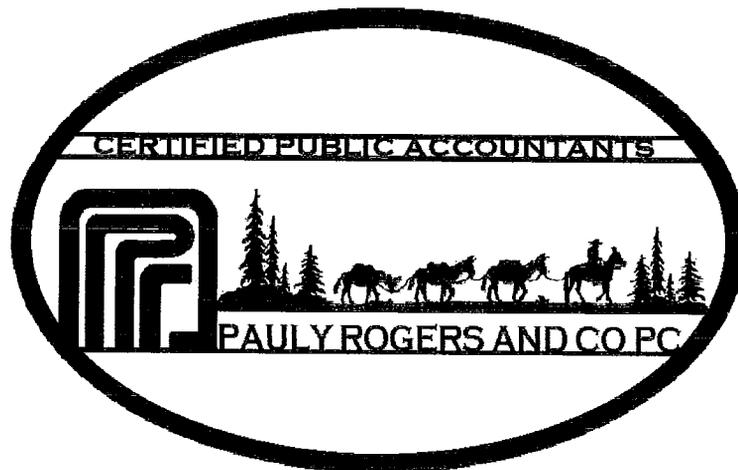


CITY OF EAGLE POINT
JACKSON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**2009-2010
ANNUAL FINANCIAL REPORT**

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CITY OF EAGLE POINT
JACKSON COUNTY, OREGON

CITY COUNCIL

TERM EXPIRES

Leon Sherman, Mayor

December 31, 2010

Pat Jacobson

December 31, 2012

Wyn Lewis

December 31, 2010

Terry Christiansen

December 31, 2010

Rick Tree

December 31, 2010

Alan Curriston, Council President

December 31, 2012

Mike Parker

December 31, 2012

All council members receive mail at the address listed below.

ADMINISTRATIVE

David Hussell, City Administrator
Melissa Owens, Finance Officer

City of Eagle Point
17 Buchanan Avenue South, PO Box 779
Eagle Point, Oregon 97524

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CITY OF EAGLE POINT
JACKSON COUNTY, OREGON

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**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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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

April 1, 2011

To the Honorable Mayor and
Members of the City Council
City of Eagle Point, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Eagle Point, Oregon, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Eagle Point, Oregon, at June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 1, 2011, on our consideration of City of Eagle Point' internal control over financial reporting and our tests of the compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The required and supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

City of Eagle Point

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following narrative is an overview and analysis of the financial activities of the City of Eagle Point for the fiscal year ending June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and the basic financial statements included in this report. The Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditors' report.

Financial Highlights

City's total net assets increased from \$19,115,797 to \$19,564,814 as a result of this year's operations
Combined governmental funds net assets increased by \$698,769
Combined business-type funds net assets decreased by \$239,752
Total revenue from all sources was \$5,645,405, a decrease of \$550,697
Total expenses for all funds was \$5,186,388, a decrease of \$1,047,278
The unreserved ending fund balance for General Fund was \$1,040,584.

Overview of the Financial Statements

This overview and analysis is intended to explain the changes in the financial positions of the City of Eagle Point and why they occurred. The City's detailed information is provided in the *annual financial report* provided by independent auditors.

The *Statement of Net Assets* presents information on all the City's assets (what an entity owns or is owed) and liabilities (what an entity owes) with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, accounts receivable, grants receivable, deferred revenue, accounts payable, and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes, fees, licenses, franchises and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Another function of the City is supported by special revenue activities that are legally restricted to expenditures for specified purposes such as street maintenance and housing authority funds. The governmental activities of the City include general government, municipal court, public safety, building, planning, recreation, and parks. The business-type activities of the City include water, storm water, and sewer.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into: the general, special revenue, capital project, debt service and proprietary funds types.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In our case, assets exceeded liabilities by \$19,564,814 at the close of the most recent fiscal year. This was an increase of \$449,017 over the previous fiscal year.

53.7% of the City's net assets reflect its investments in capital assets (e.g. land, buildings, roads, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending unless those capital assets are sold. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets as of Fiscal Year Ending June 30

	2010	2009	Change
Assets			
Cash and investments	\$7,781,265	\$9,812,096	(\$2,030,831)
Other assets	1,901,622	1,908,618	(6,996)
Capital assets	16,986,539	14,525,112	2,461,427
Total assets	<u>26,669,426</u>	<u>26,245,826</u>	<u>423,600</u>
Liabilities			
Current and other liabilities	634,072	3,805,090	(3,171,018)
Long-term liabilities	6,470,540	3,334,939	3,135,601
Total liabilities	<u>7,104,612</u>	<u>7,140,029</u>	<u>(35,417)</u>
Net Assets			
Invested in capital assets,			
Net of related debt	10,515,999	10,748,654	(232,655)
Restricted/Reserved	696,137	670,596	25,541
Unrestricted	8,352,678	7,696,547	656,131
Total Net Assets	<u>\$19,564,814</u>	<u>\$19,115,797</u>	<u>\$449,017</u>

The Long-term Liabilities are the water bonds, sewer bonds, general obligation bonds, and notes payables, and includes deferred revenue in the form of uncollected property taxes.

The Restricted Net Assets are funds that are a requirement of the Water Revenue bond and the Sewer Revenue bond to set aside funds for debt payment. SDC funds are also listed as restricted assets because they can only be used for capacity improving capital projects.

**Governmental and Proprietary Activities
For Fiscal Year Ending June 30, 2010
Governmental Activities**

	2010	2009	Change
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$1,214,989	\$1,139,003	\$75,986
Operating grants & contributions	211,500	0	211,500
Capital grants & contributions	3,733	0	3,733
<i>General Revenues:</i>			
Property taxes	1,316,860	1,292,888	23,972
Intergovernmental	526,082	0	526,082
General grants & contributions	0	711,841	(711,841)
Gain/(loss) on disposal of assets	(125,358)	0	(125,358)
Miscellaneous	129,019	199,975	(70,956)
Capital contributions	0	0	0
Transfers	121,615	420,204	(298,589)
Total Revenues	<u>3,398,440</u>	<u>3,763,911</u>	<u>(365,471)</u>
Expenses			
<i>Current:</i>			
General Government	391,461	600,232	(208,771)
Public Safety	1,367,898	1,608,987	(241,089)
Public Works	512,586	603,543	(90,957)
Planning	73,512	128,456	(54,944)
Recreation	270,440	280,266	(9,826)
Non-Departmental	41,951	71,118	(29,167)
<i>Debt Service:</i>			
Interest and charges	41,823	147,866	(106,043)
Total Expenses	<u>2,699,671</u>	<u>3,440,468</u>	<u>(740,797)</u>
Increase (decrease) in net assets	698,769	323,443	375,326
Beginning net assets (restated for 2010)	9,312,464	9,505,161	(192,697)
Prior Period Adjustment	(180,410)	0	(180,410)
Ending net assets	<u>\$9,830,823</u>	<u>\$9,828,604</u>	<u>\$2,219</u>

Governmental and Proprietary Activities
For Fiscal Year Ending June 30
Business-Type Activities

	2010	2009	Change
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$2,219,425	\$2,197,542	\$21,883
Operating grants & contributions			
Capital grants & contributions			
<i>General Revenues:</i>			
Property taxes	58,978	70,000	(11,022)
Intergovernmental	0	0	0
General grants & contributions	0	59,273	(59,273)
Gain/(loss) on disposal of assets	0	0	0
Investment earnings	36,523	0	36,523
Miscellaneous	53,654	131,696	(78,042)
Capital contributions	0	393,884	(393,884)
Transfers	(121,615)	(420,204)	298,589
Total Revenues	<u>2,246,965</u>	<u>2,432,191</u>	<u>(185,226)</u>
Expenses			
Water	1,688,952	1,933,661	(244,709)
Storm Water	111,097	158,662	(47,565)
Sewer	686,668	700,875	(14,207)
Total Expenses	<u>2,486,717</u>	<u>2,793,198</u>	<u>(306,481)</u>
Increase (decrease) in net assets	(239,752)	(361,007)	121,255
Beginning net assets (restated for 2010)	9,803,333	9,648,200	155,133
Prior period adjustment	170,410	0	170,410
Ending net assets	<u>\$9,733,991</u>	<u>\$9,287,193</u>	<u>\$446,798</u>

**Governmental and Proprietary Activities
For Fiscal Year Ending June 30, 2010
Total City**

	2010	2009	Change
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$3,434,414	\$3,336,545	\$97,869
Operating grants & contributions	211,500	0	211,500
Capital grants & contributions	3,733	0	3,733
<i>General Revenues:</i>			
Property taxes	1,375,838	1,362,888	12,950
Intergovernmental	526,082	0	526,082
General grants & contributions	0	771,114	(771,114)
Gain/(loss) on disposal of assets	(125,358)	0	(125,358)
Investment earnings	36,523	0	36,523
Miscellaneous	182,673	331,671	(148,998)
Capital contributions	0	393,884	(393,884)
Transfers	0	0	0
Total Revenues	<u>5,645,405</u>	<u>6,196,102</u>	<u>(550,697)</u>
Expenses			
<i>Current:</i>			
General Government	391,461	600,232	(208,771)
Public Safety	1,367,898	1,608,987	(241,089)
Public Works	512,586	603,543	(90,957)
Planning	73,512	128,456	(54,944)
Recreation	270,440	280,266	(9,826)
Non-Departmental	41,951	71,118	(29,167)
<i>Debt Service:</i>			
Interest and charges	41,823	147,866	(106,043)
Water	1,688,952	1,933,661	(244,709)
Storm Water	111,097	158,662	(47,565)
Sewer	686,668	700,875	(14,207)
Total Expenses	<u>5,186,388</u>	<u>6,233,666</u>	<u>(1,047,278)</u>
Increase (decrease) in net assets	459,017	(37,564)	496,581
Beginning net assets	19,115,797	19,153,361	(37,564)
Prior Period Adjustment	(10,000)	0	(10,000)
Ending net assets	<u>\$19,564,814</u>	<u>\$19,115,797</u>	<u>\$449,017</u>

The City's total revenues were \$5,645,405, of this 61% or \$3,434,414 is from Charges for Services and \$835,153 is from grants, interest earnings, and other non-tax sources. Only 24.4% or \$1,375,838 comes from the various sources of property taxes and intergovernmental taxes.

