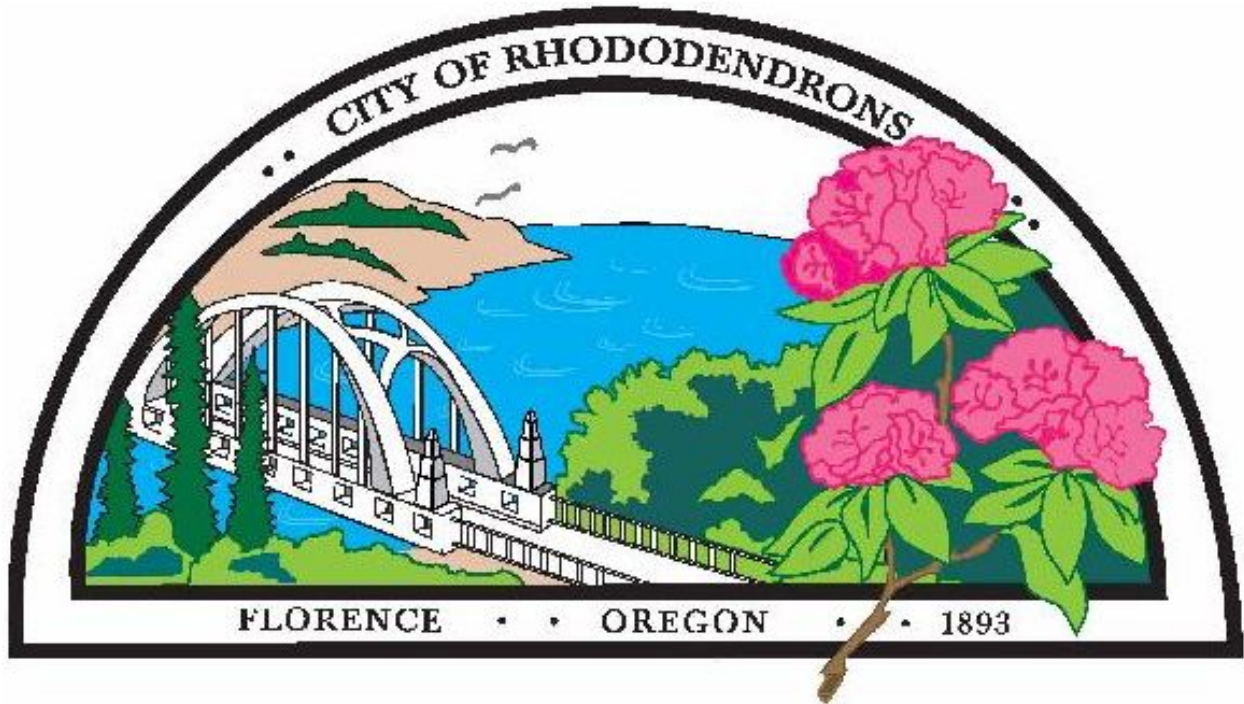


CITY OF FLORENCE, OREGON



FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2012

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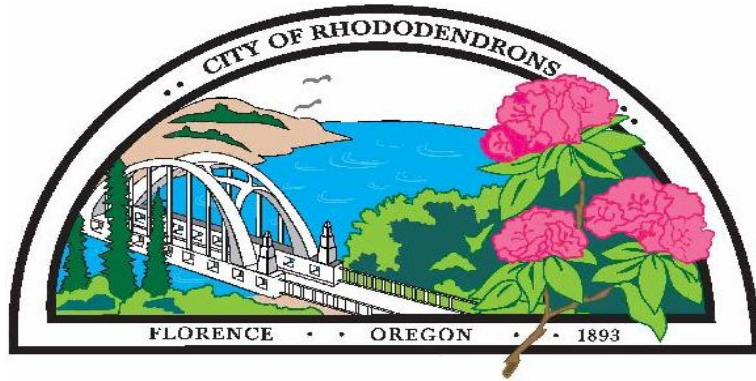
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INTRODUCTORY SECTION

**CITY OF FLORENCE, OREGON
PRINCIPAL OFFICIALS**

ELECTED OFFICIALS

Mayor
Council President
Council Vice President
Councilor
Councilor

Phil Brubaker
Nola Xavier
Suzanne Roberts
Paul Holman
Brian Jagoe

CITY MANAGEMENT

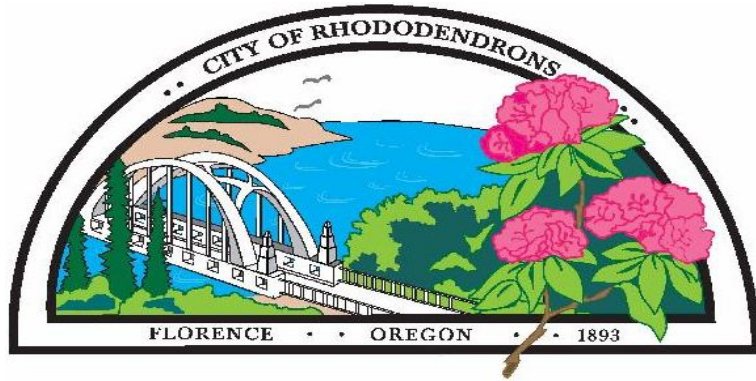
City Manager
City Recorder
Finance Director
Public Works Director
Police Chief
Community Development Director
Florence Events Center Director

Jacque Betz
Kelli Weese
Erin Reynolds
Mike Miller
Ray Gutierrez
Sandra Belson
Kevin Rhodes

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Merina & Company, LLP, West Linn, Oregon

Florence City Hall
250 Highway101
Florence, OR 97439



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Florence
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 (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 the 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, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers

it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The required supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and other supplementary information, are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.



Merina & Company, LLP
West Linn, Oregon
December 12, 2012

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, 2012.

Financial Highlights

Net Assets – The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$30,309,417. Of this amount, \$4,515,942 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets – The City's total net assets increased by \$3,081,750. Increase in Governmental activities revenues accounted for \$1,118,733 of the net increase primarily generated from capital grants and tax revenue.

Governmental Activities – As of the close of the fiscal year, the City of Florence's governmental activities reported combined ending net assets of \$17,030,816 of which \$4,152,645 is unrestricted.

Business-type Activities – At fiscal year-end, the business activities have combined ending net assets of \$13,278,601 of which \$363,297 is unrestricted.

At the end of the fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$1,445,866. Approximately 28% percent of this total amount, or \$1,563,920, constitutes unassigned fund balance.

Capital assets in the amount of \$4,663,885 were acquired or constructed during the year which includes nearly \$2.7 million in continuous improvements and upgrades to the City's utility infrastructure, a capital contribution from Oregon Department of Transportation (ODOT) for several pedestrian crossings along HWY 101 for \$384,103, and the completion of three projects; a large-scale Airport project for \$1,066,486, the Events Center emergency generator for \$130,855 and the Justice Center Roof and HVAC project in the amount of \$563,629.

The City of Florence's total debt (excluding compensated absences) increased by \$3,679,188 during the fiscal year. The net change resulting in the increase is attributable to two bond issuances, the addition of a short-term loan and debt payments made during the fiscal year.

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 18 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, Airport Capital Projects Fund, and Spruce Street LID Bond Fund, Urban Renewal Fund and the Urban Renewal Debt Service Funds are considered to be major funds.

Data from the other twelve 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. Four of the non-major funds were closed during the current fiscal year.

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 Events Center Operations.

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 \$30,309,417 at the close of the most recent fiscal year.

By far the largest portion of the City of Florence's net assets (70%) 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

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Cash and investments	\$ 5,912,948	\$ 3,797,570	\$ 1,850,545	\$ 1,069,628	\$ 7,763,493	\$ 4,867,198
Other assets	1,998,350	2,543,587	1,501,935	1,098,609	3,500,285	3,642,196
Capital assets	15,675,973	13,942,463	25,581,485	23,660,864	41,257,458	37,603,327
Total assets	<u>23,587,271</u>	<u>20,283,620</u>	<u>28,933,965</u>	<u>25,829,101</u>	<u>52,521,236</u>	<u>46,112,721</u>
Other Liabilities	264,213	478,966	304,323	419,392	568,536	898,358
Long term debt outstanding	6,292,242	3,892,571	15,351,041	14,094,125	21,643,283	17,986,696
Total liabilities	<u>6,556,455</u>	<u>4,371,537</u>	<u>15,655,364</u>	<u>14,513,517</u>	<u>22,211,819</u>	<u>18,885,054</u>
Net assets:						
Invested in capital assets, net of debt	9,932,688	11,717,035	11,218,953	9,693,712	21,151,641	21,410,747
Restricted	2,945,483	1,308,826	1,696,351	577,209	4,641,834	1,886,035
Unrestricted (deficit)	4,152,645	2,886,222	363,297	1,044,663	4,515,942	3,930,885
Total net assets	<u>\$17,030,816</u>	<u>\$15,912,083</u>	<u>\$13,278,601</u>	<u>\$11,315,584</u>	<u>\$30,309,417</u>	<u>\$27,227,667</u>

As already mentioned the majority of the City of Florence's net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance \$4,641,834 is restricted for various purposes including future debt service and system development. \$4,515,942 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities. The governmental activities net assets increased by \$1,118,733. Although numerous cost control measures remained in place as the economy shows little improvement over the prior year, the general governmental activities expenses as a whole increased \$590,338 or 10%. The Urban Renewal Agency's Old Town Infrastructure Project that is reported in the Economic Development Function accounted for \$640,626. Excluding the Economic Development Function expenditures related to the joint City and Agency project, governmental activities expenses decreased \$50,288 from the prior year. Public Safety expenses decreased by \$303,570 which is due primarily to the City no longer providing Fire Protection services with the City annexing into the Fire District. As a result of the City no longer providing Fire Protection services, the City did not levy for the first time the full permanent tax levy reducing current year property taxes collected by approximately \$216,000.

Business-type activities. Business-type activities increased the City of Florence's net assets by \$1,963,017. Charges for services increased by 13% or \$636,408 due to significant increase in water utility rates over the prior year. Overall, the City significantly reduced business-type activities expenses by \$732,408 or 15% over the prior year. Cost savings were recognized through the budget process by more fairly sharing the burden of administrative services across the government as a whole and treating these costs as transfers, where previously they were recorded as a cost and revenue of the activity.

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.

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenue						
Charges for services	\$ 971,542	\$ 2,183,461	\$ 5,491,823	\$ 4,855,415	\$ 6,463,365	\$ 7,038,876
Operating grants and contributions	295,960	384,936	-	-	295,960	384,936
Capital grants and contributions	1,324,502	959,829	910,022	182,171	2,234,524	1,142,000
Total Program Revenue	2,592,004	3,528,226	6,401,845	5,037,586	8,993,849	8,565,812
General Revenue					-	-
Taxes	3,479,156	3,803,453	-	-	3,479,156	3,803,453
Franchise fees	498,963	497,604	-	-	498,963	497,604
Fines and forfeitures	233,981	214,581	-	-	233,981	214,581
Interest and investment earnings	46,601	39,940	21,363	22,370	67,964	62,310
Miscellaneous revenues	146,474	63,957	44,569	26,022	191,043	89,979
Total General Revenue	4,405,175	4,619,535	65,932	48,392	4,471,107	4,667,927
Total Revenues	6,997,179	8,147,761	6,467,777	5,085,978	13,464,956	13,233,739
EXPENSES						
Governmental activities expenses						
General government	\$ 1,410,520	\$ 1,339,863	-	-	\$ 1,410,520	\$ 1,339,863
Public safety	2,327,710	2,631,280	-	-	2,327,710	2,631,280
Economic development	1,127,198	296,102	-	-	1,127,198	296,102
Highways and streets	779,178	765,755	-	-	779,178	765,755
Airport	173,747	207,208	-	-	173,747	207,208
Culture and recreation	187,539	287,394	-	-	187,539	287,394
Interest on long-term debt	254,329	142,281	-	-	254,329	142,281
Business-type activities expenses						
Water Operations	-	-	1,454,949	1,623,321	1,454,949	1,623,321
Wastewater Operations	-	-	1,861,154	2,170,537	1,861,154	2,170,537
Events Center Operations	-	-	631,192	568,557	631,192	568,557
Storm Water	-	-	175,690	492,978	175,690	492,978
Total Expenses	6,260,221	5,669,883	4,122,985	4,855,393	10,383,206	10,525,276
Excess (deficiency) before transfers	736,958	2,477,878	2,344,792	230,585	3,081,750	2,708,463
Transfers in(out)	381,775	(24,769)	(381,775)	24,769	-	-
Change in net assets	1,118,733	2,453,109	1,963,017	255,354	3,081,750	2,708,463
Beginning net assets	15,912,083	13,458,974	11,315,584	11,060,230	27,227,667	24,519,204
Ending net assets	\$ 17,030,816	\$ 15,912,083	\$ 13,278,601	\$ 11,315,584	\$ 30,309,417	\$ 27,227,667

At the end of the fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$5,656,985. Approximately 28% percent of this total amount, or \$1,563,920, constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been identified as nonspendable (prepaids), restricted or assigned for various purposes. The General Fund balance decreased by \$25,266. The remaining major funds increased \$2,473,555 due to the two bond issuance during the year where debt proceeds are recognized as an increase to the fund. The non-major governmental funds experienced a net decrease in their fund balances of (\$747,469).

