

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**



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

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

**2010-2011**  
**ANNUAL FINANCIAL REPORT**

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

**CITY COUNCIL**

**TERM EXPIRES**

Bob Russell, Mayor

December 31, 2012

Jonathan Bilden

December 31, 2014

Bill Fierke

December 31, 2012

Ruth Jenks

December 31, 2014

Kathy Sell

December 31, 2014

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

December 19, 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, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, each major fund and the aggregate remaining fund information of the City of Eagle Point, Oregon, at June 30, 2011 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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, 2011. 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 \$19,564,814 to \$20,658,397
- as a result of this year's operations
- Combined governmental funds net assets increased by \$613,850
- Combined business-type funds net assets increased by \$479,733
- Total revenue from all sources was \$7,292,577, an increase of \$1,647,172
- Total expenses for all funds was \$6,198,994, an increase of \$1,012,606
- The unassigned ending fund balance for General Fund was \$1,601,599

### 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*.

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 \$20,658,397 at the close of the most recent fiscal year. This was an increase of \$1,093,583 over the previous fiscal year.

54% 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

	2011	2010	Change
<b>Assets</b>			
Cash and investments	\$8,096,894	\$7,738,725	\$358,169
Other assets	1,750,476	1,944,162	(193,686)
Capital assets	17,488,543	16,986,539	502,004
<b>Total assets</b>	<b><u>27,335,913</u></b>	<b><u>26,669,426</u></b>	<b><u>666,367</u></b>
<b>Liabilities</b>			
Current and other liabilities	421,309	634,072	(211,943)
Long-term liabilities	6,256,207	6,470,540	(214,333)
<b>Total liabilities</b>	<b><u>6,677,516</u></b>	<b><u>7,104,612</u></b>	<b><u>(456,276)</u></b>
<b>Net Assets</b>			
Invested in capital assets, Net of related debt	11,232,336	10,515,999	716,337
Restricted	4,412,745	696,137	3,716,608
Unrestricted	<b><u>5,013,316</u></b>	<b><u>8,352,678</u></b>	<b><u>(3,339,362)</u></b>
<b>Total Net Assets</b>	<b><u>\$20,658,397</u></b>	<b><u>\$19,564,814</u></b>	<b><u>\$1,093,583</u></b>

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**  
**Governmental Activities**

	2011	2010	Change
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$1,820,280	\$1,214,989	\$605,291
Operating grants & contributions	2,772	3,733	(961)
Capital grants & contributions	0	211,500	(211,500)
<i>General Revenues:</i>			
Property taxes	1,353,258	1,326,081	27,177
Intergovernmental	413,313	365,877	47,436
Licenses, permits, misc. taxes	54,853	50,508	4,345
Fees	42,751	41,734	1,017
State revenue sharing	72,097	67,963	4,134
Gain/(loss) on disposal of assets	0	(125,358)	125,358
Miscellaneous	71,786	119,798	(48,012)
Transfers	75,373	121,615	(46,242)
Total Revenues	<u>3,906,483</u>	<u>3,398,440</u>	<u>508,043</u>
Expenses			
<i>Current:</i>			
General Government	585,551	391,461	194,090
Public Safety	1,672,511	1,367,898	304,613
Public Works	599,493	512,586	86,907
Planning	110,295	73,512	36,783
Recreation	204,252	270,440	(66,188)
Billing Service	59,496	0	59,496
Non-Departmental	47,888	41,951	5,937
<i>Debt Service:</i>			
Interest and charges	13,147	41,823	(28,676)
Total Expenses	<u>3,292,633</u>	<u>2,699,671</u>	<u>592,962</u>
Increase (decrease) in net assets	613,850	698,769	(84,919)
Beginning net assets	9,830,823	9,312,464	518,359
Prior Period Adjustment	(2,704,765)	(180,410)	(2,524,355),
Ending net assets	<u>\$7,739,908</u>	<u>9,830,823</u>	<u>\$(2,090,915)</u>

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

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$2,457,824	\$2,033,764	\$424,060
<i>General Revenues:</i>			
Property taxes	70,000	58,978	11,022
Other Revenue	183,890	185,661	(1,771)
General grants & contributions	727,460	0	727,460
Miscellaneous	22,293	90,177	(67,884)
Capital contributions	0	0	0
Transfers	(75,373)	(121,615)	46,242
Total Revenues	<u>3,386,094</u>	<u>2,246,965</u>	<u>1,139,129</u>
Expenses			
Water	1,857,057	1,688,952	168,105
Storm Water	143,410	111,097	32,313
Sewer	905,894	686,668	219,226
Total Expenses	<u>2,906,361</u>	<u>2,486,717</u>	<u>419,644</u>
Increase (decrease) in net assets	479,733	(239,752)	719,485
Beginning net assets	9,733,991	9,803,333	(69,342)
Prior period adjustment	2,704,765	170,410	2,534,355
Ending net assets	<u>\$12,918,489</u>	<u>\$9,733,991</u>	<u>\$3,184,498</u>

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

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$4,278,104	\$3,248,753	\$1,029,351
Operating grants & contributions	2,772	3,733	(961)
Capital grants & contributions	0	211,500	(211,500)
<i>General Revenues:</i>			
Property taxes	1,423,258	1,385,059	38,199
Intergovernmental	413,313	365,877	47,436
Licenses, permits, & misc. taxes	238,743	236,169	2,574
Fees	42,751	41,734	728,477
State Revenue Sharing	72,097	67,963	4,134
Other Revenue	183,890	185,661	125,358
General grants & contributions	727,460	0	727,460
Gain/(loss) on disposal of assets	0	(125,358)	125,358
Miscellaneous	94,079	209,975	(115,896)
Capital contributions	0	0	0
<b>Total Revenues</b>	<b>7,292,577</b>	<b>5,645,405</b>	<b>1,647,172</b>
Expenses			
<i>Current:</i>			
General Government	585,551	391,461	194,090
Public Safety	1,672,511	1,367,898	304,613
Public Works	599,493	512,586	86,907
Planning	110,295	73,512	36,783
Recreation	204,252	270,440	(66,188)
Billing	59,496		59,496
Non-Departmental	47,888	41,951	5,937
<i>Debt Service:</i>			
Interest and charges	13,147	41,823	(28,676)
Water	1,857,057	1,688,952	168,105
Storm Water	143,410	111,097	32,313
Sewer	905,894	686,668	219,226
<b>Total Expenses</b>	<b>6,198,994</b>	<b>5,186,388</b>	<b>1,012,606</b>
Increase (decrease) in net assets	1,093,583	459,017	634,566
Beginning net assets	19,564,814	19,115,797	449,017
Prior Period Adjustment	0	(10,000)	10,000
<b>Ending net assets</b>	<b><u>\$20,658,397</u></b>	<b><u>\$19,564,814</u></b>	<b><u>\$1,093,583</u></b>

The City's total revenues were \$7,292,577, of this 62% or \$4,278,104 is from Charges for Services and \$1,092,234 is from grants, interest earnings, and other non-tax sources. Only 26% or \$1,922,239 comes from the various sources of property taxes and intergovernmental taxes.

The total cost of all programs and services was \$6,198,994; \$2,877,181 (47%) 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 \$3,292,633. This is up from \$2,699,671 last year.

Revenue from total governmental activities totaled \$3,906,483 which is up from \$3,398,440 received last year. This is an increase of \$508,043. The predominate reason for this increase is due to construction of some commercial developments. The largest portion of this increase was street SDCs. Other governmental fund type revenues have remained lower than past years. The amount that our taxpayers paid for all governmental activities through property taxes was only \$1,353,258 or 35%.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City made two revisions to the General Fund budget. The two changes were due to increased expenses in the Building and Planning Departments. The increased expenses were due to the construction of several commercial projects. These revisions were covered by savings in other areas of the General Fund budget. Actual expenditures were 67% of the budgeted amount or \$1,005,451 below budget amounts. There were three primary reasons for the savings. There were several planning and construction projects that were planned for 2010/2011 but were put on hold until the economy recovers. One staff member retired during the fiscal year and the position was not replaced during the fiscal year. Lastly, the unexpended balance includes the contingency and carry over balances.

## **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 which doubled our populations in the last 10 years. That required a continued involvement in updated growth planning, capital improvement projects and associated infrastructure improvements. In 2006/2007 we saw a large decrease in building activity. Over the last three years the building activity has leveled off and we were issuing 25 residential permits per year which is substantially more than some of our neighboring communities. We are projecting the 2011/2012 will have substantially less residential permits issued.

