

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**FINANCIAL REPORT**

**2011-2012**

This Page Intentionally Left Blank

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

MAYOR AND CITY COUNCIL MEMBERS AS OF JUNE 30, 2012

<u>NAME</u>	<u>TERM EXPIRES</u>
Carlos Debritto – Mayor	December 31, 2012
Diana Nelson	December 31, 2012
Carolyn Bartell	December 31, 2012
Jeff Bellah	December 31, 2012
Karen Jones	December 31, 2014
Bruce Sophie	December 31, 2014
William Moore	December 31, 2014

All the Council members will receive mail at the following address:

ADMINISTRATIVE

Eli Naffah, Interim City Manager  
112 W 2<sup>nd</sup> Street  
P.O. Box 330  
Phoenix, Oregon 97535

This Page Intentionally Left Blank

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

TABLE OF CONTENTS

PAGE  
NUMBER

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	I-XI
FINANCIAL STATEMENTS AND SCHEDULES:	
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Activities	3
Balance Sheet - Governmental Funds	4
Reconciliation of Balance Sheet -Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	6
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – To Statement of Activities	7
Statement of Proprietary Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10
Notes to Basic Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION:	
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget	26
Special Revenue Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget	
Street Fund	27
Street Improvement Fund	28
SUPPLEMENTARY INFORMATION:	
Major Enterprise Funds:	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget – Budgetary (Non-GAAP) Basis:	
Water Fund	29
Water SDC Fund	30
Stormwater SDC Fund	31

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

TABLE OF CONTENTS

	<u>PAGE</u> <u>NUMBER</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	33
Schedules of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
Advertising Promotion Fund	34
Tourist Usage Fund	35
Parks and Recreation SDC Fund	36
Greenway Maintenance Reserve Fund	37
City Hall Debt Reserve Fund	38
Intertie Debt Reserve Fund	39
 Schedule of Property Tax Transactions and Balances of Taxes Uncollected - General Fund	 40
 INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	 41

**FINANCIAL**

**SECTION**

This Page Intentionally Left Blank



# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

December 27, 2012

To the Honorable Mayor and Members of the City Council  
City of Phoenix  
Jackson County, Oregon

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Phoenix as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Phoenix, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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, as listed in the table of contents, 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 Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Phoenix's financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Phoenix's financial statements. The listing of board members containing their term expiration dates, located before the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on it.

  
PAULY, ROGERS AND CO., P.C.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Fiscal Year Ended June 30, 2012

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Phoenix (the City) for the fiscal year ended June 30, 2012. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### FINANCIAL HIGHLIGHTS

- The City's government-wide assets, not including its component unit, totaled \$10.39 million at June 30, 2012 consisting of \$6.19 million in capital assets, net of accumulated depreciation, \$3.82 million in cash and \$377 thousand in other receivables. Capital assets, net of accumulated depreciation decreased by \$156 thousand in the current year. Cash and investment balances increased by \$49 thousand from the prior year.
- The City's government-wide liabilities, not including its component unit, totaled \$2.53 million at June 30, 2012 consisting of \$2.31 million in short and long-term debt and \$216 thousand in accounts payable and other current liabilities. The City issued no additional long-term debt in the current year.
- Net assets (assets minus liabilities), not including the City's component unit, totaled \$7.86 million at June 30, 2012 of which \$4.03 million was invested in capital assets net of related debt, \$296 thousand was restricted for debt service, \$2.11 million was restricted for interchange and system development charges. From this amount, approximately \$829 thousand was Interchange development charges and \$1.28 million was system development charges. \$87 thousand was restricted for highway 99 maintenance, \$26 thousand for the Skyline Water Pump and \$1.5 thousand for K-9 Contributions.
- The City generated program revenues of \$1.40 million which includes \$1.37 million in Charges for Services, \$2.8 thousand in Operating Grants and Contributions and \$25 thousand in Capital Grants and Contributions. General revenues which include taxes, licenses and permits, intergovernmental, franchise fees, fines and forfeitures and earnings on investments totaled \$1.98 million. The Government-Wide expenses were \$2.08 million for governmental activities and \$1.05 million for business-type activities (which includes interest on long-term debt) totaling \$3.13 million.

## OVERVIEW OF FINANCIAL STATEMENTS

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three Components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Basic Financial Statements present financial information about the City as a whole and about its activities. Following the Basic Financial Statements are the required Supplementary Information and Other Supplementary Information which provide budgetary comparisons for each fund. Finally, completing the document is a series of other financial schedules, and the report by the independent certified public accountants, as required by statute.

### Government-wide Financial Statements

The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using The Statement of Net Assets includes all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the Statement of Activities is to present the major program costs, matching major resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The government-wide financial statements distinguish programs/functions of the City that are governmental (principally supported by taxes and intergovernmental revenues) to those that are business-type (intended to recover all or a significant portion of their costs through user fees and charges).

Governmental activities of the City are categorized as follows:

- Executive—includes the City Manager function and administration oversight.
- Administrative—includes centralized services such as public works administration and support, information technology, administration, financial services and other general functions not separately identified as a program.

- Public safety—includes police.
- Parks department—includes maintenance of the City’s parks and playgrounds.
- Building department—includes the City’s building inspection function.
- Planning department—includes the City’s community development function.
- Highways and streets—includes the City’s street maintenance operations, street and local improvement construction and the City’s engineering activities.
- Non-Departmental—includes all activities not specific to individual departments.

Business-type activities include the following:

- Water—includes all costs for the maintenance, operations, and construction of the City’s water delivery system.

## 2. Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The fund financial statements include statements for governmental funds and proprietary funds. Funds are used to segregate resources for specific activities or objectives.

**Governmental Funds.** The governmental fund statements emphasize available financial resources rather than net-income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund balance reported in the governmental funds Balance Sheet to the net assets reported on the government-wide Statement of Net Assets, and a reconciliation of the change in fund balances reported in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances to the change in net assets reported in the government-wide Statement of Activities are provided to facilitate a comparison between governmental funds and governmental activities.

The City has nine governmental funds. The governmental fund statements present the three major funds separately; General Fund, Street Fund, and the Street Improvement Fund. There are three funds that are combined with the General Fund for GAAP reporting. They are the Greenway Maintenance Reserve Fund, the City Hall Debt Reserve Fund and the Intertie Debt Reserve Fund. The other three nonmajor funds (Advertising Promotion, Tourist Usage and Parks and Recreation SDC) are combined and presented in a single column as other governmental funds.

**Proprietary Funds.** Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. The City has three enterprise funds to account for its water operations. The Water Fund is the major enterprise fund. The Water SDC Fund and Stormwater SDC Fund are budgeted separately, but are subsidiary to the Water Fund and are combined with that fund in the proprietary fund financial statements. If there were two or more nonmajor funds that accounted for separate and unique activities, they would be combined and presented in a single column as other enterprise funds.

### 3. Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes which should be read in conjunction with the basic financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

##### Analysis of Net Assets

The City's assets exceeded liabilities by \$7.86 million at June 30, 2012. Net assets for governmental activities totaled \$6.16 million while net assets for business-type activities totaled \$1.70 million.

	June 30, 2012		June 30, 2011	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Capital Assets, net	\$ 2,997,663	\$ 3,192,297	\$ 3,070,820	\$ 3,275,210
Current & Other Assets	3,517,477	678,900	3,605,870	510,196
<b>Total Assets</b>	<b>6,515,140</b>	<b>3,871,197</b>	<b>6,676,690</b>	<b>3,785,406</b>
Long Term Debt	232,779	2,077,864	489,032	2,139,221
Other Liabilities	118,676	97,171	128,079	101,301
<b>Total Liabilities</b>	<b>351,455</b>	<b>2,175,035</b>	<b>617,111</b>	<b>2,240,522</b>
Invested in Capital Assets Net of Related Debt	2,764,884	1,268,728	2,581,788	3,089,865
Restricted	2,175,648	346,360	2,153,093	356,134
Unrestricted	1,223,153	81,074	1,324,698	(1,901,115)
<b>Total Net Assets</b>	<b>\$ 6,163,685</b>	<b>\$ 1,696,162</b>	<b>\$ 6,059,579</b>	<b>\$ 1,544,884</b>

As mentioned earlier, net assets may be an indicator of the City's financial position. At the end of the current year, the City has a positive net asset balance. Net assets increased by over \$255 thousand from the prior year as revenues exceeded expenses. This increase was largely due to the business type activities increasing by almost \$151 thousand whereas the governmental activities increased by more than \$104 thousand. The largest portion of the City's net assets (51.3 percent) is its investment in capital assets, net of related debt. In the prior year, this portion of net assets was 74.6 percent of total net assets. The increase for the governmental activities is due primarily to reduction in outstanding debt during the year while the total depreciation expense for both activities was \$266 thousand.