Table 3

Changes in Governmental Fund Balances

	<u>General</u>	<u>Street</u>	<u>Airport Capital Projects</u>	<u>Spruce St LID Bond Debt Service</u>	<u>Urban Renewal</u>	<u>Urban Renewal Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Beginning fund balance	\$ 1,762,830	\$ (293,698)	\$ 4,286	\$ 325	\$ 383,951	\$ -	\$ 2,193,335	\$ 4,051,029
Net changes in fund balance	(25,266)	396,794	(4,286)	315,417	1,419,741	251,025	(747,469)	1,605,956
Ending fund balance	<u>\$ 1,737,564</u>	<u>\$ 103,096</u>	<u>\$ -</u>	<u>\$ 315,742</u>	<u>\$ 1,803,692</u>	<u>\$ 251,025</u>	<u>\$ 1,445,866</u>	<u>\$ 5,656,985</u>

Proprietary funds. The Water Operations Fund had an increase in net assets of \$884,742. Net assets in Wastewater Operations Fund increased by \$561,968. Net assets in storm water operations increased by \$376,136. The Events Center Operations Fund had an increase in net assets of \$140,028. Increases in net assets represent the City’s intentional effort to grow assets and available fund for future debt service payments and to be able to sustain the Utility Enterprises.

Table 4

Changes in Proprietary Fund Net Assets

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Events Center Operations</u>	<u>Storm Water</u>	<u>Total</u>
Beginning net assets	\$ 3,244,983	\$ 5,712,866	\$ 1,880,859	\$ 476,876	\$ 11,315,584
Net changes in net assets	884,742	561,968	140,028	376,136	1,962,874
Ending net assets	<u>\$ 4,129,725</u>	<u>\$ 6,274,834</u>	<u>\$ 2,020,887</u>	<u>\$ 853,012</u>	<u>\$ 13,278,458</u>
Invested in capital assets	3,976,460	4,935,793	1,734,789	571,911	11,218,953
Restricted	592,680	942,970	-	160,701	1,696,351
Unrestricted	(439,415)	396,071	286,098	120,400	363,154
Ending fund balance	<u>\$ 4,129,725</u>	<u>\$ 6,274,834</u>	<u>\$ 2,020,887</u>	<u>\$ 853,012</u>	<u>\$ 13,278,458</u>

General Fund Budgetary Highlights

The 2011-2012 budget year was the first year the City legally budgeted appropriations at a program level. In addition during the 2011-2012 year there was one supplemental budget that changed the appropriations for the General Fund. The supplemental budget moved the Parks Program from the newly created (for budgetary purposes only) Public Works Enterprise Fund back into the General Fund.

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, 2012 amounts to \$41,257,458 (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. Additions in the amount of \$4,663,885 were acquired or constructed during the year.

Table 5
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,857,306	\$ 1,857,306	\$ 322,253	\$ 322,253	\$ 2,179,559	\$ 2,179,559
Buildings and improvements	6,410,546	5,015,364	14,662,443	15,374,395	21,072,989	20,389,759
Infrastructure and improvements	5,941,496	5,924,647	-	-	5,941,496	5,924,647
Utility systems	-	-	5,575,701	4,616,620	5,575,701	4,616,620
Equipment and vehicles	552,856	458,286	279,381	270,035	832,237	728,321
Construction in process	913,769	686,860	4,741,707	3,077,561	5,655,476	3,764,421
Total	<u>\$ 15,675,973</u>	<u>\$ 13,942,463</u>	<u>\$ 25,581,485</u>	<u>\$ 23,660,864</u>	<u>\$ 41,257,458</u>	<u>\$ 37,603,327</u>

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

Long-term debt. At the end of the fiscal year, the City of Florence had total long-term debt outstanding of \$21,643,283. The significant changes in long-term debt include two bond issuances by the City and the Agency in the amount of \$3,745,000. The proceeds financed construction of various capital projects including the Old Town Infrastructure Project. In addition, the Wastewater Operations Fund continued Phase 2 of the Trunk Sewer Line Project incurring an additional \$1.6 million in a State Funded Loan program.

Table 6
Outstanding Long-Term Debt as of June 30,

	Governmental Activities		Business-type Activities		Total Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Bonds & notes payable	\$ 6,089,377	\$ 3,607,408	\$15,165,940	\$13,882,594	\$ 21,255,317	\$ 17,490,002
Capital lease payable	6,472	73,020	64,979	84,558	71,451	157,578
Compensated absences	196,393	212,143	120,122	126,973	316,515	339,116
Total long-term debt	<u>\$ 6,292,242</u>	<u>\$ 3,892,571</u>	<u>\$ 15,351,041</u>	<u>\$ 14,094,125</u>	<u>\$ 21,643,283</u>	<u>\$ 17,986,696</u>

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. Per Lane County's Department of Assessment and Taxation, the City's 2012 Measure 5 Real Market Value is \$1,267,111,148. The City's general obligation debt limitation is 3% of this figure, or \$38,013,334. Only \$884,284 of the outstanding general obligation 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 note 6 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The City, as well as the nation, continues to suffer from the economic downturn. The budget for 2012-13 reflects a conservative approach to spending and assumes no growth in property taxes and other general government revenues. The City significantly raised Wastewater Utility revenues in an attempt to adequately fund wastewater operations and pay for continued debt service payments. Various Capital Projects were carried over from the prior budget year as well as budgeting for new projects in order to maintain the City's existing assets. Most importantly the City implemented a Street Maintenance Fee to fund important street rehabilitation projects throughout the City.

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, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,912,948	\$ 1,850,545	\$ 7,763,493
Property taxes receivable	191,155	-	191,155
Due from other governments	4,888	-	4,888
Accounts receivable	583,329	500,270	1,083,599
Grants receivable	3,408	-	3,408
Prepays	41,885	-	41,885
Inventories	21,634	89,490	111,124
	<u>6,759,247</u>	<u>2,440,305</u>	<u>9,199,552</u>
Total current assets			
Noncurrent assets:			
Assessments receivable	1,533,052	-	1,533,052
Notes receivable	119,312	199,307	318,619
Debt issue costs	87,775	124,780	212,555
Internal balances	(588,088)	588,088	-
Capital assets:			
Nondepreciable	2,771,075	5,063,960	7,835,035
Depreciable	12,904,898	20,517,525	33,422,423
	<u>16,828,024</u>	<u>26,493,660</u>	<u>43,321,684</u>
Total noncurrent assets			
	<u>\$ 23,587,271</u>	<u>\$ 28,933,965</u>	<u>\$ 52,521,236</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 192,362	\$ 151,419	\$ 343,781
Interest payable	71,851	152,904	224,755
Current portion of long-term debt	856,525	1,510,342	2,366,867
	<u>1,120,738</u>	<u>1,814,665</u>	<u>2,935,403</u>
Total current liabilities			
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	5,435,717	13,840,699	19,276,416
	<u>5,435,717</u>	<u>13,840,699</u>	<u>19,276,416</u>
Total noncurrent liabilities			
	<u>6,556,455</u>	<u>15,655,364</u>	<u>22,211,819</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	9,932,688	11,218,953	21,151,641
Restricted for:			
Tourism	1,733	-	1,733
18th Street Park	6,949	924,239	931,188
911 operations	5,438	-	5,438
System development	876,646	649,030	1,525,676
Urban renewal projects	2,054,717	-	2,054,717
Debt Service	-	123,082	123,082
Unrestricted	4,152,645	363,297	4,515,942
	<u>17,030,816</u>	<u>13,278,601</u>	<u>30,309,417</u>
Total net assets			
	<u>\$ 23,587,271</u>	<u>\$ 28,933,965</u>	<u>\$ 52,521,236</u>
Total liabilities and net assets			

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, 2012

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	\$ 1,410,520	\$ 595,334	\$ 146,336	\$ -	\$ (668,850)	\$ -	\$ (668,850)
Public safety	2,327,710	145,492	25,315	-	(2,156,903)	-	(2,156,903)
Economic development	1,127,198	-	103,851	-	(1,023,347)	-	(1,023,347)
Highways and streets	779,178	125,631	-	378,642	(274,905)	-	(274,905)
Airport	173,747	105,085	-	945,860	877,198	-	877,198
Culture and recreation	187,539	-	20,458	-	(167,081)	-	(167,081)
Interest on long-term debt	254,329	-	-	-	(254,329)	-	(254,329)
Total governmental activities	6,260,221	971,542	295,960	1,324,502	(3,668,217)	-	(3,668,217)
Business type activities:							
Water Operations	1,454,949	1,948,992	-	535,556	-	1,029,599	1,029,599
Wastewater Operations	1,861,154	2,674,203	-	103,371	-	916,420	916,420
Events Center Operations	631,192	288,355	-	271,095	-	(71,742)	(71,742)
Storm Water	175,690	580,273	-	-	-	404,583	404,583
Total business type activities	4,122,985	5,491,823	-	910,022	-	2,278,860	2,278,860
Total government	\$ 10,383,206	\$ 6,463,365	\$ 295,960	\$ 2,234,524	(3,668,217)	2,278,860	(1,389,357)
General revenues:							
Taxes:							
Property taxes					2,763,851	-	2,763,851
Public Service taxes and state revenue sharing					715,305	-	715,305
Franchise fees					498,963	-	498,963
Interest and investment earnings					46,601	21,363	67,964
Miscellaneous revenues					146,474	44,569	191,043
Fines and forfeitures					233,981	-	233,981
Transfers in (out)					381,775	(381,775)	-
Total general revenues and transfers					4,786,950	(315,843)	4,471,107
Change in net assets					1,118,733	1,963,017	3,081,750
Net assets - beginning					15,912,083	11,315,584	27,227,667
Net assets - ending					\$ 17,030,816	\$ 13,278,601	\$ 30,309,417

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.

Airport Capital Projects Fund

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

Spruce St LID Bond Fund

This fund is used to account for special assessment revenue from local improvement district and the servicing of related bonded debt incurred for the improvement of Spruce Street.

Urban Renewal Fund

The Urban Renewal Fund is used to account for the revenue and expenditures under the Urban Renewal Plan. The primary source of revenues is taxes.

Urban Renewal Debt Service Fund

This fund is used to account for the debt acquired by the Florence Urban Renewal Agency.