In addition to the residential growth there have been several commercial permits issued. 2010/2011 saw the building and opening of several businesses including a chiropractic office. 2011/2012 will see the opening of a new school, hardware store, and a new food establishment. In addition to these new facilities, we have seen some of our previously vacant buildings being utilized for new businesses. The City Council and Economic Development Commission are very focused on the economic growth of Eagle Point.

The City expects to finalize details of Comprehensive Plan updates including adoption the regional planning solving growth areas. This will allow us to do an urban growth boundary expansion.

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, July 2010 and July 2011. Due to the economic climate these rate increases were not implemented. However, it is imperative that we review all utility fees in 2011/2012. 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.

  
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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, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Assets:			
Cash and Cash Equivalents	\$ 5,793,444	\$ 2,303,450	\$ 8,096,894
Prepaid	42,540	-	42,540
Receivables:			
Taxes	128,102	-	128,102
Accounts (net)	339,861	275,863	615,724
Notes and Interest from RVSS	-	934,930	934,930
Due From Business-Type Activities	29,180	-	29,180
Capital Assets:			
Land	398,902	56,462	455,364
Construction in Progress	-	-	-
Other Capital Assets, Net	4,680,181	12,352,998	17,033,179
<b>Total Assets</b>	<b>11,412,210</b>	<b>15,923,703</b>	<b>27,335,913</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts Payable	47,722	44,883	92,605
Accrued Interest	8,817	85,795	94,612
Accrued Vacation	137,923	41,507	179,430
Customer Deposits	-	25,482	25,482
Noncurrent Liabilities			
Due Within One Year	70,134	185,068	255,202
Due in More than One Year	3,407,706	2,593,299	6,001,005
<b>Total Liabilities</b>	<b>3,672,302</b>	<b>3,005,214</b>	<b>6,677,516</b>
Net Assets:			
Invested in Capital Assets, net of related debt	1,601,243	9,631,093	11,232,336
Restricted for Capital Projects	426,684	-	426,684
Restricted for Debt Service	-	634,629	634,629
Restricted for SDC	3,095,877	255,555	3,351,432
Unrestricted	2,616,104	2,397,212	5,013,316
<b>Total Net Assets</b>	<b>\$ 7,739,908</b>	<b>\$ 12,918,489</b>	<b>\$ 20,658,397</b>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 585,551	\$ 517,506	\$ -	\$ -
Public Safety	1,672,511	126,707	1,504	-
Public Works	599,493	871,728	-	-
Planning	110,295	248,351	-	-
Culture and Recreations	204,252	55,988	1,268	-
Billing Service	59,496	-	-	-
Non-Departmental	47,888	-	-	-
Interest on Long Term Debt	13,147	-	-	-
<b>Total Governmental Activities</b>	<b>3,292,633</b>	<b>1,820,280</b>	<b>2,772</b>	<b>-</b>
Business-Type Activities				
Water	1,857,057	1,408,705	-	727,460
Storm Water	143,410	395,568	-	-
Sewer	905,894	653,551	-	-
<b>Total Business-Type Activities</b>	<b>2,906,361</b>	<b>2,457,824</b>	<b>-</b>	<b>727,460</b>
<b>Total Primary Government</b>	<b>\$ 6,198,994</b>	<b>\$ 4,278,104</b>	<b>\$ 2,772</b>	<b>\$ 727,460</b>

See accompanying notes to the basic financial statements.

Net Revenue (Expenses)	Governmental Activities	Business-Type Activities	Total
\$ (68,045)	\$ (68,045)	\$ -	\$ (68,045)
(1,544,300)	(1,544,300)	-	(1,544,300)
272,235	272,235	-	272,235
138,056	138,056	-	138,056
(146,996)	(146,996)	-	(146,996)
(59,496)	(59,496)	-	(59,496)
(47,888)	(47,888)	-	(47,888)
(13,147)	(13,147)	-	(13,147)
<u>(1,469,581)</u>	<u>(1,469,581)</u>	<u>-</u>	<u>(1,469,581)</u>
279,108	-	279,108	279,108
252,158	-	252,158	252,158
<u>(252,343)</u>	<u>-</u>	<u>(252,343)</u>	<u>(252,343)</u>
<u>278,923</u>	<u>-</u>	<u>278,923</u>	<u>278,923</u>
<u>\$ (1,190,658)</u>	<u>(1,469,581)</u>	<u>278,923</u>	<u>(1,190,658)</u>
Property Taxes	1,353,258	70,000	1,423,258
Intergovernmental	323,108	-	323,108
Licenses, Permits and Miscellaneous Taxes	54,853	183,890	238,743
Fees	42,751	-	42,751
State Revenue Sharing	72,097	-	72,097
Interest and Miscellaneous	71,786	22,293	94,079
Transfers	165,578	(75,373)	90,205
	<u>2,083,431</u>	<u>200,810</u>	<u>2,284,241</u>
Change in Net Assets	613,850	479,733	1,093,583
Prior Period Adjustment	(2,704,765)	2,704,765	-
Beginning Net Assets	<u>9,830,823</u>	<u>9,733,991</u>	<u>19,564,814</u>
Ending Net Assets	<u>\$ 7,739,908</u>	<u>\$ 12,918,489</u>	<u>\$ 20,658,397</u>

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

**COMBINED BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2011

	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
<b>ASSETS:</b>								
Cash and Investments	\$ 1,417,923	\$ 790,615	\$ 2,178,519	\$ 888,178	\$ 132,042	\$ 12,391	\$ 373,776	\$ 5,793,444
Due From Other Funds	34,503	-	29,180	-	-	-	-	63,683
Prepays	-	-	-	-	-	-	42,540	42,540
Receivables:								
Accounts, net	170,026	74,102	-	-	95,733	-	-	339,861
Taxes	128,102	-	-	-	-	-	-	128,102
<b>Total Assets</b>	<b>\$ 1,750,554</b>	<b>\$ 864,717</b>	<b>\$ 2,207,699</b>	<b>\$ 888,178</b>	<b>\$ 227,775</b>	<b>\$ 12,391</b>	<b>\$ 416,316</b>	<b>\$ 6,367,630</b>
<b>LIABILITIES AND FUND EQUITY:</b>								
<b>Liabilities:</b>								
Accounts Payable	\$ 34,351	\$ 12,975	\$ -	\$ -	\$ -	\$ -	\$ 396	\$ 47,722
Due to Other Funds	-	-	-	-	-	-	34,503	34,503
Deferred Revenue	114,604	-	-	-	95,733	-	-	210,337
<b>Total Liabilities</b>	<b>148,955</b>	<b>12,975</b>	<b>-</b>	<b>-</b>	<b>95,733</b>	<b>-</b>	<b>34,899</b>	<b>292,562</b>
<b>Fund Equity:</b>								
<b>Fund Balances:</b>								
Nonspendable	-	-	-	-	-	-	42,540	42,540
Restricted	-	426,684	2,207,699	888,178	-	-	-	3,522,561
Committed	-	-	-	-	132,042	12,391	316,517	460,950
Assigned	-	425,058	-	-	-	-	56,863	481,921
Unassigned	1,601,599	-	-	-	-	-	(34,503)	1,567,096
<b>Total Fund Equity</b>	<b>1,601,599</b>	<b>851,742</b>	<b>2,207,699</b>	<b>888,178</b>	<b>132,042</b>	<b>12,391</b>	<b>381,417</b>	<b>6,075,068</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,750,554</b>	<b>\$ 864,717</b>	<b>\$ 2,207,699</b>	<b>\$ 888,178</b>	<b>\$ 227,775</b>	<b>\$ 12,391</b>	<b>\$ 416,316</b>	<b>\$ 6,367,630</b>

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
June 30, 2011**

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

Fund Balances		\$ 6,075,068
<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		5,079,083
<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	\$ (340,000)	
Notes and Contracts Payable	(3,137,840)	
Accrued Interest	(8,817)	
Net Adjustment	<u>(3,486,657)</u>	(3,486,657)
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated Absences		(137,923)
<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>210,337</u>
Total Net Assets		<u>\$ 7,739,908</u>

See accompanying notes to the basic financial statements.

