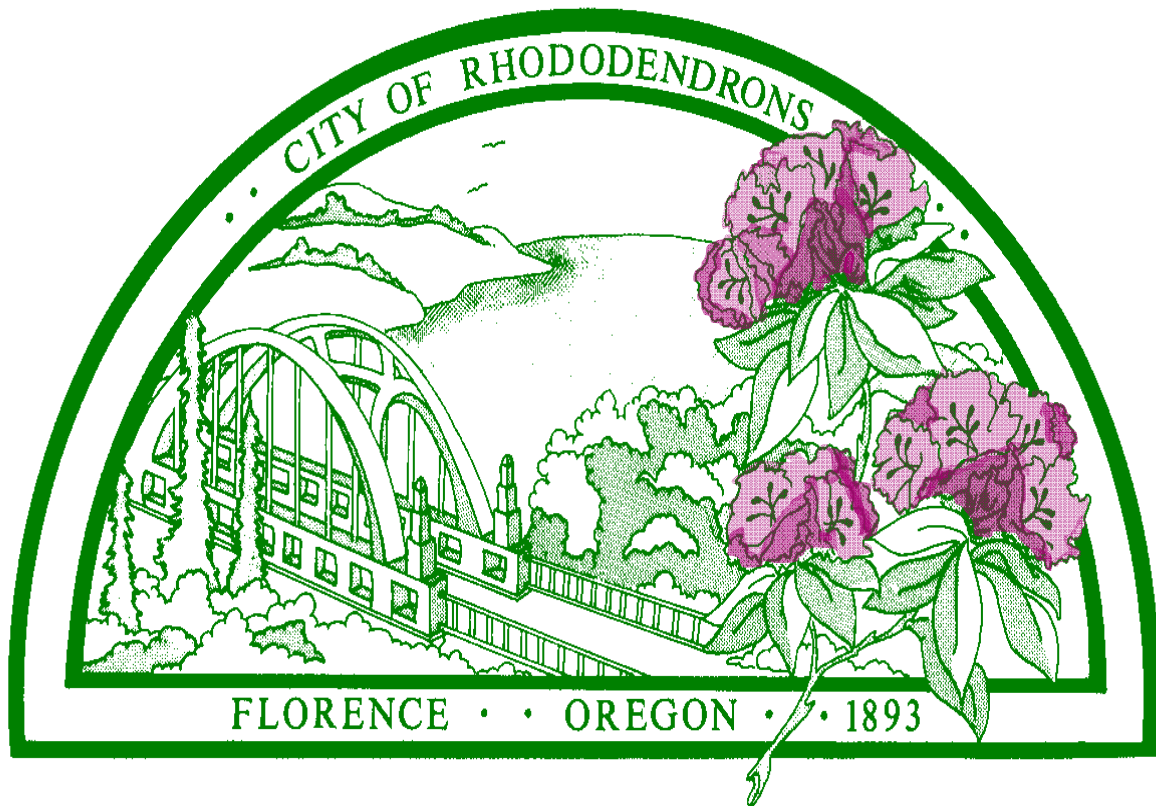


CITY OF FLORENCE, OREGON



FINANCIAL STATEMENTS
FOR THE YEAR ENDED

JUNE 30, 2010

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INTRODUCTORY SECTION

**CITY OF FLORENCE, OREGON
PRINCIPAL OFFICIALS**

ELECTED OFFICIALS

Mayor	Phil Brubaker
Council President	Nola Xavier
Council Vice President	Alan Burns
Councilor	Dave Franzen
Councilor	Sue Roberts

STATUTORY OFFICIALS

Budget Committee

Mayor	Phil Brubaker
Council President	Nola Xavier
Council Vice President	Alan Burns
Councilor	Dave Franzen
Councilor	Sue Roberts
Member	Lonnie Iholt
Member	John Murphey
Member	Deborah Manthe
Member	Pat Zeh
Member	Phil Zoller

STAFF

City Manager	Robert Willoughby
Assistant City Manager	Jacque Betz
City Recorder	Pat Heinze
Finance Director	Dave Armstrong
Public Works Director	Mike Miller
Police Chief	Maurice Sanders
Community Development Director	Sandra Belson
Florence Events Center Director	Kevin Rhodes

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Merina & Company, LLP, West Linn, Oregon

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, Oregon (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2010, and the respective changes in financial position and cash flows, where applicable, 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 March 17, 2011 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 budgetary comparison 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are 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 were 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. 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
March 17, 2011

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, 2010.

Financial Highlights

Net Assets – The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$24,519,204. Of this amount, \$3,844,506 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 \$1,263,872. Increase in Government activity revenues accounted for \$1,059,374 of the net increase from Capital grants and increase in tax revenue.

Governmental Activities – As of the close of the fiscal year, the City of Florence's governmental activities reported combined ending fund balances of \$13,458,974 of which \$3,997,568 is unrestricted.

Business-type Activities – At fiscal year-end, the business activities have combined ending net assets of \$11,060,230 with \$983,326 restricted for Wastewater debt reserve.

At the end of the fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$3,882,021. Approximately 91% percent of this total amount, or \$3,539,021, constitutes unreserved fund balance.

Capital assets in the amount of \$5,138,548 were acquired or constructed during the year which includes Florence Senior Center \$907,899, completion of multiyear project for Spruce Street LID \$2,611,692 and a sewer line extension to Driftwood Shores \$606,886.

The City of Florence's total debt decreased by \$1,120,572 during the fiscal year. The decrease is attributable to debt payments made during the fiscal year in the amount of \$309,660 for Governmental activity debt, \$810,912 for Business activities including \$257,402 for Water and \$571,376 for Wastewater debt.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City of Florence's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Florence is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). The governmental activities of the City of Florence include general government, public safety, highways and streets, airport, culture and recreation, and community development. The business type activities include water, wastewater, stormwater, and the operation of the

Florence Events Center.

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

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

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

The City of Florence maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Fund, Grant projects Fund, and Bancroft Bond Fund. All of these funds are considered to be major funds.

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

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

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

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

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

Other Supplementary Information. The combining statements for the non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$24,519,204 at the close of the most recent fiscal year.

By far the largest portion of the City of Florence’s net assets (80%) 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	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 3,523,764	\$3,443,642	\$ 796,270	\$1,825,419	\$ 4,320,034	\$ 5,269,061
Other assets	1,086,278	812,252	630,444	715,815	\$ 1,716,722	\$ 1,528,067
Capital assets	13,582,859	12,490,310	22,093,036	22,267,907	35,675,895	34,758,217
Total assets	<u>18,192,901</u>	<u>16,746,204</u>	<u>23,519,750</u>	<u>24,809,141</u>	<u>41,712,651</u>	<u>41,555,345</u>
Other Liabilities	396,712	400,276	469,199	451,629	865,911	851,905
Long term debt outstanding	4,337,215	4,646,875	11,990,321	12,801,233	16,327,536	17,448,108
Total liabilities	<u>4,733,927</u>	<u>5,047,151</u>	<u>12,459,520</u>	<u>13,252,862</u>	<u>17,193,447</u>	<u>18,300,013</u>
Net assets:						
Invested in capital assets, net of debt	9,461,406	8,139,353	10,229,966	9,629,543	\$19,691,372	\$17,768,896
Restricted for debt service	-	-	983,326	860,244	\$ 983,326	\$ 860,244
Unrestricted (deficit)	3,997,568	3,559,700	-153,062	1,066,492	3,844,506	4,626,192
Total net assets	<u>\$13,458,974</u>	<u>\$11,699,053</u>	<u>\$11,060,230</u>	<u>\$11,556,279</u>	<u>\$24,519,204</u>	<u>\$23,255,332</u>

A portion of the City of Florence’s net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance, \$983,326 is restricted deposit which is held for future debt service if needed, and \$3,844,506 is unrestricted and may be used to meet the City’s ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the City of Florence’s net assets by \$1,759,921. Revenues include \$907,899 in Grant funds used to build Florence Senior Center. Charges for services declined slightly by \$18,054 which was offset by \$257,534 increase in tax revenues. Numerous cost control measures, including justification and evaluations prior to filling staff vacancies, resulted in declining expenses of 22% for General government and 33% for Economic development for a total of \$396,475 in reduced expenditures.

Business-type activities. Business-type activities reduced the City of Florence’s net assets by \$496,049. Charges for services declined by 8% or \$428,279 due to economic recession.

Table 2
Governmental and Proprietary Activities

	Governmental Activities		Business-type Activities		Total Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
REVENUES						
Program Revenue						
Charges for services	\$ 629,305	\$ 647,359	\$ 4,666,357	\$ 5,094,636	\$ 5,295,662	\$ 5,741,995
Operating grants and contributions	202,331	301,503		-	202,331	301,503
Capital grants and contributions	1,002,060	57,101	182,171	182,171	1,184,231	239,272
Total Program Revenue	<u>1,833,696</u>	<u>1,005,963</u>	<u>4,848,528</u>	<u>5,276,807</u>	<u>6,682,224</u>	<u>6,282,770</u>
General Revenue					-	
Taxes	3,599,260	3,341,726			3,599,260	3,341,726
Franchise fees	477,315	477,832			477,315	477,832
Fines and forfeitures	245,131	252,373			245,131	252,373
Interest and investment earnings	39,803	85,391	16,648	51,072	56,451	136,463
Miscellaneous revenues	148,903	121,449	26,981	41,663	175,884	163,112
Total General Revenue	<u>4,510,412</u>	<u>4,278,771</u>	<u>43,629</u>	<u>92,735</u>	<u>4,554,041</u>	<u>4,371,506</u>
Total Revenues	<u>6,344,108</u>	<u>5,284,734</u>	<u>4,892,157</u>	<u>5,369,542</u>	<u>11,236,265</u>	<u>10,654,276</u>
EXPENSES						
Program Expense						
General government	\$ 842,152	\$ 1,084,751			\$ 842,152	\$ 1,084,751
Public safety	2,533,721	2,587,982			2,533,721	2,587,982
Economic development	317,903	471,779			317,903	471,779
Highways and streets	591,697	291,254			591,697	291,254
Airport	245,034	224,557			245,034	224,557
Culture and recreation	288,789	285,402			288,789	285,402
Interest on long-term debt	134,388	206,468			134,388	206,468
Business type activities Expenses						
Water Operations			1,666,981	1,552,488	1,666,981	1,552,488
Wastewater Operations			2,208,603	2,205,314	2,208,603	2,205,314
Events Center Operations			662,312	670,894	662,312	670,894
Storm Water			480,813	395,643	480,813	395,643
Total Expenses	<u>4,953,684</u>	<u>5,152,193</u>	<u>5,018,709</u>	<u>4,824,339</u>	<u>9,972,393</u>	<u>9,976,532</u>
Excess (deficiency) before transfers	1,390,424	132,541	(126,552)	545,203	1,263,872	677,744
Transfers in(out)	369,497	(75,246)	(369,497)	75,246	-	-
Change in net assets	1,759,921	57,295	(496,049)	620,449	1,263,872	677,744
Beginning net assets	11,699,053	11,546,115	11,556,279	10,935,830	23,255,332	22,481,945
Prior period adjustment		95,643	-	-	-	95,643
Ending net assets	<u>\$ 13,458,974</u>	<u>\$11,699,053</u>	<u>\$11,060,230</u>	<u>\$11,556,279</u>	<u>\$ 24,519,204</u>	<u>\$23,255,332</u>

Financial Analysis of the City's funds

Governmental funds. The focus of the City of Florence's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Florence's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$3,882,021. Approximately 91% percent of this total amount, or \$3,539,021, constitutes

unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for debt service. The general fund increased by \$98,513. The Street fund, Grants Projects fund, and Bancroft Bond fund, changed by \$76,010, \$14,022 and (\$56,356), respectively. All other governmental funds experienced a net change in their fund balances of \$184,567.

Table 3

Change in Government Fund Balances

	General	Street	Grants Projects	Bancroft Bond	Other	Total Government
Beginning fund balance	\$859,542.00	\$37,937.00	\$76,537.00	\$752,780.00	\$1,838,469	\$ 3,565,265
Net changes in fund balance	98,513	76,010	14,022	-56,356	184,567	316,756
Ending fund balance	\$958,055	\$113,947	\$90,559	\$696,424	\$2,023,036	\$3,882,021
Reserve for debt service	\$ -	\$ -	\$ -	\$ -	\$ 343,000	\$ 343,000
Unrestricted	958,055	113,947	90,559	696,424	1,680,036	3,539,021
Ending fund balance	\$958,055	\$113,947	\$90,559	\$696,424	\$2,023,036	\$3,882,021

Proprietary funds. The combined water operations had a decrease in net assets of \$336,329. Net assets in wastewater operations decreased by \$28,752. Net assets in storm water operations decreased by \$224,063. The combined events center operations had an increase in net assets of \$93,095.

Table 4

Change in Proprietary Fund Balances

	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total
Beginning fund balance	\$3,872,958	\$5,307,873	\$1,651,654	\$723,794	\$11,556,279
Prior period adjustment	-198,000	198,000			
Net changes in fund balance	-336,329	-28,752	93,095	-224,063	-496,049
Ending fund balance	\$3,338,629	\$5,477,121	\$1,744,749	\$499,731	\$11,060,230
Invested in capital assets	\$3,102,515	\$4,995,630	\$1,545,390	\$586,431	\$10,229,966
Reserve for debt service		983,326			\$983,326
Unrestricted	236,114	-501,835	199,359	-86,700	-153,062
Ending fund balance	\$3,338,629	\$5,477,121	\$1,744,749	\$499,731	\$11,060,230

General Fund Budgetary Highlights

There were no significant changes to the budget of the General Fund during the 2009-2010 year.