CITY OF FLORENCE, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012

	General Fund	Street Fund	Airport Capital Projects Fund	Spruce St LID Bond Fund	Urban Renewal Fund	Urban Renewal Debt Service Fund	Nonmajor Funds	Total
ASSETS								
Cash and cash equivalents	\$ 1,567,677	\$ 373,630	\$ -	\$ 315,742	\$ 2,367,843	\$ 251,025	\$ 1,037,031	\$ 5,912,948
Property taxes receivable	146,345	-	-	-	18,984	-	25,826	191,155
Due from other governments	4,394	-	-	-	494	-	-	4,888
Accounts receivable	320,060	209,397	-	-	-	-	52,299	581,756
Assessments receivable	-	35,246	-	1,478,492	-	-	19,314	1,533,052
Grants receivable	-	-	3,408	-	-	-	-	3,408
Notes receivable	-	-	-	-	-	-	119,312	119,312
Due from other funds	58,971	450	-	-	-	-	-	59,421
Interfund loan receivable	-	-	-	-	-	-	380,000	380,000
Prepays	41,885	-	-	-	-	-	-	41,885
Inventories	-	-	-	-	-	-	21,634	21,634
Total assets	\$ 2,139,332	\$ 618,723	\$ 3,408	\$ 1,794,234	\$ 2,387,321	\$ 251,025	\$ 1,655,416	\$ 8,849,459

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable and accrued expenses	\$ 122,577	\$ 64,382	\$ -	\$ -	\$ 3,341	\$ -	\$ 1,244	\$ 191,544
Interfund payable	-	416,000	-	-	-	-	-	416,000
Due to other funds	-	-	3,408	-	562,234	-	45,128	610,770
Deferred revenue	279,191	35,245	-	1,478,492	18,054	-	163,178	1,974,160
Total liabilities	401,768	515,627	3,408	1,478,492	583,629	-	209,550	3,192,474

FUND BALANCES:

Nonspendable:								
Inventory	-	-	-	-	-	-	21,634	21,634
Prepaid items	41,885	-	-	-	-	-	-	41,885
Endowments	-	-	-	-	-	-	79,741	79,741
Restricted for:								
Tourism	-	-	-	-	-	-	1,733	1,733
18th Street Park	6,949	-	-	-	-	-	-	6,949
911 operations	-	-	-	-	-	-	5,438	5,438
Capital projects	124,810	103,096	-	-	-	-	-	227,906
System development	-	-	-	-	-	-	876,646	876,646
Urban renewal projects	-	-	-	-	1,803,692	251,025	-	2,054,717
Assigned to:								
Airport operations	-	-	-	-	-	-	32,000	32,000
Debt service payments	-	-	-	315,742	-	-	428,674	744,416
Unassigned:	1,563,920	-	-	-	-	-	-	1,563,920
Total fund balance	1,737,564	103,096	-	315,742	1,803,692	251,025	1,445,866	5,656,985
Total liabilities and fund balance	\$ 2,139,332	\$ 618,723	\$ 3,408	\$ 1,794,234	\$ 2,387,321	\$ 251,025	\$ 1,655,416	

Amounts reported in the statement of net assets are different

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 15,675,973

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,974,160

Debt issue cost are not financial resources, and therefore, are not reported in the funds 87,775

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. 16

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (6,364,093)

Net Assets \$ 17,030,816

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

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012**

	General Fund	Street Fund	Airport Capital Projects Fund	Spruce St LID Bond Fund	Urban Renewal Fund	Urban Renewal Debt Service Fund	Nonmajor Funds	Total
REVENUES:								
Taxes	\$ 1,876,479	\$ -	\$ -	\$ -	\$ 283,228	\$ -	\$ 571,587	\$ 2,731,294
Franchise taxes	498,963	-	-	-	-	-	-	498,963
Licenses and fees	300,110	89,175	-	-	-	-	-	389,285
Intergovernmental	191,917	461,215	-	-	-	-	62,173	715,305
Assessments	-	12,649	-	10,132	-	-	41,398	64,179
Grants and contributions	129,168	146,334	945,860	-	-	-	-	1,221,362
Fines and forfeitures	233,981	-	-	-	-	-	-	233,981
Charges for services	144,795	-	-	-	-	-	250,577	395,372
Permits	-	-	-	-	11,912	1,025	-	12,937
Interest revenue	16,705	2,755	-	9,690	290	-	17,161	46,601
Miscellaneous revenue	52,207	7,031	-	-	-	-	85,663	144,901
Donation	20,458	-	-	-	-	-	-	20,458
Total revenues	3,464,783	719,159	945,860	19,822	295,430	1,025	1,028,559	6,474,638
EXPENDITURES:								
Current:								
General government	1,363,798	-	-	-	55,510	-	-	1,419,308
Public safety	2,209,527	-	-	-	-	-	-	2,209,527
Economic development	475,195	-	-	-	-	-	-	475,195
Highways and streets	-	287,803	-	-	-	-	-	287,803
Airport	-	-	-	-	-	-	117,056	117,056
Culture and recreation	137,062	-	-	-	-	-	-	137,062
Capital outlay	785,030	383,955	950,146	-	640,626	-	-	2,759,757
Debt service:								
Principal	6,542	38,116	-	35,000	-	280,000	417,830	777,488
Interest and fees	1,148	5,694	-	49,605	-	149,553	87,894	293,894
Total expenditures	4,978,302	715,568	950,146	84,605	696,136	429,553	622,780	8,477,090
Revenues over (under) expenditures	(1,513,519)	3,591	(4,286)	(64,783)	(400,706)	(428,528)	405,779	(2,002,452)
OTHER FINANCING SOURCES (USES):								
Issuance of debt	56,500	145,822	-	-	-	2,500,000	578,517	3,280,839
Transfers in	1,615,868	388,838	-	380,200	2,237,530	417,083	58,815	5,098,334
Transfers out	(184,115)	(141,457)	-	-	(417,083)	(2,237,530)	(1,790,580)	(4,770,765)
Total other financing sources (uses)	1,488,253	393,203	-	380,200	1,820,447	679,553	(1,153,248)	3,608,408
Net changes in fund balances	(25,266)	396,794	(4,286)	315,417	1,419,741	251,025	(747,469)	1,605,956
FUND BALANCES, BEGINNING	1,762,830	(293,698)	4,286	325	383,951	-	2,193,335	4,051,029
FUND BALANCES, ENDING	\$ 1,737,564	\$ 103,096	\$ -	\$ 315,742	\$ 1,803,692	\$ 251,025	\$ 1,445,866	\$ 5,656,985

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, 2012

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ 1,605,956

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	(742,651)	
Capital asset additions	<u>2,476,161</u>	1,733,510

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. (3,109,770)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond issue cost		28,067
---------------------------------	--	--------

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	865,455	
Accrued interest expense	<u>(4,501)</u>	860,954

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>16</u>
Change in net assets of governmental activities		<u><u>\$ 1,118,733</u></u>

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 Enterprise 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.

Public Works Administration

The Public Works Administration fund is used to account for all public works general overhead and personnel cost for employees and activities that benefit all the public work type funds (Water, Wastewater, Stormwater and Streets).

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012

	Business-Type Activities - Enterprise Funds					Internal Service Fund
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total	
ASSETS						
Cash and cash equivalents	\$ 275,962	\$ 863,817	\$ 325,958	\$ 384,808	\$ 1,850,545	\$ -
Accounts receivable	175,811	263,782	3,192	43,327	486,112	15,731
Inventories	68,997	20,493	-	-	89,490	-
Due from other funds	459,273	99,461	-	-	558,734	-
Interfund loan receivable	198,000	99,000	-	-	297,000	-
Bond costs	13,004	88,371	19,144	4,261	124,780	-
Total current assets	1,191,047	1,434,924	348,294	432,396	3,406,661	15,731
Note receivable	14,127	150,369	-	34,811	199,307	-
Capital assets, net	5,661,866	16,657,937	2,294,790	966,892	25,581,485	-
Total long-term assets	5,675,993	16,808,306	2,294,790	1,001,703	25,780,792	
Total assets	\$ 6,867,040	\$ 18,243,230	\$ 2,643,084	\$ 1,434,099	\$ 29,187,453	\$ 15,731
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable	\$ 27,245	\$ 71,792	\$ 26,275	\$ 2,936	\$ 128,248	\$ 1,423
Interfund loan payable	99,000	-	-	162,000	261,000	-
Due to other funds	-	-	-	-	-	7,385
Payroll liabilities	4,509	7,107	3,313	873	15,802	6,764
Interest payable	16,118	122,077	8,467	6,242	152,904	-
Current portion of long-term debt	300,194	1,002,808	159,142	48,198	1,510,342	-
Total current liabilities	447,066	1,203,784	197,197	220,249	2,068,296	15,572
NONCURRENT LIABILITIES:						
Noncurrent portion of long-term debt	2,290,249	10,764,612	425,000	360,838	13,840,699	-
Total non current liabilities	2,290,249	10,764,612	425,000	360,838	13,840,699	-
Total liabilities	2,737,315	11,968,396	622,197	581,087	15,908,995	15,572
NET ASSETS:						
Invested in capital assets, net of related debt	3,976,460	4,935,793	1,734,789	571,911	11,218,953	-
Restricted for:						
Capital projects	381,593	485,000	-	57,646	924,239	-
Debt service	-	123,082	-	-	123,082	-
System development	211,087	334,888	-	103,055	649,030	-
Unrestricted	(439,415)	396,071	286,098	120,400	363,154	159
Total net assets	4,129,725	6,274,834	2,020,887	853,012	13,278,458	159
Total liabilities and net assets	\$ 6,867,040	\$ 18,243,230	\$ 2,643,084	\$ 1,434,099		\$ 15,731
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time					143	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					\$ 13,278,601	

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, 2012

	Business-Type Activities - Enterprise Funds					
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total	Internal Service Fund
OPERATING REVENUES:						
System development fees	\$ 51,186	\$ 192,499	\$ -	\$ 67,418	\$ 311,103	\$ -
Charges for services	1,892,457	2,473,996	288,355	511,754	5,166,562	-
Grants and contributions	535,556	103,371	88,924	-	727,851	-
Intergovernmental	-	-	182,171	-	182,171	-
Miscellaneous income	12,905	20,778	10,886	-	44,569	15,731
Total operating revenues	<u>2,492,104</u>	<u>2,790,644</u>	<u>570,336</u>	<u>579,172</u>	<u>6,432,256</u>	<u>15,731</u>
OPERATING EXPENSES:						
Materials and services	439,359	449,935	270,134	30,748	1,190,176	66,317
Personal services	304,983	356,677	230,322	57,376	949,358	491,315
Depreciation and amortization	392,261	571,003	107,097	41,485	1,111,846	-
Total operating expenses	<u>1,136,603</u>	<u>1,377,615</u>	<u>607,553</u>	<u>129,609</u>	<u>3,251,380</u>	<u>557,632</u>
Operating income (loss)	1,355,501	1,413,029	(37,217)	449,563	3,180,876	(541,901)
NON-OPERATING INCOME (EXPENSE):						
Interest income	2,383	16,486	473	2,021	21,363	-
Interest expense	(128,750)	(210,300)	(23,639)	(7,047)	(369,736)	-
Total non-operating income (expenses)	<u>(126,367)</u>	<u>(193,814)</u>	<u>(23,166)</u>	<u>(5,026)</u>	<u>(348,373)</u>	<u>-</u>
Net income (loss) before transfers	1,229,134	1,219,215	(60,383)	444,537	2,832,503	(541,901)
TRANSFERS:						
Transfers in (out)	(344,392)	(657,247)	200,411	(68,401)	(869,629)	542,060
Net income (loss) before contributions	884,742	561,968	140,028	376,136	1,962,874	159
Change in net assets	884,742	561,968	140,028	376,136	1,962,874	159
NET ASSETS, BEGINNING	<u>3,244,983</u>	<u>5,712,866</u>	<u>1,880,859</u>	<u>476,876</u>		<u>-</u>
NET ASSETS, ENDING	<u>\$ 4,129,725</u>	<u>\$ 6,274,834</u>	<u>\$ 2,020,887</u>	<u>\$ 853,012</u>		<u>\$ 159</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					<u>143</u>	
Change in net assets of business-type activities					<u>\$ 1,963,017</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, 2012

