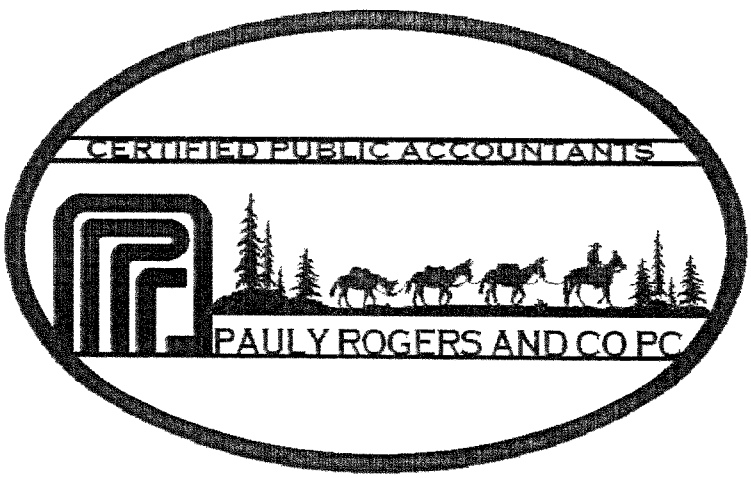
CITY OF PHOENIX
JACKSON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



12700 SW 72nd Ave.
Tigard, OR 97223

CITY OF PHOENIX
JACKSON COUNTY, OREGON

FINANCIAL REPORT

2009-2010

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CITY OF PHOENIX
JACKSON COUNTY, OREGON

MAYOR AND CITY COUNCIL MEMBERS AS OF JUNE 30, 2010

NAME	TERM EXPIRES
Carlos Debritto – Mayor	December 31, 2010
Diana Nelson	December 31, 2012
Mike Stitt	December 31, 2012
Stan Bartell	December 31, 2012
Herman Blum	December 31, 2010
Mike McKey	December 31, 2010
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

January 12, 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, 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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, 2010, 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.

Pauly Rogers and Co. P.C.

PAULY, ROGERS AND CO., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2010

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, 2010. 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 $10.62 million at June 30, 2010 consisting of $6.30 million in capital assets, net of accumulated depreciation, $3.78 million in cash and $538 thousand in other receivables and other assets. Capital assets, net of accumulated depreciation decreased by $101 thousand in the current year. Cash and investment balances increased by $323 thousand from the prior year.

- The City's government-wide liabilities, not including its component unit, totaled $3.11 million at June 30, 2010 consisting of $2.80 million in short and long-term debt and $306 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 $7.51 million at June 30, 2010 of which $5.48 million was invested in capital assets net of related debt, $302 thousand was restricted for debt service, $810 thousand was restricted for interchange development, $1.22 million was restricted for system development charges, $101 thousand was restricted for highway 99 maintenance, $5.5 thousand was restricted for other City projects, and $1.63 million was considered unrestricted for Governmental funds. However, the proprietary funds do not have any unrestricted assets available, due to the long term debt of $2.14 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 net of related expenses in the amount of $1.63 million from its governmental and business activities. Direct expenses of all programs totaled $2.93 million. General revenues which include taxes, franchise fees and investment income totaled $1.96 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 and 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 intake, purification, and delivery systems as well as the City's wastewater collection and treatment 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 twelve governmental funds. The governmental fund statements present the three major funds separately; General Fund, Street Fund, and the Street Improvement Fund. The other nine nonmajor funds 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 four enterprise funds to account for its water operations. The Water Fund, Water SDC Fund and Intertie Debt Service Funds are presented separately as the major funds in the proprietary fund financial statements. The other nonmajor fund is the Stormwater SDC Fund. If there was two or more nonmajor funds than 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 $7.51 million at June 30, 2010. Net assets for governmental activities totaled $6.07 million while net assets for business-type activities totaled $1.44 million.

	June 30, 2010		June 30, 2009	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Capital assets, net	$ 2,962,327	$ 3,335,254	$ 2,909,526	$ 3,489,248
Current & other assets	3,911,700	410,432	3,492,070	455,583
Total assets	6,874,027	3,745,686	6,401,596	3,944,831
Long term debt	605,367	2,198,221	717,146	2,254,955
Other liabilities	195,656	110,444	133,090	59,355
Total liabilities	801,023	2,308,665	850,236	2,314,310
Invested in capital assets net of related debt	2,356,960	3,120,225	2,192,380	3,245,471
Restricted	2,089,571	362,639	1,025,298	357,405
Unrestricted	1,626,473	(2,045,843)	2,333,682	(1,972,355)
Total net assets	$ 6,073,004	$ 1,437,021	$ 5,551,360	$ 1,630,521

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 $328 thousand from the prior year as revenues exceeded expenses. This increase was largely due to the governmental activities increasing by almost $522 thousand whereas the business type activities decreased by more than $193 thousand. The largest portion of the City's net assets (72.9 percent) is its investment in capital assets, net of related debt. In the prior year, this portion of net assets was 75.7 percent of total net assets. The increase for the governmental activities is due primarily to street improvement projects being completed during the year, while the total depreciation expense for both activities was $274 thousand.

Analysis of Changes in Net Assets

The City's Statement of Activities for fiscal years ended June 30, 2010 and 2009 are as follows:

	June 30, 2010		June 30, 2009	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Revenues				
Program revenues:				
Charges for services	$ 229,675	$ 1,064,522	$ 227,281	$ 1,058,794
Operating grants	3,420	-	55,411	-
Capital grants/contributions	107,211	-	-	-
General revenues:				
Property Taxes	892,159	-	855,982	-
Other Taxes	5,192	-	41,635	-
Licenses & Permits	55,688	-	57,987	-
Intergovernmental	516,668	-	466,575	-
Franchise Fees	285,679	-	346,245	-
Fines & Forfeitures	87,624	-	149,815	-
Earnings on Investments	44,881	4,257	76,691	10,638
Loss on Disposal Assets	-	(9,860)	(359,726)	(4,311)
Other	75,615	2,184	102,688	16,822
Total revenues	2,303,812	1,061,103	2,020,584	1,081,943
Expenses				
Executive	105,146	-	66,541	-
Administrative	183,939	-	254,045	-
Public Safety	988,438	-	1,042,856	-
Parks	55,284	-	59,820	-
Building	55,538	-	50,295	-
Planning	111,198	-	161,193	-
Highways and streets	320,724	-	380,771	-
Non-Departmental	129,871	-	76,236	-
Interest on long-term debt	25,853	103,036	43,665	-
Water	-	957,744	-	1,155,375
Total expenses	1,975,991	1,060,780	2,135,422	1,155,375
Excess before transfers	327,821	323	(114,838)	(73,432)
Transfers	193,823	(193,823)	87,127	(87,127)
Change in net assets	521,644	(193,500)	(27,711)	(160,559)
Beginning net assets	5,551,360	1,630,521	5,409,088	1,945,685
Prior Period Adjustment	-	-	169,983	(154,605)
Ending net assets	$ 6,073,004	$ 1,437,021	$ 5,551,360	$ 1,630,521

Governmental Activities

Governmental activities increased the City's net assets by $522 thousand, which is a growth of 9.39 percent. The growth can be attributed primarily to the decrease in expenditures of $159 thousand and the change from the large loss on disposal of assets from that of the prior year in the amount of $360 thousand. When comparing all revenue sources except the loss of disposal from that of the prior year, as a whole, revenues decreased by $76 thousand. The biggest losses were from Fines and forfeitures at $62 thousand (41.5 percent), franchise fees at $61 thousand (17.5 percent) and earning on investments at $32 thousand (41.5 percent). The increases that helped subsidize those losses were grants for operations and capital improvements at $55 thousand (99.6 percent), Intergovernmental at $50 thousand (10.7 percent), and property taxes at $36 thousand (4.2 percent).