**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, 2011**

	GENERAL FUND	STREET FUND	STREET SYSTEM DEVELOPMENT CHARGE FUND	PARK SYSTEM DEVELOPMENT CHARGE FUND	JACKSON COUNTY HOUSING AUTHORITY	WATER CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL
<b>REVENUES:</b>								
Property Taxes	\$ 1,278,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,122	\$ 1,334,241
Franchise Fees	506,779	-	-	-	-	-	-	506,779
Licenses and Permits	213,195	-	-	-	-	-	-	213,195
Intergovernmental	148,175	426,684	-	-	-	-	-	574,859
Charges for Services	96,734	303,016	568,712	32,256	-	-	648	1,001,366
Fines and Forfeitures	126,707	-	-	-	-	-	-	126,707
Grants	72,097	-	-	-	-	-	-	72,097
Interest and Miscellaneous	25,643	13,252	7,249	4,619	14,997	5,817	1,477	73,054
<b>Total Revenues</b>	<b>2,467,449</b>	<b>742,952</b>	<b>575,961</b>	<b>36,875</b>	<b>14,997</b>	<b>5,817</b>	<b>58,247</b>	<b>3,902,298</b>
<b>EXPENDITURES:</b>								
<b>Current:</b>								
General Government	418,215	-	-	-	-	2,220	15,096	435,531
Public Safety	1,244,009	-	-	-	-	-	-	1,244,009
Public Works	-	445,249	652	-	-	-	-	445,901
Planning	82,037	-	-	-	-	-	-	82,037
Culture and Recreation	151,271	-	-	652	-	-	-	151,923
Billing Service	44,253	-	-	-	-	-	-	44,253
Non Departmental	35,619	-	-	-	-	-	-	35,619
Capital Outlay	-	69,596	18,568	372,944	-	529,641	-	990,749
Debt Service	-	-	-	-	-	-	54,205	54,205
<b>Total Expenditures</b>	<b>1,975,404</b>	<b>514,845</b>	<b>19,220</b>	<b>373,596</b>	<b>-</b>	<b>531,861</b>	<b>69,301</b>	<b>3,484,227</b>
Excess of Revenues Over, (Under) Expenditures	492,045	228,107	556,741	(336,721)	14,997	(526,044)	(11,054)	418,071
<b>Other Financing Sources, (Uses)</b>								
Transfers In	109,366	-	90,205	-	-	-	87,491	287,062
Transfers Out	(40,396)	(54,701)	(18,955)	-	(7,432)	-	-	(121,484)
<b>Total Other Financing Sources, (Uses)</b>	<b>68,970</b>	<b>(54,701)</b>	<b>71,250</b>	<b>-</b>	<b>(7,432)</b>	<b>-</b>	<b>87,491</b>	<b>165,578</b>
<b>Net Change in Fund Balance</b>	<b>561,015</b>	<b>173,406</b>	<b>627,991</b>	<b>(336,721)</b>	<b>7,565</b>	<b>(526,044)</b>	<b>76,437</b>	<b>583,649</b>
Fund Balance - Beginning	1,040,584	678,336	1,669,913	1,224,899	124,477	538,435	304,980	5,581,624
Prior Period Adjustment	-	-	(90,205)	-	-	-	-	(90,205)
<b>Fund Balance - End of Year</b>	<b>\$ 1,601,599</b>	<b>\$ 851,742</b>	<b>\$ 2,207,699</b>	<b>\$ 888,178</b>	<b>\$ 132,042</b>	<b>\$ 12,391</b>	<b>\$ 381,417</b>	<b>\$ 6,075,068</b>

See accompanying notes to the basic financial statements.

**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, 2011**

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

Net Change in Fund Balance \$ 583,649

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	\$ 419,000	
Depreciation Expense	(374,616)	
Net Adjustment	44,384	44,384

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	\$ 15,947	
Accrued Interest	5,918	
GO Bonds, Notes and Contracts Payable	35,140	
Net Adjustment	57,005	57,005

Prior period adjustment to record interfund debt payment in prior year (90,205)

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

Property Taxes		19,017
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Change in Net Assets		\$ 613,850
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See accompanying notes to the basic financial statements.

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

**COMBINING STATEMENT OF PROPRIETARY NET ASSETS  
BUSINESS-TYPE FUNDS  
June 30, 2011**

	WATER FUND	WATER SDC FUND	WATER DEBT FUND
<b>ASSETS:</b>			
Cash and Investments	\$ 1,095,745	\$ 75,401	\$ 634,629
Accounts Receivable, net	159,336	-	-
Interest Receivable	-	-	-
Notes Receivable	-	-	-
Capital Assets, net	12,235,425	-	-
<b>Total Assets</b>	<b>\$ 13,490,506</b>	<b>\$ 75,401</b>	<b>\$ 634,629</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 8,481	\$ -	\$ -
Accrued Interest	69,995	-	-
Interfund Payable	-	-	-
Compensated Absences	36,218	-	-
Deposits	25,482	-	-
Bonds Payable - current	26,543	-	-
Notes/Contracts Payable - current	17,644	-	-
<b>Total Current Liabilities</b>	<b>184,363</b>	<b>-</b>	<b>-</b>
<b>Long Term Liabilities</b>			
Bonds Payable	1,424,121	-	-
Notes/Contracts Payable	390,929	-	-
<b>Total Long Term Liabilities</b>	<b>1,815,050</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,999,413</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	10,376,188	-	-
Restricted for Debt Service	-	-	634,629
Restricted for SDC	-	75,401	-
Unrestricted	1,114,905	-	-
<b>Total Net Assets</b>	<b>11,491,093</b>	<b>75,401</b>	<b>634,629</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 13,490,506</b>	<b>\$ 75,401</b>	<b>\$ 634,629</b>

See accompanying notes to the basic financial statements.

<u>SEWER FUND</u>	<u>STORM WATER FUND</u>	<u>STORM WATER SDC FUND</u>	<u>TOTAL</u>
\$ 238,613	\$ 78,908	\$ 180,154	\$ 2,303,450
80,636	35,891	-	275,863
15,800	-	-	15,800
919,130	-	-	919,130
48,542	125,493	-	12,409,460
<u>\$ 1,302,721</u>	<u>\$ 240,292</u>	<u>\$ 180,154</u>	<u>\$ 15,923,703</u>
\$ 29,383	\$ 7,019	\$ -	\$ 44,883
15,800	-	-	85,795
-	29,180	-	29,180
-	5,289	-	41,507
-	-	-	25,482
-	-	-	26,543
140,881	-	-	158,525
<u>186,064</u>	<u>41,488</u>	<u>-</u>	<u>411,915</u>
-	-	-	1,424,121
<u>778,249</u>	<u>-</u>	<u>-</u>	<u>1,169,178</u>
<u>778,249</u>	<u>-</u>	<u>-</u>	<u>2,593,299</u>
<u>964,313</u>	<u>41,488</u>	<u>-</u>	<u>3,005,214</u>
(870,588)	125,493	-	9,631,093
-	-	-	634,629
-	-	180,154	255,555
<u>1,208,996</u>	<u>73,311</u>	<u>-</u>	<u>2,397,212</u>
<u>338,408</u>	<u>198,804</u>	<u>180,154</u>	<u>12,918,489</u>
<u>\$ 1,302,721</u>	<u>\$ 240,292</u>	<u>\$ 180,154</u>	<u>\$ 15,923,703</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, 2011**

	WATER FUND	WATER SDC FUND	WATER DEBT FUND
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 1,275,808	\$ 132,897	\$ -
Intergovernmental	-	-	-
<b>Total Operating Revenues</b>	<b>1,275,808</b>	<b>132,897</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>			
Personal Services	559,108	-	-
Contractual Services and Other	811,379	21,320	-
Depreciation/Amorization	259,749	-	-
<b>Total Operating Expenses</b>	<b>1,630,236</b>	<b>21,320</b>	<b>-</b>
<b>Income, (Loss) From Operations</b>	<b>(354,428)</b>	<b>111,577</b>	<b>-</b>
<b>NON-OPERATING REVENUES AND EXPENSES:</b>			
Interest Expense	(99,497)	(17,981)	(70,463)
Payment of Principal of Bonds, Contracts Payable	(17,560)		
Contribution	727,460	-	-
Property Taxes	-	-	-
Interest and Miscellaneous Revenues	20,972	290	-
<b>Income, (Loss) Before Transfers</b>	<b>276,947</b>	<b>93,886</b>	<b>(70,463)</b>
Capital Contribution	2,704,765	-	-
Transfers In	-	-	85,088
Transfers Out	(109,518)	(46,943)	-
<b>Total Operating Transfers</b>	<b>2,595,247</b>	<b>(46,943)</b>	<b>85,088</b>
<b>Change in Net Assets</b>	<b>2,872,194</b>	<b>46,943</b>	<b>14,625</b>
Beginning Net Assets	8,618,899	28,458	620,004
<b>Ending Net Assets</b>	<b>\$ 11,491,093</b>	<b>\$ 75,401</b>	<b>\$ 634,629</b>

See accompanying notes to the basic financial statements.

SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
\$ 653,551	\$ 256,635	\$ 138,933	\$ 2,457,824
183,890	-	-	183,890
<u>837,441</u>	<u>256,635</u>	<u>138,933</u>	<u>2,641,714</u>
-	75,243	-	634,351
722,004	28,245	652	1,583,600
-	10,090	-	269,839
<u>722,004</u>	<u>113,578</u>	<u>652</u>	<u>2,487,790</u>
115,437	143,057	138,281	153,924
(47,536)	(29,180)	-	(264,657)
(136,354)	-	-	(153,914)
-	-	-	727,460
70,000	-	-	70,000
-	713	318	22,293
<u>1,547</u>	<u>114,590</u>	<u>138,599</u>	<u>555,106</u>
-	-	-	2,704,765
-	-	-	85,088
-	(4,000)	-	(160,461)
-	(4,000)	-	2,629,392
1,547	110,590	138,599	3,184,498
<u>336,861</u>	<u>88,214</u>	<u>41,555</u>	<u>9,733,991</u>
<u>\$ 338,408</u>	<u>\$ 198,804</u>	<u>\$ 180,154</u>	<u>\$ 12,918,489</u>

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

**COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS  
For the Year Ended June 30, 2011**

	WATER FUND	WATER SDC FUND	WATER DEBT FUND
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 1,262,881	\$ 132,897	\$ -
Cash Payments to Suppliers	(811,659)	(21,320)	-
Cash Payments to Employees	(560,895)	-	-
Net Cash From Operations	<u>(109,673)</u>	<u>111,577</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Payment of Principal of Bonds, Contracts Payable	(42,839)	-	-
Interfund Transfers	(109,518)	(46,943)	85,088
Property Taxes	-	-	-
Due to/from Other Funds	-	-	-
Interest Expense	(118,410)	(17,981)	(70,463)
Net Cash (Used) By Capital and Related Financing Activities	<u>(270,767)</u>	<u>(64,924)</u>	<u>14,625</u>
<b>Cash Flows From Investing Activities</b>			
Interest and Miscellaneous	20,972	290	-
Net Cash (Used) By Investing Activities	<u>20,972</u>	<u>290</u>	<u>-</u>
Net Increase In Cash and Investments	(359,468)	46,943	14,625
Cash and Investments at Beginning of Year	<u>1,455,213</u>	<u>28,458</u>	<u>620,004</u>
Cash and Investments at End of Year	<u>\$ 1,095,745</u>	<u>\$ 75,401</u>	<u>\$ 634,629</u>
<b>Reconciliation of Cash Flows From Operating Activities to Operating Income</b>			
Operating Income	\$ (354,428)	\$ 111,577	\$ -
Adjustments			
Depreciation/Amortization	259,749	-	-
(Increase), Decrease in Accounts Receivable	(13,445)	-	-
Increase, (Decrease) in Deposits	518	-	-
Increase, (Decrease) in Accounts Payable	(280)	-	-
Increase, (Decrease) in Compensated Absences	(1,168)	-	-
Increase, (Decrease) in Payroll Liabilities	(619)	-	-
Net Cash From Operations	<u>\$ (109,673)</u>	<u>\$ 111,577</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
\$ 826,154	\$ 251,470	\$ 138,933	\$ 2,612,335
(692,921)	(28,164)	(652)	(1,554,716)
-	(74,600)	-	(635,495)
<u>133,233</u>	<u>148,706</u>	<u>138,281</u>	<u>422,124</u>
(136,354)	-	-	(179,193)
-	(4,000)	-	(75,373)
70,000	-	-	70,000
-	(119,385)	-	(119,385)
(47,536)	-	-	(254,390)
<u>(113,890)</u>	<u>(123,385)</u>	<u>-</u>	<u>(558,341)</u>
-	713	318	22,293
-	713	318	22,293
19,343	26,034	138,599	(113,924)
<u>219,270</u>	<u>52,874</u>	<u>41,555</u>	<u>2,417,374</u>
<u>\$ 238,613</u>	<u>\$ 78,908</u>	<u>\$ 180,154</u>	<u>\$ 2,303,450</u>

\$ 115,437	\$ 143,057	\$ 138,281	\$ 153,924
-	10,090	-	269,839
(11,287)	(5,165)	-	(29,897)
-	-	-	518
29,083	81	-	28,884
-	643	-	(525)
-	-	-	(619)
<u>\$ 133,233</u>	<u>\$ 148,706</u>	<u>\$ 138,281</u>	<u>\$ 422,124</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United 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, organized under the authority of Oregon Revised Statutes Section 221, and is 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 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 on 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**

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**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.

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.

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

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.

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**

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**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 1998 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 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. 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**

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**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. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, inventories of supplies are budgeted as expenditures when purchased, debt is recorded as revenue when received and an expenditure when paid, and tax revenues are not recorded as revenue until received. 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, 2011, except the Water Capital Project Fund overexpended Materials and Services by \$120, and the Sewer Fund overexpended Materials and Services by \$37,004.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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**

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**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.

**Net assets**

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.

**Fund Equity**

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

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity (Continued)**

- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balance as Assigned is granted to the City Administrator and/or Finance Officer.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. The City wants to maintain a minimum general fund ending fund balance of four months of general fund expenditures.

**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.

**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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Cash and cash equivalents (recorded at cost) as of June 30, 2011 consisted of:

Deposits with Financial Institutions:

Petty cash	\$	250
Cash in bank		82,133
Local Government Investment Pool		8,014,511
Total Cash and Investments	\$	8,096,894

**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. There is no policy for custodial credit risk. As of June 30, 2011, the bank balance of \$201,429 was insured by FDIC.

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

As of June 30, 2011, the investments and maturities were as follows:

<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	\$ 8,014,511	\$ 8,014,511	\$ -	\$ -
Total	\$ 8,014,511	\$ 8,014,511	\$ -	\$ -

The State Treasurer's Local Government Investment Pool (LGIP) is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report.

The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP.

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.

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, 2011.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Credit Risk (Continued)**

**Concentration Risk**

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to 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, 2011, all percentage restrictions were complied with. 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. State statutes do not limit the percentage of investments in this instrument.

**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.

**3. CAPITAL ASSETS**

The changes in Capital assets for the fiscal year ended June 30, 2011 are as follows:

	<b><u>GOVERNMENTAL</u></b>			
	<u>JUNE 30, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2011</u>
<b>Capital Assets</b>				
Land and Land Improvements	\$ 398,902	\$ -	\$ -	\$ 398,902
Construction in Progress	2,704,765	-	2,704,765	-
Buildings & Improvements	1,853,247	-	-	1,853,247
Furniture, fixture, and Equipment	847,453	46,269	-	893,722
Infrastructure	4,147,632	372,731	-	4,520,363
Total	<u>9,951,999</u>	<u>419,000</u>	<u>2,704,765</u>	<u>7,666,234</u>
<b>Accumulated Depreciation</b>				
Buildings & Improvements	517,088	46,752	-	563,840
Equipment	561,259	62,009	-	623,268
Infrastructure	1,134,188	265,855	-	1,400,043
Total	<u>2,212,535</u>	<u>374,616</u>	<u>-</u>	<u>2,587,151</u>
<b>Total Net Capital Assets</b>	<u><u>\$ 7,739,464</u></u>			<u><u>\$ 5,079,083</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	\$ 66,888
Public Safety	191,051
Planning	12,599
Non-Departmental	5,470
Public Works	68,480
Billing Service	6,796
Culture and Recreation	23,332
Total depreciation expense, governmental activities	<u>\$ 374,616</u>

**BUSINESS TYPE**

	<u>JUNE 30, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2011</u>
<b>Capital Assets</b>				
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	3,432,224	-	14,267,244
Total	<u>11,415,106</u>	<u>3,432,224</u>	-	<u>14,847,330</u>
<b>Accumulated Depreciation</b>				
Buildings & Improvements	14,052	2,388	-	16,440
Equipment	213,963	39,268	-	253,231
Infrastructure	1,940,016	228,183	-	2,168,199
Total	<u>2,168,031</u>	<u>269,839</u>	-	<u>2,437,870</u>
<b>Total Net Capital Assets</b>	<u>\$ 9,247,075</u>			<u>\$ 12,409,460</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. The note receivable is the combined balance of the following:

June 30, 1998, \$1,800,000, Oregon Department of Environmental Quality Revolving Loan Fund, semi-annual interest payments at 3.98 percent and annual principal payments of \$66.793 through September 2016	\$ 681,320
November 1, 1996, \$550,000 Oregon Economic Development Department loan, at an annual interest rate of 5.01 percent, maturing in 2017	253,610
Total notes receivable	<u>\$ 934,930</u>

**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%	\$ 340,000

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, 2011.