Analysis of Changes in Net Assets

The City's Statement of Activities for fiscal years ended June 30, 2012 and 2011 are as follows:

	June 30, 2012		June 30, 2011	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
<b>Revenues</b>				
Program Revenues:				
Charges for Services	256,027	1,118,448	\$ 248,237	\$ 1,070,168
Operating Grants	2,826	-	28,837	-
Capital Grants/Contributions	25,164	-	123,291	-
General Revenues:				
Property Taxes	930,654	-	898,381	-
Other Taxes	10,575	-	15,544	-
Licenses & Permits	56,962	-	43,752	-
Intergovernmental	542,011	-	340,669	-
Franchise Fees	302,263	17,017	365,407	-
Fines & Forfeitures	94,741	-	109,007	-
Earnings On Investments	17,750	2,992	20,844	3,141
Other	7,056	708	4,039	13
<b>Total Revenues</b>	<b>2,246,029</b>	<b>1,139,165</b>	<b>2,198,008</b>	<b>1,073,322</b>
<b>Expenses</b>				
Executive	173,914	-	112,599	-
Administrative	171,349	-	173,997	-
Public Safety	1,086,829	-	1,081,276	-
Parks	84,761	-	81,067	-
Building	85,253	-	84,722	-
Planning	84,292	-	111,296	-
Highways and Streets	297,517	-	297,544	-
Non-Departmental	60,198	-	73,935	-
Interest on Long-Term Debt	33,756	120,057	28,147	100,666
Water	-	931,884	-	1,031,643
<b>Total Expenses</b>	<b>2,077,869</b>	<b>1,051,941</b>	<b>2,044,583</b>	<b>1,132,309</b>
Excess Before Transfers	168,160	87,224	153,425	(58,987)
Transfers	(64,054)	64,054	-	-
Change in Net Assets	104,106	151,278	153,425	(58,987)
Beginning Net Assets	6,059,579	1,544,884	6,073,004	1,437,021
Reclassification of Net Assets	-	-	(166,850)	166,850
<b>Ending Net Assets</b>	<b>\$ 6,163,685</b>	<b>\$ 1,696,162</b>	<b>\$ 6,059,579</b>	<b>\$ 1,544,884</b>

## **Governmental Activities**

Governmental activities increased the City's net assets by \$104 thousand, which is a slight increase of 1.7 percent. The increase can be attributed primarily to the increase in revenues of \$48 thousand with expenditures increasing by \$33 thousand from the prior year. The major change in revenues was from the final distribution of funds on the Intergovernmental Note Payable of \$158 thousand. The expenditures increased mainly from the contract negotiations with the former City Manager of \$76 thousand in the Executive Department. When comparing all revenue sources, except the Intergovernmental Note Payable from that of the prior year, as a whole, revenues increased by \$13 thousand. The General revenues that seem to be improving consistently and are anticipated to do so for the next year are; Licenses and Permits at \$13 thousand (30.2 percent), Charges for Services at \$8 thousand (3.1 percent). Although Property Taxes had a large increase of \$62 thousand, it is not expected to continue into the next year as assessed value of property within the City is declining. The resolution of the contract negotiations with the former City Manager will help expenditures but declining revenue is still a concern as to the overall financial situation for the governmental activities continuing into the next year.

As discussed earlier, the City's governmental activities are categorized into the following programs: Administrative, Public Safety, Parks department, Planning department, Building department, and Highways and Streets. Administrative activities are activities not categorized in any of the programs and include central services such as governmental, building, planning, and police receipts, public works administration and support, and administration and financial services.

## **Business-Type Activities**

Business-type activities are self supporting where revenues are expected to cover expenses. Business-type activities increased the City's net assets by over \$151 thousand. The increase can be attributable primarily to the increase in revenues of \$66 thousand with expenditures decreasing by \$80 thousand from the prior year. By examining the operating cash flow activities of the business-type funds, it is worth noting the operating activities generated positive cash flow of \$313 thousand, overall, business-type cash flows increased by \$156 thousand. For comparative purposes, charges for services in the business-type funds increased \$48 thousand (4.5 percent) which is a slight increase from the prior year. Meanwhile, expenses directly related to providing water services decreased \$100 thousand (10 percent). This points to a better financial situation for the business-type activities from that of the prior year.

## FUND ANALYSIS

The city uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund and Special Revenue Funds.

At the end of the current year, the City's governmental funds had combined ending fund balances of \$3.40 million, a decrease of \$73 thousand (2.1 percent) from the prior year's fund balances of \$3.48 million. Fines and Forfeitures, Franchise Fees, and Earnings on Investments all have decreased. The areas that have increased are Charges for Services, Intergovernmental, and Property Tax. Total expenditures decreased from the prior year, from \$2.28 million to \$2.26 million, a slight decline of .7 percent.

The ending fund balances comprised of \$3.40 million, \$729 thousand was unassigned and available for spending by the City within the purposes specified for the City's funds. Of the \$2.67 million difference, \$2.18 Million is restricted for K-9 program, Debt Services, Street SDC's, IDC's, Hwy 99 repairs, and Park and Recreation SDC's. \$21 thousand is committed for Traffic Court Equipment, Jackson County Fine Share, Advertising Promotions and Tourist Usage. \$477 thousand is assigned for Police Equipment Replacement and Street repairs.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$913 thousand down from \$1.21 million in the previous year, a decrease of \$301 thousand. This decrease is due to the \$109 thousand increase in expenditures from that of the prior year; a decline in revenues of \$38 thousand; and an increase in transfers out of \$92 thousand. Unassigned fund balance represents 42 percent of total General Fund expenditures. Although this is a good measure of the General Fund's liquidity as it is common for governmental agencies to require either their first quarter of expenses or a 25 percent minimum fund balance policy; this is down from 63 percent in the prior year. The trend of shrinking revenues over the past couple of years is a concern of the City Council moving forward.

Other major governmental funds include the Street Fund and the Street Improvement Fund. Fund balances increased by \$178 thousand in the Street Fund, and increased in the Street Improvement Fund by \$30 thousand.

## Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but more in detail.

The Water Fund is primarily used to account for the daily operations of the City's water services. The net assets of the Water Fund increased by \$151 thousand (9.8 percent) during the year. This increase is primarily due to an increase in operating revenue of \$66 thousand as well as a decrease in operating expenses of \$100 thousand.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were changes to the General Fund budget during the 2011/12 fiscal year. These changes affected different areas. Typically transfers move appropriation authority within the different Funds to avoid over-expenditures of the City's budgeted appropriations. During the year, the City did not over-expend its appropriation authority.

## **CAPITAL ASSETS**

As of June 30, 2012 the City had invested \$6.19 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions, deductions, and depreciation) of \$156 thousand, or 2.5 percent.

	Governmental Activities	Business Type Activities	Total
Land	\$ 278,276	\$ 21,731	\$ 300,007
Buildings and Improvements	747,993	1,044,349	1,792,342
Machinery and Equipment	205,544	157,589	363,133
Infrastructure	865,850	1,905,295	2,771,145
Construction in Progress	900,000	63,333	963,333
<b>Total</b>	<b>\$ 2,997,663</b>	<b>\$ 3,192,297</b>	<b>\$ 6,189,960</b>

Major events affecting capital assets for the 2011/12 fiscal year are as follows:

- There were over \$109 thousand in new additions during the 2011/12 fiscal year. These consisted of:
  - City Hall – new phone system for \$7 thousand
  - Street Fund – Street improvements and rehabilitation \$5 thousand
  - Parks SDC Fund – Playground equipment and park improvements for \$34 thousand
  - Water Fund – Fern Valley Interchange waterline redesign \$63 thousand

Please refer to the notes to the basic financial statements for further detailed information.

## DEBT ADMINISTRATION

As of year-end, the City had \$2.31 million in long-term debt outstanding compared to \$2.63 million in the previous year. The \$318 thousand net decrease is a result of principal payments during the year. Debt outstanding by type at year-end is comprised of the following:

	Governmental Activities	Business Type Activities	Total
Rural Development Loan	\$ 232,779	\$ -	\$ 232,779
Water Revenue Bonds-Phase I	-	968,555	968,555
Water Revenue Bonds-Phase II	-	954,614	954,614
Lost Creek Water Storage Contract #1	-	154,695	154,695
<b>Total</b>	<b>\$ 232,779</b>	<b>\$ 2,077,864</b>	<b>\$ 2,310,643</b>

The City issued \$2.1 million of water revenue bonds on November 16, 2000 for construction of a new reservoir and Phoenix's portion of the water intertie from Medford to Talent, and then to Ashland. The bonds are actually two issues, Phase I and Phase II. The water revenue bonds are repaid from special assessments on property owners who benefitted from certain public improvements, with an additional pledge of ad valorem taxes to fund any deficiencies.

