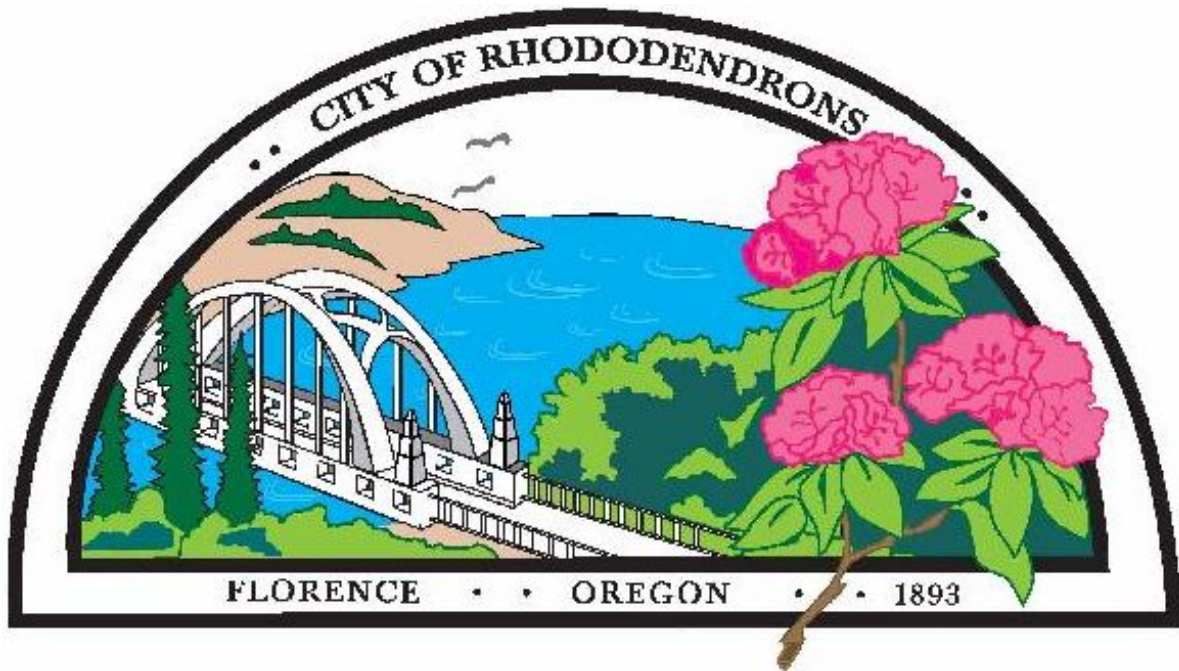


CITY OF FLORENCE, OREGON



FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011

CITY OF FLORENCE, OREGON
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Officials of the City of Florence, Oregon i

FINANCIAL SECTION

Independent Auditor’s Report..... 1
Management’s Discussion and Analysis..... 3

Basic Financial Statements..... 10

Government-Wide Financial Statements:

Statement of Net Assets 11
Statement of Activities 12

Fund Financial Statements:

Major Governmental Funds: 13
Balance Sheet 14
Statement of Revenues, Expenditures, and Changes in Fund Balances 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities 16
Proprietary Funds:..... 17
Statement of Net Assets 19
Statement of Revenues, Expenses, and Changes in Fund Net Assets 20
Statement of Cash Flow 21
Fiduciary Funds: 22
Statement of Fiduciary Net Assets 23

Notes to the Basic Financial Statements 24

Required Supplementary Information..... 45

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:

General Fund..... 46
Street Fund..... 47
Grants Projects Fund..... 48

Notes to the Required Supplementary Information..... 49

Other Supplementary Information 50

Combining Schedules 51
Non-major Governmental Funds Combining Balance Sheet..... 53
Non-major Governmental Funds Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances 54
Non-major Special Revenue Funds Combining Balance Sheet..... 55
Non-major Special Revenue Funds Combining Schedule of Revenues,
Expenditures, and Changes in Fund Balances..... 57
Non-major Debt Service Funds Combining Balance Sheet..... 59
Non-major Debt Service Funds Combining Schedule of Revenues,
Expenditures, and Changes in Fund Balances..... 60

CITY OF FLORENCE, OREGON
TABLE OF CONTENTS

	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance – FFC 2010B	
Bond Fund	61
Agency Funds Schedule of Changes in Assets and Liabilities	62
Budgetary Comparison Schedules	63
Schedule of Expenditures – Budget and Actual:	
General Fund.....	64
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Room Tax Fund	65
911 Emergency Fund	66
Rehab Loan Fund.....	67
Airport Capital Project Fund.....	68
Building Program Fund.....	69
Airport Operations Fund	70
Street Systems Development Fund	71
Urban Renewal Fund	72
RTMP Grant Fund	73
General Obligation Debt Service Fund.....	74
Bancroft Bond Fund.....	75
FFC 2010B Bond Fund.....	76
Spruce ST LID Bond Fund	77
Enterprise Funds:	78
Water Operations:	
Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Water Fund.....	80
Water System Development Fund	81
Wastewater Operations:	
Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Wastewater Fund	83
Wastewater System Development Fund	84
Events Center Operations:	
Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	85
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Events Center Fund.....	86
Events Center Reserve Fund	87
Events Center Debt Service Fund	88
Storm Water:	
Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Stormwater Fund.....	90
Stormwater SDC Fund.....	91
Other Financial Schedules:	92
Schedule of Property Tax Transactions and Outstanding Balances.....	93

REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor’s Report Required by Oregon State Regulation.....	94
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CITY OF FLORENCE, OREGON
TABLE OF CONTENTS

Page

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 97

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 99

Schedule of Expenditures of Federal Awards 101

Notes to the Schedule of Expenditures of Federal Awards..... 102

Schedule of Findings and Questioned Costs 103

INTRODUCTORY SECTION

**CITY OF FLORENCE, OREGON
PRINCIPAL OFFICIALS**

ELECTED OFFICIALS

Mayor
Council President
Council Vice President
Councilor
Councilor

Phil Brubaker
Nola Xavier
Suzanne Roberts
Paul Holman
Brian Jagoe

CITY MANAGEMENT

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

Robert Willoughby
Jacque Betz
Kelli Weese
Erin Reynolds
Mike Miller
Maurice Sanders
Sandra Belson
Kevin Rhodes

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Merina & Company, LLP, West Linn, Oregon

Florence City Hall
250 Highway 101
Florence, OR 97439

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City 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 (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2011, 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 January 6, 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

The required supplementary information is 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.

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, as listed in the table of contents, 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
January 6, 2012

Management's Discussion and Analysis

The management of the City of Florence offers readers of the City of Florence's financial statements this narrative overview and analysis of the financial activities of the City of Florence for the fiscal year ended June 30, 2011.

Financial Highlights

Net Assets – The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$27,227,667. Of this amount, \$3,930,885 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 \$2,708,463. Increase in Government activity revenues accounted for \$2,453,109 of the net increase primarily generated from the creation of a local improvement district and the related assessments on property within the district and 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 net assets of \$15,912,083 of which \$2,886,222 is unrestricted.

Business-type Activities – At fiscal year-end, the business activities have combined ending net assets of \$11,315,584 of which \$1,044,663 is unrestricted.

At the end of the fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$4,051,029. Approximately 35% percent of this total amount, or \$1,428,127, constitutes unassigned fund balance.

Capital assets in the amount of \$3,743,683 were acquired or constructed during the year which includes a rehabilitation to a key wastewater trunk sewer line \$2,258,893, a capital contribution from Oregon Department of Transportation (ODOT) for the 9th Street overlay \$236,888, and the commencement of two major projects - the Siuslaw River Bridge Interpretive Wayside Project \$330,323 and an Airport project for \$113,840.

The City of Florence's total debt (excluding compensated absences) increased by \$1,660,057 during the fiscal year. The net change resulting in the increase is attributable to three bond issuances, the retirements of four loans and debt payments made during the fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

The City of Florence maintains sixteen 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 Spruce Street LID Bond Fund, these four funds are considered to be major funds.

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$27,227,667 at the close of the most recent fiscal year.

By far the largest portion of the City of Florence's net assets (79%) 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	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 3,797,570	\$ 3,523,764	\$ 1,069,268	\$ 796,270	\$ 4,866,838	\$ 4,320,034
Other assets	2,543,587	1,086,278	1,098,969	630,444	\$ 3,642,556	\$ 1,716,722
Capital assets	13,942,463	13,582,859	23,660,864	22,093,036	37,603,327	35,675,895
Total assets	<u>20,283,620</u>	<u>18,192,901</u>	<u>25,829,101</u>	<u>23,519,750</u>	<u>46,112,721</u>	<u>41,712,651</u>
Other Liabilities	478,966	396,712	419,392	469,199	898,358	865,911
Long term debt outstanding	3,892,571	4,337,215	14,094,125	11,990,321	17,986,696	16,327,536
Total liabilities	<u>4,371,537</u>	<u>4,733,927</u>	<u>14,513,517</u>	<u>12,459,520</u>	<u>18,885,054</u>	<u>17,193,447</u>
Net assets:						
Invested in capital assets, net of debt	11,717,035	9,461,406	9,693,712	10,229,966	\$21,410,747	\$19,691,372
Restricted	1,308,826	-	577,209	983,326	1,886,035	983,326
Unrestricted (deficit)	2,886,222	3,997,568	1,044,663	(153,062)	3,930,885	3,844,506
Total net assets	<u>\$15,912,083</u>	<u>\$13,458,974</u>	<u>\$11,315,584</u>	<u>\$11,060,230</u>	<u>\$27,227,667</u>	<u>\$24,519,204</u>

As already mentioned the majority of the City of Florence's net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance \$1,886,035 is restricted for various purposes including future debt service and system development. \$3,930,885 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 \$2,453,109. Charges for services increased by \$1,554,156 primarily due to the assessment revenue generated from the creation of the Spruce Street Local Improvement District. Although numerous cost control measures remained in place from the prior year, the General government expenses increased \$497,711 or 46% . This is a reflection of the activity funded by a new operating grant for the City's EPA Siuslaw Estuary Project with expenses of \$196,118 and the Florence Urban Renewal Agency's Preservation and Rehabilitation Grant program that resulted in an increase in expenses of \$239,997.

Business-type activities. Business-type activities increased the City of Florence's net assets by \$255,354. Charges for services increased by 4% or \$189,058 due to an increase in rates over the prior year. Overall, the City reduced business-type activities expenses by \$194,370 or 4% over the prior year.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUES						
Program Revenue						
Charges for services	\$ 2,183,461	\$ 629,305	\$ 4,855,415	\$ 4,666,357	\$ 7,038,876	\$ 5,295,662
Operating grants and contributions	384,936	202,331	-	-	384,936	202,331
Capital grants and contributions	959,829	1,002,060	182,171	182,171	1,142,000	1,184,231
Total Program Revenue	<u>3,528,226</u>	<u>1,833,696</u>	<u>5,037,586</u>	<u>4,848,528</u>	<u>8,565,812</u>	<u>6,682,224</u>
General Revenue						
Taxes	3,803,453	3,599,260	-	-	3,803,453	3,599,260
Franchise fees	497,604	477,315	-	-	497,604	477,315
Fines and forfeitures	214,581	245,131	-	-	214,581	245,131
Interest and investment earnings	39,940	39,803	22,370	16,648	62,310	56,451
Miscellaneous revenues	63,957	148,903	26,022	26,981	89,979	175,884
Total General Revenue	<u>4,619,535</u>	<u>4,510,412</u>	<u>48,392</u>	<u>43,629</u>	<u>4,667,927</u>	<u>4,554,041</u>
Total Revenues	<u>8,147,761</u>	<u>6,344,108</u>	<u>5,085,978</u>	<u>4,892,157</u>	<u>13,233,739</u>	<u>11,236,265</u>
EXPENSES						
Program Expense						
General government	\$ 1,339,863	\$ 842,152	-	-	\$ 1,339,863	\$ 842,152
Public safety	2,631,280	2,533,721	-	-	2,631,280	2,533,721
Economic development	296,102	317,903	-	-	296,102	317,903
Highways and streets	765,755	591,697	-	-	765,755	591,697
Airport	207,208	245,034	-	-	207,208	245,034
Culture and recreation	287,394	288,789	-	-	287,394	288,789
Interest on long-term debt	142,281	134,388	-	-	142,281	134,388
Business-type activities Expenses						
Water Operations	-	-	1,623,321	1,666,981	1,623,321	1,666,981
Wastewater Operations	-	-	2,170,537	2,208,603	2,170,537	2,208,603
Events Center Operations	-	-	568,557	662,312	568,557	662,312
Storm Water	-	-	492,978	480,813	492,978	480,813
Total Expenses	<u>5,669,883</u>	<u>4,953,684</u>	<u>4,855,393</u>	<u>5,018,709</u>	<u>10,525,276</u>	<u>9,972,393</u>
Excess (deficiency) before transfers	2,477,878	1,390,424	230,585	(126,552)	2,708,463	1,263,872
Transfers in(out)	(24,769)	369,497	24,769	(369,497)	-	-
Change in net assets	<u>2,453,109</u>	<u>1,759,921</u>	<u>255,354</u>	<u>(496,049)</u>	<u>2,708,463</u>	<u>1,263,872</u>
Beginning net assets	13,458,974	11,699,053	11,060,230	11,556,279	24,519,204	23,255,332
Ending net assets	<u>\$ 15,912,083</u>	<u>\$ 13,458,974</u>	<u>\$ 11,315,584</u>	<u>\$ 11,060,230</u>	<u>\$ 27,227,667</u>	<u>\$ 24,519,204</u>

Financial Analysis of the City's funds

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

At the end of the fiscal year, the City of Florence’s governmental funds reported combined ending fund balances of \$4,051,029. Approximately 35% percent of this total amount, or \$1,428,127, constitutes unassigned 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 identified as nonspendable (prepaids), restricted or assigned for various purposes. The General Fund fund balance increased by \$804,775. The Street fund, Grants Projects fund, and Spruce St LID Bond fund, changed by (\$407,645), \$66,565 and \$325, respectively. All other governmental funds experienced a net decrease in their fund balances of (\$295,012).

