

CITY OF PHOENIX
JACKSON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



12700 SW 72nd Ave.
Tigard, OR 97223

CITY OF PHOENIX
JACKSON COUNTY, OREGON

FINANCIAL REPORT

2010-2011

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CITY OF PHOENIX
JACKSON COUNTY, OREGON

MAYOR AND CITY COUNCIL MEMBERS AS OF JUNE 30, 2011

<u>NAME</u>	<u>TERM EXPIRES</u>
Carlos Debritto – Mayor	December 31, 2012
Diana Nelson	December 31, 2012
Carolyn Bartell	December 31, 2014
Stan Bartell	December 31, 2012
Karen Jones	December 31, 2014
Bruce Sophie	December 31, 2014
Gordon Sievers	December 31, 2012

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

ADMINISTRATIVE

Jane Turner, City Manager
112 W 2nd Street
P.O. Box 330
Phoenix, Oregon 97535

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CITY OF PHOENIX
JACKSON COUNTY, OREGON

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FINANCIAL

SECTION

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 26, 2011

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

INDEPENDENT AUDITORS' REPORT

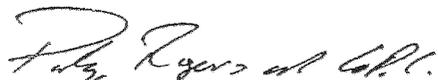
We have audited the basic financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Phoenix, Jackson County, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 basic 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 the City's 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of City of Phoenix, Jackson County, Oregon, at June 30, 2011, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data of individual fund statements and other financial schedules, as listed in 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 been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, as listed on the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

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, 2011. 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 \$10.46 million at June 30, 2011 consisting of \$6.35 million in capital assets, net of accumulated depreciation, \$3.77 million in cash and \$346 thousand in other receivables and other assets. Capital assets, net of accumulated depreciation increased by \$48 thousand in the current year. Cash and investment balances decreased by \$14 thousand from the prior year.
- The City's government-wide liabilities, not including its component unit, totaled \$2.86 million at June 30, 2011 consisting of \$2.63 million in short and long-term debt and \$229 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 \$7.60 million at June 30, 2011 of which \$5.67 million was invested in capital assets net of related debt, \$319 thousand was restricted for debt service, \$2.04 million was restricted for interchange and system development charges. From this amount, approximately \$918 thousand was Interchange development charges and \$1.12 million was system development charges. \$126 thousand was restricted for highway 99 maintenance, \$19 thousand for the Skyline Water Pump and \$2 thousand for K-9 Contributions. The proprietary funds do not have any unrestricted assets available, due to the long term debt of \$2.08 million owed by the Intertie Debt Service and Water Funds. In addition, this long term debt leaves the City's government wide net assets without any unrestricted assets.
- The City generated program revenues of \$1.47 million which includes \$1.32 million in Charges for Services, \$29 thousand in Operating Grants and Contributions and \$123 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 \$1.80 million. The Government-Wide expenses were \$2.04 million for governmental activities and \$1.13 million for business-type activities to include interest on long-term debt totaling \$3.18 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.

Business-type activities include the following:

- Water—includes all costs for the maintenance, operations, and construction of the City’s water delivery system.
- Water SDC—accounts for water system expansion and improvement including the construction of a new reservoir on the east side of Interstate 5 for future development.

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, Water SDC Fund and Stormwater SDC Funds are presented separately as the major funds in the proprietary fund financial statements. There are no nonmajor funds. If there were two or more nonmajor funds 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 \$7.60 million at June 30, 2011. Net assets for governmental activities totaled \$6.06 million while net assets for business-type activities totaled \$1.54 million.

	June 30, 2011		June 30, 2010	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Capital Assets, net	\$ 3,070,820	\$ 3,275,210	\$ 2,962,327	\$ 3,335,254
Current & Other Assets	3,605,870	510,196	3,911,700	410,432
Total Assets	6,676,690	3,785,406	6,874,027	3,745,686
Long Term Debt	489,032	2,139,221	605,367	2,198,221
Other Liabilities	128,079	101,301	195,656	110,444
Total Liabilities	617,111	2,240,522	801,023	2,308,665
Invested in Capital Assets Net of Related Debt	2,581,788	3,089,865	2,356,960	3,120,225
Restricted	2,153,093	356,134	2,089,571	362,639
Unrestricted	1,324,698	(1,901,115)	1,626,473	(2,045,843)
Total Net Assets	\$ 6,059,579	\$ 1,544,884	\$ 6,073,004	\$ 1,437,021

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 \$94 thousand from the prior year as revenues exceeded expenses. This increase was largely due to the business type activities increasing by almost \$108 thousand whereas the governmental activities decreased by more than \$13 thousand. The largest portion of the City's net assets (74.6 percent) is its investment in capital assets, net of related debt. In the prior year, this portion of net assets was 72.9 percent of total net assets. The increase for the governmental activities is due primarily to street improvement projects being completed during the year and new vehicle purchases while the total depreciation expense for both activities was \$261 thousand.

Analysis of Changes in Net Assets

The City's Statement of Activities for fiscal years ended June 30, 2011 and 2010 are as follows:

	June 30, 2011		June 30, 2010	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Revenues				
Program Revenues:				
Charges for Services	248,237	1,070,168	\$ 229,675	\$ 1,064,522
Operating Grants	28,837	-	3,420	-
Capital Grants/Contributions	123,291	-	107,211	-
General Revenues:				
Property Taxes	898,381	-	892,159	-
Other Taxes	15,544	-	5,192	-
Licenses & Permits	43,752	-	55,688	-
Intergovernmental	340,669	-	516,668	-
Franchise Fees	365,407	-	285,679	-
Fines & Forfeitures	109,007	-	87,624	-
Earnings On Investments	20,844	3,141	44,881	4,257
Loss on Disposal Assets	-	-	-	(9,860)
Other	4,039	13	75,615	2,184
Total Revenues	2,198,008	1,073,322	2,303,812	1,061,103
Expenses				
Executive	112,599	-	105,146	-
Administrative	173,997	-	183,939	-
Public Safety	1,081,276	-	988,438	-
Parks	81,067	-	55,284	-
Building	84,722	-	55,538	-
Planning	111,296	-	111,198	-
Highways and Streets	297,544	-	320,724	-
Non-Departmental	73,935	-	129,871	-
Interest on Long-Term Debt	28,147	100,666	25,853	103,036
Water	-	1,031,643	-	957,744
Total Expenses	2,044,583	1,132,309	1,975,991	1,060,780
Excess Before Transfers	153,425	(58,987)	327,821	323
Transfers	-	-	193,823	(193,823)
Change in Net Assets	153,425	(58,987)	521,644	(193,500)
Beginning Net Assets	6,073,004	1,437,021	5,551,360	1,630,521
Reclassification of Net Assets	(166,850)	166,850	-	-
Ending Net Assets	\$ 6,059,579	\$ 1,544,884	\$ 6,073,004	\$ 1,437,021