The City issued a note payable to the State of Oregon, through the Department of Transportation, for the road and bridge improvements in May, 2003. Instead of the City receiving the proceeds and disbursing them for construction, the State of Oregon is distributing the money to the Department of Transportation on an annual schedule. This loan was paid off during the fiscal year.

During the 07/08 fiscal year, the City of Phoenix received \$350,000 payable to the United States Department of Agriculture through Rural Development. The loan was to pay for the renovation of the City Hall, Police Station and Fire Hall Dormitory buildings.

## Debt Limitation and Ratings

The City is well within its debt limitation with no amounts of outstanding debt subject to this limitation. Please refer to the notes to the basic financial statements for further detailed information.

## **CHANGES AND IMPROVEMENTS THAT HAVE IMPACT ON ECONOMIC FACTORS DURING THE YEAR**

Highlight for the fiscal year 2011/2012 budget are as follows:

- The City appears to have had an overall increase of revenues when comparing to prior years for consistent budgeted revenue sources such as Taxes, Franchise Fees, Fines and Forfeitures, and State revenues. Due to the past economic decline, growth is starting to slowly increase instead of remaining status quo.
- The City continued its partnership with Southern Oregon Credit to assist in the collections process for Transient Taxes. As of a year ago we were owed about \$60 thousand with fees and penalties. They are working on the litigation and liens currently.
- It was found in a previous year that a mobile home park was not being charged per unit as stated in our ordinance. The owner's did not want to pay per unit like all other customers; therefore there was a \$14 thousand outstanding balance during the year. After negotiations, this amount is slowly decreasing by \$500 a month with a balance of \$7 thousand as of June 2012.
- Through a grant awarded by the Oregon Parks and Recreation Department in the amount of \$28 thousand, the City was able to install playground equipment and make other park improvements to Otto Caster Park, formerly City Hall Park.
- Due to litigations and contract negotiations for the City Manager and Finance Director unexpected expenditures increased by \$110 thousand. This does not include the cost of any related expenses incurred in hiring the new positions, training, or contracted employees.
- The City reduced its outstanding long-term debt by \$318 thousand. Two notes were retired during the year and designated funds were used to make an additional principal payment of \$102 thousand on another note.

## **ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES**

Highlights for the fiscal year 2013 budget are as follows:

- Reductions in assessed property values within the City will bring a reduction in property tax receipts.
- With the new water rates we should see much improvement for business-type activities. The Utility fund is still not out of the clear in comparison to the health of the General Fund however, it should start looking better.
- Since the Franchise Fees imposed on the Utility Fund has now been revoked, we will see a decrease in the General Fund for about \$100 thousand and more funds becoming available in the Water Fund going forward.
- The City assessed a franchise fee for Rogue Valley Sewer Services (RVS), however no revenue has come in as they appealed the court's decision. This legal process can take up to two years therefore those monies cannot be relied on. When the City is able to start collecting a fee, this will help the Street Fund in repairing areas where RVS has made a negative impact.
- Designated funds will be used to make an additional principal payment of \$115 thousand on the Rural Development Loan which will help reduce the future debt service burden on the General Fund.
- The process of reviewing City ordinances to ensure revenue is being collected properly continues to be looked into. The areas of interest still are the Street User Fees and Transient Taxes. If these changes are implemented they could help the General and Street Fund substantially.
  - We are in the process of updating our records to collect the necessary information to align the fees based on how our ordinance is written.
  - Transient Taxes imposed at RV Parks is being considered.

The City is continuing to make changes to ensure that the financial situation stays stable for the governmental funds and improvements are being made for the business type funds.

### **REQUEST FOR INFORMATION**

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall at 112 West 2<sup>nd</sup> Street, Phoenix, Oregon 97535. The City's telephone number is 541-535-1955.

This Page Intentionally Left Blank

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

This Page Intentionally Left Blank

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**STATEMENT OF NET ASSETS  
June 30, 2012**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL	BUSINESS TYPE	TOTAL	
<b>ASSETS</b>				
Cash and Investments	\$ 3,269,704	\$ 549,538	\$ 3,819,242	\$ 445,098
Receivables	247,773	129,362	377,135	23,169
<b>Total Current Assets</b>	<b>3,517,477</b>	<b>678,900</b>	<b>4,196,377</b>	<b>468,267</b>
Capital Assets, net:				
Land	278,276	21,731	300,007	-
Buildings and Improvements	747,993	1,044,349	1,792,342	-
Machinery and Equipment	205,544	157,589	363,133	-
Infrastructure	865,850	1,905,295	2,771,145	-
Construction in Progress	900,000	63,333	963,333	-
<b>Total Capital Assets, net</b>	<b>2,997,663</b>	<b>3,192,297</b>	<b>6,189,960</b>	<b>-</b>
<b>Total Assets</b>	<b>6,515,140</b>	<b>3,871,197</b>	<b>10,386,337</b>	<b>468,267</b>
<b>LIABILITIES</b>				
Accounts Payable	26,513	21,638	48,151	-
Accrued Interest Payable	12,033	56,562	68,595	-
Customer Deposits	12,982	5,720	18,702	-
Due to Component Unit	3,212	-	3,212	-
Deferred Tax Revenue	-	-	-	23,169
Accrued Compensated Absences	63,936	13,251	77,187	-
Long-term Debt:				
Due Within One Year	4,204	37,778	41,982	-
Due In More Than One Year	228,575	2,040,086	2,268,661	-
<b>Total Liabilities</b>	<b>351,455</b>	<b>2,175,035</b>	<b>2,526,490</b>	<b>23,169</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	2,764,884	1,268,728	4,033,612	-
Restricted for:				
Debt Service	162,075	134,160	296,235	153,473
SDC's	1,095,315	186,219	1,281,534	-
Interchange Development	829,435	-	829,435	-
Highway 99 Maintenance	87,300	-	87,300	-
K-9 Contributions	1,523	-	1,523	-
Skyline Water Pump	-	25,981	25,981	-
Unrestricted	1,223,153	81,074	1,304,227	291,625
<b>Total Net Assets</b>	<b>\$ 6,163,685</b>	<b>\$ 1,696,162</b>	<b>\$ 7,859,847</b>	<b>\$ 445,098</b>

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

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Executive	\$ 173,914	\$ -	\$ -	\$ -
Administrative	171,349	-	-	-
Public Safety	1,086,829	-	2,826	-
Parks Department	84,761	8,491	-	25,164
Building Department	85,253	16,508	-	-
Planning Department	84,292	-	-	-
Highways and Streets	297,517	231,028	-	-
Non-Departmental	60,198	-	-	-
Interest on Long-term Debt	33,756	-	-	-
Total Governmental Activities	<u>2,077,869</u>	<u>256,027</u>	<u>2,826</u>	<u>25,164</u>
Business-Type Activities				
Water	<u>1,051,941</u>	<u>1,118,448</u>	<u>-</u>	<u>-</u>
Total Business Activities	<u>1,051,941</u>	<u>1,118,448</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 3,129,810</u>	<u>\$ 1,374,475</u>	<u>\$ 2,826</u>	<u>\$ 25,164</u>
Component Unit				
Urban Renewal Agency	<u>\$ 400,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
			General Revenues:	
			Property Taxes	
			Other Taxes	
			Licenses and Permits	
			Intergovernmental	
			Franchise Fees	
			Fines and Forfeitures	
			Earnings and Investments	
			Miscellaneous	
			Transfers	
			Total General Revenues and Transfers	
			Change in Net Assets	
			Beginning Net Assets	
			Ending Net Assets	