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 decreased the City's net assets by over $193 thousand. In the prior year, the business-type activities reported a loss of $315 thousand. The continued loss from the prior year is due primarily to charges for services not exceeding expenses. The business-type activities reported operating income of $109 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 $322 thousand, overall, business-type cash flows decreased by $48 thousand. For comparative purposes, charges for services in the business-type funds increased $5.7 thousand (0.54 percent) from the prior year. Meanwhile, expenses directly related to providing water services decreased $198 thousand (17.10 percent). Although charges were consistent with the prior year, operational expenses decreased which points to a better financial situation for the business-type activities from that of the prior year.

FUND ANALYSIS

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

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 3.72 million, an increase of $536 thousand (16.85 percent) from the prior year's fund balances of $3.18 million. Property tax receipts, franchise fees, fines and forfeitures, Licenses and permits and earnings on investments all have decreased. The areas that have increased are charges for services, intergovernmental, and capital grants and contributions. Total expenditures decreased from the prior year, from $2.56 million to $2.12 million, a decrease of 20.77 percent.

The ending fund balances comprised of $3.72 million, $1.6 million was unreserved and available for spending by the City within the purposes specified for the City's funds. The 2.66 million differences are reserved for Hwy 99 repairs, interchange and system development, K-9 operations and debt service.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the unreserved fund balance of the general fund was $1.6 million up from $759 thousand in the previous year, an increase of $303 thousand. This increase is mainly due to the decrease of expenditures from that of the prior year in the amount of $440 thousand. Unreserved fund balance represents 68.71 percent of total General Fund expenditures. This may be a good measure of the General Fund's liquidity as it is common for governmental agencies to require a 25 percent minimum fund balance policy.

Other major governmental funds include the Street Fund and the Street Improvement Fund. Fund balances increased by $67 thousand in the Street Fund, and decreased in the Street Improvement Fund by $45 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 assets of the Utility Fund decreased by $222 thousand (6.34 percent) during the year, which is a decline from that of the prior year having a decreased fund balance of $118 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 increased the net assets of the business-type activities by approximately $28 thousand. Collectively they report a net deficit of $1.86 million at June 30, 2010, but this is due to the debt being reported in these funds, while the assets acquired with the debt are reported in the Utility Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were changes to the General Fund budget during the 2009/10 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 in the General Fund, Water Fund and Parks SDC Fund in the following way:

General Fund:	Non-Departmental	$ 27,305
Water Fund:	Materials & Services	155,927
	Transfer Out	6,323
Parks SDC Fund:	Capital Outlay	14,504
		$204,059

The General fund's over-expenditure was due to paying off debt related to the new financial software. Originally the intention of the City was to purchase the software and obtain a 5 year loan, however the decision was made to pay the line of credit in full rather than rolling the balance into another interest bearing loan to save a substantial amount of money.

The Water fund's over expenditure was primarily due to an appropriation transfer being written up backwards. The intention was to transfer money from Personal Services to Materials & Services in the amount of $74 thousand, however the resolution was accidentally reversed to create the over expenditure by twice the amount for $148 thousand. Another cause for the over-expenditure was due to the Water fund's portion of the software being paid off. A transfer from the Water fund to the General fund in the amount of $10 thousand was completed for the purpose of the debt payoff and software purchase.

The Park SDC fund's over expenditure was due to a grant being awarded during the year. The grant money anticipated was budgeted for in the fiscal year 2010/2011, however the funds that needed to be matched by the City was overlooked and did not get appropriated. The City Council did approve the grant funds to be spent but an official resolution reallocating appropriations was not completed.

CAPITAL ASSETS

As of June 30, 2010 the City had invested $6.30 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions, deductions, and depreciation) of $101 thousand, or 1.58 percent.

	Governmental Activities	Business Type Activities	Total
Land	$ 278,276	$ 21,731	$ 300,007
Buildings and Improvements	845,273	1,142,601	1,987,874
Machinery and equipment	196,307	205,014	401,321
Infrastructure	742,471	1,965,908	2,708,379
Construction in progress	900,000	-	900,000
Total	$ 2,971,327	$ 3,335,254	$ 6,306,581

Major events affecting capital assets for the 2009/10 fiscal year are as follows:

- Deletions from two constructions in progress projects with balances over $20 thousand.
- There were over $203 thousand in new additions during the 2009/10 fiscal year. These consisted of:
  - 1st Street Improvement Project for $85 thousand
  - Colver Park Playground Equipment Project for $40 thousand
  - In addition to the Financial Software Project for $41K thousand and construction in progress from the prior year of $20 thousand

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

DEBT ADMINISTRATON

As of year-end, the City had $2.80 million in long-term debt outstanding compared to $2.97 million in the previous year. The $169 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	$ 342,697	$ -	$ 342,697
OTIB Note Payable	262,670	-	262,670
Water Revenue Bonds-Phase I	-	998,784	998,784
Water Revenue Bonds-Phase II	-	984,409	984,409
Lost Creek Water Storage Contract #1	-	165,392	165,392
Lost Creek Water Storage Contract #2	-	49,636	49,636
Total	$ 605,367	$ 2,198,221	$ 2,803,588

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 YEAR

Highlight for the fiscal year 2009/2010 budget are as follows:

- The City of Phoenix has seen a rapid decline in construction activity due to the national and state economic conditions. Due to the economic decline, growth is anticipated to remain status quo.
- The City recently partnered with Southern Oregon Credit to assist in the collections process for fines and forfeiture tickets that would've otherwise been uncollectable and written off to bad debt.
- During the past two years the City has assessed and reorganized staff structure for efficiency and better use of time and skills. Six positions were eliminated and two were added during this stage.
- Implementing the new financial software has been a very important goal to achieve as well. The new software has helped reduce many errors, and time related to multiple procedures that were in different software programs and were not linked to the General Ledger. It has also increased better internal controls along with audit trials and allowing segregation of duties.
- The City started accepting credit cards for a fee that is passed onto the customer by a 3rd party vendor. This has helped in collection of fines and water accounts that would normally be disconnected for nonpayment.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Highlights for the fiscal year 2011 budget are as follows:

- A Water rate review has begun during 2010 and anticipation of new rates are likely. The Water Fund has not been self-supporting where revenues are expected to cover expenses. Therefore, the Water fund needs to find additional revenue with a possible rate increase within the upcoming year to prevent a possible going concern.
- The City will be looking into assessing a franchise fee for Rogue Valley Sewer Services (RVS) in the upcoming year. If 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 will be started. Some areas of interest are the Street User Fees and Transient Taxes. If an inaccuracy is found or a simplified change needs to be made in the City ordinance to ensure proper collection than the City will take the necessary steps to do so. If these changes are implemented they could help the General and Street Fund substantially.