Governmental Activities

Governmental activities decreased the City's net assets by \$13 thousand, which is a slight decline of 0.22 percent. The decline can be attributed primarily to the decrease in revenues of \$106 thousand and increased expenditures of \$69 thousand from the prior year. The major change in revenues was from the final payment being received by the Urban Renewal Agency in the prior year of \$141 thousand. The expenditures increased mainly from the vehicle purchases of \$43 thousand as well as labor negotiations increasing payroll from 2.5 to 5.0 percent for employees. When comparing all revenue sources, except the Intergovernmental Note Payable from that of the prior year, as a whole, revenues increased by \$35 thousand. The General revenues that seem to be improving consistently and are anticipated to do so for the next year are; Fines and Forfeitures at \$21 thousand (24.4 percent), Charges for Services at \$19 thousand (8.1 percent) and Property Taxes at \$6.2 thousand (0.70 percent). Although Franchise Fees had a large increase of \$80 thousand, it is not expected to continue into the next year as the Utility Franchise Fees were eliminated at the end of the current year. The loss in the Earnings on Investments was primarily due to the ending of the URA Note; however it is projected that this account will increase slightly over the next year as well. Overall, revenues exceeded expenditures by \$153 thousand and this is without the URA payment of \$141 thousand that was available in the prior year. Taking this all into consideration, it appears to be a better 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 \$107 thousand. In the prior year, the business-type activities reported a loss of over \$193 thousand. The loss from the prior year is due primarily to charges for services not exceeding expenses. This would have been a continued loss of \$59 thousand in the current year if the reclassification of the Water Reserve Fund for \$167 thousand had not been absorbed into the Water Fund. The business-type activities reported operating income of \$39 thousand. By examining the operating cash flow activities of the business-type funds, it is worth noting the operating activities generated positive cash flow of \$170 thousand, overall, business-type cash flows decreased by \$75 thousand. For comparative purposes, charges for services in the business-type funds increased \$5.6 thousand (0.53 percent) which is consistent with the prior year. Meanwhile, expenses directly related to providing water services increased \$74 thousand (7.7 percent). Although since charges were consistent with the prior year and operational expenses increased, without the reclassification, a loss of \$59 thousand would have occurred. This points to a worse 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 3.48 million, a decrease of \$240 thousand (6.47 percent) from the prior year's fund balances of \$3.72 million. Intergovernmental, Licenses and Permits, and Earnings on Investments all have decreased. The areas that have increased are Charges for Services, Capital and Operating Grants and Contributions, Property Tax and Other Tax receipts, Franchise Fees, and Fines and Forfeitures. Total expenditures increased from the prior year, from \$2.12 million to \$2.28 million, an increase of 7.57 percent.

The ending fund balances comprised of \$3.48 million, \$1.04 million was unassigned and available for spending by the City within the purposes specified for the City's funds. Of the \$2.44 million differences \$1.6 thousand is non-spendable. \$2.15 Million is restricted for K-9 program, Debt Services, Street SDC's, IDC's, Hwy 99 repairs, and Park and Recreation SDC's. \$28 thousand is committed for Greenway Maintenance, Advertising Promotions and Tourist Usage. \$254 thousand is assigned for Street repairs.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the general fund was \$1.04 million down from \$1.06 thousand in the previous year, a decrease of \$21 thousand. This decrease is partially due to the \$28 thousand increase in expenditures from that of the prior year in the amount of \$114 thousand. Unassigned fund balance represents 63 percent of total General Fund expenditures. This is a good measure of the General Fund's liquidity as it is common for governmental agencies to require either their first month quarter of expenses or a 25 percent minimum fund balance policy. The City's expense through September 30, 2011 was \$407 thousand, leaving the City with 2.5 times an average fund balance policy.

Other major governmental funds include the Street Fund and the Street Improvement Fund. Fund balances increased by \$138 thousand in the Street Fund, and increased in the Street Improvement Fund by \$24 thousand.

Proprietary Funds

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

The Utility Fund is primarily used to account for the daily operations of the City's water services. The net asset of the Utility Fund decreased by \$52 thousand (4.12 percent) during the year, but the loss was due to the increase to interest expense which was being paid from the Intertie Debt Service Fund in the prior year. With the increase of \$93 thousand in the interest expense, it is still a decline from that of the prior year having a decreased fund balance of \$222 thousand. The other proprietary funds are primarily used as support for the City's water operations through debt payments as well as constructing and acquiring capital assets. The activities of these other proprietary funds decreased the net assets of the business-type activities by approximately \$7 thousand. The business-type activities report a change in net assets of \$59 thousand for a total of \$1.54 million at June 30, 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were changes to the General Fund budget during the 2010/11 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 over-expend its appropriation authority. The City did not have resolutions transferring appropriations for the General Fund and Tourist Usage Fund in the following way:

General Fund:	Building Department		226
	Parks Department		\$ 5,000
	Non-Departmental		11,298
Tourist Usage Fund:	Materials & Services		315
			\$ 16,613

The General fund's over-expenditure in the Building Department was due to a \$6 thousand demolition expense being conducted at 210 N. Rose. The City was working with the attorney to have a lien placed on the property for the expenditures occurred. The City knew of this expenditure prior to the end of the year so there is no reason why a resolution should not have been completed.

The over-expenditure in the Parks Department was due to Playground Fiber purchased in May for \$4 thousand which was consisted with the prior year. The other reason appears to be from City insurance that was paid in July 2010. Both of these reasons could have been easily avoided had a review been done prior to year end.

The over-expenditure in Non-Departmental was due to 911 SORC payment that always comes in after June 30th. The prior year had expenses of \$24 thousand and the current year did as well with the \$5.7 thousand payment. Other Miscellaneous was also expensed incorrectly for payment made to URA for \$6.8 thousand. This amount was in our Due to Component Unit Liability account and should have been paid through that account instead of a miscellaneous expense account. All of these General Fund Over-Expenditures could have been avoided if a review process happened prior to year end as everything was consistent with the prior year or we had documentation provided to do so.

Tourist Fund Over-Expenditures were due to four separate payments totaling \$4 thousand was made from the middle of April until the beginning of June to the Phoenix Phestival for an event in August. This Fund did not have enough budgeted to make those contributions, therefore a resolution should have been made or these could have come from the Community Events in the General Fund.

CAPITAL ASSETS

As of June 30, 2011 the City had invested \$6.35 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions, deductions, and depreciation) of \$48 thousand, or 0.77 percent.

	Governmental Activities	Business Type Activities	Total
Land	\$ 278,276	\$ 21,731	\$ 300,007
Buildings and Improvements	796,633	1,093,475	1,890,108
Machinery and Equipment	229,525	185,253	414,778
Infrastructure	866,386	1,974,751	2,841,137
Construction in Progress	900,000	-	900,000
Total	\$ 3,070,820	\$ 3,275,210	\$ 6,346,030

Major events affecting capital assets for the 2010/11 fiscal year are as follows:

- Retirements of two vehicles with balances of almost \$47 thousand.
- There were over \$321 thousand in new additions during the 2010/11 fiscal year. These consisted of:
 - Police - Two vehicle purchases for \$60 thousand and K-9 Vehicle equipment for \$14 thousand
 - Street Fund - Cheryl & Rose Sidewalk \$78 thousand
 - Street Fund - 4th Street Improvements and Rehabilitation for \$81 thousand
 - Water Fund – Hand Held for meter reading for \$11 thousand
 - Water Fund - Replacing Fire Hydrant for \$7 thousand
 - Amerman Waterline Pressure Improvements for \$70 thousand

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

DEBT ADMINISTRATION

As of year-end, the City had \$2.63 million in long-term debt outstanding compared to \$2.80 million in the previous year. The \$175 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	\$ 338,818	\$ -	\$ 338,818
OTIB Note Payable	150,214	-	150,214
Water Revenue Bonds-Phase I	-	984,020	984,020
Water Revenue Bonds-Phase II	-	969,857	969,857
Lost Creek Water Storage Contract #1	-	160,129	160,129
Lost Creek Water Storage Contract #2	-	25,215	25,215
Total	\$ 489,032	\$ 2,139,221	\$ 2,628,253

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.