Table 3

Changes in Governmental Fund Balances

	<u>General</u>	<u>Street</u>	<u>Grants Projects</u>	<u>Spruce St LID Bond</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Beginning fund balance	\$ 958,055	\$ 113,947	\$ 90,559	\$ -	\$ 2,719,460	\$ 3,882,021
Net changes in fund balance	804,775	(407,645)	66,565	325	(295,012)	169,008
Ending fund balance	<u>\$ 1,762,830</u>	<u>\$ (293,698)</u>	<u>\$ 157,124</u>	<u>\$ 325</u>	<u>\$ 2,424,448</u>	<u>\$ 4,051,029</u>

Proprietary funds. The combined water operations had a decrease in net assets of \$93,646. Net assets in wastewater operations increased by \$234,745. Net assets in storm water operations decreased by \$22,855. The combined events center operations had an increase in net assets of \$136,110.

Table 4

Changes in Proprietary Fund Net Assets

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Events Center Operations</u>	<u>Storm Water</u>	<u>Total</u>
Beginning net assets	\$ 3,338,629	\$ 5,477,121	\$ 1,744,749	\$ 499,731	\$ 11,060,230
Net changes in net assets	(93,646)	235,745	136,110	(22,855)	255,354
Ending net assets	<u>\$ 3,244,983</u>	<u>\$ 5,712,866</u>	<u>\$ 1,880,859</u>	<u>\$ 476,876</u>	<u>\$ 11,315,584</u>

General Fund Budgetary Highlights

During the 2010-2011 year, there were two supplemental budgets that changed the appropriations for the General Fund. The supplemental budgets reflected two bond issuances resulting in loan proceeds to finance capital projects. This was activity unknown at the time of the original budget adoption.

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, 2011 amounts to \$37,603,327 (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 \$3,743,683 were acquired or constructed during the year.

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

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,857,306	\$ 1,857,306	\$ 322,253	\$ 322,253	\$ 2,179,559	\$ 2,179,559
Buildings and improvements	5,015,364	5,251,736	15,374,395	16,103,994	20,389,759	21,355,730
Infrastructure and improvements	5,924,647	5,835,761	-	-	5,924,647	5,835,761
Utility systems	-	-	4,616,620	4,827,312	4,616,620	4,827,312
Equipment and vehicles	458,286	475,152	270,035	314,573	728,321	789,725
Construction in process	686,860	162,904	3,077,561	524,904	3,764,421	687,808
Total	<u>\$ 13,942,463</u>	<u>\$ 13,582,859</u>	<u>\$ 23,660,864</u>	<u>\$ 22,093,036</u>	<u>\$ 37,603,327</u>	<u>\$ 35,675,895</u>

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

Long-term debt. At the end of the fiscal year, the City of Florence had total long-term debt outstanding of \$17,986,696. The significant changes in long-term debt include the issuance of \$9,046,392 of full faith and credit 2010B Bonds that were used to retire the \$7,526,075 wastewater outstanding State Clean Water Revolving Loan Fund. The remainder of the proceeds financed construction of three capital projects. In addition, the Street improvement debt of \$2,000,000 outstanding as of June 30, 2010 (which was a bridge loan for construction of the Spruce Street LID) was retired with the issuance of \$1,478,000 in limited tax improvement bonds.

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

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Bonds & notes payable	\$ 3,607,408	\$ 3,970,195	\$13,882,594	\$11,759,889	\$ 17,490,002	\$ 15,730,084
Capital lease payable	73,020	154,258	84,558	103,181	157,578	257,439
Compensate absences	212,143	212,762	126,973	127,251	339,116	340,013
Total long-term debt	<u>\$ 3,892,571</u>	<u>\$ 4,337,215</u>	<u>\$ 14,094,125</u>	<u>\$ 11,990,321</u>	<u>\$ 17,986,696</u>	<u>\$ 16,327,536</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% of this figure, or \$39,506,895. Only \$1,164,045 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 2010-12 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, 2011, due to the continued favorable low interest rates, the City issued \$1,225,000 in bonds to finance critical capital projects. Also subsequent to year end the City has \$1,250,000 in Urban Renewal tax increment bonds that were issued that are repaid from tax increment revenues generated from the City's Urban Renewal Agency.

After careful consideration, utility rates and fees were increased about 9%, as of July 1, 2011.

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

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF FLORENCE, OREGON
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,797,570	\$ 1,069,268	\$ 4,866,838
Property taxes receivable	159,750	-	159,750
Due from other governments	7,411	-	7,411
Accounts receivable	606,877	880,658	1,487,535
Grants receivable	118,358	-	118,358
Interest receivable	1,172	-	1,172
Notes receivable	19,353	-	19,353
Debt issue costs	59,708	123,775	183,483
Prepays	41,005	-	41,005
Inventories	-	101,248	101,248
Total current assets	<u>4,811,204</u>	<u>2,174,949</u>	<u>6,986,153</u>
Noncurrent assets:			
Assessments receivable	1,523,241	-	1,523,241
Internal balances	6,712	(6,712)	-
Capital assets:			
Nondepreciable	2,544,166	3,399,814	5,943,980
Depreciable	<u>11,398,297</u>	<u>20,261,050</u>	<u>31,659,347</u>
Total noncurrent assets	<u>15,472,416</u>	<u>23,654,152</u>	<u>39,126,568</u>
Total assets	<u>\$ 20,283,620</u>	<u>\$ 25,829,101</u>	<u>\$ 46,112,721</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 411,616	\$ 252,506	\$ 664,122
Interest payable	67,350	166,886	234,236
Current portion of long-term debt	<u>734,147</u>	<u>1,152,036</u>	<u>1,886,183</u>
Total current liabilities	<u>1,213,113</u>	<u>1,571,428</u>	<u>2,784,541</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>3,158,424</u>	<u>12,942,089</u>	<u>16,100,513</u>
Total noncurrent liabilities	<u>3,158,424</u>	<u>12,942,089</u>	<u>16,100,513</u>
Total liabilities	<u>4,371,537</u>	<u>14,513,517</u>	<u>18,885,054</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,717,035	9,693,712	21,410,747
Restricted for:			
Tourism	72,474	-	72,474
911 operations	25,929	-	25,929
System development	826,472	454,127	1,280,599
Urban renewal projects	383,951	-	383,951
Debt Service	-	123,082	123,082
Unrestricted	<u>2,886,222</u>	<u>1,044,663</u>	<u>3,930,885</u>
Total net assets	<u>15,912,083</u>	<u>11,315,584</u>	<u>27,227,667</u>
Total liabilities and net assets	<u>\$ 20,283,620</u>	<u>\$ 25,829,101</u>	<u>\$ 46,112,721</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, 2011

Functions/Programs	Expenses	Program Revenues			Net Expense Revenue and Change in Net Asset		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
General government	\$ 1,339,863	\$ 1,820,494	\$ 7,839	\$ -	\$ 488,470	\$ -	\$ 488,470
Public safety	2,631,280	133,555	17,022	-	(2,480,703)	-	(2,480,703)
Economic development	296,102	107,353	341,504	-	152,755	-	152,755
Highways and streets	765,755	51,311	4,621	289,794	(420,029)	-	(420,029)
Airport	207,208	70,748	-	113,967	(22,493)	-	(22,493)
Culture and recreation	287,394	-	13,950	556,068	282,624	-	282,624
Interest on long-term debt	142,281	-	-	-	(142,281)	-	(142,281)
Total governmental activities	<u>5,669,883</u>	<u>2,183,461</u>	<u>384,936</u>	<u>959,829</u>	<u>(2,141,657)</u>	<u>-</u>	<u>(2,141,657)</u>
Business type activities:							
Water Operations	1,623,321	1,594,164	-	-	-	(29,157)	(29,157)
Wastewater Operations	2,170,537	2,516,130	-	-	-	345,593	345,593
Events Center Operations	568,557	285,958	-	182,171	-	(100,428)	(100,428)
Storm Water	492,978	459,163	-	-	-	(33,815)	(33,815)
Total business type activities	<u>4,855,393</u>	<u>4,855,415</u>	<u>-</u>	<u>182,171</u>	<u>-</u>	<u>182,193</u>	<u>182,193</u>
Total government	<u>\$ 10,525,276</u>	<u>\$ 7,038,876</u>	<u>\$ 384,936</u>	<u>\$ 1,142,000</u>	<u>(2,141,657)</u>	<u>182,193</u>	<u>(1,959,464)</u>
General revenues:							
Taxes:							
Property taxes					2,958,910	-	2,958,910
Public Service taxes and state revenue sharing					844,543	-	844,543
Franchise fees					497,604	-	497,604
Interest and investment earnings					39,940	22,370	62,310
Miscellaneous revenues					63,957	26,022	89,979
Fines and forfeitures					214,581	-	214,581
Transfers in (out)					(24,769)	24,769	-
Total general revenues and transfers					<u>4,594,766</u>	<u>73,161</u>	<u>4,667,927</u>
Change in net assets					2,453,109	255,354	2,708,463
Net assets - beginning					<u>13,458,974</u>	<u>11,060,230</u>	<u>24,519,204</u>
Net assets - ending					<u>\$ 15,912,083</u>	<u>\$ 11,315,584</u>	<u>\$ 27,227,667</u>

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.

Spruce St LID Bond Fund

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

CITY OF FLORENCE, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

	General Fund	Street Fund	Grants Projects Fund	Spruce St LID Bond Fund	Nonmajor Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,770,715	\$ 120,682	\$ -	\$ 325	\$ 1,905,848	\$ 3,797,570
Property taxes receivable	124,218	-	-	-	35,532	159,750
Due from other governments	6,750	-	-	-	661	7,411
Accounts receivable	114,583	40,092	269,026	-	183,176	606,877
Assessments receivable	-	47,896	-	1,451,154	24,191	1,523,241
Grants receivable	-	116,131	-	-	2,227	118,358
Interest receivable	1,000	-	-	-	172	1,172
Notes receivable	-	-	-	-	19,353	19,353
Due from other funds	58,873	-	-	-	-	58,873
Interfund loan receivable	-	-	-	-	480,000	480,000
Prepays	41,005	-	-	-	-	41,005
Total assets	\$ 2,117,144	\$ 324,801	\$ 269,026	\$ 1,451,479	\$ 2,651,160	\$ 6,813,610

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable and accrued expenses	\$ 238,341	\$ 50,603	\$ 99,741	\$ -	\$ 22,931	\$ 411,616
Interfund payable	-	520,000	-	-	-	520,000
Due to other funds	-	-	12,161	-	-	12,161
Deferred revenue	115,973	47,896	-	1,451,154	203,781	1,818,804
Total liabilities	354,314	618,499	111,902	1,451,154	226,712	2,762,581

FUND BALANCES:

Nonspendable:						
Prepaid items	41,005	-	-	-	-	41,005
Restricted for:						
Tourism	-	-	-	-	72,474	72,474
911 operations	-	-	-	-	25,929	25,929
System development	-	-	-	-	826,472	826,472
Urban renewal projects	-	-	-	-	383,951	383,951
Assigned to:						
Capital projects	-	-	-	-	4,286	4,286
Community development	-	-	-	-	105,147	105,147
Economic development	-	-	-	-	8,951	8,951
Airport operations	-	-	-	-	107,946	107,946
Debt service payments	-	-	-	325	889,292	889,617
Grant projects	-	-	157,124	-	-	157,124
Unassigned:	1,721,825	(293,698)	-	-	-	1,428,127
Total fund balance	1,762,830	(293,698)	157,124	325	2,424,448	4,051,029
Total liabilities and fund balance	\$ 2,117,144	\$ 324,801	\$ 269,026	\$ 1,451,479	\$ 2,651,160	

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.	13,942,463
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,818,804
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,959,921)
Net Assets	\$ 15,912,083