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.

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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, 2010

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS TYPE	TOTAL	COMPONENT UNIT
ASSETS				
Cash and Investments	$ 3,482,256	$ 301,416	$ 3,783,672	$ 273,213
Receivables:				
Taxes and Other	288,190	109,016	397,206	26,481
Component Unit Note	141,254	-	141,254	-
Total Current Assets	3,911,700	410,432	4,322,132	299,694
Capital Assets, net:				
Land	278,276	21,731	300,007	430,000
Buildings and Improvements	845,273	1,142,601	1,987,874	-
Machinery and Equipment	196,307	205,014	401,321	-
Infrastructure	742,471	1,965,908	2,708,379	-
Construction in Progress	900,000	-	900,000	-
Total Assets	6,874,027	3,745,686	10,619,713	729,694
LIABILITIES				
Accounts Payable	55,232	57,840	113,072	-
Accrued Interest Payable	10,815	35,874	46,689	6,108
Customer Deposits	11,668	9,717	21,385	-
Due to Component Unit	10,000	-	10,000	141,254
Unearned Revenue	34,393	-	34,393	-
Accrued Compensated Absences	73,548	7,013	80,561	-
Long-term Debt:				
Due Within One Year	116,335	59,000	175,335	-
Due In More Than One Year	489,032	2,139,221	2,628,253	-
Total Liabilities	801,023	2,308,665	3,109,688	147,362
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	2,356,960	3,120,225	5,477,185	-
Restricted for:				
Debt Service	141,306	160,196	301,502	-
Enabling Legislation:				
Highway 99 Maintenance	101,303	-	101,303	-
Interchange Development	809,789	-	809,789	-
K-9 Contributions	5,527	-	5,527	-
Skyline Water Pump	-	18,104	18,104	-
SDC's	1,031,646	184,339	1,215,985	-
Unrestricted	1,626,473	(2,045,843)	(419,370)	582,332
Total Net Assets	$ 6,073,004	$ 1,437,021	$ 7,510,025	$ 582,332

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, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Executive	$ 105,146	$ -	$ -	$ -
Administrative	183,939	-	-	-
Public Safety	988,438	-	3,420	-
Parks Department	55,284	4,849	-	32,000
Building Department	55,538	-	-	-
Planning Department	111,198	-	-	-
Highways and Streets	320,724	222,656	-	75,211
Non-Departmental	129,871	2,170	-	-
Interest on Long-term Debt	25,853	-	-	-
Total Governmental Activities	1,975,991	229,675	3,420	107,211
Business-Type Activities				
Water	957,744	1,064,522	-	-
Total Business Activities	957,744	1,064,522	-	-
Total Primary Government	$ 2,933,735	$ 1,294,197	$ 3,420	$ 107,211
Component Unit				
Urban Renewal Agency	$ 27,022	$ -	$ -	$ -

General Revenues.
- Property Taxes
- Other Taxes
- Licenses and Permits
- Intergovernmental
- Franchise Fees
- Fines and Forfeitures
- Earnings and Investments
- Interest on URA Note
- Loss on Disposal of Capital Assets
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning Net Assets

Ending Net Assets

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

Net Revenues (Expenses) and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (105,146)	$ -	$ (105,146)	
(183,939)	-	(183,939)	
(985,018)	-	(985,018)	
(18,435)	-	(18,435)	
(55,538)	-	(55,538)	
(111,198)	-	(111,198)	
(22,857)	-	(22,857)	
(127,701)	-	(127,701)	
(25,853)	(103,036)	(128,889)	
(1,635,685)	(103,036)	(1,738,721)	
-	106,778	106,778	
-	106,778	106,778	
(1,635,685)	3,742	(1,631,943)	
			$ (27,022)
892,159	-	892,159	243,662
5,192	-	5,192	-
55,688	-	55,688	-
516,668	-	516,668	-
285,679	-	285,679	-
87,624	-	87,624	-
38,773	4,257	43,030	-
6,108	-	6,108	
-	(9,860)	(9,860)	-
75,615	2,184	77,799	1,100
193,823	(193,823)	-	-
2,157,329	(197,242)	1,960,087	244,762
521,644	(193,500)	328,144	217,740
5,551,360	1,630,521	7,181,881	364,592
$ 6,073,004	$ 1,437,021	$ 7,510,025	$ 582,332

CITY OF PHOENIX
JACKSON COUNTY, OREGON

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	GENERAL FUND	STREET FUND	STREET IMPROVEMENT FUND
ASSETS			
Cash and Cash Equivalents	$ 911,403	$ 217,388	$ 1,733,171
Accounts Receivable	110,159	38,370	15,980
Receivable from Component Unit	141,254	-	-
Property Taxes Receivable	90,454	-	-
Total Assets	$ 1,253,270	$ 255,758	$ 1,749,151
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 42,001	$ 13,231	$ -
Due to Component Unit	10,000	-	-
Customer Deposits	11,668	-	-
Deferred Revenue	104,451	-	12,599
Total Liabilities	168,120	13,231	12,599
Fund Balances:			
Unreserved, Reported In:			
General Fund	1,061,608	-	-
Special Revenue Funds	-	17,933	-
Reserved for SDC's	-	-	926,763
Reserved for Debt Service	18,015	123,291	-
Reserved for K-9 Contributions	5,527	-	-
Reserved for Highway 99 Maintenance	-	101,303	-
Reserved for Interchange Development	-	-	809,789
Total Fund Balances	1,085,150	242,527	1,736,552
Total Liabilities and Fund Balances	$ 1,253,270	$ 255,758	$ 1,749,151

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

OTHER GOVERNMENTAL FUNDS	TOTAL
$ 620,294	$ 3,482,256
33,227	197,736
-	141,254
-	90,454
$ 653,521	$ 3,911,700

$ -	$ 55,232
-	10,000
-	11,668
-	117,050
-	193,950

-	1,061,608
548,638	566,571
104,883	1,031,646
-	141,306
-	5,527
-	101,303
-	809,789
653,521	3,717,750
$ 653,521	$ 3,911,700

CITY OF PHOENIX
JACKSON COUNTY, OREGON

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

June 30, 2010

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

Fund Balances	$	3,717,750
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		2,962,327
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		(605,367)
Accrued Interest on Long Term Debt		(10,815)
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		(73,548)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred Revenue		82,657
Total Net Assets	$	6,073,004

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, 2010

	GENERAL FUND	STREET FUND	STREET IMPROVEMENT FUND
REVENUES			
Taxes	$ 897,785	$ -	$ -
Charges for Services	2,170	204,751	26,304
Licenses and Permits	55,688	-	-
Earnings on Investments	16,958	1,602	14,922
Intergovernmental	174,884	341,784	-
Grants	3,420	75,211	-
Franchise Fees Revenue	285,679	-	-
Fines and Forfeitures	87,624	-	-
Miscellaneous	66,801	(1,103)	-
Total Revenues	1,591,009	622,245	41,226
EXPENDITURES			
Current:			
Executive	97,742	-	-
Administrative	170,987	-	-
Planning Department	103,368	-	-
Parks Department	48,791	-	-
Building Department	51,627	-	-
Police Department	918,840	-	-
Highways and Streets	-	298,721	1,360
Non-Departmental	109,214	-	-
Debt Service:			
Principal	3,725	108,054	-
Interest	14,290	15,237	-
Capital Outlay	26,390	9,647	85,072
Total Expenditures	1,544,974	431,659	86,432
Excess of Revenues Over, (Under) Expenditures	46,035	190,586	(45,206)
OTHER FINANCING SOURCES, (USES)			
Sale of Capital Assets	9,917	-	-
URA Loan Payments	147,362	-	-
Transfers In	111,823	-	-
Transfers Out	(12,718)	(124,000)	-
Total Other Financing Sources, (Uses)	256,384	(124,000)	-
Net Change in Fund Balance	302,419	66,586	(45,206)
Beginning Fund Balance	782,731	175,941	1,781,758
Ending Fund Balance	$ 1,085,150	$ 242,527	$ 1,736,552