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

Net Revenues (Expenses) and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (173,914)	\$ -	\$ (173,914)	
(171,349)	-	(171,349)	
(1,084,003)	-	(1,084,003)	
(51,106)	-	(51,106)	
(68,745)	-	(68,745)	
(84,292)	-	(84,292)	
(66,489)	-	(66,489)	
(60,198)	-	(60,198)	
(33,756)	-	(33,756)	
<u>(1,793,852)</u>	<u>-</u>	<u>(1,793,852)</u>	
-	66,507	66,507	
-	66,507	66,507	
<u>(1,793,852)</u>	<u>66,507</u>	<u>(1,727,345)</u>	
			<u>\$ (400,101)</u>
930,654	-	930,654	277,745
10,575	-	10,575	-
56,962	-	56,962	-
542,011	-	542,011	-
302,263	17,017	319,280	-
94,741	-	94,741	-
17,750	2,992	20,742	-
7,056	708	7,764	253,850
(64,054)	64,054	-	-
<u>1,897,958</u>	<u>84,771</u>	<u>1,982,729</u>	<u>531,595</u>
104,106	151,278	255,384	131,494
<u>6,059,579</u>	<u>1,544,884</u>	<u>7,604,463</u>	<u>313,604</u>
<u>\$ 6,163,685</u>	<u>\$ 1,696,162</u>	<u>\$ 7,859,847</u>	<u>\$ 445,098</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	GENERAL FUND	STREET FUND	STREET IMPROVEMENT FUND
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 832,220	\$ 526,481	\$ 1,791,170
Accounts Receivable	106,572	40,893	-
Property Taxes Receivable	75,144	-	-
<b>Total Assets</b>	<b>\$ 1,013,936</b>	<b>\$ 567,374</b>	<b>\$ 1,791,170</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 13,320	\$ 8,393	\$ -
Due to Component Unit	3,212	-	-
Customer Deposits	12,982	-	-
Deferred Revenue	71,115	-	-
<b>Total Liabilities</b>	<b>100,629</b>	<b>8,393</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	-
Restricted For:			
Debt Service	162,075	-	-
Interchange Development	-	-	829,435
Highway 99 Maintenance	-	87,300	-
Street SDC's	-	-	961,735
Parks and Recreation SDC's	-	-	-
K-9 Contributions	1,523	-	-
Committed For:			
Traffic Court Equipment	698	-	-
Jackson County Fine Share	13,706	-	-
Advertising Promotion	-	-	-
Tourist Usage	-	-	-
Assigned For:			
Police Equipment Replacement	5,655	-	-
Streets	-	471,681	-
Unassigned	729,650	-	-
<b>Total Fund Balances</b>	<b>913,307</b>	<b>558,981</b>	<b>1,791,170</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,013,936</b>	<b>\$ 567,374</b>	<b>\$ 1,791,170</b>

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

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	119,833	\$ 3,269,704
	25,164	172,629
	-	75,144
<hr/>		<hr/>
\$	144,997	\$ 3,517,477
<hr/>		<hr/>
\$	4,800	\$ 26,513
	-	3,212
	-	12,982
	-	71,115
<hr/>		<hr/>
	4,800	113,822
<hr/>		<hr/>
	-	-
	-	162,075
	-	829,435
	-	87,300
	-	961,735
	133,580	133,580
	-	1,523
	-	698
	-	13,706
	247	247
	6,370	6,370
	-	5,655
	-	471,681
	-	729,650
<hr/>		<hr/>
	140,197	3,403,655
<hr/>		<hr/>
\$	144,997	\$ 3,517,477
<hr/>		<hr/>

This Page Intentionally Left Blank

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

	GENERAL FUND	STREET FUND	STREET IMPROVEMENT FUND
<b>REVENUES</b>			
Taxes	\$ 938,529	\$ -	\$ -
Charges for Services	16,508	214,405	20,823
Licenses and Permits	56,962	-	-
Earnings on Investments	4,980	2,729	9,471
Intergovernmental	136,502	405,509	-
Grants	2,826	-	-
Franchise Fees Revenue	302,263	-	-
Fines and Forfeitures	94,741	-	-
Miscellaneous	6,738	311	-
Total Revenues	<u>1,560,049</u>	<u>622,954</u>	<u>30,294</u>
<b>EXPENDITURES</b>			
Current:			
Executive	164,244	-	-
Administrative	161,821	-	-
Planning Department	79,605	-	-
Parks Department	80,048	-	-
Building Department	80,512	-	-
Police Department	1,026,397	-	-
Highways and Streets	-	280,974	-
Non-Departmental	41,576	-	-
Debt Service:			
Principal	106,039	150,214	-
Interest	20,976	7,738	-
Capital Outlay	7,415	5,488	-
Total Expenditures	<u>1,768,633</u>	<u>444,414</u>	<u>-</u>
Excess of Revenues Over, (Under) Expenditures	(208,584)	178,540	30,294
<b>OTHER FINANCING SOURCES, (USES)</b>			
Transfers In	2,718	-	-
Transfers Out	(94,732)	-	-
Total Other Financing Sources, (Uses)	<u>(92,014)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(300,598)	178,540	30,294
Beginning Fund Balance	<u>1,213,905</u>	<u>380,441</u>	<u>1,760,876</u>
Ending Fund Balance	<u>\$ 913,307</u>	<u>\$ 558,981</u>	<u>\$ 1,791,170</u>

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

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
June 30, 2012**

---

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances	\$ 3,403,655
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	2,997,663
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>	
Loans	(232,779)
Accrued Interest on Long Term Debt	(12,033)
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>	
Accrued Vacation and Comp Time	(63,936)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Deferred Revenue	<u>71,115</u>
Total Net Assets	<u>\$ 6,163,685</u>

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

OTHER GOVERNMENTAL FUNDS		TOTAL
\$ 4,624	\$ 943,153	
8,491	260,227	
-	56,962	
570	17,750	
-	542,011	
25,164	27,990	
-	302,263	
-	94,741	
7	7,056	
<u>38,856</u>	<u>2,252,153</u>	
-	164,244	
-	161,821	
-	79,605	
-	80,048	
-	80,512	
-	1,026,397	
-	280,974	
15,275	56,851	
-	256,253	
-	28,714	
<u>33,433</u>	<u>46,336</u>	
<u>48,708</u>	<u>2,261,755</u>	
(9,852)	(9,602)	
27,960	30,678	
-	(94,732)	
<u>27,960</u>	<u>(64,054)</u>	
18,108	(73,656)	
<u>122,089</u>	<u>3,477,311</u>	
<u>\$ 140,197</u>	<u>\$ 3,403,655</u>	

CITY OF PHOENIX  
JACKSON COUNTY, OREGON

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

---

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures \$ (73,656)

Governmental funds 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 capital outlays exceeded depreciation in the current period.

Additions to Capital Assets	46,336	
Depreciation Expense	<u>(119,493)</u>	(73,157)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.

Compensated Absences	5,832	
Loan Payments	256,253	
Accrued Interest	<u>(5,042)</u>	257,043

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Revenues		<u>(6,124)</u>
Change in Net Assets		<u>\$ 104,106</u>

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

CITY OF PHOENIX  
JACKSON COUNTY, OREGON

STATEMENT OF PROPRIETARY NET ASSETS  
June 30, 2012

	<u>WATER FUND</u>
ASSETS	
Current Assets	
Cash and Investments	\$ 549,538
Accounts Receivable, net	<u>129,362</u>
Total Current Assets	<u>678,900</u>
Noncurrent Assets	
Capital Assets, Net	<u>3,192,297</u>
Total Noncurrent Assets	
Total Assets	<u><u>\$ 3,871,197</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 21,638
Accrued Compensated Absences	13,251
Accrued Interest Payable	56,562
Customer Deposits	5,720
Long Term Debt, Current Position	<u>37,778</u>
Total Current Liabilities	<u>134,949</u>
Long-term Liabilities	
Long Term Debt, Net of Current Position	<u>2,040,086</u>
Total Long-term Liabilities	<u>2,040,086</u>
Total Liabilities	<u>2,175,035</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,268,728
Restricted for:	
Debt Services	134,160
Skyline Water Pump	25,981
SDC's	186,219
Unrestricted	<u>81,074</u>
Total Net Assets	<u>1,696,162</u>
Total Liabilities and Fund Equity	<u><u>\$ 3,871,197</u></u>

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

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2012**

---

	<u>WATER FUND</u>
OPERATING REVENUES	
System Development Charges	\$ 33,529
Charges for Services	1,084,919
Franchise Fees	17,017
Miscellaneous	<u>708</u>
Total Operating Revenues	<u>1,136,173</u>
OPERATING EXPENSES	
Personal Service	314,719
Materials and Services	470,919
Depreciation	<u>146,246</u>
Total Operating Expenses	<u>931,884</u>
Operating Income -Loss	<u>204,289</u>
NONOPERATING REVENUES, (EXPENSES)	
Earnings on Investments	2,992
Interest Expense	(120,057)
Transfers In	89,779
Transfers Out	<u>(25,725)</u>
Total Nonoperating Revenues (Expenses)	<u>(53,011)</u>
Change in Net Assets	151,278
Net Assets (Deficit), Beginning of Year	<u>1,544,884</u>
Net Assets (Deficit), end of year	<u><u>\$ 1,696,162</u></u>

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

**CITY OF PHOENIX  
 JACKSON COUNTY, OREGON  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 For the Year Ended June 30, 2012**

	WATER FUND
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,123,624
Cash Paid to Suppliers	(492,702)
Cash Paid to Employees	(318,267)
	312,655
Net Cash Provided (Used) by Operating Activities	312,655
Cash Flows from Noncapital Financing Activities:	
Transfers	64,054
	64,054
Cash Flows from Capital and Related Financing Activities:	
Payment of Principal of Bonds and Notes	(61,357)
Payment of Interest on Bonds and Notes	(98,839)
Purchase of Capital Assets	(63,333)
	(223,529)
Net Cash Provided (Used) by Capital and Related Financing Activities	(223,529)
Cash Flows from Investing Activities:	
Earnings on Investments	2,992
	2,992
Net Increase (Decrease) in Cash and Cash Equivalents	156,172
Cash and Investments at Beginning of Year	393,366
Cash and Investments at End of Year	\$ 549,538
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income, (Loss)	\$ 204,289
Noncash Items Included in Income:	
Depreciation	146,246
Decrease (Increase) in Accounts Receivable	(12,753)
Decrease (Increase) in Prepaids	221
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(25,552)
Increase (Decrease) in Customer Deposits	204
Net Cash Provided (Used) by Operating Activities	\$ 312,655

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

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The more significant of the accounting policies are described below.