The total cost of all programs and services was \$5,186,388; \$2,486,717 (44%) are for utilities and the remainder is for General Government, Planning, Building, Public Safety, Parks, Recreation, Municipal Court, Streets, Debt Service Principal and Interest, and Capital Outlay.

GOVERNMENTAL ACTIVITIES

The cost for total governmental activities this year was \$2,699,671. This is down from \$3,440,468 last year.

Revenue from for total governmental activities totaled \$3,398,440 which is down from \$3,763,911 received last year. This is a decrease of \$365,471. Governmental fund type revenues are lower than they have been in years past due to the decrease in building activity and a decrease in investment earnings. There has also been a decrease in court revenue and business license revenue. The amount that our taxpayers paid for all governmental activities through property taxes was only \$1,316,860 or 39%.

FINANCIAL ANALYSIS OF THE CITY OF EAGLE POINT FUNDS

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not make any revisions to the General Fund budget. Actual expenditures were 74% of the budgeted amount or \$711,392 below budget amounts. There were three primary reasons for the savings. There were several planning projects that were planned for 2009/2010 but were put on hold until the economy recovers. One staff member retired during the fiscal year and his position was not replaced during the fiscal year. The third reason for the savings was that an after school program was planned for the fiscal year. However, due to low turnout the program was cancelled until the economy recovers.

FUTURE ECONOMIC FACTORS FOR THE CITY OF EAGLE POINT

The City of Eagle Point had been experiencing a great deal of growth over the past several years that required a continued involvement in updated growth planning, capital improvement projects and associated infrastructure improvements. However, 2006/2007 saw a large decrease in building activity. Over the last three years the building activity has decreased even further. However, during 2009/2010 there were 25 new homes built which far exceeds some of the neighboring cities. With decreased building comes reduced building and planning revenues in the General Fund as well as a decrease in System Development Charges (SDC) in each of the SDC funds.

The City expects to finalize details of Comprehensive Plan updates including regional planning strategies through identification of new growth areas through Regional Problem Solving with area cities, county and state agencies. Updates to both Street and Water System Development Methodologies were completed in 2008/2009. With the updated methodologies came new SDC rates. However, due to the economic climate, the City Council chose to implement the increase in SDCs over 5 years. A new Storm Water SDC was also implemented during 2008/2009. Also in 2008/2009 a rate study was completed for the transportation utility fee and storm water utility fee. Initial rate increases were implemented in 2008/2009. The rate study suggested that an increase in Transportation Utility Fees be implemented in July 2009 and again in July 2010. Due to the economic climate these rate increases were not implemented. However, it is imperative that we review all utility fees in 2011. These rates will be reviewed as we look at all revenue options.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide City of Eagle Point citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Eagle Point Finance Department at 17 Buchanan Ave, Eagle Point, Oregon, 97524, (541) 826-4212.

A handwritten signature in cursive script that reads "Melissa Owens". The signature is written in black ink and is positioned above a horizontal line.

Melissa Owens, Finance Officer

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CITY OF EAGLE POINT
JACKSON COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**STATEMENT OF NET ASSETS
June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 5,321,351	\$ 2,417,374	\$ 7,738,725
Prepaid	42,540	-	42,540
Receivables:			
Taxes	105,179	-	105,179
Accounts (net)	357,523	245,966	603,489
Notes and Interest from RVSS	-	1,073,569	1,073,569
Due From Business-Type Activities	119,385	-	119,385
Capital Assets:			
Land	398,902	56,462	455,364
Construction in Progress	2,704,765	-	2,704,765
Other Capital Assets, Net	4,635,797	9,190,613	13,826,410
Total Assets	13,685,442	12,983,984	26,669,426
LIABILITIES AND NET ASSETS			
Liabilities:			
Payroll Liabilities	-	619	619
Accounts Payable	173,034	15,999	189,033
Accrued Interest	14,735	89,433	104,168
Due To Governmental Activities	-	119,385	119,385
Accrued Vacation	153,870	42,033	195,903
Customer Deposits	-	24,964	24,964
Noncurrent Liabilities			
Due Within One Year	3,170,740	179,193	3,349,933
Due in More than One Year	342,240	2,778,367	3,120,607
Total Liabilities	3,854,619	3,249,993	7,104,612
Net Assets:			
Invested in Capital Assets, net of related debt	1,122,817	6,289,515	7,412,332
Restricted for Capital Projects	124,477	-	124,477
Restricted for Debt Service	6,120	620,004	626,124
Restricted for SDC	-	70,013	70,013
Unrestricted	8,577,409	2,754,459	11,331,868
Total Net Assets	\$ 9,830,823	\$ 9,733,991	\$ 19,564,814

The accompanying notes are an integral part of this statement.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General Government	\$ 391,461	\$ 564,642	\$ - \$ -
Public Safety	1,367,898	120,016	- -
Public Works	512,586	352,884	- 211,500
Planning	73,512	121,556	- -
Culture and Recreations	270,440	55,891	3,733 -
Non-Departmental	41,951	-	- -
Interest on Long Term Debt	41,823	-	- -
Total Governmental Activities	2,699,671	1,214,989	3,733 211,500
Business- Type Activities			
Water	1,688,952	1,363,178	- -
Storm Water	111,097	289,569	- -
Sewer	686,668	566,678	- -
Total Business-Type Activities	2,486,717	2,219,425	- -
Total Primary Government	\$ 5,186,388	\$ 3,434,414	\$ 3,733 \$ 211,500

The accompanying notes are an integral part of this statement.

Net Revenue (Expenses)	Governmental Activities	Business-Type Activities	Total
\$ 173,181	\$ 173,181	\$ -	\$ 173,181
(1,247,882)	(1,247,882)	-	(1,247,882)
51,798	51,798	-	51,798
48,044	48,044	-	48,044
(210,816)	(210,816)	-	(210,816)
(41,951)	(41,951)	-	(41,951)
(41,823)	(41,823)	-	(41,823)
<u>(1,269,449)</u>	<u>(1,269,449)</u>	<u>-</u>	<u>(1,269,449)</u>
(325,774)	-	(325,774)	(325,774)
178,472	-	178,472	178,472
(119,990)	-	(119,990)	(119,990)
<u>(267,292)</u>	<u>-</u>	<u>(267,292)</u>	<u>(267,292)</u>
<u>\$ (1,536,741)</u>	<u>(1,269,449)</u>	<u>(267,292)</u>	<u>(1,536,741)</u>
Property Taxes	1,326,081	58,978	1,385,059
Intergovernmental	526,082	-	526,082
Other Revenues	54,403	53,654	108,057
Gain (Loss) on Disposal of Assets	(125,358)	-	(125,358)
Interest and Miscellaneous	65,395	36,523	101,918
Transfers	121,615	(121,615)	-
	<u>1,968,218</u>	<u>27,540</u>	<u>1,995,758</u>
Change in Net Assets	698,769	(239,752)	459,017
Beginning Net Assets - Restated	9,312,464	9,803,333	19,115,797
Prior Period Adjustment	<u>(180,410)</u>	<u>170,410</u>	<u>(10,000)</u>
Ending Net Assets	<u>\$ 9,830,823</u>	<u>\$ 9,733,991</u>	<u>\$ 19,564,814</u>

The accompanying notes are an integral part of this statement.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	GENERAL	STREET FUND	STREET SYSTEM DEVELOPMENT CHARGE FUND	PARK SYSTEM DEVELOPMENT CHARGE FUND	JACKSON COUNTY HOUSING AUTHORITY	WATER CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL
ASSETS:								
Cash and Investments	\$ 813,570	\$ 621,679	\$ 1,550,528	\$ 1,224,899	\$ 124,477	\$ 686,230	\$ 299,968	\$ 5,321,351
Due From Other Funds	36,420	-	119,385	-	-	-	-	155,805
Prepays	-	-	-	-	-	-	42,540	42,540
Receivables:								
Accounts, net	199,164	62,626	-	-	95,733	-	-	357,523
Taxes	105,179	-	-	-	-	-	-	105,179
Total Assets	<u>\$ 1,154,333</u>	<u>\$ 684,305</u>	<u>\$ 1,669,913</u>	<u>\$ 1,224,899</u>	<u>\$ 220,210</u>	<u>\$ 686,230</u>	<u>\$ 342,508</u>	<u>\$ 5,982,398</u>
LIABILITIES AND FUND EQUITY:								
Liabilities:								
Accounts Payable	\$ 18,162	\$ 5,969	\$ -	\$ -	\$ -	\$ 147,795	\$ 1,108	\$ 173,034
Due to Other Funds	-	-	-	-	-	-	36,420	36,420
Deferred Revenue	95,587	-	-	-	95,733	-	-	191,320
Total Liabilities	<u>113,749</u>	<u>5,969</u>	<u>-</u>	<u>-</u>	<u>95,733</u>	<u>147,795</u>	<u>37,528</u>	<u>400,774</u>
Fund Equity:								
Fund Balances:								
Unreserved, reported in:								
General Fund	\$ 1,040,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,040,584
Special Revenue Funds	-	678,336	1,669,913	1,224,899	-	-	287,688	3,860,836
Capital Projects Funds	-	-	-	-	-	538,435	11,172	549,607
Reserved for:								
Capital Projects	-	-	-	-	124,477	-	-	124,477
Debt Service	-	-	-	-	-	-	6,120	6,120
Total Fund Equity	<u>1,040,584</u>	<u>678,336</u>	<u>1,669,913</u>	<u>1,224,899</u>	<u>124,477</u>	<u>538,435</u>	<u>304,980</u>	<u>5,581,624</u>
Total Liabilities and Fund Equity	<u>\$ 1,154,333</u>	<u>\$ 684,305</u>	<u>\$ 1,669,913</u>	<u>\$ 1,224,899</u>	<u>\$ 220,210</u>	<u>\$ 686,230</u>	<u>\$ 342,508</u>	<u>\$ 5,982,398</u>

The accompanying notes are an integral part of this statement.