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

OTHER GOVERNMENTAL FUNDS	TOTAL
$ 5,192	$ 902,977
4,849	238,074
-	55,688
5,291	38,773
-	516,668
32,000	110,631
-	285,679
-	87,624
-	65,698
47,332	2,301,812
-	97,742
-	170,987
-	103,368
2,600	51,391
-	51,627
-	918,840
-	300,081
11,514	120,728
-	111,779
-	29,527
39,504	160,613
53,618	2,116,683
(6,286)	185,129
-	9,917
-	147,362
218,718	330,541
-	(136,718)
218,718	351,102
212,432	536,231
441,089	3,181,519
$ 653,521	$ 3,717,750

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, 2010

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	$	536,231
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.		
Capital Outlay		162,700
Depreciation Expense		(109,899)
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		(27,562)
Loan Payments		111,779
Accrued Interest		3,674
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred Revenues		(155,279)
Change in Net Assets	$	521,644

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

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CITY OF PHOENIX
JACKSON COUNTY, OREGON

STATEMENT OF PROPRIETARY NET ASSETS
June 30, 2010

	WATER FUND	WATER SDC FUND	INTERTIE DEBT SERVICE FUND
ASSETS			
Current Assets			
Cash and Investments	$ 116,817	$ 173,186	$ 260
Accounts Receivable, net	109,016	-	-
Total Current Assets	225,833	173,186	260
Noncurrent Assets			
Capital Assets, Net	3,335,254	-	-
Total Noncurrent Assets			
Total Assets	$ 3,561,087	$ 173,186	$ 260
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 57,840	$ -	$ -
Accrued Compensated Absences	7,013	-	-
Accrued Interest Payable	-	-	35,874
Customer Deposits	9,717	-	-
Long Term Debt, Current Position	29,684	-	29,316
Total Current Liabilities	104,254	-	65,190
Long-term Liabilities			
Long Term Debt, Net of Current Position	185,345	-	1,953,876
Total Long-term Liabilities	185,345	-	1,953,876
Total Liabilities	289,599	-	2,019,066
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,120,225	-	-
Restricted for:			
Debt Services	36,679	-	123,517
Skyline Water Pump	18,104	-	-
SDC's	-	173,186	-
Unrestricted	96,480	-	(2,142,323)
Total Net Assets	3,271,488	173,186	(2,018,806)
Total Liabilities and Fund Equity	$ 3,561,087	$ 173,186	$ 260

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

STORMWATER SDC FUND	TOTAL
$ 11,153	$ 301,416
-	109,016
11,153	410,432
-	3,335,254
$ 11,153	$ 3,745,686
$ -	$ 57,840
-	7,013
-	35,874
-	9,717
-	59,000
-	169,444
-	2,139,221
-	2,139,221
-	2,308,665
-	3,120,225
-	160,196
-	18,104
11,153	184,339
-	(2,045,843)
11,153	1,437,021
$ 11,153	$ 3,745,686

CITY OF PHOENIX
JACKSON COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	WATER FUND	WATER SDC FUND	INTERTIE DEBT SERVICE FUND
OPERATING REVENUES			
System Development Charges	$ -	$ 13,850	$ -
Charges for Services	1,040,380	-	-
Miscellaneous	2,184	-	-
Total Operating Revenues	1,042,564	13,850	-
OPERATING EXPENSES			
Personal Service	286,248	-	-
Materials and Services	506,990	-	-
Depreciation	164,506	-	-
Total Operating Expenses	957,744	-	-
Operating Income -Loss	84,820	13,850	-
NONOPERATING REVENUES, (EXPENSES)			
Earnings on Investments	2,862	1,341	-
Interest Expense	(7,930)	-	(95,106)
Transfers In	-	-	123,517
Transfers Out	(291,615)	(25,725)	-
Gain (loss) on disposal of Assets	(9,860)	-	-
Total Nonoperating Revenues (Expenses)	(306,543)	(24,384)	28,411
Change in Net Assets	(221,723)	(10,534)	28,411
Net Assets (Deficit), Beginning of Year	3,493,211	183,720	(2,047,217)
Net Assets (Deficit), end of year	$ 3,271,488	$ 173,186	$ (2,018,806)

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

STORMWATER SDC FUND	TOTAL
$ 10,292	$ 24,142
-	1,040,380
-	2,184
10,292	1,066,706
-	286,248
-	506,990
-	164,506
-	957,744
10,292	108,962
54	4,257
-	(103,036)
-	123,517
-	(317,340)
-	(9,860)
54	(302,462)
10,346	(193,500)
807	1,630,521
$ 11,153	$ 1,437,021

CITY OF PHOENIX
JACKSON COUNTY, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	WATER FUND	WATER SDC FUND	INTERTIE DEBT SERVICE FUND
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 1,039,260	$ 13,850	$ -
Cash Paid to Suppliers	(457,675)	-	-
Cash Paid to Employees	(283,565)	-	-
Net Cash Provided (Used) by Operating Activities	298,020	13,850	-
Cash Flows from Noncapital Financing Activities:			
Transfers	(291,615)	(25,725)	123,517
Net Cash Provided (Used) by Noncapital Financing Activities	(291,615)	(25,725)	123,517
Cash Flows from Capital and Related Financing Activities:			
Payment of Principal of Bonds Payable	(28,748)	-	(27,986)
Interest Expense	(7,930)	-	(95,532)
Purchase of Capital Assets	(20,372)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(57,050)	-	(123,518)
Cash Flows from Investing Activities:			
Earnings on Investments	2,862	1,341	-
Net Increase (Decrease) in Cash and Cash Equivalents	(47,783)	(10,534)	(1)
Cash and Investments at Beginning of Year	164,600	183,720	261
Cash and Investments at End of Year	$ 116,817	$ 173,186	$ 260
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income, (Loss)	$ 84,820	$ 13,850	$ -
Noncash Items Included in Income:			
Depreciation	164,506	-	-
Decrease (Increase) in Accounts Receivable	(2,821)	-	
Increase (Decrease) in Accounts Payable and Accrued Liabilities	51,998	-	-
Increase (Decrease) in Customer Deposits	(483)	-	-
Net Cash Provided (Used) by Operating Activities	$ 298,020	$ 13,850	$ -

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

STORMWATER SDC FUND	TOTAL
$ 10,292	$ 1,063,402
-	(457,675)
-	(283,565)
10,292	322,162
-	(193,823)
-	(193,823)
-	(56,734)
-	(103,462)
-	(20,372)
-	(180,568)
54	4,257
10,346	(47,972)
807	349,388
$ 11,153	$ 301,416
$ 10,292	$ 108,962
-	164,506
	(2,821)
-	51,998
-	(483)
$ 10,292	$ 322,162

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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 dept 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.