Capital Asset and Debt Administration

Capital assets. The City of Florence’s investment in capital assets for its governmental and business type activities as of June 30, 2010 amounts to \$35,675,895 (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 \$5,138,548 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$1,857,306	\$1,857,306	\$322,253	\$322,253	\$2,179,559	\$2,179,559
Buildings and improvements	7,995,947	6,803,050	24,148,641	23,447,405	32,144,588	30,250,455
Infrastructure and improvements	8,905,105	6,520,807			8,905,105	6,520,807
Utility systems		-	10,744,611	10,683,449	10,744,611	10,683,449
Equipment and vehicles	2,022,453	1,768,183	1,864,368	1,864,368	3,886,821	3,632,551
Construction in process	162,904	2,351,767	524,904	371,079	687,808	2,722,846
Less accumulated depreciation	-7,360,856	-6,810,803	-15,511,741	-14,420,647	-22,872,597	-21,231,450
Total	\$13,582,859	\$12,490,310	\$22,093,036	\$22,267,907	\$35,675,895	\$34,758,217

Table 6
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Beginning balance	\$12,490,310	\$11,982,246	\$22,267,907	\$21,386,679	\$34,758,217	\$33,368,925
Additions	3,874,462	1,128,266	1,264,086	2,744,730	5,138,548	3,872,996
Depreciation	-550,053	-538,708	-1,091,095	-1,008,391	-1,641,148	-1,547,099
Deletions, net of depreciation	-2,231,860	-81,494	-347,862	-855,111	-2,579,722	-936,605
Ending balance	\$13,582,859	\$12,490,310	\$22,093,036	\$22,267,907	\$35,675,895	\$34,758,217

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

Long-term debt. At the end of the fiscal year, the City of Florence had total long-term debt outstanding of \$15,987,523. \$1,398,806 is a 2008 advanced refunded general obligation bond for the City's Justice Center that houses our police department, municipal court, and Lane County's justice court. Street improvement debt amounts to a total of \$280,588 outstanding. \$2,000,000 is a bridge loan for construction of the Spruce Street LID. A note payable for \$290,801 to provide infrastructure improvements to our airport industrial park rounds out the governmental activities debt. Of the business-type debt, \$2,360,048 is attributable to water system improvements; \$8,589,841 is outstanding on wastewater collection and treatment improvements, and \$810,000 is attributable to events center operations. Capital leases include \$103,181 in Stormwater for a street sweeper, and \$154,258 in the General Fund for a pickup truck, tractor/mower, two police cars and software.

Table 7
Outstanding Debt at Year-end

Governmental Activities	<u>2010</u>	<u>2009</u>
Limited tax improvement bonds (1994)	\$90,000	\$120,000
Industrial park - airport (1996)	290,801	326,637
Limited tax improvement bonds (1998)	180,000	200,000
2 nd Street parking lot (2004)	10,588	14,335
Spruce Street LID bridge loan (2007)	2,000,000	2,000,000
Justice Center advance refunding (2008)	1,398,806	1,663,579
General Fund – Capital leases	154,258	26,406
Compensated Absences	212,762	295,918
Sub-total	<u>4,337,215</u>	<u>4,646,875</u>
Business-type Activities		
Water system improvements (1994)	416,690	486,837
Water plant expansion (1995)	43,358	50,613
Water refunding revenue bonds (1998)	60,000	120,000
Wastewater facilities construction (2001)	7,752,539	8,323,915
Water system improvements (2003)	1,840,000	1,960,000
Refinancing of 1995 Event Center bonds (2004)	810,000	935,000
OECD loan - Wastewater (2008)	641,103	641,103
ODEQ Trunk Sewer (2010)	196,199	-
Storm Water - Capital lease for street sweeper	103,181	120,895
Compensated Absences	127,251	162,870
Sub-total	<u>11,990,321</u>	<u>12,801,233</u>
Total	<u>\$16,327,536</u>	<u>\$16,989,320</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 2011 Measure 5 Real Market Value is \$1,316,896,507. The City’s general obligation debt limitation is 3.00% of this figure, or \$39,506,895. Only \$1,398,806 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 notes to the basic financial statements – note 6.

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 2010-11 reflects a conservative approach to spending and assumes a continuation of lower property tax, utility revenue and transient room tax. Several cost cutting measures remain in place and new projects and initiatives are limited.

After June 30, 2010, due to the favorably low interest rates, the City refinanced existing debt and obtained new debt to complete critical projects including a new roof on the Justice Center.

Utility rates for water and sewer were increased, 8 and 10% respectively, as of July 2010.

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.

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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, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,523,764	\$ 796,270	\$ 4,320,034
Property taxes receivable	158,859	-	158,859
Due from other governments	4,205	-	4,205
Accounts receivable	576,929	592,884	1,169,813
Grants receivable	79,913	-	79,913
Interest receivable	160	-	160
Notes receivable	24,328	-	24,328
Bond costs	-	28,718	28,718
Prepays	40,665	-	40,665
Inventories	-	108,842	108,842
	<u>4,408,823</u>	<u>1,526,714</u>	<u>5,935,537</u>
Noncurrent assets:			
Assessments receivable	101,219	-	101,219
Internal balances	100,000	(100,000)	-
Capital assets, net	13,582,859	22,093,036	35,675,895
	<u>13,784,078</u>	<u>21,993,036</u>	<u>35,777,114</u>
	<u>\$ 18,192,901</u>	<u>\$ 23,519,750</u>	<u>\$ 41,712,651</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 363,301	\$ 301,622	\$ 664,923
Interest payable	33,411	167,577	200,988
Current portion of long-term debt	2,619,940	1,471,941	4,091,881
	<u>3,016,652</u>	<u>1,941,140</u>	<u>4,957,792</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	1,717,275	10,518,380	12,235,655
	<u>1,717,275</u>	<u>10,518,380</u>	<u>12,235,655</u>
	<u>4,733,927</u>	<u>12,459,520</u>	<u>17,193,447</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,461,406	10,229,966	19,691,372
Restricted for:			
Debt Service	-	983,326	983,326
Unrestricted	3,997,568	(153,062)	3,844,506
	<u>13,458,974</u>	<u>11,060,230</u>	<u>24,519,204</u>
	<u>\$ 18,192,901</u>	<u>\$ 23,519,750</u>	<u>\$ 41,712,651</u>

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

CITY OF FLORENCE, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

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	\$ 842,152	\$ 243,276	\$ 117,020	\$ 921,244	\$ 439,388	\$ -	\$ 439,388
Public safety	2,533,721	130,023	12,943	-	(2,390,755)	-	(2,390,755)
Economic development	317,903	117,010	-	-	(200,893)	-	(200,893)
Highways and streets	591,697	74,989	72,368	55,000	(389,340)	-	(389,340)
Airport	245,034	64,007	-	25,816	(155,211)	-	(155,211)
Culture and recreation	288,789	-	-	-	(288,789)	-	(288,789)
Interest on long-term debt	134,388	-	-	-	(134,388)	-	(134,388)
Total governmental activities	4,953,684	629,305	202,331	1,002,060	(3,119,988)	-	(3,119,988)
Business type activities:							
Water Operations	1,666,981	1,513,015	-	-	-	(153,966)	(153,966)
Wastewater Operations	2,208,603	2,441,699	-	-	-	233,096	233,096
Events Center Operations	662,312	274,910	-	182,171	-	(205,231)	(205,231)
Storm Water	480,813	436,733	-	-	-	(44,080)	(44,080)
Total business type activities	5,018,709	4,666,357	-	182,171	-	(170,181)	(170,181)
Total government	\$ 9,972,393	\$ 5,295,662	\$ 202,331	\$ 1,184,231	(3,119,988)	(170,181)	(3,290,169)
General revenues:							
Taxes:							
Property taxes					2,924,121	-	2,924,121
Public Service taxes and state revenue sharing					675,139	-	675,139
Franchise fees					477,315	-	477,315
Interest and investment earnings					39,803	16,648	56,451
Miscellaneous revenues					148,903	26,981	175,884
Fines and forfeitures					245,131	-	245,131
Transfers in (out)					369,497	(369,497)	-
Total general revenues and transfers					4,879,909	(325,868)	4,554,041
Change in net assets					1,759,921	(496,049)	1,263,872
Net assets - beginning					11,699,053	11,556,279	23,255,332
Net assets - ending					\$ 13,458,974	\$ 11,060,230	\$ 24,519,204

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

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

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

Street Fund

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

Grants Projects Fund

The Grant Projects Fund accounts for major capital grant projects.

Bancroft Bond Fund

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

CITY OF FLORENCE, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2010

	<u>General Fund</u>	<u>Street Fund</u>	<u>Grants Projects Fund</u>	<u>Bancroft Bond Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS						
Cash and cash equivalents	\$ 799,358	\$ 117,409	\$ -	\$ 696,424	\$ 1,910,573	\$ 3,523,764
Property taxes receivable	124,794	-	-	-	34,065	158,859
Due from other governments	4,205	-	-	-	-	4,205
Accounts receivable	143,219	33,448	252,099	-	148,163	576,929
Assessments receivable	-	70,994	-	30,225	-	101,219
Grants receivable	-	-	79,913	-	-	79,913
Interest receivable	-	-	-	-	160	160
Notes receivable	-	-	-	-	24,328	24,328
Due from other funds	187,467	-	-	-	-	187,467
Interfund loan receivable	-	-	-	-	100,000	100,000
Prepays	40,665	-	-	-	-	40,665
Total assets	\$ 1,299,708	\$ 221,851	\$ 332,012	\$ 726,649	\$ 2,217,289	\$ 4,797,509

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable and accrued expenses	\$ 222,977	\$ 36,910	\$ 74,262	\$ -	\$ 29,152	\$ 363,301
Due to other funds	-	-	167,191	-	20,276	187,467
Deferred revenue	118,676	70,994	-	30,225	144,825	364,720
Total liabilities	341,653	107,904	241,453	30,225	194,253	915,488

FUND BALANCES:

Reserved for:

Debt service	-	-	-	-	343,000	343,000
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Unreserved, reported in:

General fund	958,055	-	-	-	-	958,055
Special revenue fund	-	113,947	90,559	-	1,680,036	1,884,542
Debt service fund	-	-	-	696,424	-	696,424

Total fund balance	958,055	113,947	90,559	696,424	2,023,036	3,882,021
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Total liabilities and fund balance	\$ 1,299,708	\$ 221,851	\$ 332,012	\$ 726,649	\$ 2,217,289	
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Amounts reported in the statement of net assets are different because:

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

13,582,859

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

364,720

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

(4,370,626)

Net Assets

\$ 13,458,974

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

CITY OF FLORENCE, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010

	General Fund	Street Fund	Grants Projects Fund	Bancroft Bond Fund	Other Governmental	Total Governmental
REVENUES:						
Taxes	\$ 2,052,057	\$ -	\$ -	\$ -	\$ 848,466	\$ 2,900,523
Franchise taxes	477,315	-	-	-	-	477,315
Licenses and fees	109,520	88,963	-	-	17,911	216,394
Intergovernmental	191,091	408,321	-	-	75,727	675,139
Assessments	-	64,908	-	5,423	10,081	80,412
Grants and contributions	-	-	1,106,207	-	98,184	1,204,391
Fines and forfeitures	245,131	-	-	-	-	245,131
Charges for services	955,907	-	-	-	228,156	1,184,063
Permits	-	-	-	-	82,884	82,884
Interest revenue	14,262	5,807	-	5,556	14,178	39,803
Miscellaneous revenue	44,815	20,188	-	-	83,260	148,263
Total revenues	<u>4,090,098</u>	<u>588,187</u>	<u>1,106,207</u>	<u>10,979</u>	<u>1,459,487</u>	<u>7,254,958</u>
EXPENDITURES:						
Current:						
General government	1,303,954	-	102,998	-	289,869	1,696,821
Public safety	2,436,673	-	-	-	-	2,436,673
Economic development	309,083	-	-	-	-	309,083
Highways and streets	-	321,468	-	-	313	321,781
Airport	-	-	-	-	189,686	189,686
Culture and recreation	196,822	-	-	-	45,000	241,822
Capital outlay	228,973	59,119	989,187	-	67,704	1,344,983
Debt service:						
Principal	76,018	-	-	50,000	306,394	432,412
Interest	1,518	172,738	-	17,335	71,397	262,988
Total expenditures	<u>4,553,041</u>	<u>553,325</u>	<u>1,092,185</u>	<u>67,335</u>	<u>970,363</u>	<u>7,236,249</u>
Revenues over (under) expenditures	(462,943)	34,862	14,022	(56,356)	489,124	18,709
OTHER FINANCING SOURCES (USES):						
Issuance of debt	185,372	-	-	-	25,297	210,669
Transfers in	376,084	41,148	-	-	144,669	561,901
Transfers out	-	-	-	-	(474,523)	(474,523)
Total other financing sources (uses)	<u>561,456</u>	<u>41,148</u>	<u>-</u>	<u>-</u>	<u>(304,557)</u>	<u>298,047</u>
Net changes in fund balances	98,513	76,010	14,022	(56,356)	184,567	316,756
FUND BALANCES, BEGINNING	<u>859,542</u>	<u>37,937</u>	<u>76,537</u>	<u>752,780</u>	<u>1,838,469</u>	<u>3,565,265</u>
FUND BALANCES, ENDING	<u>\$ 958,055</u>	<u>\$ 113,947</u>	<u>\$ 90,559</u>	<u>\$ 696,424</u>	<u>\$ 2,023,036</u>	<u>\$ 3,882,021</u>

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, 2010

Amounts reported in the statement of activities are different because:

Net change in fund balances	\$ 316,756
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The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Current year depreciation	(534,553)	
Capital asset additions	<u>1,344,983</u>	810,430

The net effect of various miscellaneous transactions involving capital assets (i.e. transfers, sales, trade-ins, and donations) is to increase net assets.	282,119
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Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(293,552)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which proceeds exceeded repayments.