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 2010/2011 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 recently partnered with Southern Oregon Credit to assist in the collections process for our 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.
- A Water rate review was completed twice during the year and new rates changed as of June 2011. In the month of June, revenues increased \$10 thousand. Before this change, the Utility Fund was not self-supporting where revenues were covering expenses. With the new rates in place, revenues should exceed expenses as well as continue to save for future capital replacements.
- The City passed a resolution to reduce the Water Franchise Fees from 10 percent down to 5 percent in October, and then completely removing them in May 2011. This change reduced the expected revenues by \$38 thousand in the General Fund but decreased the Water Fund's expenses by the same amount.
- It was found in the 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 \$11 thousand as of June 2011.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Highlights for the fiscal year 2012 budget are as follows:

- 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.
- The process of reviewing City ordinances to ensure revenue is being collected properly is still being 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 have found inaccuracies for the Street User Fees, however council has stopped the process in updating our records to collect based on how our ordinance is written and management is unsure as to why.
 - Transient Taxes still need to be reviewed for two other motels.
- Due to litigations and contract negotiations for the City Manager and Finance Director unexpected expenditures will increase by \$81 thousand. This does not include the cost of any related expenses incurred in hiring the new positions, training, or contracted employees.

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 2nd Street, Phoenix, Oregon 97535. The City's telephone number is 541-535-1955.

**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

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**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

**STATEMENT OF NET ASSETS
June 30, 2011**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL	BUSINESS TYPE	TOTAL	
ASSETS				
Cash and Investments	\$ 3,376,420	\$ 393,366	\$ 3,769,786	\$ 313,604
Receivables	227,827	116,609	344,436	23,169
Prepays	1,623	221	1,844	-
Total Current Assets	3,605,870	510,196	4,116,066	336,773
Capital Assets, net:				
Land	278,276	21,731	300,007	-
Buildings and Improvements	796,633	1,093,475	1,890,108	-
Machinery and Equipment	229,525	185,253	414,778	-
Infrastructure	866,386	1,974,751	2,841,137	-
Construction in Progress	900,000	-	900,000	-
Total Assets	6,676,690	3,785,406	10,462,096	336,773
LIABILITIES				
Accounts Payable	35,126	43,642	78,768	-
Accrued Interest Payable	6,991	35,344	42,335	-
Customer Deposits	12,982	5,516	18,498	-
Due to Component Unit	3,212	-	3,212	-
Deferred Tax Revenue	-	-	-	23,169
Accrued Compensated Absences	69,768	16,799	86,567	-
Long-term Debt:				
Due Within One Year	121,077	61,357	182,434	-
Due In More Than One Year	367,955	2,077,864	2,445,819	-
Total Liabilities	617,111	2,240,522	2,857,633	23,169
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	2,581,788	3,089,865	5,671,653	-
Restricted for:				
Debt Service	159,156	160,196	319,352	124,021
SDC's	947,815	176,969	1,124,784	-
Interchange Development	917,931	-	917,931	-
Highway 99 Maintenance	126,205	-	126,205	-
K-9 Contributions	1,986	-	1,986	-
Skyline Water Pump	-	18,969	18,969	-
Unrestricted	1,324,698	(1,901,115)	(576,417)	189,583
Total Net Assets	\$ 6,059,579	\$ 1,544,884	\$ 7,604,463	\$ 313,604

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, 2011**

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Executive	\$ 112,599	\$ -	\$ -	\$ -
Administrative	173,997	-	-	-
Public Safety	1,081,276	-	28,837	-
Parks Department	81,067	4,808	-	-
Building Department	84,722	11,301	-	-
Planning Department	111,296	-	-	-
Highways and Streets	297,544	232,128	-	123,291
Non-Departmental	73,935	-	-	-
Interest on Long-term Debt	28,147	-	-	-
Total Governmental Activities	<u>2,044,583</u>	<u>248,237</u>	<u>28,837</u>	<u>123,291</u>
Business-Type Activities				
Water	1,031,643	1,070,168	-	-
Total Business Activities	<u>1,031,643</u>	<u>1,070,168</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 3,076,226</u>	<u>\$ 1,318,405</u>	<u>\$ 28,837</u>	<u>\$ 123,291</u>
Component Unit				
Urban Renewal Agency	<u>\$ 481,142</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

Total General Revenues and Transfers

Change in Net Assets

Beginning Net Assets

Reclassification of 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

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (112,599)	\$ -	\$ (112,599)	
(173,997)	-	(173,997)	
(1,052,439)	-	(1,052,439)	
(76,259)	-	(76,259)	
(73,421)	-	(73,421)	
(111,296)	-	(111,296)	
57,875	-	57,875	
(73,935)	-	(73,935)	
(28,147)	(100,666)	(128,813)	
<u>(1,644,218)</u>	<u>(100,666)</u>	<u>(1,744,884)</u>	
-	38,525	38,525	
-	38,525	38,525	
<u>(1,644,218)</u>	<u>(62,141)</u>	<u>(1,706,359)</u>	
			<u>\$ (481,142)</u>
898,381	-	898,381	265,206
15,544	-	15,544	-
43,752	-	43,752	-
340,669	-	340,669	-
365,407	-	365,407	-
109,007	-	109,007	-
20,844	3,141	23,985	1,214
4,039	13	4,052	250,000
<u>1,797,643</u>	<u>3,154</u>	<u>1,800,797</u>	<u>516,420</u>
153,425	(58,987)	94,438	35,278
<u>6,073,004</u>	<u>1,437,021</u>	<u>7,510,025</u>	<u>278,326</u>
(166,850)	166,850	-	-
<u>\$ 6,059,579</u>	<u>\$ 1,544,884</u>	<u>\$ 7,604,463</u>	<u>\$ 313,604</u>

**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	GENERAL FUND	STREET FUND	STREET IMPROVEMENT FUND
ASSETS			
Cash and Cash Equivalents	\$ 1,146,957	\$ 347,141	\$ 1,760,876
Prepaid Expenses	1,538	85	-
Accounts Receivable	87,829	45,716	4,200
Property Taxes Receivable	89,362	-	-
Total Assets	\$ 1,325,686	\$ 392,942	\$ 1,765,076
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 22,548	\$ 12,501	\$ -
Due to Component Unit	3,212	-	-
Customer Deposits	12,982	-	-
Deferred Revenue	73,039	-	4,200
Total Liabilities	111,781	12,501	4,200
Fund Balances:			
Nonspendable	1,538	85	-
Restricted For:			
Debt Service	159,156	-	-
Interchange Development	-	-	917,931
Highway 99 Maintenance	-	126,205	-
Street SDC's	-	-	842,945
Parks and Recreation SDC's	-	-	-
K-9 Contributions	1,986	-	-
Committed For:			
Greenway Maintenance	11,055	-	-
Advertising Promotion	-	-	-
Tourist Usage	-	-	-
Assigned For:			
Streets	-	254,151	-
Unassigned	1,040,170	-	-
Total Fund Balances	1,213,905	380,441	1,760,876
Total Liabilities and Fund Balances	\$ 1,325,686	\$ 392,942	\$ 1,765,076