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.

INTERTIE DEBT SERVICE FUND

This fund accounts for the repayment of bonds, which were issued in November 2000. Principal sources of funds are transfers from the Water Reservoir and Utility Funds.

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.

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

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.

Expenditure budgets are appropriated at the following levels for each fund:

LEVEL OF CONTROL	
Personal Services	Contingencies and Transfers
Materials and Services	Debt Service
Capital Outlay	

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

Budget amounts shown in the basic financial statements reflect the original budget amounts and four appropriation transfers and one supplemental budget. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2010, except for General Fund Non-Departmental, Water Fund Materials and Services, Water Fund Transfers Out, and Parks and Recreation SDC Fund Capital Outlay, which were overexpended by $27,305, $155,927, $6,323, and $14,504 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

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 nonvesting 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. FUND EQUITY

Fund Equity is the individual fund balance. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

M. 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.

N. 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.

O. 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.

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	3,644,373
Certificate of Deposit	121,633
Investments - LGIP	17,356
	$ 3,783,672

Investments

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

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 99.56% of the value of the pool shares at June 30, 2010. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

2. CASH AND INVESTMENTS (continued)

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	$ 17,356	$ 17,356	-
Total	$ 17,356	$ 17,356	$ -

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, 2010, 100% of total investments were in the State Treasurer's Investment Pool. State statues do not limit the percentage of investments in this instrument. Oregon revised statutes require no more than 25 percent of the monies of local governments to be invested in bankers' acceptances of any qualified financial institution.

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total balance per the bank statements at June 30, 2010 was $3,853,930. Of these deposits, $403,844 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.

3. NOTE RECEIVABLE

During the 2007-08 fiscal year, the City sold a piece of land to its component unit, the Urban Renewal Agency of the City of Phoenix in exchange for a Note Receivable in the amount of $431,740. 4% interest on the original balance is to be paid to the City of Phoenix over the life of the note. The outstanding balance on the note as of June 30, 2010 was $141,254. In July of 2010, the City received the final principal and interest payments of $141,254 and $6,108 respectively.

4. CAPITAL ASSETS

Changes in Governmental capital assets for the year ended June 30, 2010 are as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	$ 278,276	$ -	$ -	$ 278,276
Construction in Process	914,940	-	(14,940)	900,000
Total Capital Assets Not Being Depreciated	1,193,216	-	(14,940)	1,178,276
Capital Assets Being Depreciated:				
Buildings and Improvements	1,186,769	-	-	1,186,769
Machinery and Equipment	353,995	-	-	353,995
Infrastructure	668,526	177,640	-	846,166
Total Capital Assets Being Depreciated	2,209,290	177,640	-	2,386,930
Total Capital Assets	$ 3,402,506	$ 177,640	$ (14,940)	$ 3,565,206
Less: Accumulated Depreciation				
Buildings and Improvements	$ (291,102)	$ (50,394)	$ -	$ (341,496)
Machinery and Equipment	(127,248)	(30,440)	-	(157,688)
Infrastructure	(74,630)	(29,065)	-	(103,695)
Total Accumulated Depreciation	$ (492,980)	$ (109,899)	$ -	$ (602,879)
Total Net Capital Assets	$ 2,909,526			$ 2,962,327

4. CAPITAL ASSETS (continued)

Changes in Business – Type capital assets for the year ended June 30, 2010 are as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	$ 21,731	$ -	$ -	$ 21,731
Construction in Process	5,470	-	(5,470)	-
Total Capital Assets Not Being Depreciated	27,201	-	(5,470)	21,731
Capital Assets Being Depreciated:				
Buildings and Improvements	1,754,602	-	-	1,754,602
Machinery and Equipment	704,714	5,700	(92,001)	618,413
Infrastructure	2,466,377	20,142	-	2,486,519
Total Capital Assets Being Depreciated	4,925,693	25,842	(92,001)	4,859,534
Total Capital Assets	$ 4,952,894	$ 25,842	$ (97,471)	$ 4,881,265
Less: Accumulated Depreciation				
Buildings and Improvements	$ (562,876)	$ (49,125)	$ -	$ (612,001)
Machinery and Equipment	(447,701)	(47,839)	82,141	(413,399)
Infrastructure	(453,069)	(67,542)	-	(520,611)
Total Accumulated Depreciation	$ (1,463,646)	$ (164,506)	$ 82,141	$ (1,546,011)
Total Net Capital Assets	$ 3,489,248			$ 3,335,254

4. CAPITAL ASSETS (continued)

Governmental depreciation was allocated to the functions as follows:

Program		
Executive	$	5,919
Administrative		10,355
Planning Department		6,260
Parks Department		3,112
Building Department		3,126
Public Safety		55,644
Highways and Streets		18,172
Non-Departmental		7,311
Total Governmental Activities	$	109,899

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

Program		
Water Department	$	164,506

5. INTERFUND ACTIVITY

Interfund transfers during the year ended June 30, 2010 were as follows:

Fund	Transfers In	Transfers Out
General Fund	$ 111,823	$ 12,718
Street Fund	-	124,000
Public Safety Equipment Reserve	10,000	-
Street Equipment Reserve	124,000	-
City Hall Debt Reserve	2,718	-
Intertie Debt Service	123,517	-
Water	-	291,615
Water SDC	-	25,725
Water Reserve	82,000	-
	$ 454,058	$ 454,058

Transfers are used to fund operations between funds.

6. 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, 2010 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, 2010, 2009, and 2008 were $116,359, $156,540, and $164,026, respectively.

7. ACCRUED COMPENSATED ABSENCES

At June 30, 2010, the outstanding balance is comprised of accrued vacation time of $72,327 and accrued compensated time of $8,234. The changes in accrued compensated absences for the year ended June 30, 2010 are as follows:

Fund	Accrued July 1, 2009	Earned	Taken	Accrued June 30, 2010
General	$ 45,986	$ 67,590	$ (40,028)	$ 73,548
Water	4,330	8,670	(5,987)	7,013
Total	$ 50,316	$ 76,260	$ (46,015)	$ 80,561

8. LONG TERM DEBT

Long-term obligations for the City changed as follows for the year ended June 30, 2010:

	Balance at July 1, 2009	Additions	Reductions	Balance at June 30, 2010	Due in 1 year
Governmental					
OTIB Note Payable	$ 370,724	$ -	$ (108,054)	$ 262,670	$ 112,456
Rural Development	346,422	-	(3,725)	342,697	3,879
Total	717,146	-	(111,779)	605,367	116,335
Business - Type					
Water Revenue Bond - Phase I	1,012,877	-	(14,093)	998,784	14,764
Water Revenue Bond - Phase II	998,301	-	(13,892)	984,409	14,552
Lost Creek Water Storage #1	170,489	-	(5,097)	165,392	5,263
Lost Creek Water Storage #2	73,288	-	(23,652)	49,636	24,421
Total	2,254,955	-	(56,734)	2,198,221	59,000
Total Lont-term Debt	$ 2,972,101	$ -	$ (168,513)	$ 2,803,588	$ 175,335