Debt service principal payments	520,329	
Accrued interest expense	<u>123,839</u>	<u>644,168</u>

Change in net assets of governmental activities	<u><u>\$ 1,759,921</u></u>
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FUND FINANCIAL STATEMENTS

Proprietary Funds

Enterprise Funds

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

Water Operations

Water Fund

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

Water System Development Fund

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

Wastewater Operations

Wastewater Fund

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

Wastewater System Development Fund

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

Events Center Operations

Events Center Fund

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

Events Center Reserve Fund

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

Events Center Debt Service Fund

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

Storm Water

Storm Water Fund

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

Storm Water SDC Fund

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

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

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2010

	Business-Type Activities - Enterprise Funds				
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total
ASSETS					
Cash and cash equivalents	\$ 184,693	\$ 171,359	\$ 262,086	\$ 178,132	\$ 796,270
Accounts receivables	136,645	417,859	-	38,380	592,884
Inventories	87,338	21,504	-	-	108,842
Interfund loan receivable	170,000	198,000	-	-	368,000
Bond costs	-	-	28,718	-	28,718
Total current assets	<u>578,676</u>	<u>808,722</u>	<u>290,804</u>	<u>216,512</u>	<u>1,894,714</u>
Capital assets, net	<u>5,462,563</u>	<u>13,585,471</u>	<u>2,355,390</u>	<u>689,612</u>	<u>22,093,036</u>
Total assets	<u><u>\$ 6,041,239</u></u>	<u><u>\$ 14,394,193</u></u>	<u><u>\$ 2,646,194</u></u>	<u><u>\$ 906,124</u></u>	<u><u>\$ 23,987,750</u></u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 68,060	\$ 121,505	\$ 38,396	\$ 9,427	\$ 237,388
Interfund loan payable	198,000	-	-	270,000	468,000
Payroll liabilities	17,906	23,246	16,263	6,819	64,234
Interest payable	19,535	134,166	11,465	2,411	167,577
Current portion of long-term debt	<u>305,967</u>	<u>982,475</u>	<u>150,321</u>	<u>33,178</u>	<u>1,471,941</u>
Total current liabilities	<u>609,468</u>	<u>1,261,392</u>	<u>216,445</u>	<u>321,835</u>	<u>2,409,140</u>
NONCURRENT LIABILITIES:					
Noncurrent portion of long-term debt	<u>2,093,142</u>	<u>7,655,680</u>	<u>685,000</u>	<u>84,558</u>	<u>10,518,380</u>
Total non current liabilities	<u>2,093,142</u>	<u>7,655,680</u>	<u>685,000</u>	<u>84,558</u>	<u>10,518,380</u>
Total liabilities	<u>2,702,610</u>	<u>8,917,072</u>	<u>901,445</u>	<u>406,393</u>	<u>12,927,520</u>
NET ASSETS:					
Invested in capital assets, net of related debt	3,102,515	4,995,630	1,545,390	586,431	10,229,966
Restricted for:					
Debt service	-	983,326	-	-	983,326
Unrestricted	<u>236,114</u>	<u>(501,835)</u>	<u>199,359</u>	<u>(86,700)</u>	<u>(153,062)</u>
Total net assets	<u>3,338,629</u>	<u>5,477,121</u>	<u>1,744,749</u>	<u>499,731</u>	<u>11,060,230</u>
Total liabilities and net assets	<u><u>\$ 6,041,239</u></u>	<u><u>\$ 14,394,193</u></u>	<u><u>\$ 2,646,194</u></u>	<u><u>\$ 906,124</u></u>	<u><u>\$ 23,987,750</u></u>

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

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds				
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total
OPERATING REVENUES:					
System development fees	\$ 68,488	\$ 32,370	\$ -	\$ -	\$ 100,858
Charges for services	1,444,527	2,409,329	274,910	436,733	4,565,499
Intergovernmental	-	-	182,171	-	182,171
Miscellaneous income	16,193	8,232	1,956	600	26,981
Total operating revenues	<u>1,529,208</u>	<u>2,449,931</u>	<u>459,037</u>	<u>437,333</u>	<u>4,875,509</u>
OPERATING EXPENSES:					
Materials and services	663,561	754,169	240,550	273,488	1,931,768
Personal services	488,313	561,342	281,161	156,261	1,487,077
Depreciation	401,968	541,473	102,445	45,209	1,091,095
Total operating expenses	<u>1,553,842</u>	<u>1,856,984</u>	<u>624,156</u>	<u>474,958</u>	<u>4,509,940</u>
Operating income (loss)	(24,634)	592,947	(165,119)	(37,625)	365,569
NON-OPERATING INCOME (EXPENSE):					
Interest income	2,614	9,275	4,370	389	16,648
Interest expense	(113,139)	(351,619)	(38,156)	(5,855)	(508,769)
Total non-operating income (expenses)	<u>(110,525)</u>	<u>(342,344)</u>	<u>(33,786)</u>	<u>(5,466)</u>	<u>(492,121)</u>
Net income (loss) before transfers	(135,159)	250,603	(198,905)	(43,091)	(126,552)
TRANSFERS:					
Transfers in (out)	(201,170)	(279,355)	292,000	(180,972)	(369,497)
Change in net assets	(336,329)	(28,752)	93,095	(224,063)	(496,049)
NET ASSETS, BEGINNING	<u>3,872,958</u>	<u>5,307,873</u>	<u>1,651,654</u>	<u>723,794</u>	<u>11,556,279</u>
PRIOR PERIOD ADJUSTMENT	<u>(198,000)</u>	<u>198,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, ENDING	<u>\$ 3,338,629</u>	<u>\$ 5,477,121</u>	<u>\$ 1,744,749</u>	<u>\$ 499,731</u>	<u>\$ 11,060,230</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, 2010

	Business-Type Activities - Enterprise Funds				
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,595,685	\$ 2,327,916	\$ 461,824	\$ 466,751	\$ 4,852,176
Cash paid to employees and others for salaries and benefits	(496,929)	(573,562)	(281,961)	(160,163)	(1,512,615)
Cash paid to suppliers and others	(688,625)	(718,540)	(242,965)	(276,648)	(1,926,778)
Net cash provided by operating activities	410,131	1,035,814	(63,102)	29,940	1,412,783
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Payment from (to) other funds for interfund loans	(170,000)	-	-	270,000	100,000
Transfers in (out)	(201,170)	(279,355)	292,000	101,147	(87,378)
Net cash provided by non-capital financing activities	(371,170)	(279,355)	292,000	371,147	12,622
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(41,241)	(835,415)	(28,606)	(293,080)	(1,198,342)
Debt principal payments	(257,401)	(375,178)	(125,000)	(17,714)	(775,293)
Interest paid	(120,148)	(336,855)	(39,442)	(5,908)	(502,353)
Bond costs	-	-	4,787	-	4,787
Net cash provided by capital and related financing activities	(418,790)	(1,547,448)	(188,261)	(316,702)	(2,471,201)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	2,614	9,275	4,370	389	16,648
Net cash provided by investing activities	2,614	9,275	4,370	389	16,648
Net increase in cash and cash equivalents	(377,215)	(781,714)	45,007	84,774	(1,029,148)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>561,908</u>	<u>953,073</u>	<u>217,079</u>	<u>93,358</u>	<u>1,825,418</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 184,693</u>	<u>\$ 171,359</u>	<u>\$ 262,086</u>	<u>\$ 178,132</u>	<u>\$ 796,270</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income	\$ (24,634)	\$ 592,947	\$ (165,119)	\$ (37,625)	\$ 365,569
Adjustments					
Depreciation and amortization	401,968	541,473	102,445	45,209	1,091,095
Decrease (increase) in:					
Accounts receivable and due from other funds	66,477	(122,015)	2,787	29,418	(23,333)
Inventories	(12,718)	16,635	-	-	3,917
Increase (decrease) in:					
Accounts payable and accrued expenses	(12,346)	18,994	(2,415)	(3,160)	1,073
Payroll liabilities	2,790	1,402	5,994	(105)	10,081
Accrued compensated absences	(11,406)	(13,622)	(6,794)	(3,797)	(35,619)
Net cash provided by operating activities	<u>\$ 410,131</u>	<u>\$ 1,035,814</u>	<u>\$ (63,102)</u>	<u>\$ 29,940</u>	<u>\$ 1,412,783</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, 2010

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 103,001</u>
Total assets	<u><u>\$ 103,001</u></u>
LIABILITIES:	
Accounts payable and accrued expenses	<u>\$ 103,001</u>
Total liabilities	103,001
NET ASSETS:	<u>-</u>
Total liabilities and net assets	<u><u>\$ 103,001</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 2010:

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

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

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

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

- *Municipal Court Agency Fund*
- *Senior Center Trust and Agency Fund*

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements and the Proprietary Funds Financial Statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement *focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

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

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

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

I. Capital Assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the year ended June 30, 2010.

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:

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

<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, building program fund, water fund, wastewater fund, event center fund, and the storm water fund.

L. Net Assets and Fund Equity

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

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

M. Use of Restricted Resources

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

N. Accounting Estimates

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

2. Cash and Cash Equivalents

At June 30, 2010 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	\$ 3,108,421

A. Interest rate risk

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

B. Credit risk

State statutes authorize the City of Florence to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, and the State Treasury’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 funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 79% of cash and cash equivalents at June 30, 2010.

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, 2010, 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.

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

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 1,857,306	\$ -	\$ -	\$ 1,857,306
Construction in Progress	2,351,767	42,997	(2,231,860)	162,904
Total capital assets, non-depreciable	<u>4,209,073</u>	<u>42,997</u>	<u>(2,231,860)</u>	<u>2,020,210</u>
Capital assets, depreciable:				
Buildings and improvements	6,803,050	1,192,897	-	7,995,947
Equipment and Vehicles	1,768,183	254,270	-	2,022,453
Infrastructure	6,520,807	2,384,298	-	8,905,105
Total capital assets, depreciable	<u>15,092,040</u>	<u>3,831,465</u>	<u>-</u>	<u>18,923,505</u>
Total	<u>19,301,113</u>	<u>3,874,462</u>	<u>(2,231,860)</u>	<u>20,943,715</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,537,787)	(206,424)	-	(2,744,211)
Equipment and Vehicles	(1,458,223)	(89,078)	-	(1,547,301)
Infrastructure	(2,814,793)	(254,551)	-	(3,069,344)
Total accumulated depreciation	<u>(6,810,803)</u>	<u>(550,053)</u>	<u>-</u>	<u>(7,360,856)</u>
Net depreciable capital assets	<u>8,281,237</u>	<u>3,281,412</u>	<u>-</u>	<u>11,562,649</u>
Net capital assets	<u>\$ 12,490,310</u>	<u>\$ 3,324,409</u>	<u>\$ (2,231,860)</u>	<u>\$ 13,582,859</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Events Center				
Capital Assets, non-depreciable:				
Land	\$ 55,483	\$ -	\$ -	\$ 55,483
Total capital assets, non-depreciable	<u>55,483</u>	<u>-</u>	<u>-</u>	<u>55,483</u>
Capital assets, depreciable:				
Building and improvements	3,564,674	28,606	-	3,593,280
Equipment and vehicles	<u>283,659</u>	<u>-</u>	<u>-</u>	<u>283,659</u>
Total capital assets, depreciable	<u>3,848,333</u>	<u>28,606</u>	<u>-</u>	<u>3,876,939</u>
Total	3,903,816	28,606	-	3,932,422
Less accumulated depreciation for:				
Building and improvements	(1,212,962)	(99,478)		(1,312,440)
Equipment and vehicles	<u>(261,625)</u>	<u>(2,967)</u>	<u>-</u>	<u>(264,592)</u>
Total accumulated depreciation	<u>(1,474,587)</u>	<u>(102,445)</u>	<u>-</u>	<u>(1,577,032)</u>
Net depreciable capital assets	<u>2,373,746</u>	<u>(73,839)</u>	<u>-</u>	<u>2,299,907</u>
Net capital assets	<u>\$ 2,429,229</u>	<u>\$ (73,839)</u>	<u>\$ -</u>	<u>\$ 2,355,390</u>
Water				
Capital Assets, non-depreciable:				
Land	136,004	\$ -	\$ -	\$ 136,004
Construction in Progress	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total capital assets, non-depreciable	<u>136,004</u>	<u>1,800</u>	<u>-</u>	<u>137,804</u>
Capital assets, depreciable:				
Building and improvements	8,771,950	-	-	8,771,950
Equipment and vehicles	501,599	-	-	501,599
Utility systems	<u>2,757,078</u>	<u>39,441</u>	<u>-</u>	<u>2,796,519</u>
Total capital assets, depreciable	<u>12,030,627</u>	<u>39,441</u>	<u>-</u>	<u>12,070,068</u>
Total	12,166,631	41,241	-	12,207,872
Less accumulated depreciation for:				
Building and improvements	(3,656,948)	(337,721)		(3,994,669)
Utility systems	<u>(2,233,921)</u>	<u>(52,928)</u>	<u>-</u>	<u>(2,286,849)</u>
Equipment and vehicles	<u>(452,472)</u>	<u>(11,319)</u>	<u>-</u>	<u>(463,791)</u>
Total accumulated depreciation	<u>(6,343,341)</u>	<u>(401,968)</u>	<u>-</u>	<u>(6,745,309)</u>
Net depreciable capital assets	<u>5,687,286</u>	<u>(362,527)</u>	<u>-</u>	<u>5,324,759</u>
Net capital assets	<u>\$ 5,823,290</u>	<u>\$ (360,727)</u>	<u>\$ -</u>	<u>\$ 5,462,563</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Wastewater

Capital Assets, non-depreciable:

Land	130,766	\$ -	\$ -	\$ 130,766
Construction in Progress	88,960	206,808	(65,744)	230,024
Total capital assets, non-depreciable	219,726	206,808	(65,744)	360,790

Capital assets, depreciable:

Buildings and improvements	11,110,781	672,630		11,783,411
Utility systems	7,598,627	21,721		7,620,348
Equipment and vehicles	890,191	-		890,191
Total capital assets, depreciable	19,599,599	694,351	-	20,293,950