	<u>Issued to</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Business Type Revenue Bonds:					
Proprietary (Water Fund)	USDA	July 1997	March 2037	5.0%	\$ 1,450,664

Future maturities of unmatured bond principal and interest at June 30, 2011 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>
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
2015-2016	45,000	9,380	32,264	66,812	77,264	76,192
2017-2021	145,000	12,460	187,191	308,189	332,191	320,649
2022-2026	-	-	238,907	256,473	238,907	256,473
2027-2031	-	-	304,915	190,465	304,915	190,465
2032-2036	-	-	389,155	106,225	389,155	106,225
2037-2039	-	-	183,828	14,324	183,828	14,324
	<u>\$ 340,000</u>	<u>\$ 81,453</u>	<u>\$ 1,450,664</u>	<u>\$ 1,224,388</u>	<u>\$ 1,790,664</u>	<u>\$ 1,305,841</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, 2010</u>	<u>(Payments) Additions</u>	<u>June 30, 2011</u>
<b>Southern Oregon Regional Communications (SORC) Loan:</b>			
The City received excise tax of \$4,797 and is repaying this amount at \$140 per year. No interest is owed for these payments.	\$ 2,380	\$ (140)	\$ 2,240
<b>USDA Loan</b>			
On December 1, 2010 the city entered into a \$3,135,600 loan with the US Department of Agriculture. It was issued to provide funds for the refunding of the Bond Anticipation Note. The loan matures in 2051 and has an interest rate of 3.75%.	-	3,135,600	3,135,600
<b>Bond Anticipation Notes:</b>			
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)	-
<b>Oregon Department of Environmental Quality Loan:</b>			
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.	771,775	(106,255)	665,520
<b>Oregon Economic Development Department (OEDD) Wastewater Financing Program Loan:</b>			
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.	283,709	(30,099)	253,610
<b>Oregon Economic and Community Development Department (OECDD) Wastemeter Relacement Loan:</b>			
In October of 2003, the City entered 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%.	<u>426,133</u>	<u>(17,560)</u>	<u>408,573</u>
<b>Total Notes/ Contracts</b>	<u>\$ 4,619,597</u>	<u>\$ (154,054)</u>	<u>\$ 4,465,543</u>
	<b>Allocated:</b>		
		Business Type	\$1,327,703
		Governmental Type	\$3,137,840

**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
2011-12	\$ 193,659	\$ 173,573
2012-13	199,776	165,674
2013-14	211,141	157,516
2014-15	217,763	148,823
2015-16	224,657	139,828
2016-21	480,385	608,211
2021-26	399,777	529,382
2026-31	418,213	443,682
2031-36	393,811	369,082
2036-41	473,399	289,495
2041-46	569,074	193,820
2046-51	683,888	78,809
	<u>\$ 4,465,543</u>	<u>\$ 3,297,895</u>

Long-Term Debt activity for the year ended June 30, 2011, is as follows:

**CHANGES IN LONG-TERM DEBT**

	June 30, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 375,000	\$ -	\$ 35,000	\$ 340,000	\$ 35,000
Notes Payable	3,137,980	3,135,600	3,135,740	3,137,840	35,134
Governmental activities					
Long-Term Debt	<u>\$ 3,512,980</u>	<u>\$ 3,135,600</u>	<u>\$ 3,170,740</u>	<u>\$ 3,477,840</u>	<u>\$ 70,134</u>
Business-type Activities:					
General Obligation	1,475,943	-	25,279	1,450,664	26,543
Notes Payable	1,481,617	-	153,914	1,327,703	158,525
Business-type Activities					
Long-Term Debt	<u>\$ 2,957,560</u>	<u>\$ -</u>	<u>\$ 179,193</u>	<u>\$ 2,778,367</u>	<u>\$ 185,068</u>
Total Long-Term Debt	<u>\$ 6,470,540</u>	<u>\$ 3,135,600</u>	<u>\$ 3,349,933</u>	<u>\$ 6,256,207</u>	<u>\$ 255,202</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. OPERATING LEASES**

Two separate five year operating lease agreements were entered into with Pacific Office Automation, Inc., in 2005 for two copiers. The lease expense for the year ended June 30, 2011 was \$10,068, which included base lease payments as well as additional overage charges. Both of these lease agreements have ended and are now leased month-to-month.

Vehicles are also leased from the State on a month-to-month basis. Total lease expense for the year ended June 30, 2011 was \$3,392.

**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, 2010. 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 3.75% 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
6/30/2011	\$ 81,244	100%	\$ -
6/30/2010	\$ 95,648	100%	\$ -
6/30/2009	\$ 102,603	100%	\$ -

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. PENSION PLAN (CONTINUED)**

The 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
2010	\$ 2,057,505	\$ 2,442,645	\$ 385,140	84%	\$ 614,657	63%
2009	\$ 2,041,520	\$ 2,211,444	\$ 169,924	92%	\$ 663,580	26%
2008	\$ 1,747,730	\$ 1,982,202	\$ 234,472	88%	\$ 783,617	30%

**9. OTHER RETIREMENT 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. 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**10. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS (CONTINUED)**

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

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 40,396	\$ 109,366
Street Fund	54,701	-
Water System Development	46,943	-
Street Capital Fund	-	18,955
Street System Development	18,955	-
Storm Water Fund	4,000	-
Water Fund	109,518	-
Water Debt Fund	-	85,088
Capital Purchase Reserve Fund	-	58,390
Jackson Co. Housing Authority	7,432	-
Museum Fund	-	10,146
	<u>\$ 281,945</u>	<u>\$ 281,945</u>

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 34,503	\$ -
Street System Development Charge Fund	29,180	-
GO Bond Fund	-	34,503
Storm Water Fund	-	29,180
	<u>\$ 63,683</u>	<u>\$ 63,683</u>

**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. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the Street System Development Charge fund to correct for the effect of a prior year interfund transfer of \$90,205 and to correctly state beginning fund balance. A prior period adjustment was made to record the transfer of construction in progress in the amount of \$2,704,765 transferred from governmental funds to the Water Fund.

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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, 2011**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Property Taxes	\$ 1,255,883	\$ 1,255,883	\$ 1,278,119	\$ 22,236
Franchise Fees	450,000	450,000	506,779	56,779
Licenses, Permits, Miscellaneous Taxes and Fees	139,955	139,955	213,195	73,240
Intergovernmental Revenues	182,200	182,200	148,175	(34,025)
Planning Fees and Reimbursements	83,047	83,047	90,009	6,962
Fines and Forfeitures	160,000	160,000	126,707	(33,293)
Interest	7,600	7,600	8,053	453
Grants	142,000	142,000	72,097	(69,903)
Rentals and Leases	15,000	15,000	6,725	(8,275)
Miscellaneous	5,000	5,000	17,590	12,590
Total Revenue	<u>2,440,685</u>	<u>2,440,685</u>	<u>2,467,449</u>	<u>26,764</u>
<b>EXPENDITURES:</b>				
Administration	186,700	186,700 (1)	179,486	7,214
Municipal Court	58,625	58,625 (1)	55,395	3,230
Building Department	175,974	190,974 (1)	183,334	7,640
Planning Department	95,225	110,225 (1)	82,037	28,188
Police Department	1,578,766	1,578,766 (1)	1,244,009	334,757
Parks Department	116,575	116,575 (1)	93,916	22,659
Recreation Department	96,005	96,005 (1)	57,355	38,650
Billing Service	45,215	45,215 (1)	44,253	962
Non-Departmental	668,166	638,166 (1)	76,015	562,151
Total Expenditures	<u>3,021,251</u>	<u>3,021,251</u>	<u>2,015,800</u>	<u>1,005,451</u>
Excess of Revenues Over, (Under) Expenditures	(580,566)	(580,566)	451,649	1,032,215
<b>Other Financing Sources, (Uses)</b>				
Transfers In	112,282	112,282	109,366	(2,916)
Total Other Financing Sources, (Uses)	<u>112,282</u>	<u>112,282</u>	<u>109,366</u>	<u>(2,916)</u>
Net Change in Fund Balance	(468,284)	(468,284)	561,015	1,029,299
Beginning Fund Balance	<u>550,000</u>	<u>550,000</u>	<u>1,040,584</u>	<u>490,584</u>
Ending Fund Balance	<u>\$ 81,716</u>	<u>\$ 81,716</u>	<u>\$ 1,601,599</u>	<u>\$ 1,519,883</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, 2011**