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

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	121,446	\$ 3,376,420
	-	1,623
	720	138,465
	-	89,362
<hr/>		
\$	122,166	\$ 3,605,870
<hr/>		
\$	77	\$ 35,126
	-	3,212
	-	12,982
	-	77,239
<hr/>		
	77	128,559
<hr/>		
	-	1,623
	-	159,156
	-	917,931
	-	126,205
	-	842,945
	104,870	104,870
	-	1,986
	-	11,055
	397	397
	16,822	16,822
	-	254,151
	-	1,040,170
<hr/>		
	122,089	3,477,311
<hr/>		
\$	122,166	\$ 3,605,870
<hr/>		

CITY OF PHOENIX
JACKSON COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS

June 30, 2011

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

Fund Balances	\$ 3,477,311
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.	
Net Capital Assets	3,070,820
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.	
Loans	(489,032)
Accrued Interest on Long Term Debt	(6,991)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	
Accrued Vacation and Comp Time	(69,768)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Deferred Revenue	<u>77,239</u>
Total Net Assets	<u>\$ 6,059,579</u>

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

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**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	GENERAL FUND	STREET FUND	STREET IMPROVEMENT FUND
REVENUES			
Taxes	\$ 907,803	\$ -	\$ -
Charges for Services	11,301	224,878	15,649
Licenses and Permits	43,752	-	-
Earnings on Investments	5,866	1,844	12,327
Intergovernmental	123,486	340,474	-
Grants	28,837	-	-
Franchise Fees Revenue	365,407	-	-
Fines and Forfeitures	109,007	-	-
Miscellaneous	2,589	1,450	-
Total Revenues	1,598,048	568,646	27,976
EXPENDITURES			
Current:			
Executive	106,555	-	-
Administrative	164,673	-	-
Planning Department	105,217	-	-
Parks Department	71,250	-	-
Building Department	80,176	-	-
Police Department	1,012,295	-	-
Highways and Streets	-	306,495	3,652
Non-Departmental	50,623	-	-
Debt Service:			
Principal	3,879	112,456	-
Interest	21,136	10,835	-
Capital Outlay	43,438	159,500	-
Total Expenditures	1,659,242	589,286	3,652
Net Change in Fund Balance	(61,194)	(20,640)	24,324
Beginning Fund Balance	1,254,997	242,527	1,736,552
Fund Balance Reclassification	20,102	158,554	-
Ending Fund Balance	\$ 1,213,905	\$ 380,441	\$ 1,760,876

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

OTHER GOVERNMENTAL FUNDS		TOTAL	
\$	3,141	\$	910,944
	4,808		256,636
	-		43,752
	807		20,844
	-		463,960
	-		28,837
	-		365,407
	-		109,007
	-		4,039
	<u>8,756</u>		<u>2,203,426</u>
	-		106,555
	-		164,673
	-		105,217
	5,479		76,729
	-		80,176
	-		1,012,295
	-		310,147
	19,356		69,979
	-		116,335
	-		31,971
	-		202,938
	<u>24,835</u>		<u>2,277,015</u>
	(16,079)		(73,589)
	<u>483,674</u>		<u>3,717,750</u>
	(345,506)		(166,850)
\$	<u><u>122,089</u></u>	\$	<u><u>3,477,311</u></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, 2011**

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 \$ (73,589)

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	233,090	
Depreciation Expense	(113,017)	
Loss on Disposal of Capital Assets	(11,580)	108,493

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	3,780	
Loan Payments	116,335	
Accrued Interest	3,824	123,939

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

Deferred Revenues		(5,418)
Change in Net Assets		\$ 153,425

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, 2011**

	WATER FUND	WATER SDC FUND	STORMWATER SDC FUND	TOTAL
ASSETS				
Current Assets				
Cash and Investments	\$ 216,397	\$ 162,405	\$ 14,564	\$ 393,366
Prepaid Expenses	221	-	-	221
Accounts Receivable, net	116,609	-	-	116,609
Total Current Assets	<u>333,227</u>	<u>162,405</u>	<u>14,564</u>	<u>510,196</u>
Noncurrent Assets				
Capital Assets, Net	<u>3,275,210</u>	<u>-</u>	<u>-</u>	<u>3,275,210</u>
Total Noncurrent Assets				
Total Assets	<u>\$ 3,608,437</u>	<u>\$ 162,405</u>	<u>\$ 14,564</u>	<u>\$ 3,785,406</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 43,642	\$ -	\$ -	\$ 43,642
Accrued Compensated Absences	16,799	-	-	16,799
Accrued Interest Payable	35,344	-	-	35,344
Customer Deposits	5,516	-	-	5,516
Long Term Debt, Current Position	61,357	-	-	61,357
Total Current Liabilities	<u>162,658</u>	<u>-</u>	<u>-</u>	<u>162,658</u>
Long-term Liabilities				
Long Term Debt, Net of Current Position	<u>2,077,864</u>	<u>-</u>	<u>-</u>	<u>2,077,864</u>
Total Long-term Liabilities	<u>2,077,864</u>	<u>-</u>	<u>-</u>	<u>2,077,864</u>
Total Liabilities	<u>2,240,522</u>	<u>-</u>	<u>-</u>	<u>2,240,522</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,089,865	-	-	3,089,865
Restricted for:				
Debt Services	160,196	-	-	160,196
Skyline Water Pump	18,969	-	-	18,969
SDC's	-	162,405	14,564	176,969
Unrestricted	<u>(1,901,115)</u>	<u>-</u>	<u>-</u>	<u>(1,901,115)</u>
Total Net Assets	<u>1,367,915</u>	<u>162,405</u>	<u>14,564</u>	<u>1,544,884</u>
Total Liabilities and Fund Equity	<u>\$ 3,608,437</u>	<u>\$ 162,405</u>	<u>\$ 14,564</u>	<u>\$ 3,785,406</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 FUNDS
For the Year Ended June 30, 2011**

	WATER FUND	WATER SDC FUND	STORMWATER SDC FUND	TOTAL
OPERATING REVENUES				
System Development Charges	\$ -	\$ 13,850	\$ 3,323	\$ 17,173
Charges for Services	1,052,995	-	-	1,052,995
Miscellaneous	13	-	-	13
Total Operating Revenues	1,053,008	13,850	3,323	1,070,181
OPERATING EXPENSES				
Personal Service	336,892	-	-	336,892
Materials and Services	546,662	-	-	546,662
Depreciation	148,089	-	-	148,089
Total Operating Expenses	1,031,643	-	-	1,031,643
Operating Income -Loss	21,365	13,850	3,323	38,538
NONOPERATING REVENUES, (EXPENSES)				
Earnings on Investments	1,959	1,094	88	3,141
Interest Expense	(100,666)	-	-	(100,666)
Transfers In	25,725	-	-	25,725
Transfers Out	-	(25,725)	-	(25,725)
Gain (loss) on disposal of Assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	(72,982)	(24,631)	88	(97,525)
Change in Net Assets	(51,617)	(10,781)	3,411	(58,987)
Net Assets (Deficit), Beginning of Year	1,252,682	173,186	11,153	1,437,021
Reclassification of Net Assets	166,850	-	-	166,850
Net Assets (Deficit), end of year	\$ 1,367,915	\$ 162,405	\$ 14,564	\$ 1,544,884