CITY OF EAGLE POINT
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		\$ 5,581,624
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the City as a whole.</p>		
Net Capital Assets		7,739,464
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.</p>		
General Obligation Bonds	\$ (375,000)	
Notes and Contracts Payable	(3,137,980)	
Accrued Interest	(14,735)	
Net Adjustment		(3,527,715)
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>		
Accrued Vacation and Sick Leave		(153,870)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Deferred Revenue		<u>191,320</u>
Total Net Assets		<u>\$ 9,830,823</u>

The accompanying notes are an integral part of this statement.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010**

	GENERAL	STREET FUND	STREET SYSTEM DEVELOPMENT CHARGE FUND	PARK SYSTEM DEVELOPMENT CHARGE FUND	JACKSON COUNTY HOUSING AUTHORITY	WATER CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL
REVENUES:								
Property Taxes	\$ 1,273,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,160	\$ 1,318,689
Franchise Fees	503,898	-	-	-	-	-	-	503,898
Licenses and Permits	104,911	-	-	-	-	-	-	104,911
Intergovernmental	161,987	575,595	-	-	-	-	-	737,582
Charges for Services	131,792	293,223	59,661	55,296	-	-	595	540,567
Fines and Forfeitures	120,016	-	-	-	-	-	-	120,016
Interest and Miscellaneous	29,618	4,011	9,146	7,930	-	17,312	1,111	69,128
Total Revenues	2,325,751	872,829	68,807	63,226	-	17,312	46,866	3,394,791
EXPENDITURES:								
Current:								
General Government	294,048	-	-	-	-	4,998	15,331	314,377
Public Safety	1,213,221	-	-	-	-	-	-	1,213,221
Public Works	-	444,625	10,000	-	-	-	-	454,625
Planning	65,200	-	-	-	-	-	-	65,200
Culture and Recreation	223,099	-	-	16,761	-	-	-	239,860
Billing Service	36,810	-	-	-	-	-	-	36,810
Non Departmental	37,207	-	-	-	-	-	-	37,207
Capital Outlay	20,228	346,747	10,444	85,600	-	2,705,230	-	3,168,249
Debt Service	14,385	48,528	10,000	10,000	-	-	56,025	138,938
Total Expenditures	1,904,198	839,900	30,444	112,361	-	2,710,228	71,356	5,668,487
Excess of Revenues Over, (Under) Expenditures	421,553	32,929	38,363	(49,135)	-	(2,692,916)	(24,490)	(2,273,696)
Other Financing Sources, (Uses)								
Transfers In	108,256	-	-	-	-	-	238,920	347,176
Transfers Out	(79,920)	(145,641)	-	-	-	-	-	(225,561)
Total Other Financing Sources, (Uses)	28,336	(145,641)	-	-	-	-	238,920	121,615
Net Change in Fund Balance	449,889	(112,712)	38,363	(49,135)	-	(2,692,916)	214,430	(2,152,081)
Fund Balance - Beginning - Restated	590,695	791,048	1,811,960	1,274,034	124,477	3,231,351	90,550	7,914,115
Prior Period Adjustment	-	-	(180,410)	-	-	-	-	(180,410)
Fund Balance - End of Year	\$ 1,040,584	\$ 678,336	\$ 1,669,913	\$ 1,224,899	\$ 124,477	\$ 538,435	\$ 304,980	\$ 5,581,624

The accompanying notes are an integral part of this statement.

**CITY OF EAGLE POINT
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

Net Change in Fund Balance \$ (2,152,081)

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.

Capitalized Additions	\$	3,223,950	
Disposed Assets		(120,858)	
Depreciation Expense		(371,826)	
Net Adjustment			2,731,266

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	\$	15,077	
Accrued Interest		(14,735)	
GO Bonds, Notes and Contracts Payable		111,850	
Net Adjustment			112,192

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

Property Taxes			7,392
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Change in Net Assets	\$		698,769
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The accompanying notes are an integral part of this statement.

CITY OF EAGLE POINT
JACKSON COUNTY, OREGON

COMBINING STATEMENT OF PROPRIETARY NET ASSETS
 BUSINESS-TYPE FUNDS
 June 30, 2010

	WATER FUND	WATER SDC FUND	WATER DEBT FUND
ASSETS:			
Assets:			
Cash and Investments	\$ 1,455,213	\$ 28,458	\$ 620,004
Accounts Receivable, net	145,891	-	-
Interest Receivable	-	-	-
Notes Receivable	-	-	-
Fixed Assets, net	9,062,950	-	-
Total Assets	\$ 10,664,054	\$ 28,458	\$ 620,004
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Payroll Liabilities	\$ 619	\$ -	\$ -
Accounts Payable	8,761	-	-
Accrued Interest	71,348	-	-
Interfund Payable	-	-	-
Compensated Absences	37,387	-	-
Bonds Payable - current	25,279	-	-
Deposits	24,964	-	-
Notes/Contracts Payable - current	17,560	-	-
Total Current Liabilities	185,918	-	-
Long Term Liabilities			
Bonds Payable	1,450,664	-	-
Notes/Contracts Payable	408,573	-	-
Total Long Term Liabilities	1,859,237	-	-
Total Liabilities	2,045,155	-	-
Net Assets			
Invested in Capital Assets, net of related debt	7,160,874	-	-
Restricted for Debt Service	-	-	620,004
Restricted for SDC	-	28,458	-
Unrestricted	1,458,025	-	-
Total Net Assets	8,618,899	28,458	620,004
Total Liabilities and Net Assets	\$ 10,664,054	\$ 28,458	\$ 620,004

The accompanying notes are an integral part of this statement.

SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
\$ 219,270	\$ 52,874	\$ 41,555	\$ 2,417,374
69,349	30,726	-	245,966
18,085	-	-	18,085
1,055,484	-	-	1,055,484
48,542	135,583	-	9,247,075
<u>\$ 1,410,730</u>	<u>\$ 219,183</u>	<u>\$ 41,555</u>	<u>\$ 12,983,984</u>
\$ -	\$ -	-	\$ 619
300	6,938	-	15,999
18,085	-	-	89,433
-	119,385	-	119,385
-	4,646	-	42,033
-	-	-	25,279
-	-	-	24,964
136,354	-	-	153,914
<u>154,739</u>	<u>130,969</u>	<u>-</u>	<u>471,626</u>
-	-	-	1,450,664
919,130	-	-	1,327,703
<u>919,130</u>	<u>-</u>	<u>-</u>	<u>2,778,367</u>
<u>1,073,869</u>	<u>130,969</u>	<u>-</u>	<u>3,249,993</u>
(1,006,942)	135,583	-	6,289,515
-	-	-	620,004
-	-	41,555	70,013
1,343,803	(47,369)	-	2,754,459
<u>336,861</u>	<u>88,214</u>	<u>41,555</u>	<u>9,733,991</u>
<u>\$ 1,410,730</u>	<u>\$ 219,183</u>	<u>\$ 41,555</u>	<u>\$ 12,983,984</u>

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUSINESS-TYPE FUNDS
For the Year Ended June 30, 2010**

	WATER FUND	WATER SDC FUND	WATER DEBT FUND
OPERATING REVENUES:			
Charges for Services	\$ 1,275,623	\$ 87,555	\$ -
Intergovernmental	-	-	-
Property Taxes	-	-	-
Total Operating Revenues	<u>1,275,623</u>	<u>87,555</u>	<u>-</u>
OPERATING EXPENSES:			
Personal Services	521,354	-	-
Contractual Services and Other	599,408	29,220	-
Depreciation/Amorization	<u>259,749</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>1,380,511</u>	<u>29,220</u>	<u>-</u>
Income, (Loss) From Operations	(104,888)	58,335	-
NON-OPERATING REVENUES:			
Interest Expense	(149,794)	(15,631)	(113,796)
Interest and Miscellaneous Revenues	<u>16,675</u>	<u>860</u>	<u>-</u>
Income, (Loss) Before Transfers	(238,007)	43,564	(113,796)
Transfers In	-	-	121,909
Transfers Out	<u>(172,524)</u>	<u>(50,000)</u>	<u>-</u>
Total Operating Transfers	<u>(172,524)</u>	<u>(50,000)</u>	<u>121,909</u>
Change in Net Assets	(410,531)	(6,436)	8,113
Beginning Net Assets	9,039,430	34,894	611,891
Prior Period Adjustment	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Ending Net Assets	<u>\$ 8,618,899</u>	<u>\$ 28,458</u>	<u>\$ 620,004</u>

The accompanying notes are an integral part of this statement.

SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
\$ 566,678	\$ 254,969	\$ 34,600	\$ 2,219,425
53,654	-	-	53,654
58,978	-	-	58,978
<u>679,310</u>	<u>254,969</u>	<u>34,600</u>	<u>2,332,057</u>
-	61,147	-	582,501
614,929	39,707	-	1,283,264
-	10,090	-	269,839
<u>614,929</u>	<u>110,944</u>	<u>-</u>	<u>2,135,604</u>
64,381	144,025	34,600	196,453
(71,739)	(153)	-	(351,113)
18,085	754	149	36,523
<u>10,727</u>	<u>144,626</u>	<u>34,749</u>	<u>(118,137)</u>
-	-	-	121,909
-	(21,000)	-	(243,524)
-	(21,000)	-	(121,615)
10,727	123,626	34,749	(239,752)
326,134	(215,822)	6,806	9,803,333
-	180,410	-	170,410
<u>\$ 336,861</u>	<u>\$ 88,214</u>	<u>\$ 41,555</u>	<u>\$ 9,733,991</u>

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS
For the Year Ended June 30, 2010**

	WATER FUND	WATER SDC FUND	WATER DEBT FUND
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 1,303,833	\$ 87,555	\$ -
Cash Payments to Suppliers	(597,341)	(34,996)	-
Cash Payments to Employees	(512,800)	-	-
Net Cash From Operations	<u>193,692</u>	<u>52,559</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:			
Payment of Principal of Bonds, Contracts Payable	(51,989)	(10,000)	-
Interfund Transfers	(172,524)	(50,000)	121,909
Interest Expense	(78,446)	(15,631)	(113,796)
Net Cash (Used) By Capital and Related Financing Activities	<u>(302,959)</u>	<u>(75,631)</u>	<u>8,113</u>
Cash Flows From Investing Activities			
Interest and Miscellaneous	<u>16,675</u>	<u>860</u>	<u>-</u>
Net Cash (Used) By Investing Activities	<u>16,675</u>	<u>860</u>	<u>-</u>
Net Increase In Cash and Investments	(92,592)	(22,212)	8,113
Cash and Investments at Beginning of Year	<u>1,547,805</u>	<u>50,670</u>	<u>611,891</u>
Cash and Investments at End of Year	<u>\$ 1,455,213</u>	<u>\$ 28,458</u>	<u>\$ 620,004</u>
Reconciliation of Cash Flows From Operating Activities to Operating Income			
Operating Income	\$ (104,888)	\$ 58,335	\$ -
Adjustments			
Depreciation/Amortization	259,749	-	-
(Increase), Decrease in Accounts Receivable	24,961	-	-
Increase, (Decrease) in Deposits	3,249	-	-
Increase, (Decrease) in Accounts Payable	2,067	(5,776)	-
Increase, (Decrease) in Compensated Absences	7,935	-	-
Increase, (Decrease) in Payroll Liabilities	619	-	-
Net Cash From Operations	<u>\$ 193,692</u>	<u>\$ 52,559</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
\$ 678,718	\$ 252,932	\$ 34,600	\$ 2,357,638
(661,819)	(33,852)	-	(1,328,008)
-	(63,096)	-	(575,896)
<u>16,899</u>	<u>155,984</u>	<u>34,600</u>	<u>453,734</u>
-	(98,068)	-	(160,057)
-	(21,000)	-	(121,615)
<u>(71,739)</u>	<u>(153)</u>	<u>-</u>	<u>(279,765)</u>
<u>(71,739)</u>	<u>(119,221)</u>	<u>-</u>	<u>(561,437)</u>
<u>18,085</u>	<u>754</u>	<u>149</u>	<u>36,523</u>
<u>18,085</u>	<u>754</u>	<u>149</u>	<u>36,523</u>
(36,755)	37,517	34,749	(71,180)
<u>256,025</u>	<u>15,357</u>	<u>6,806</u>	<u>2,488,554</u>
<u>\$ 219,270</u>	<u>\$ 52,874</u>	<u>\$ 41,555</u>	<u>\$ 2,417,374</u>
\$ 64,381	\$ 144,025	\$ 34,600	\$ 196,453
-	10,090	-	269,839
(592)	(2,037)	-	22,332
-	-	-	3,249
(46,890)	5,855	-	(44,744)
-	(1,949)	-	5,986
-	-	-	619
<u>\$ 16,899</u>	<u>\$ 155,984</u>	<u>\$ 34,600</u>	<u>\$ 453,734</u>

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United State 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 principles. The more significant of the accounting policies are described below.

THE FINANCIAL REPORTING ENTITY

The City 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's reporting entity because of the significance of their operational or financial relationships with the City. There are no component units.

GOVERNMENT-WIDE AND FUND 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. 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 of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, revenues are considered 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 and accrued as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

There are the following major governmental 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, franchise fees, fines and forfeitures, planning fees, charges for services and interest on investments.

Street Fund – This fund accounts for the building and maintaining of streets and related infrastructure within the City. The primary revenue sources are Oregon gasoline tax apportionment and City Transportation Utility Fees.

Street System Development Charge Fund – This fund accounts for the activities of the street system development. This fund accounts for the revenues brought in from Street System Development Charges.

Jackson County Housing Authority Fund – This fund was established for the repayment of 0.00% interest loans made to low income home owners for the purpose of home repairs. This was a one-time loan program funded by a Community Block Grant. The only revenue source for this fund is the repayment of the loans.

Park System Development Charge Fund – This fund accounts for the revenues brought in from Park System Development Charges to be used for park improvements.

Water Capital Projects Fund - This fund is used for the acquisition or construction of major water utility facilities. The primary revenue source is grants from other governmental entities.

The following major proprietary funds are reported:

Water Fund - This fund accounts for the revenues and expenses of the water utility. The primary revenue source is fees for services.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water System Development Charges Fund - This fund accounts for the collection and expenditure of water development charges. Revenues are derived primarily from system development charges.

Water Debt Fund - This fund was created at the request of USDA to make debt payments on the loan that will be created for the Water Capital Projects Fund. The fund has received payments from the Water Fund and Water SDC Fund to set up the payment to the USDA. The USDA loan is a forty year loan. Debt service commences in fiscal year 2011.

Sewer Fund - This fund accounts for the operations of the Sewer Fund which is financed primarily through user charges. In the City annexed with Rogue Valley Sewer Services (RVSS). RVSS now maintains the sewer system. The City bills for sewer services for RVSS. As fees are collected they are transferred to RVSS. The City receives an annual fee for billing services.

Storm Water Fund - This fund accounts for the operations of the storm water department. The primary revenue source is charges for services.

Storm Water System Development Fund - This fund accounts for the collection and expenditure of storm water development charges. Revenues are derived primarily from system development charges.

There are also the following fund types:

Other Governmental Funds - The Other Governmental Funds account for the aggregate of all non-major governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

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 City Council begins its budget process 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 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 other than the General Fund:

LEVEL OF CONTROL

Personal Services	Interfund Transactions
Materials and Services	Debt Service
Capital Outlay	Operating Contingency

The General Fund is appropriated at the department level along with transfers and contingencies. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the City 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 amount and appropriation transfers and a supplemental budget. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2010, except the General Fund overexpended Transfers Out by \$79,920, Street Fund overexpended Transfers Out by \$18,641, 98 GO Bond Fund overexpended Debt Service by \$2,625, and Water SDC Fund overexpended Materials and Services by \$810.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

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 by management to be delinquent.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management 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.

Inventories and prepaid items

Detailed supply inventory records are not maintained. Supply inventories are considered to be immaterial by management at year end.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

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 (amount not rounded) and an estimated useful life in excess of five 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	40-50 years
Distribution and collection systems	20-40 years
Equipment and vehicles	5-10 years

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net assets.

Compensated absences

Employees are permitted to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide, and proprietary financial statements. A liability for these amounts is not reported in governmental funds in accordance with Governmental Accounting Standards Board Statement No. 16 Accounting for Compensated Absences.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term obligations

In the government-wide financial statements and proprietary fund types 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.

Fund equity/Net assets

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

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

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

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

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

Contributed Capital

In accordance with GASB 33 and GASB 34 contributed capital has been eliminated as a separate component of equity. Contributions of contributed capital are now included in non operating income.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

The cash management policies are governed by state statutes. Statutes authorized investing in banker's 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 cash equivalents (recorded at cost) as of June 30, 2010 consisted of:

Deposits with Financial Institutions:

Petty cash	\$	320
Cash in bank		291,620
Local Government Investment Pool		7,446,785
		7,446,785
Total Cash and Investments	\$	7,738,725

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, the bank balance of \$195,065 was insured by FDIC.

There were no known violations of legal or contractual provisions for investments.