Total	19,819,325	901,159	(65,744)	20,654,740
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Less accumulated depreciation for:

Buildings and improvements	(2,460,888)	(276,650)		(2,737,538)
Utility systems	(3,391,198)	(225,257)		(3,616,455)
Equipment and vehicles	(675,710)	(39,566)		(715,276)
Total accumulated depreciation	(6,527,796)	(541,473)	-	(7,069,269)

Net depreciable capital assets	13,071,803	152,878	-	13,224,681
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Net capital assets	\$ 13,291,529	\$ 359,686	\$ (65,744)	\$ 13,585,471
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Stormwater

Capital Assets, non-depreciable:

Construction in Progress	282,119	293,080	(282,119)	293,080
Total capital assets, non-depreciable	282,119	293,080	(282,119)	293,080

Capital assets, depreciable:

Equipment and vehicles	188,919	-	-	188,919
Utility systems	327,744	-	-	327,744
Total capital assets, depreciable	516,663	-	-	516,663

Total	798,782	293,080	(282,119)	809,743
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Less accumulated depreciation for:

Equipment and vehicles	(69,121)	(37,015)		(106,136)
Utility systems	(5,801)	(8,194)		(13,995)
Total accumulated depreciation	(74,922)	(45,209)	-	(120,131)

Net depreciable capital assets	441,741	247,871	(282,119)	407,493
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Net capital assets	\$ 723,860	\$ 247,871	\$ (564,238)	\$ 689,612
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CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Business-type activities totals

Capital Assets, non-depreciable:

Land	\$ 322,253	\$ -	\$ -	\$ 322,253
Construction in Progress	371,079	501,688	(347,863)	524,904
Total capital assets, non-depreciable	<u>693,332</u>	<u>501,688</u>	<u>(347,863)</u>	<u>847,157</u>

Capital assets, depreciable:

Building and improvements	23,447,405	701,236	-	24,148,641
Utility systems	10,683,449	61,162	-	10,744,611
Equipment and vehicles	1,864,368	-	-	1,864,368
Total capital assets, depreciable	<u>35,995,222</u>	<u>762,398</u>	<u>-</u>	<u>36,757,620</u>

Total	36,688,554	1,264,086	(347,863)	37,604,777
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Less accumulated depreciation for:

Building and improvements	(7,330,798)	(713,849)	-	(8,044,647)
Utility systems	(5,630,920)	(286,379)	-	(5,917,299)
Equipment and vehicles	(1,458,928)	(90,867)	-	(1,549,795)
Total accumulated depreciation	<u>(14,420,646)</u>	<u>(1,091,095)</u>	<u>-</u>	<u>(15,511,741)</u>

Net depreciable capital assets	<u>21,574,576</u>	<u>(328,697)</u>	<u>-</u>	<u>21,245,879</u>
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Net capital assets	<u>\$ 22,267,908</u>	<u>\$ 172,991</u>	<u>\$ (347,863)</u>	<u>\$ 22,093,036</u>
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Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 454
Public safety	136,045
Economic development	13,767
Highways and streets	290,566
Airport	58,384
Culture and recreation	50,837
Total depreciation expense - governmental activities	<u>\$ 550,053</u>

Business-type activities:

Events Center	\$ 102,445
Water	401,968
Wastewater	541,473
Stormwater	45,209
Total depreciation expense - business-type activities	<u>\$ 1,091,095</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010, are as follows:

	Due to Other Funds	Due From Other Funds
General Fund	\$ -	\$ 187,467
Room Tax Fund	20,726	-
Grant Projects Fund	167,191	-
	<u>\$ 187,491</u>	<u>\$ 187,491</u>

B. Interfund Transfers

	Transfer In	Transfer Out
Major Governmental Funds:		
General Fund	\$ 376,084	\$ -
Street Fund	41,148	-
Total Major Governmental Funds	417,232	-
Non-major Governmental Funds:		
Street System Development Fund	144,669	-
911 Emergency Fund	-	182,523
RTMP Grant Fund	-	72,000
Room Tax Fund	-	220,000
Total Non-major Governmental Funds	144,669	474,523
Proprietary Funds:		
Water Fund	100,000	223,466
Water System Development Fund	22,296	100,000
Wastewater Fund	255,746	120,718
Wastewater System Development Fund	-	414,383
Events Center	292,000	-
Storm Water Fund	5,000	90,486
Storm Water System Development Fund	191,633	5,000
Total Proprietary Funds	866,675	954,053
Total All Funds	<u>\$ 1,428,576</u>	<u>\$ 1,428,576</u>

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

C. Interfund Loans

	Interfund Loan Receivable	Interfund Loan Payable
Water Fund	\$ -	\$ 198,000
Storm Water System Development Fund	-	270,000
Street System Development Fund	100,000	-
Wastewater Fund	198,000	-
Water System Development Fund	170,000	-
	<u>\$ 468,000</u>	<u>\$ 468,000</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

6. Long Term Debt

During the year ended June 30, 2010, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 1,663,579	\$ -	\$ (264,773)	\$ 1,398,806	\$ 234,761
Capital lease payable	26,406	210,669	(82,817)	154,258	82,395
Notes payable	2,340,972	-	(39,583)	2,301,389	2,040,022
Special assessments	320,000	-	(50,000)	270,000	50,000
Total bonds and notes payable	4,350,957	210,669	(437,173)	4,124,453	2,407,178
Compensated absences	295,918	-	(83,156)	212,762	212,762
Total governmental activities	<u>\$ 4,646,875</u>	<u>\$ 210,669</u>	<u>\$ (520,329)</u>	<u>\$ 4,337,215</u>	<u>\$2,619,940</u>
Business-type Activities					
Bonds payable	\$ 1,055,000	\$ -	\$ (185,000)	\$ 870,000	\$ 185,000
Capital lease payable	120,895	-	(17,714)	103,181	18,623
Notes payable	9,502,468	196,199	(648,778)	9,049,889	1,016,067
Special assessments	1,960,000	-	(120,000)	1,840,000	125,000
Total bonds and notes payable	12,638,363	196,199	(971,492)	11,863,070	1,344,690
Compensated absences	162,870	-	(35,619)	127,251	127,251
Total business-type activities	<u>\$ 12,801,233</u>	<u>\$ 196,199</u>	<u>\$(1,007,111)</u>	<u>\$11,990,321</u>	<u>\$1,471,941</u>

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, 2010 are as follows:

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Governmental Activities

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. \$ 1,398,806

Total bonds payable \$ 1,398,806

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

Fiscal Year	GO Refunding Series 2008	
	Principal	Interest
2011	\$ 234,761	\$ 44,099
2012	279,761	35,262
2013	284,761	25,550
2014	294,761	15,575
2015	304,762	5,250
2016-20	-	-
	<u>\$ 1,398,806</u>	<u>\$ 125,736</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, 2010:

Business Type Activities

On August 1, 1998, the City issued bonds in the amount of \$640,000 at 3.50% - 4.80% for water plant expansion. Bond principal and interest is payable semiannually through April 2011. \$ 60,000

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. 810,000

Total bonds payable \$ 870,000

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

Fiscal Year	Water Series 1998 A		FFC Refunding 2004	
	Principal	Interest	Principal	Interest
2011	\$ 60,000	\$ 2,880	\$ 125,000	\$ 29,471
2012	-	-	125,000	24,878
2013	-	-	135,000	20,096
2014	-	-	135,000	14,899
2015	-	-	140,000	9,398
2016-20	-	-	150,000	3,281
	<u>\$ 60,000</u>	<u>\$ 2,880</u>	<u>\$ 810,000</u>	<u>\$ 102,023</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.	\$ 290,801
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.	10,588
On December 19, 2007, the City received proceeds in the amount of \$2,000,000 for Spruce Street local improvements. The note was extended on December 1, 2009 and is due August 26, 2010 or upon completion of the project, whichever is earlier. The note bears interest at 1.6% and is payable at the maturity date.	<u>2,000,000</u>
Total notes payable	<u>\$ 2,301,389</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

Fiscal Year	Special Public Works Fund		Oregon Housing and Community Services		US Bank Spruce Street	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 36,151	\$ 15,956	\$ 3,870	\$ 317	\$ 2,000,000	\$ -
2012	36,483	14,004	3,986	201	-	-
2013	36,839	11,998	2,732	82	-	-
2014	42,215	9,972	-	-	-	-
2015	42,611	7,651	-	-	-	-
2016-20	96,502	7,974	-	-	-	-
	<u>\$ 290,801</u>	<u>\$ 67,555</u>	<u>\$ 10,588</u>	<u>\$ 600</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

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. \$ 416,690

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. 43,358

On May 2, 2008, the City entered into a loan agreement with the Oregon Economic and Community Development Department to receive a loan in the amount of \$1,144,500 to finance the Florence Wastewater Transmission Line & Intersection Improvements. The maximum term of the loan is 2.5 years and has an annual interest rate of 2.91%. As of June 30, 2010, the City had drawn \$641,103 on the loan. Loan is expected to be repaid with permanent financing in the following year. 641,103

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 is payable semiannually starting February 2012 through August 2031. Loan fees of 0.5% of the outstanding loan balance are payable annually through August 2031. 196,199

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

During 1998 the City received \$12,043,197 of financing from the State Clean Water Revolving Fund for expansion of the wastewater system. This project was completed in fiscal year 2001-2002. Loan principal and interest is payable semiannually through February 2021. The annual interest rate is 3.4%

	<u>7,752,539</u>
Total notes payable	<u>\$ 9,049,889</u>

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
2011	\$ 74,215	\$ 24,168	\$ 7,691	\$ 2,601	\$ 641,103	\$ -
2012	78,520	19,864	8,153	2,140	-	-
2013	83,074	15,309	8,642	1,651	-	-
2014	87,892	10,491	9,161	1,132	-	-
2015	92,989	5,393	9,711	583	-	-
	<u>\$ 416,690</u>	<u>\$ 75,225</u>	<u>\$ 43,358</u>	<u>\$ 8,107</u>	<u>\$ 641,103</u>	<u>\$ -</u>

Fiscal Year	Water Treatment Plant		Water Treatment Plant	
	Principal	Interest	Principal	Interest
2011	\$ 196,199	\$ -	\$ 591,142	\$ 260,886
2012	-	-	611,592	240,436
2013	-	-	632,750	219,278
2014	-	-	654,639	197,389
2015	-	-	677,286	174,742
2016-20	-	-	3,754,515	505,625
2021-25	-	-	830,615	21,428
	<u>\$ 196,199</u>	<u>\$ -</u>	<u>\$7,752,539</u>	<u>\$1,619,784</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, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Governmental Activities

During 1994 the City issued \$610,000 of series 1994 of GO bonds. This Series bond pays interest of 4.90% -6.20%. The bond matures in September 2012. Loan principal and interest is payable semiannually through September 2012.	\$ 90,000
In 1998, the City issued \$ 350,000 Limited Tax Improvement bonds (Series 1998). This Series 1998 bond pays interest of 3.80% - 5.10%. Loan principal and interest is payable semiannually through September 2018.	<u>180,000</u>
Total special assessments	<u>\$ 270,000</u>

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

Fiscal Year	Series 1994		Series 1998	
	Principal	Interest	Principal	Interest
2011	\$ 30,000	\$ 4,605	\$ 20,000	\$ 8,670
2012	30,000	2,775	20,000	7,650
2013	30,000	930	20,000	6,630
2014	-	-	20,000	5,610
2015	-	-	20,000	4,590
2016-20	-	-	80,000	8,160
	<u>\$ 90,000</u>	<u>\$ 8,310</u>	<u>\$ 180,000</u>	<u>\$ 41,310</u>

Business-Type Activities

During 2003, the City issued \$2,670,000 of Water GO bonds for water system improvement. The bond pays interest of 2.00% - 4.60%. The bond matures in June 2022. Loan principal and interest is payable semiannually through June 2022.	<u>\$ 1,840,000</u>
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CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

Fiscal Year	Water System Improvement	
	Principal	Interest
2011	\$ 125,000	\$ 78,413
2012	125,000	71,694
2013	130,000	66,718
2014	135,000	61,351
2015	140,000	58,618
2016-20	810,000	197,671
2021-25	375,000	25,990
	<u>\$ 1,840,000</u>	<u>\$ 560,455</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, 2010.

	<u>Lease Obligation</u>	<u>Equipment Carrying Value</u>
General Fund:		
Ford Crown Victoria, 5.75%, \$14,353 annual payments, final payment due December 17, 2010	\$ 13,572	\$ 30,777
CAD Software, annual payments of \$38,296 due through July 1, 2011.	76,593	115,986
Dodge Police car, 7.5%, annual payments of \$13,932 through February 2012	27,865	42,553
Ford F 250 truck, 6.9% interest and annual payments of \$9,794 through November 19, 2011	17,731	24,780
John Deere tractor, loader and mower, 4.95% \$6,800 annual payments through April 23, 2013.	18,497	24,340
Stormwater Fund:		
Elgin Crosswind Sweeper, 5.07%, \$11,811 semiannual payments including interest, final payment due February 07, 2015.	103,181	68,250
Total	<u>\$ 257,439</u>	<u>\$ 306,686</u>

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, 2010.

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

<u>Years ending</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 96,041
2012	89,647
2013	27,357
2014	21,641
2015	<u>22,753</u>
Total minimum lease payments	257,439
Less amount representing interest	<u>(20,660)</u>
Present value of future minimum lease payments	<u>\$ 236,77</u>

7. Jointly Governed Organization

High speed communication corporations have installed fiber optic lines through cities from Bandon to Florence without providing local governments and commercial companies an opportunity to connect to world markets through their high speed communication systems. Lack of such communication opportunities could hinder economic development within the South Central Coast area. Meetings of representatives from Coos Bay/North Bend, Bandon, Coquille, Florence, Douglas, Cottage Grove, Coos County, Lane County, Reedsport, Eugene, Springfield and high-speed communication consultants were held and it was decided that the communities should form the Fiber South Consortium for the control and operation of a fiber optic system. The consortium successfully negotiated with Williams Communication Corporation for fiber lines for use by the Consortium. As of June 30, 2010, the Consortium had not yet placed these fiber lines into use for local entities and companies needing high-speed communication capabilities.