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
2010-2011	112,456	10,835	123,291
2011-2012	117,038	6,253	123,291
2012-2013	33,176	1,485	34,661
Total	$ 262,670	$ 18,573	$ 281,243

8. 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
2010-2011	3,879	14,136	18,015
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
2015-2020	25,779	64,296	90,075
2020-2025	31,553	58,522	90,075
2025-2030	38,619	51,456	90,075
2030-2035	47,269	42,806	90,075
2035-2040	57,856	32,219	90,075
2040-2045	70,816	19,259	90,075
2045-2048	49,744	4,154	53,898
Total	$ 342,697	$ 341,726	$ 684,423

8. LONG-TERM DEBT (continued)

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

Water Revenue Bonds (Phases 1 & 2)
$2,193,900 was issued on November 16, 2000 for construction of a new reservoir and the City of Phoenix's portion of the water intertie from Medford to Talent, and then to Ashland. The bonds are actually two issues, with combined annual payments of $123,517, including principal and interest of 4.75%, due November 16th each year through 2040. Principal and interest payments are made from the Intertie Debt Service Fund.

Water Revenue Bonds

Year	Principal	Interest	Total
2010-2011	29,316	94,201	123,517
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
2015-2020	203,275	414,310	617,585
2020-2025	256,364	361,221	617,585
2025-2030	323,315	294,270	617,585
2030-2035	407,754	209,831	617,585
2035-2040	514,244	103,341	617,585
2040-2041	117,061	5,557	122,618
Total	$ 1,983,193	$ 1,844,935	$ 3,828,128

8. 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.

Year	Principal	Interest	Total
2010-2011	29,684	6,995	36,679
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
2015-2020	32,956	20,258	53,214
2020-2025	38,676	14,538	53,214
2025-2030	45,390	7,824	53,214
2030-2032	20,288	996	21,284
Total	$ 215,028	$ 71,184	$ 286,212

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

9. 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.

10. 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.

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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, 2010

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Taxes	$ 894,381	$ 894,381		$ 897,785	$ 3,404
Charges for Services	4,175	4,175		2,170	(2,005)
Licenses and Permits	38,000	38,000		55,688	17,688
Earnings on Investments	11,725	11,725		16,958	5,233
Intergovernmental	135,962	135,962		174,884	38,922
Grants	2,400	2,400		3,420	1,020
Franchise Fees	351,000	351,000		285,679	(65,321)
Fines and Forfeitures	124,500	124,500		87,624	(36,876)
Miscellaneous	22,207	22,207		66,801	44,594
Total Revenues	1,584,350	1,584,350		1,591,009	6,659
EXPENDITURES					
Current:					
Executive	103,045	103,045	(1)	97,742	5,303
Administrative	209,327	185,302	(1)	171,040	14,262
Planning Department	125,371	121,571	(1)	105,445	16,126
Parks Department	56,971	58,071	(1)	48,791	9,280
Building Department	49,098	54,298	(1)	51,627	2,671
Police Department	1,039,346	990,446	(1)	918,990	71,456
Non-Departmental	35,594	106,019	(1)	133,324	(27,305)
Debt Services	36,463	36,463	(1)	18,015	18,448
Contingency	154,630	154,630	(1)	-	154,630
Total Expenditures	1,809,845	1,809,845		1,544,974	264,871
Excess of Revenues Over, (Under) Expenditures	(225,495)	(225,495)		46,035	271,530
OTHER FINANCING SOURCES, (USES)					
Sale of Capital Assets	-	-		9,917	9,917
URA Loan Payments	147,362	147,362		147,362	-
Transfers Out	(12,718)	(12,718)	(1)	(12,718)	-
Transfers In	18,045	18,045		111,823	93,778
Net Change in Fund Balance	(72,806)	(72,806)		302,419	375,225
Beginning Fund Balance	651,755	651,755		782,731	130,976
Ending Fund Balance	$ 578,949	$ 578,949		$ 1,085,150	$ 506,201

(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, 2010

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Charges for Services	$ 183,000	$ 183,000	$ 204,751	$ 21,751
Earnings on Investments	6,375	6,375	1,602	(4,773)
Intergovernmental	323,291	323,291	341,784	18,493
Grants	-	75,211	75,211	-
Miscellaneous	12,000	12,000	(1,103)	(13,103)
Total Revenues	524,666	599,877	622,245	22,368
EXPENDITURES				
Current				
Highways and Streets				
Personal Services	221,744	221,744 (1)	140,798	80,946
Materials and Services	163,500	163,500 (1)	157,923	5,577
Capital Outlay	-	75,211 (1)	9,647	65,564
Debt Service	123,291	123,291 (1)	123,291	-
Contingency	95,555	95,555 (1)	-	95,555
Total Expenditures	604,090	679,301	431,659	247,642
Excess of Revenues Over, (Under) Expenditures	(79,424)	(79,424)	190,586	270,010
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(128,500)	(128,500) (1)	(124,000)	4,500
Net Change in Fund Balance	(207,924)	(207,924)	66,586	274,510
Beginning Fund Balance	241,434	241,434	175,941	(65,493)
Ending Fund Balance	$ 33,510	$ 33,510	$ 242,527	$ 209,017

(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, 2010

STREET IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Charges for Services	$ -	$ -		$ 26,304	$ 26,304
Earnings on Investments	41,500	41,500		14,922	(26,578)
Total Revenues	41,500	41,500		41,226	(274)
EXPENDITURES					
Current					
Highways and Streets					
Materials and Services	21,000	11,000	(1)	1,360	9,640
Capital Outlay	150,000	160,000	(1)	85,072	74,928
Total Expenditures	171,000	171,000		86,432	84,568
Excess of Revenues Over, (Under) Expenditures	(129,500)	(129,500)		(45,206)	84,294
Beginning Fund Balance	1,814,376	1,814,376		1,781,758	(32,618)
Ending Fund Balance	$ 1,684,876	$ 1,684,876		$ 1,736,552	$ 51,676

(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, 2010

WATER FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Charges for Services	$ 1,101,000	$ 1,101,000		$ 1,040,380	$ (60,620)
Earnings on Investments	8,275	8,275		2,862	(5,413)
Miscellaneous	15,000	15,000		2,184	(12,816)
Total Revenues	1,124,275	1,124,275		1,045,426	(78,849)
EXPENDITURES					
Current					
Utility Services					
Personal Services	358,721	432,721	(1)	283,565	149,156
Materials and Services	426,500	352,500	(1)	508,427	(155,927)
Capital Outlay	20,000	20,000	(1)	18,935	1,065
Debt Service	36,678	36,678	(1)	36,678	-
Contingency	169,075	169,075	(1)	-	169,075
Total Expenditures	1,010,974	1,010,974		847,605	163,369
OTHER FINANCING SOURCES, (USES)					
Transfers Out	(285,292)	(285,292)	(1)	(291,615)	(6,323)
Net Change in Fund Balance	(171,991)	(171,991)		(93,794)	78,197
Beginning Fund Balance	212,566	212,566		252,070	39,504
Ending Fund Balance	$ 40,575	$ 40,575		158,276	$ 117,701
Reconciling Items:					
Capital Assets, Net				3,335,254	
Accrued Compensated Absences				(7,013)	
Bonds and Notes Payable				(215,029)	
Net Assets				$ 3,271,488	