**A. THE FINANCIAL REPORTING ENTITY**

The City of Phoenix is a municipal corporation governed by a mayor and an elected six member council. Accounting principles generally accepted in the United States of America require that these financial statements present the City (the primary government) and all component units, if any. Component units, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the City of Phoenix's reporting entity because of their operational or financial relationships with the City. The Urban Renewal Agency of the City of Phoenix is a component unit.

**B. BASIS OF PRESENTATION – FUND ACCOUNTING**

Financial operations are accounted for in the following major funds:

**GENERAL FUND**

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes, building permits, utility franchise fees, fines and forfeitures.

**SPECIAL REVENUE FUNDS**

These funds account for revenue derived from specific taxes or other earmarked revenue sources, including federal and state grant awards, which are legally restricted to finance particular functions or activities. The following funds are included in this category:

**Street Fund**

This fund accounts for services and debt principal and interest payments made related to street rehabilitation. Principal sources of revenues are intergovernmental revenues, grant awards, and charges for services.

**Street Improvement Fund**

This fund accounts for capital improvement projects which increase capacity for the city. Principal sources of revenue are charges for services.

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**B. BASIS OF PRESENTATION – FUND ACCOUNTING (continued)**

**ENTERPRISE FUNDS**

These funds account for the acquisition, operation and maintenance of facilities and services, which are entirely or predominantly self-supporting through service charges to customers. The following funds are included in this category:

**WATER FUND**

This fund accounts for the maintenance, operation, and construction of the City's water intake, purification, and delivery systems, as well as the City's wastewater collection and treatment system. Principal sources of revenue are user fees, franchise fees, and systems development charges.

The following funds are budgeted separately, but their activity rolls in to the Water Fund in the Proprietary Fund Statements:

**WATER SYSTEM DEVELOPMENT CHARGES FUND**

This fund accounts for water system expansion and improvement, including the construction of a new water reservoir on the east side of Interstate 5 for future development in that area. Principal sources of revenue are system development charges and earnings on investments.

**STORMWATER SYSTEM DEVELOPMENT CHARGES FUND**

Payments from customers are received as a reimbursement for prior and future improvements to the stormwater system.

**C. GOVERNMENT WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 government 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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 measurable to accrue as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

**E. GRANTS**

Unreimbursed grant expenditures due from grantor agencies are recorded in the basic financial statements as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures is recorded as Deferred Revenue in the combined balance sheet.

**F. PROPERTY TAXES RECEIVABLE**

*Ad valorem* property taxes are a lien on all taxable property as of July 1. Property taxes are levied and payable on November 15. Taxes are administrated by the County. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year-end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

**G. BUDGETS**

A budget is prepared for all funds in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. For governmental fund types, the budgetary basis of accounting is the same as generally accepted accounting principles. The budget process begins early in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

G. BUDGETS (continued)

are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption, however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

General Fund expenditures are appropriated by department. Expenditure budgets for all other funds are appropriated at the following levels:

LEVEL OF CONTROL

Personal Services	Contingencies and Transfers
Materials and Services	Debt Service
Capital Outlay	

Expenditures cannot legally exceed the above appropriation levels except in the case of restricted revenues which could not be estimated at the time of budget adoption. Appropriation authority may be transferred from one level of control to another by Council resolution. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amounts and four appropriation transfers and one supplemental budget. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2012.

H. CAPITAL ASSETS, INCLUDING EQUIPMENT LEASED UNDER CAPITAL LEASE

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets in the proprietary fund types are stated at cost, or the estimated fair market value at the date of receipt for gifts or projects constructed by others and accepted for ownership and maintenance by the City. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related Assets. Upon disposal of the assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in operations. Estimated useful lives used in computing depreciation are:

Buildings and Improvements	10 to 50 years
Machinery and Equipment	3 to 25 years
Infrastructure	15 to 40 years

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

I. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. VESTED COMPENSATED ABSENCES

Vested or accumulated vacation leave, including comp time, 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No expenditure is reported for these amounts. Vacation leave is reported as an expense of the Enterprise Funds when earned. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Unpaid sick pay lapses upon termination of employment.

K. RETIREMENT PLANS

All eligible employees may participate in the Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

L. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

M. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Proprietary Funds consider cash to include their proportional share of the cash and investment common pool since it has the general characteristics of demand deposit accounts in that the Proprietary Funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**N. ESTIMATES**

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

**O. FUND EQUITY**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance 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. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation). Restricted fund balances for the City include the ending fund balances of the City Hall Debt Reserve Fund, Intertie Debt Reserve Fund, Street Systems Development Charges, Parks and Recreation Systems Development Charges, and any unspent State Gas Taxes in the Street Fund.
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds is approved by resolution. The City has Committed fund balances for Greenway Maintenance, Advertising Promotion, and Tourist Usage.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Management has been granted authority to assign fund balance in the Street Fund.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. In accordance with the policy, the City has determined that the minimum fund balance for the General Fund should be equal to four months of General Fund expenditures.

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**P. NET ASSETS**

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

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

**2. CASH AND INVESTMENTS**

Cash management policies are governed by state statutes. Statutes authorized investing in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments. In addition, cash is separately held by some of the funds.

Cash and Investments (recorded at cost) consisted of:

Deposits With Financial Institutions:

Petty Cash	\$ 310
Demand Deposits	31,373
Certificate of Deposit	124,465
Investments	<u>3,663,094</u>
	<u>\$ 3,819,242</u>

Investments

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

Amounts in the State Treasurer’s Local Government Investment Pool are not required to be collateralized. The fair value of the City’s position in the State Treasurer’s Local Government Investment Pool was equal to 100% of the value of the pool shares at June 30, 2012. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

There were the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 3</u>	<u>More than 3</u>
Umpqua Bank Sweep Account	\$ 2,084,593	\$ 2,084,593	\$ -
State Treasurer's Investment Pool	1,578,501	1,578,501	-
Total	<u>\$ 3,663,094</u>	<u>\$ 3,663,094</u>	<u>\$ -</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There were no investments that have a maturity date.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk/Deposit Risk

At June 30, 2012, 43% of total investments were in the State Treasurer’s Investment Pool. State statues do not limit the percentage of investments in this instrument. Oregon revised statutes require no more than 25 percent of the monies of local governments to be invested in bankers’ acceptances of any qualified financial institution.

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total balance per the bank statements at June 30, 2012 was \$331,366. Of these deposits, the entire amount was covered by federal depository insurance. Oregon Revised Statutes require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they were all capitalized, 25% of their quarter end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS**

Changes in Governmental capital assets for the year ended June 30, 2012 are as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets Not Being Depreciated:				
Land	\$ 278,276	\$ -	\$ -	\$ 278,276
Construction in Process	900,000	-	-	900,000
 Total Capital Assets Not Being Depreciated	 1,178,276	 -	 -	 1,178,276
Capital Assets Being Depreciated:				
Buildings and Improvements	1,186,769	-	-	1,186,769
Machinery and Equipment	380,641	7,415	-	388,056
Infrastructure	1,005,666	38,921	-	1,044,587
 Total Capital Assets Being Depreciated	 2,573,076	 46,336	 -	 2,619,412
 Total Capital Assets	 \$ 3,751,352	 \$ 46,336	 \$ -	 \$ 3,797,688
Less: Accumulated Depreciation				
Buildings and Improvements	\$ (390,136)	\$ (48,640)	\$ -	\$ (438,776)
Machinery and Equipment	(151,116)	(31,396)	-	(182,512)
Infrastructure	(139,280)	(39,457)	-	(178,737)
 Total Accumulated Depreciation	 \$ (680,532)	 \$ (119,493)	 \$ -	 \$ (800,025)
 Total Net Capital Assets	 \$ 3,070,820			 \$ 2,997,663