8. Pension Plan

A. Plan Description

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

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010 was 7.28% and the annual pension cost was \$456,528. This was comprised of \$244,228 in employer contributions and \$212,300 of employee contributions. The OPSRP rates in effect for the year ended June 30, 2010 were 5.65% for general employees 8.36% 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>
6/30/08	452,879	100%	\$ -
6/30/09	541,993	100%	-
6/30/10	456,528	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.

9. Intergovernmental Agreement

In April of 1999, the City entered into an agreement with Siuslaw Rural Fire Protection District, pursuant to ORS 190.010. Under the agreement, the City turned over ownership of all assets of the fire department to the District on June 30, 1999. The City paid the sum of \$236,725 during the year ended June 30, 2010 to the District to provide fire protection and emergency services to the City. Adjustments to the amount of compensation to the District will be renegotiated annually. The amount negotiated for the fiscal year ending June 30, 2011 is \$248,550. This agreement terminates on June 30, 2011 as the City was annexed into the District in November 2010. The Siuslaw Rural Fire Protection District will begin collecting property tax for fire service on July 1, 2011.

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 \$22,245 for the year ended June 30, 2010.

10. Risk Management

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

11. 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.

12. Contingencies and Commitments

On July 19, 2010, the City entered into a construction commitment in the amount of \$1,558,896 for the rehabilitation of a major trunk sewer line.

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.

13. Prior Period Adjustment

In fiscal year 2008, an interfund loan between the Water Fund and Wastewater Fund was not recorded in the City's financial statements. A prior period adjustment has been made to correct this.

14. Subsequent Events

In August 2010, the City issued Limited Tax Improvement Bonds (Series 2010A) in the amount of \$1,478,000 for the Spruce Street Project. The bonds are secured by assessment contract and full faith and credit of the City. Annual payments on the 20 year loan begin December 2010. The annual interest rate averages 3.9 %. Bond proceeds were used to partially repay US Bank note payable of \$2,000,000. The remaining balance of the note payable was retired with cash from the General Fund.

In November 2010, the City issued Full Faith and Credit Refunding Obligation, Series 2010B, in the amount of \$8,750,000. Bond proceeds of \$1,404,000 were used to finance new projects for Justice Center, Stormwater and Wastewater and \$7,459,481 was used to retire the Clean Water State Revolving Fund loan. Annual principal payments and semiannual interest payments on the 20 year loan begin December 2010. The annual interest rate averages 3.16 %.

In August 2010 the City accepted a loan agreement in the amount of \$657,057 from Special Public Works Fund of the Oregon Business Development Department for permanent financing of a wastewater transmission line and intersection project. Annual payments on the 25 year loan begin December 2011. The annual interest rate averages 3.532 %.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

➤ Budgetary Comparison Schedules

- General Fund
- Street Fund
- Grants Projects Fund

CITY OF FLORENCE, OREGON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,913,000	\$ 1,913,000	\$ 2,052,057	\$ 139,057
Franchise taxes	403,000	403,000	477,315	74,315
Licenses and fees	133,000	133,000	109,520	(23,480)
Intergovernmental	178,000	178,000	191,091	13,091
Fines and forfeitures	230,000	230,000	245,131	15,131
Charges for services	949,672	949,672	955,907	6,235
Interest revenue	12,000	12,000	14,262	2,262
Miscellaneous revenue	51,500	51,500	44,815	(6,685)
Total revenues	<u>3,870,172</u>	<u>3,870,172</u>	<u>4,090,098</u>	<u>219,926</u>
EXPENDITURES:				
General government	1,292,304	1,338,304	1,303,954	34,350
Public safety	2,647,086	2,672,086	2,436,673	235,413
Economic development	307,735	331,735	309,083	22,652
Culture and recreation	196,310	201,310	196,822	4,488
Capital outlay	222,167	247,167	228,973	18,194
Debt service:				
Principal	40,000	40,000	76,018	(36,018)
Interest	-	-	1,518	(1,518)
Contingency	246,093	121,093	-	121,093
Total expenditures	<u>4,951,695</u>	<u>4,951,695</u>	<u>4,553,041</u>	<u>398,654</u>
Revenues over (under) expenditures	(1,081,523)	(1,081,523)	(462,943)	618,580
OTHER FINANCING SOURCES (USES):				
Issuance of debt	198,000	198,000	185,372	(12,628)
Transfers in	345,523	345,523	376,084	30,561
Total other financing sources (uses)	<u>543,523</u>	<u>543,523</u>	<u>561,456</u>	<u>17,933</u>
Net changes in fund balances	(538,000)	(538,000)	98,513	636,513
FUND BALANCE, BEGINNING	<u>538,000</u>	<u>538,000</u>	<u>859,542</u>	<u>321,542</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958,055</u>	<u>\$ 958,055</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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and fees	\$ 90,000	\$ 90,000	\$ 88,963	\$ (1,037)
Intergovernmental	425,000	425,000	408,321	(16,679)
Assessments	8,500	8,500	64,908	56,408
Interest revenue	6,500	6,500	5,807	(693)
Miscellaneous revenue	5,463	5,463	20,188	14,725
Total revenues	535,463	535,463	588,187	52,724
EXPENDITURES:				
Personal service	90,629	90,629	65,621	25,008
Materials and service	259,216	259,216	255,847	3,369
Capital outlay	114,317	114,317	59,119	55,198
Debt service:				
Interest	-	-	172,738	(172,738)
Contingency	97,155	97,155	-	97,155
Total expenditures	561,317	561,317	553,325	7,992
Revenues over (under) expenditures	(25,854)	(25,854)	34,862	60,716
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	41,148	41,148
Total other financing sources (uses)	-	-	41,148	41,148
Net changes in fund balances	(25,854)	(25,854)	76,010	101,864
FUND BALANCES, BEGINNING	25,854	25,854	37,937	12,083
FUND BALANCES, ENDING	\$ -	\$ -	\$ 113,947	\$ 113,947

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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants and contributions	\$ 2,990,000	\$ 2,990,000	\$ 1,106,207	\$ (1,883,793)
Total revenues	2,990,000	2,990,000	1,106,207	(1,883,793)
EXPENDITURES:				
Personal service	77,032	77,032	12,943	64,089
Materials and service	85,000	85,000	90,055	(5,055)
Capital outlay	2,837,968	2,837,968	989,187	1,848,781
Total expenditures	3,000,000	3,000,000	1,092,185	1,907,815
Net changes in fund balances	(10,000)	(10,000)	14,022	24,022
FUND BALANCES, BEGINNING	10,000	10,000	76,537	66,537
FUND BALANCES, ENDING	\$ -	\$ -	\$ 90,559	\$ 90,559

CITY OF FLORENCE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

Stewardship, Compliance, and Accountability

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

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking the approval of the Council. The city had several appropriation transfers during the year-ended June 30, 2010. The city had a supplemental budget during the year-ended June 30, 2010. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2010:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount of Over- Expenditure</u>
Grants Projects	Materials and Services	\$ 5,055
General	Finance Department	3,279
Water	Transfers Out	148,466
Water System Development	Materials and Services	26,567
Water System Development	Transfers Out	100,000
Wastewater	Materials and Services	19,122
Wastewater	Transfers Out	5,718
Wastewater System Development	Transfers Out	414,383
Storm Water	Debt Service	3,622
Storm Water	Transfers Out	90,486
Storm Water System Development	Transfers Out	5,000

CITY OF FLORENCE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

The unbudgeted transfers above include Spruce Street Project transfers. During construction all charges were recorded in the Street department. When the project was completed transfers were recorded equal to capital assets constructed for other funds as follows:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount of Over- Expenditure</u>
Water	Transfers	\$ 150,623
Storm Water	Transfers	90,486
Wastewater System Development	Transfers	214,383

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

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

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

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

Room Tax Fund

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

Airport Capital Project Fund

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

Building Program Fund

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

Airport Operations Fund

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

Street Systems Development Fund

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

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.

RTMP Grant Fund

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

Debt Service Funds

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

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CITY OF FLORENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010

	Total Nonmajor Special Revenue Funds	General Obligation Debt Service Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,568,813	\$ 341,760	\$ 1,910,573
Property taxes receivable	12,042	22,023	34,065
Accounts receivable	148,163	-	148,163
Interest receivable	-	160	160
Notes receivable	24,328	-	24,328
Interfund loan receivable	100,000	-	100,000
	<u>1,853,346</u>	<u>363,943</u>	<u>2,217,289</u>
Total assets	<u>\$ 1,853,346</u>	<u>\$ 363,943</u>	<u>\$ 2,217,289</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 29,152	\$ -	\$ 29,152
Due to other funds	20,276	-	20,276
Deferred revenue	123,882	20,943	144,825
	<u>173,310</u>	<u>20,943</u>	<u>194,253</u>
Total liabilities	<u>173,310</u>	<u>20,943</u>	<u>194,253</u>
FUND BALANCES:			
Reserved for:			
Debt service	-	343,000	343,000
Unreserved, reported in:			
Special revenue fund	1,680,036	-	1,680,036
	<u>1,680,036</u>	<u>343,000</u>	<u>2,023,036</u>
Total fund equity	<u>1,680,036</u>	<u>343,000</u>	<u>2,023,036</u>
	<u>\$ 1,853,346</u>	<u>\$ 363,943</u>	<u>\$ 2,217,289</u>
Total liabilities and fund equity	<u>\$ 1,853,346</u>	<u>\$ 363,943</u>	<u>\$ 2,217,289</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, 2010

	Total Nonmajor Special Revenue Funds	General Obligation Debt Service Fund	Total
REVENUES:			
Taxes	\$ 505,633	\$ 342,833	\$ 848,466
Licenses and fees	17,911	-	17,911
Intergovernmental	75,727	-	75,727
Assessments	10,081	-	10,081
Grants and contributions	98,184	-	98,184
Charges for services	228,156	-	228,156
Permits	82,884	-	82,884
Interest revenue	13,345	833	14,178
Miscellaneous revenue	83,260	-	83,260
	<u>1,115,821</u>	<u>343,666</u>	<u>1,459,487</u>
EXPENDITURES:			
General government	289,869	-	289,869
Highways and streets	313	-	313
Airport	189,686	-	189,686
Culture and recreation	45,000	-	45,000
Capital outlay	67,704	-	67,704
Debt service:			
Principal	42,636	263,758	306,394
Interest	17,892	53,505	71,397
	<u>653,100</u>	<u>317,263</u>	<u>970,363</u>
Revenues over (under) expenditures	462,721	26,403	489,124
OTHER FINANCING SOURCES (USES):			
Transfers in	144,669	-	144,669
Transfers out	(474,523)	-	(474,523)
	<u>(304,557)</u>	<u>-</u>	<u>(304,557)</u>
Net changes in fund balances	158,164	26,403	184,567
FUND BALANCES, BEGINNING	<u>1,521,872</u>	<u>316,597</u>	<u>1,838,469</u>
FUND BALANCES, ENDING	<u><u>\$ 1,680,036</u></u>	<u><u>\$ 343,000</u></u>	<u><u>\$ 2,023,036</u></u>

CITY OF FLORENCE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2010

	<u>Room Tax Fund</u>	<u>911 Emergency Fund</u>	<u>Rehab Loan Fund</u>	<u>Airport Capital Project Fund</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 10,227	\$ 104,895	\$ 2,158
Property taxes receivable	-	-	-	-
Accounts receivable	44,233	13,017	88,066	-
Notes receivable	-	-	-	-
Interfund loan receivable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 44,233</u>	<u>\$ 23,244</u>	<u>\$ 192,961</u>	<u>\$ 2,158</u>
 LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -
Due to other funds	20,276	-	-	-
Deferred revenue	-	-	88,066	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>20,276</u>	<u>-</u>	<u>88,066</u>	<u>-</u>
 FUND BALANCES:				
Unreserved, reported in:				
Special revenue fund	<u>23,957</u>	<u>23,244</u>	<u>104,895</u>	<u>2,158</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund equity	<u>23,957</u>	<u>23,244</u>	<u>104,895</u>	<u>2,158</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 44,233</u>	<u>\$ 23,244</u>	<u>\$ 192,961</u>	<u>\$ 2,158</u>

<u>Building Program Fund</u>	<u>Airport Operations Fund</u>	<u>Street Systems Development Fund</u>	<u>Urban Renewal Fund</u>	<u>RTMP Grant Fund</u>	<u>Total</u>
\$ 101,630	\$ 224,148	\$ 691,716	\$ 432,864	\$ 1,175	\$ 1,568,813
-	-	-	12,042	-	12,042
-	2,523	-	324	-	148,163
-	24,328	-	-	-	24,328
-	-	100,000	-	-	100,000
<u>\$ 101,630</u>	<u>\$ 250,999</u>	<u>\$ 791,716</u>	<u>\$ 445,230</u>	<u>\$ 1,175</u>	<u>\$ 1,853,346</u>
\$ 15,076	\$ 4,477	\$ 32	\$ 9,567	\$ -	\$ 29,152
-	-	-	-	-	20,276
-	24,328	-	11,488	-	123,882
<u>15,076</u>	<u>28,805</u>	<u>32</u>	<u>21,055</u>	<u>-</u>	<u>173,310</u>
<u>86,554</u>	<u>222,194</u>	<u>791,684</u>	<u>424,175</u>	<u>1,175</u>	<u>1,680,036</u>
<u>86,554</u>	<u>222,194</u>	<u>791,684</u>	<u>424,175</u>	<u>1,175</u>	<u>1,680,036</u>
<u>\$ 101,630</u>	<u>\$ 250,999</u>	<u>\$ 791,716</u>	<u>\$ 445,230</u>	<u>\$ 1,175</u>	<u>\$ 1,853,346</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, 2010