	<u>STREET FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Gas Taxes	\$ 439,852	\$ 439,852	\$ 426,684	\$ (13,168)
Transportation Utility Fees	300,000	300,000	303,016	3,016
State Transportation Planning	184,578	184,578	-	(184,578)
Interest	3,000	3,000	3,652	652
Miscellaneous	-	-	9,600	9,600
<b>Total Revenues</b>	<u>927,430</u>	<u>927,430</u>	<u>742,952</u>	<u>(184,478)</u>
<b>EXPENDITURES:</b>				
Personal Services	265,790	265,790 (1)	251,231	14,559
Materials and Services	268,020	268,020 (1)	194,018	74,002
Capital Outlay	749,550	744,550 (1)	69,596	674,954
Contingency	95,000	95,000 (1)	-	95,000
<b>Total Expenditures</b>	<u>1,378,360</u>	<u>1,373,360</u>	<u>514,845</u>	<u>858,515</u>
Excess of Revenues Over, (Under) Expenditures	(450,930)	(445,930)	228,107	674,037
<b>Other Financing Sources, (Uses):</b>				
Transfer Out	(54,770)	(59,770) (1)	(54,701)	5,069
<b>Total Other Financing Sources, (Uses)</b>	<u>(54,770)</u>	<u>(54,770)</u>	<u>(54,701)</u>	<u>5,069</u>
<b>Net Change in Fund Balance</b>	<u>(505,700)</u>	<u>(500,700)</u>	<u>173,406</u>	<u>679,106</u>
<b>Beginning Fund Balance</b>	<u>505,700</u>	<u>505,700</u>	<u>678,336</u>	<u>172,636</u>
<b>Ending Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,742</u>	<u>\$ 851,742</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, 2011**

<u>STREET SYSTEM DEVELOPMENT CHARGE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
System Development Charges	\$ 59,850	\$ 59,850	\$ 568,712	\$ 508,862
Interest and Miscellaneous	8,000	8,000	7,249	(751)
Total Revenues	<u>67,850</u>	<u>67,850</u>	<u>575,961</u>	<u>508,111</u>
<b>EXPENDITURES:</b>				
Materials and Services	10,000	10,000 (1)	652	9,348
Capital Outlay	1,673,132	1,673,132 (1)	18,568	1,654,564
Total Expenditures	<u>1,683,132</u>	<u>1,683,132</u>	<u>19,220</u>	<u>1,663,912</u>
Excess of Revenues Over, (Under) Expenditures	(1,615,282)	(1,615,282)	556,741	2,172,023
<b>Other Financing Sources, (Uses)</b>				
Transfer In	90,250	90,250	90,205	(45)
Transfer Out	(18,955)	(18,955) (1)	(18,955)	-
Total Other Financing Sources, (Uses)	<u>71,295</u>	<u>71,295</u>	<u>71,250</u>	<u>(45)</u>
Net Change in Fund Balance	(1,543,987)	(1,543,987)	627,991	2,171,978
Beginning Fund Balance	<u>1,544,032</u>	<u>1,544,032</u>	<u>1,669,913</u>	<u>125,881</u>
Ending Fund Balance	<u>\$ 45</u>	<u>\$ 45</u>	2,297,904	<u>\$ 2,297,859</u>
<b>Reconciliation to GAAP Basis:</b>				
Prior Period Adjustment			<u>(90,205)</u>	
GAAP Basis Fund Balance			<u>\$ 2,207,699</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, 2011**

<u>PARK SYSTEM DEVELOPMENT CHARGE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
System Development Charges	\$ 57,600	\$ 57,600	\$ 32,256	\$ (25,344)
Interest and Miscellaneous	3,000	3,000	4,619	1,619
Total Revenues	<u>60,600</u>	<u>60,600</u>	<u>36,875</u>	<u>(23,725)</u>
<b>EXPENDITURES:</b>				
Materials and Services	40,000	40,000 (1)	652	39,348
Capital Outlay	<u>1,120,800</u>	<u>1,120,800 (1)</u>	<u>372,944</u>	<u>747,856</u>
Total Expenditures	<u>1,160,800</u>	<u>1,160,800</u>	<u>373,596</u>	<u>787,204</u>
Excess of Revenues Over, (Under) Expenditures	(1,100,200)	(1,100,200)	(336,721)	763,479
<b>Other Financing Sources, (Uses)</b>				
Transfers Out	<u>(39,000)</u>	<u>(39,000) (1)</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	(1,139,200)	(1,139,200)	(336,721)	802,479
Beginning Fund Balance	<u>1,139,200</u>	<u>1,139,200</u>	<u>1,224,899</u>	<u>85,699</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,178</u>	<u>\$ 888,178</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, 2011**

<u>JACKSON COUNTY HOUSING AUTHORITY</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Miscellaneous	\$ -	\$ -	\$ 14,997	\$ 14,997
Total Revenues	-	-	14,997	14,997
<b>EXPENDITURES:</b>				
Capital Outlay	117,045	117,045 (1)	-	117,045
Total Expenditures	117,045	117,045	-	117,045
Excess of Revenues Over, (Under) Expenditures	(117,045)	(117,045)	14,997	132,042
<b>Other Financing (Uses):</b>				
Transfers Out	(7,432)	(7,432) (1)	(7,432)	-
Total Other Financing Sources (Uses)	(7,432)	(7,432)	(7,432)	-
Net Change in Fund Balance	(124,477)	(124,477)	7,565	132,042
Beginning Fund Balance	124,477	124,477	124,477	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,042</u>	<u>\$ 132,042</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, 2011**

<u>WATER CAPITAL PROJECTS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Interest & Miscellaneous	\$ 10,000	\$ 10,000	\$ 5,817	\$ (4,183)
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>5,817</u>	<u>(4,183)</u>
<b>EXPENDITURES:</b>				
Materials and Services	2,100	2,100 (1)	2,220	(120)
Capital Outlay	<u>641,625</u>	<u>641,625 (1)</u>	<u>529,641</u>	<u>111,984</u>
Total Expenditures	<u>643,725</u>	<u>643,725</u>	<u>531,861</u>	<u>111,864</u>
Net Change in Fund Balance	(633,725)	(633,725)	(526,044)	107,681
Beginning Fund Balance	<u>633,725</u>	<u>633,725</u>	<u>538,435</u>	<u>(95,290)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,391</u>	<u>\$ 12,391</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, 2011**

	STREET CAPITAL PROJECT FUND	VENDING MACHINE FUND	MUSEUM FUND	98 GO BOND FUND	CAPITAL PURCHASE RESERVE FUND	TOTAL
<b>ASSETS:</b>						
Cash and Investments	\$ 30,127	\$ 2,638	\$ 54,621	\$ -	\$ 286,390	\$ 373,776
Prepays	-	-	-	42,540	-	42,540
<b>Total Assets</b>	<b>\$ 30,127</b>	<b>\$ 2,638</b>	<b>\$ 54,621</b>	<b>\$ 42,540</b>	<b>\$ 286,390</b>	<b>\$ 416,316</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ -	\$ 21	\$ 375	\$ -	\$ -	\$ 396
Due To Other Funds	-	-	-	34,503	-	34,503
<b>Total Liabilities</b>	<b>-</b>	<b>21</b>	<b>375</b>	<b>34,503</b>	<b>-</b>	<b>34,899</b>
<b>Fund Balances:</b>						
Nonspendable	-	-	-	42,540	-	42,540
Committed	30,127	-	-	-	286,390	316,517
Assigned	-	2,617	54,246	-	-	56,863
Unassigned	-	-	-	(34,503)	-	(34,503)
<b>Total Fund Balances</b>	<b>30,127</b>	<b>2,617</b>	<b>54,246</b>	<b>8,037</b>	<b>286,390</b>	<b>381,417</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,127</b>	<b>\$ 2,638</b>	<b>\$ 54,621</b>	<b>\$ 42,540</b>	<b>\$ 286,390</b>	<b>\$ 416,316</b>