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS (continued)**

Changes in Business – Type capital assets for the year ended June 30, 2012 are as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets Not Being Depreciated:				
Land	\$ 21,731	\$ -	\$ -	\$ 21,731
Construction in Process	-	63,333	-	63,333
Total Capital Assets Not Being Depreciated	21,731	63,333	-	85,064
Capital Assets Being Depreciated:				
Buildings and Improvements	1,754,602	-	-	1,754,602
Machinery and Equipment	629,913	-	-	629,913
Infrastructure	2,563,064	-	-	2,563,064
Total Capital Assets Being Depreciated	4,947,579	-	-	4,947,579
Total Capital Assets	\$ 4,969,310	\$ 63,333	\$ -	\$ 5,032,643
Less: Accumulated Depreciation				
Buildings and Improvements	\$ (661,127)	\$ (49,126)	\$ -	\$ (710,253)
Machinery and Equipment	(444,660)	(27,664)	-	(472,324)
Infrastructure	(588,313)	(69,456)	-	(657,769)
Total Accumulated Depreciation	\$ (1,694,100)	\$ (146,246)	\$ -	\$ (1,840,346)
Total Net Capital Assets	\$ 3,275,210			\$ 3,192,297

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**3. CAPITAL ASSETS (continued)**

Governmental depreciation was allocated to the functions as follows:

<u>Program</u>		
Executive	\$	6,692
Administrative		10,157
Planning Department		6,572
Parks Department		4,780
Building Department		5,019
Public Safety		62,733
Highways and Streets		19,238
Non-Departmental		<u>4,302</u>
 Total Governmental Activities	 \$	 <u>119,493</u>

Business – Type depreciation was allocated to the functions as follows:

<u>Program</u>		
Water Department	\$	<u>146,246</u>

**4. INTERFUND ACTIVITY**

Interfund transfers during the year ended June 30, 2012 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Water	\$ 89,779	\$ -
Park SDC	27,960	-
City Hall Debt Reserve	2,718	-
General	-	94,732
Water SDC	-	<u>25,725</u>
	<u>\$ 120,457</u>	<u>\$ 120,457</u>

Transfers are used to fund operations between funds.

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. RETIREMENT PLANS**

Plan Description and Provisions:

The City participates in the State of Oregon Public Employees Retirement System (PERS), an agent multiple-employer pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The system is a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes Chapter 238 and Chapter 238A by the Public Employees Retirement Board. Participation by most political subdivisions is optional but irrevocable if elected. A stand-alone financial report is not available for the City. However, the State of Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, 11410 S.W. 68th Parkway, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-PERS.

The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Description of Funding Policy:

Covered employees are required by state statute to contribute 6 percent of their salary to the plan. The City is required to contribute at actuarially determined rates, as adopted by the PERS Board. The OPERF and the OPSRP rates in effect for the year ending June 30, 2012 for General Services were 7.78% and 2.76%, respectively, and the OPSRP rate for the Police Department was 5.47%. Contributions to the plan for the years ending June 30, 2012, 2011, and 2010 were \$119,152, \$125,324, and \$116,359, respectively.

**6. ACCRUED COMPENSATED ABSENCES**

At June 30, 2012, the outstanding balance is comprised of accrued vacation time of \$67,475 and accrued compensated time of \$9,712. The changes in accrued compensated absences for the year ended June 30, 2012 are as follows:

Fund	Accrued July 1, 2011	Earned	Taken	Accrued June 30, 2012
General	\$ 69,768	\$ 60,250	\$ (66,082)	\$ 63,936
Water	16,799	12,656	(16,204)	13,251
Total	<u>\$ 86,567</u>	<u>\$ 72,906</u>	<u>\$ (82,286)</u>	<u>\$ 77,187</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. LONG TERM DEBT**

Long-term obligations for the City changed as follows for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012	Due in 1 year
<u>Governmental</u>					
OTIB Note Payable	\$ 150,214	\$ -	\$ (150,214)	\$ -	\$ -
Rural Development	338,818	-	(106,039)	232,779	4,204
Total	489,032	-	(256,253)	232,779	4,204
<u>Business - Type</u>					
Water Revenue Bond - Phase I	984,020	-	(15,465)	968,555	16,200
Water Revenue Bond - Phase II	969,857	-	(15,243)	954,614	15,967
Lost Creek Water Storage #1	160,129	-	(5,434)	154,695	5,611
Lost Creek Water Storage #2	25,215	-	(25,215)	-	-
Total	2,139,221	-	(61,357)	2,077,864	37,778
Total Long-term Debt	<u>\$ 2,628,253</u>	<u>\$ -</u>	<u>\$ (317,610)</u>	<u>\$ 2,310,643</u>	<u>\$ 41,982</u>

The City's Governmental Long-term Debt consisted of the following:

Promissory Note Payable

This is a \$1,000,000 payable to the State of Oregon through the Department of Transportation. Annual payments of \$123,291, including interest of 4% are payable each May 1<sup>st</sup> through 2013. Principal and Interest payments are made from the Street Fund. This loan was paid in full during the year.

Rural Development Loan

This loan is payable over 40 years at an interest rate of 4.125%. The loan was to pay for the renovation of the City Hall, Police Station, and Fire Hall Dormitory buildings. Annual payments of \$18,015 are payable each August 13<sup>th</sup> through 2031. Principal and interest payments are made from the General Fund. The City is required to set aside \$2,718 annually into a Reserve Account until there is accumulated in that account the sum of \$27,175 after which deposits may be suspended, except to replace withdrawals.

Year	Principal	Interest	Total
2012-2013	4,204	13,811	18,015
2013-2014	8,605	9,410	18,015
2014-2015	8,960	9,055	18,015
2015-2016	9,330	8,685	18,015
2016-2017	9,715	8,300	18,015
2017-2022	54,924	35,151	90,075
2022-2027	67,227	22,848	90,075
2027-2032	69,814	7,791	77,605
Total	<u>\$ 232,779</u>	<u>\$ 115,051</u>	<u>\$ 347,830</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. LONG-TERM DEBT (continued)**

The City's Business Type Long Term Debt consisted of the following:

Water Revenue Bonds (Phases 1 & 2)

\$2,193,900 was issued on November 16, 2000 for construction of a new reservoir and the City of Phoenix's portion of the water intertie from Medford to Talent, and then to Ashland. The bonds are actually two issues, with combined annual payments of \$123,517, including principal and interest of 4.75%, due November 16<sup>th</sup> each year through 2040. Principal and interest payments are made from the Water Fund.

Phase I

Year	Principal	Interest	Total
2012-2013	16,200	46,006	62,206
2013-2014	16,969	45,237	62,206
2014-2015	17,775	44,431	62,206
2015-2016	18,620	43,586	62,206
2016-2017	19,504	42,702	62,206
2017-2022	112,331	198,699	311,030
2022-2027	141,667	169,363	311,030
2027-2032	178,665	132,365	311,030
2032-2037	225,326	85,704	311,030
2037-2040	221,498	26,878	248,376
Total	<u>\$ 968,555</u>	<u>\$ 834,971</u>	<u>\$ 1,803,526</u>

Phase II

Year	Principal	Interest	Total
2012-2013	15,967	45,344	61,311
2013-2014	16,725	44,586	61,311
2014-2015	17,520	43,791	61,311
2015-2016	18,352	42,959	61,311
2016-2017	19,224	42,087	61,311
2017-2022	110,714	195,841	306,555
2022-2027	139,630	166,925	306,555
2027-2032	176,095	130,460	306,555
2032-2037	222,085	84,470	306,555
2037-2042	218,302	26,491	244,793
Total	<u>\$ 954,614</u>	<u>\$ 822,954</u>	<u>\$ 1,777,568</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. LONG-TERM DEBT (continued)**

Water Contracts:

Storage #1 – \$269,950 payable to the United States of America, for water storage in Lost Creek Lake, a U.S. Army Corps. Of Engineers’ owned facility. Annual payments of \$10,643, including interest of 3.253% are payable each July 25<sup>th</sup> through 2031. Principal and interest payments are made from the Water Fund.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-2013	5,611	5,032	10,643
2013-2014	5,793	4,850	10,643
2014-2015	5,981	4,661	10,642
2015-2016	6,176	4,467	10,643
2016-2017	6,377	4,266	10,643
2017-2022	35,135	18,079	53,214
2022-2027	41,233	11,981	53,214
2027-2032	48,389	4,825	53,214
Total	<u>\$ 154,695</u>	<u>\$ 58,161</u>	<u>\$ 212,856</u>

Storage #2 – \$440,475 payable to the United States of America, for water storage in Lost Creek Lake, a U.S. Army Corps. Of Engineers’ owned facility. Annual payments of \$26,036, including interest of 3.253% are payable each August 31<sup>st</sup> through 2011. Principal and interest payments are made from the Water Fund. This contract was paid in full during the year.

The City is in compliance with the limitations and restrictions contained in the bond indentures.