	Room Tax Fund	911 Emergency Fund	Rehab Loan Fund	Airport Capital Project Fund
REVENUES:				
Taxes	\$ 260,691	\$ -	\$ -	\$ -
Licenses and fees	-	-	-	-
Intergovernmental	-	75,217	-	-
Assessments	-	-	-	-
Grants and contributions	-	-	-	25,816
Charges for services	-	130,023	-	-
Permits	-	-	-	-
Interest revenue	-	50	422	2
Miscellaneous revenue	-	-	-	-
Total revenues	<u>260,691</u>	<u>205,290</u>	<u>422</u>	<u>25,818</u>
EXPENDITURES:				
General government	-	-	-	-
Highways and streets	-	-	-	-
Airport	-	-	-	-
Culture and recreation	45,000	-	-	-
Capital outlay	-	-	-	23,729
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>23,729</u>
Revenues over (under) expenditures	215,691	205,290	422	2,089
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>(220,000)</u>	<u>(182,523)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(220,000)</u>	<u>(182,523)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(4,309)	22,767	422	2,089
FUND BALANCES, BEGINNING	<u>28,266</u>	<u>477</u>	<u>104,473</u>	<u>69</u>
FUND BALANCES, ENDING	<u><u>\$ 23,957</u></u>	<u><u>\$ 23,244</u></u>	<u><u>\$ 104,895</u></u>	<u><u>\$ 2,158</u></u>

<u>Building Program Fund</u>	<u>Airport Operations Fund</u>	<u>Street Systems Development Fund</u>	<u>Urban Renewal Fund</u>	<u>RTMP Grant Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 244,942	\$ -	\$ 505,633
17,911	-	-	-	-	17,911
510	-	-	-	-	75,727
-	-	10,081	-	-	10,081
-	-	-	-	72,368	98,184
34,126	64,007	-	-	-	228,156
82,884	-	-	-	-	82,884
669	8,302	2,525	1,375	-	13,345
-	83,188	-	72	-	83,260
<u>136,100</u>	<u>156,137</u>	<u>12,606</u>	<u>246,389</u>	<u>72,368</u>	<u>1,115,821</u>
225,534	-	-	64,335	-	289,869
-	-	313	-	-	313
-	189,686	-	-	-	189,686
-	-	-	-	-	45,000
-	42,532	1,443	-	-	67,704
-	42,636	-	-	-	42,636
-	17,892	-	-	-	17,892
<u>225,534</u>	<u>292,746</u>	<u>1,756</u>	<u>64,335</u>	<u>-</u>	<u>653,100</u>
(89,434)	(136,609)	10,850	182,054	72,368	462,721
-	25,297	-	-	-	25,297
-	-	144,669	-	-	144,669
-	-	-	-	(72,000)	(474,523)
<u>-</u>	<u>25,297</u>	<u>144,669</u>	<u>-</u>	<u>(72,000)</u>	<u>(304,557)</u>
(89,434)	(111,312)	155,519	182,054	368	158,164
<u>175,988</u>	<u>333,506</u>	<u>636,165</u>	<u>242,121</u>	<u>807</u>	<u>1,521,872</u>
<u>\$ 86,554</u>	<u>\$ 222,194</u>	<u>\$ 791,684</u>	<u>\$ 424,175</u>	<u>\$ 1,175</u>	<u>\$ 1,680,036</u>

CITY OF FLORENCE, OREGON
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Municipal Court Agency Fund				
Assets				
Cash	\$ 20,460	\$ 68,634	\$ -	\$ 89,094
Liabilities				
Other current liabilities	\$ 20,460	\$ 68,634	\$ -	\$ 89,094
 Senior Center Trust & Agency Fund				
Assets				
Cash	\$ -	\$ 13,907	\$ -	\$ 13,907
Liabilities				
Other current liabilities	\$ -	\$ 13,907	\$ -	\$ 13,907
 Totals - All Agency Funds				
Assets				
Cash	\$ 20,460	\$ 82,541	\$ -	\$ 103,001
Liabilities				
Other current liabilities	\$ 20,460	\$ 82,541	\$ -	\$ 103,001

BUDGETARY COMPARISON SCHEDULES

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

Budgetary Comparison schedules includes the following:

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

CITY OF FLORENCE, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Police operations:				
Personal services	\$ 2,009,963	\$ 2,024,963	\$ 1,863,133	\$ 161,830
Materials and services	348,623	348,623	318,113	30,510
Capital outlay	170,000	195,000	189,448	5,552
Subtotal	<u>2,528,586</u>	<u>2,568,586</u>	<u>2,370,694</u>	<u>197,892</u>
Municipal court:				
Personal services	152,990	152,990	135,079	17,911
Materials and services	98,633	98,633	102,507	(3,874)
Capital outlay	-	-	12,000	(12,000)
Subtotal	<u>251,623</u>	<u>251,623</u>	<u>249,586</u>	<u>2,037</u>
Fire services:				
Materials and services	288,500	298,500	255,427	43,073
Subtotal	<u>288,500</u>	<u>298,500</u>	<u>255,427</u>	<u>43,073</u>
Parks:				
Personal services	152,640	157,640	150,411	7,229
Materials and services	43,670	43,670	46,411	(2,741)
Capital outlay	51,667	51,667	27,525	24,142
Subtotal	<u>247,977</u>	<u>252,977</u>	<u>224,347</u>	<u>28,630</u>
Planning and development:				
Personal services	215,435	239,435	247,957	(8,522)
Materials and services	92,300	92,300	61,126	31,174
Capital outlay	500	500	-	500
Subtotal	<u>308,235</u>	<u>332,235</u>	<u>309,083</u>	<u>23,152</u>
City council/mayor				
Materials and services	29,250	29,250	25,672	3,578
Subtotal	<u>29,250</u>	<u>29,250</u>	<u>25,672</u>	<u>3,578</u>
City manager/city recorder				
Personal services	395,087	405,087	390,296	14,791
Materials and services	100,110	130,110	133,309	(3,199)
Subtotal	<u>495,197</u>	<u>535,197</u>	<u>523,605</u>	<u>11,592</u>
Finance				
Personal services	288,277	293,277	292,414	863
Materials and services	89,500	89,500	93,642	(4,142)
Subtotal	<u>377,777</u>	<u>382,777</u>	<u>386,056</u>	<u>(3,279)</u>
City hall				
Personal services	61,957	62,957	59,724	3,233
Materials and services	31,500	31,500	27,274	4,226
Subtotal	<u>93,457</u>	<u>94,457</u>	<u>86,998</u>	<u>7,459</u>
Non-departmental:				
Materials and services	45,000	45,000	44,037	963
Subtotal	<u>45,000</u>	<u>45,000</u>	<u>44,037</u>	<u>963</u>
Total expenditures	<u>\$ 4,665,602</u>	<u>\$ 4,790,602</u>	<u>\$ 4,475,505</u>	<u>\$ 315,097</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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 200,000	\$ 350,000	\$ 260,691	\$ (89,309)
Total revenues	200,000	350,000	260,691	(89,309)
EXPENDITURES:				
Materials and service	15,000	50,000	45,000	5,000
Contingency	47,300	50,000	-	50,000
Total expenditures	62,300	100,000	45,000	55,000
Revenues over (under) expenditures	137,700	250,000	215,691	(34,309)
OTHER FINANCING SOURCES (USES):				
Transfers out	(150,000)	(279,000)	(220,000)	59,000
Total other financing sources (uses)	(150,000)	(279,000)	(220,000)	59,000
Net changes in fund balances	(12,300)	(29,000)	(4,309)	24,691
FUND BALANCES, BEGINNING	12,300	29,000	28,266	(734)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 23,957	\$ 23,957

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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 52,300	\$ 52,300	\$ 75,217	\$ 22,917
Charges for services	130,023	130,023	130,023	-
Interest revenue	200	200	50	(150)
Total revenues	<u>182,523</u>	<u>182,523</u>	<u>205,290</u>	<u>22,767</u>
Revenues over (under) expenditures	<u>182,523</u>	<u>182,523</u>	<u>205,290</u>	<u>22,767</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(182,523)</u>	<u>(182,523)</u>	<u>(182,523)</u>	<u>-</u>
Total other financing sources (uses)	<u>(182,523)</u>	<u>(182,523)</u>	<u>(182,523)</u>	<u>-</u>
Net changes in fund balances	-	-	22,767	22,767
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>477</u>	<u>477</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,244</u>	<u>\$ 23,244</u>

CITY OF FLORENCE, OREGON
REHAB LOAN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest revenue	\$ 1,000	\$ 1,000	\$ 422	\$ (578)
Total revenues	1,000	1,000	422	(578)
EXPENDITURES:				
Materials and service	105,000	105,000	-	105,000
Total expenditures	105,000	105,000	-	105,000
Net changes in fund balances	(104,000)	(104,000)	422	104,422
FUND BALANCES, BEGINNING	104,000	104,000	104,473	473
FUND BALANCES, ENDING	\$ -	\$ -	\$ 104,895	\$ 104,895

CITY OF FLORENCE, OREGON
AIRPORT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants and contributions	\$ 26,000	\$ 26,000	\$ 25,816	\$ (184)
Interest revenue	-	-	2	2
Total revenues	26,000	26,000	25,818	(182)
EXPENDITURES:				
Capital outlay	26,000	26,000	23,729	2,271
Contingency	721	721	-	721
Total expenditures	26,721	26,721	23,729	2,992
Net changes in fund balances	(721)	(721)	2,089	2,810
FUND BALANCES, BEGINNING	721	721	69	(652)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 2,158	\$ 2,158

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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and fees	\$ 10,400	\$ 10,400	\$ 17,911	\$ 7,511
Intergovernmental	400	400	510	110
Charges for services	58,500	58,500	34,126	(24,374)
Permits	92,000	92,000	82,884	(9,116)
Interest revenue	2,000	2,000	669	(1,331)
Total revenues	<u>163,300</u>	<u>163,300</u>	<u>136,100</u>	<u>(27,200)</u>
EXPENDITURES:				
Personal service	199,615	209,615	189,761	19,854
Materials and service	48,022	48,022	35,773	12,249
Contingency	70,663	60,663	-	60,663
Total expenditures	<u>318,300</u>	<u>318,300</u>	<u>225,534</u>	<u>92,766</u>
Net changes in fund balances	(155,000)	(155,000)	(89,434)	65,566
FUND BALANCES, BEGINNING	<u>155,000</u>	<u>155,000</u>	<u>175,988</u>	<u>20,988</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,554</u>	<u>\$ 86,554</u>

CITY OF FLORENCE, OREGON
AIRPORT OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES:				
Charges for services	\$ 74,000	\$ 74,000	\$ 64,007	\$ (9,993)
Interest revenue	12,600	12,600	8,302	(4,298)
Miscellaneous revenue	4,800	4,800	83,188	78,388
Other	-	-	640	640
Total revenues	91,400	91,400	156,137	64,737
EXPENDITURES:				
Personal service	7,914	8,914	7,628	1,286
Materials and service	177,241	187,241	182,058	5,183
Capital outlay	38,000	43,000	42,532	468
Debt service:				
Principal	45,836	45,836	42,636	3,200
Interest	17,892	17,892	17,892	-
Contingency	127,036	111,036	-	111,036
Total expenditures	413,919	413,919	292,746	121,173
Revenues over (under) expenditures	(322,519)	(322,519)	(136,609)	185,910
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	25,297	25,297
Total other financing sources (uses)	-	-	25,297	25,297
Net changes in fund balances	(322,519)	(322,519)	(111,312)	211,207
FUND BALANCES, BEGINNING	322,519	322,519	333,506	10,987
FUND BALANCES, ENDING	\$ -	\$ -	\$ 222,194	\$ 222,194

CITY OF FLORENCE, OREGON
STREET SYSTEMS DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 40,000	\$ 40,000	\$ 10,081	\$ (29,919)
Interest revenue	10,000	10,000	2,525	(7,475)
Total revenues	50,000	50,000	12,606	(37,394)
EXPENDITURES:				
Materials and service	600	600	313	287
Capital outlay	450,000	350,000	1,443	348,557
Contingency	298,079	298,079	-	298,079
Total expenditures	748,679	648,679	1,756	646,923
Revenues over (under) expenditures	(698,679)	(598,679)	10,850	609,529
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	-	(100,000)	(100,000)	-
Transfers in	-	-	144,669	144,669
Total other financing sources (uses)	-	(100,000)	44,669	144,669
Net changes in fund balances	(698,679)	(698,679)	55,519	754,198
FUND BALANCES, BEGINNING BUDGETARY BASIS	698,679	698,679	636,165	(62,514)
FUND BALANCES, ENDING BUDGETARY BASIS	\$ -	\$ -	691,684	\$ 691,684
Interfund receivable			100,000	
FUND BALANCES, ENDING			\$ 791,684	

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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 164,800	\$ 164,800	\$ 244,942	\$ 80,142
Interest revenue	-	-	1,375	1,375
Miscellaneous revenue	-	-	72	72
Total revenues	164,800	164,800	246,389	81,589
EXPENDITURES:				
Materials and service	35,000	80,000	64,335	15,665
Debt service:				
Principal	269,800	269,800	-	269,800
Contingency	50,000	5,000	-	5,000
Total expenditures	354,800	354,800	64,335	290,465
Net changes in fund balances	(190,000)	(190,000)	182,054	372,054
FUND BALANCES, BEGINNING	230,000	230,000	242,121	12,121
FUND BALANCES, ENDING	\$ 40,000	\$ 40,000	\$ 424,175	\$ 384,175