**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, 2011**

	STREET CAPITAL PROJECT FUND	VENDING MACHINE FUND	MUSEUM FUND	98 GO BOND FUND	CAPITAL PURCHASE RESERVE FUND	TOTAL
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 56,122	\$ -	\$ 56,122
Charges for Services	-	-	648	-	-	648
Interest and Miscellaneous	-	1,477	-	-	-	1,477
<b>Total Revenues</b>	<b>-</b>	<b>1,477</b>	<b>648</b>	<b>56,122</b>	<b>-</b>	<b>58,247</b>
<b>EXPENDITURES:</b>						
Materials and Services	-	1,089	14,007	-	-	15,096
Debt Service:						
Principal	-	-	-	35,000	-	35,000
Interest	-	-	-	19,205	-	19,205
<b>Total Expenditures</b>	<b>-</b>	<b>1,089</b>	<b>14,007</b>	<b>54,205</b>	<b>-</b>	<b>69,301</b>
Excess of Revenues Over, (Under) Expenditures	-	388	(13,359)	1,917	-	(11,054)
<b>Other Financing Sources, (Uses):</b>						
Transfers In	18,955	-	10,146	-	58,390	87,491
<b>Total Other Financing Sources, (Uses)</b>	<b>18,955</b>	<b>-</b>	<b>10,146</b>	<b>-</b>	<b>58,390</b>	<b>87,491</b>
Net Change in Fund Balance	18,955	388	(3,213)	1,917	58,390	76,437
Beginning Fund Balance	11,172	2,229	57,459	6,120	228,000	304,980
Ending Fund Balance	<u>\$ 30,127</u>	<u>\$ 2,617</u>	<u>\$ 54,246</u>	<u>\$ 8,037</u>	<u>\$ 286,390</u>	<u>\$ 381,417</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, 2011**

<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	\$ 30,127	\$ 30,127 (1)	\$ -	\$ 30,127
Total Expenditures	<u>30,127</u>	<u>30,127</u>	<u>-</u>	<u>30,127</u>
Excess of Revenues Over, (Under)				
Expenditures	(30,127)	(30,127)	-	30,127
Other Financing (Uses):				
Transfer In	<u>18,955</u>	<u>18,955</u>	<u>18,955</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>18,955</u>	<u>18,955</u>	<u>18,955</u>	<u>-</u>
Net Change in Fund Balance	(11,172)	(11,172)	18,955	30,127
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>\$ 30,127</u>	<u>\$ 30,127</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, 2011**

<u>VENDING MACHINE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,477	\$ 477
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,477</u>	<u>477</u>
<b>EXPENDITURES:</b>				
Materials and Services	<u>3,011</u>	<u>3,011 (1)</u>	<u>1,089</u>	<u>1,922</u>
Total Expenditures	<u>3,011</u>	<u>3,011</u>	<u>1,089</u>	<u>1,922</u>
Net Change in Fund Balance	(2,011)	(2,011)	388	2,399
Beginning Fund Balance	<u>2,011</u>	<u>2,011</u>	<u>2,229</u>	<u>218</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,617</u>	<u>\$ 2,617</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, 2011**

	<u>MUSEUM FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Charges for Services	\$ 150	\$ 150	\$ 648	\$ 498
Total Revenues	<u>150</u>	<u>150</u>	<u>648</u>	<u>498</u>
<b>EXPENDITURES:</b>				
Materials and Services	<u>69,500</u>	<u>69,500</u> (1)	<u>14,007</u>	<u>55,493</u>
Total Expenditures	<u>69,500</u>	<u>69,500</u>	<u>14,007</u>	<u>55,493</u>
Excess of Revenues Over, (Under) Expenditures	(69,350)	(69,350)	(13,359)	55,991
Other Financing (Uses): Transfer In	<u>11,600</u>	<u>11,600</u>	<u>10,146</u>	<u>(1,454)</u>
Total Other Financing Sources (Uses)	<u>11,600</u>	<u>11,600</u>	<u>10,146</u>	<u>(1,454)</u>
Net Change in Fund Balance	(57,750)	(57,750)	(3,213)	54,537
Beginning Fund Balance	<u>57,750</u>	<u>57,750</u>	<u>57,459</u>	<u>(291)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,246</u>	<u>\$ 54,246</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, 2011**

	<u>98 GO BOND FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Property Taxes	\$ 55,215	\$ 55,215	\$ 56,122	\$ 907
Total Revenues	<u>55,215</u>	<u>55,215</u>	<u>56,122</u>	<u>907</u>
<b>EXPENDITURES:</b>				
Materials and Service	200	200 (1)	-	200
Debt Service	55,215	55,215 (1)	54,205	1,010
Reserves	16,805	16,805 (1)	-	16,805
Total Expenditures	<u>72,220</u>	<u>72,220</u>	<u>54,205</u>	<u>18,015</u>
Net Change in Fund Balance	(17,005)	(17,005)	1,917	18,922
Beginning Fund Balance	<u>17,005</u>	<u>17,005</u>	<u>6,120</u>	<u>(10,885)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,037</u>	<u>\$ 8,037</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, 2011**

<u>CAPITAL PURCHASE RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>EXPENDITURES:</b>				
Capital Outlay	\$ 286,390	\$ 286,390	(1) \$ -	\$ 286,390
Total Expenditures	<u>286,390</u>	<u>286,390</u>	<u>-</u>	<u>286,390</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	<u>58,390</u>	<u>58,390</u>	<u>58,390</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>58,390</u>	<u>58,390</u>	<u>58,390</u>	<u>-</u>
Net Change in Fund Balance	(228,000)	(228,000)	58,390	286,390
Beginning Fund Balance	<u>228,000</u>	<u>228,000</u>	<u>228,000</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 286,390</u></u>	<u><u>\$ 286,390</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, 2011**

	<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, (Under) Expenditures	(39,000)	(39,000)	-	39,000
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, 2011**

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Charges for Services	\$ 1,341,000	\$ 1,341,000	\$ 1,275,808	\$ (65,192)
Reserve Water Rights	349,076	349,076	-	(349,076)
Interest	12,000	12,000	8,886	(3,114)
Miscellaneous	2,700	2,700	12,086	9,386
<b>Total Revenues</b>	<u>1,704,776</u>	<u>1,704,776</u>	<u>1,296,780</u>	<u>(407,996)</u>
<b>EXPENDITURES:</b>				
Personal Services	580,085	580,085 (1)	559,108	20,977
Materials and Services	628,120	678,120 (1)	639,419	38,701
Capital Outlay	907,240	852,240 (1)	217,320	634,920
Debt Service	117,058	117,058 (1)	117,057	1
Contingencies	250,000	250,000 (1)	-	250,000
<b>Total Expenditures</b>	<u>2,482,503</u>	<u>2,477,503</u>	<u>1,532,904</u>	<u>944,599</u>
Excess of Revenues Over, (Under) Expenditures	(777,727)	(772,727)	(236,124)	536,603
<b>Other Financing (Uses):</b>				
Capital Contribution	-	-	2,704,765	2,704,765
Transfers Out	(146,129)	(151,129) (1)	(109,518)	41,611
<b>Total Other Financing Sources (Uses)</b>	<u>(146,129)</u>	<u>(151,129)</u>	<u>2,595,247</u>	<u>2,746,376</u>
<b>Net Change in Fund Balance</b>	(923,856)	(923,856)	2,359,123	3,282,979
<b>Beginning Fund Balance</b>	<u>1,272,932</u>	<u>1,272,932</u>	<u>1,566,760</u>	<u>293,828</u>
<b>Ending Fund Balance</b>	<u>\$ 349,076</u>	<u>\$ 349,076</u>	<u>\$ 3,925,883</u>	<u>\$ 3,576,807</u>
<b>Reconciliation to GAAP Basis:</b>				
Compensated Absences			\$ (36,218)	
Accrued Interest			(69,995)	
Long-term Debt			(1,859,237)	
Capital Assets, Net			9,530,660	
<b>GAAP Basis Fund Balance</b>			<u>\$ 11,491,093</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, 2011**