	Business-Type Activities - Enterprise Funds					
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 1,989,458	\$ 2,975,162	\$ 567,144	\$ 536,997	\$ 6,068,761	\$ -
Cash paid to employees and others for salaries and benefits	(325,419)	(375,141)	(237,824)	(63,416)	(1,001,800)	(484,551)
Cash paid to suppliers and others	(474,359)	(528,212)	(251,340)	(34,084)	(1,287,995)	(64,894)
Net cash provided by operating activities	<u>1,189,680</u>	<u>2,071,809</u>	<u>77,980</u>	<u>439,497</u>	<u>3,778,966</u>	<u>(549,445)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Payment from (to) other funds for interfund loans	(41,000)	99,000	-	(54,000)	4,000	7,385
Transfers in (out)	(344,392)	(657,247)	200,411	(68,401)	(869,629)	542,060
Net cash provided by non-capital financing activities	<u>(385,392)</u>	<u>(558,247)</u>	<u>200,411</u>	<u>(122,401)</u>	<u>(865,629)</u>	<u>549,445</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(847,331)	(1,844,642)	(34,033)	(292,536)	(3,018,542)	-
Loan proceeds	704,200	1,658,193	-	-	2,362,393	-
Debt principal payments	(243,394)	(674,706)	(125,000)	(32,504)	(1,075,604)	-
Interest paid	(130,692)	(242,187)	(25,529)	(8,332)	(406,740)	-
Bond costs	(13,492)	(1,438)	-	-	(14,930)	-
Net cash provided by capital and related financing activities	<u>(530,709)</u>	<u>(1,104,780)</u>	<u>(184,562)</u>	<u>(333,372)</u>	<u>(2,153,423)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	2,383	16,486	473	2,021	21,363	-
Net cash provided by investing activities	<u>2,383</u>	<u>16,486</u>	<u>473</u>	<u>2,021</u>	<u>21,363</u>	<u>-</u>
Net increase in cash and cash equivalents	275,962	425,268	94,302	(14,255)	781,277	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>	<u>438,549</u>	<u>231,656</u>	<u>399,063</u>	<u>1,069,268</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 275,962</u>	<u>\$ 863,817</u>	<u>\$ 325,958</u>	<u>\$ 384,808</u>	<u>\$ 1,850,545</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating Income	\$ 1,355,501	\$ 1,413,029	\$ (37,217)	\$ 449,563	\$ 3,180,876	\$ (541,901)
Adjustments						
Depreciation and amortization	392,261	571,003	107,097	41,485	1,111,846	-
Decrease (increase) in:						
Accounts and grant receivables	(29,246)	434,348	(3,192)	(7,364)	394,546	(15,731)
Notes receivable	(14,127)	(150,369)	-	(34,811)	(199,307)	-
Inventories	11,286	472	-	-	11,758	-
Due from other funds	(459,273)	(99,461)	-	-	(558,734)	-
Increase (decrease) in:						
Accounts payable and accrued expenses	(46,286)	(78,749)	18,794	(3,336)	(109,577)	1,423
Payroll liabilities	(18,124)	(15,529)	(6,366)	(5,572)	(45,591)	6,764
Accrued compensated absences	(2,312)	(2,935)	(1,136)	(468)	(6,851)	-
Net cash provided by operating activities	<u>\$ 1,189,680</u>	<u>\$ 2,071,809</u>	<u>\$ 77,980</u>	<u>\$ 439,497</u>	<u>\$ 3,778,966</u>	<u>\$ (549,445)</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.

Senior Center Trust & Agency Fund

The Senior Center Trust and Agency Fund accepts donations and pays expenses for the Florence Senior Center.

CITY OF FLORENCE, OREGON
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 53,825</u>
Total assets	<u><u>\$ 53,825</u></u>
LIABILITIES:	
Other current liabilities	<u>\$ 53,825</u>
Total liabilities	<u><u>\$ 53,825</u></u>

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

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 unit (Florence Urban Renewal Agency), 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. The Florence Urban Renewal Agency has a June 30 year-end. The Florence Urban Renewal Agency is governed by the City Council of the City of Florence

Florence Urban Renewal Agency – The Agency was formed to plan, direct, and manage certain projects within Florence. Pursuant to ORS 457.055 and under Lane County's order no. 86-8-27-1H, the City Council has appointed a nine member board as governing body of the Agency. The Urban Renewal Agency General Fund and Urban Renewal Agency Debt Service Fund are reported as governmental fund types.

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.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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 2012:

- *General Fund*
- *Street Fund*
- *Airport Capital Projects Fund*
- *Spruce St LID Bond Fund*
- *Urban Renewal Fund*
- *Urban Renewal Debt Service Fund*

The City reports each of its four proprietary funds as major 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. The City reports the following proprietary funds:

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

Additionally the City reports an internal service fund to account for all public works general overhead and personnel cost for employees and activities that benefit all public work type funds (Water, Wastewater, Stormwater and Streets).

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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*
- *Senior Center Trust and Agency Fund*

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.

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.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 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. No FASB Statements and Interpretations issued after November 30, 1989, have been applied.

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.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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”. Long-term interfund loans are classified as “interfund loan receivable” and “interfund loan payable”.

H. Inventories

Inventories in the Airport, Water and Wastewater Funds consist of aviation fuel held for sale as well as 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, 2012.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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, water fund, wastewater fund, event center fund, storm water fund, and public works administration 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, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the City Council, by formal council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes items assigned for specific uses, authorized by the City. Assignments of fund balance can be done at any time, including after the fiscal year end date.

Unassigned – This is the residual classification used for those balances not assigned to another category.

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. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the City’s policy to use committed resources first, then assigned, and then unassigned 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.

2. Cash and Cash Equivalents

At June 30, 2012 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	\$ 4,092,765

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.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 and is unrated.

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 finds 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 53% of cash and cash equivalents at June 30, 2012.

D. Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2012, none of the City's bank balances were exposed to credit risk.

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.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

<u>Primary Government</u>	<u>7/1/2011 Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2012 Ending Balance</u>
Capital Assets, non-depreciable:				
Land	\$ 1,857,306	\$ -	\$ -	\$ 1,857,306
Construction in Progress	686,860	417,108	(190,199)	913,769
Total capital assets, non-depreciable	<u>2,544,166</u>	<u>417,108</u>	<u>(190,199)</u>	<u>2,771,075</u>
Capital assets, depreciable:				
Buildings and improvements	7,995,947	-	-	9,626,062
Equipment and Vehicles	2,134,343	235,034	(4,999)	2,364,378
Infrastructure	9,343,874	384,103	-	9,727,977
Total capital assets, depreciable	<u>19,474,164</u>	<u>2,249,252</u>	<u>(4,999)</u>	<u>21,718,417</u>
Total	<u>22,018,330</u>	<u>2,666,360</u>	<u>(195,198)</u>	<u>24,489,492</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,980,583)	(234,933)	-	(3,215,516)
Equipment and Vehicles	(1,676,057)	(140,464)	4,999	(1,811,522)
Infrastructure	(3,419,227)	(367,254)	-	(3,786,481)
Total accumulated depreciation	<u>(8,075,867)</u>	<u>(742,651)</u>	<u>4,999</u>	<u>(8,813,519)</u>
Net depreciable capital assets	<u>11,398,297</u>	<u>1,506,601</u>	<u>-</u>	<u>12,904,898</u>
Net capital assets	<u>\$ 13,942,463</u>	<u>\$ 1,923,709</u>	<u>\$ (190,199)</u>	<u>\$ 15,675,973</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

	<u>7/1/2011</u> Beginning Balance	Additions	Deletions	<u>6/30/2012</u> Ending Balance
<u>Business-type activities totals</u>				
Capital Assets, non-depreciable:				
Land	\$ 322,253	\$ -	\$ -	\$ 322,253
CIP	3,077,561	2,229,456	(565,310)	4,741,707
Total capital assets, non-depreciable	<u>3,399,814</u>	<u>2,229,456</u>	<u>(565,310)</u>	<u>5,063,960</u>
Capital assets, depreciable:				
Building and improvements	24,148,641	17,677	-	24,166,318
Utility systems	10,703,831	1,056,911	-	11,760,742
Equipment and vehicles	1,902,933	93,566	(13,251)	1,983,248
Infrastructure	118,626	199,493	-	318,119
Total capital assets, depreciable	<u>36,874,031</u>	<u>1,367,647</u>	<u>(13,251)</u>	<u>38,228,427</u>
Total	40,273,845	3,597,103	(578,561)	43,292,387
Less accumulated depreciation for:				
Building and improvements	(8,774,246)	(729,629)	-	(9,503,875)
Utility systems	(6,203,137)	(290,415)	-	(6,493,552)
Infrastructure	(2,705)	(6,903)	-	(9,608)
Equipment and vehicles	(1,632,898)	(84,220)	13,251	(1,703,867)
Total accumulated depreciation	<u>(16,612,986)</u>	<u>(1,111,167)</u>	<u>13,251</u>	<u>(17,710,902)</u>
Net depreciable capital assets	<u>20,261,045</u>	<u>256,480</u>	<u>-</u>	<u>20,517,525</u>
Net capital assets	<u>\$ 23,660,859</u>	<u>\$ 2,485,936</u>	<u>\$ (565,310)</u>	<u>\$ 25,581,485</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Public safety	\$ 125,673
Economic development	24,268
Highways and streets	436,588
Airport	57,088
Culture and recreation	50,942
Total depreciation expense - governmental activities	<u>\$ 742,651</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Business-type activities:

Events Center	\$ (102,310)
Water	(405,019)
Wastewater	(562,521)
Stormwater	(41,317)
Total depreciation expense - business-type activities	<u><u>\$ (1,111,167)</u></u>

5. Interfund Receivables, Payables, Transfers, and Loans

A. Interfund Receivables and Payables

Interfund balances which represent unsettled overdrafts of pooled cash as of June 30, 2012, are as follows:

	<u>Due to Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ -	\$ 58,971
Street Fund	-	450
Airport Capital Projects Fund	3,408	-
Urban Renewal Fund	562,234	-
Water Fund	-	459,273
Wastewater Fund	-	99,461
Room Tax Fund	40,165	-
911 Emergency Fund	4,963	-
Internal Service Fund	7,385	-
	<u><u>\$ 618,155</u></u>	<u><u>\$ 618,155</u></u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

B. Interfund Transfers

Interfund transfers are used to provide funds for debt service, contribute to the cost of capital projects and provide operational resources.

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General Fund	\$ 1,615,868	\$ 184,115
Street Fund	388,838	141,457
Spruce St LID Bond Fund	380,200	-
Urban Renewal Fund	2,237,530	417,083
Urban Renewal Debt Service Fund	417,083	2,237,530
Total Major Governmental Funds	<u>5,039,519</u>	<u>2,980,185</u>
Non-major Governmental Funds:		
911 Emergency Fund	-	228,192
Rehab Loan Fund	-	105,147
Room Tax Fund	-	315,000
Building Program Fund	-	8,955
Street Systems Development Fund	7,369	-
RTMP Grant Fund	-	4,652
Grants Projects Fund	-	157,124
Bancroft Bond Fund	-	418,200
FFC 2010B Bond Fund	29,511	-
Debt Service Fund	21,935	550,000
Event Center Endowment Fund	-	3,310
Total Non-major Governmental Funds	<u>58,815</u>	<u>1,790,580</u>
Proprietary Funds:		
Water Operations	129,478	473,870
Wastewater Operations	37,768	695,015
Events Center	200,411	-
Storm Water Fund	-	68,401
Total Proprietary Funds	<u>367,657</u>	<u>1,237,286</u>
Internal Service Funds:		
Public Works Administration	542,060	-
Total Internal Service Funds	<u>542,060</u>	<u>-</u>
Total All Funds	<u>\$ 6,008,051</u>	<u>\$ 6,008,051</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

C. Interfund Loans

Interfund loans are used to provide funding for Spruce Street LID capital projects. None of these loans are expected to be repaid within the next year.