**8. PROPERTY TAX LIMITATIONS**

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduces the amount of operating property tax revenues available to the City for its 1997-98 fiscal year, and thereafter. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

**9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks.

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

This Page Intentionally Left Blank

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

	<u>GENERAL FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES</b>				
Taxes	\$ 921,350	\$ 921,350	\$ 938,529	\$ 17,179
Charges for Services	9,700	9,700	16,508	6,808
Licenses and Permits	50,700	50,700	56,962	6,262
Earnings on Investments	5,500	5,500	4,731	(769)
Intergovernmental	157,900	157,900	136,502	(21,398)
Grants	7,300	7,300	2,826	(4,474)
Franchise Fees	288,800	288,800	302,263	13,463
Fines and Forfeitures	100,750	100,750	94,741	(6,009)
Miscellaneous	10,500	10,500	6,738	(3,762)
<b>Total Revenues</b>	<u>1,552,500</u>	<u>1,552,500</u>	<u>1,559,800</u>	<u>7,300</u>
<b>EXPENDITURES</b>				
Current:				
Executive	108,870	180,870	(1) 164,244	16,626
Administrative	164,240	173,710	(1) 166,291	7,419
Planning Department	113,255	95,255	(1) 82,550	12,705
Parks Department	86,075	96,075	(1) 80,048	16,027
Building Department	91,135	86,135	(1) 80,512	5,623
Police Department	1,054,555	1,057,500	(1) 1,026,397	31,103
Non-Departmental	40,450	40,450	(1) 38,976	1,474
Debt Services	25,015	127,015	(1) 127,015	-
Contingency	250,000	585	(1) -	585
<b>Total Expenditures</b>	<u>1,933,595</u>	<u>1,857,595</u>	<u>1,766,033</u>	<u>91,562</u>
Excess of Revenues Over, (Under) Expenditures	(381,095)	(305,095)	(206,233)	98,862
<b>OTHER FINANCING SOURCES, (USES)</b>				
Transfers Out	(2,718)	(95,678)	(1) (94,732)	946
Net Change in Fund Balance	(383,813)	(400,773)	(300,965)	99,808
Beginning Fund Balance	969,941	969,941	1,043,694	73,753
Ending Fund Balance	<u>\$ 586,128</u>	<u>\$ 569,168</u>	<u>\$ 742,729</u>	<u>\$ 173,561</u>
Reconciliation to GAAP Fund Balance:				
Ending Fund Balances				
Greenway Maintenance Reserve Fund			8,503	
City Hall Debt Reserve Fund			13,756	
Intertie Debt Reserve Fund			148,319	
			<u>\$ 913,307</u>	

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

<u>STREET FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Charges for Services	\$ 240,300	\$ 240,300	\$ 214,405	\$ (25,895)
Earnings on Investments	1,500	1,500	2,729	1,229
Intergovernmental	388,506	423,167	405,509	(17,658)
Miscellaneous	200	200	311	111
<b>Total Revenues</b>	<u>630,506</u>	<u>665,167</u>	<u>622,954</u>	<u>(42,213)</u>
<b>EXPENDITURES</b>				
Current				
Highways and Streets				
Personal Services	148,905	148,905 (1)	116,065	32,840
Materials and Services	197,100	197,100 (1)	164,909	32,191
Capital Outlay	200,000	200,000 (1)	5,488	194,512
Debt Service	123,291	157,952 (1)	157,952	-
Contingency	1,928	1,928 (1)	-	1,928
<b>Total Expenditures</b>	<u>671,224</u>	<u>705,885</u>	<u>444,414</u>	<u>261,471</u>
<b>Net Change in Fund Balance</b>	(40,718)	(40,718)	178,540	219,258
<b>Beginning Fund Balance</b>	<u>403,331</u>	<u>403,331</u>	<u>380,441</u>	<u>(22,890)</u>
<b>Ending Fund Balance</b>	<u>\$ 362,613</u>	<u>\$ 362,613</u>	<u>\$ 558,981</u>	<u>\$ 196,368</u>

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

<u>STREET IMPROVEMENT FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Charges for Services	\$ 21,000	\$ 21,000	\$ 20,823	\$ (177)
Earnings on Investments	13,000	13,000	9,471	(3,529)
Total Revenues	<u>34,000</u>	<u>34,000</u>	<u>30,294</u>	<u>(3,706)</u>
<b>EXPENDITURES</b>				
Current				
Highways and Streets				
Materials and Services	21,500	21,500 (1)	-	21,500
Capital Outlay	<u>200,000</u>	<u>200,000 (1)</u>	<u>-</u>	<u>200,000</u>
Total Expenditures	<u>221,500</u>	<u>221,500</u>	<u>-</u>	<u>221,500</u>
Excess of Revenues Over, (Under) Expenditures	(187,500)	(187,500)	30,294	217,794
Beginning Fund Balance	<u>1,767,017</u>	<u>1,767,017</u>	<u>1,760,876</u>	<u>(6,141)</u>
Ending Fund Balance	<u>\$ 1,579,517</u>	<u>\$ 1,579,517</u>	<u>\$ 1,791,170</u>	<u>\$ 211,653</u>

(1) Appropriation Level

This Page Intentionally Left Blank

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

This Page Intentionally Left Blank

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS  
For the Year Ended June 30, 2012**

<u>WATER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Charges for Services	\$ 1,104,215	\$ 1,104,215	\$ 1,084,919	\$ (19,296)
Franchise Fees	16,000	16,000	17,017	1,017
Earnings on Investments	2,000	2,000	1,546	(454)
Miscellaneous	7,000	7,000	708	(6,292)
Total Revenues	1,129,215	1,129,215	1,104,190	(25,025)
<b>EXPENDITURES</b>				
Current				
Utility Services				
Personal Services	304,215	324,215 (1)	318,267	5,948
Materials and Services	499,900	479,900 (1)	470,919	8,981
Capital Outlay	100,000	100,000 (1)	63,333	36,667
Debt Service	160,196	160,196 (1)	160,196	-
Contingency	265,555	265,555 (1)	-	265,555
Total Expenditures	1,329,866	1,329,866	1,012,715	317,151
<b>OTHER FINANCING SOURCES, (USES)</b>				
Transfers In	25,725	25,725	89,779	64,054
Net Change in Fund Balance	(174,926)	(174,926)	181,254	356,180
Beginning Fund Balance	332,105	332,105	284,069	(48,036)
Ending Fund Balance	\$ 157,179	\$ 157,179	465,323	\$ 308,144
<b>Reconciling Items:</b>				
Water SDC Fund Balance			165,679	
Stormwater SDC Fund Balance			20,540	
Capital Assets, Net			3,192,297	
Accrued Compensated Absences			(13,251)	
Accrued Interest			(56,562)	
Bonds and Notes Payable			(2,077,864)	
Net Assets			\$ 1,696,162	

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

WATER SYSTEM DEVELOPMENT CHARGES FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
System Development Charges	\$ 18,500	\$ 18,500	\$ 27,711	\$ 9,211
Earnings on Investments	1,000	1,000	1,288	288
Total Revenues	<u>19,500</u>	<u>19,500</u>	<u>28,999</u>	<u>9,499</u>
<b>EXPENDITURES</b>				
Capital Outlay	35,000	35,000 (1)	-	35,000
Contingency	-	- (1)	-	-
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Excess of Revenues Over, (Under) Expenditures	<u>(15,500)</u>	<u>(15,500)</u>	<u>28,999</u>	<u>44,499</u>
<b>OTHER FINANCING SOURCES, (USES)</b>				
Transfers Out	<u>(25,725)</u>	<u>(25,725) (1)</u>	<u>(25,725)</u>	<u>-</u>
Net Change in Fund Balance	(41,225)	(41,225)	3,274	44,499
Beginning Fund Balance	<u>138,488</u>	<u>138,488</u>	<u>162,405</u>	<u>23,917</u>
Ending Fund Balance	<u>\$ 97,263</u>	<u>\$ 97,263</u>	<u>\$ 165,679</u>	<u>\$ 68,416</u>

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

STORMWATER SDC FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 5,000	\$ 5,000	\$ 5,818	\$ 818
Earnings on Investments	100	100	158	58
Total Revenues	<u>5,100</u>	<u>5,100</u>	<u>5,976</u>	<u>876</u>
Change in Net Assets	5,100	5,100	5,976	876
Beginning Net Assets	<u>14,982</u>	<u>14,982</u>	<u>14,564</u>	<u>(418)</u>
Ending Net Assets	<u>\$ 20,082</u>	<u>\$ 20,082</u>	<u>\$ 20,540</u>	<u>\$ 458</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012**

	ADVERTISING PROMOTION FUND	TOURIST USAGE FUND	PARKS AND RECREATION SDC FUND	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 447	\$ 10,970	\$ 108,416	\$ 119,833
Accounts Receivable	-	-	25,164	25,164
Total Assets	<u>\$ 447</u>	<u>\$ 10,970</u>	<u>\$ 133,580</u>	<u>\$ 144,997</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 200	\$ 4,600	-	\$ 4,800
Total Liabilities	<u>200</u>	<u>4,600</u>	<u>-</u>	<u>4,800</u>
<b>FUND BALANCES</b>				
Committed For:				
Advertising Promotion	247	-	-	247
Tourist Usage	-	6,370	-	6,370
Restricted For:				
Parks and Recreation SDC's	-	-	133,580	133,580
Total Fund Balances	<u>247</u>	<u>6,370</u>	<u>133,580</u>	<u>140,197</u>
Total Liabilities and Fund Balances	<u>\$ 447</u>	<u>\$ 10,970</u>	<u>\$ 133,580</u>	<u>\$ 144,997</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