As of June 30, 2010, there were the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 7,446,785	\$ 7,446,785	\$ -	\$ -
Total	\$ 7,446,785	\$ 7,446,785	\$ -	\$ -

Investments are valued at fair value as required by GASB 31. There is no material difference between fair value of the City's position in the State Treasurer's Local Governmental Investment Pool and the value of the pool shares at June 30, 2010. At June 30, 2010 the fair value of the position in the LGIP is 99.56% of the value of the Pool shares as reported in the Oregon Short Term Fund audited financial statements.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

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

To avoid incurring unreasonable risks inherent in over-investing in specific instruments or in individual financial institutions, the investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2010 there was compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

3. CAPITAL ASSETS

The changes in Capital assets for the fiscal year ended June 30, 2010 are as follows:

	<u>GOVERNMENTAL</u>			BALANCE END OF YEAR
	BALANCE BEGINNING OF YEAR	ADDITIONS	DELETIONS	
Capital Assets				
Land and Land Improvements	\$ 398,902	\$ -	\$ -	\$ 398,902
Construction in Progress	-	2,704,765	-	2,704,765
Buildings & Improvements	2,049,601	-	196,354	1,853,247
Furniture, fixture, and Equipment	847,453	-	-	847,453
Infrastructure	3,628,447	519,185	-	4,147,632
Total	<u>6,924,403</u>	<u>3,223,950</u>	<u>196,354</u>	<u>9,951,999</u>
Accumulated Depreciation				
Buildings & Improvements	541,333	51,251	75,496	517,088
Equipment	496,540	64,719	-	561,259
Infrastructure	878,332	255,856	-	1,134,188
Total	<u>1,916,205</u>	<u>371,826</u>	<u>75,496</u>	<u>2,212,535</u>
Total Net Capital Assets	<u><u>\$ 5,008,198</u></u>			<u><u>\$ 7,739,464</u></u>

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General Government	\$ 55,300
Public Safety	191,042
Planning	10,267
Non-Departmental	5,859
Public Works	71,588
Culture and Recreation	37,770
	<hr/>
Total depreciation expense, governmental activities	<u>\$ 371,826</u>

	<u>BUSINESS TYPE</u>			BALANCE END OF YEAR
	BALANCE BEGINNING OF YEAR	ADDITIONS	DELETIONS	
Capital Assets				
Land and Land Improvements	\$ 56,462	\$ -	\$ -	\$ 56,462
Buildings & Improvements	95,517	-	-	95,517
Furniture, fixture, and Equipment	428,107	-	-	428,107
Infrastructure	10,835,020	-	-	10,835,020
Total	<hr/> 11,415,106	<hr/> -	<hr/> -	<hr/> 11,415,106
Accumulated Depreciation				
Buildings & Improvements	11,664	2,388	-	14,052
Equipment	174,695	39,268	-	213,963
Infrastructure	1,711,833	228,183	-	1,940,016
Total	<hr/> 1,898,192	<hr/> 269,839	<hr/> -	<hr/> 2,168,031
Total Net Capital Assets	<hr/> <u>\$ 9,516,914</u>			<hr/> <u>\$ 9,247,075</u>

4. NOTE RECEIVABLE

In May of 1998, the sanitary sewer system of the City was annexed into Rogue Valley Sanitary Service (RVSS) system by a vote of the residents of the City. As a result, the sewer system assets were transferred to RVSS in consideration for a note receivable for the balance of the loans owed to the state, less the amount of taxes levied by the City for the purpose of paying on the loans, and an intergovernmental operating agreement between RVSS and the City.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. BONDS PAYABLE

General obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are recorded in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 35 to 40 year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	<u>Issued to</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General Obligation Bonds:					
General Government	Wells Fargo	May 1998	July 2018	4.1 - 5.6%	\$ 375,000
Business Type Revenue Bonds:					
Proprietary (Water Fund)	USDA	July 1997	March 2037	5.0%	\$ 1,475,943

Ordinances for the water revenue bonds require the City to charge rates and fees in connection with the operation of the water system which, when combined with the other gross revenues, are adequate to generate operating revenues in each fiscal year of at least 1.25 times bond principal and interest due in that fiscal year. There was compliance with bond covenants as of and for the year ended June 30, 2010.

Future maturities of unmatured bond principal and interest at June 30, 2010 are as follows:

<u>YEAR</u>	<u>1998 GO BONDS</u>		<u>Water Revenue Bonds</u>		<u>Total</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2010-2011	\$ 35,000	\$ 19,715	\$ 25,279	\$ 73,797	\$ 60,279	\$ 93,512
2011-2012	35,000	17,878	26,543	72,533	61,543	90,411
2012-2013	35,000	16,005	27,870	71,206	62,870	87,211
2013-2014	40,000	13,970	29,264	69,812	69,264	83,782
2014-2015	40,000	11,760	30,727	68,349	70,727	80,109
2016-2020	190,000	21,840	178,278	317,102	368,278	338,942
2021-2025	-	-	227,530	267,850	227,530	267,850
2026-2030	-	-	290,395	204,985	290,395	204,985
2031-2035	-	-	370,624	124,756	370,624	124,756
2036-2038	-	-	269,433	45,343	269,433	45,343
	<u>\$ 375,000</u>	<u>\$ 101,168</u>	<u>\$ 1,475,943</u>	<u>\$ 1,315,733</u>	<u>\$ 1,850,943</u>	<u>\$ 1,416,901</u>

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER LONG-TERM DEBT

<u>Notes/Contracts Payable</u>	<u>June 30, 2009</u>	<u>(Payments) Additions</u>	<u>June 30, 2010</u>
Souther Oregon Regional Communications (SORC) Loan:			
The City received excise tax of \$4,797 and is repaying this amount at \$140 per year. No interest is owe for this payments.	\$ 2,520	\$ (140)	\$ 2,380
Jackson County School District Loan:			
On November 9, 2004 the city entered into a contract with Jackson School District No. 9 for the purchase of real property for Public Works Relocation. Plurchase price of \$362,796 consists of an initial payment of \$212,796 and loan of \$150,000 (5 year term and no interest). Loan is recorded in the Water SDC Fund, Park SDC Fund and Street SDC Fund.	30,000	(30,000)	-
League of Oregon Cities Loan:			
On Aril 27, 2005 the city received a loan of \$395,000 under League of Oregon City's Cooperative Assets Financial Program for Vehicle Replacements of Public Works. Maturity date is July 1, 2010 with interest rate of 2.9%-3.5% recorded in General Fund, Street Fund, Water Fund and Storm Water Fund.	85,000	(85,000)	-
Bond Anticipation Notes:			
On December 8, 2005 the city entered into a \$3,135,600 Bond Anticipation note from Bank of America. This interest only note carries a 3.9-5.9% annual interest due quarterly and a \$3,135,600 final payment due no later than October 2010.	3,135,600	-	3,135,600
Oregon Department of Environmental Quality Loan:			
In October of 1995 the City received a \$1,800,000 loan for City sewer transport system improvements. The loan matures in September of 2016, has interest of 3.98% and has a reserve requirement of \$132,038. The loan is recorded in the sewer fund.	873,925	(102,150)	771,775
Oregon Economic Development Department (OEDD) Wastewater Financing Program Loan:			
In October of 1997 the City received a loan for improvements in the sewer system. The loan matures in 2017, has a 5.01% interest rate, and is recorded in the sewer fund.	313,566	(29,857)	283,709
Oregon Economic and Community Development Department (OECD) Wastemeter Relacement Loan:			
In October of 2003, the City centered this financial assistance award contract for Water Meter Replacement with Electonic Read. The total estimated construction project cost is \$500,000, matures on February 14, 2030, has an interest rate of 1.11%.	438,618	(12,485)	426,133
Total Notes/ Contracts	<u>\$4,879,229</u>	<u>\$ (259,632)</u>	<u>\$4,619,597</u>
Allocated:			
			\$1,481,617
			\$3,137,980

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER LONG-TERM DEBT (CONTINUED)

Principal and interest on contracts and notes payable are due as follows:

Fiscal Year	Notes/Contracts	
	Principal	Interest
2010-11	\$ 3,289,654	\$ 93,255
2011-12	158,665	55,988
2012-13	163,470	49,401
2013-14	173,473	42,605
2014-15	178,683	35,324
2015-20	413,886	730
2020-25	121,307	44,544
2025-29	120,459	13,948
	<u>\$ 4,619,597</u>	<u>\$ 335,795</u>

Long-Term Debt activity for the year ended June 30, 2010, is as follows:

	CHANGES IN LONG-TERM DEBT					
	Beginning Balance				Ending Balance	Due Within One Year
	As Restated	Additions	Reductions			
Governmental Activities:						
Bonds Payable	\$ 405,000	\$ -	\$ 30,000	\$ 375,000	\$ 35,000	
Notes Payable	3,219,830	-	81,850	3,137,980	3,135,740	
Governmental activities						
Long-Term Debt	<u>\$ 3,624,830</u>	<u>\$ -</u>	<u>\$ 111,850</u>	<u>\$ 3,512,980</u>	<u>\$ 3,170,740</u>	
Business-type Activities:						
General Obligation	1,500,019	-	24,076	1,475,943	25,279	
Notes Payable	1,659,399	-	177,782	1,481,617	153,914	
Business-type Activities						
Long-Term Debt	<u>\$ 3,159,418</u>	<u>\$ -</u>	<u>\$ 201,858</u>	<u>\$ 2,957,560</u>	<u>\$ 179,193</u>	
Total Long-Term Debt	<u>\$ 6,784,248</u>	<u>\$ -</u>	<u>\$ 313,708</u>	<u>\$ 6,470,540</u>	<u>\$ 3,349,933</u>	

7. OPERATING LEASES

Two separate five year operating lease agreements were entered into with Pacific Office Automation, Inc., for two copiers. The lease requires monthly payments of \$560 and \$279. The lease expense for the year ended June 30, 2010 was \$10,068, which included base lease payments as well as additional overage charges. The future lease payments are \$1,120 in 2010-11, as one of the leases becomes month-to-month in the 2010-11 fiscal year and the other lease became month-to-month during the 2011-12 fiscal year.

Vehicles are also leased from the State on a month-to-month basis. Total lease expense for the year ended June 30, 2010 was \$15,780.

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. PENSION PLAN

Plan Description:

There is participation in the State of Oregon Public Employees Retirement System (PERS); an agent multiple-employer defined benefit pension plan, AND Oregon Public Service Retirement Plan (OPSRP), a hybrid pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). OPSRP is administered by PERS, the agency. Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in PERS, a cost sharing, multiple-employer defined benefit pension plan, which is administered by the Public Employees Retirement Board. All full-time police officers are covered by the plan after six months of employment. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits for those hired before 1/1/96 and at age 60 for those hired after, but retirement is generally allowed at age 55 with reduced benefits. Retirement benefits are based on salary and length of service calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by statute.

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

The most recent actuarial valuation was performed as of December 21, 2006. The aggregate entry age normal cost method was used. Significant actuarial assumptions used to compute the pension benefit obligation include a rate of return on investment of present and future assets of 8% and projected annual salary increases of 5.0% and projected post retirement benefit increases of 2% per year.