	Interfund Loan Receivable	Interfund Loan Payable
Water Fund	\$ 198,000	\$ 99,000
Storm Fund	-	162,000
Street Fund	-	416,000
Non-major Fund	380,000	
Wastewater Fund	99,000	-
	<u>\$ 677,000</u>	<u>\$ 677,000</u>

6. Long Term Debt

During the year ended June 30, 2012, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 3,219,943	\$ 562,804	\$ (358,011)	\$ 3,424,736	\$ 368,344
Capital lease payable	73,020	-	(66,548)	6,472	6,472
Notes payable	327,465	2,702,322	(365,146)	2,664,641	285,316
Special assessments	60,000	-	(60,000)	-	-
Total bonds and notes payable	<u>3,680,428</u>	<u>3,265,126</u>	<u>(849,705)</u>	<u>6,095,849</u>	<u>660,132</u>
Compensated absences	212,143	-	(15,750)	196,393	196,393
Total governmental activities	<u>\$ 3,892,571</u>	<u>\$ 3,265,126</u>	<u>\$ (865,455)</u>	<u>\$ 6,292,242</u>	<u>\$ 856,525</u>
Business-type Activities					
Bonds payable	\$ 8,660,080	\$ 690,713	\$ (835,262)	\$ 8,515,531	\$ 855,267
Capital lease payable	84,558	-	(19,579)	64,979	20,585
Notes payable	3,507,514	1,671,680	(118,785)	5,060,409	384,368
Special assessments	1,715,000	-	(125,000)	1,590,000	130,000
Total bonds and notes payable	<u>13,967,152</u>	<u>2,362,393</u>	<u>(1,098,626)</u>	<u>15,230,919</u>	<u>1,390,220</u>
Compensated absences	126,973	-	(6,851)	120,122	120,122
Total business-type activities	<u>\$ 14,094,125</u>	<u>\$ 2,362,393</u>	<u>\$(1,105,477)</u>	<u>\$15,351,041</u>	<u>\$1,510,342</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012 are as follows:

<u>Governmental Activities</u>	
During 2008, the City issued \$1,635,000 of advanced refunded general obligation debt at 3.50% on its 1998 advanced refunded general obligation debt for the justice center. Semiannual payments are made from assessments on the property benefiting from the improvements. Bond principal and interest is payable semiannually through September 2014.	\$ 884,284
During 2010, the City issued \$8,750,000 of full faith and credit & refunding obligations debt with \$8,310,000 at 3.064% and \$440,000 at 3.75%. This bond was used to fund projects for enterprise funds as well as governmental funds. The governmental portion was \$633,247. Semiannual payments are made from assessments on the property benefiting from the improvements. Bond principal and interest is payable semiannually through December 2030.	577,991
During 2010, the City issued \$1,478,000 of limited tax improvement bonds at 3.81% for the Spruce St LID. Semiannual payments are made from assessments on the property benefiting from the improvements. Bond principal and interest is payable semiannually through December 2030.	1,420,000
During 2011, the City issued \$1,245,000 of full faith and credit & refunding obligations debt at 4.14% for the Local Oregon Capital Assets Program (LOCAP). This bond was used to fund projects for enterprise funds as well as governmental funds. The governmental portion was \$562,804. Semiannual payments are made from assessments on the property benefiting from the improvements. Bond principal and interest is payable semiannually through June 2031.	<u>542,461</u>
Total bonds payable	<u>\$ 3,424,736</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

Fiscal Year	GO Refunding Series 2008		FFC Refunding Series 2010B (Governmental)		Spruce St LID Bond 2010		LOCAP Series 2011C (Governmental)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 284,761	\$ 25,550	\$ 23,241	\$ 14,950	\$ 40,000	\$ 48,882	\$ 20,342	\$ 20,993
2014	294,761	15,575	23,743	13,843	40,000	48,443	20,342	20,589
2015	304,762	5,250	24,244	12,714	45,000	47,887	22,603	20,184
2016	-	-	24,579	11,435	45,000	47,145	22,603	19,511
2017	-	-	25,247	10,002	50,000	46,155	22,603	18,635
2018-22	-	-	135,477	26,000	300,000	208,138	128,835	80,536
2023-27	-	-	166,159	7,343	430,000	143,988	155,958	54,443
2028-32	-	-	155,301	1,929	470,000	41,426	149,176	17,555
	<u>\$ 884,284</u>	<u>\$ 46,375</u>	<u>\$ 577,991</u>	<u>\$ 98,215</u>	<u>\$ 1,420,000</u>	<u>\$ 632,064</u>	<u>\$ 542,461</u>	<u>\$ 252,447</u>

The City also issues bonds where income derived from acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding are as follows as of June 30, 2012:

Business Type Activities

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. \$ 560,000

During 2010, the City issued \$8,750,000 of full faith and credit & refunding obligations debt with \$8,310,000 at 3.064% and \$440,000 at 3.75%. This bond was used to fund projects for enterprise funds as well as governmental funds. The business type portion was \$8,412,645. Bond principal and interest is payable semiannually through December 2030. 7,289,783

During 2011, the City issued \$1,245,000 of full faith and credit & refunding obligations debt at 4.14% for the Local Oregon Capital Assets Program (LOCAP). This bond was used to fund projects for enterprise funds as well as governmental funds. The business type portion was \$690,713. Bond principal and interest is payable semiannually through June 2031. 665,748

Total bonds payable \$ 8,515,531

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

Fiscal Year	FFC Refunding 2004		FFC Refunding Series 2010B (Business Type)		LOCAP Series 2011C (Business Type)	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 135,000	\$ 20,096	\$ 695,301	\$ 198,625	\$ 24,966	\$ 25,764
2014	135,000	14,899	710,307	183,908	24,966	25,268
2015	140,000	9,398	725,314	168,911	27,740	24,772
2016	150,000	3,281	735,318	151,916	27,740	23,945
2017	-	-	755,327	132,885	27,740	22,871
2018-22	-	-	3,229,780	345,425	158,115	98,840
2023-27	-	-	221,542	97,557	191,402	66,817
2028-32	-	-	216,894	25,634	183,081	21,545
	<u>\$ 560,000</u>	<u>\$ 47,674</u>	<u>\$ 7,289,783</u>	<u>\$ 1,304,860</u>	<u>\$ 665,748</u>	<u>\$ 309,821</u>

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 5.33% through December 2016.	\$ 218,167
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.	2,731
On September 27, 2010, the City received proceeds in the amount of \$89,950 from US Bank for an asphalt zipper. Loan principal and interest is payable annually at 4.242% through October 2013.	44,975
On July 8, 2011, the Florence Urban Renewal Agency received proceeds in the amount of \$2,500,000 from Oregon Pacific Bank to finance the Old Town Infrastructure Project. Loan principal and interest is payable semi-annually at 3.75% through October 15, 2015.	2,220,000

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

On October 3, 2011, the City received proceeds in the amount of \$317,322 from Oregon Pacific Bank. The funds were used to purchase vehicles and equipment for enterprise funds as well as governmental funds. The governmental portion was \$202,322. Loan principal and interest is payable annually at 3.75% through October 2015.

178,768

Total notes payable

\$ 2,664,641

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

Fiscal Year	Special Public Works Fund - Airport		Oregon Housing and Community Services		US Bank Asphalt Zipper	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 36,839	\$ 11,998	\$ 2,731	\$ 82	\$ 22,016	\$ 1,920
2014	42,215	9,972	-	-	22,959	978
2015	42,611	7,651	-	-	-	-
2016	48,030	5,308	-	-	-	-
2017	48,472	2,666	-	-	-	-
	<u>\$ 218,167</u>	<u>\$ 37,595</u>	<u>\$ 2,731</u>	<u>\$ 82</u>	<u>\$ 44,975</u>	<u>\$ 2,898</u>

Fiscal Year	FURA Capital Projects		OPB Capital Projects (Governmental)	
	Principal	Interest	Principal	Interest
2013	\$ 175,000	\$ 135,050	\$ 48,730	\$ 6,344
2014	190,000	124,404	50,600	4,474
2015	190,000	112,846	52,542	2,532
2016	190,000	101,535	26,895	515
2017	170,000	89,729	-	-
2018-22	750,000	303,420	-	-
2023-27	555,000	84,019	-	-
	<u>\$ 2,220,000</u>	<u>\$ 951,003</u>	<u>\$ 178,768</u>	<u>\$ 13,865</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Business Type Activities

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.	\$ 263,955
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.	27,513
On August 31, 2010, the City entered into a loan agreement with the Oregon Business Development Department to receive a loan in the amount of \$657,057 to permanently finance the Florence Wastewater Transmission Line & Intersection Improvements. Loan interest rate is variable between 2% and 4%. Loan principal and interest is payable annually through December 2034.	647,933
On February 12, 2010, the City entered into an agreement with the State of Oregon Department of Environmental Quality for a loan in the amount of \$4,923,260 to finance rehabilitation to a major wastewater trunk sewer. Loan principal payments commence upon completion of the project. The loan has a twenty year maturity with loan fees of 0.5% of the outstanding balance payable annually.	4,019,396
On October 3, 2011, the City received proceeds in the amount of \$317,322 from Oregon Pacific Bank. The funds were used to purchase vehicles and equipment for enterprise funds as well as governmental funds. The business type portion was \$115,000. Loan principal and interest is payable annually at 3.75% through October 2015.	<u>101,612</u>
Total notes payable	<u>\$ 5,060,409</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

Fiscal Year	Water System Improvement		Water System Improvement		Special Public Works Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 83,074	\$ 15,309	\$ 8,642	\$ 1,651	\$ 18,790	\$ 21,918
2014	87,892	10,491	9,161	1,132	18,858	21,551
2015	92,989	5,393	9,710	583	18,927	21,181
2016	-	-	-	-	23,998	20,811
2017	-	-	-	-	24,070	20,337
2018-22	-	-	-	-	121,814	92,528
2023-27	-	-	-	-	140,307	71,959
2028-32	-	-	-	-	165,208	43,047
2033-37	-	-	-	-	115,961	9,401
	<u>\$ 263,955</u>	<u>\$ 31,193</u>	<u>\$ 27,513</u>	<u>\$ 3,366</u>	<u>\$ 647,933</u>	<u>\$ 322,733</u>

Fiscal Year	Water Treatment Plant		OPB Capital Projects (Business Type)	
	Principal	Interest	Principal	Interest
2013	\$ 246,164	\$ -	\$ 27,698	\$ 3,606
2014	246,164	-	28,761	2,543
2015	246,164	-	29,865	1,439
2016	246,164	-	15,287	293
2017	246,164	-	-	-
2018-22	1,230,820	-	-	-
2023-27	1,230,820	-	-	-
2028-32	326,936	-	-	-
	<u>\$ 4,019,396</u>	<u>\$ -</u>	<u>\$ 101,612</u>	<u>\$ 7,881</u>

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.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

\$ 1,590,000

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

Fiscal Year	Water System Improvement	
	Principal	Interest
2013	\$ 130,000	\$ 66,718
2014	135,000	61,351
2015	140,000	58,618
2016	150,000	52,948
2017	155,000	46,573
2018-22	<u>880,000</u>	<u>124,140</u>
	<u>\$ 1,590,000</u>	<u>\$ 410,348</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, 2012:

	<u>Lease Obligation</u>	<u>Equipment Carrying Value</u>
General Fund:		
John Deere tractor, loader and mower, 4.95% \$6,800 annual payments through April 23, 2013.	\$ 6,800	\$ 14,221
Stormwater Fund:		
Elgin Crosswind Sweeper, 5.07%, \$11,811 semiannual payments including interest, final payment due February 07, 2015.	<u>70,865</u>	<u>5,184</u>
Total	<u>\$ 77,665</u>	<u>\$ 19,405</u>

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012.

	<u>Years ending</u> <u>June 30,</u>	<u>Amount</u>
	2013	30,422
	2014	23,621
	2015	<u>23,622</u>
Total minimum lease payments		77,665
Less amount representing interest		<u>(6,214)</u>
Present value of future minimum lease payments		<u>\$ 71,451</u>

7. 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, 2012 was 9.79% and the annual pension cost was \$523,713. This was comprised of \$307,921 in employer contributions and \$215,792 of

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

employee contributions. The OPSRP rates in effect for the year ended June 30, 2012 were 6.07% for general employees 8.78% 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.

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>
6/30/10	456,528	100%	\$ -
6/30/11	438,070	100%	-
6/30/12	523,713	100%	-

D. Other Postemployment Benefits

To accommodate for the GASB Statement No. 45 requirement that governmental employers account for and report the annual cost of OPEB, the City worked with City County Insurance Services, the City's insurance carrier, to complete a valuation done. Milliman Consultants, an actuarial firm, performed the GASB 45 valuation for the City and concluded that the City has no OPEB liability under GASB 45. Their finding was based on the fact that all medical and dental coverage offered by the City to its employees and retirees are community rated. This means that the medical and dental coverage premiums paid the City and its employees and retirees are not determined with regard to claims experience or demographic characteristics of 'the City' covered population. The City does not pay for any portion of the premiums for its retirees' medical, dental, or life insurance coverage.