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

CITY OF PHOENIX
JACKSON COUNTY, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	WATER FUND	WATER SDC FUND	STORMWATER SDC FUND	TOTAL
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,041,214	\$ 13,850	\$ 3,323	\$ 1,058,387
Cash Paid to Suppliers	(560,431)	-	-	(560,431)
Cash Paid to Employees	(327,756)	-	-	(327,756)
Net Cash Provided (Used) by Operating Activities	153,027	13,850	3,323	170,200
Cash Flows from Noncapital Financing Activities:				
Transfers	25,725	(25,725)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	25,725	(25,725)	-	-
Cash Flows from Capital and Related Financing Activities:				
Payment of Principal of Bonds and Notes	(59,000)	-	-	(59,000)
Payment of Interest on Bonds and Notes	(101,196)	-	-	(101,196)
Purchase of Capital Assets	(88,045)	-	-	(88,045)
Net Cash Provided (Used) by Capital and Related Financing Activities	(248,241)	-	-	(248,241)
Cash Flows from Investing Activities:				
Earnings on Investments	1,959	1,094	88	3,141
Net Increase (Decrease) in Cash and Cash Equivalents	(67,530)	(10,781)	3,411	(74,900)
Cash and Investments at Beginning of Year	117,077	173,186	11,153	301,416
Reclassification of Cash (Governmental to Proprietary)	166,850	-	-	166,850
Cash and Investments at End of Year	\$ 216,397	\$ 162,405	\$ 14,564	\$ 393,366
Reconciliation of Operating Income to				
Net Cash Provided by Operating Activities				
Operating Income, (Loss)	\$ 21,365	\$ 13,850	\$ 3,323	\$ 38,538
Noncash Items Included in Income:				
Depreciation	148,089	-	-	148,089
Decrease (Increase) in Accounts Receivable	(7,593)	-	-	(7,593)
Decrease (Increase) in Prepaids	(221)	-	-	(221)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4,412)	-	-	(4,412)
Increase (Decrease) in Customer Deposits	(4,201)	-	-	(4,201)
Net Cash Provided (Used) by Operating Activities	\$ 153,027	\$ 13,850	\$ 3,323	\$ 170,200

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

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**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 and system development charges.

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
Materials and Services
Capital Outlay

Contingencies and Transfers
Debt Service

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, 2011, except for Parks, Building, and Non-Departmental in the General Fund and Materials and Services in the Tourist Usage Fund, which were overexpended by \$5,000, \$226, \$11,298, and \$315 respectively.

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, Street Interchange Development Charges, Highway 99 Maintenance Charges, Parks and Recreation Systems Development Charges, K-9 Contributions, 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	3,352,906
Certificate of Deposit	121,633
Investments - LGIP	294,937
	<hr/>
	\$ 3,769,786
	<hr/>

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

**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

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, 2011. 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:

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 294,937	\$ 294,937	-
Total	\$ 294,937	\$ 294,937	-

2. CASH AND INVESTMENTS (continued)

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, 2011, 100% of total investments were in the State Treasurer's Investment Pool. State statutes 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, 2011 was \$3,549,882. Of these deposits, \$454,080 was covered by federal depository insurance. The remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP). 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, 2011 are as follows:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 278,276	\$ -	\$ -	\$ 278,276
Construction in Process	900,000	-	-	900,000
Total Capital Assets Not Being Depreciated	<u>1,178,276</u>	<u>-</u>	<u>-</u>	<u>1,178,276</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	1,186,769	-	-	1,186,769
Machinery and Equipment	353,995	73,590	(46,944)	380,641
Infrastructure	846,166	159,500	-	1,005,666
Total Capital Assets Being Depreciated	<u>2,386,930</u>	<u>233,090</u>	<u>(46,944)</u>	<u>2,573,076</u>
Total Capital Assets	<u>\$ 3,565,206</u>	<u>\$ 233,090</u>	<u>\$ (46,944)</u>	<u>\$ 3,751,352</u>
Less: Accumulated Depreciation				
Buildings and Improvements	\$ (341,496)	\$ (48,640)	\$ -	\$ (390,136)
Machinery and Equipment	(157,688)	(28,792)	35,364	(151,116)
Infrastructure	(103,695)	(35,585)	-	(139,280)
Total Accumulated Depreciation	<u>\$ (602,879)</u>	<u>\$ (113,017)</u>	<u>\$ 35,364</u>	<u>\$ (680,532)</u>
Total Net Capital Assets	<u>\$ 2,962,327</u>			<u>\$ 3,070,820</u>

**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, 2011 are as follows:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 21,731	\$ -	\$ -	\$ 21,731
Construction in Process	-	-	-	-
 Total Capital Assets Not Being Depreciated	 21,731	 -	 -	 21,731
 Capital Assets Being Depreciated:				
Buildings and Improvements	1,754,602	-	-	1,754,602
Machinery and Equipment	618,413	11,500	-	629,913
Infrastructure	2,486,519	76,545	-	2,563,064
 Total Capital Assets Being Depreciated	 4,859,534	 88,045	 -	 4,947,579
 Total Capital Assets	 \$ 4,881,265	 \$ 88,045	 \$ -	 \$ 4,969,310
 Less: Accumulated Depreciation				
Buildings and Improvements	\$ (612,001)	\$ (49,126)	\$ -	\$ (661,127)
Machinery and Equipment	(413,399)	(31,261)	-	(444,660)
Infrastructure	(520,611)	(67,702)	-	(588,313)
 Total Accumulated Depreciation	 \$ (1,546,011)	 \$ (148,089)	 \$ -	 \$ (1,694,100)
 Total Net Capital Assets	 \$ 3,335,254			 \$ 3,275,210

**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	\$	6,253
Administrative		9,647
Planning Department		6,289
Parks Department		4,488
Building Department		4,703
Public Safety		59,387
Highways and Streets		18,156
Non-Departmental		4,094
		<u>4,094</u>
Total Governmental Activities	\$	<u>113,017</u>

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

<u>Program</u>		
Water Department	\$	<u>148,089</u>

4. INTERFUND ACTIVITY

Interfund transfers during the year ended June 30, 2011 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Water	\$ 25,725	\$ -
Water SDC	-	25,725
	<u>\$ 25,725</u>	<u>\$ 25,725</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, 2011 for the General Fund were 6.29% and 4.26%, respectively, and the OPSRP rate for the Police Department was 6.97%. Contributions to the plan for the years ending June 30, 2011, 2010, and 2009 were \$125,324, \$116,359, and \$156,540, respectively.