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, 2011

	General Fund	Street Fund	Grants Projects Fund	Spruce St LID Bond Fund	Nonmajor Funds	Total
REVENUES:						
Taxes	\$ 2,113,626	\$ -	\$ -	\$ -	\$ 847,216	\$ 2,960,842
Franchise taxes	497,604	-	-	-	-	497,604
Licenses and fees	110,610	88,768	-	-	10,027	209,405
Intergovernmental	195,432	583,911	-	-	65,200	844,543
Assessments	-	22,579	-	14,417	34,829	71,825
Grants and contributions	7,528	-	910,405	-	189,944	1,107,877
Fines and forfeitures	214,581	-	-	-	-	214,581
Charges for services	951,170	-	-	-	237,066	1,188,236
Permits	-	-	-	-	74,590	74,590
Interest revenue	15,391	4,372	-	4,797	15,380	39,940
Miscellaneous revenue	54,973	1,684	-	29	7,271	63,957
Total revenues	<u>4,160,915</u>	<u>701,314</u>	<u>910,405</u>	<u>19,243</u>	<u>1,481,523</u>	<u>7,273,400</u>
EXPENDITURES:						
Current:						
General government	1,273,934	-	415,824	-	414,515	2,104,273
Public safety	2,408,619	-	-	-	-	2,408,619
Economic development	256,873	-	-	-	-	256,873
Highways and streets	-	358,251	-	-	-	358,251
Airport	-	-	-	-	140,333	140,333
Culture and recreation	177,616	-	-	-	49,800	227,416
Capital outlay	99,614	245,013	428,016	-	199,140	971,783
Debt service:						
Principal	72,438	2,023,853	-	23,000	511,872	2,631,163
Interest and fees	3,937	8,584	-	75,126	94,462	182,109
Total expenditures	<u>4,293,031</u>	<u>2,635,701</u>	<u>843,840</u>	<u>98,126</u>	<u>1,410,122</u>	<u>9,280,820</u>
Revenues over (under) expenditures	(132,116)	(1,934,387)	66,565	(78,883)	71,401	(2,007,420)
OTHER FINANCING SOURCES (USES):						
Issuance of debt	-	89,950	-	1,478,000	633,247	2,201,197
Transfers in	993,986	1,436,792	-	38,000	18,840	2,487,618
Transfers out	(57,095)	-	-	(1,436,792)	(1,018,500)	(2,512,387)
Total other financing sources (uses)	<u>936,891</u>	<u>1,526,742</u>	<u>-</u>	<u>79,208</u>	<u>(366,413)</u>	<u>2,176,428</u>
Net changes in fund balances	804,775	(407,645)	66,565	325	(295,012)	169,008
FUND BALANCES, BEGINNING	<u>958,055</u>	<u>113,947</u>	<u>90,559</u>	<u>-</u>	<u>2,719,460</u>	<u>3,882,021</u>
FUND BALANCES, ENDING	<u>\$ 1,762,830</u>	<u>\$ (293,698)</u>	<u>\$ 157,124</u>	<u>\$ 325</u>	<u>\$ 2,424,448</u>	<u>\$ 4,051,029</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, 2011

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ 169,008

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	(715,011)	
Capital asset additions	<u>837,727</u>	122,716

The net effect of various miscellaneous transactions involving capital assets (i.e. transfers, sales, trade-ins, and donations) is to increase net assets. 236,888

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. (747,113)

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

Amortization of bond issue cost		59,708
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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	2,645,841	
Accrued interest expense	<u>(33,939)</u>	<u>2,611,902</u>

Change in net assets of governmental activities \$ 2,453,109

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, 2011

	Business-Type Activities - Enterprise Funds				
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 438,549	\$ 231,656	\$ 399,063	\$ 1,069,268
Accounts receivable	146,565	698,130	-	35,963	880,658
Inventories	80,283	20,965	-	-	101,248
Interfund loan receivable	256,000	198,000	-	-	454,000
Bond costs	-	95,415	23,931	4,429	123,775
	<u>482,848</u>	<u>1,451,059</u>	<u>255,587</u>	<u>439,455</u>	<u>2,628,949</u>
Total current assets					
Capital assets, net	<u>5,206,308</u>	<u>15,375,816</u>	<u>2,363,067</u>	<u>715,673</u>	<u>23,660,864</u>
Total assets	<u>\$ 5,689,156</u>	<u>\$ 16,826,875</u>	<u>\$ 2,618,654</u>	<u>\$ 1,155,128</u>	<u>\$ 26,289,813</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 26,819	\$ 150,541	\$ 7,481	\$ 6,272	\$ 191,113
Interfund loan payable	198,000	-	-	216,000	414,000
Due to other funds	46,712	-	-	-	46,712
Payroll liabilities	22,633	22,636	9,679	6,445	61,393
Interest payable	17,907	131,533	10,357	7,089	166,886
Current portion of long-term debt	<u>250,634</u>	<u>689,044</u>	<u>150,278</u>	<u>62,080</u>	<u>1,152,036</u>
Total current liabilities	<u>562,705</u>	<u>993,754</u>	<u>177,795</u>	<u>297,886</u>	<u>2,032,140</u>
NONCURRENT LIABILITIES:					
Noncurrent portion of long-term debt	<u>1,881,468</u>	<u>10,120,255</u>	<u>560,000</u>	<u>380,366</u>	<u>12,942,089</u>
Total non current liabilities	<u>1,881,468</u>	<u>10,120,255</u>	<u>560,000</u>	<u>380,366</u>	<u>12,942,089</u>
Total liabilities	<u>2,444,173</u>	<u>11,114,009</u>	<u>737,795</u>	<u>678,252</u>	<u>14,974,229</u>
NET ASSETS:					
Invested in capital assets, net of related debt	3,113,167	4,614,728	1,678,067	287,750	9,693,712
Restricted for:					
Debt service	-	123,082	-	-	123,082
System development	95,376	253,528	-	105,223	454,127
Unrestricted	<u>36,440</u>	<u>721,528</u>	<u>202,792</u>	<u>83,903</u>	<u>1,044,663</u>
Total net assets	<u>3,244,983</u>	<u>5,712,866</u>	<u>1,880,859</u>	<u>476,876</u>	<u>11,315,584</u>
Total liabilities and net assets	<u>\$ 5,689,156</u>	<u>\$ 16,826,875</u>	<u>\$ 2,618,654</u>	<u>\$ 1,155,128</u>	<u>\$ 26,289,813</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, 2011

	Business-Type Activities - Enterprise Funds				
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total
OPERATING REVENUES:					
System development fees	\$ 89,640	\$ 55,616	\$ -	\$ 32,632	\$ 177,888
Charges for services	1,504,524	2,460,514	285,958	426,531	4,677,527
Intergovernmental	-	-	182,171	-	182,171
Miscellaneous income	9,393	6,490	10,139	-	26,022
Total operating revenues	<u>1,603,557</u>	<u>2,522,620</u>	<u>478,268</u>	<u>459,163</u>	<u>5,063,608</u>
OPERATING EXPENSES:					
Materials and services	606,813	743,185	213,769	278,986	1,842,753
Personal services	511,496	528,991	220,590	158,872	1,419,949
Depreciation and amortization	397,945	563,293	100,395	45,319	1,106,952
Total operating expenses	<u>1,516,254</u>	<u>1,835,469</u>	<u>534,754</u>	<u>483,177</u>	<u>4,369,654</u>
Operating income (loss)	87,303	687,151	(56,486)	(24,014)	693,954
NON-OPERATING INCOME (EXPENSE):					
Interest income	1,562	15,108	3,899	1,801	22,370
Interest expense	(107,067)	(335,068)	(33,803)	(9,801)	(485,739)
Total non-operating income (expenses)	<u>(105,505)</u>	<u>(319,960)</u>	<u>(29,904)</u>	<u>(8,000)</u>	<u>(463,369)</u>
Net income (loss) before transfers	(18,202)	367,191	(86,390)	(32,014)	230,585
TRANSFERS:					
Transfers in (out)	(75,444)	(131,446)	222,500	9,159	24,769
Change in net assets	(93,646)	235,745	136,110	(22,855)	255,354
NET ASSETS, BEGINNING	<u>3,338,629</u>	<u>5,477,121</u>	<u>1,744,749</u>	<u>499,731</u>	<u>11,060,230</u>
NET ASSETS, ENDING	<u>\$ 3,244,983</u>	<u>\$ 5,712,866</u>	<u>\$ 1,880,859</u>	<u>\$ 476,876</u>	<u>\$ 11,315,584</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, 2011

	Business-Type Activities - Enterprise Funds				
	Water Operations	Wastewater Operations	Events Center Operations	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,593,637	\$ 2,242,349	\$ 478,268	\$ 461,580	\$ 4,775,834
Cash paid to employees and others for salaries and benefits	(545,830)	(577,915)	(252,495)	(173,801)	(1,550,041)
Cash paid to suppliers and others	(594,287)	(719,210)	(244,684)	(282,253)	(1,840,434)
Net cash provided by operating activities	453,520	945,224	(18,911)	5,526	1,385,359
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Payment from (to) other funds for interfund loans	(86,000)	-	-	(54,000)	(140,000)
Transfers in (out)	(75,444)	(131,446)	222,500	9,159	24,769
Net cash provided by non-capital financing activities	(161,444)	(131,446)	222,500	(44,841)	(115,231)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(141,690)	(2,348,038)	(108,072)	(71,268)	(2,669,068)
Debt principal payments	(227,946)	2,219,458	(99,722)	339,265	2,231,055
Interest paid	(108,695)	(337,701)	(34,911)	(5,123)	(486,430)
Bond costs	-	(95,415)	4,787	(4,429)	(95,057)
Net cash provided by capital and related financing activities	(478,331)	(561,696)	(237,918)	258,445	(1,019,500)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,562	15,108	3,899	1,801	22,370
Net cash provided by investing activities	1,562	15,108	3,899	1,801	22,370
Net increase in cash and cash equivalents	(184,693)	267,190	(30,430)	220,931	272,998
CASH AND CASH EQUIVALENTS, BEGINNING	<u>184,693</u>	<u>171,359</u>	<u>262,086</u>	<u>178,132</u>	<u>796,270</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>	<u>\$ 438,549</u>	<u>\$ 231,656</u>	<u>\$ 399,063</u>	<u>\$ 1,069,268</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income	\$ 87,303	\$ 687,151	\$ (56,486)	\$ (24,014)	\$ 693,954
Adjustments					
Depreciation and amortization	397,945	557,693	100,395	45,207	1,101,240
Decrease (increase) in:					
Accounts receivable and due from other funds	(9,920)	(280,271)	-	2,417	(287,774)
Inventories	7,055	539	-	-	7,594
Increase (decrease) in:					
Accounts payable, accrued expenses, and due from other funds	5,471	29,036	(30,915)	(3,155)	437
Payroll liabilities	4,727	(610)	(6,584)	(374)	(2,841)
Accrued compensated absences	(39,061)	(48,314)	(25,321)	(14,555)	(127,251)
Net cash provided by operating activities	<u>\$ 453,520</u>	<u>\$ 945,224</u>	<u>\$ (18,911)</u>	<u>\$ 5,526</u>	<u>\$ 1,385,359</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, 2011

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 60,654</u>
Total assets	<u><u>\$ 60,654</u></u>
LIABILITIES:	
Accounts payable and accrued expenses	<u>\$ 60,654</u>
Total liabilities	<u><u>\$ 60,654</u></u>

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011

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 2011:

- *General Fund*
- *Street Fund*
- *Grants Projects Fund*
- *Spruce St LID Bond 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, 2011

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 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.

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011.

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

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

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

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

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

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

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

M. Use of Restricted Resources

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

N. Accounting Estimates

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

2. Cash and Cash Equivalents

At June 30, 2011 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	\$ 3,829,013

A. Interest rate risk

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

B. Credit risk

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

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

C. Concentration of credit risk

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus finds of political subdivisions; approved investments), ORS

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

The City has a concentration in the Local Government Investment Pool representing 85% of cash and cash equivalents at June 30, 2011.

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, 2011, 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, 2011

4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Primary Government</u>	<u>7/1/2010 Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2011 Ending Balance</u>
Capital Assets, non-depreciable:				
Land	\$ 1,857,306	\$ -	\$ -	\$ 1,857,306
Construction in Progress	162,904	527,294	(3,338)	686,860
Total capital assets, non-depreciable	<u>2,020,210</u>	<u>527,294</u>	<u>(3,338)</u>	<u>2,544,166</u>
Capital assets, depreciable:				
Buildings and improvements	7,995,947	-	-	7,995,947
Equipment and Vehicles	2,022,453	111,890	-	2,134,343
Infrastructure	8,905,105	438,769	-	9,343,874
Total capital assets, depreciable	<u>18,923,505</u>	<u>550,659</u>	<u>-</u>	<u>19,474,164</u>
Total	<u>20,943,715</u>	<u>1,077,953</u>	<u>(3,338)</u>	<u>22,018,330</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,744,211)	(236,372)	-	(2,980,583)
Equipment and Vehicles	(1,547,301)	(128,756)	-	(1,676,057)
Infrastructure	(3,069,344)	(349,883)	-	(3,419,227)
Equipment	-	-	-	-
Total accumulated depreciation	<u>(7,360,856)</u>	<u>(715,011)</u>	<u>-</u>	<u>(8,075,867)</u>
Net depreciable capital assets	<u>11,562,649</u>	<u>(164,352)</u>	<u>-</u>	<u>11,398,297</u>
Net capital assets	<u><u>\$ 13,582,859</u></u>	<u><u>\$ 362,942</u></u>	<u><u>\$ (3,338)</u></u>	<u><u>\$ 13,942,463</u></u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Business-type activities totals

Capital Assets, non-depreciable:

Land	\$ 322,253	\$ -	\$ -	\$ 322,253
CIP	524,904	2,552,657	-	3,077,561
Total capital assets, non-depreciable	<u>847,157</u>	<u>2,552,657</u>	<u>-</u>	<u>3,399,814</u>

Capital assets, depreciable:

Building and improvements	24,148,641	-	-	24,148,641
Utility systems	10,703,831	-	-	10,703,831
Equipment and vehicles	1,864,368	38,565	-	1,902,933
Infrastructure	40,780	77,846	-	118,626
Total capital assets, depreciable	<u>36,757,620</u>	<u>116,411</u>	<u>-</u>	<u>36,874,031</u>

Total	37,604,777	2,669,068	-	40,273,845
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Less accumulated depreciation for:

Building and improvements	(8,044,647)	(729,599)	-	(8,774,246)
Utility systems	(5,916,532)	(286,605)	-	(6,203,137)
Infrastructure	(767)	(1,933)	-	(2,700)
Equipment and vehicles	(1,549,795)	(83,103)	-	(1,632,898)
Total accumulated depreciation	<u>(15,511,741)</u>	<u>(1,101,240)</u>	<u>-</u>	<u>(16,612,981)</u>

Net depreciable capital assets	<u>21,245,879</u>	<u>(984,829)</u>	<u>-</u>	<u>20,261,050</u>
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Net capital assets	<u>\$ 22,093,036</u>	<u>\$ 1,567,828</u>	<u>\$ -</u>	<u>\$ 23,660,864</u>
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Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Public safety	164,967
Economic development	33,076
Highways and streets	398,923
Airport	63,514
Culture and recreation	54,531
Total depreciation expense - governmental activities	<u>715,011</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Business-type activities:

Events Center	(100,395)
Water	(397,945)
Wastewater	(557,693)
Stormwater	(45,207)
Total depreciation expense - business-type activities	<u>(1,101,240)</u>

5. Interfund Receivables, Payables, Transfers, and Loans

A. Interfund Receivables and Payables

Interfund balances which represent unsettled overdrafts of pooled cash as of June 30, 2011, are as follows:

	Due to Other Funds	Due From Other Funds
General Fund	\$ -	\$ 58,873
Grant Projects Fund	12,161	-
Water Fund	46,712	-
	<u>\$ 58,873</u>	<u>\$ 58,873</u>

B. Interfund Transfers

	Transfer In	Transfer Out
Major Governmental Funds:		
General Fund	\$ 993,986	\$ 57,095
Street Fund	1,436,792	-
Spruce St LID Bond Fund	38,000	1,436,792
Total Major Governmental Funds	2,468,778	1,493,887
Non-major Governmental Funds:		
911 Emergency Fund	-	196,000
RTMP Grant Fund	-	72,500
Room Tax Fund	-	150,000
FFC 2010B Bond Fund	590,362	8,930,075
Total Non-major Governmental Funds	590,362	9,348,575
Proprietary Funds:		
Water Fund	-	75,444
Wastewater Fund	7,976,075	682,670
Events Center	222,500	-
Storm Water Fund	354,000	11,139
Total Proprietary Funds	8,552,575	769,253
Total All Funds	<u>\$ 11,611,715</u>	<u>\$ 11,611,715</u>

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

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

C. Interfund Loans

	Interfund Loan Receivable	Interfund Loan Payable
Water Fund	\$ -	\$ 198,000
Storm Water System Development Fund	-	216,000
Street Fund	-	520,000
Street System Development Fund	480,000	-
Wastewater Fund	198,000	-
Water System Development Fund	256,000	-
	<u>\$ 934,000</u>	<u>\$ 934,000</u>

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, 2011, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 1,398,806	\$ 2,111,247	\$ (290,110)	\$ 3,219,943	\$ 363,723
Capital lease payable	154,258		(81,238)	73,020	66,690
Notes payable	2,301,389	89,950	(2,063,874)	327,465	61,591
Special assessments	270,000	-	(210,000)	60,000	30,000
Total bonds and notes payable	<u>4,124,453</u>	<u>2,201,197</u>	<u>(2,645,222)</u>	<u>3,680,428</u>	<u>522,004</u>
Compensated absences	212,762		(619)	212,143	212,143
Total governmental activities	<u>\$ 4,337,215</u>	<u>\$ 2,201,197</u>	<u>\$(2,645,841)</u>	<u>\$ 3,892,571</u>	<u>\$ 734,147</u>
Business-type Activities					
Bonds payable	\$ 870,000	\$ 8,413,144	\$ (623,064)	\$ 8,660,080	\$ 775,087
Capital lease payable	103,181	-	(18,623)	84,558	19,579
Notes payable	9,049,889	2,933,574	(8,475,949)	3,507,514	105,397
Special assessments	1,840,000	-	(125,000)	1,715,000	125,000
Total bonds and notes payable	<u>11,863,070</u>	<u>11,346,718</u>	<u>(9,242,636)</u>	<u>13,967,152</u>	<u>1,025,063</u>
Compensated absences	127,251		(278)	126,973	126,973
Total business-type activities	<u>\$ 11,990,321</u>	<u>\$11,346,718</u>	<u>\$(9,242,914)</u>	<u>\$14,094,125</u>	<u>\$1,152,036</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, 2011 are as follows:

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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. \$ 1,164,045

During 2010, the City issued \$8,750,000 of full faith and credit & refunding obligations debt with \$8,310,000 at 3.064% and \$440,000 at 3.75%. This bond was used to fund projects for enterprise funds as well as governmental funds. The governmental portion was \$633,247. Semiannual payments are made from... Bond principal and interest is payable semiannually through December 2030. 600,898

During 2010, the City issued \$1,478,000 of limited tax improvement bonds at 3.81% for the Spruce St LID. Semiannual payments are made from Assessments on the property benefiting from the improvements. Bond principal and interest is payable semiannually through December 2030. 1,455,000

Total bonds payable \$ 3,219,943

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

Fiscal Year	FFC Refunding Series 2010B					
	GO Refunding Series 2008		(Governmental)		Spruce St LID Bond 2010A	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 279,761	\$ 35,262	\$ 48,962	\$ 15,916	\$ 35,000	\$ 49,205
2013	284,761	25,550	49,662	14,950	40,000	48,882
2014	294,761	15,575	50,712	13,843	40,000	48,443
2015	304,762	5,250	51,762	12,714	45,000	47,887
2016	-	-	52,462	11,435	45,000	47,145
2017-21	-	-	281,212	33,930	280,000	216,541
2022-26	-	-	30,262	8,365	400,000	159,985
2027-31	-	-	35,862	2,979	570,000	63,181
	<u>\$ 1,164,045</u>	<u>\$ 81,637</u>	<u>\$ 600,898</u>	<u>\$ 114,132</u>	<u>\$ 1,455,000</u>	<u>\$ 681,269</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011:

Business Type Activities

On July 1, 2004, the City issued bonds in the amount of \$1,480,000 at 3.37% (average) for 1995 full faith and credit refunding obligations. Bond principal and interest is payable semiannually through August 2015. \$ 685,000

During 2010, the City issued \$8,750,000 of full faith and credit & refunding obligations debt with \$8,310,000 at 3.064% and \$440,000 at 3.75%. This bond was used to fund projects for enterprise funds as well as governmental funds. The business type portion was \$8,412,645. Bond principal and interest is payable semiannually through December 2030. 7,975,080

Total bonds payable \$ 8,660,080

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

Fiscal Year	FFC Refunding Series 2010B (Business Type)		FFC Refunding 2004	
	Principal	Interest	Principal	Interest
2012	\$ 650,087	\$ 211,459	\$ 125,000	\$ 24,878
2013	659,387	198,625	135,000	20,096
2014	673,337	183,908	135,000	14,899
2015	687,287	168,911	140,000	9,398
2016	696,587	151,916	150,000	3,281
2017-21	3,734,033	450,782	-	-
2022-26	399,983	111,135	-	-
2027-31	474,381	39,584	-	-
	<u>\$ 7,975,080</u>	<u>\$ 1,516,319</u>	<u>\$ 685,000</u>	<u>\$ 72,552</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:

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.	\$ 254,650
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.	6,718
On September 27, 2010, the City received proceeds in the amount of \$89,950 from US Bank for an asphalt zipper. Loan principal and interest is payable annually at 4.242% through October 2013.	<u>66,097</u>
Total notes payable	<u>\$ 327,465</u>

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 Asphalt Zipper	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 36,483	\$ 14,004	\$ 3,986	\$ 201	\$ 21,122	\$ 2,815
2013	36,839	11,998	2,732	82	22,016	1,920
2014	42,215	9,972	-	-	22,959	978
2015	42,611	7,651	-	-	-	-
2016	48,030	5,308	-	-	-	-
2017-21	48,472	2,666	-	-	-	-
	<u>\$ 254,650</u>	<u>\$ 51,599</u>	<u>\$ 6,718</u>	<u>\$ 283</u>	<u>\$ 66,097</u>	<u>\$ 5,713</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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. \$ 342,475

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. 35,666

On August 31, 2010, the City entered into a loan agreement with the Oregon Business Development Department to receive a loan in the amount of \$657,057 to permanently finance the Florence Wastewater Transmission Line & Intersection Improvements. Loan interest rate is variable between 2% and 4%. Loan principal and interest is payable annually through December 2034. 657,057

On February 12, 2010, the City entered into an agreement with the State of Oregon Department of Environmental Quality for a loan in the amount of \$4,923,260 to finance rehabilitation to a major wastewater trunk sewer. Loan principal payments commence upon completion of the project. The loan has a twenty year maturity with loan fees of 0.5% of the outstanding balance payable annually. 2,462,716

Total notes payable \$ 3,497,914

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

Fiscal Year	Water System Improvement		Water System Improvement		Special Public Works Fund		Water Treatment Plant	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 78,520	\$ 19,864	\$ 8,153	\$ 2,140	\$ 18,324	\$ 22,285	\$ -	\$ -
2013	83,074	15,309	8,642	1,651	18,390	21,918	123,136	12,006
2014	87,892	10,491	9,161	1,132	18,458	21,551	123,136	11,390
2015	92,989	5,393	9,710	583	18,527	21,181	123,136	10,774
2016	-	-	-	-	23,598	20,811	123,136	10,159
2017-21	-	-	-	-	119,271	95,869	615,680	41,558
2022-26	-	-	-	-	132,511	76,681	615,680	26,167
2027-31	-	-	-	-	157,130	49,287	615,680	10,775
2032-36	-	-	-	-	150,848	15,435	123,132	308
	<u>\$ 342,475</u>	<u>\$ 51,057</u>	<u>\$ 35,666</u>	<u>\$ 5,506</u>	<u>\$ 657,057</u>	<u>\$345,018</u>	<u>\$2,462,716</u>	<u>\$ 123,137</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

C. Special Assessments

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

Governmental Activities

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

\$ 60,000

Total special assessments

\$ 60,000

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

Fiscal Year	Series 1994	
	Principal	Interest
2012	\$ 30,000	\$ 2,775
2013	30,000	930
	<u>\$ 60,000</u>	<u>\$ 3,705</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.

\$ 1,715,000

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

Fiscal Year	Water System Improvement	
	Principal	Interest
2012	\$ 125,000	\$ 71,694
2013	130,000	66,718
2014	135,000	61,351
2015	140,000	58,618
2016	150,000	52,948
2017-21	845,000	161,973
2022-26	190,000	8,740
	<u>\$ 1,715,000</u>	<u>\$ 482,042</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011.

	<u>Lease Obligation</u>	<u>Equipment Carrying Value</u>
General Fund:		
CAD Software, annual payments of \$38,296 due through July 1, 2011.	\$ 38,296	\$ 92,776
Dodge Police car, 7.5%, annual payments of \$13,932 through February 2012	12,930	34,038
Ford F 250 truck, 6.9% interest and annual payments of \$9,794 through November 19, 2011	9,161	319
John Deere tractor, loader and mower, 4.95% \$6,800 annual payments through April 23, 2013.	12,633	19,281
Stormwater Fund:		
Elgin Crosswind Sweeper, 5.07%, \$11,811 semiannual payments including interest, final payment due February 07, 2015.	<u>84,558</u>	<u>36,717</u>
Total	<u>\$ 157,578</u>	<u>\$ 183,131</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, 2011.

<u>Years ending June 30,</u>	<u>Amount</u>
2012	\$ 86,269
2013	26,915
2014	21,641
2015	<u>22,753</u>
Total minimum lease payments	157,578
Less amount representing interest	<u>(11,646)</u>
Present value of future minimum lease payments	<u>\$ 145,932</u>

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011, 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 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, 2011 was 7.28% and the annual pension cost was \$438,070. This was comprised of \$234,789 in employer contributions and \$203,281 of employee contributions. The OPSRP rates in effect for the year ended June 30, 2011 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.

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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>
6/30/09	541,993	100%	\$ -
6/30/10	456,528	100%	-
6/30/11	438,070	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 \$248,550 during the year ended June 30, 2011 to the District to provide fire protection and emergency services to the City. This agreement terminated 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.

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 \$28,215 for the year ended June 30, 2011.

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.

CITY OF FLORENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

12. Contingencies and Commitments

On September 23, 2011, the City entered into a construction commitment in the amount of \$2,237,530 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. New Accounting Pronouncement – GASB Statement No. 54

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented GASB 54 in the year ending June 30, 2011.

14. Subsequent Events

On July 8, 2011 the Florence Urban Renewal Agency secured local financing from Oregon Pacific Bank in the amount of \$2.5 million to fund infrastructure projects within the Urban Renewal Agency. The projects will include new water and sewer upgrades and possibly beautification projects such as streetscapes. The water lines in Old Town date back to 1940's to 1956. Typically a 6-inch water line will deliver 900-1,000 gallons per minute. The new 16-inch water main will provide 6,200-8,000 gallons per minute and will meet the domestic and fire demands for Old Town. The 16" lines will be placed from Highway 126 down Quince Street and 2nd Street. The 12" lines will loop down Nopal Street to Bay Street, then up Kingwood back to 2nd Street. This water line is to provide the much needed fire flows for the Bay Street area (4,000-5,000 gpm). This is more than the 3,500 minimum for commercial zoned areas as required by the new state standard. An 8" line will continue on Bay Street and Kingwood Street to the Bay Bridge Condos.

In addition, on August 18, 2011 the City participated in a pooled financing program referred to as LOCAP (Local Oregon Capital Assets Program) to finance the purchase and construction of eight capital projects. \$1,245,000 of bonds were sold as part of the LOCAP Series 2011C bond issuance with a true interest cost (TIC) of 4.14%. Bond principal and interest payments are payable annually for 20 years ending on June 1, 2031.