8. Intergovernmental Agreement

In December of 2008, the City's Urban Renewal Agency entered into an intergovernmental agreement with Siuslaw Public Library District. The Agency will assist the District in repaying financing obtained by the district in the amount of \$315,000 to fund the Library expansion project. Payments for this financing were \$27,885 for the year ended June 30, 2012.

9. 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.

10. Litigation

Management of the City believes that total amount of liability, if any, which may arise from claims and lawsuits pending against the City beyond that, which is covered by insurance, would not have a material effect on the City's financial condition.

CITY OF FLORENCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

11. Contingencies and Commitments

Before year end the City entered into a contract with a company to install and upgrade the City's Supervisory Control and Data Acquisition System (SCADA) for the Wastewater and Water treatment operations telemetry system in the amount of \$377,000.

Before year end the City entered into a contract with a company to furnish and install a 400KW emergency generator at the Water Treatment Plant in the amount of \$103,985.

On July 16, 2012, the City entered into a construction commitment in the amount of \$872,795 for Phase 3 of the Florence Trunk Sewer Line Project.

On September 10, 2012, the City entered into two construction commitments. The first in the amount of \$943,077 for Phase 2 of the Florence Urban Renewal Agency Old Town Infrastructure Project. The other being a commitment of \$529,795 for the 2012 Street Rehabilitation Project.

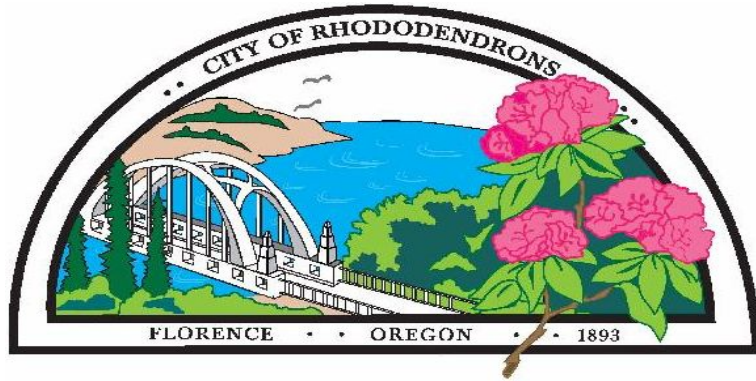
On October 8, 2012, The City approved a purchase commitment for two police vehicles in the amount of \$89,646.

Lastly on November 5, 2012, the City authorized a purchase commitment in the amount of \$74,500 for equipment related to the City.

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.

12. Subsequent Events

On November 5, 2012, the City Council authorized the City to enter into a financing agreement with a local bank in the amount of \$595,000 in order to finance current capital projects. The loan is for sixty months at a 3.5% interest rate with principal and interest payments payable bi-annually for five years ending November 15, 2017.



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
- Urban Renewal 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, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 1,888,473	\$ 1,888,473	\$ 1,876,479	\$ (11,994)
Franchise taxes	502,400	502,400	498,963	(3,437)
Licenses and fees	224,150	224,150	300,110	75,960
Intergovernmental	165,500	165,500	191,910	26,410
Grants and contributions	306,100	306,100	129,168	(176,932)
Fines and forfeitures	230,000	230,000	233,981	3,981
Charges for services	175,000	175,000	144,795	(30,205)
Interest revenue	14,000	14,000	16,705	2,705
Miscellaneous revenue	68,429	68,429	52,215	(16,214)
Donation	-	-	20,458	20,458
Total revenues	<u>3,574,052</u>	<u>3,574,052</u>	<u>3,464,784</u>	<u>(109,268)</u>
EXPENDITURES:				
General program	695,000	695,000	639,558	55,442
Administrative program	1,313,796	1,313,796	1,128,378	185,418
Justice program	2,522,568	2,522,568	2,462,809	59,759
Community development program	646,808	646,808	572,219	74,589
Parks program	-	241,018	175,338	65,680
Contingency	800,000	793,093	-	793,093
Total expenditures	<u>5,978,172</u>	<u>6,212,283</u>	<u>4,978,302</u>	<u>1,233,981</u>
Revenues over (under) expenditures	(2,404,120)	(2,638,231)	(1,513,518)	1,124,713
OTHER FINANCING SOURCES (USES):				
Issuance of debt	51,000	51,000	56,500	5,500
Transfers in	1,539,957	1,589,957	1,615,868	25,911
Transfers out	(371,513)	(187,402)	(184,115)	3,287
Total other financing sources (uses)	<u>1,219,444</u>	<u>1,453,555</u>	<u>1,488,253</u>	<u>34,698</u>
Net changes in fund balances	(1,184,676)	(1,184,676)	(25,265)	1,159,411
FUND BALANCE, BEGINNING	<u>1,484,079</u>	<u>1,484,079</u>	<u>1,762,830</u>	<u>278,751</u>
FUND BALANCE, ENDING	<u>\$ 299,403</u>	<u>\$ 299,403</u>	<u>\$ 1,737,565</u>	<u>\$ 1,438,162</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, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and fees	\$ 88,824	\$ 88,824	\$ 89,175	\$ 351
Intergovernmental	434,800	434,800	461,215	26,415
Assessments	10,840	10,840	12,649	1,809
Grants and contributions	710,650	710,650	146,334	(564,316)
Interest revenue	3,125	3,125	2,755	(370)
Miscellaneous revenue	1,000	1,000	7,031	6,031
Total revenues	<u>1,249,239</u>	<u>1,249,239</u>	<u>719,159</u>	<u>(530,080)</u>
EXPENDITURES:				
Personal service	59,135	59,135	49,645	9,490
Materials and service	234,260	234,260	238,158	(3,898)
Capital outlay	1,040,650	1,040,650	383,955	656,695
Debt service:				
Principal	40,167	40,167	38,116	2,051
Interest and fees	23,937	23,937	5,694	18,243
Contingency	100,000	99,593	-	99,593
Total expenditures	<u>1,498,149</u>	<u>1,497,742</u>	<u>715,568</u>	<u>782,174</u>
Revenues over (under) expenditures	(248,910)	(248,503)	3,591	252,094
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	(114,400)	(114,400)	(104,000)	10,400
Issuance of debt	-	-	145,822	145,822
Transfers in	280,298	300,000	388,838	88,838
Transfers out	<u>(124,529)</u>	<u>(144,638)</u>	<u>(141,457)</u>	<u>3,181</u>
Total other financing sources (uses)	41,369	40,962	289,203	248,241
Net changes in fund balances	(207,541)	(207,541)	292,794	500,335
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>223,317</u>	<u>223,317</u>	<u>226,302</u>	<u>2,985</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 15,776</u>	<u>\$ 15,776</u>	519,096	<u>\$ 503,320</u>
Interfund Payable			<u>(416,000)</u>	
FUND BALANCES, ENDING			<u>\$ 103,096</u>	

CITY OF FLORENCE, OREGON
URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 268,517	\$ 268,517	\$ 283,228	\$ 14,711
Interest revenue	2,500	2,500	11,912	9,412
Miscellaneous revenue	300	300	290	(10)
Total revenues	<u>271,317</u>	<u>271,317</u>	<u>295,430</u>	<u>24,113</u>
EXPENDITURES:				
Materials and service	85,600	85,600	55,510	30,090
Capital outlay	2,250,000	2,250,000	640,626	1,609,374
Contingency	12,717	12,717	-	12,717
Total expenditures	<u>2,348,317</u>	<u>2,348,317</u>	<u>696,136</u>	<u>1,652,181</u>
Revenues over (under) expenditures	(2,077,000)	(2,077,000)	(400,706)	1,676,294
OTHER FINANCING SOURCES (USES):				
Transfers in	2,250,000	2,250,000	2,237,530	(12,470)
Transfers out	(450,000)	(450,000)	(417,083)	32,917
Total other financing sources (uses)	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,820,447</u>	<u>20,447</u>
Net changes in fund balances	(277,000)	(277,000)	1,419,741	1,696,741
FUND BALANCES, BEGINNING	<u>380,000</u>	<u>380,000</u>	<u>383,951</u>	<u>3,951</u>
FUND BALANCES, ENDING	<u>\$ 103,000</u>	<u>\$ 103,000</u>	<u>\$ 1,803,692</u>	<u>\$ 1,700,692</u>

CITY OF FLORENCE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

Stewardship, Compliance, and Accountability

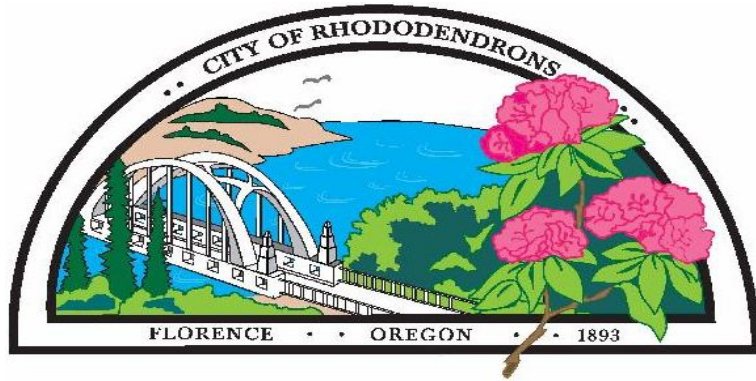
A. Budgetary information

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 program as established by resolution are the legal level of control for the following budgetary funds: General Fund, Public Works Enterprise Fund, Airport Enterprise Fund, and the Events Center. 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 one supplemental budget during the year-ended June 30, 2012. Appropriations lapse as of year-end.

B. Deficit Fund Balance

At June 30, 2012 there were no funds with a deficit balance.



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 schedules include:

- Combining Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Budgetary Basis
- 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-related projects.

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 (PSAP).

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 program. This fund was closed in FY 2012.

Building Program Fund

The Building Program Fund accounts for the receipt of building-related revenues and contracted building inspection services. This fund was closed in FY 2012.

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. This fund was closed in FY 2012.

Grants Projects Fund

The Grants Project Fund accounts for major capital grant projects. This fund was closed in FY 2012

Debt Service Funds

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

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 assessment revenue from local improvement districts and the serving of related bonded debt incurred in the course of improvement construction.

FFC 2010B Bond Fund

The FFC 2010B Bond Fund is used to account for the full-faith and credit bonds that were issued in November of 2010. Bond proceeds were used to finance new projects for the Justice Center and Stormwater and Wastewater operations as well as retire the Clean Water State Revolving Loan Fund Debt.

Debt Service Fund

The Debt Service Fund is currently used to account only for the LOCAP program series 2011 note.

Permanent Funds

These funds are used to report resources that are legally restricted to the extent that only earning, not principal, may be used for purposes that support the reporting government's programs.

Events Center Endowment Fund

This fund is used to account for an endowment whose earnings are restricted for the Florence Event Center.