6. ACCRUED COMPENSATED ABSENCES

At June 30, 2011, the outstanding balance is comprised of accrued vacation time of \$78,446 and accrued compensated time of \$8,121. The changes in accrued compensated absences for the year ended June 30, 2011 are as follows:

<u>Fund</u>	<u>Accrued July 1, 2010</u>	<u>Earned</u>	<u>Taken</u>	<u>Accrued June 30, 2011</u>
General	\$ 73,548	\$ 53,041	\$ (56,821)	\$ 69,768
Water	7,013	12,328	(2,542)	16,799
Total	<u>\$ 80,561</u>	<u>\$ 65,369</u>	<u>\$ (59,363)</u>	<u>\$ 86,567</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, 2011:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due in 1 year
<u>Governmental</u>					
OTIB Note Payable	\$ 262,670	\$ -	\$ (112,456)	\$ 150,214	\$ 117,038
Rural Development	342,697	-	(3,879)	338,818	4,039
Total	717,146	-	(116,335)	489,032	121,077
<u>Business - Type</u>					
Water Revenue Bond - Phase I	998,784	-	(14,764)	984,020	15,465
Water Revenue Bond - Phase II	984,409	-	(14,552)	969,857	15,243
Lost Creek Water Storage #1	165,392	-	(5,263)	160,129	5,434
Lost Creek Water Storage #2	49,636	-	(24,421)	25,215	25,215
Total	2,254,955	-	(59,000)	2,139,221	61,357
Total Long-term Debt	\$ 2,972,101	\$ -	\$ (175,335)	\$ 2,628,253	\$ 182,434

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 1st through 2013. Principal and Interest payments are made from the Street Fund.

Year	Principal	Interest	Total
2011-2012	117,038	6,253	123,291
2012-2013	33,176	1,485	34,661
Total	\$ 150,214	\$ 7,738	\$ 157,952

**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (continued)

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 13th through 2047. 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
2011-2012	4,039	13,976	18,015
2012-2013	4,205	13,810	18,015
2013-2014	4,379	13,636	18,015
2014-2015	4,559	13,456	18,015
2015-2016	4,748	13,267	18,015
2016-2021	26,842	63,233	90,075
2021-2026	32,854	57,221	90,075
2026-2031	40,212	49,863	90,075
2031-2036	49,219	40,856	90,075
2036-2041	60,243	29,832	90,075
2041-2046	73,737	16,338	90,075
2046-2048	33,781	2,102	35,883
Total	<u>\$ 338,818</u>	<u>\$ 327,590</u>	<u>\$ 666,408</u>

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 16th each year through 2040. Principal and interest payments are made from the Intertie Debt Service Fund.

Water Revenue Bonds

Year	Principal	Interest	Total
2011-2012	30,708	92,809	123,517
2012-2013	32,167	91,350	123,517
2013-2014	33,694	89,823	123,517
2014-2015	35,295	88,222	123,517
2015-2016	36,972	86,545	123,517
2016-2021	212,931	404,654	617,585
2021-2026	268,541	349,044	617,585
2026-2031	338,673	278,912	617,585
2031-2036	427,122	190,463	617,585
2036-2041	537,774	78,912	616,686
Total	<u>\$ 1,953,877</u>	<u>\$ 1,750,734</u>	<u>\$ 3,704,611</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 25th through 2031. Principal and interest payments are made from the Utility Fund.

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 31st through 2011. Principal and interest payments are made from the Utility Fund.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011-2012	30,649	6,030	36,679
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
2016-2021	34,028	19,186	53,214
2021-2026	39,934	13,280	53,214
2026-2031	46,866	6,348	53,214
2031-2032	10,306	336	10,642
Total	<u>\$ 185,344</u>	<u>\$ 64,190</u>	<u>\$ 249,534</u>

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**

NOTES TO BASIC FINANCIAL STATEMENTS

10. NET ASSET/FUND BALANCE RECLASSIFICATION

The City had the following reclassifications of net assets and fund balances:

The Public Safety Equipment Reserve Fund was closed as of July 1, 2010. Fund balance of \$20,102 was transferred to the General Fund.

The Street Equipment Reserve Fund was closed as of July 1, 2010. Fund balance of \$158,554 was transferred to the Street Fund.

The Water Reserve Fund was a governmental fund as of June 30, 2010. On July 1, 2010, the fund was closed and its fund balance of \$166,850 was transferred to the Water Fund. This transaction also represents a reclassification on Net Assets between Governmental and Business-Type activities in the Government-Wide Financial Statements.

The Intertie Debt Service Fund was closed as of July 1, 2010. Fund balance of \$260 was transferred to the Water Fund.

CITY OF PHOENIX
JACKSON COUNTY, OREGON

REQUIRED SUPPLEMENTARY DATA

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**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Taxes	\$ 896,400	\$ 896,400	\$ 907,803	\$ 11,403
Charges for Services	11,450	11,450	11,301	(149)
Licenses and Permits	41,000	41,000	43,752	2,752
Earnings on Investments	6,000	6,000	5,620	(380)
Intergovernmental	125,130	125,130	123,486	(1,644)
Grants	7,000	7,000	28,837	21,837
Franchise Fees	412,100	412,100	365,407	(46,693)
Fines and Forfeitures	63,500	63,500	109,007	45,507
Miscellaneous	4,400	4,400	2,589	(1,811)
Total Revenues	<u>1,566,980</u>	<u>1,566,980</u>	<u>1,597,802</u>	<u>30,822</u>
EXPENDITURES				
Current:				
Executive	106,550	107,580	(1) 106,555	1,025
Administrative	185,350	184,320	(1) 164,673	19,647
Planning Department	83,600	105,600	(1) 105,217	383
Parks Department	85,250	66,250	(1) 71,250	(5,000)
Building Department	79,950	79,950	(1) 80,176	(226)
Police Department	1,053,045	1,153,740	(1) 1,055,733	98,007
Non-Departmental	39,725	36,725	(1) 48,023	(11,298)
Debt Services	125,725	125,725	(1) 25,015	100,710
Contingency	250,000	178,958	(1) -	178,958
Total Expenditures	<u>2,009,195</u>	<u>2,038,848</u>	<u>1,656,642</u>	<u>382,206</u>
Excess of Revenues Over, (Under) Expenditures	(442,215)	(471,868)	(58,840)	413,028
OTHER FINANCING SOURCES, (USES)				
Sale of Capital Assets	-	29,653	-	(29,653)
Transfers Out	(2,718)	(2,718)	(1) (2,718)	-
Transfers In	-	-	-	-
Net Change in Fund Balance	(444,933)	(444,933)	(61,558)	383,375
Beginning Fund Balance	<u>900,148</u>	<u>900,148</u>	<u>1,085,150</u>	<u>185,002</u>
Fund Balance Reclassification	-	-	20,102	20,102
Ending Fund Balance	<u>\$ 455,215</u>	<u>\$ 455,215</u>	<u>\$ 1,043,694</u>	<u>\$ 588,479</u>
Reconciliation to GAAP Fund Balance:				
Ending Fund Balances				
Greenway Maintenance Reserve Fund			11,055	
City Hall Debt Reserve Fund			10,979	
Intertie Debt Reserve Fund			148,177	
			<u>\$ 1,213,905</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, 2011**

<u>STREET FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 201,000	\$ 201,000	\$ 224,878	\$ 23,878
Earnings on Investments	2,000	2,000	1,844	(156)
Intergovernmental	305,291	305,291	340,474	35,183
Miscellaneous	300	300	1,450	1,150
Total Revenues	<u>508,591</u>	<u>508,591</u>	<u>568,646</u>	<u>60,055</u>
EXPENDITURES				
Current				
Highways and Streets				
Personal Services	171,050	171,050 (1)	136,556	34,494
Materials and Services	173,900	173,900 (1)	169,939	3,961
Capital Outlay	265,211	265,211 (1)	159,500	105,711
Debt Service	123,291	123,291 (1)	123,291	-
Contingency	1,928	1,928 (1)	-	1,928
Total Expenditures	<u>735,380</u>	<u>735,380</u>	<u>589,286</u>	<u>146,094</u>
Net Change in Fund Balance	(226,789)	(226,789)	(20,640)	206,149
Beginning Fund Balance	404,037	404,037	242,527	(161,510)
Fund Balance Reclassification	-	-	158,554	158,554
Ending Fund Balance	<u>\$ 177,248</u>	<u>\$ 177,248</u>	<u>\$ 380,441</u>	<u>\$ 203,193</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, 2011**

<u>STREET IMPROVEMENT FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 21,000	\$ 21,000	\$ 15,649	\$ (5,351)
Earnings on Investments	12,500	12,500	12,327	(173)
Total Revenues	<u>33,500</u>	<u>33,500</u>	<u>27,976</u>	<u>(5,524)</u>
EXPENDITURES				
Current				
Highways and Streets				
Materials and Services	17,500	17,500 (1)	3,652	13,848
Capital Outlay	200,000	200,000 (1)	-	200,000
Contingency	32,625	32,625 (1)	-	32,625
Total Expenditures	<u>250,125</u>	<u>250,125</u>	<u>3,652</u>	<u>246,473</u>
Excess of Revenues Over, (Under) Expenditures	(216,625)	(216,625)	24,324	240,949
Beginning Fund Balance	<u>1,760,572</u>	<u>1,760,572</u>	<u>1,736,552</u>	<u>(24,020)</u>
Ending Fund Balance	<u>\$ 1,543,947</u>	<u>\$ 1,543,947</u>	<u>\$ 1,760,876</u>	<u>\$ 216,929</u>

(1) Appropriation Level

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**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

SUPPLEMENTARY DATA

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**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, 2011**

<u>WATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 1,058,500	\$ 1,058,500	\$ 1,052,995	\$ (5,505)
Franchise Fees	15,400	15,400	-	(15,400)
Earnings on Investments	5,000	5,000	1,959	(3,041)
Miscellaneous	300	300	13	(287)
Total Revenues	<u>1,079,200</u>	<u>1,079,200</u>	<u>1,054,967</u>	<u>(24,233)</u>
EXPENDITURES				
Current				
Utility Services				
Personal Services	344,250	344,250 (1)	327,106	17,144
Materials and Services	596,700	596,700 (1)	545,055	51,645
Capital Outlay	100,000	100,000 (1)	89,652	10,348
Debt Service	160,196	160,196 (1)	160,196	-
Contingency	165,549	165,549 (1)	-	165,549
Total Expenditures	<u>1,366,695</u>	<u>1,366,695</u>	<u>1,122,009</u>	<u>244,686</u>
OTHER FINANCING SOURCES, (USES)				
Transfers In	25,725	25,725	25,725	-
Net Change in Fund Balance	(261,770)	(261,770)	(41,317)	220,453
Beginning Fund Balance	434,888	434,888	158,536	(276,352)
Fund Balance Reclassification	-	-	166,850	166,850
Ending Fund Balance	<u>\$ 173,118</u>	<u>\$ 173,118</u>	<u>284,069</u>	<u>\$ 110,951</u>
Reconciling Items:				
Capital Assets, Net			3,275,210	
Accrued Compensated Absences			(16,799)	
Accrued Interest			(35,344)	
Bonds and Notes Payable			<u>(2,139,221)</u>	
Net Assets			<u>\$ 1,367,915</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, 2011**

WATER SYSTEM DEVELOPMENT CHARGES FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
System Development Charges	\$ 18,500	\$ 18,500	\$ 13,850	\$ (4,650)
Earnings on Investments	1,500	1,500	1,094	(406)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>14,944</u>	<u>(5,056)</u>
EXPENDITURES				
Capital Outlay	35,000	35,000 (1)	-	35,000
Contingency	9,100	9,100 (1)	-	9,100
Total Expenditures	<u>44,100</u>	<u>44,100</u>	<u>-</u>	<u>44,100</u>
Excess of Revenues Over, (Under) Expenditures	<u>(24,100)</u>	<u>(24,100)</u>	<u>14,944</u>	<u>39,044</u>
OTHER FINANCING SOURCES, (USES)				
Transfers Out	<u>(25,725)</u>	<u>(25,725) (1)</u>	<u>(25,725)</u>	<u>-</u>
Net Change in Fund Balance	(49,825)	(49,825)	(10,781)	39,044
Beginning Fund Balance	<u>184,124</u>	<u>184,124</u>	<u>173,186</u>	<u>(10,938)</u>
Ending Fund Balance	<u>\$ 134,299</u>	<u>\$ 134,299</u>	<u>\$ 162,405</u>	<u>\$ 28,106</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, 2011

STORMWATER SDC FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 14,000	\$ 14,000	\$ 3,323	\$ (10,677)
Earnings on Investments	100	100	88	(12)
Total Revenues	<u>14,100</u>	<u>14,100</u>	<u>3,411</u>	<u>(10,689)</u>
Beginning Net Assets	<u>14,536</u>	<u>14,536</u>	<u>11,153</u>	<u>(3,383)</u>
Ending Net Assets	<u>\$ 28,636</u>	<u>\$ 28,636</u>	<u>\$ 14,564</u>	<u>\$ (14,072)</u>

CITY OF PHOENIX
JACKSON COUNTY, OREGON

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	ADVERTISING PROMOTION FUND	TOURIST USAGE FUND	PARKS AND RECREATION SDC FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	\$ 223	\$ 16,353	\$ 104,870	\$ 121,446
Accounts Receivable	174	546	-	720
Total Assets	<u>\$ 397</u>	<u>\$ 16,899</u>	<u>\$ 104,870</u>	<u>\$ 122,166</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 77	\$ -	\$ 77
Total Liabilities	<u>-</u>	<u>77</u>	<u>-</u>	<u>77</u>
FUND BALANCES				
Committed For:				
Advertising Promotion	397	-	-	397
Tourist Usage	-	16,822	-	16,822
Restricted For:				
Parks and Recreation SDC's	-	-	104,870	104,870
Total Fund Balances	<u>397</u>	<u>16,822</u>	<u>104,870</u>	<u>122,089</u>
Total Liabilities and Fund Balances	<u>\$ 397</u>	<u>\$ 16,899</u>	<u>\$ 104,870</u>	<u>\$ 122,166</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, 2011

	ADVERTISING PROMOTION FUND	TOURIST USAGE FUND	PARKS AND RECREATION SDC FUND	TOTAL
REVENUES				
Taxes	\$ 975	\$ 2,166	\$ -	\$ 3,141
Charges for Services	-	-	4,808	4,808
Earnings on Investments	3	146	658	807
Total Revenues	<u>\$ 978</u>	<u>\$ 2,312</u>	<u>\$ 5,466</u>	<u>\$ 8,756</u>
EXPENDITURES				
Current				
Parks Department	-	-	5,479	5,479
Non-Departmental	2,041	17,315	-	19,356
Total Expenditures	<u>2,041</u>	<u>17,315</u>	<u>5,479</u>	<u>24,835</u>
Net Change in Fund Balance	(1,063)	(15,003)	(13)	(16,079)
BEGINNING FUND BALANCES	<u>1,460</u>	<u>31,825</u>	<u>104,883</u>	<u>138,168</u>
ENDING FUND BALANCES	<u>\$ 397</u>	<u>\$ 16,822</u>	<u>\$ 104,870</u>	<u>\$ 122,089</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, 2011**

ADVERTISING PROMOTION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Taxes	\$ 2,000	\$ 2,000	\$ 975	\$ (1,025)
Earnings on Investments	25	25	3	(22)
Total Revenues	<u>2,025</u>	<u>2,025</u>	<u>978</u>	<u>(1,047)</u>
EXPENDITURES				
Current				
Non-Departmental				
Materials and Services	<u>4,604</u>	<u>4,604 (1)</u>	<u>2,041</u>	<u>2,563</u>
Total Expenditures	<u>4,604</u>	<u>4,604</u>	<u>2,041</u>	<u>2,563</u>
Net Change in Fund Balance	(2,579)	(2,579)	(1,063)	1,516
Beginning Fund Balance	<u>2,579</u>	<u>2,579</u>	<u>1,460</u>	<u>(1,119)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397</u>	<u>\$ 397</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, 2011**

<u>TOURIST USAGE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Taxes	\$ 5,000	\$ 5,000	\$ 2,166	\$ (2,834)
Earnings on Investments	225	225	146	(79)
Total Revenues	<u>5,225</u>	<u>5,225</u>	<u>2,312</u>	<u>(2,913)</u>
EXPENDITURES				
Current				
Non-Departmental				
Materials and Services	17,000	17,000 (1)	17,315	(315)
Capital Outlay	10,881	10,881 (1)	-	10,881
Contingency	4,150	4,150 (1)	-	4,150
Total Expenditures	<u>32,031</u>	<u>32,031</u>	<u>17,315</u>	<u>14,716</u>
Net Change in Fund Balance	(26,806)	(26,806)	(15,003)	11,803
Beginning Fund Balance	<u>30,429</u>	<u>30,429</u>	<u>31,825</u>	<u>1,396</u>
Ending Fund Balance	<u>\$ 3,623</u>	<u>\$ 3,623</u>	<u>\$ 16,822</u>	<u>\$ 13,199</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, 2011**

<u>PARKS AND RECREATION SDC FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 6,500	\$ 6,500	\$ 4,808	\$ (1,692)
Earnings on Investments	800	800	658	(142)
Total Revenues	<u>7,300</u>	<u>7,300</u>	<u>5,466</u>	<u>(1,834)</u>
EXPENDITURES				
Current				
Parks Department				
Materials and Services	7,000	7,000 (1)	5,479	1,521
Contingency	<u>1,050</u>	<u>1,050 (1)</u>	<u>-</u>	<u>1,050</u>
Total Expenditures	<u>8,050</u>	<u>8,050</u>	<u>5,479</u>	<u>2,571</u>
Net Change in Fund Balance	(750)	(750)	(13)	737
Beginning Fund Balance	<u>106,154</u>	<u>106,154</u>	<u>104,883</u>	<u>(1,271)</u>
Ending Fund Balance	<u>\$ 105,404</u>	<u>\$ 105,404</u>	<u>\$ 104,870</u>	<u>\$ (534)</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, 2011**

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	\$ 75	\$ (25)
Total Revenues	<u>100</u>	<u>100</u>	<u>75</u>	<u>(25)</u>
EXPENDITURES				
Materials and Services	2,600	2,600 (1)	2,600	-
Contingency	<u>390</u>	<u>390 (1)</u>	<u>-</u>	<u>390</u>
Total Expenditures	<u>2,990</u>	<u>2,990</u>	<u>2,600</u>	<u>390</u>
Excess of Revenues Over, (Under) Expenditures	(2,890)	(2,890)	(2,525)	365
Beginning Fund Balance	<u>13,577</u>	<u>13,577</u>	<u>13,580</u>	<u>3</u>
Ending Fund Balance	<u>\$ 10,687</u>	<u>\$ 10,687</u>	<u>\$ 11,055</u>	<u>\$ 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, 2011**

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	\$ 62	\$ 62	\$ 64	\$ 2
Total Revenues	<u>62</u>	<u>62</u>	<u>64</u>	<u>2</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	2,780	2,780	2,782	2
Beginning Fund Balance	<u>8,188</u>	<u>8,188</u>	<u>8,197</u>	<u>9</u>
Ending Fund Balance	<u>\$ 10,968</u>	<u>\$ 10,968</u>	<u>\$ 10,979</u>	<u>\$ 11</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, 2011**

INTERTIE DEBT RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Earnings on Investments	\$ 400	\$ 400	\$ 107	\$ (293)
Total Revenues	<u>400</u>	<u>400</u>	<u>107</u>	<u>(293)</u>
Net Change in Fund Balance	400	400	107	(293)
Beginning Fund Balance	<u>139,034</u>	<u>139,034</u>	<u>148,070</u>	<u>9,036</u>
Ending Fund Balance	<u>\$ 139,434</u>	<u>\$ 139,434</u>	<u>\$ 148,177</u>	<u>\$ 8,743</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, 2011

TAX YEAR	IMPOSED LEVY OR UNCOL- LECTED AT 7-1-10	DEDUCT DISCOUNTS	ADJUST- MENTS TO ROLLS	INTEREST	CASH COLLEC- TIONS BY COUNTY TREAS- URER	BALANCE UNCOL- LECTED OR UNSEG- REGATED AT 6-30-11
CURRENT:						
2010-2011	\$ 923,205	\$ 21,731	\$ (3,921)	\$ 41	\$ 851,461	\$ 46,133
PRIOR YEARS:						
2009-2010	46,196	(13)	(783)	1,000	27,301	19,125
2008-2009	18,932	-	(29)	1,029	9,066	10,866
2007-2008	16,711	-	(105)	1,657	9,722	8,541
2006-2007	5,393	-	(9)	890	4,437	1,837
2005-2006 & Prior	3,222	(2)	(460)	563	467	2,860
Total Prior	90,454	(15)	(1,386)	5,139	50,993	43,229
Total	<u>\$ 1,013,659</u>	<u>\$ 21,716</u>	<u>\$ (5,307)</u>	<u>\$ 5,180</u>	<u>\$ 902,454</u>	<u>\$ 89,362</u>

RECONCILIATION OF REVENUE:	GENERAL FUND
Cash Collections by County Treasurer Above	\$ 902,454
Accrual of Receivables:	
June 30, 2010	(20,396)
June 30, 2011	<u>16,323</u>
Total Revenue	<u>\$ 898,381</u>

CITY OF PHOENIX
JACKSON COUNTY, OREGON

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

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 26, 2011

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, 2011, and have issued our report thereon dated December 26, 2011. 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, except as follows:

1. We noted four instances where actual expenditures exceeded appropriations as noted on page 14.

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 & Co. P.C.
PAULY, ROGERS AND CO., P.C.