	ADVERTISING PROMOTION FUND	TOURIST USAGE FUND	PARKS AND RECREATION SDC FUND	TOTAL
<b>REVENUES</b>				
Taxes	\$ 1,117	\$ 3,507	\$ -	\$ 4,624
Charges for Services	-	-	8,491	8,491
Miscellaneous Grants	-	-	25,164	25,164
Earnings on Investments	1	41	528	570
Miscellaneous	7	-	-	7
<b>Total Revenues</b>	<b>1,125</b>	<b>3,548</b>	<b>34,183</b>	<b>38,856</b>
<b>EXPENDITURES</b>				
Current				
Parks Department	-	-	33,433	33,433
Non-Departmental	1,275	14,000	-	15,275
<b>Total Expenditures</b>	<b>1,275</b>	<b>14,000</b>	<b>33,433</b>	<b>48,708</b>
Net Change in Fund Balance	(150)	(10,452)	28,710	18,108
BEGINNING FUND BALANCES	397	16,822	104,870	122,089
ENDING FUND BALANCES	<u>\$ 247</u>	<u>\$ 6,370</u>	<u>\$ 133,580</u>	<u>\$ 140,197</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

<u>ADVERTISING PROMOTION FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	\$ 300	\$ 300	\$ 1,117	\$ 817
Earnings on Investments	2,000	2,000	1	(1,999)
Miscellaneous	-	-	7	7
Total Revenues	<u>2,300</u>	<u>2,300</u>	<u>1,125</u>	<u>(1,175)</u>
<b>EXPENDITURES</b>				
Current				
Non-Departmental				
Materials and Services	<u>1,600</u>	<u>1,600</u>	(1) <u>1,275</u>	<u>325</u>
Total Expenditures	<u>1,600</u>	<u>1,600</u>	<u>1,275</u>	<u>325</u>
Net Change in Fund Balance	700	700	(150)	(850)
Beginning Fund Balance	<u>1,348</u>	<u>1,348</u>	<u>397</u>	<u>(951)</u>
Ending Fund Balance	<u>\$ 2,048</u>	<u>\$ 2,048</u>	<u>\$ 247</u>	<u>\$ (1,801)</u>

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

<u>TOURIST USAGE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	\$ 5,000	\$ 5,000	\$ 3,507	\$ (1,493)
Earnings on Investments	150	150	41	(109)
Total Revenues	<u>5,150</u>	<u>5,150</u>	<u>3,548</u>	<u>(1,602)</u>
<b>EXPENDITURES</b>				
Current				
Non-Departmental				
Materials and Services	<u>15,000</u>	<u>15,000 (1)</u>	<u>14,000</u>	<u>1,000</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>14,000</u>	<u>1,000</u>
Net Change in Fund Balance	(9,850)	(9,850)	(10,452)	(602)
Beginning Fund Balance	<u>19,297</u>	<u>19,297</u>	<u>16,822</u>	<u>(2,475)</u>
Ending Fund Balance	<u>\$ 9,447</u>	<u>\$ 9,447</u>	<u>\$ 6,370</u>	<u>\$ (3,077)</u>

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

<u>PARKS AND RECREATION SDC FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Charges for Services	\$ 6,500	\$ 6,500	\$ 8,491	\$ 1,991
Miscellaneous Grants	27,960	27,960	25,164	(2,796)
Earnings on Investments	800	800	528	(272)
Total Revenues	<u>35,260</u>	<u>35,260</u>	<u>34,183</u>	<u>(1,077)</u>
<b>EXPENDITURES</b>				
Current				
Parks Department				
Materials and Services	7,000	7,000 (1)	-	7,000
Capital Outlay	7,000	34,960 (1)	33,433	1,527
Total Expenditures	<u>14,000</u>	<u>41,960</u>	<u>33,433</u>	<u>8,527</u>
Excess of Revenues Over, (Under) Expenditures	21,260	(6,700)	750	7,450
<b>OTHER FINANCING SOURCES, (USES)</b>				
Transfers In	-	27,960	27,960	-
Net Change in Fund Balance	21,260	21,260	28,710	7,450
Beginning Fund Balance	<u>105,755</u>	<u>105,755</u>	<u>104,870</u>	<u>(885)</u>
Ending Fund Balance	<u>\$ 127,015</u>	<u>\$ 127,015</u>	<u>\$ 133,580</u>	<u>\$ 6,565</u>

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

GREENWAY MAINTENANCE RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Earnings on Investments	\$ 100	\$ 100	\$ 48	\$ (52)
Total Revenues	<u>100</u>	<u>100</u>	<u>48</u>	<u>(52)</u>
EXPENDITURES				
Materials and Services	<u>2,600</u>	<u>2,600 (1)</u>	<u>2,600</u>	<u>-</u>
Excess of Revenues Over, (Under) Expenditures	(2,500)	(2,500)	(2,552)	(52)
Beginning Fund Balance	<u>11,060</u>	<u>11,060</u>	<u>11,055</u>	<u>(5)</u>
Ending Fund Balance	<u>\$ 8,560</u>	<u>\$ 8,560</u>	<u>\$ 8,503</u>	<u>\$ (57)</u>

(1) Appropriation Level

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

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

CITY HALL DEBT RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Earnings on Investments	\$ 63	\$ 63	\$ 59	\$ (4)
Total Revenues	<u>63</u>	<u>63</u>	<u>59</u>	<u>(4)</u>
OTHER FINANCING SOURCES, (USES)				
Transfers In	<u>2,718</u>	<u>2,718</u>	<u>2,718</u>	<u>-</u>
Net Change in Fund Balance	2,781	2,781	2,777	(4)
Beginning Fund Balance	<u>10,979</u>	<u>10,979</u>	<u>10,979</u>	<u>-</u>
Ending Fund Balance	<u>\$ 13,760</u>	<u>\$ 13,760</u>	<u>\$ 13,756</u>	<u>\$ (4)</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS  
For the Year Ended June 30, 2012**

INTERTIE DEBT RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Earnings on Investments	\$ 2,770	\$ 2,770	\$ 142	\$ (2,628)
Total Revenues	<u>2,770</u>	<u>2,770</u>	<u>142</u>	<u>(2,628)</u>
Net Change in Fund Balance	2,770	2,770	142	(2,628)
Beginning Fund Balance	<u>148,153</u>	<u>148,153</u>	<u>148,177</u>	<u>24</u>
Ending Fund Balance	<u>\$ 150,923</u>	<u>\$ 150,923</u>	<u>\$ 148,319</u>	<u>\$ (2,604)</u>

**CITY OF PHOENIX  
JACKSON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED - GENERAL FUND  
For the Year Ended June 30, 2012**

TAX YEAR	IMPOSED LEVY OR UNCOL- LECTED AT 7-1-11	DEDUCT DISCOUNTS	ADJUST- MENTS TO ROLLS	INTEREST	CASH COLLEC- TIONS BY COUNTY TREAS- URER	BALANCE UNCOL- LECTED OR UNSEG- REGATED AT 6-30-12
CURRENT:						
2011-2012	\$ 952,577	\$ 22,656	\$ (6,087)	\$ 35	\$ 886,829	\$ 37,040
PRIOR YEARS:						
2010-2011	46,133	81	(219)	1,251	29,626	17,458
2009-2010	19,125	-	(107)	1,224	9,766	10,476
2008-2009	10,866	-	(65)	1,542	8,260	4,083
2007-2008	8,541	-	(112)	1,568	7,206	2,791
2006-2007 & Prior	4,697	-	(570)	430	1,261	3,296
Total Prior	89,362	81	(1,073)	6,015	56,119	38,104
Total	<u>\$ 1,041,939</u>	<u>\$ 22,737</u>	<u>\$ (7,160)</u>	<u>\$ 6,050</u>	<u>\$ 942,948</u>	<u>\$ 75,144</u>

RECONCILIATION OF REVENUE:

	GENERAL FUND
Cash Collections by County Treasurer Above	\$ 942,948
Accrual of Receivables:	
June 30, 2011	(16,323)
June 30, 2012	4,029
Total Revenue	<u>\$ 930,654</u>

**CITY OF PHOENIX**  
**JACKSON COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED**  
**BY OREGON STATE REGULATIONS**

This Page Intentionally Left Blank



**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

December 27, 2012

**Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Phoenix as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Phoenix'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 Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the internal controls 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter.

This report is intended solely for the information and use of the council members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

  
PAULY, ROGERS AND CO., P.C.