**CITY OF FLORENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Events Center Endowment Permanent Fund	Total
ASSETS				
Cash and cash equivalents	\$ 529,890	\$ 427,400	\$ 79,741	\$ 1,037,031
Property taxes receivable	-	25,826	-	25,826
Accounts receivable	52,299	-	-	52,299
Assessments receivable	-	19,314	-	19,314
Notes receivable	119,312	-	-	119,312
Interfund loan receivable	380,000	-	-	380,000
Inventories	21,634	-	-	21,634
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,103,135</u>	<u>\$ 472,540</u>	<u>\$ 79,741</u>	<u>\$ 1,655,416</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 1,244	\$ -	\$ -	\$ 1,244
Due to other funds	45,128	-	-	45,128
Deferred revenue	119,312	43,866	-	163,178
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>165,684</u>	<u>43,866</u>	<u>-</u>	<u>209,550</u>
FUND BALANCES:				
Nonspendable:				
Inventory	21,634	-	-	21,634
Endowments	-	-	79,741	79,741
Restricted for:				
Tourism	1,733	-	-	1,733
911 operations	5,438	-	-	5,438
System development	876,646	-	-	876,646
Assigned to:				
Airport operations	32,000	-	-	32,000
Debt service payments	-	428,674	-	428,674
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund equity	<u>937,451</u>	<u>428,674</u>	<u>79,741</u>	<u>1,445,866</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 1,103,135</u>	<u>\$ 472,540</u>	<u>\$ 79,741</u>	<u>\$ 1,655,416</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, 2012

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Events Center Endowment Permanent Fund	Total
REVENUES:				
Taxes	\$ 248,911	\$ 322,676	\$ -	\$ 571,587
Intergovernmental	62,173	-	-	62,173
Assessments	36,456	4,942	-	41,398
Charges for services	250,577	-	-	250,577
Interest revenue	8,613	5,238	3,310	17,161
Miscellaneous revenue	5,922	-	79,741	85,663
	<u>612,652</u>	<u>332,856</u>	<u>83,051</u>	<u>1,028,559</u>
Total revenues				
EXPENDITURES:				
Airport	117,056	-	-	117,056
Debt service:				
Principal	36,483	381,347	-	417,830
Interest and fees	14,004	73,890	-	87,894
	<u>167,543</u>	<u>455,237</u>	<u>-</u>	<u>622,780</u>
Total expenditures				
Revenues over (under) expenditures	445,109	(122,381)	83,051	405,779
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	578,517	-	578,517
Transfers in	7,369	51,446	-	58,815
Transfers out	(819,070)	(968,200)	(3,310)	(1,790,580)
	<u>(811,701)</u>	<u>(338,237)</u>	<u>(3,310)</u>	<u>(1,153,248)</u>
Total other financing sources (uses)				
Net changes in fund balances	(366,592)	(460,618)	79,741	(747,469)
FUND BALANCES, BEGINNING	<u>1,304,043</u>	<u>889,292</u>	<u>-</u>	<u>2,193,335</u>
FUND BALANCES, ENDING	<u>\$ 937,451</u>	<u>\$ 428,674</u>	<u>\$ 79,741</u>	<u>\$ 1,445,866</u>

CITY OF FLORENCE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2012

	Room Tax Fund	911 Emergency Fund	Rehab Loan Fund	Building Program Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	41,898	10,401	-	-
Notes receivable	-	-	-	-
Interfund loan receivable	-	-	-	-
Inventories	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 41,898</u>	<u>\$ 10,401</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -
Due to other funds	40,165	4,963	-	-
Deferred revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>40,165</u>	<u>4,963</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Nonspendable:				
Inventory	-	-	-	-
Restricted for:				
Tourism	1,733	-	-	-
911 operations	-	5,438	-	-
System development	-	-	-	-
Assigned to:				
Airport operations	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund equity	<u>1,733</u>	<u>5,438</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 41,898</u>	<u>\$ 10,401</u>	<u>\$ -</u>	<u>\$ -</u>

Airport Operations Fund	Street Systems Development Fund	RTMP Grant Fund	Grants Projects Fund	Total
\$ 33,244	\$ 496,646	\$ -	\$ -	\$ 529,890
-	-	-	-	52,299
14,075	105,237	-	-	119,312
-	380,000	-	-	380,000
21,634	-	-	-	21,634
<u>\$ 68,953</u>	<u>\$ 981,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103,135</u>
\$ 1,244	\$ -	\$ -	\$ -	\$ 1,244
-	-	-	-	45,128
14,075	105,237	-	-	119,312
<u>15,319</u>	<u>105,237</u>	<u>-</u>	<u>-</u>	<u>165,684</u>
21,634	-	-	-	21,634
-	-	-	-	1,733
-	-	-	-	5,438
-	876,646	-	-	876,646
32,000	-	-	-	32,000
<u>53,634</u>	<u>876,646</u>	<u>-</u>	<u>-</u>	<u>937,451</u>
<u>\$ 68,953</u>	<u>\$ 981,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103,135</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, 2012

	Room Tax Fund	911 Emergency Fund	Rehab Loan Fund
REVENUES:			
Taxes	\$ 248,911	\$ -	\$ -
Intergovernmental	-	62,173	-
Assessments	-	-	-
Charges for services	-	145,492	-
Interest revenue	-	36	-
Miscellaneous revenue	-	-	-
	<u>248,911</u>	<u>207,701</u>	<u>-</u>
EXPENDITURES:			
Airport	-	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	248,911	207,701	-
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(315,000)	(228,192)	(105,147)
	<u>(315,000)</u>	<u>(228,192)</u>	<u>(105,147)</u>
Total other financing sources (uses)	(315,000)	(228,192)	(105,147)
	<u>(315,000)</u>	<u>(228,192)</u>	<u>(105,147)</u>
Net changes in fund balances	(66,089)	(20,491)	(105,147)
FUND BALANCES, BEGINNING	<u>67,822</u>	<u>25,929</u>	<u>105,147</u>
FUND BALANCES, ENDING	<u>\$ 1,733</u>	<u>\$ 5,438</u>	<u>\$ -</u>

Building Program Fund	Airport Operations Fund	Street Systems Development Fund	RTMP Grant Fund	Grants Projects Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,911
-	-	-	-	-	62,173
-	-	36,456	-	-	36,456
-	105,085	-	-	-	250,577
-	2,228	6,349	-	-	8,613
4	5,918	-	-	-	5,922
4	113,231	42,805	-	-	612,652
-	117,056	-	-	-	117,056
-	36,483	-	-	-	36,483
-	14,004	-	-	-	14,004
-	167,543	-	-	-	167,543
4	(54,312)	42,805	-	-	445,109
-	-	7,369	-	-	7,369
(8,955)	-	-	(4,652)	(157,124)	(819,070)
(8,955)	-	7,369	(4,652)	(157,124)	(811,701)
(8,951)	(54,312)	50,174	(4,652)	(157,124)	(366,592)
8,951	107,946	826,472	4,652	157,124	1,304,043
\$ -	\$ 53,634	\$ 876,646	\$ -	\$ -	\$ 937,451

**CITY OF FLORENCE, OREGON
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2012**

	General Obligation Debt Service Fund	Bancroft Bond Fund	FFC 2010B Bond Fund	Debt Service Fund	Total
ASSETS					
Cash and cash equivalents	\$ 413,802	\$ 9,359	\$ 2,817	\$ 1,422	\$ 427,400
Property taxes receivable	25,826	-	-	-	25,826
Assessments receivable	-	19,314	-	-	19,314
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 439,628</u>	<u>\$ 28,673</u>	<u>\$ 2,817</u>	<u>\$ 1,422</u>	<u>\$ 472,540</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Deferred revenue	\$ 24,552	\$ 19,314	\$ -	\$ -	\$ 43,866
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>24,552</u>	<u>19,314</u>	<u>-</u>	<u>-</u>	<u>43,866</u>
FUND BALANCES:					
Assigned to:					
Debt service payments	415,076	9,359	2,817	1,422	428,674
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund equity	<u>415,076</u>	<u>9,359</u>	<u>2,817</u>	<u>1,422</u>	<u>428,674</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 439,628</u>	<u>\$ 28,673</u>	<u>\$ 2,817</u>	<u>\$ 1,422</u>	<u>\$ 472,540</u>

CITY OF FLORENCE, OREGON
NONMAJOR DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	General Obligation Debt Service Fund	Bancroft Bond Fund	FFC 2010B Bond Fund	Debt Service Fund	Total
REVENUES:					
Taxes	\$ 322,676	\$ -	\$ -	\$ -	\$ 322,676
Assessments	-	4,942	-	-	4,942
Interest revenue	990	4,248	-	-	5,238
Total revenues	323,666	9,190	-	-	332,856
EXPENDITURES:					
Debt service:					
Principal	278,987	60,000	22,156	20,204	381,347
Interest and fees	35,864	1,845	7,355	28,826	73,890
Total expenditures	314,851	61,845	29,511	49,030	455,237
Revenues over (under) expenditures	8,815	(52,655)	(29,511)	(49,030)	(122,381)
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	-	-	578,517	578,517
Transfers in	-	-	29,511	21,935	51,446
Transfers out	-	(418,200)	-	(550,000)	(968,200)
Total other financing sources (uses)	-	(418,200)	29,511	50,452	(338,237)
Net changes in fund balances	8,815	(470,855)	-	1,422	(460,618)
FUND BALANCES, BEGINNING	406,261	480,214	2,817	-	889,292
FUND BALANCES, ENDING	\$ 415,076	\$ 9,359	\$ 2,817	\$ 1,422	\$ 428,674

CITY OF FLORENCE, OREGON
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Municipal Court Agency Fund				
Assets				
Cash	\$ 46,653	\$ 336,758	\$ 338,135	\$ 45,276
Liabilities				
Other current liabilities	\$ 46,653	\$ 336,758	\$ 338,135	\$ 45,276
 Senior Center Trust & Agency Fund				
Assets				
Cash	\$ 14,001	\$ 49	\$ 5,501	\$ 8,549
Liabilities				
Other current liabilities	\$ 14,001	\$ 49	\$ 5,501	\$ 8,549
 Totals - All Agency Funds				
Assets				
Cash	\$ 60,654	\$ 336,807	\$ 343,636	\$ 53,825
Liabilities				
Other current liabilities	\$ 60,654	\$ 336,807	\$ 343,636	\$ 53,825

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:

- Public Works Enterprise Fund
 - Accounts for the budgetary amounts for the following GAAP Programs:
 - Streets Program
 - Water Program
 - Wastewater Program
 - Stormwater Program
 - Public Works Administration Program

- Airport Enterprise Fund
 - Accounts for the budgetary amounts for the following GAAP funds:
 - Airport Capital Project Fund
 - Airport Operations Fund

- Revenue Debt Service Fund
 - Accounts for the budgetary amounts for the following GAAP Funds:
 - Bancroft Bond Fund
 - FFC 2010B Bond Fund
 - Debt Service Fund
 - Spruce Street LID Bond Fund
 - Events Center Debt Service Fund

- Special Revenue Funds
 - Room Tax Fund
 - 911 Emergency Fund
 - Rehab Loan Fund
 - Building Program Fund
 - RTMP Grant Fund
 - Grants Projects Fund

- Debt Service Funds
 - General Obligation Debt Service Fund
 - Urban Renewal Debt Service Fund

- Permanent Funds
 - Events Center Endowment

- Events Center Operations
 - Events Center Fund
 - Events Center Reserve Fund

CITY OF FLORENCE, OREGON
PUBLIC WORKS ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and fees	\$ 88,824	\$ 88,824	\$ 89,175	\$ 351
Intergovernmental	434,800	434,800	461,215	26,415
Assessments	30,840	30,840	49,105	18,265
System development fees	111,000	111,000	111,796	796
Grants and contributions	2,860,150	2,860,150	785,261	(2,074,889)
Charges for services	4,784,590	4,784,590	4,878,207	93,617
Interest revenue	14,675	14,675	29,994	15,319
Miscellaneous revenue	17,000	17,000	56,445	39,445
Total revenues	<u>8,341,879</u>	<u>8,341,879</u>	<u>6,461,198</u>	<u>(1,880,681)</u>
EXPENDITURES:				
Streets Program	1,398,449	1,398,449	715,568	682,881
Water Program	3,669,541	3,669,541	1,901,702	1,767,839
Wastewater Program	4,978,901	4,978,901	2,699,090	2,279,811
Stormwater Program	508,841	508,841	404,749	104,092
Parks Program	237,734	-	-	-
Public Works Administration Program	553,527	583,527	557,632	25,895
Contingency	650,000	618,676	-	618,676
Total expenditures	<u>11,996,993</u>	<u>11,757,935</u>	<u>6,278,741</u>	<u>5,479,194</u>
Revenues over (under) expenditures	(3,655,114)	(3,416,056)	182,457	3,598,513
OTHER FINANCING SOURCES (USES):				
Issuance of debt	2,820,061	2,820,061	1,817,502	(1,002,559)
Transfers in	2,159,243	1,937,927	1,798,015	(139,912)
Transfers out	(2,682,480)	(2,700,222)	(2,339,283)	360,939
Total other financing sources (uses)	<u>2,296,824</u>	<u>2,057,766</u>	<u>1,276,234</u>	<u>(781,532)</u>
Net changes in fund balances	(1,358,290)	(1,358,290)	1,458,691	2,816,981
FUND BALANCE, BEGINNING	<u>2,616,769</u>	<u>2,616,769</u>	<u>2,006,398</u>	<u>(610,371)</u>
FUND BALANCE, ENDING	<u>\$ 1,258,479</u>	<u>\$ 1,258,479</u>	<u>\$ 3,465,089</u>	<u>\$ 2,206,610</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, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 300,000	\$ 300,000	\$ 248,911	\$ (51,089)
Total revenues	300,000	300,000	248,911	(51,089)
EXPENDITURES:				
Contingency	150,000	150,000	-	150,000
Total expenditures	150,000	150,000	-	150,000
Revenues over (under) expenditures	150,000	150,000	248,911	98,911
OTHER FINANCING SOURCES (USES):				
Transfers out	(350,000)	(350,000)	(315,000)	35,000
Total other financing sources (uses)	(350,000)	(350,000)	(315,000)	35,000
Net changes in fund balances	(200,000)	(200,000)	(66,089)	133,911
FUND BALANCES, BEGINNING	233,063	233,063	67,822	(165,241)
FUND BALANCES, ENDING	<u>\$ 33,063</u>	<u>\$ 33,063</u>	<u>\$ 1,733</u>	<u>\$ (31,330)</u>