The actuary has determined that there is no implicit liability for health insurance subsidies in accordance with GASB Statement #45 – Accounting for Other Post-Employment benefits.

Three Year Trend Information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 95,648	100%	\$ -
6/30/2009	\$ 102,603	100%	\$ -
6/30/2008	\$ 112,081	100%	\$ -

The City's Schedule of Funding Progress:

Dec 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Percent	Covered Payroll	Unfunded Actuarial Accrued Liability / Payroll
2006	\$ 2,145,211	\$ 1,638,405	\$ (506,806)	131%	\$ 525,520	-96%
2005	\$ 1,868,013	\$ 1,461,038	\$ (406,975)	128%	\$ 333,215	-122%
2004	\$ 1,581,159	\$ 1,355,292	\$ (225,867)	117%	\$ 427,034	-53%

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER RETIRMENT PLAN

Contributions are made to employee retirement plans (401(k)) managed by ICMA Retirement Corporation for all full-time employees other than police officers. The employee is eligible after the sixth month of service and becomes fully vested after three years. The contribution rate is 9% of eligible employee compensation.

10. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS

Interfund transfers between governmental and business-type activities are reported as net transfers in the Statement of Activities. Net transfers in the Statement of Activities are reported as zero for the fiscal year ended June 30, 2010. Transfers between funds provide support for various programs in accordance with budgetary authorizations.

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

The transfers for business type activities are presented in the budgetary funds and not in the proprietary funds as for generally accepted accounting principles purposes, these funds are consolidated.

Interfund receivables and payables are used to fund current operations and long term projects

Transfers were made to fund operations. Amounts are comprised of the following:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 79,920	\$ 108,256
Street Fund	145,641	-
Water System Development	50,000	-
Storm Water Fund	21,000	-
Water Fund	172,524	-
Water Debt Fund	-	121,909
Capital Projects Reserve Fund	-	228,000
Museum Fund	-	10,920
	<u>\$ 469,085</u>	<u>\$ 469,085</u>
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 36,420	\$ -
Street System Development	119,385	-
Storm Water Fund	-	119,385
GO Bond Fund	-	36,420
	<u>\$ 155,805</u>	<u>\$ 155,805</u>

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

11. 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. This reduction was accomplished by rolling property values for 1997-98 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.

12. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

13. SUBSEQUENT EVENTS

In December 2010, Water Revenue Bond No. 1 was issued in the amount of \$3,135,600. The proceeds of the loan were used to extinguish the outstanding principal of \$3,135,600 on the Bond Anticipation Note, Series 2005. The debt has an interest rate of 3.75% and a term to maturity of 40 years. The debt was sold to the United States of America, acting through the United States Department of Agriculture. Debt service will begin in the fiscal year 2011.

14. RESTATEMENT OF NET ASSETS

Beginning net assets of the governmental and business type funds were adjusted to show the reclassification of the Water Capital Project Fund from business type activities to governmental, as well as the Water Debt Fund from governmental to business type activities. This resulted in a \$516,140 increase in beginning net assets for business-type activities and a \$516,140 decrease in beginning net assets for governmental activities.

15. PRIOR PERIOD ADJUSTMENTS

During the 2010 fiscal year, it was noted that \$10,000 of expenditures which were incurred during the prior year in the Water Fund were omitted. As such, the City has posted a prior period adjustment to correct the effect of these expenditures by reducing the beginning fund balance of the Water Fund by \$10,000. The City also posted prior period adjustments of \$180,410 in the Street SDC and Storm Water Funds to correctly state the current balance of the interfund loan between the funds.

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**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

REQUIRED SUPPLEMENTARY DATA

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**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Property Taxes	\$ 1,173,000	\$ 1,173,000	\$ 1,273,529	\$ 100,529
Franchise Fees	540,000	540,000	503,898	(36,102)
Licenses, Permits, Miscellaneous Taxes and Fees	110,750	110,750	104,911	(5,839)
Intergovernmental Revenues	186,500	186,500	161,987	(24,513)
Planning Fees and Reimbursements	78,000	78,000	71,048	(6,952)
Fines and Forfeitures	181,000	181,000	120,016	(60,984)
Interest	35,000	35,000	7,696	(27,304)
Grants	70,000	70,000	-	(70,000)
Rentals and Leases	86,000	86,000	60,744	(25,256)
Miscellaneous	5,260	5,260	21,922	16,662
Total Revenue	<u>2,465,510</u>	<u>2,465,510</u>	<u>2,325,751</u>	<u>(139,759)</u>
EXPENDITURES:				
Administration	178,585	178,585 (1)	132,127	46,458
Municipal Court	24,400	24,400 (1)	22,187	2,213
Building Department	155,570	155,570 (1)	146,455	9,115
Planning Department	101,225	101,225 (1)	66,380	34,845
Police Department	1,415,175	1,415,175 (1)	1,202,354	212,821
Fire Department	18,521	18,521 (1)	11,938	6,583
Parks Department	169,120	169,120 (1)	121,724	47,396
Recreation Department	144,510	144,510 (1)	116,856	27,654
Billing Service	44,360	44,360 (1)	42,873	1,487
Non-Departmental	444,044	444,044 (1)	41,304	402,740
Total Expenditures	<u>2,695,510</u>	<u>2,695,510</u>	<u>1,904,198</u>	<u>791,312</u>
Excess of Revenues Over, (Under) Expenditures	(230,000)	(230,000)	421,553	651,553
Other Financing Sources, (Uses)				
Transfers In	-	-	108,256	108,256
Transfers Out	-	-	(79,920)	(79,920)
Total Other Financing Sources, (Uses)	<u>-</u>	<u>-</u>	<u>28,336</u>	<u>28,336</u>
Net Change in Fund Balance	(230,000)	(230,000)	449,889	679,889
Beginning Fund Balance	<u>230,000</u>	<u>230,000</u>	<u>590,695</u>	<u>360,695</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,584</u>	<u>\$ 1,040,584</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>STREET FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Gas Taxes	\$ 363,343	\$ 363,343	\$ 364,095	\$ 752
Transportation Utility Fees	250,000	250,000	293,223	43,223
State Transportation Planning	100,000	100,000	211,500	111,500
Other Grants	403,000	403,000	-	(403,000)
Interest	18,000	18,000	3,958	(14,042)
Miscellaneous	3,633	3,633	53	(3,580)
	<u>1,137,976</u>	<u>1,137,976</u>	<u>872,829</u>	<u>(265,147)</u>
EXPENDITURES:				
Personal Services	245,000	245,000 (1)	241,820	3,180
Materials and Services	298,170	298,170 (1)	202,805	95,365
Capital Outlay	961,591	961,591 (1)	346,747	614,844
Debt Service	48,600	48,600 (1)	48,528	72
Contingency	92,615	92,615 (1)	-	92,615
	<u>1,645,976</u>	<u>1,645,976</u>	<u>839,900</u>	<u>802,896</u>
Excess of Revenues Over, (Under) Expenditures	(508,000)	(508,000)	32,929	537,749
Other Financing Sources, (Uses):				
Transfer Out	(127,000)	(127,000) (1)	(145,641)	(18,641)
	<u>(127,000)</u>	<u>(127,000)</u>	<u>(145,641)</u>	<u>(18,641)</u>
Net Change in Fund Balance	(635,000)	(635,000)	(112,712)	519,108
Beginning Fund Balance	735,000	735,000	791,048	56,048
Ending Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 678,336</u>	<u>\$ 578,336</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>STREET SYSTEM DEVELOPMENT CHARGE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
System Development Charges	\$ 71,100	\$ 71,100	\$ 59,661	\$ (11,439)
Interest and Miscellaneous	20,000	20,000	9,146	(10,854)
Total Revenues	<u>91,100</u>	<u>91,100</u>	<u>68,807</u>	<u>(22,293)</u>
EXPENDITURES:				
Materials and Services	10,000	10,000 (1)	10,000	-
Capital Outlay	1,548,831	1,548,831 (1)	10,444	1,538,387
Debt Service	10,000	10,000 (1)	10,000	-
Total Expenditures	<u>1,568,831</u>	<u>1,568,831</u>	<u>30,444</u>	<u>1,538,387</u>
Excess of Revenues Over, (Under) Expenditures	(1,477,731)	(1,477,731)	38,363	(1,560,680)
Other Financing Sources, (Uses)				
Transfers In	90,205	90,205	90,205	-
Total Other Financing Sources, (Uses)	<u>90,205</u>	<u>90,205</u>	<u>90,205</u>	<u>-</u>
Net Change in Fund Balance	(1,387,526)	(1,387,526)	128,568	(1,560,680)
Beginning Fund Balance	<u>1,387,526</u>	<u>1,387,526</u>	<u>1,421,960</u>	<u>34,434</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,550,528</u>	<u>\$ 1,550,528</u>
Reconciliation to GAAP Basis:				
Interfund Loan Receivable			<u>\$ 119,385</u>	
GAAP Basis Fund Balance			<u>\$ 1,669,913</u>	