	<u>WATER SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Charges for Services	\$ 100,932	\$ 116,932	\$ 132,897	\$ 15,965
Interest	900	900	290	(610)
Total Revenues	<u>101,832</u>	<u>117,832</u>	<u>133,187</u>	<u>15,355</u>
<b>EXPENDITURES:</b>				
Materials and Services	36,907	52,907 (1)	21,320	31,587
Debt Service	17,982	17,982 (1)	17,981	1
Total Expenditures	<u>54,889</u>	<u>70,889</u>	<u>39,301</u>	<u>31,588</u>
Excess of Revenues Over, (Under) Expenditures	46,943	46,943	93,886	46,943
<b>Other Financing (Uses)</b>				
Transfers Out	(46,943)	(46,943) (1)	(46,943)	-
Total Other Financing Sources (Uses)	<u>(46,943)</u>	<u>(46,943)</u>	<u>(46,943)</u>	<u>-</u>
Net Change in Fund Balance	-	-	46,943	46,943
Beginning Fund Balance	-	-	28,458	28,458
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,401</u>	<u>\$ 75,401</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, 2011**

<u>WATER DEBT SERVICE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>EXPENDITURES:</b>				
Debt Service	\$ 132,400	\$ 132,400 (1)	\$ 70,463	\$ 61,937
Total Expenditures	132,400	132,400	70,463	61,937
Excess of Revenues Over, (Under) Expenditures	(132,400)	(132,400)	(70,463)	61,937
Other Financing (Uses): Transfer In	118,852	118,852	85,088	(33,764)
Total Other Financing Sources (Uses)	118,852	118,852	85,088	(33,764)
Net Change in Fund Balance	(13,548)	(13,548)	14,625	28,173
Beginning Fund Balance	634,159	634,159	620,004	(14,155)
Ending Fund Balance	\$ 620,611	\$ 620,611	\$ 634,629	\$ 14,018

(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, 2011**

<u>SEWER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Charges for Service	\$ 565,000	\$ 615,000	\$ 653,551	\$ 38,551
Property Taxes	70,000	70,000	70,000	-
Transfer from RVSS	183,890	183,890	183,890	-
<b>Total Revenues</b>	<b>818,890</b>	<b>868,890</b>	<b>907,441</b>	<b>38,551</b>
<b>EXPENDITURES:</b>				
Materials and Services	635,000	685,000 (1)	722,004	(37,004)
Debt Service	183,890	183,890 (1)	183,890	-
<b>Total Expenditures</b>	<b>818,890</b>	<b>868,890</b>	<b>905,894</b>	<b>(37,004)</b>
Net Change in Fund Balance	-	-	1,547	1,547
Beginning Fund Balance	132,038	132,038	288,319	156,281
Ending Fund Balance	<u>\$ 132,038</u>	<u>\$ 132,038</u>	\$ 289,866	<u>\$ 157,828</u>
<b>Reconciliation to GAAP Basis:</b>				
Long Term Debt			\$ (919,130)	
Accrued Interest Payable			(15,800)	
Notes Receivable			919,130	
Accrued Interest Receivable			15,800	
Capital Assets, Net			48,542	
<b>GAAP Basis Fund Balance</b>			<u>\$ 338,408</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, 2011**

<u>STORM WATER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Utility Charges	\$ 254,550	\$ 254,550	\$ 256,635	\$ 2,085
Interest Income	600	600	713	113
Total Revenues	<u>255,150</u>	<u>255,150</u>	<u>257,348</u>	<u>2,198</u>
<b>EXPENDITURES:</b>				
Personal Services	87,800	87,800	(1) 75,243	12,557
Materials and Services	32,600	37,600	(1) 33,987	3,613
Capital Outlay	21,800	31,800	(1) 22,795	9,005
Debt Service	90,205	90,205	(1) 90,205	-
Contingencies	42,323	27,323	(1) -	27,323
Total Expenditures	<u>274,728</u>	<u>274,728</u>	<u>222,230</u>	<u>52,498</u>
Excess of Revenues Over Expenditures	(19,578)	(19,578)	35,118	54,696
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(4,000)	(4,000)	(1) (4,000)	-
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net Change in Fund Balance	(23,578)	(23,578)	31,118	54,696
Beginning Fund Balance	<u>23,578</u>	<u>23,578</u>	<u>76,662</u>	<u>53,084</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 107,780	<u>\$ 107,780</u>
<b>Reconciliation to GAAP Basis:</b>				
Compensated Absences			\$ (5,289)	
Interfund Loan Payable			(29,180)	
Capital Assets, Net			<u>125,493</u>	
GAAP Basis Fund Balance			<u>\$ 198,804</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, 2011**

	<u>STORM WATER SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
<b>REVENUES:</b>				
Charges for Services	\$ 34,000	\$ 34,000	\$ 138,933	\$ 104,933
Interest Income	500	500	318	(182)
Total Revenues	<u>34,500</u>	<u>34,500</u>	<u>139,251</u>	<u>104,751</u>
<b>EXPENDITURES:</b>				
Materials and Services	-	1,000 (1)	652	348
Capital Outlay	<u>69,506</u>	<u>68,506</u> (1)	<u>-</u>	<u>68,506</u>
Total Expenditures	<u>69,506</u>	<u>69,506</u>	<u>652</u>	<u>68,854</u>
Net Change in Fund Balance	(35,006)	(35,006)	138,599	173,605
Beginning Fund Balance	<u>35,006</u>	<u>35,006</u>	<u>41,555</u>	<u>6,549</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,154</u>	<u>\$ 180,154</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, 2011**

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/10	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/11
Current:						
2010-11	\$ 1,448,897	\$ 34,260	\$ (5,572)	\$ 911	\$ 1,335,619	\$ 74,357
Prior Years:						
2009-10	59,542	(28)	(4,073)	2,285	29,866	27,916
2008-09	26,584	(5)	(2,523)	2,041	10,521	15,586
2007-08	11,786	(4)	(2,320)	2,002	6,333	5,139
2006-07	3,304	(1)	(824)	655	1,691	1,445
2005-06 & Prior	3,963	(3)	(393)	255	169	3,659
Total Prior	105,179	(41)	(10,133)	7,238	48,580	53,745
Total All Funds	\$ 1,554,076	\$ 34,219	\$ (15,705)	\$ 8,149	\$ 1,384,199	\$ 128,102

RECONCILIATION TO REVENUE:

	ALL FUNDS
Cash Collections by County Treasurer Above	\$ 1,384,199
Accrual of Receivables:	
June 30, 2010	(9,592)
June 30, 2011	29,634
Total Revenue	\$ 1,404,241

FUND DISTRIBUTION:

General Fund	\$ 1,278,119
Sewer Fund	70,000
Debt Service Fund	56,122
	\$ 1,404,241

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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

December 19, 2011

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Eagle Point as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

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

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

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

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

1. We found that actual expenditures exceeded appropriations as noted on page 15.

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

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated December 19, 2011.

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

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

**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* as Required by the Oregon Department of Environmental Quality**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

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

December 19, 2011

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

**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 the City of Eagle Point as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 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 responses, we identified a 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 deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

## 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 matter that we reported to management on the Schedule of Findings and Responses on page 54.

The management response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. 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 governing body, 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.

CITY OF EAGLE POINT  
JACKSON COUNTY, OREGON

SCHEDULE OF FINDINGS AND RESPONSES  
*For the Year Ended June 30, 2011*

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**FINANCIAL STATEMENT FINDINGS**

**2011-FS-1**

CONDITION: Internal controls were not followed to ensure bank reconciliations were reviewed in a timely manner by someone independent of the person reconciling cash.

CRITERIA: Internal controls require that bank reconciliations be completed and reviewed within 30 days of receipt of bank statement. The dates of the bank statement preparation and review should be recorded.

EFFECT: Without adherence to the controls or procedures in place to ensure bank reconciliations are completed and reviewed in a timely manner, the likelihood of an error or irregularity existing and not being detected could result in a material misstatement of the financial statements.

CAUSE: Insufficient resources appeared to be allocated to the monitoring of the bank reconciliation process. During our testing of the bank reconciliation process, it was noted that there was no evidence of the date of the completion of the bank reconciliation, or documentation when the review of the bank reconciliations took place.

RECOMMENDATION: We recommend that all bank reconciliations be completed within 30 days of receiving the bank statement and that an independent review be performed for accuracy and completeness and be documented.

RESPONSE: We agree with this recommendation and have revised our bank reconciliation procedures to include deadlines, supervisory reviews, and documentation of such review.

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