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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants and contributions	\$ 65,000	\$ 73,000	\$ 72,368	\$ (632)
Total revenues	65,000	73,000	72,368	(632)
OTHER FINANCING SOURCES (USES):				
Transfers out	(65,000)	(74,000)	(72,000)	2,000
Total other financing sources (uses)	(65,000)	(74,000)	(72,000)	2,000
Net changes in fund balances	-	(1,000)	368	1,368
FUND BALANCES, BEGINNING	-	1,000	807	(193)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 1,175	\$ 1,175

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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 305,000	\$ 305,000	\$ 342,833	\$ 37,833
Interest revenue	600	600	833	233
Total revenues	<u>305,600</u>	<u>305,600</u>	<u>343,666</u>	<u>38,066</u>
EXPENDITURES:				
Debt service:				
Principal	263,800	263,800	263,758	42
Interest	<u>53,850</u>	<u>53,850</u>	<u>53,505</u>	<u>345</u>
Total expenditures	<u>317,650</u>	<u>317,650</u>	<u>317,263</u>	<u>387</u>
Net changes in fund balances	(12,050)	(12,050)	26,403	38,453
FUND BALANCES, BEGINNING	<u>287,000</u>	<u>287,000</u>	<u>316,597</u>	<u>29,597</u>
FUND BALANCES, ENDING	<u><u>\$ 274,950</u></u>	<u><u>\$ 274,950</u></u>	<u><u>\$ 343,000</u></u>	<u><u>\$ 68,050</u></u>

CITY OF FLORENCE, OREGON
BANCROFT BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 15,694	\$ 15,694	\$ 5,423	\$ (10,271)
Interest revenue	749,410	749,410	5,556	(743,854)
Total revenues	<u>765,104</u>	<u>765,104</u>	<u>10,979</u>	<u>(754,125)</u>
EXPENDITURES:				
Principal	50,000	50,000	50,000	-
Interest	18,200	18,200	17,335	865
Contingency	696,904	696,904	-	696,904
Total expenditures	<u>765,104</u>	<u>765,104</u>	<u>67,335</u>	<u>697,769</u>
Net changes in fund balances	-	-	(56,356)	(56,356)
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>752,780</u>	<u>752,780</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 696,424</u>	<u>\$ 696,424</u>

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

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

Enterprise Budgetary Comparison schedules include the following:

- Water Operations
 - Water Fund
 - Water System Development Fund

- Wastewater Operations
 - Wastewater Fund
 - Wastewater System Development Fund

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

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

**CITY OF FLORENCE, OREGON
WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2010**

	<u>Water Fund</u>	<u>Water System Development Fund</u>	<u>Total Water Operations</u>
REVENUES:			
Licenses and fees	\$ 44,214	\$ -	\$ 44,214
Assessments	-	24,274	24,274
Charges for services	1,444,527	-	1,444,527
Interest revenue	-	2,614	2,614
Miscellaneous revenue	16,193	-	16,193
	<u>1,504,934</u>	<u>26,888</u>	<u>1,531,822</u>
EXPENDITURES:			
Personal service	499,719	-	499,719
Materials and service	581,042	77,767	658,809
Capital outlay	56,911	1,800	58,711
Debt service:			
Principal	257,403	-	257,403
Interest	120,146	-	120,146
	<u>1,515,221</u>	<u>79,567</u>	<u>1,594,788</u>
Revenues over (under) expenditures	(10,287)	(52,679)	(62,966)
OTHER FINANCING SOURCES (USES):			
Interfund loan proceeds (payments)	-	(170,000)	(170,000)
Transfers in	100,000	22,296	122,296
Transfers out	(223,466)	(100,000)	(323,466)
	<u>(123,466)</u>	<u>(247,704)</u>	<u>(371,170)</u>
Net changes in fund balances	(133,753)	(300,383)	(434,136)
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>167,226</u>	<u>526,113</u>	<u>693,339</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 33,473</u>	<u>\$ 225,730</u>	<u>\$ 259,203</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 1,531,822	\$ 1,594,788
Transfers in/out		-	201,170
Expenditures capitalized		-	(41,241)
Debt service principal payments		-	(257,403)
Depreciation and amortization expense		-	401,968
Interest revenue/expense		-	(7,007)
Inventory		-	(12,718)
Change in accrued absences		-	(11,406)
		<u>1,531,822</u>	<u>1,868,151</u>
Total revenues and expenses - generally accepted accounting principles		<u>1,531,822</u>	<u>1,868,151</u>
Change in net assets			<u>\$ (336,329)</u>

CITY OF FLORENCE, OREGON
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and fees	\$ 44,500	\$ 44,500	\$ 44,214	\$ (286)
Charges for services	1,513,500	1,513,500	1,444,527	(68,973)
Interest revenue	1,000	1,000	-	(1,000)
Miscellaneous revenue	8,000	8,000	16,193	8,193
Total revenues	<u>1,567,000</u>	<u>1,567,000</u>	<u>1,504,934</u>	<u>(62,066)</u>
EXPENDITURES:				
Personal service	521,105	551,105	499,719	51,386
Materials and service	641,359	611,359	581,042	30,317
Capital outlay	70,000	70,000	56,911	13,089
Debt service:				
Principal	257,500	257,500	257,403	97
Interest	120,600	120,600	120,146	454
Contingency	15,721	15,721	-	15,721
Total expenditures	<u>1,626,285</u>	<u>1,626,285</u>	<u>1,515,221</u>	<u>111,064</u>
Revenues over (under) expenditures	(59,285)	(59,285)	(10,287)	48,998
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	100,000	100,000
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(223,466)</u>	<u>(148,466)</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>(123,466)</u>	<u>(48,466)</u>
Net changes in fund balances	(134,285)	(134,285)	(133,753)	532
FUND BALANCE, BEGINNING BUDGETARY BASIS	134,285	134,285	167,226	32,941
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,473</u>	<u>\$ 33,473</u>

CITY OF FLORENCE, OREGON
WATER SYSTEM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 86,000	\$ 86,000	\$ 24,274	\$ (61,726)
Interest revenue	6,200	6,200	2,614	(3,586)
Total revenues	92,200	92,200	26,888	(65,312)
EXPENDITURES:				
Materials and service	51,200	51,200	77,767	(26,567)
Capital outlay	200,000	30,000	1,800	28,200
Contingency	270,864	270,864	-	270,864
Total expenditures	522,064	352,064	79,567	272,497
Revenues over (under) expenditures	(429,864)	(259,864)	(52,679)	207,185
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)		(170,000)	(170,000)	-
Transfers in	-	-	22,296	22,296
Transfers out	-	-	(100,000)	(100,000)
Total other financing sources (uses)	-	(170,000)	(247,704)	(77,704)
Net changes in fund balances	(429,864)	(429,864)	(300,383)	129,481
FUND BALANCE, BEGINNING BUDGETARY BASIS	429,864	429,864	526,113	96,249
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 225,730	\$ 225,730

**CITY OF FLORENCE, OREGON
WASTEWATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2010**

	Wastewater Fund	Wastewater System Development Fund	Total Wastewater Operations
REVENUES:			
Assessments	\$ -	\$ 32,370	\$ 32,370
Charges for services	2,409,329	-	2,409,329
Interest revenue	8,089	1,186	9,275
Miscellaneous revenue	8,232	-	8,232
Total revenues	<u>2,425,650</u>	<u>33,556</u>	<u>2,459,206</u>
EXPENDITURES:			
Personal service	574,964	-	574,964
Materials and service	713,290	1,028	714,318
Capital outlay	858,632	-	858,632
Debt service:			
Principal	571,376	-	571,376
Interest	336,855	-	336,855
Total expenditures	<u>3,055,117</u>	<u>1,028</u>	<u>3,056,145</u>
Revenues over (under) expenditures	(629,467)	32,528	(596,939)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	196,199	-	196,199
Transfers in	255,746	-	255,746
Transfers out	(120,718)	(414,383)	(535,101)
Total other financing sources (uses)	<u>331,227</u>	<u>(414,383)</u>	<u>(83,156)</u>
Net changes in fund balances	(298,240)	(381,855)	(680,095)
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>518,534</u>	<u>579,605</u>	<u>1,098,139</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 220,294</u>	<u>\$ 197,750</u>	<u>\$ 418,044</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 2,459,206	\$ 3,056,145
Transfers in/out		-	279,355
Expenditures capitalized		-	(835,415)
Debt service principal payments		-	(571,376)
Depreciation and amortization expense		-	541,473
Interest revenue/expense		-	14,764
Inventory		-	16,634
Change in accrued absences		-	(13,622)
Total revenues and expenses - generally accepted accounting principles		<u>2,459,206</u>	<u>2,487,958</u>
Change in net assets			<u>\$ (28,752)</u>

CITY OF FLORENCE, OREGON
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 2,302,000	\$ 2,302,000	\$ 2,409,329	\$ 107,329
Interest revenue	20,000	20,000	8,089	(11,911)
Miscellaneous revenue	3,000	3,000	8,232	5,232
Total revenues	2,325,000	2,325,000	2,425,650	100,650
EXPENDITURES:				
Personal service	605,203	645,203	574,964	70,239
Materials and service	734,168	694,168	713,290	(19,122)
Capital outlay	2,895,000	2,895,000	858,632	2,036,368
Debt service:				
Principal	2,572,000	2,572,000	571,376	2,000,624
Interest	834,000	834,000	336,855	497,145
Contingency	316,814	316,814	-	316,814
Total expenditures	7,957,185	7,957,185	3,055,117	4,902,068
Revenues over (under) expenditures	(5,632,185)	(5,632,185)	(629,467)	5,002,718
OTHER FINANCING SOURCES (USES):				
Issuance of debt	5,000,000	5,000,000	196,199	(4,803,801)
Transfers in	-	-	255,746	255,746
Transfers out	(115,000)	(115,000)	(120,718)	(5,718)
Total other financing sources (uses)	4,885,000	4,885,000	331,227	(4,553,773)
Net changes in fund balances	(747,185)	(747,185)	(298,240)	448,945
FUND BALANCE, BEGINNING BUDGETARY BASIS	747,185	747,185	518,534	(228,651)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 220,294	\$ 220,294

CITY OF FLORENCE, OREGON
WASTEWATER SYSTEM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 60,000	\$ 60,000	\$ 32,370	\$ (27,630)
Interest revenue	3,000	3,000	1,186	(1,814)
Total revenues	63,000	63,000	33,556	(29,444)
EXPENDITURES:				
Materials and service	2,000	2,000	1,028	972
Capital outlay	600,000	600,000	-	600,000
Contingency	61,177	61,177	-	61,177
Total expenditures	663,177	663,177	1,028	662,149
Revenues over (under) expenditures	(600,177)	(600,177)	32,528	632,705
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(414,383)	(414,383)
Total other financing sources (uses)	-	-	(414,383)	(414,383)
Net changes in fund balances	(600,177)	(600,177)	(381,855)	218,322
FUND BALANCE, BEGINNING	600,177	600,177	579,605	(20,572)
FUND BALANCE, ENDING	\$ -	\$ -	\$ 197,750	\$ 197,750

**CITY OF FLORENCE, OREGON
EVENTS CENTER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2010**

	Events Center Fund	Events Center Reserve Fund	Events Center Debt Service Fund	Total Events Center Operations
REVENUES:				
Intergovernmental	\$ 23,568	\$ -	\$ 158,603	\$ 182,171
Charges for services	274,910	-	-	274,910
Interest revenue	4,011	359	-	4,370
Miscellaneous revenue	1,956	-	-	1,956
	<u>304,445</u>	<u>359</u>	<u>158,603</u>	<u>463,407</u>
EXPENDITURES:				
Personal service	287,955	-	-	287,955
Materials and service	240,550	-	-	240,550
Capital outlay	-	28,606	-	28,606
Debt service:				
Principal	-	-	125,000	125,000
Interest	-	-	34,655	34,655
	<u>528,505</u>	<u>28,606</u>	<u>159,655</u>	<u>716,766</u>
Total expenditures	<u>528,505</u>	<u>28,606</u>	<u>159,655</u>	<u>716,766</u>
Revenues over (under) expenditures	(224,060)	(28,247)	(1,052)	(253,359)
OTHER FINANCING SOURCES (USES):				
Transfers in	292,000	-	-	292,000
Total other financing sources (uses)	<u>292,000</u>	<u>-</u>	<u>-</u>	<u>292,000</u>
Net changes in fund balances	67,940	(28,247)	(1,052)	38,641
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>85,133</u>	<u>84,922</u>	<u>1,121</u>	<u>171,176</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 153,073</u>	<u>\$ 56,675</u>	<u>\$ 69</u>	<u>\$ 209,817</u>

	Revenues	Expenditures
Total revenue and expenditures above	\$ 463,407	\$ 716,766
Transfers in/out	292,000	-
Expenditures capitalized	-	(28,606)
Debt service principal payments	-	(125,000)
Depreciation and amortization expense	-	102,445
Interest revenue/expense	-	(1,286)
Change in accrued compensated absences	-	(6,794)
Bond costs	-	4,787
	<u>755,407</u>	<u>662,312</u>
Total revenues and expenses - generally accepted accounting principles	<u>755,407</u>	<u>662,312</u>
Change in net assets		<u>\$ 93,095</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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 29,997	\$ 29,997	\$ 23,568	\$ (6,429)
Charges for services	293,700	293,700	274,910	(18,790)
Interest revenue	4,000	4,000	4,011	11
Miscellaneous revenue	1,000	1,000	1,956	956
Total revenues	<u>328,697</u>	<u>328,697</u>	<u>304,445</u>	<u>(24,252)</u>
EXPENDITURES:				
Personal service	290,420	310,420	287,955	22,465
Materials and service	275,216	255,216	240,550	14,666
Contingency	8,061	8,061	-	8,061
Total expenditures	<u>573,697</u>	<u>573,697</u>	<u>528,505</u>	<u>45,192</u>
Revenues over (under) expenditures	(245,000)	(245,000)	(224,060)	20,940
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>215,000</u>	<u>215,000</u>	<u>292,000</u>	<u>77,000</u>
Total other financing sources (uses)	<u>215,000</u>	<u>215,000</u>	<u>292,000</u>	<u>77,000</u>
Net changes in fund balances	(30,000)	(30,000)	67,940	97,940
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>30,000</u>	<u>30,000</u>	<u>85,133</u>	<u>55,133</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,073</u>	<u>\$ 153,073</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, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest revenue	\$ 1,000	\$ 1,000	\$ 359	\$ (641)
Total revenues	1,000	1,000	359	(641)
EXPENDITURES:				
Materials and service	12,000	2,000	-	2,000
Capital outlay	-	29,000	28,606	394
Contingency	67,000	55,000	-	55,000
Total expenditures	79,000	86,000	28,606	57,394
Net changes in fund balances	(78,000)	(85,000)	(28,247)	56,753
FUND BALANCE, BEGINNING BUDGETARY BASIS	78,000	85,000	84,922	(78)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 56,675	\$ 56,675

**CITY OF FLORENCE, OREGON
EVENTS CENTER DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 160,003	\$ 160,003	\$ 158,603	\$ (1,400)
Total revenues	<u>160,003</u>	<u>160,003</u>	<u>158,603</u>	<u>(1,400)</u>
EXPENDITURES:				
Debt service:				
Principal	125,000	125,000	125,000	-
Interest	<u>35,003</u>	<u>35,003</u>	<u>34,655</u>	<u>348</u>
Total expenditures	<u>160,003</u>	<u>160,003</u>	<u>159,655</u>	<u>348</u>
Net changes in fund balances	-	-	(1,052)	(1,052)
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>-</u>	<u>-</u>	<u>1,121</u>	<u>1,121</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 69</u></u>	<u><u>\$ 69</u></u>

CITY OF FLORENCE, OREGON
STORM WATER COMBINED
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2010

	Storm Water Fund	Storm Water SDC Fund	Total Storm Water
REVENUES:			
Assessments	\$ 419,054	\$ 17,679	\$ 436,733
Interest revenue	-	389	389
Other	600	-	600
	<u>419,654</u>	<u>18,068</u>	<u>437,722</u>
Total revenues			
EXPENDITURES:			
Personal service	160,058	-	160,058
Materials and service	272,996	492	273,488
Capital outlay	-	293,080	293,080
Debt service:			
Principal	17,714	-	17,714
Interest	5,908	-	5,908
	<u>456,676</u>	<u>293,572</u>	<u>750,248</u>
Total expenditures			
Revenues over (under) expenditures	(37,022)	(275,504)	(312,526)
OTHER FINANCING SOURCES (USES):			
Interfund loan proceeds (payments)	-	270,000	270,000
Transfers in	5,000	191,633	196,633
Transfers out	(90,486)	(5,000)	(95,486)
	<u>(85,486)</u>	<u>456,633</u>	<u>371,147</u>
Total other financing sources (uses)			
Net changes in fund balances	(122,508)	181,129	58,621
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>126,344</u>	<u>15,302</u>	<u>141,646</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 3,836</u>	<u>\$ 196,431</u>	<u>\$ 200,267</u>

	Revenues	Expenditures
Total revenue and expenditures above	\$ 437,722	\$ 750,248
Transfers in/out	101,147	-
Expenditures capitalized	-	(293,080)
Debt service principal payments	-	(17,714)
Capital asset transfers	-	282,119
Depreciation and amortization expense	-	45,209
Interest revenue/expense	-	(53)
Change in accrued compensated absences	-	(3,797)
	<u>538,869</u>	<u>762,932</u>
Total revenues and expenses - generally accepted accounting principles		
Change in net assets		<u>\$ (224,063)</u>

CITY OF FLORENCE, OREGON
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 410,000	\$ 410,000	\$ 419,054	\$ 9,054
Charges for services	600	600	-	(600)
Other	-	-	600	600
Total revenues	<u>410,600</u>	<u>410,600</u>	<u>419,654</u>	<u>9,054</u>
EXPENDITURES:				
Personal service	198,974	198,974	160,058	38,916
Materials and service	274,735	274,735	272,996	1,739
Capital outlay	23,389	23,389	-	23,389
Debt service:				
Principal	15,000	15,000	17,714	(2,714)
Interest	5,000	5,000	5,908	(908)
Contingency	10,872	10,872	-	10,872
Total expenditures	<u>527,970</u>	<u>527,970</u>	<u>456,676</u>	<u>71,294</u>
Revenues over (under) expenditures	(117,370)	(117,370)	(37,022)	80,348
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	5,000	5,000
Transfers out	-	-	(90,486)	(90,486)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(85,486)</u>	<u>(85,486)</u>
Net changes in fund balances	(117,370)	(117,370)	(122,508)	(5,138)
FUND BALANCE, BEGINNING	<u>117,370</u>	<u>117,370</u>	<u>126,344</u>	<u>8,974</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,836</u>	<u>\$ 3,836</u>

CITY OF FLORENCE, OREGON
STORM WATER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 25,000	\$ 25,000	\$ 17,679	\$ (7,321)
Interest revenue	1,500	1,500	389	(1,111)
Total revenues	26,500	26,500	18,068	(8,432)
EXPENDITURES:				
Materials and service	1,000	1,000	492	508
Capital outlay	800,000	800,000	293,080	506,920
Contingency	77,751	77,751	-	77,751
Total expenditures	878,751	878,751	293,572	585,179
Revenues over (under) expenditures	(852,251)	(852,251)	(275,504)	576,747
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	-	-	270,000	270,000
Issuance of debt	800,000	800,000	-	(800,000)
Transfers in	-	-	191,633	191,633
Transfers out	-	-	(5,000)	(5,000)
Total other financing sources (uses)	800,000	800,000	456,633	(343,367)
Net changes in fund balances	(52,251)	(52,251)	181,129	233,380
FUND BALANCE, BEGINNING	52,251	52,251	15,302	(36,949)
FUND BALANCE, ENDING	\$ -	\$ -	\$ 196,431	\$ 196,431

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OTHER FINANCIAL SCHEDULES

CITY OF FLORENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2010

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2009</u>	<u>Levy as Extended by Assessor</u>	<u>Cancellations Discounts and Adjustments</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2010</u>
2009-2010		\$ 2,753,857	\$ (82,300)	\$ (2,579,746)	\$ 91,811
2008-2009	\$ 81,184		(2,480)	(40,575)	38,129
2007-2008	29,889		(710)	(12,803)	16,376
2006-2007	12,463		(368)	(6,847)	5,248
2005-2006	4,715		(300)	(2,544)	1,871
2004-2005	1,952		(264)	(144)	1,544
2003-2004	1,550		(200)	(9)	1,341
2002 and Prior	4,843		(2,063)	(241)	2,539
Totals	<u>\$ 136,596</u>	<u>\$ 2,753,857</u>	<u>\$ (88,685)</u>	<u>\$ (2,642,909)</u>	<u>\$ 158,859</u>

Taxes receivable classified by fund:

General Fund	\$ 124,794
General Obligation Debt Service Fund	22,023
Urban Renewal	<u>12,042</u>
	<u>\$ 158,859</u>

**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF FLORENCE, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Introduction

Oregon Administrative Rules 162-10-000 through 162-10-330 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding section of this report. Required comments and disclosures related to our audit of such statements and schedules are contained in this section.

Internal Accounting Control

We have audited the financial statements of City of Florence, Oregon for the year ended June 30, 2010 and have issued our report thereon dated March 17, 2011.

The management of City of Florence, Oregon is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

We noted certain matters that we reported to management of City of Florence, Oregon, in a separate letter dated March 17, 2011.

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

In connection with our audit:

Accounting Records

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

Collateral

The City was in compliance with ORS Chapter 295 regarding collateral securing deposits for fiscal year ended June 30, 2010.

CITY OF FLORENCE, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Indebtedness

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

Budgets

We reviewed budgets adopted by the City for the current and ensuing fiscal year. Budget preparation and adoption procedures followed by the: City appear to be in compliance with Oregon Local Budget Law (ORS Chapter 294.305 to 294.520), with the following exceptions:

- Transfers from the Water Fund (\$81,000) to the General Fund (\$75,000) did not agree.
- Transfers from the Wastewater Fund (\$129,600) to the General Fund (\$120,000) did not agree.
- The Budget document does not show the proposed and approved amounts for the next year's budget.
- A contingency transfer which creates a new budgetary line item requires a supplemental budget. The contingency transfer was adopted without a supplemental budget.

Expenditures in the following fund exceeded appropriations for the year ended June 30, 2010:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount of Over-Expenditure</u>
Grants Projects	Materials and Services	\$ 5,055
General	Finance Department	3,279
Water	Transfers Out	148,466
Water System Development	Materials and Services	26,567
Water System Development	Transfers Out	100,000
Wastewater	Materials and Services	19,122
Wastewater	Transfers Out	5,718
Wastewater System Development	Transfers Out	414,383
Storm Water	Debt Service	3,622
Storm Water	Transfers Out	90,486
Storm Water System Development	Transfers Out	5,000

Insurance and Fidelity Bonds

We reviewed policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering City-owned property in force at June 30, 2010 are adequate.

Programs Funded from Outside Sources

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

CITY OF FLORENCE, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Highway Funds

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

Investments

The City's investments for the year ended June 30, 2010 were tested and appear to be in compliance with Oregon Revised Statutes Chapter 294 with regard to legal restrictions pertaining to the investment of public funds.

Public Contracts and Purchasing

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

Independently Elected Officials

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



Merina & Company, LLP
West Linn, Oregon
March 17, 2011

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**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***

The Honorable Mayor and Council
City of Florence, Oregon
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 City of Florence, Oregon (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 17, 2011. 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

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 that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2, and 2010-3. We consider these items to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 March 17, 2011.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, City Council, and 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
March 17, 2011

**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**

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

Compliance

We have audited the compliance of City of Florence, Oregon, 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 City of Florence, Oregon's major federal programs for the year ended June 30, 2010. City of Florence, Oregon'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 City of Florence, Oregon's management. Our responsibility is to express an opinion on City of Florence, Oregon'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 City of Florence, Oregon'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 City of Florence, Oregon's compliance with those requirements.

In our opinion, City of Florence, Oregon, complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of City of Florence, Oregon, 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 City of Florence, Oregon'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, but not 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 City of Florence, Oregon'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 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 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, the 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
March 17, 2011

**CITY OF FLORENCE OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Entity's DUNS Number</u>	<u>Received</u>	<u>Expended</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Community Development Block Grant	14.228	01-073-4838	\$ 747,167	\$ 737,269
U.S. DEPARTMENT OF TRANSPORTATION				
National Highway Traffic Safety	20.601	01-073-4838	1,040	1,040
National Highway Traffic Safety	20.600	01-073-4838	3,592	3,592
National Highway Traffic Safety	20.600	01-073-4839	311	311
Highway Planning and Construction	20.205	01-073-4838	55,000	77,028
Highway Planning and Construction	20.205	01-073-4839	-	471
Airport Improvement Program	20.106	01-073-4838	25,816	23,729
U.S. DEPARTMENT OF COMMERCE				
National Oceanic and Atmospheric	11.419	01-073-4838	8,000	8,000
National Oceanic and Atmospheric	11.419	01-073-4838	10,000	10,000
National Oceanic and Atmospheric	11.419	01-073-4838	4,000	6,741
ENVIRONMENTAL PROTECTION AGENCY				
Capitalization Grants for State Revolving Funds	66.458	01-073-4838	196,199	196,199
West Coast Estuaries Initiative	66.119	01-073-4838	70,424	70,424
TOTAL			<u>\$ 1,121,549</u>	<u>\$ 1,134,804</u>

CITY OF FLORENCE, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

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, 2010.

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, 2010

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

14.228 Community Development Block Grant

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, 2010

Section II – Financial Statement Findings

2010-1

Condition:

Inadequate controls over certain accounting functions – Currently there is no indication that the bank reconciliations are reviewed on a monthly basis.

Criteria:

Bank reconciliations should be reviewed timely by management to ensure accuracy and proper recording of cash.

Effect:

Inadequate controls could increase the risk of misappropriation of cash or errors.

Cause:

Controls were not implemented during the year to ensure timely review of bank reconciliations.

Recommendation:

We recommend that the bank reconciliations be reviewed for accuracy and completeness by management and signed and dated as an indication of approval.

Response:

Management concurs and since July 2010 all bank reconciliations have been reviewed, approved and initialed by the Interim Finance Director. This will continue to be done as part of the monthly closing process.

2010-2

Condition:

Inadequate controls over certain accounting functions – Currently there is no indication that the journal entries are reviewed and approved on a monthly basis.

Criteria:

Journal entries should be reviewed by management to ensure proper recording of transactions.

Effect:

The lack of a review over journal entries could result in material misstatement of the financial statements either from error or fraud.

Cause:

Procedures were not in place to ensure timely review of journal entries.

CITY OF FLORENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

Recommendation:

We recommend that journal entries be signed by both the preparer and reviewer to provide evidence that entries were properly recorded, reviewed, and approved.

Response:

Management concurs and since July 2010 all journal entries have been reviewed, approved and initialed by the Interim Finance Director. This will continue to be done as part of the monthly closing process.

2010-3

Condition:

Inadequate controls on oversight of certain accounting functions – Oversight of the municipal court accounting functions is limited to that of the court supervisor.

Criteria:

Proper oversight over the municipal court accounting functions should exist to prevent errors and fraud.

Effect:

A lack of oversight increases the risk of errors or fraud.

Cause:

Proper controls were not put in place to monitor the accounting functions at the municipal court.

Recommendation:

The City should designate an individual to monitor the municipal court operations. Bank statements, bank reconciliations, and check register should be sent to the Finance department for monthly review. Support documentation should be provided for all checks sent to the Finance department for signature.

Response:

Management concurs and will immediately begin a project to define and document a new policy and appropriate procedures to improve internal controls of the Municipal Court.

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, 2009

None

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