(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, 2010

WATER SYSTEM DEVELOPMENT CHARGES FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
System Development Charges	$ 10,000	$ 10,000		$ 13,850	$ 3,850
Earnings on Investments	4,250	4,250		1,341	(2,909)
Total Revenues	14,250	14,250		15,191	941
EXPENDITURES					
Current					
Utility Services					
Materials and Services	5,000	5,000	(1)	-	5,000
Capital Outlay	50,000	50,000	(1)	-	50,000
Total Expenditures	55,000	55,000		-	55,000
Excess of Revenues Over, (Under) Expenditures	(40,750)	(40,750)		15,191	55,941
OTHER FINANCING SOURCES, (USES)					
Transfers Out	(25,725)	(25,725)	(1)	(25,725)	-
Net Change in Fund Balance	(66,475)	(66,475)		(10,534)	55,941
Beginning Fund Balance	190,348	190,348		183,720	(6,628)
Ending Fund Balance	$ 123,873	$ 123,873		$ 173,186	$ 49,313

(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, 2010

INTERTIE DEBT SERVICE

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Earnings on Investments	$ -	$ -	$ -	$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Debt Service	123,517	123,517 (1)	123,517	-
Total Expenditures	123,517	123,517	123,517	-
Excess of Revenues over Expenditures	(123,517)	(123,517)	(123,517)	-
OTHER FINANCING SOURCES, (USES)				
Transfers In	123,517	123,517	123,517	-
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	260	260	260	-
Ending Fund Balance	$ 260	$ 260	$ 260	$ -
Reconciling Items				
Accrued Interest Payable			(35,874)	
Noncurrent Long-term Debt			(1,983,192)	
Net Assets			$ (2,018,806)	

(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, 2010

STORMWATER SDC FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Charges for Services	$ 2,469	$ 2,469		$ 10,292	$ 7,823
Earnings on Investments	30	30		54	24
Total Revenues	2,499	2,499		10,346	7,847
EXPENDITURES					
Materials and Services	1,000	1,000	(1)	-	1,000
Total Expenditures	1,000	1,000		-	1,000
Excess of Revenues Over, (Under) Expenditures	1,499	1,499		10,346	8,847
Beginning Net Assets	808	808		807	(1)
Ending Net Assets	$ 2,307	$ 2,307		$ 11,153	$ 8,846

(1) Appropriation Level

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CITY OF PHOENIX
JACKSON COUNTY, OREGON

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	ADVERTISING PROMOTION FUND	TOURIST USAGE FUND	PARKS AND RECREATION SDC FUND	GREENWAY MAINTENANCE RESERVE FUND	PUBLIC SAFETY EQUIPMENT RESERVE FUND
ASSETS					
Cash and Cash Equivalents	$ 1,189	$ 30,869	$ 72,883	$ 13,580	$ 20,102
Accounts Receivable	271	956	32,000	-	-
Total Assets	$ 1,460	$ 31,825	$ 104,883	$ 13,580	$ 20,102
LIABILITIES					
Accounts Payable	-	-	-	-	-
Total Liabilities	-	-	-	-	-
FUND BALANCES					
Unreserved, Undesignated	$ 1,460	$ 31,825	$ 104,883	$ 13,580	$ 20,102
Total Liabilities and Fund Balances	$ 1,460	$ 31,825	$ 104,883	$ 13,580	$ 20,102

STREET EQUIPMENT RESERVE FUND	CITY HALL DEBT RESERVE FUND	INTERTIE DEBT RESERVE FUND	WATER RESERVE	TOTAL
$ 158,554	$ 8,197	$ 148,070	$ 166,850	$ 620,294
-	-	-	-	33,227
$ 158,554	$ 8,197	$ 148,070	$ 166,850	$ 653,521
-	-	-	-	-
-	-	-	-	-
$ 158,554	$ 8,197	$ 148,070	$ 166,850	$ 653,521
$ 158,554	$ 8,197	$ 148,070	$ 166,850	$ 653,521

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, 2010

	ADVERTISING PROMOTION FUND	TOURIST USAGE FUND	PARKS AND RECREATION SDC FUND	GREENWAY MAINTENANCE RESERVE FUND	PUBLIC SAFETY EQUIPMENT RESERVE FUND
REVENUES					
Taxes	$ 1,229	$ 3,963	$ -	$ -	$ -
Charges for Services	-	-	4,849	-	-
Miscellaneous Grants	-	-	32,000	-	-
Earnings on Investments	24	223	738	102	97
Total Revenues	$ 1,253	$ 4,186	$ 37,587	$ 102	$ 97
EXPENDITURES					
Current					
Parks Department	-	-	-	2,600	-
Non-Departmental	3,602	7,912	-	-	-
Capital Outlay	-	-	39,504	-	-
Total Expenditures	3,602	7,912	39,504	2,600	-
Excess of Revenues Over, (Under) Expenditures	(2,349)	(3,726)	(1,917)	(2,498)	97
OTHER FINANCING SOURCES, (USES)					
Transfers In	-	-	-	-	10,000
Transfers Out	-	-	-	-	-
Total Other Financing Sources, (Uses)	-	-	-	-	10,000
NET CHANGE IN FUND BALANCES	(2,349)	(3,726)	(1,917)	(2,498)	10,097
BEGINNING FUND BALANCES	3,809	35,551	106,800	16,078	10,005
ENDING FUND BALANCES	$ 1,460	$ 31,825	$ 104,883	$ 13,580	$ 20,102

STREET EQUIPMENT RESERVE FUND	CITY HALL DEBT RESERVE FUND	INTERTIE DEBT RESERVE FUND	WATER RESERVE	TOTAL
$ -	$ -	$ -	$ -	$ 5,192
-	-	-	-	4,849
-	-	-	-	32,000
537	43	2,718	809	5,291
$ 537	$ 43	$ 2,718	$ 809	$ 47,332
-	-	-	-	2,600
-	-	-	-	11,514
-	-	-	-	39,504
-	-	-	-	53,618
537	43	2,718	809	(6,286)
124,000	2,718	-	82,000	218,718
-	-	-	-	-
124,000	2,718	-	82,000	218,718
124,537	2,761	2,718	82,809	212,432
34,017	5,436	145,352	84,041	441,089
$ 158,554	$ 8,197	$ 148,070	$ 166,850	$ 653,521

CITY OF PHOENIX
JACKSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2010

ADVERTISING PROMOTION FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Taxes	$ 1,200	$ 1,200		$ 1,229	$ 29
Earnings on Investments	5	5		24	19
Total Revenues	1,205	1,205		1,253	48
EXPENDITURES					
Current					
Non-Departmental					
Materials and Services	5,000	5,000	(1)	3,602	1,398
Total Expenditures	5,000	5,000		3,602	1,398
Net Change in Fund Balance	(3,795)	(3,795)		(2,349)	1,446
Beginning Fund Balance	3,870	3,870		3,809	(61)
Ending Fund Balance	$ 75	$ 75		$ 1,460	$ 1,385

(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, 2010

TOURIST USAGE FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Taxes	$ 3,768	$ 3,768		$ 3,963	$ 195
Earnings on Investments	975	975		223	(752)
Total Revenues	4,743	4,743		4,186	(557)
EXPENDITURES					
Current					
Non-Departmental					
Materials and Services	12,912	12,912	(1)	7,912	5,000
Total Expenditures	12,912	12,912		7,912	5,000
Net Change in Fund Balance	(8,169)	(8,169)		(3,726)	4,443
Beginning Fund Balance	25,577	25,577		35,551	9,974
Ending Fund Balance	$ 17,408	$ 17,408		$ 31,825	$ 14,417

(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, 2010

PARKS AND RECREATION SDC FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Charges for Services	$ 2,522	$ 2,522	$ 4,849	$ 2,327
Miscellaneous Grants	-	-	32,000	32,000
Earnings on Investments	1,800	1,800	738	(1,062)
Total Revenues	4,322	4,322	37,587	33,265
EXPENDITURES				
Current				
Parks Department				
Materials and Services	9,000	9,000 (1)	-	9,000
Capital Outlay	25,000	25,000 (1)	39,504	(14,504)
Total Expenditures	34,000	34,000	39,504	(5,504)
Excess of Revenues Over, (Under) Expenditures	(29,678)	(29,678)	(1,917)	27,761
Beginning Fund Balance	107,357	107,357	106,800	(557)
Ending Fund Balance	$ 77,679	$ 77,679	$ 104,883	$ 27,204

(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, 2010

GREENWAY MAINTENANCE RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Earnigns on Investments	$ 275	$ 275		$ 102	$ (173)
Total Revenues	275	275		102	(173)
EXPENDITURES					
Materials and Services	2,600	2,600	(1)	2,600	-
Total Expenditures	2,600	2,600		2,600	-
Excess of Revenues Over, (Under) Expenditures	(2,325)	(2,325)		(2,498)	(173)
Beginning Fund Balance	16,127	16,127		16,078	(49)
Ending Fund Balance	$ 13,802	$ 13,802		$ 13,580	$ (222)

(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, 2010

PUBLIC SAFETY EQUIPMENT RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Earnings on Investments	$ 200	$ 200	$ 97	$ (103)
Total Revenues	200	200	97	(103)
EXPENDITURES				
Capital Outlay	-	- (1)	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over, (Under) Expenditures	200	200	97	(103)
OTHER FINANCING SOURCES, (USES)				
Transfers In	10,000	10,000	10,000	-
Net Change in Fund Balance	10,200	10,200	10,097	(103)
Beginning Fund Balance	10,000	10,000	10,005	5
Ending Fund Balance	$ 20,200	$ 20,200	$ 20,102	$ (98)

(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, 2010

STREET EQUIPMENT RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Earnings on Investments	$ 4,900	$ 4,900	$ 537	$ (4,363)
Total Revenues	4,900	4,900	537	(4,363)
EXPENDITURES				
Capital Outlay	-	- (1)	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over, (Under) Expenditures	4,900	4,900	537	(4,363)
OTHER FINANCING SOURCES, (USES)				
Transfers In	124,000	124,000	124,000	-
Net Change in Fund Balance	128,900	128,900	124,537	(4,363)
Beginning Fund Balance	34,000	34,000	34,017	17
Ending Fund Balance	$ 162,900	$ 162,900	$ 158,554	$ (4,346)

(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, 2010

CITY HALL DEBT RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Earnings on Investments	$ 100	$ 100		$ 43	$ (57)
Total Revenues	100	100		43	(57)
EXPENDITURES					
Capital Outlay	-	-	(1)	-	-
Total Expenditures	-	-		-	-
Excess of Revenues Over, (Under) Expenditures	100	100		43	(57)
OTHER FINANCING SOURCES, (USES)					
Transfers In	2,718	2,718		2,718	-
Net Change in Fund Balance	2,818	2,818		2,761	(57)
Beginning Fund Balance	5,436	5,436		5,436	-
Ending Fund Balance	$ 8,254	$ 8,254		$ 8,197	$ (57)

(1) Appropriation Level

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, 2010

INTERTIE DEBT RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Earnings on Investments	$ 3,525	$ 3,525	$ 2,718	$ (807)
Total Revenues	3,525	3,525	2,718	(807)
OTHER FINANCING SOURCES, (USES)				
Transfers In	-	-	-	-
Total Other Financing Sources, (Uses)	-	-	-	-
Net Change in Fund Balance	3,525	3,525	2,718	(807)
Beginning Fund Balance	149,661	149,661	145,352	(4,309)
Ending Fund Balance	$ 153,186	$ 153,186	$ 148,070	$ (5,116)

(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, 2010

WATER RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Earnings on Investments	$ 5,225	$ 5,225		$ 809	$ (4,416)
Total Revenues	5,225	5,225		809	(4,416)
EXPENDITURES					
Capital Outlay	-	-	(1)	-	-
Total Expenditures	-	-		-	-
Excess of Revenues Over, (Under) Expenditures	5,225	5,225		809	(4,416)
OTHER FINANCING SOURCES, (USES)					
Transfers In	82,000	82,000		82,000	-
Change in Net Assets	87,225	87,225		82,809	(4,416)
Beginning Net Assets	84,000	84,000		84,041	41
Ending Net Assets	$ 171,225	$ 171,225		$ 166,850	$ (4,375)

(1) Appropriation Level

CITY OF PHOENIX
JACKSON COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2010

TAX YEAR	IMPOSED LEVY OR UNCOL-LECTED AT 7-1-09	DEDUCT DISCOUNTS	ADJUST-MENTS TO ROLLS	INTEREST	CASH COLLEC-TIONS BY COUNTY TREAS-URER	BALANCE UNCOL-LECTED OR UNSEG-REGATED AT 6-30-10
CURRENT:						
2009-10	$ 921,772	$ 21,593	$ (10,148)	$ (1,149)	$ 842,686	$ 46,196
PRIOR YEARS:						
2008-2009	45,293	(7)	492	(85)	26,775	18,932
2007-2008	29,438	(1)	1,207	(16)	13,919	16,711
2006-2007	11,693	-	1,051	(22)	7,329	5,393
2005-2006	4,227	-	563	(20)	3,320	1,450
2004-2005 & Prior	2,336	-	146	(48)	662	1,772
Total Prior	92,987	(8)	3,459	(191)	52,005	44,258
Total	$ 1,014,759	$ 21,585	$ (6,689)	$ (1,340)	$ 894,691	$ 90,454

RECONCILIATION OF REVENUE:	GENERAL FUND
Cash Collections by County Treasurer Above	$ 894,691
Accrual of Receivables:	
June 30, 2009	(17,302)
June 30, 2010	20,396
Total Revenue	$ 897,785

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CITY OF PHOENIX
JACKSON COUNTY, OREGON

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.
® CERTIFIED PUBLIC ACCOUNTANTS

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January 12, 2011

Independent Auditor's 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, 2010, and have issued our report thereon dated January 12, 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 Statues 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. The City published the budget hearing notice only 3 days prior to the scheduled hearing, instead of the required minimum 5 days.
2. In our comparison of the budget document and form's LB-1 and LB-4, we noted that there were some discrepancies in listed amounts.
3. 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 and Co. P.C.

PAULY, ROGERS AND CO., P.C.