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 2,019,000	\$ 2,019,000	\$ 2,113,626	\$ 94,626
Franchise taxes	382,000	382,000	497,604	115,604
Licenses and fees	122,250	122,250	110,610	(11,640)
Intergovernmental	198,000	198,000	195,432	(2,568)
Grants and contributions	6,407	6,407	7,528	1,121
Fines and forfeitures	200,000	200,000	214,581	14,581
Charges for services	911,311	911,311	951,170	39,859
Interest revenue	15,000	15,000	15,391	391
Miscellaneous revenue	51,600	51,600	54,973	3,373
Total revenues	<u>3,905,568</u>	<u>3,905,568</u>	<u>4,160,915</u>	<u>255,347</u>
EXPENDITURES:				
General government	1,264,641	1,321,433	1,273,934	47,499
Public safety	2,484,935	2,484,935	2,408,619	76,316
Economic development	332,396	318,176	256,873	61,303
Culture and recreation	187,841	187,841	177,616	10,225
Capital outlay	55,667	655,667	99,614	556,053
Debt service:				
Principal	74,153	74,153	72,438	1,715
Interest and fees	3,937	3,937	3,937	-
Contingency	516,633	417,661	-	417,661
Total expenditures	<u>4,920,203</u>	<u>5,463,803</u>	<u>4,293,031</u>	<u>1,170,772</u>
Revenues over (under) expenditures	(1,014,635)	(1,558,235)	(132,116)	1,426,119
OTHER FINANCING SOURCES (USES):				
Transfers in	461,500	1,061,500	993,986	(67,514)
Transfers out	-	(56,400)	(57,095)	(695)
Total other financing sources (uses)	<u>461,500</u>	<u>1,005,100</u>	<u>936,891</u>	<u>(68,209)</u>
Net changes in fund balances	(553,135)	(553,135)	804,775	1,357,910
FUND BALANCE, BEGINNING	<u>553,135</u>	<u>553,135</u>	<u>958,055</u>	<u>404,920</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,762,830</u>	<u>\$ 1,762,830</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and fees	\$ 88,980	\$ 88,980	\$ 88,768	\$ (212)
Intergovernmental	474,731	589,731	583,911	(5,820)
Assessments	7,500	7,500	22,579	15,079
Interest revenue	4,960	4,960	4,372	(588)
Miscellaneous revenue	4,463	4,463	1,684	(2,779)
Total revenues	<u>580,634</u>	<u>695,634</u>	<u>701,314</u>	<u>5,680</u>
EXPENDITURES:				
Personal service	91,342	91,342	77,922	13,420
Materials and service	312,531	312,531	280,329	32,202
Capital outlay	234,317	349,317	245,013	104,304
Debt service:				
Principal	-	2,008,500	2,023,853	(15,353)
Interest and fees	-	17,250	8,584	8,666
Contingency	151,124	134,166	-	134,166
Total expenditures	<u>789,314</u>	<u>2,913,106</u>	<u>2,635,701</u>	<u>277,405</u>
Revenues over (under) expenditures	(208,680)	(2,217,472)	(1,934,387)	283,085
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	-	572,000	520,000	(52,000)
Issuance of debt	-	-	89,950	89,950
Transfers in	-	1,436,792	1,436,792	-
Total other financing sources (uses)	-	2,008,792	2,046,742	37,950
Net changes in fund balances	(208,680)	(208,680)	112,355	321,035
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>208,680</u>	<u>208,680</u>	<u>113,947</u>	<u>(94,733)</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>226,302</u>	<u>\$ 226,302</u>
Interfund Payable			<u>(520,000)</u>	
FUND BALANCES, ENDING			<u>\$ (293,698)</u>	

CITY OF FLORENCE, OREGON
GRANTS PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Grants and contributions	\$ 1,772,613	\$ 2,192,213	\$ 910,405	\$ (1,281,808)
Total revenues	1,772,613	2,192,213	910,405	(1,281,808)
EXPENDITURES:				
Personal service	100,000	100,000	15,274	84,726
Materials and service	300,000	429,500	400,550	28,950
Capital outlay	1,400,000	1,619,600	428,016	1,191,584
Contingency	200,000	200,000	-	200,000
Total expenditures	2,000,000	2,349,100	843,840	1,505,260
Revenues over (under) expenditures	(227,387)	(156,887)	66,565	223,452
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(70,500)	-	70,500
Total other financing sources (uses)	-	(70,500)	-	70,500
Net changes in fund balances	(227,387)	(227,387)	66,565	293,952
FUND BALANCES, BEGINNING	227,387	227,387	90,559	(136,828)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 157,124	\$ 157,124

CITY OF FLORENCE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011

Stewardship, Compliance, and Accountability

A. Budgetary information

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

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by 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 and two supplemental budgets during the year-ended June 30, 2011. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2011:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount of Over- Expenditure</u>
General	Transfers Out	\$ 695
General	Finance Department	\$ 13,984
Street	Debt Service	\$ 6,687
Wastewater	Debt Service	\$ 15,027
Storm Water	Transfers Out	\$ 3,839

B. Deficit Fund Balance

At June 30, 2011 the Water Fund had a deficit fund balance of \$21,144 due to expenses exceeded operating revenues. Management and City Council have addressed the issue by increasing water rates to cover operating costs.

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

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

Such schedules include:

- Combining Schedules – Nonmajor Governmental Funds
- Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to GAAP Reconciliation – FFC 2010B Bond Fund
- 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.

Bancroft Bond Fund

The Bancroft Bond Fund is used to account for special assessment revenue from local improvement districts and the serving of related bonded debt incurred in the course of improvement construction.

FFC 2010B Bond Fund

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

CITY OF FLORENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,018,183	\$ 887,665	\$ 1,905,848
Property taxes receivable	13,611	21,921	35,532
Due from other governments	661	-	661
Accounts receivable	183,176	-	183,176
Assessments receivable	-	24,191	24,191
Grants receivable	2,227	-	2,227
Interest receivable	-	172	172
Notes receivable	19,353	-	19,353
Interfund loan receivable	480,000	-	480,000
	<u>\$ 1,717,211</u>	<u>\$ 933,949</u>	<u>\$ 2,651,160</u>
Total assets			
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 22,931	\$ -	\$ 22,931
Deferred revenue	159,124	44,657	203,781
	<u>182,055</u>	<u>44,657</u>	<u>226,712</u>
Total liabilities			
FUND BALANCES:			
Restricted for:			
Tourism	72,474	-	72,474
911 operations	25,929	-	25,929
System development	826,472	-	826,472
Urban renewal projects	383,951	-	383,951
Assigned to:			
Capital projects	4,286	-	4,286
Community development	105,147	-	105,147
Economic development	8,951	-	8,951
Airport operations	107,946	-	107,946
Debt service payments		889,292	889,292
	<u>1,535,156</u>	<u>889,292</u>	<u>2,424,448</u>
Total fund equity			
Total liabilities and fund equity	<u>\$ 1,717,211</u>	<u>\$ 933,949</u>	<u>\$ 2,651,160</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, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total
REVENUES:			
Taxes	\$ 506,071	\$ 341,145	\$ 847,216
Licenses and fees	10,027	-	10,027
Intergovernmental	65,200	-	65,200
Assessments	28,732	6,097	34,829
Grants and contributions	189,944	-	189,944
Charges for services	237,066	-	237,066
Permits	74,590	-	74,590
Interest revenue	10,614	4,766	15,380
Miscellaneous revenue	7,271	-	7,271
	<u>1,129,515</u>	<u>352,008</u>	<u>1,481,523</u>
EXPENDITURES:			
General government	414,515	-	414,515
Airport	140,333	-	140,333
Culture and recreation	49,800	-	49,800
Capital outlay	199,140	-	199,140
Debt service:			
Principal	36,151	475,721	511,872
Interest and fees	15,956	78,506	94,462
	<u>855,895</u>	<u>554,227</u>	<u>1,410,122</u>
Total expenditures	<u>855,895</u>	<u>554,227</u>	<u>1,410,122</u>
Revenues over (under) expenditures	273,620	(202,219)	71,401
OTHER FINANCING SOURCES (USES):			
Issuance of debt	-	633,247	633,247
Transfers in	-	18,840	18,840
Transfers out	(418,500)	(600,000)	(1,018,500)
	<u>(418,500)</u>	<u>52,087</u>	<u>(366,413)</u>
Total other financing sources (uses)	<u>(418,500)</u>	<u>52,087</u>	<u>(366,413)</u>
Net changes in fund balances	(144,880)	(150,132)	(295,012)
FUND BALANCES, BEGINNING	<u>1,680,036</u>	<u>1,039,424</u>	<u>2,719,460</u>
FUND BALANCES, ENDING	<u>\$ 1,535,156</u>	<u>\$ 889,292</u>	<u>\$ 2,424,448</u>

CITY OF FLORENCE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	<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	\$ 29,715	\$ 13,605	\$ 105,147	\$ 3,063
Property taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Accounts receivable	38,107	12,324	127,035	-
Grants receivable	-	-	-	2,227
Notes receivable	-	-	-	-
Interfund loan receivable	-	-	-	-
	<u>67,822</u>	<u>25,929</u>	<u>232,182</u>	<u>5,290</u>
Total assets	<u>\$ 67,822</u>	<u>\$ 25,929</u>	<u>\$ 232,182</u>	<u>\$ 5,290</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 1,004
Deferred revenue	-	-	127,035	-
	<u>-</u>	<u>-</u>	<u>127,035</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>127,035</u>	<u>1,004</u>
FUND BALANCES:				
Restricted for:				
Tourism	67,822	-	-	-
911 operations	-	25,929	-	-
Urban renewal projects	-	-	-	-
System development	-	-	-	-
Assigned to:				
Capital projects	-	-	-	4,286
Community development	-	-	105,147	-
Economic development	-	-	-	-
Airport operations	-	-	-	-
	<u>67,822</u>	<u>25,929</u>	<u>105,147</u>	<u>4,286</u>
Total fund equity	<u>67,822</u>	<u>25,929</u>	<u>105,147</u>	<u>4,286</u>
Total liabilities and fund equity	<u>\$ 67,822</u>	<u>\$ 25,929</u>	<u>\$ 232,182</u>	<u>\$ 5,290</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>
\$ 21,464	\$ 106,604	\$ 346,472	\$ 387,461	\$ 4,652	\$ 1,018,183
-	-	-	13,611	-	13,611
-	-	-	661	-	661
-	5,710	-	-	-	183,176
-	-	-	-	-	2,227
-	19,353	-	-	-	19,353
-	-	480,000	-	-	480,000
<u>\$ 21,464</u>	<u>\$ 131,667</u>	<u>\$ 826,472</u>	<u>\$ 401,733</u>	<u>\$ 4,652</u>	<u>\$ 1,717,211</u>
\$ 12,513	\$ 4,368	\$ -	\$ 5,046	\$ -	\$ 22,931
-	19,353	-	12,736	-	159,124
<u>12,513</u>	<u>23,721</u>	<u>-</u>	<u>17,782</u>	<u>-</u>	<u>182,055</u>
-	-	-	-	4,652	72,474
-	-	-	-	-	25,929
-	-	-	383,951	-	383,951
-	-	826,472	-	-	826,472
-	-	-	-	-	4,286
-	-	-	-	-	105,147
8,951	-	-	-	-	8,951
-	107,946	-	-	-	107,946
<u>8,951</u>	<u>107,946</u>	<u>826,472</u>	<u>383,951</u>	<u>4,652</u>	<u>1,535,156</u>
<u>\$ 21,464</u>	<u>\$ 131,667</u>	<u>\$ 826,472</u>	<u>\$ 401,733</u>	<u>\$ 4,652</u>	<u>\$ 1,717,211</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, 2011

	Room Tax Fund	911 Emergency Fund	Rehab Loan Fund	Airport Capital Project Fund
REVENUES:				
Taxes	\$ 243,665	\$ -	\$ -	\$ -
Licenses and fees	-	-	-	-
Intergovernmental	-	65,100	-	-
Assessments	-	-	-	-
Grants and contributions	-	-	-	113,967
Charges for services	-	133,555	-	-
Permits	-	-	-	-
Interest revenue	-	30	252	-
Miscellaneous revenue	-	-	-	2,001
Total revenues	<u>243,665</u>	<u>198,685</u>	<u>252</u>	<u>115,968</u>
EXPENDITURES:				
General government	-	-	-	-
Airport	-	-	-	-
Culture and recreation	49,800	-	-	-
Capital outlay	-	-	-	113,840
Debt service:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	<u>49,800</u>	<u>-</u>	<u>-</u>	<u>113,840</u>
Revenues over (under) expenditures	193,865	198,685	252	2,128
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(150,000)</u>	<u>(196,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>(196,000)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	43,865	2,685	252	2,128
FUND BALANCES, BEGINNING	<u>23,957</u>	<u>23,244</u>	<u>104,895</u>	<u>2,158</u>
FUND BALANCES, ENDING	<u>\$ 67,822</u>	<u>\$ 25,929</u>	<u>\$ 105,147</u>	<u>\$ 4,286</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>
\$ -	\$ -	\$ -	\$ 262,406	\$ -	\$ 506,071
10,027	-	-	-	-	10,027
100	-	-	-	-	65,200
-	-	28,732	-	-	28,732
-	-	-	-	75,977	189,944
32,763	70,748	-	-	-	237,066
74,590	-	-	-	-	74,590
400	2,432	6,056	1,444	-	10,614
-	5,012	-	258	-	7,271
<u>117,880</u>	<u>78,192</u>	<u>34,788</u>	<u>264,108</u>	<u>75,977</u>	<u>1,129,515</u>
195,483	-	-	219,032	-	414,515
-	140,333	-	-	-	140,333
-	-	-	-	-	49,800
-	-	-	85,300	-	199,140
-	36,151	-	-	-	36,151
-	15,956	-	-	-	15,956
<u>195,483</u>	<u>192,440</u>	<u>-</u>	<u>304,332</u>	<u>-</u>	<u>855,895</u>
(77,603)	(114,248)	34,788	(40,224)	75,977	273,620
-	-	-	-	(72,500)	(418,500)
-	-	-	-	(72,500)	(418,500)
(77,603)	(114,248)	34,788	(40,224)	3,477	(144,880)
<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>\$ 8,951</u>	<u>\$ 107,946</u>	<u>\$ 826,472</u>	<u>\$ 383,951</u>	<u>\$ 4,652</u>	<u>\$ 1,535,156</u>

**CITY OF FLORENCE, OREGON
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2011**

	General Obligation Debt Service Fund	Bancroft Bond Fund	FFC 2010B Bond Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 404,634	\$ 480,214	\$ 2,817	\$ 887,665
Property taxes receivable	21,921	-	-	21,921
Assessments receivable	-	24,191	-	24,191
Interest receivable	172	-	-	172
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 426,727</u>	<u>\$ 504,405</u>	<u>\$ 2,817</u>	<u>\$ 933,949</u>
 LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Deferred revenue	\$ 20,466	\$ 24,191	\$ -	\$ 44,657
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>20,466</u>	<u>24,191</u>	<u>-</u>	<u>44,657</u>
 FUND BALANCES:				
Assigned to:				
Debt service payments	406,261	480,214	2,817	889,292
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund equity	<u>406,261</u>	<u>480,214</u>	<u>2,817</u>	<u>889,292</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 426,727</u>	<u>\$ 504,405</u>	<u>\$ 2,817</u>	<u>\$ 933,949</u>

CITY OF FLORENCE, OREGON
NONMAJOR DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011

	General Obligation Debt Service Fund	Bancroft Bond Fund	FFC 2010B Bond Fund	Total
REVENUES:				
Taxes	\$ 341,145	\$ -	\$ -	\$ 341,145
Assessments	-	6,097	-	6,097
Interest revenue	805	3,961	-	4,766
Total revenues	<u>341,950</u>	<u>10,058</u>	<u>-</u>	<u>352,008</u>
EXPENDITURES:				
Debt service:				
Principal	233,871	210,000	31,850	475,721
Interest and fees	44,818	16,268	17,420	78,506
Total expenditures	<u>278,689</u>	<u>226,268</u>	<u>49,270</u>	<u>554,227</u>
Revenues over (under) expenditures	63,261	(216,210)	(49,270)	(202,219)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	633,247	633,247
Transfers in	-	-	18,840	18,840
Transfers out	-	-	(600,000)	(600,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>52,087</u>	<u>52,087</u>
Net changes in fund balances	63,261	(216,210)	2,817	(150,132)
FUND BALANCES, BEGINNING	<u>343,000</u>	<u>696,424</u>	<u>-</u>	<u>1,039,424</u>
FUND BALANCES, ENDING	<u>\$ 406,261</u>	<u>\$ 480,214</u>	<u>\$ 2,817</u>	<u>\$ 889,292</u>

CITY OF FLORENCE, OREGON
FFC 2010B BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET TO GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2011

	Budgetary Basis	GAAP Reclassifications (see Note)	GAAP Basis
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES:			
Debt service:			
Principal	\$ 455,000	\$ (423,150)	\$ 31,850
Interest and fees	<u>248,862</u>	<u>(231,442)</u>	<u>17,420</u>
Total expenditures	<u>703,862</u>	<u>(654,592)</u>	<u>49,270</u>
Revenues over (under) expenditures	(703,862)	654,592	(49,270)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	9,046,392	(8,413,145)	633,247
Transfers in	590,362	(571,522)	18,840
Transfers out	<u>(8,930,075)</u>	<u>8,330,075</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>706,679</u>	<u>(654,592)</u>	<u>52,087</u>
Net changes in fund balances	2,817	-	2,817
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,817</u>	<u>\$ -</u>	<u>\$ 2,817</u>

Note: For budget purposes, the FFC 2010B Bond fund accounts for the debt service transactions for the FFC 2010B Bond issue. For GAAP purposes, the debt and the related debt requirements related to activities of the enterprise funds are recognized and recorded in the enterprise funds instead of the FFC 2010B Bond fund.

CITY OF FLORENCE, OREGON
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Municipal Court Agency Fund				
Assets				
Cash	\$ 89,094	\$ -	\$ 42,441	\$ 46,653
Liabilities				
Other current liabilities	\$ 89,094	\$ -	\$ 42,441	\$ 46,653
 Senior Center Trust & Agency Fund				
Assets				
Cash	\$ 13,907	\$ 94	\$ -	\$ 14,001
Liabilities				
Other current liabilities	\$ 13,907	\$ 94	\$ -	\$ 14,001
 Totals - All Agency Funds				
Assets				
Cash	\$ 103,001	\$ 94	\$ 42,441	\$ 60,654
Liabilities				
Other current liabilities	\$ 103,001	\$ 94	\$ 42,441	\$ 60,654

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
 - Bancoft Bond Fund
 - FFC 2010B Bond Fund
 - Spruce Street LID Bond Fund

CITY OF FLORENCE, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
Police operations:				
Personal services	\$ 1,926,063	\$ 1,926,063	\$ 1,903,905	\$ 22,158
Materials and services	308,822	308,822	255,401	53,421
Capital outlay	-	-	2,515	(2,515)
Subtotal	<u>2,234,885</u>	<u>2,234,885</u>	<u>2,161,821</u>	<u>73,064</u>
Municipal court:				
Personal services	132,905	132,905	128,014	4,891
Materials and services	114,450	114,450	99,886	14,564
Capital outlay	2,000	2,000	1,469	531
Subtotal	<u>249,355</u>	<u>249,355</u>	<u>229,369</u>	<u>19,986</u>
Fire services:				
Materials and services	<u>250,050</u>	<u>250,050</u>	<u>249,313</u>	<u>737</u>
Subtotal	<u>250,050</u>	<u>250,050</u>	<u>249,313</u>	<u>737</u>
Parks:				
Personal services	95,241	95,241	99,226	(3,985)
Materials and services	92,600	92,600	78,390	14,210
Capital outlay	43,667	43,667	21,940	21,727
Subtotal	<u>231,508</u>	<u>231,508</u>	<u>199,556</u>	<u>31,952</u>
Planning and development:				
Personal services	225,796	251,576	217,031	34,545
Materials and services	<u>106,600</u>	<u>66,600</u>	<u>39,842</u>	<u>26,758</u>
Subtotal	<u>332,396</u>	<u>318,176</u>	<u>256,873</u>	<u>61,303</u>
City council/mayor				
Materials and services	<u>26,925</u>	<u>26,925</u>	<u>23,748</u>	<u>3,177</u>
Subtotal	<u>26,925</u>	<u>26,925</u>	<u>23,748</u>	<u>3,177</u>
City manager/city recorder				
Personal services	356,373	356,373	333,581	22,792
Materials and services	106,000	106,000	113,796	(7,796)
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Subtotal	<u>472,373</u>	<u>472,373</u>	<u>447,377</u>	<u>24,996</u>
Finance				
Personal services	281,354	220,146	180,291	39,855
Materials and services	109,500	227,500	276,619	(49,119)
Capital outlay	-	-	4,720	(4,720)
Subtotal	<u>390,854</u>	<u>447,646</u>	<u>461,630</u>	<u>(13,984)</u>
City hall				
Personal services	58,634	58,634	47,149	11,485
Materials and services	<u>31,500</u>	<u>31,500</u>	<u>28,258</u>	<u>3,242</u>
Subtotal	<u>90,134</u>	<u>90,134</u>	<u>75,407</u>	<u>14,727</u>
Non-departmental:				
Materials and services	47,000	47,000	42,592	4,408
Capital outlay	-	600,000	68,970	531,030
Subtotal	<u>47,000</u>	<u>647,000</u>	<u>111,562</u>	<u>535,438</u>
Total expenditures	<u>\$ 4,325,480</u>	<u>\$ 4,968,052</u>	<u>\$ 4,216,656</u>	<u>\$ 751,396</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 200,000	\$ 200,000	\$ 243,665	\$ 43,665
Total revenues	200,000	200,000	243,665	43,665
EXPENDITURES:				
Materials and service	50,000	50,000	49,800	200
Contingency	15,966	15,966	-	15,966
Total expenditures	65,966	65,966	49,800	16,166
Revenues over (under) expenditures	134,034	134,034	193,865	59,831
OTHER FINANCING SOURCES (USES):				
Transfers out	(150,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	(150,000)	(150,000)	(150,000)	-
Net changes in fund balances	(15,966)	(15,966)	43,865	59,831
FUND BALANCES, BEGINNING	15,966	15,966	23,957	7,991
FUND BALANCES, ENDING	\$ -	\$ -	\$ 67,822	\$ 67,822

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 63,000	\$ 63,000	\$ 65,100	\$ 2,100
Charges for services	133,566	133,566	133,555	(11)
Interest revenue	-	-	30	30
Total revenues	<u>196,566</u>	<u>196,566</u>	<u>198,685</u>	<u>2,119</u>
EXPENDITURES:				
Contingency	<u>1,093</u>	<u>1,093</u>	<u>-</u>	<u>1,093</u>
Total expenditures	<u>1,093</u>	<u>1,093</u>	<u>-</u>	<u>1,093</u>
Revenues over (under) expenditures	<u>195,473</u>	<u>195,473</u>	<u>198,685</u>	<u>3,212</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(196,000)</u>	<u>(196,000)</u>	<u>(196,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(196,000)</u>	<u>(196,000)</u>	<u>(196,000)</u>	<u>-</u>
Net changes in fund balances	(527)	(527)	2,685	3,212
FUND BALANCES, BEGINNING	<u>527</u>	<u>527</u>	<u>23,244</u>	<u>22,717</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,929</u>	<u>\$ 25,929</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest revenue	\$ 400	\$ 400	\$ 252	\$ (148)
Total revenues	400	400	252	(148)
EXPENDITURES:				
Materials and service	28,000	28,000	-	28,000
Contingency	63,273	63,273	-	63,273
Total expenditures	91,273	91,273	-	91,273
Net changes in fund balances	(90,873)	(90,873)	252	91,125
FUND BALANCES, BEGINNING	90,873	90,873	104,895	14,022
FUND BALANCES, ENDING	\$ -	\$ -	\$ 105,147	\$ 105,147

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Grants and contributions	\$ 600,428	\$ 600,428	\$ 113,967	\$ (486,461)
Miscellaneous revenue	-	-	2,001	2,001
Total revenues	600,428	600,428	115,968	(484,460)
EXPENDITURES:				
Capital outlay	233,783	600,428	113,840	486,588
Contingency	366,715	70	-	70
Total expenditures	600,498	600,498	113,840	486,658
Net changes in fund balances	(70)	(70)	2,128	2,198
FUND BALANCES, BEGINNING	70	70	2,158	2,088
FUND BALANCES, ENDING	\$ -	\$ -	\$ 4,286	\$ 4,286

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and fees	\$ 18,560	\$ 18,560	\$ 10,027	\$ (8,533)
Intergovernmental	300	300	100	(200)
Charges for services	36,500	36,500	32,763	(3,737)
Permits	98,200	98,200	74,590	(23,610)
Interest revenue	700	700	400	(300)
Total revenues	<u>154,260</u>	<u>154,260</u>	<u>117,880</u>	<u>(36,380)</u>
EXPENDITURES:				
Personal service	195,019	175,689	167,309	8,380
Materials and service	36,673	36,673	28,174	8,499
Contingency	767	20,097	-	20,097
Total expenditures	<u>232,459</u>	<u>232,459</u>	<u>195,483</u>	<u>36,976</u>
Net changes in fund balances	(78,199)	(78,199)	(77,603)	596
FUND BALANCES, BEGINNING	<u>78,199</u>	<u>78,199</u>	<u>86,554</u>	<u>8,355</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,951</u>	<u>\$ 8,951</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 58,300	\$ 58,300	\$ 70,748	\$ 12,448
Interest revenue	4,000	4,000	2,432	(1,568)
Miscellaneous revenue	5,400	5,400	5,012	(388)
Total revenues	67,700	67,700	78,192	10,492
EXPENDITURES:				
Personal service	7,539	7,539	7,467	72
Materials and service	138,354	138,354	132,866	5,488
Capital outlay	7,886	7,886	-	7,886
Debt service:				
Principal	36,151	36,151	36,151	-
Interest and fees	15,956	15,956	15,956	-
Contingency	125	125	-	125
Total expenditures	206,011	206,011	192,440	13,571
Revenues over (under) expenditures	(138,311)	(138,311)	(114,248)	24,063
Net changes in fund balances	(138,311)	(138,311)	(114,248)	24,063
FUND BALANCES, BEGINNING	138,311	138,311	222,194	83,883
FUND BALANCES, ENDING	\$ -	\$ -	\$ 107,946	\$ 107,946

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Assessments	\$ 12,000	\$ 12,000	\$ 28,732	\$ 16,732
Interest revenue	3,000	3,000	6,056	3,056
Total revenues	15,000	15,000	34,788	19,788
EXPENDITURES:				
Materials and service	30,000	30,000	-	30,000
Capital outlay	500,000	100,000	-	100,000
Contingency	54,010	54,010	-	54,010
Total expenditures	584,010	184,010	-	184,010
Revenues over (under) expenditures	(569,010)	(169,010)	34,788	203,798
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	20,000	20,000	(380,000)	(400,000)
Transfers out	-	(400,000)	-	400,000
Total other financing sources (uses)	20,000	(380,000)	(380,000)	-
Net changes in fund balances	(549,010)	(549,010)	(345,212)	203,798
FUND BALANCES, BEGINNING BUDGETARY BASIS	549,010	549,010	691,684	142,674
FUND BALANCES, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 346,472	\$ 346,472
Interfund receivable			480,000	
FUND BALANCES, ENDING			<u>\$ 826,472</u>	

CITY OF FLORENCE, OREGON
URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 231,750	\$ 231,750	\$ 262,406	\$ 30,656
Interest revenue	-	-	1,444	1,444
Miscellaneous revenue	-	-	258	258
Total revenues	<u>231,750</u>	<u>231,750</u>	<u>264,108</u>	<u>32,358</u>
EXPENDITURES:				
Materials and service	274,975	274,975	219,032	55,943
Capital outlay	85,300	85,300	85,300	-
Contingency	65,000	65,000	-	65,000
Total expenditures	<u>425,275</u>	<u>425,275</u>	<u>304,332</u>	<u>120,943</u>
Revenues over (under) expenditures	(193,525)	(193,525)	(40,224)	153,301
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	250,000	250,000	-	(250,000)
Transfers out	(252,750)	(252,750)	-	252,750
Total other financing sources (uses)	<u>(2,750)</u>	<u>(2,750)</u>	<u>-</u>	<u>2,750</u>
Net changes in fund balances	(196,275)	(196,275)	(40,224)	156,051
FUND BALANCES, BEGINNING	<u>405,000</u>	<u>405,000</u>	<u>424,175</u>	<u>19,175</u>
FUND BALANCES, ENDING	<u>\$ 208,725</u>	<u>\$ 208,725</u>	<u>\$ 383,951</u>	<u>\$ 175,226</u>

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Grants and contributions	\$ 65,000	\$ 65,000	\$ 75,977	\$ 10,977
Total revenues	65,000	65,000	75,977	10,977
EXPENDITURES:				
Contingency	175	175	-	175
Total expenditures	175	175	-	175
Revenues over (under) expenditures	64,825	64,825	75,977	11,152
OTHER FINANCING SOURCES (USES):				
Transfers out	(65,000)	(72,500)	(72,500)	-
Total other financing sources (uses)	(65,000)	(72,500)	(72,500)	-
Net changes in fund balances	(175)	(7,675)	3,477	11,152
FUND BALANCES, BEGINNING	175	7,675	1,175	(6,500)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 4,652	\$ 4,652

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 281,600	\$ 281,600	\$ 341,145	\$ 59,545
Interest revenue	500	500	805	305
Total revenues	<u>282,100</u>	<u>282,100</u>	<u>341,950</u>	<u>59,850</u>
EXPENDITURES:				
Debt service:				
Principal	233,871	233,871	233,871	-
Interest and fees	44,818	44,818	44,818	-
Total expenditures	<u>278,689</u>	<u>278,689</u>	<u>278,689</u>	<u>-</u>
Net changes in fund balances	3,411	3,411	63,261	59,850
FUND BALANCES, BEGINNING	<u>323,122</u>	<u>323,122</u>	<u>343,000</u>	<u>19,878</u>
FUND BALANCES, ENDING	<u><u>\$ 326,533</u></u>	<u><u>\$ 326,533</u></u>	<u><u>\$ 406,261</u></u>	<u><u>\$ 79,728</u></u>

CITY OF FLORENCE, OREGON
BANCOFT BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Assessments	\$ 5,800	5,800	\$ 6,097	297
Interest revenue	6,950	\$ 6,950	3,961	\$ (2,989)
Total revenues	12,750	12,750	10,058	(2,692)
EXPENDITURES:				
Debt service:				
Principal	50,000	270,000	210,000	60,000
Interest and fees	15,275	15,275	16,268	(993)
Contingency	642,071	22,071	-	22,071
Total expenditures	707,346	307,346	226,268	81,078
Revenues over (under) expenditures	(694,596)	(294,596)	(216,210)	78,386
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(400,000)	-	400,000
Total other financing sources (uses)	-	(400,000)	-	400,000
Net changes in fund balances	(694,596)	(694,596)	(216,210)	478,386
FUND BALANCES, BEGINNING	694,596	694,596	696,424	1,828
FUND BALANCES, ENDING	\$ -	\$ -	\$ 480,214	\$ 480,214

CITY OF FLORENCE, OREGON
FFC 2010B BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Debt service:				
Principal	\$ -	\$ 455,000	\$ 455,000	\$ -
Interest and fees	-	251,700	248,862	2,838
	<u>-</u>	<u>706,700</u>	<u>703,862</u>	<u>2,838</u>
Total expenditures				
Revenues over (under) expenditures	-	(706,700)	(703,862)	2,838
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	9,047,000	9,046,392	(608)
Transfers in	-	590,700	590,362	(338)
Transfers out	-	(8,931,000)	(8,930,075)	925
	<u>-</u>	<u>706,700</u>	<u>706,679</u>	<u>(21)</u>
Total other financing sources (uses)				
Net changes in fund balances	-	-	2,817	2,817
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,817</u>	<u>\$ 2,817</u>

CITY OF FLORENCE, OREGON
SPRUCE ST LID BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Assessments	\$ 70,000	\$ 70,000	\$ 14,417	\$ (55,583)
Interest revenue	80,000	80,000	4,797	(75,203)
Miscellaneous revenue	-	-	29	29
Total revenues	150,000	150,000	19,243	(130,757)
EXPENDITURES:				
Principal	84,000	84,000	23,000	61,000
Interest and fees	65,400	65,400	75,126	(9,726)
Contingency	700	400,700	-	400,700
Total expenditures	150,100	550,100	98,126	451,974
Revenues over (under) expenditures	(100)	(400,100)	(78,883)	321,217
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	1,436,792	1,478,000	41,208
Transfers in	-	400,000	38,000	(362,000)
Transfers out	-	(1,436,792)	(1,436,792)	-
Total other financing sources (uses)	-	400,000	79,208	(320,792)
Net changes in fund balances	(100)	(100)	325	425
FUND BALANCES, BEGINNING	100	100	-	(100)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 325	\$ 325

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

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

Enterprise Budgetary Comparison schedules include the following:

- Water Operations
 - Water Fund
 - Water System Development Fund

- Wastewater Operations
 - Wastewater Fund
 - Wastewater System Development Fund

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

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

CITY OF FLORENCE, OREGON
WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

	<u>Water Fund</u>	<u>Water System Development Fund</u>	<u>Total Water Operations</u>
REVENUES:			
Licenses and fees	\$ 44,239	\$ -	\$ 44,239
System development fees	-	45,401	45,401
Charges for services	1,504,524	-	1,504,524
Interest revenue	-	1,562	1,562
Miscellaneous revenue	9,393	-	9,393
	<u>1,558,156</u>	<u>46,963</u>	<u>1,605,119</u>
EXPENDITURES:			
Personal service	511,596	-	511,596
Materials and service	599,194	563	599,757
Capital outlay	50,937	90,754	141,691
Debt service:			
Principal	266,907	-	266,907
Interest and fees	108,695	-	108,695
	<u>1,537,329</u>	<u>91,317</u>	<u>1,628,646</u>
Revenues over (under) expenditures	20,827	(44,354)	(23,527)
OTHER FINANCING SOURCES (USES):			
Interfund loan proceeds (payments)	-	(86,000)	(86,000)
Transfers out	(75,444)	-	(75,444)
	<u>(75,444)</u>	<u>(86,000)</u>	<u>(161,444)</u>
Total other financing sources (uses)	(75,444)	(86,000)	(161,444)
Net changes in fund balances	(54,617)	(130,354)	(184,971)
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>33,473</u>	<u>225,730</u>	<u>259,203</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ (21,144)</u>	<u>\$ 95,376</u>	<u>\$ 74,232</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 1,605,119	\$ 1,628,646
Transfers in/out		-	75,444
Expenditures capitalized		-	(141,690)
Debt service principal payments		-	(266,907)
Depreciation and amortization expense		-	397,945
Interest revenue/expense		-	(1,628)
Inventory		-	7,055
Change in accrued absences		-	(100)
		<u>1,605,119</u>	<u>1,698,765</u>
Total revenues and expenses - generally accepted accounting principles		1,605,119	1,698,765
Change in net assets			<u>\$ (93,646)</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and fees	\$ 44,400	\$ 44,400	\$ 44,239	\$ (161)
Charges for services	1,654,500	1,654,500	1,504,524	(149,976)
Miscellaneous revenue	12,000	12,000	9,393	(2,607)
Total revenues	<u>1,710,900</u>	<u>1,710,900</u>	<u>1,558,156</u>	<u>(152,744)</u>
EXPENDITURES:				
Personal service	522,926	522,926	511,596	11,330
Materials and service	649,360	649,360	599,194	50,166
Capital outlay	74,000	74,000	50,937	23,063
Debt service:				
Principal	266,907	266,907	266,907	-
Interest and fees	128,857	128,857	108,695	20,162
Contingency	97,518	97,518	-	97,518
Total expenditures	<u>1,739,568</u>	<u>1,739,568</u>	<u>1,537,329</u>	<u>202,239</u>
Revenues over (under) expenditures	(28,668)	(28,668)	20,827	49,495
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(81,000)</u>	<u>(81,000)</u>	<u>(75,444)</u>	<u>5,556</u>
Total other financing sources (uses)	<u>(81,000)</u>	<u>(81,000)</u>	<u>(75,444)</u>	<u>5,556</u>
Net changes in fund balances	(109,668)	(109,668)	(54,617)	55,051
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>109,668</u>	<u>109,668</u>	<u>33,473</u>	<u>(76,195)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,144)</u>	<u>\$ (21,144)</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
System development fees	\$ 36,000	\$ 36,000	\$ 45,401	\$ 9,401
Interest revenue	2,500	2,500	1,562	(938)
Total revenues	38,500	38,500	46,963	8,463
EXPENDITURES:				
Materials and service	800	800	563	237
Capital outlay	300,000	128,000	90,754	37,246
Contingency	109,729	109,729	-	109,729
Total expenditures	410,529	238,529	91,317	147,212
Revenues over (under) expenditures	(372,029)	(200,029)	(44,354)	155,675
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	34,000	(138,000)	(86,000)	52,000
Total other financing sources (uses)	34,000	(138,000)	(86,000)	52,000
Net changes in fund balances	(338,029)	(338,029)	(130,354)	207,675
FUND BALANCE, BEGINNING BUDGETARY BASIS	338,029	338,029	225,730	(112,299)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 95,376	\$ 95,376

CITY OF FLORENCE, OREGON
WASTEWATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

	Wastewater Fund	Wastewater System Development Fund	Total Wastewater Operations
REVENUES:			
System development fees	\$ -	\$ 55,616	\$ 55,616
Charges for services	2,460,514	-	2,460,514
Interest revenue	14,399	709	15,108
Miscellaneous revenue	6,490	-	6,490
	<u>2,481,403</u>	<u>56,325</u>	<u>2,537,728</u>
Total revenues			
EXPENDITURES:			
Personal service	529,094	-	529,094
Materials and service	765,314	547	765,861
Capital outlay	2,324,822	-	2,324,822
Debt service:			
Principal	8,393,642	-	8,393,642
Interest and fees	222,252	-	222,252
	<u>12,235,124</u>	<u>547</u>	<u>12,235,671</u>
Total expenditures			
Revenues over (under) expenditures	(9,753,721)	55,778	(9,697,943)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	2,923,574	-	2,923,574
Transfers in	7,976,075	-	7,976,075
Transfers out	(682,670)	-	(682,670)
	<u>10,216,979</u>	<u>-</u>	<u>10,216,979</u>
Total other financing sources (uses)			
Net changes in fund balances	463,258	55,778	519,036
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>220,294</u>	<u>197,750</u>	<u>418,044</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 683,552</u>	<u>\$ 253,528</u>	<u>\$ 937,080</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 2,537,728	\$ 12,235,671
Transfers in/out		(131,446)	-
Expenditures capitalized		-	(2,348,038)
Debt service principal payments		-	(8,393,642)
Depreciation and amortization expense		-	557,693
Interest revenue/expense		-	117,839
Inventory		-	540
Change in accrued absences		-	(103)
Bond cost		-	5,600
Bond premium		-	(5,023)
		<u>2,406,282</u>	<u>2,170,537</u>
Total revenues and expenses - generally accepted accounting principles			
Change in net assets			<u>\$ 235,745</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 2,593,400	\$ 2,593,400	\$ 2,460,514	\$ (132,886)
Interest revenue	8,000	8,000	14,399	6,399
Miscellaneous revenue	4,150	4,150	6,490	2,340
Total revenues	<u>2,605,550</u>	<u>2,605,550</u>	<u>2,481,403</u>	<u>(124,147)</u>
EXPENDITURES:				
Personal service	543,273	543,273	529,094	14,179
Materials and service	806,854	806,854	765,314	41,540
Capital outlay	4,048,260	4,700,775	2,324,822	2,375,953
Debt service:				
Principal	591,142	8,467,911	8,393,642	74,269
Interest and fees	348,183	132,956	222,252	(89,296)
Contingency	584,187	333,187	-	333,187
Total expenditures	<u>6,921,899</u>	<u>14,984,956</u>	<u>12,235,124</u>	<u>2,749,832</u>
Revenues over (under) expenditures	(4,316,349)	(12,379,406)	(9,753,721)	2,625,685
OTHER FINANCING SOURCES (USES):				
Issuance of debt	3,923,260	4,580,317	2,923,574	(1,656,743)
Transfers in	-	7,977,000	7,976,075	(925)
Transfers out	(129,600)	(700,600)	(682,670)	17,930
Total other financing sources (uses)	<u>3,793,660</u>	<u>11,856,717</u>	<u>10,216,979</u>	<u>(1,639,738)</u>
Net changes in fund balances	(522,689)	(522,689)	463,258	985,947
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>522,689</u>	<u>522,689</u>	<u>220,294</u>	<u>(302,395)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,552</u>	<u>\$ 683,552</u>

CITY OF FLORENCE, OREGON
WASTEWATER SYSTEM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
System development fees	\$ 45,000	\$ 45,000	\$ 55,616	\$ 10,616
Interest revenue	1,400	1,400	709	(691)
Total revenues	46,400	46,400	56,325	9,925
EXPENDITURES:				
Materials and service	1,150	1,150	547	603
Contingency	656,975	656,975	-	656,975
Total expenditures	658,125	658,125	547	657,578
Revenues over (under) expenditures	(611,725)	(611,725)	55,778	667,503
Net changes in fund balances	(611,725)	(611,725)	55,778	667,503
FUND BALANCE, BEGINNING	611,725	611,725	197,750	(413,975)
FUND BALANCE, ENDING	\$ -	\$ -	\$ 253,528	\$ 253,528

CITY OF FLORENCE, OREGON
EVENTS CENTER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

	Events Center Fund	Events Center Reserve Fund	Events Center Debt Service Fund	Total Events Center Operations
REVENUES:				
Intergovernmental	\$ 27,047	\$ -	\$ 155,124	\$ 182,171
Charges for services	285,958	-	-	285,958
Interest revenue	3,684	215	-	3,899
Miscellaneous revenue	10,139	-	-	10,139
	<u>326,828</u>	<u>215</u>	<u>155,124</u>	<u>482,167</u>
EXPENDITURES:				
Personal service	220,633	-	-	220,633
Materials and service	310,591	-	-	310,591
Capital outlay	-	11,250	-	11,250
Debt service:				
Principal	-	-	125,000	125,000
Interest and fees	-	-	30,124	30,124
	<u>531,224</u>	<u>11,250</u>	<u>155,124</u>	<u>697,598</u>
Total expenditures	531,224	11,250	155,124	697,598
Revenues over (under) expenditures	(204,396)	(11,035)	-	(215,431)
OTHER FINANCING SOURCES (USES):				
Transfers in	222,500	-	-	222,500
Total other financing sources (uses)	222,500	-	-	222,500
Net changes in fund balances	18,104	(11,035)	-	7,069
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>153,073</u>	<u>56,675</u>	<u>69</u>	<u>209,817</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 171,177</u>	<u>\$ 45,640</u>	<u>\$ 69</u>	<u>\$ 216,886</u>

	Revenues	Expenditures
Total revenue and expenditures above	\$ 482,167	\$ 697,598
Transfers in/out	222,500	-
Expenditures capitalized	-	(108,072)
Debt service principal payments	-	(125,000)
Depreciation and amortization expense	-	100,395
Interest revenue/expense	-	(1,108)
Change in accrued compensated absences	-	(43)
Bond costs	-	4,787
	<u>704,667</u>	<u>568,557</u>
Total revenues and expenses - generally accepted accounting principles	704,667	568,557
Change in net assets		<u>\$ 136,110</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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 35,528	\$ 35,528	\$ 27,047	\$ (8,481)
Charges for services	241,500	241,500	285,958	44,458
Interest revenue	3,750	3,750	3,684	(66)
Miscellaneous revenue	2,600	2,600	10,139	7,539
Total revenues	283,378	283,378	326,828	43,450
EXPENDITURES:				
Personal service	284,125	237,125	220,633	16,492
Materials and service	256,409	310,909	310,591	318
Contingency	8,356	8,356	-	8,356
Total expenditures	548,890	556,390	531,224	25,166
Revenues over (under) expenditures	(265,512)	(273,012)	(204,396)	68,616
OTHER FINANCING SOURCES (USES):				
Transfers in	215,000	222,500	222,500	-
Total other financing sources (uses)	215,000	222,500	222,500	-
Net changes in fund balances	(50,512)	(50,512)	18,104	68,616
FUND BALANCE, BEGINNING BUDGETARY BASIS	50,512	50,512	153,073	102,561
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 171,177	\$ 171,177

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest revenue	\$ 300	\$ 300	\$ 215	\$ (85)
Total revenues	300	300	215	(85)
EXPENDITURES:				
Capital outlay	25,000	25,000	11,250	13,750
Contingency	33,522	33,522	-	33,522
Total expenditures	58,522	58,522	11,250	47,272
Net changes in fund balances	(58,222)	(58,222)	(11,035)	47,187
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>58,222</u>	<u>58,222</u>	<u>56,675</u>	<u>(1,547)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,640</u>	<u>\$ 45,640</u>

**CITY OF FLORENCE, OREGON
EVENTS CENTER DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 154,472	\$ 154,472	\$ 155,124	\$ 652
Total revenues	154,472	154,472	155,124	652
EXPENDITURES:				
Debt service:				
Principal	125,000	125,000	125,000	-
Interest and fees	30,472	30,472	30,124	348
Contingency	469	469	-	469
Total expenditures	155,941	155,941	155,124	817
Net changes in fund balances	(1,469)	(1,469)	-	1,469
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,469	1,469	69	(1,400)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 69	\$ 69

CITY OF FLORENCE, OREGON
STORM WATER COMBINED
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

	Storm Water Fund	Storm Water SDC Fund	Total Storm Water
REVENUES:			
System development fees	\$ -	\$ 32,632	\$ 32,632
Charges for services	426,531	-	426,531
Interest revenue	-	1,801	1,801
Total revenues	<u>426,531</u>	<u>34,433</u>	<u>460,964</u>
EXPENDITURES:			
Personal service	158,903	-	158,903
Materials and service	297,236	373	297,609
Capital outlay	-	71,268	71,268
Total expenditures	<u>456,139</u>	<u>71,641</u>	<u>527,780</u>
Revenues over (under) expenditures	(29,608)	(37,208)	(66,816)
OTHER FINANCING SOURCES (USES):			
Interfund loan proceeds (payments)	-	(54,000)	(54,000)
Transfers in	354,000	-	354,000
Transfers out	(11,139)	-	(11,139)
Total other financing sources (uses)	<u>342,861</u>	<u>(54,000)</u>	<u>288,861</u>
Net changes in fund balances	313,253	(91,208)	222,045
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>3,836</u>	<u>196,431</u>	<u>200,267</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u><u>\$ 317,089</u></u>	<u><u>\$ 105,223</u></u>	<u><u>\$ 422,312</u></u>

	Revenues	Expenditures
Total revenue and expenditures above	\$ 460,964	\$ 527,780
Transfers in/out	9,159	-
Expenditures capitalized	-	(71,268)
Debt service principal payments	-	(18,623)
Depreciation and amortization expense	-	45,207
Interest revenue/expense	-	10,092
Change in accrued compensated absences	-	(31)
Bond cost	-	112
Bond premium	-	(291)
Total revenues and expenses - generally accepted accounting principles	<u>470,123</u>	<u>492,978</u>
Change in net assets		<u><u>\$ (22,855)</u></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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 420,000	\$ 420,000	\$ 426,531	\$ 6,531
Other	500	500	-	(500)
Total revenues	420,500	420,500	426,531	6,031
EXPENDITURES:				
Personal service	162,658	162,658	158,903	3,755
Materials and service	291,841	304,341	297,236	7,105
Capital outlay	5,000	359,000	-	359,000
Contingency	30,652	10,852	-	10,852
Total expenditures	490,151	836,851	456,139	380,712
Revenues over (under) expenditures	(69,651)	(416,351)	(29,608)	386,743
OTHER FINANCING SOURCES (USES):				
Transfers in	-	354,000	354,000	-
Transfers out	-	(7,300)	(11,139)	(3,839)
Total other financing sources (uses)	-	346,700	342,861	(3,839)
Net changes in fund balances	(69,651)	(69,651)	313,253	382,904
FUND BALANCE, BEGINNING	69,651	69,651	3,836	(65,815)
FUND BALANCE, ENDING	\$ -	\$ -	\$ 317,089	\$ 317,089

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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
System development fees	\$ 15,000	\$ 15,000	\$ 32,632	\$ 17,632
Interest revenue	1,000	1,000	1,801	801
Total revenues	16,000	16,000	34,433	18,433
EXPENDITURES:				
Materials and service	750	750	373	377
Capital outlay	400,000	400,000	71,268	328,732
Contingency	91,438	91,438	-	91,438
Total expenditures	492,188	492,188	71,641	420,547
Revenues over (under) expenditures	(476,188)	(476,188)	(37,208)	438,980
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	(54,000)	(54,000)	(54,000)	-
Issuance of debt	530,000	530,000		(530,000)
Total other financing sources (uses)	476,000	476,000	(54,000)	(530,000)
Net changes in fund balances	(188)	(188)	(91,208)	(91,020)
FUND BALANCE, BEGINNING	188	188	196,431	196,243
FUND BALANCE, ENDING	\$ -	\$ -	\$ 105,223	\$ 105,223

OTHER FINANCIAL SCHEDULES

CITY OF FLORENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2011

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2010</u>	<u>Levy as Extended by Assessor</u>	<u>Cancellations Discounts and Adjustments</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2011</u>
2010-2011		\$ 2,810,558	\$ (77,340)	\$ (2,652,083)	\$ 81,135
2009-2010	91,811		(3,949)	(46,091)	41,771
2008-2009	38,129		(2,670)	(14,280)	21,179
2007-2008	16,376		(792)	(8,556)	7,028
2006-2007	5,248		(260)	(2,722)	2,266
2005-2006	1,871		(218)	(121)	1,532
2004-2005	1,544		(85)	(98)	1,361
Prior	3,880		(123)	(279)	3,478
Totals	<u>\$ 158,859</u>	<u>\$ 2,810,558</u>	<u>\$ (85,437)</u>	<u>\$ (2,724,230)</u>	<u>\$ 159,750</u>

Taxes receivable classified by fund:

General Fund	\$ 124,218
General Obligation Debt Service Fund	21,921
Urban Renewal	<u>13,611</u>
	<u>\$ 159,750</u>

**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the basic financial statements of the City of Florence, Oregon (the City), as of and for the year ended June 30, 2011 and have issued our report thereon dated January 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, included the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

1. Expenditures exceeded appropriations in the following funds:

a. General Fund	Transfer Out	\$ 695
b. General Fund	Finance Department	\$ 13,984
c. Street Fund	Debt Service	\$ 6,687
d. Wastewater Fund	Debt Service	\$ 15,027
e. Storm Water Fund	Transfer Out	\$ 3,839

2. In the 2011-2012 Budget the first preceding year actual (for fiscal year 2010) beginning fund balance does not agree with the corresponding amounts in the audited financial statements.

3. At June 30, 2011 the Water Fund had a deficit fund balance of \$21,144 due to expenses exceeded operating revenues.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 significant deficiency is a deficiency, or a 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. 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. We identified a deficiency in internal control that we consider to be a significant deficiency and have communicated it in a separately issued letter dated January 6, 2012.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified.

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

Merina & Company

Merina & Company, LLP
West Linn, Oregon
January 6, 2012

**FEDERAL SINGLE AUDIT
GRANT COMPLIANCE**

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

The Honorable Mayor and City 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 the City of Florence, Oregon (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 a deficiency in internal control over financial

reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1, that we consider to be a significant deficiency 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 January 6, 2012.

The City's response to the finding 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 Honorable Mayor and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
January 6, 2012

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

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

Compliance

We have audited the City of Florence, Oregon's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

The City's response to the finding 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 the response.

This report is intended solely for the information and use of management, the Honorable Mayor and 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
January 6, 2012

CITY OF FLORENCE OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Program Title</u>		<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expended</u>
U.S. DEPARTMENT OF JUSTICE				
Bulletproof Vest Program	*	16.607		\$ 1,547
U.S. DEPARTMENT OF HOMELAND				
Training Resource and Data Exchange	*	97.097	10-244	87,000
U.S. DEPARTMENT OF TRANSPORTATION				
National Highway Traffic Safety	*	20.601		3,760
National Highway Traffic Safety	*	20.600		104
Highway Planning and Construction	*	20.205	No. 21.381	62,370
Highway Planning and Construction	*	20.205	26812, 2C-09, EA #TGM9LA20	26,766
Capital Assistance Program for Elderly and Persons with Disability	*	20.513	LTD 2010-35/ ODOT	
Safety Belt Performance Grant	*	20.602	No. 26519	25,990
				3,410
U.S. DEPARTMENT OF COMMERCE				
Coastal Zone Management	*	11.419	CZM-11-015;	8,000
National Oceanic and Atmospheric	*	11.419	TA-NP-10-001	15,317
National Oceanic and Atmospheric				
ENVIRONMENTAL PROTECTION AGENCY				
Capitalization Grants for State Revolving Funds	*	66.458	R33422	1,689,915
West Coast Estuaries Initiative	**	66.119	WC-00J04801-1	265,528
TOTAL				<u>\$ 2,189,707</u>

* Passed through from the State of Oregon
** Amount provided to subrecipients was \$26,275

CITY OF FLORENCE, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

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, 2011.

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, 2011

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**
 66.458 Capitalization Grants for State Revolving Loans

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, 2011

2011-1

Condition: During the course of our audit, we noted a lack of timely preparation and review of the monthly financial reporting.

Criteria: To ensure accuracy and proper recording of all transactions, the financial reporting should be completed and reviewed in a timely manner.

Effect: Lack of timely preparation and review of financial reporting could increase the risk of errors or misstatements.

Cause: The City was without a permanent Finance Director for the 2010-2011 year.

Recommendation: We recommend that financial reports be completed and reviewed timely to ensure accuracy in financial reporting.

Response: During the year under audit the City was without a Finance Director. Upon hiring of the new Finance Director on June 20, 2011, the City's number one priority for the Finance Department was to remediate the delinquency of financial reporting as identified in this finding. City management recognizes how important it is to timely prepare and review the financial reports. The new Finance Director has put in place a financial calendar where financial reports are completed and issued two weeks after the most recent month end. The Finance Director now reviews the work prepared by the Finance Department Staff to provide a level of oversight that was absent during the period the finance director position was vacant.

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, 2010

None