction projects and ORS Chapter 279 in the awarding of public contracts and the construction of public improvements.

CITY OF FLORENCE, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2008

Independently Elected Officials

The Independently Elected Officials of the City do not receive and disburse funds. Accordingly a Schedule of Accountability for Independently Elected Officials is not included.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 22, 2008