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>PARK SYSTEM DEVELOPMENT CHARGE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
System Development Charges	\$ 23,040	\$ 23,040	\$ 55,296	\$ 32,256
Interest and Miscellaneous	18,000	18,000	7,930	(10,070)
Total Revenues	<u>41,040</u>	<u>41,040</u>	<u>63,226</u>	<u>22,186</u>
EXPENDITURES:				
Materials and Services	25,000	25,000 (1)	16,761	8,239
Debt Service	10,000	10,000 (1)	10,000	-
Capital Outlay	1,217,012	1,217,012 (1)	85,600	1,131,412
Total Expenditures	<u>1,252,012</u>	<u>1,252,012</u>	<u>112,361</u>	<u>1,139,651</u>
Excess of Revenues Over, (Under) Expenditures	(1,210,972)	(1,210,972)	(49,135)	(1,117,465)
Other Financing Sources, (Uses)				
Transfers Out	(39,000)	(39,000) (1)	-	39,000
Total Other Financing Sources, (Uses)	<u>(39,000)</u>	<u>(39,000)</u>	<u>-</u>	<u>39,000</u>
Net Change in Fund Balance	<u>(1,249,972)</u>	<u>(1,249,972)</u>	<u>(49,135)</u>	<u>(1,078,465)</u>
Beginning Fund Balance	<u>1,249,972</u>	<u>1,249,972</u>	<u>1,274,034</u>	<u>24,062</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,224,899</u>	<u>\$ 1,224,899</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>JACKSON COUNTY HOUSING AUTHORITY</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
Capital Outlay	117,100	117,100 (1)	-	117,100
Total Expenditures	<u>117,100</u>	<u>117,100</u>	<u>-</u>	<u>117,100</u>
Net Change in Fund Balance	(117,100)	(117,100)	-	(117,100)
Beginning Fund Balance	<u>117,100</u>	<u>117,100</u>	<u>124,477</u>	<u>7,377</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,477</u>	<u>\$ 124,477</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>WATER CAPITAL PROJECT FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Interest & Miscellaneous	\$ 50,000	\$ 50,000	\$ 17,312	\$ (32,688)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>17,312</u>	<u>(32,688)</u>
EXPENDITURES:				
Materials and Services	2,120	5,120 (1)	4,998	122
Capital Outlay	<u>3,245,749</u>	<u>3,242,749 (1)</u>	<u>2,705,230</u>	<u>537,519</u>
Total Expenditures	<u>3,247,869</u>	<u>3,247,869</u>	<u>2,710,228</u>	<u>537,641</u>
Excess of Revenues Over Expenditures	(3,197,869)	(3,197,869)	(2,692,916)	504,953
Beginning Fund Balance	<u>3,197,869</u>	<u>3,197,869</u>	<u>3,231,351</u>	<u>33,482</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,435</u>	<u>\$ 538,435</u>

(1) Appropriation Level

CITY OF EAGLE POINT
JACKSON COUNTY, OREGON

SUPPLEMENTARY DATA

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**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2010**

	STREET CAPITAL PROJECT FUND	VENDING MACHINE FUND	MUSEUM FUND	98 GO BOND FUND	CAPITAL PURCHASE RESERVE FUND	TOTAL
ASSETS:						
Cash and Investments	\$ 11,172	\$ 2,342	\$ 58,454	\$ -	\$ 228,000	\$ 299,968
Prepays	-	-	-	42,540	-	42,540
Total Assets	\$ 11,172	\$ 2,342	\$ 58,454	\$ 42,540	\$ 228,000	\$ 342,508
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ -	\$ 113	\$ 995	\$ -	\$ -	\$ 1,108
Due To Other Funds	-	-	-	36,420	-	36,420
Total Liabilities	-	113	995	36,420	-	37,528
Fund Balances:						
Undesignated	11,172	2,229	57,459	6,120	228,000	304,980
Total Liabilities and Fund Balances	\$ 11,172	\$ 2,342	\$ 58,454	\$ 42,540	\$ 228,000	\$ 342,508

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010**

	STREET CAPITAL PROJECT FUND	VENDING MACHINE FUND	MUSEUM FUND	98 GO BOND FUND	CAPITAL PURCHASE RESERVE FUND	TOTAL
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ 45,160	\$ -	\$ 45,160
Charges for Services	-	-	595	-	-	595
Interest and Miscellaneous	-	1,111	-	-	-	1,111
Total Revenues	-	1,111	595	45,160	-	46,866
EXPENDITURES:						
Materials and Services	-	1,306	14,005	20	-	15,331
Debt Service:						
Principal	-	-	-	30,000	-	30,000
Interest	-	-	-	26,025	-	26,025
Total Expenditures	-	1,306	14,005	56,045	-	71,356
Excess of Revenues Over, (Under) Expenditures	-	(195)	(13,410)	(10,885)	-	(24,490)
Other Financing Sources, (Uses):						
Transfers In	-	-	10,920	-	228,000	238,920
Total Other Financing Sources, (Uses)	-	-	10,920	-	228,000	238,920
Net Change in Fund Balance	-	(195)	(2,490)	(10,885)	228,000	214,430
Beginning Fund Balance	11,172	2,424	59,949	17,005	-	90,550
Ending Fund Balance	<u>\$ 11,172</u>	<u>\$ 2,229</u>	<u>\$ 57,459</u>	<u>\$ 6,120</u>	<u>\$ 228,000</u>	<u>\$ 304,980</u>

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>STREET CAPITAL PROJECTS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
Capital Outlay	\$ 11,172	\$ 11,172 (1)	\$ -	\$ 11,172
Total Expenditures	<u>11,172</u>	<u>11,172</u>	<u>-</u>	<u>11,172</u>
Net Change in Fund Balance	(11,172)	(11,172)	-	11,172
Beginning Fund Balance	<u>11,172</u>	<u>11,172</u>	<u>11,172</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,172</u>	<u>\$ 11,172</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>VENDING MACHINE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,111	\$ 111
Total Revenues	1,000	1,000	1,111	111
EXPENDITURES:				
Materials and Services	3,500	3,500 (1)	1,306	2,194
Total Expenditures	3,500	3,500	1,306	2,194
Net Change in Fund Balance	(2,500)	(2,500)	(195)	(2,083)
Beginning Fund Balance	2,500	2,500	2,424	(76)
Ending Fund Balance	\$ -	\$ -	\$ 2,229	\$ 2,229

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>MUSEUM FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Charges for Services	\$ 500	\$ 500	\$ 595	\$ 95
Total Revenues	500	500	595	95
EXPENDITURES:				
Materials and Services	71,182	71,182 (1)	14,005	57,177
Total Expenditures	71,182	71,182	14,005	-
Excess of Revenues Over, (Under) Expenditures	(70,682)	(70,682)	(13,410)	57,272
Other Financing (Uses):				
Transfer In	10,920	10,920	10,920	-
Net Change in Fund Balance	(59,762)	(59,762)	(2,490)	57,272
Beginning Fund Balance	59,762	59,762	59,949	187
Ending Fund Balance	\$ -	\$ -	\$ 57,459	\$ 57,459

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>98 GO BOND FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Property Taxes	\$ 53,600	\$ 53,600	\$ 45,160	\$ (8,440)
Total Revenues	<u>53,600</u>	<u>53,600</u>	<u>45,160</u>	<u>(8,440)</u>
EXPENDITURES:				
Materials and Service	200	200 (1)	20	180
Debt Service	53,400	53,400 (1)	56,025	(2,625)
Reserves	10,000	10,000 (1)	-	10,000
Total Expenditures	<u>63,600</u>	<u>63,600</u>	<u>56,045</u>	<u>7,555</u>
Net Change in Fund Balance	(10,000)	(10,000)	(10,885)	(885)
Beginning Fund Balance	<u>10,000</u>	<u>10,000</u>	<u>17,005</u>	<u>7,005</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,120</u>	<u>\$ 6,120</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>CAPITAL PURCHASE RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXPENDITURES:				
Capital Outlay	\$ 228,000	\$ 228,000 (1)	\$ -	\$ 228,000
Total Expenditures	<u>228,000</u>	<u>228,000</u>	<u>-</u>	<u>228,000</u>
Other Financing Sources (Uses):				
Transfers In	<u>228,000</u>	<u>228,000</u>	<u>228,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>228,000</u>	<u>228,000</u>	<u>228,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	228,000	228,000
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 228,000</u></u>	<u><u>\$ 228,000</u></u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>PARK CAPITAL FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Grants	\$ 245,155	\$ 245,155	\$ -	\$ (245,155)
Total Revenues	<u>245,155</u>	<u>245,155</u>	<u>-</u>	<u>(245,155)</u>
EXPENDITURES:				
Capital Outlay	<u>284,155</u>	<u>284,155</u> (1)	<u>-</u>	<u>284,155</u>
Total Expenditures	<u>284,155</u>	<u>284,155</u>	<u>-</u>	<u>284,155</u>
Excess of Revenues Over Expenditures	<u>(39,000)</u>	<u>(39,000)</u>	<u>-</u>	<u>39,000</u>
Other Financing Sources (Uses):				
Transfers In	<u>39,000</u>	<u>39,000</u>	<u>-</u>	<u>(39,000)</u>
Total Other Financing Sources (Uses)	<u>39,000</u>	<u>39,000</u>	<u>-</u>	<u>(39,000)</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Charges for Services	\$ 1,393,700	\$ 1,393,700	\$ 1,275,623	\$ (118,077)
Reserve Water Rights	250,000	250,000	-	(250,000)
Interest	45,000	45,000	13,953	(31,047)
Miscellaneous	-	-	2,722	2,722
Total Revenues	<u>1,688,700</u>	<u>1,688,700</u>	<u>1,292,298</u>	<u>(396,402)</u>
EXPENDITURES:				
Personal Services	539,840	539,840 (1)	513,419	26,421
Materials and Services	619,820	669,820 (1)	536,585	133,235
Capital Outlay	937,258	887,258 (1)	62,823	824,435
Debt Service	130,576	130,576 (1)	130,435	141
Contingencies	250,000	250,000 (1)	-	250,000
Other Reserves	349,076	349,076 (1)	-	349,076
Total Expenditures	<u>2,826,570</u>	<u>2,826,570</u>	<u>1,243,262</u>	<u>1,583,308</u>
Excess of Revenues Over, (Under) Expenditures	<u>(1,137,870)</u>	<u>(1,137,870)</u>	<u>49,036</u>	<u>1,186,906</u>
Other Financing (Uses):				
Transfers Out	<u>(182,909)</u>	<u>(182,909) (1)</u>	<u>(172,524)</u>	<u>10,385</u>
Total Other Financing Sources (Uses)	<u>(182,909)</u>	<u>(182,909)</u>	<u>(172,524)</u>	<u>10,385</u>
Net Change in Fund Balance	<u>(1,320,779)</u>	<u>(1,320,779)</u>	<u>(123,488)</u>	<u>1,197,291</u>
Beginning Fund Balance	1,320,779	1,320,779	1,700,248	379,469
Prior Period Adjustment	-	-	(10,000)	(10,000)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,566,760</u>	<u>\$ 1,566,760</u>
Reconciliation to GAAP Basis:				
Compensated Absences			\$ (37,387)	
Accrued Interest			(71,348)	
Long-term Debt			(1,902,076)	
Capital Assets			<u>9,062,950</u>	
GAAP Basis Fund Balance			<u>\$ 8,618,899</u>	