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, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 71,500	\$ 62,173	\$ (9,327)
Charges for services	-	145,000	145,492	492
Interest revenue	-	50	36	(14)
Total revenues	-	216,550	207,701	(8,849)
Revenues over (under) expenditures	-	216,550	207,701	(8,849)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(216,550)	(228,192)	(11,642)
Total other financing sources (uses)	-	(216,550)	(228,192)	(11,642)
Net changes in fund balances	-	-	(20,491)	(20,491)
FUND BALANCES, BEGINNING	-	-	25,929	25,929
FUND BALANCES, ENDING	\$ -	\$ -	\$ 5,438	\$ 5,438

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, 2012

	Budget		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ -	\$ (105,147)	\$ (105,147)
Total other financing sources (uses)	-	-	(105,147)	(105,147)
Net changes in fund balances	-	-	(105,147)	(105,147)
FUND BALANCES, BEGINNING	-	-	105,147	105,147
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

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, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Miscellaneous revenue		\$ -	\$ 4	\$ 4
Total revenues	-	-	4	4
Revenues over (under) expenditures	-	-	4	4
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ -	\$ (8,955)	\$ (8,955)
Total other financing sources (uses)	-	-	(8,955)	(8,955)
Net changes in fund balances	-	-	(8,951)	(8,951)
FUND BALANCES, BEGINNING	-	-	8,951	8,951
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

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, 2012

	Budget		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ -	\$ (4,652)	\$ (4,652)
Total other financing sources (uses)	-	-	(4,652)	(4,652)
Net changes in fund balances	-	-	(4,652)	(4,652)
FUND BALANCES, BEGINNING	-	-	4,652	4,652
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

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, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ -	\$ (157,124)	\$ (157,124)
Total other financing sources (uses)	-	-	(157,124)	(157,124)
Net changes in fund balances	-	-	(157,124)	(157,124)
FUND BALANCES, BEGINNING	-	-	157,124	157,124
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 314,452	\$ 314,852	\$ 322,676	\$ 7,824
Interest revenue	500	500	990	490
Total revenues	<u>314,952</u>	<u>315,352</u>	<u>323,666</u>	<u>8,314</u>
EXPENDITURES:				
Debt service:				
Principal	278,987	278,987	278,987	-
Interest and fees	<u>35,465</u>	<u>35,865</u>	<u>35,864</u>	<u>1</u>
Total expenditures	<u>314,452</u>	<u>314,852</u>	<u>314,851</u>	<u>1</u>
Revenues over (under) expenditures	500	500	8,815	8,315
Net changes in fund balances	500	500	8,815	8,315
FUND BALANCES, BEGINNING	<u>417,182</u>	<u>417,182</u>	<u>406,261</u>	<u>(10,921)</u>
FUND BALANCES, ENDING	<u>\$ 417,682</u>	<u>\$ 417,682</u>	<u>\$ 415,076</u>	<u>\$ (2,606)</u>

CITY OF FLORENCE, OREGON
URBAN RENEWAL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest revenue	\$ -	\$ -	\$ 1,025	\$ 1,025
Total revenues	-	-	1,025	1,025
EXPENDITURES:				
Debt service:				
Principal	\$ 320,000	\$ 320,000	\$ 280,000	\$ 40,000
Interest and fees	130,000	130,000	149,553	(19,553)
Total expenditures	450,000	450,000	429,553	20,447
Revenues over (under) expenditures	(450,000)	(450,000)	(428,528)	21,472
OTHER FINANCING SOURCES (USES):				
Issuance of debt	2,500,000	2,500,000	2,500,000	-
Transfers in	450,000	450,000	417,083	(32,917)
Transfers out	(2,250,000)	(2,250,000)	(2,237,530)	12,470
Total other financing sources (uses)	700,000	700,000	679,553	(20,447)
Net changes in fund balances	250,000	250,000	251,025	1,025
FUND BALANCES, BEGINNING BUDGETARY BASIS	-	-	-	-
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 251,025</u>	<u>\$ 1,025</u>

CITY OF FLORENCE, OREGON
EVENTS CENTER ENDOWMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest revenue	\$ 3,500	\$ 3,500	\$ 3,310	\$ (190)
Miscellaneous revenue	-	-	79,741	79,741
Total revenues	3,500	3,500	83,051	79,551
EXPENDITURES:				
Contingency	40,000	40,000	-	40,000
Total expenditures	40,000	40,000	-	40,000
Revenues over (under) expenditures	(36,500)	(36,500)	83,051	119,551
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,500)	(3,500)	(3,310)	190
Total other financing sources (uses)	(3,500)	(3,500)	(3,310)	190
Net changes in fund balances	(40,000)	(40,000)	79,741	119,741
FUND BALANCE, BEGINNING	80,447	80,447	-	(80,447)
FUND BALANCE, ENDING	<u>\$ 40,447</u>	<u>\$ 40,447</u>	<u>\$ 79,741</u>	<u>\$ 39,294</u>

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, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 36,171	\$ 36,171	\$ 31,641	\$ (4,530)
Grants and contributions	90,500	90,500	88,924	(1,576)
Charges for services	289,750	289,750	288,355	(1,395)
Interest revenue	100	100	473	373
Miscellaneous revenue	8,500	8,500	10,886	2,386
Total revenues	<u>425,021</u>	<u>425,021</u>	<u>420,279</u>	<u>(4,742)</u>
EXPENDITURES:				
Personal service	243,760	243,760	231,460	12,300
Materials and service	324,000	324,000	274,129	49,871
Capital outlay	192,500	192,500	30,038	162,462
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>860,260</u>	<u>860,260</u>	<u>535,627</u>	<u>324,633</u>
Revenues over (under) expenditures	(435,239)	(435,239)	(115,348)	319,891
OTHER FINANCING SOURCES (USES):				
Transfers in	253,500	253,500	303,602	50,102
Transfers out	(58,481)	(58,481)	(57,551)	930
Total other financing sources (uses)	<u>195,019</u>	<u>195,019</u>	<u>246,051</u>	<u>51,032</u>
Net changes in fund balances	(240,220)	(240,220)	130,703	370,923
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>373,886</u>	<u>373,886</u>	<u>171,177</u>	<u>(202,709)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 133,666</u>	<u>\$ 133,666</u>	<u>\$ 301,880</u>	<u>\$ 168,214</u>

**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, 2012**

	Budget		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ -	\$ (45,640)	\$ (45,640)
Total other financing sources (uses)	-	-	(45,640)	(45,640)
Net changes in fund balances	-	-	(45,640)	(45,640)
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	45,640	45,640
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

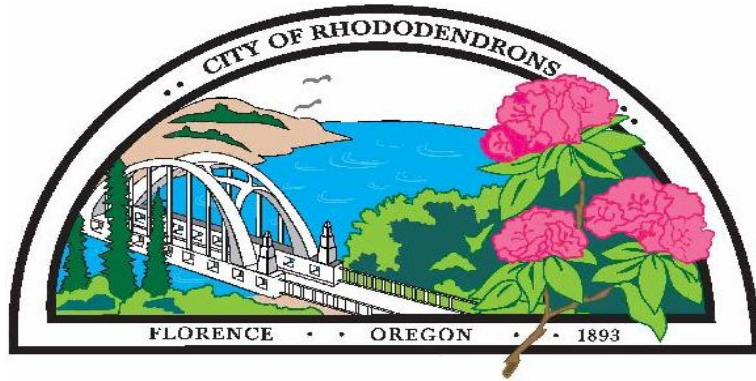
OTHER FINANCIAL SCHEDULES

CITY OF FLORENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2012

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2011</u>	<u>Levy as Extended by Assessor</u>	<u>Cancellations Discounts and Adjustments</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2012</u>
2011-2012		\$ 2,583,092	\$ (71,798)	\$ (2,426,781)	\$ 84,513
2010-2011	81,097		(3,218)	(24,492)	53,387
2009-2010	41,771		(1,294)	(4,788)	35,689
2008-2009	21,179		(814)	(11,326)	9,039
2007-2008	7,064		(327)	(4,011)	2,726
2006-2007	2,266		(329)	(305)	1,632
2005-2006	1,532		(273)	94	1,353
Prior	4,841		(1,852)	(173)	2,816
Totals	<u>\$ 159,750</u>	<u>\$ 2,583,092</u>	<u>\$ (79,905)</u>	<u>\$ (2,471,782)</u>	<u>\$ 191,155</u>

Taxes receivable classified by fund:

General Fund	\$ 146,345
General Obligation Debt Service Fund	25,826
Urban Renewal	<u>18,984</u>
	<u>\$ 191,155</u>



**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of City of Florence, Oregon (the City), as of and for the year ended June 30, 2012 and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the Honorable Mayor, City Council, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
December 12 2012

**FEDERAL SINGLE AUDIT
GRANT COMPLIANCE**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Honorable Mayor and City Council
City of Florence
Florence, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Oregon (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated December 12, 2012.

This report is intended solely for the information and use of management, the Honorable Mayor, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
December 12, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Florence
Florence, Oregon

Compliance

We have audited the City of Florence, Oregon's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion

on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Honorable Mayor, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
December 12, 2012

**CITY OF FLORENCE OREGON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through or Entity's Number</u>	<u>Expended</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass through Oregon Emergency Management Disaster Grants	97.036	FEMA-4055-DR-OR	\$ 15,731
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Aviation Administration	20.106		904,810 *
Pass through Oregon Department of Transportation: Highway Planning and Construction	20.205	26812, 2C-09, EA #TGM9LA20	10,783
Pass through Oregon Association of Chief of Police: Highway Safety Cluster:			
National Highway Traffic Safety	20.601		6,860
Safety Belt Performance Grant	20.602		780
Total Highway Safety Cluster			<u>7,640</u>
U.S. DEPARTMENT OF COMMERCE			
Pass through Oregon Department of Land Conservation & Development: Coastal Zone Management	11.419	CZM-11-015	8,000
ENVIRONMENTAL PROTECTION AGENCY			
West Coast Estuaries Initiative	66.119	WC-00J04801-1	85,069
Pass through Oregon Department of Environmental Quality: Capitalization Grants for State Revolving Funds	66.458	R33422	<u>805,246</u>
TOTAL			<u>\$ 1,837,279</u>

* Major program

CITY OF FLORENCE, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

Note 1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Florence, Oregon.

Note 2. Significant Accounting Policies

Reporting Entity: The reporting entity is fully described in Note 1 to the City's basic financial statements. The schedule includes all federal financial assistance programs administered by the City for the year ended June 30, 2012.

Basis of Presentation: The information in the Schedule is presented in accordance with OMB Circular A-133.

Federal Financial Assistance: Pursuant to the Single Audit Act and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs: The Single Audit Act and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City, are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Revenue Recognition: The receipt and expenditure of federal awards are accounted for under the modified accrual method of accounting. Revenues are recorded as received in cash or when measurable and available. Expenditures are recorded when the liability is incurred.

CITY OF FLORENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are
 Not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency (s) identified that are
 Not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major
 Programs: Unqualified

Any audit findings disclosed that are required to be
 Reported in accordance with OMB Circular A-133,
 Section 510(a)? Yes No

Identification of major programs:

CFDA Number **Name of Federal Program or Cluster**
 20.106 Federal Aviation Administration

Dollar threshold used to distinguish between Type A
 Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

**CITY OF FLORENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

Section IV – Schedule of Prior Federal Award Findings and Questioned Costs for the Years Ended June 30, 2011

None