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>WATER SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Charges for Services	\$ 109,900	\$ 109,900	\$ 87,555	\$ (22,345)
Interest	7,000	7,000	860	(6,140)
Total Revenues	116,900	116,900	88,415	(28,485)
EXPENDITURES:				
Materials and Services	28,410	28,410 (1)	29,220	(810)
Debt Service	25,700	25,700 (1)	25,631	69
Total Expenditures	54,110	54,110	54,851	(741)
Excess of Revenues Over, (Under) Expenditures	62,790	62,790	33,564	(29,226)
Other Financing (Uses)				
Transfers Out	(163,577)	(163,577) (1)	(50,000)	113,577
Net Change in Fund Balance	(100,787)	(100,787)	(16,436)	84,351
Beginning Fund Balance	100,787	100,787	44,894	(55,893)
Ending Fund Balance	\$ -	\$ -	\$ 28,458	\$ 28,458

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>WATER DEBT SERVICE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXPENDITURES:				
Debt Service	\$ 122,400	\$ 122,400 (1)	\$ 113,796	\$ 8,604
Debt Reserves	738,791	738,791 (1)	-	738,791
Total Expenditures	861,191	861,191	113,796	747,395
Other Financing (Uses):				
Transfer In	235,486	235,486	121,909	(113,577)
Net Change in Fund Balance	(625,705)	(625,705)	8,113	633,818
Beginning Fund Balance	625,705	625,705	611,891	(13,814)
Ending Fund Balance	\$ -	\$ -	\$ 620,004	\$ 620,004

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>SEWER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Charges for Service	\$ 550,000	\$ 625,000	\$ 566,678	\$ (58,322)
Property Taxes	70,000	70,000	58,978	(11,022)
Transfer from RVSS	185,662	185,662	185,661	(1)
Total Revenues	<u>805,662</u>	<u>880,662</u>	<u>811,317</u>	<u>(69,345)</u>
EXPENDITURES:				
Materials and Services	620,000	695,000 (1)	614,929	80,071
Debt Service	185,662	185,662 (1)	185,661	1
Reserves	132,038	132,038 (1)	-	132,038
Total Expenditures	<u>937,700</u>	<u>1,012,700</u>	<u>800,590</u>	<u>212,110</u>
Excess of Revenues Over, (Under) Expenditures	<u>(132,038)</u>	<u>(132,038)</u>	<u>10,727</u>	<u>142,765</u>
Net Change in Fund Balance	<u>(132,038)</u>	<u>(132,038)</u>	<u>10,727</u>	<u>142,765</u>
Beginning Fund Balance	<u>132,038</u>	<u>132,038</u>	<u>277,592</u>	<u>145,554</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,319</u>	<u>\$ 288,319</u>
Reconciliation to GAAP Basis:				
Long Term Debt			\$ (1,055,484)	
Accrued Interest Payable			(18,085)	
Notes Receivable			1,055,484	
Accrued Interest Receivable			18,085	
Capital Assets			<u>48,542</u>	
GAAP Basis Fund Balance			<u>\$ 336,861</u>	

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

<u>STORM WATER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Utility Charges	\$ 250,000	\$ 250,000	\$ 254,969	\$ 4,969
Interest Income	4,300	4,300	754	(3,546)
Total Revenues	<u>254,300</u>	<u>254,300</u>	<u>255,723</u>	<u>1,423</u>
EXPENDITURES:				
Personal Services	77,738	77,738 (1)	61,000	16,738
Materials and Services	35,450	35,450 (1)	20,924	14,526
Capital Outlay	52,807	52,807 (1)	18,783	34,024
Debt Service	98,305	98,305 (1)	98,221	84
Contingencies	19,000	19,000 (1)	-	19,000
Total Expenditures	<u>283,300</u>	<u>283,300</u>	<u>198,928</u>	<u>84,372</u>
Excess of Revenues Over Expenditures	<u>(29,000)</u>	<u>(29,000)</u>	<u>56,795</u>	<u>85,795</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(21,000)</u>	<u>(21,000) (1)</u>	<u>(21,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(50,000)</u>	<u>(50,000)</u>	<u>35,795</u>	<u>85,795</u>
Beginning Fund Balance	<u>50,000</u>	<u>50,000</u>	<u>40,867</u>	<u>(9,133)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,662</u>	<u>\$ 76,662</u>
Reconciliation to GAAP Basis:				
Compensated Absences			\$ (4,646)	
Interfund Loan Payable			(119,385)	
Capital Assets			<u>135,583</u>	
GAAP Basis Fund Balance			<u>\$ 88,214</u>	

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

	<u>STORM WATER SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Charges for Services	\$ 40,800	\$ 40,800	\$ 34,600	\$ (6,200)
Interest Income	-	-	149	149
Total Revenues	<u>40,800</u>	<u>40,800</u>	<u>34,749</u>	<u>(6,051)</u>
EXPENDITURES:				
Capital Outlay	<u>40,800</u>	<u>40,800</u>	(1) -	<u>40,800</u>
Total Expenditures	<u>40,800</u>	<u>40,800</u>	<u>-</u>	<u>40,800</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>34,749</u>	<u>34,749</u>
Net Change in Fund Balance	-	-	34,749	34,749
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>6,806</u>	<u>6,806</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,555</u>	<u>\$ 41,555</u>

(1) Appropriation Level

**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

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

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/09	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/10
Current:						
2009-10	\$ 1,429,299	\$ 33,722	\$ (12,279)	\$ 770	\$ 1,324,526	\$ 59,542
Prior Years:						
2008-09	60,213	(113)	(1,358)	2,247	34,631	26,584
2007-08	22,482	(121)	(1,851)	1,788	10,754	11,786
2006-07	8,589	(7)	(1,493)	1,420	5,219	3,304
2005-06	2,343	(6)	(416)	415	1,305	1,043
2004-05 & Prior	3,371	(4)	(315)	303	443	2,920
Total Prior	96,998	(251)	(5,433)	6,173	52,352	45,637
Total All Funds	\$ 1,526,297	\$ 33,471	\$ (17,712)	\$ 6,943	\$ 1,376,878	\$ 105,179

RECONCILIATION TO REVENUE:

	ALL FUNDS
Cash Collections by County Treasurer Above	\$ 1,376,878
Accrual of Receivables:	
June 30, 2009	(8,803)
June 30, 2010	9,592
Total Revenue	\$ 1,377,667

FUND DISTRIBUTION:

General Fund	\$ 1,273,529
Sewer Fund	58,978
Debt Service Fund	45,160
	\$ 1,377,667

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**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

April 1, 2011

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Eagle Point, Oregon as of and for the year ended June 30, 2010, and have issued our report thereon dated April 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the City of Eagle Point, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the City of Eagle Point, Oregon 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. Expenditures from the various funds were within authorized appropriations, except as noted on page 15.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted a matter involving the internal control structure and its operation that we consider to be a significant deficiency under standards established by the American Institute of Certified Public Accountants, which is noted in the schedule of findings and questioned costs on page 57.

This report is intended solely for the information and use of the Council 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.

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**CITY OF EAGLE POINT
JACKSON COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
US DEPARTMENT OF AGRICULTURE		
WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES	10.760	<u>2,710,228</u> (1)
TOTAL FEDERAL EXPENDITURES		<u>\$ 2,710,228</u>

(1) Major Program

Note: These expenditures are recorded in the Water Capital Projects Fund.

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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

April 1, 2011

To the City Council
City of Eagle Point

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited the financial statements of City of Eagle Point as of and for the year ended June 30, 2010, and have issued our report thereon dated April 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of City of Eagle Point on the Schedule of Findings and Questioned Costs on page 57.

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

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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April 1, 2011

To the City Council
City of Eagle Point

**Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of City of Eagle Point with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. City of Eagle Point's major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

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

In our opinion, City of Eagle Point complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


PAULY, ROGERS AND CO., P.C.

CITY OF EAGLE POINT, OREGON
JACKSON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)? yes no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**

10.760 Water & Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF EAGLE POINT, OREGON
JACKSON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

2010-FS-1

CONDITION: We noted there was inadequate written documentation of the internal control system.

CRITERIA: The City should adopt formal policies/procedures for all accounting areas.

EFFECT: Without adequate documentation of policies/procedures it is difficult for the Council and management to ensure that the City's assets are being properly safeguarded and that the City is following generally accepted accounting principles.

CAUSE: The City did not have a written internal control document for most of the fiscal year.

RECOMMENDATION: We recommend that the City develop and implement an internal control document.

RESPONSE: The City finalized the documentation of internal control policies and procedures in June 2010.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements