

CITY OF EAGLE POINT
JACKSON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012



12700 SW 72nd Ave.
Tigard, OR 97223

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

**2011-2012
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
Wayne Brown	December 31, 2012

All council members receive mail at the address listed below.

ADMINISTRATIVE

Henry Lawrence, 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**

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Independent Auditors' Report	1
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Management's Discussion and Analysis	i
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Combined Balance Sheet – Governmental Funds	5
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	6
Combined Statement of Revenues, Expenses and Changes in Fund Balances – Governmental Funds	7
Reconciliation of Statement of Revenues, Expenses and Changes in Fund Balances – Governmental Funds – To Statement of Activities	8
Proprietary Financial Statements:	
Combining Statement of Net Assets	9
Combining Statement of Revenues, Expenses and Changes in Net Assets	10
Combining Statement of Cash Flows	11
Notes to Basic Financial Statements	12
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis:	
General Fund	28
Street Fund	29
Street System Development Charge Fund	30
Park System Development Charge Fund	31
Jackson County Housing Authority	32
Water Capital Projects Fund	33
Schedule of Funding Progress and Employer Contributions	34
<u>SUPPLEMENTARY INFORMATION</u>	
Combining Balance Sheet – Non-Major Governmental Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	36

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

TABLE OF CONTENTS, (CONTINUED)

	<u>PAGE NUMBER</u>
Schedules of Revenues, Expenditures and Changes in Fund Balances – Actual and Budget – Budgetary Basis:	
Non-Major Governmental Funds:	
Water Debt Service Fund	37
Street Capital Projects Fund	38
98 GO Bond Fund	39
Capital Purchase Reserve Fund	40
Vending Machine Fund	41
Museum Fund	42
Schedules of Revenues, Expenditures and Changes in Fund Balances – Actual and Budget – Budgetary Basis:	
Proprietary Funds:	
Water Fund	43
Water SDC Fund	44
Sewer Fund	45
Storm Water Fund	46
Storm Water SDC Fund	47
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	48
<u>REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS</u>	
Independent Auditors’ Report Required by Oregon State Regulations	49
Grant Compliance Review:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	51



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

February 7, 2013

To the City Council
City of Eagle Point
Jackson County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic 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, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

Pauly, Rogers and Co. P.C.
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, 2012. 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 \$20,658,397 to \$21,255,116 as a result of this year's operations

Combined governmental funds net assets increased by \$869,743

Combined business-type funds net assets decreased by \$273,024

Total revenue from all sources was \$6,070,332, a decrease of \$1,122,245

Total expenses for all funds was \$5,473,613, a decrease of \$725,381

The unassigned ending fund balance for General Fund was \$2,055,937.

Overview of the Financial Statements

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

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

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

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

general government, municipal court, public safety, building, planning, recreation, and parks. The business-type activities of the City include water, storm water, and sewer.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In our case, assets exceeded liabilities by \$21,255,116 at the close of the most recent fiscal year. This was an increase of \$596,719 over the previous fiscal year.

57% 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

	2012	2011	Change
Assets			
Cash and investments	\$7,765,446	\$8,096,894	(\$331,448)
Other assets	1,789,864	1,750,476	39,388
Capital assets	18,091,521	17,488,543	602,978
Total assets	<u>27,646,831</u>	<u>27,335,913</u>	<u>310,918</u>
Liabilities			
Current and other liabilities	390,429	421,309	(30,880)
Long-term liabilities	6,001,286	6,256,207	(254,921)
Total liabilities	<u>6,391,715</u>	<u>6,677,516</u>	<u>(285,801)</u>
Net Assets			
Invested in capital assets, Net of related debt	12,090,235	11,232,336	857,899
Restricted/Reserved	4,085,329	4,412,745	(327,416)
Unrestricted	5,079,552	5,013,316	66,236
Total Net Assets	<u>\$21,255,116</u>	<u>\$20,658,397</u>	<u>\$596,719</u>

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

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

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

	2012	2011	Change
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$1,313,219	\$1,820,280	(\$507,061)
Operating grants & contributions	3,958	2,772	1,186
<i>General Revenues:</i>			
Property taxes	1,345,034	1,353,258	(8,224)
Intergovernmental	767,387	413,313	354,074
Licenses, permits, misc. taxes	55,990	54,853	1,137
Fees	55,151	42,751	12,400
State revenue sharing	76,053	72,097	3,956
Miscellaneous	37,327	71,786	(34,459)
Transfers	153,689	75,373	78,316
Total Revenues	<u>3,807,808</u>	<u>3,906,483</u>	<u>(98,675)</u>
Expenses			
<i>Current:</i>			
General Government	516,634	585,551	(68,917)
Public Safety	1,388,014	1,672,511	(284,497)
Public Works	575,015	599,493	(24,478)
Planning	108,005	110,295	(2,290)
Recreation	167,042	204,252	(37,210)
Billing Service	49,203	59,496	(10,293)
Non-Departmental	134,152	47,888	86,264
<i>Debt Service:</i>			
Interest and charges	0	13,147	(13,147)
Total Expenses	<u>2,938,065</u>	<u>3,292,633</u>	<u>(354,568)</u>
Increase (decrease) in net assets	869,743	613,850	255,893
Beginning net assets	7,739,908	9,830,823	(1,456,286)
Reclassification	634,629	0	634,629
Prior Period Adjustment	0	(2,704,765)	2,704,765
Ending net assets	<u>\$9,244,280</u>	<u>\$7,739,908</u>	<u>\$1,504,372</u>

For Fiscal Year Ending June 30
Business-Type Activities

	2012	2011	Change
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$2,247,127	\$2,457,824	-\$210,697
<i>General Revenues:</i>			
Property taxes	70,000	70,000	0
Other Revenue	41,219	183,890	(142,671)
General grants & contributions	0	727,460	(727,460)
Miscellaneous	57,867	22,293	35,574
Transfers	(153,689)	(75,373)	(78,316)
Total Revenues	<u>2,262,524</u>	<u>3,386,094</u>	<u>(1,123,570)</u>
Expenses			
Water	1,672,741	1,857,057	(184,316)
Storm Water	145,398	143,410	1,988
Sewer	717,409	905,894	(188,485)
Total Expenses	<u>2,535,548</u>	<u>2,906,361</u>	<u>(370,813)</u>
Increase (decrease) in net assets	(273,024)	479,733	(752,757)
Beginning net assets	12,918,489	9,733,991	2,549,869
Reclassification	(634,629)	0	(634,629)
Prior period adjustment	0	2,704,765	(2,704,765)
Ending net assets	<u>\$12,010,836</u>	<u>\$12,918,489</u>	<u>(\$907,653)</u>

Governmental and Proprietary Activities

Total City

	2012	2011	Change
Revenues			
<i>Program Revenues:</i>			
Charges for service	\$3,560,346	\$4,278,104	(\$717,758)
Operating grants & contributions	3,958	2,772	1,186
<i>General Revenues:</i>			
Property taxes	1,415,034	1,423,258	(8,224)
Intergovernmental	767,387	413,313	354,074
Licenses, permits, & misc. taxes	55,990	54,853	1,137
Fees	55,151	42,751	12,400
State Revenue Sharing	76,053	72,097	3,956
Other Revenue	41,219	183,890	(142,671)
General grants & contributions	0	727,460	(727,460)
Gain/(loss) on disposal of assets	0	0	0
Miscellaneous	95,194	94,079	1,115
Capital contributions	0	0	0
Total Revenues	6,070,332	7,292,577	(1,222,245)
Expenses			
<i>Current:</i>			
General Government	516,634	585,551	(68,917)
Public Safety	1,388,014	1,672,511	(284,497)
Public Works	575,015	599,493	(24,478)
Planning	108,005	110,295	(2,290)
Recreation	167,042	204,252	(37,210)
Billing	49,203	0	49,203
Non-Departmental	0	47,888	(47,888)
<i>Debt Service:</i>			
Interest and charges	134,152	13,147	121,005
Water	1,672,741	1,857,057	(184,316)
Storm Water	145,398	143,410	1,988
Sewer	717,409	905,894	(188,485)
Total Expenses	5,473,613	6,198,994	(665,885)
Increase (decrease) in net assets	596,719	1,093,583	(556,360)
Beginning net assets	20,658,397	19,564,814	1,093,584
Ending net assets	<u>\$21,255,116</u>	<u>\$20,658,397</u>	<u>\$537,224</u>

The City's total revenues were \$6,070,332, of this 59% or \$3,560,346 is from Charges for Services and \$997,743 is from grants, interest earnings, and other non-tax sources. Only 25% or \$1,512,243 comes from the various sources of property taxes and intergovernmental taxes.

The total cost of all programs and services was \$5,473,613; \$2,535,548 (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 \$2,938,065. This is down from \$3,292,633 last year.

Revenue from total governmental activities totaled \$3,807,808 which is down from \$3,906,483 received last year. This is a decrease of \$98,675. The primary reason for this decrease from the previous year is due to building related fees. In 2010/2011 there was a spike in building fees due to some commercial building activity. 2011/2012 building fees are more in line with the activity that has been the 'norm' since the building collapse. The amount that our taxpayers paid for all governmental activities through property taxes was only \$1,345,034 or 35%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made one revision to the General Fund budget. The change was due to increased revenue and corresponding increased expense in the Planning Department. The increased revenue and expense was a pass through fee for planning activities due to the construction of commercial development. Actual expenditures were 67% of the budgeted amount or \$1,045,374 below budget amounts. The primary reason for the savings was due to savings in personnel costs. We went through most of the fiscal year with 1 less police officer than budgeted. Another factor related to personnel was that the health insurance premiums did not increase as much as projected. It is also important to remember that 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 12 – 15 years which doubled the population within about 10 years. That required a continued involvement in updated growth boundary planning, capital improvement projects and associated infrastructure improvements. In 2006/2007 the City saw a large decrease in building activity. At that time building permits dropped to approximately 25 permits per year. This is substantially more than some of our neighboring communities were building at the time. The number of building permits dropped again to approximately 10 per year. The city projected that in 2012/2013 10 building permits would be issued. It appears that we could surpass that number this year. There has been a lot of interest in development. Most of the interest has been in residential development but there has been some interest in commercial development as well.

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 saw 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 of the newly approved 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 2012/2013. These rates will be reviewed as we look at all revenue options. A water rate study was not completed at the same time as the other rate studies. This decision was made because the City was in the middle of major infrastructure improvements. Those improvements have been completed. It is now critical that the City review the water rates.

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.



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, 2012**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 6,380,195	\$ 1,385,251	\$ 7,765,446
Prepaid	42,540	-	42,540
Receivables:			
Taxes	106,839	-	106,839
Accounts (net)	537,085	311,702	848,787
Notes and Interest from RVSS	-	791,698	791,698
Capital Assets:			
Land	398,902	56,462	455,364
Other Capital Assets, Net	5,345,809	12,290,348	17,636,157
Total Assets	12,811,370	14,835,461	27,646,831
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts Payable	48,872	85,979	134,851
Accrued Interest	7,893	82,016	89,909
Accrued Compensated Absences	102,339	37,058	139,397
Customer Deposits	-	26,272	26,272
Noncurrent Liabilities			
Due Within One Year	71,446	191,200	262,646
Due in More than One Year	3,336,540	2,402,100	5,738,640
Total Liabilities	3,567,090	2,824,625	6,391,715
Net Assets:			
Invested in Capital Assets, net of related debt	2,336,725	9,753,510	12,090,235
Restricted for Capital Projects	462,689	-	462,689
Restricted for Debt Service	570,194	-	570,194
Restricted for SDC	2,872,170	169,189	3,041,359
Unrestricted	3,002,502	2,088,137	5,090,639
Total Net Assets	\$ 9,244,280	\$ 12,010,836	\$ 21,255,116

See accompanying notes to the basic financial statements.

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

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities				
General Government	\$ 516,634	\$ 521,003	\$ -	\$ -
Public Safety	1,388,014	139,370	3,392	-
Public Works	575,015	466,719	-	-
Planning	108,005	152,559	-	-
Culture and Recreations	167,042	33,568	566	-
Billing Service	49,203	-	-	-
Interest on Long Term Debt	134,152	-	-	-
Total Governmental Activities	<u>2,938,065</u>	<u>1,313,219</u>	<u>3,958</u>	<u>-</u>
Business-Type Activities				
Water	1,672,741	1,308,009	-	-
Storm Water	145,398	279,998	-	-
Sewer	717,409	659,120	-	-
Total Business-Type Activities	<u>2,535,548</u>	<u>2,247,127</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 5,473,613</u>	<u>\$ 3,560,346</u>	<u>\$ 3,958</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

Net Revenue (Expenses)	Governmental Activities	Business-Type Activities	Total
\$ 4,369	\$ 4,369	\$ 2,247,127	\$ 2,251,496
(1,245,252)	(1,245,252)	-	(1,245,252)
(108,296)	(108,296)	-	(108,296)
44,554	44,554	-	44,554
(132,908)	(132,908)	-	(132,908)
(49,203)	(49,203)	-	(49,203)
(134,152)	(134,152)	-	(134,152)
<u>(1,620,888)</u>	<u>(1,620,888)</u>	<u>2,247,127</u>	<u>626,239</u>
(364,732)	-	(364,732)	(364,732)
134,600	-	134,600	134,600
(58,289)	-	(58,289)	(58,289)
<u>(288,421)</u>	<u>-</u>	<u>(288,421)</u>	<u>(288,421)</u>
<u>\$ (1,909,309)</u>	<u>(1,620,888)</u>	<u>1,958,706</u>	<u>337,818</u>
Property Taxes	1,345,034	70,000	1,415,034
Intergovernmental	767,387	-	767,387
Licenses, Permits and Misc. Taxes	55,990	41,219	97,209
Fees	55,151	-	55,151
State Revenue Sharing	76,053	-	76,053
Interest and Miscellaneous	37,327	57,867	95,194
Transfers	153,689	(153,689)	-
	<u>2,490,631</u>	<u>15,397</u>	<u>2,506,028</u>
Change in Net Assets	869,743	(273,024)	596,719
Reclassification	634,629	(634,629)	-
Beginning Net Assets	<u>7,739,908</u>	<u>12,918,489</u>	<u>20,658,397</u>
Ending Net Assets	<u>\$ 9,244,280</u>	<u>\$ 12,010,836</u>	<u>\$ 21,255,116</u>

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

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

	GENERAL	STREET FUND	STREET SYSTEM DEVELOPMENT CHARGE FUND	PARK SYSTEM DEVELOPMENT CHARGE FUND	JACKSON COUNTY HOUSING AUTHORITY	WATER CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL
ASSETS:								
Cash and Investments	\$ 1,921,727	\$ 548,250	\$ 1,962,081	\$ 910,089	\$ 117,045	\$ -	\$ 921,003	\$ 6,380,195
Due From Other Funds	31,053	-	-	-	-	-	-	31,053
Prepays	-	-	-	-	-	-	42,540	42,540
Receivables:								
Accounts, net	173,700	267,652	-	-	95,733	-	-	537,085
Taxes	106,839	-	-	-	-	-	-	106,839
Total Assets	\$ 2,233,319	\$ 815,902	\$ 1,962,081	\$ 910,089	\$ 212,778	\$ -	\$ 963,543	\$ 7,097,712
LIABILITIES AND FUND EQUITY:								
Liabilities:								
Accounts Payable	\$ 36,238	\$ 12,234	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ 48,872
Due to Other Funds	-	-	-	-	-	-	31,053	31,053
Deferred Revenue	91,902	-	-	-	95,733	-	-	187,635
Total Liabilities	128,140	12,234	-	-	95,733	-	31,453	267,560
Fund Balances:								
Nonspendable	-	-	-	-	-	-	42,540	42,540
Restricted	-	462,689	1,962,081	910,089	-	-	570,194	3,905,053
Committed	-	-	-	-	117,045	-	350,809	467,854
Assigned	49,242	340,979	-	-	-	-	-	390,221
Unassigned	2,055,937	-	-	-	-	-	(31,453)	2,024,484
Total Fund Balances	2,105,179	803,668	1,962,081	910,089	117,045	-	932,090	6,830,152
Total Liabilities and Fund Balances	\$ 2,233,319	\$ 815,902	\$ 1,962,081	\$ 910,089	\$ 212,778	\$ -	\$ 963,543	\$ 7,097,712

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, 2012**

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

Fund Balances		\$ 6,830,152
<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		5,744,711
<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	\$ (305,000)	
Water Revenue Bond	(3,102,986)	
Accrued Interest	(7,893)	
Net Adjustment	<u>(3,415,879)</u>	(3,415,879)
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated Absences		(102,339)
<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>187,635</u>
Total Net Assets		<u><u>\$ 9,244,280</u></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, 2012**

	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
REVENUES:								
Property Taxes	\$ 1,312,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,400	\$ 1,367,736
Franchise Fees	509,093	-	-	-	-	-	-	509,093
Licenses and Permits	120,908	-	-	-	-	-	-	120,908
Intergovernmental	174,884	655,389	-	-	-	-	-	830,273
Charges for Services	100,172	304,302	172,589	18,432	-	-	-	595,495
Fines and Forfeitures	139,370	-	-	-	-	-	-	139,370
Grants	76,053	-	-	-	-	-	-	76,053
Interest and Miscellaneous	28,874	4,155	-	4,864	-	-	-	37,893
Total Revenues	2,461,690	963,846	172,589	23,296	-	-	55,400	3,676,821
EXPENDITURES:								
Current:								
General Government	488,035	-	-	-	-	1,340	-	489,375
Public Safety	1,314,778	-	-	-	-	-	-	1,314,778
Public Works	-	544,023	652	-	-	-	-	544,675
Planning	102,306	-	-	-	-	-	-	102,306
Culture and Recreation	157,576	-	-	652	-	-	-	158,228
Billing Service	46,607	-	-	-	-	-	-	46,607
Capital Outlay	-	411,770	417,555	733	-	-	19,098	849,156
Debt Service	-	-	-	-	-	-	204,930	204,930
Total Expenditures	2,109,302	955,793	418,207	1,385	-	1,340	224,028	3,710,055
Excess of Revenues Over, (Under) Expenditures	352,388	8,053	(245,618)	21,911	-	(1,340)	(168,628)	(33,234)
Other Financing Sources, (Uses)								
Transfers In	131,149	-	-	-	-	-	141,535	272,684
Transfers Out	(36,820)	(56,127)	-	-	(14,997)	(11,051)	-	(118,995)
Total Other Financing Sources, (Uses)	94,329	(56,127)	-	-	(14,997)	(11,051)	141,535	153,689
Net Change in Fund Balance	446,717	(48,074)	(245,618)	21,911	(14,997)	(12,391)	(27,093)	120,455
Fund Balance - Beginning	1,658,462	851,742	2,207,699	888,178	132,042	12,391	959,183	6,709,697
Fund Balance - End of Year	\$ 2,105,179	\$ 803,668	\$ 1,962,081	\$ 910,089	\$ 117,045	\$ -	\$ 932,090	\$ 6,830,152

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, 2012**

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

Net Change in Fund Balance	\$	120,455
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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	\$	1,029,815	
Depreciation Expense		(364,187)	
Net Adjustment			665,628

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	\$	35,584	
Accrued Interest		924	
GO Bonds, Notes and Contracts Payable		69,854	
Net Adjustment			106,362

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

Property Taxes		(22,702)
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Change in Net Assets	\$	869,743
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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, 2012**

	WATER FUND	WATER SDC FUND	SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
ASSETS:						
Cash and Investments	\$ 789,827	\$ 14,846	\$ 312,732	\$ 112,027	\$ 155,819	\$ 1,385,251
Accounts Receivable, net	190,893	-	84,702	36,107	-	311,702
Interest Receivable	-	-	13,449	-	-	13,449
Notes Receivable	-	-	778,249	-	-	778,249
Capital Assets, net	12,084,312	-	48,542	213,956	-	12,346,810
Total Assets	\$ 13,065,032	\$ 14,846	\$ 1,237,674	\$ 362,090	\$ 155,819	\$ 14,835,461
LIABILITIES AND NET ASSETS:						
Current Liabilities:						
Accounts Payable	\$ 27,805	\$ 1,476	\$ 54,638	\$ 2,060	\$ -	\$ 85,979
Accrued Interest	68,567	-	13,449	-	-	82,016
Compensated Absences	32,214	-	-	4,844	-	37,058
Deposits	26,272	-	-	-	-	26,272
Bonds Payable - current	27,870	-	-	-	-	27,870
Notes/Contracts Payable - current	17,738	-	145,592	-	-	163,330
Total Current Liabilities	200,466	1,476	213,679	6,904	-	422,525
Long Term Liabilities						
Bonds Payable	1,396,251	-	-	-	-	1,396,251
Notes/Contracts Payable	373,192	-	632,657	-	-	1,005,849
Total Long Term Liabilities	1,769,443	-	632,657	-	-	2,402,100
Total Liabilities	1,969,909	1,476	846,336	6,904	-	2,824,625
Net Assets						
Invested in Capital Assets, net of related debt	10,269,261	-	(729,707)	213,956	-	9,753,510
Restricted for SDC	-	13,370	-	-	155,819	169,189
Unrestricted	825,862	-	1,121,045	141,230	-	2,088,137
Total Net Assets	11,095,123	13,370	391,338	355,186	155,819	12,010,836
Total Liabilities and Net Assets	\$ 13,065,032	\$ 14,846	\$ 1,237,674	\$ 362,090	\$ 155,819	\$ 14,835,461

See accompanying notes to the basic financial statements.

**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, 2012**

	WATER FUND	WATER SDC FUND	SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
OPERATING REVENUES:						
Charges for Services	\$ 1,255,619	\$ 52,390	\$ 659,120	\$ 258,143	\$ 21,855	\$ 2,247,127
Intergovernmental	-	-	41,219	-	-	41,219
Total Operating Revenues	<u>1,255,619</u>	<u>52,390</u>	<u>700,339</u>	<u>258,143</u>	<u>21,855</u>	<u>2,288,346</u>
OPERATING EXPENSES:						
Personal Services	530,659	47,936	-	81,215	-	659,810
Contractual Services and Other	733,896	-	679,244	5,817	47,041	1,465,998
Depreciation/Amortization	273,948	-	-	11,325	-	285,273
Total Operating Expenses	<u>1,538,503</u>	<u>47,936</u>	<u>679,244</u>	<u>98,357</u>	<u>47,041</u>	<u>2,411,081</u>
Income, (Loss) From Operations	(282,884)	4,454	21,095	159,786	(25,186)	(122,735)
NON-OPERATING REVENUES AND (EXPENSES):						
Interest Expense	(68,567)	(17,735)	(38,165)	-	-	(124,467)
Contribution	1,340	-	-	-	-	1,340
Property Taxes	-	-	70,000	-	-	70,000
Interest and Miscellaneous Revenues	53,830	1,250	-	596	851	56,527
Income, (Loss) Before Transfers	(296,281)	(12,031)	52,930	160,382	(24,335)	(119,335)
Transfers In	11,051	-	-	-	-	11,051
Transfers Out	(110,740)	(50,000)	-	(4,000)	-	(164,740)
Total Operating Transfers	<u>(99,689)</u>	<u>(50,000)</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>(153,689)</u>
Change in Net Assets	(395,970)	(62,031)	52,930	156,382	(24,335)	(273,024)
Beginning Net Assets	<u>11,491,093</u>	<u>75,401</u>	<u>338,408</u>	<u>198,804</u>	<u>180,154</u>	<u>12,283,860</u>
Ending Net Assets	<u>\$ 11,095,123</u>	<u>\$ 13,370</u>	<u>\$ 391,338</u>	<u>\$ 355,186</u>	<u>\$ 155,819</u>	<u>\$ 12,010,836</u>

See accompanying notes to the basic financial statements.

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

**COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS
For the Year Ended June 30, 2012**

	WATER FUND	WATER SDC FUND	SEWER FUND	STORM WATER FUND	STORM WATER SDC FUND	TOTAL
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 1,224,852	\$ 52,390	\$ 696,273	\$ 257,927	\$ 21,855	\$ 2,253,297
Cash Payments to Suppliers	(714,572)	1,476	(653,989)	(10,776)	(47,041)	(1,424,902)
Cash Payments to Employees	(534,663)	(47,936)	-	(81,660)	-	(664,259)
Net Cash From Operations	<u>(24,383)</u>	<u>5,930</u>	<u>42,284</u>	<u>165,491</u>	<u>(25,186)</u>	<u>164,136</u>
Cash Flows from Capital and Related Financing Activities:						
Payment of Principal of Bonds, Contracts Payable	(44,186)	-	-	-	-	(44,186)
Interfund Transfers	(99,689)	(50,000)	-	(33,180)	-	(182,869)
Property Taxes	-	-	70,000	-	-	70,000
Purchase of Capital Assets	(121,495)	-	-	(99,788)	-	(221,283)
Interest Expense	(69,995)	(17,735)	(38,165)	-	-	(125,895)
Net Cash (Used) By Capital and Related Financing Activities	<u>(335,365)</u>	<u>(67,735)</u>	<u>31,835</u>	<u>(132,968)</u>	<u>-</u>	<u>(504,233)</u>
Cash Flows from Investing Activities						
Interest and Miscellaneous	53,830	1,250	-	596	851	56,527
Net Cash Provided By Investing Activities	<u>53,830</u>	<u>1,250</u>	<u>-</u>	<u>596</u>	<u>851</u>	<u>56,527</u>
Net Increase In Cash and Investments	(305,918)	(60,555)	74,119	33,119	(24,335)	(283,570)
Cash and Investments at Beginning of Year	1,095,745	75,401	238,613	78,908	180,154	1,668,821
Cash and Investments at End of Year	<u>\$ 789,827</u>	<u>\$ 14,846</u>	<u>\$ 312,732</u>	<u>\$ 112,027</u>	<u>\$ 155,819</u>	<u>\$ 1,385,251</u>
Reconciliation of Cash Flows from Operating Activities to Operating Income						
Operating Income	\$ (282,884)	\$ 4,454	\$ 21,095	\$ 159,786	\$ (25,186)	\$ (122,735)
Adjustments						
Depreciation/Amortization	273,948	-	-	11,325	-	285,273
(Increase), Decrease in Accounts Receivable	(31,557)	-	(4,066)	(216)	-	(35,839)
Increase, (Decrease) in Deposits	790	-	-	-	-	790
Increase, (Decrease) in Accounts Payable	19,324	1,476	25,255	(4,959)	-	41,096
Increase, (Decrease) in Compensated Absences	(4,004)	-	-	(445)	-	(4,449)
Increase, (Decrease) in Payroll Liabilities	-	-	-	-	-	-
Net Cash from Operations	<u>\$ (24,383)</u>	<u>\$ 5,930</u>	<u>\$ 42,284</u>	<u>\$ 165,491</u>	<u>\$ (25,186)</u>	<u>\$ 164,136</u>

See accompanying notes to the basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE FINANCIAL REPORTING ENTITY

The City is a municipal corporation, 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 basic 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 activities) 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 BASIC FINANCIAL STATEMENT PRESENTATION

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received within sixty days. 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

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.

Sewer Fund - This fund accounts for the operations of the Sewer Fund which is financed primarily through user charges. In 1998 the City annexed to the 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: reunion

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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 only recorded as revenue if received within sixty days. 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 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 final budget amounts and appropriation transfers. Expenses of the various funds were within authorized appropriations.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

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

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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased, constructed. Donated or contributed capital assets are recorded at estimated fair market value at the date of donation or contribution.

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.

Long-term obligations

In the government-wide financial statements and business type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term obligations (continued)

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 Balances

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.
- 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

- 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 authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

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

Cash and cash equivalents (recorded at cost) as of June 30, 2012 consisted of:

Deposits with Financial Institutions	
Petty cash	\$ 250
Cash in bank	108,436
Local Government Investment Pool	<u>7,656,760</u>
Total Cash and Investments	<u>\$ 7,765,446</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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, 2012, the bank balance of \$335,294 was insured by FDIC.

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

As of June 30, 2012, 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	\$ 7,656,760	\$ 7,656,760	\$ -	\$ -
Total	<u>\$ 7,656,760</u>	<u>\$ 7,656,760</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2012.

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, 2012, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

3. CAPITAL ASSETS

The changes in Capital assets for the fiscal year ended June 30, 2012 are as follows:

	<u>GOVERNMENTAL</u>			
	<u>JUNE 30, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2012</u>
Capital Assets				
Non-Depreciable:				
Land and Land Improvements	\$ 398,902	\$ -	\$ -	\$ 398,902
Depreciable:				
Buildings & Improvements	1,853,247	21,512	-	1,874,759
Furniture, fixture, and Equipment	893,722	65,266	-	958,988
Infrastructure	4,520,363	943,037	-	5,463,400
Total	<u>7,666,234</u>	<u>1,029,815</u>	-	<u>8,696,049</u>
Accumulated Depreciation				
Buildings & Improvements	563,840	-	-	563,840
Equipment	623,268	76,453	-	699,721
Infrastructure	1,400,043	287,734	-	1,687,777
Total	<u>2,587,151</u>	<u>364,187</u>	-	<u>2,951,338</u>
Total Net Capital Assets	<u><u>\$ 5,079,083</u></u>			<u><u>\$ 5,744,711</u></u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General Government	\$ 102,712
Public Safety	179,305
Planning	13,836
Public Works	40,631
Billing Service	6,303
Culture and Recreation	21,400
Total depreciation expense, governmental activities	<u><u>\$ 364,187</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

	<u>BUSINESS TYPE</u>			
	JUNE 30, 2011	ADDITIONS	DELETIONS	JUNE 30, 2012
Capital Assets				
Non-Depreciable:				
Land and Land Improvements	\$ 56,462	\$ -	\$ -	\$ 56,462
Depreciable:				
Buildings & Improvements	95,517	44,840	-	140,357
Furniture, fixture, and Equipment	428,107	-	-	428,107
Infrastructure	14,267,244	177,783	-	14,445,027
Total	14,847,330	222,623	-	15,069,953
 Accumulated Depreciation				
Buildings & Improvements	16,440	2,481	-	18,921
Equipment	253,231	38,901	-	292,132
Infrastructure	2,168,199	243,891	-	2,412,090
Total	2,437,870	285,273	-	2,723,143
Total Net Capital Assets	\$ 12,409,460			\$ 12,346,810

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	\$ 568,442
November 1, 1996, \$550,000 Oregon Economic Development Department loan, at an annual interest rate of 5.01 percent, maturing in 2017	223,256
Total notes receivable	\$ 791,698

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 since they are expected to be repaid from proprietary fund revenues.

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. BONDS PAYABLE (CONTINUED)

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.

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, 2012.

General obligation bonds and water revenue 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>
Governmental Bonds:					
GO Bonds	Wells Fargo	May 1998	July 2018	4.1 - 5.6%	\$ 305,000
Water Revenue Bonds	USDA	December 2010	2051	3.75%	\$ 3,102,986
Business Type Revenue Bond:					
Proprietary (Water Fund)	USDA	July 1997	March 2037	5%	\$ 1,424,121

Future maturities of unmatured bond principal and interest at June 30, 2012 are as follows:

<u>YEAR</u>	<u>1998 GO BONDS</u>		<u>Water Revenue Bonds</u>		<u>Business Type Revenue Bond</u>		<u>Total</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012-13	\$ 35,000	\$ 16,005	\$ 36,446	\$ 116,273	\$ 27,870	\$ 71,206	\$ 99,316	\$ 203,484
2013-14	40,000	13,970	37,668	114,911	29,264	69,812	106,932	198,693
2014-15	40,000	11,760	39,080	113,499	30,727	68,349	109,807	193,608
2015-16	45,000	9,380	40,546	112,033	32,264	66,812	117,810	188,225
2016-17	45,000	6,860	42,066	110,513	33,877	65,199	120,943	182,572
2018-22	100,000	5,600	235,209	527,685	196,550	298,830	531,759	832,115
2023-27	-	-	282,744	480,150	250,853	244,527	533,597	724,677
2028-32	-	-	339,887	423,006	320,160	175,220	660,047	598,226
2033-37	-	-	408,579	354,315	408,613	86,767	817,192	441,082
2038-42	-	-	491,152	271,742	93,943	5,133	585,095	276,875
2043-47	-	-	590,414	172,480	-	-	590,414	172,480
2048-51	-	-	559,195	53,163	-	-	559,195	53,163
	<u>\$ 305,000</u>	<u>\$ 63,575</u>	<u>\$ 3,102,986</u>	<u>\$ 2,849,770</u>	<u>\$ 1,424,121</u>	<u>\$ 1,151,855</u>	<u>\$ 4,832,107</u>	<u>\$ 4,065,200</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, 2011</u>	<u>(Payments) Additions</u>	<u>June 30, 2012</u>
Southern Oregon Regional Communications (SORC) Loan:			
The City received excise tax of \$4,797 and is repaying this amount at \$140 per year. No interest is owed for these payments.	\$ 2,240	\$ (2,240)	\$ -
Oregon Department of Environmental Quality Loan:			
In October of 1995 the City received a \$1,800,000 loan for City sewer transport system improvements. The loan matures in September of 2016, has interest of 3.98% and has a reserve requirement of \$132,038. The loan is recorded in the sewer fund.	665,520	(110,526)	554,994
Oregon Economic Development Department (OEDD) Wastewater Financing Program Loan:			
In October of 1997 the City received a loan for improvements in the sewer system. The loan matures in 2017, has a 5.01% interest rate, and is recorded in the sewer fund.	253,610	(30,354)	223,256
Oregon Economic and Community Development Department (OECDD) Wastemeter Relacement Loan:			
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>408,573</u>	<u>(17,644)</u>	<u>390,929</u>
Total Notes/ Contracts	<u>\$ 4,465,543</u>	<u>\$ (3,296,364)</u>	<u>\$ 1,169,179</u>
Allocated:			
			\$1,169,179
			\$0

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

<u>Fiscal Year</u>	<u>Notes/Contracts</u>	
	<u>Principal</u>	<u>Interest</u>
2012-13	163,330	49,401
2013-14	173,334	42,605
2014-15	178,543	35,324
2015-16	183,971	27,795
2016-17	126,657	20,046
2017-22	150,253	61,997
2022-27	132,546	33,178
2027-32	60,545	4,206
	<u>\$ 1,169,179</u>	<u>\$ 274,552</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER LONG-TERM DEBT (CONTINUED)

Long-Term Debt activity for the year ended June 30, 2012, is as follows:

CHANGES IN LONG-TERM DEBT					
	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 340,000	\$ -	\$ 35,000	\$ 305,000	\$ 35,000
Notes Payable	3,137,840		34,854	3,102,986	36,446
Total Governmental activities					
Long-Term Debt	\$ 3,477,840	\$ -	\$ 69,854	\$ 3,407,986	\$ 71,446
Business-type Activities:					
Bonds Payable	1,450,664	-	26,543	1,424,121	27,870
Notes Payable	1,327,703	-	158,524	1,169,179	163,330
Total Business-type Activities					
Long-Term Debt	\$ 2,778,367	\$ -	\$ 185,067	\$ 2,593,300	\$ 191,200
Total Long-Term Debt	\$ 6,256,207	\$ -	\$ 254,921	\$ 6,001,286	\$ 262,646
Compensated Absences:					
Governmental	137,923	102,339	137,923	102,339	102,339
Business Type	41,507	37,058	41,507	37,058	37,058
Total Compensated Absences	\$ 179,430	\$ 139,397	\$ 179,430	\$ 139,397	\$ 139,397

7. OPERATING LEASES

Two separate five year operating lease agreements were entered into with Pacific Office Automation, Inc. in 2005 for a copier and a ticket writer. The lease expense for the year ended June 30, 2012 was \$16,102, which included base lease payments as well as additional overage charges. Future lease payments for 2012-13 and 2013-14 for the copier and ticket writer are \$15,964 and \$4,060 respectively.

Vehicles are also leased from the State on a month-to-month basis. Total lease expense for the year ended June 30, 2012 was \$1,331.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

8. PENSION PLAN (CONTINUED)

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.

Funding Policy:

Covered employees are required by State statute to contribute 6% of their salary to the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the PERS plan, and a general service rate for the qualifying employees under the OPSRP plan. The PERS and the OPSRP rates in effect for the year ended June 30, 2012 were 11.60% and 7.57%, respectively for police employees. General services employees are not covered under PERS; rather, they are covered under a 401 k plan as discussed at note 10. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Three Year Trend Information is located on page 34.

9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

There is participation in the health insurance pool of the Oregon Teamster Employers Trust, which is an agent multiple employer plan.

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.

10. OTHER RETIRMENT PLAN

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

11. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS

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

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

11. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS (CONTINUED)

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

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

	Transfers Out	Transfers In
General Fund	\$ 36,820	\$ 119,579
Street Fund	56,127	-
Water System Development	50,000	-
Water Capital Projects	11,051	-
Storm Water Fund	4,000	-
Water Fund	110,740	11,051
Water Debt Fund	-	88,145
Capital Purchase Reserve Fund	-	53,390
Jackson Co. Housing Authority	14,997	-
Museum Fund	-	11,570
	\$ 283,735	\$ 283,735
	Due From	Due To
General Fund	\$ 31,053	\$ -
1998 GO Bond Fund	-	31,053
	\$ 31,053	\$ 31,053

12. 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.

13. 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.

14. RESTATEMENT OF NET ASSETS

Beginning net assets of the governmental and business-type activities were adjusted to show the reclassification of the Water Debt Fund from a business-type to governmental fund because the Water Debt Fund is not primarily financed through user fees.

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, 2012**

<u>GENERAL FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property Taxes	\$ 1,140,000	\$ 1,140,000	\$ 1,312,336	\$ 172,336
Franchise Fees	450,000	450,000	509,093	59,093
Licenses, Permits, Miscellaneous Taxes and Fees	451,000	451,000	120,908	(330,092)
Intergovernmental Revenues	11,800	11,800	174,884	163,084
Planning Fees and Reimbursements	16,000	36,000	87,641	51,641
Fines and Forfeitures	100,000	100,000	139,370	39,370
Interest	6,000	6,000	12,154	6,154
Grants	743	743	76,053	75,310
Rentals and Leases	10,500	10,500	11,910	1,410
Miscellaneous	-	-	15,791	15,791
Total Revenue	<u>2,186,043</u>	<u>2,206,043</u>	<u>2,460,140</u>	<u>254,097</u>
EXPENDITURES:				
Administration	239,263	239,263 (1)	203,720	35,543
Municipal Court	59,700	59,700 (1)	53,154	6,546
Building Department	187,685	187,685 (1)	141,834	45,851
Planning Department	103,675	123,675 (1)	102,306	21,369
Police Department	1,439,786	1,439,786 (1)	1,314,778	125,008
Parks Department	108,100	108,100 (1)	98,196	9,904
Recreation Department	66,350	66,350 (1)	40,021	26,329
RVSS Billing Department	50,220	50,220 (1)	46,607	3,613
911 Tax Department	50,000	50,000 (1)	31,159	18,841
Non-Departmental	772,306	772,306 (1)	56,786	715,520
Total Expenditures	<u>3,077,085</u>	<u>3,097,085</u>	<u>2,088,561</u>	<u>1,008,524</u>
Excess of Revenues Over, (Under) Expenditures	(891,042)	(891,042)	371,579	1,262,621
Other Financing Sources, (Uses)				
Transfers In	127,892	127,892	119,579	(8,313)
Transfers Out	(36,850)	(36,850) (1)	(36,820)	30
Total Other Financing Sources, (Uses)	<u>91,042</u>	<u>91,042</u>	<u>82,759</u>	<u>(8,283)</u>
Net Change in Fund Balance	<u>(800,000)</u>	<u>(800,000)</u>	<u>454,338</u>	<u>1,254,338</u>
Beginning Fund Balance	<u>800,000</u>	<u>800,000</u>	<u>1,601,599</u>	<u>801,599</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,055,937</u>	<u>\$ 2,055,937</u>
Reconciliation to Governmental Fund Balance as required by GASB 54:				
Ending Fund Balance				
Vending Machine Fund			\$ 2,164	
Museum Fund			47,078	
			<u>\$ 2,105,179</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, 2012**

	<u>STREET FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Gas Taxes	\$ 429,000	\$ 429,000	\$ 462,689	\$ 33,689
Transportation Utility Fees	300,000	300,000	304,302	4,302
State Transportation Planning	150,000	150,000	192,700	42,700
Interest	2,400	2,400	4,095	1,695
Miscellaneous	-	-	60	60
Total Revenues	881,400	881,400	963,846	82,446
EXPENDITURES:				
Personal Services	283,925	283,925 (1)	244,253	39,672
Materials and Services	312,672	362,672 (1)	299,770	62,902
Capital Outlay	773,163	723,163 (1)	411,770	311,393
Contingency	150,000	150,000 (1)	-	150,000
Total Expenditures	1,519,760	1,519,760	955,793	563,967
Excess of Revenues Over, (Under) Expenditures	(638,360)	(638,360)	8,053	646,413
Other Financing Sources, (Uses):				
Transfer Out	(61,640)	(61,640) (1)	(56,127)	5,513
Total Other Financing Sources, (Uses)	(61,640)	(61,640)	(56,127)	5,513
Net Change in Fund Balance	(700,000)	(700,000)	(48,074)	651,926
Beginning Fund Balance	700,000	700,000	851,742	151,742
Ending Fund Balance	\$ -	\$ -	\$ 803,668	\$ 803,668

(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, 2012**

<u>STREET SYSTEM DEVELOPMENT CHARGE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
System Development Charges	\$ 64,875	\$ 64,875	\$ 162,417	\$ 97,542
Interest and Miscellaneous	7,000	7,000	10,172	3,172
Repayment from Storm Water Fund	90,205	90,205	-	(90,205)
Total Revenues	<u>162,080</u>	<u>162,080</u>	<u>172,589</u>	<u>10,509</u>
EXPENDITURES:				
Materials and Services	10,652	10,652 (1)	652	10,000
Capital Outlay	2,207,428	2,207,428 (1)	417,555	1,789,873
Total Expenditures	<u>2,218,080</u>	<u>2,218,080</u>	<u>418,207</u>	<u>1,799,873</u>
Net Change in Fund Balance	(2,056,000)	(2,056,000)	(245,618)	1,810,382
Beginning Fund Balance	<u>2,056,000</u>	<u>2,056,000</u>	<u>2,207,699</u>	<u>151,699</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,962,081</u>	<u>\$ 1,962,081</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, 2012**

<u>PARK SYSTEM DEVELOPMENT CHARGE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
System Development Charges	\$ 57,600	\$ 57,600	\$ 18,432	\$ (39,168)
Interest and Miscellaneous	3,200	3,200	4,864	1,664
Total Revenues	<u>60,800</u>	<u>60,800</u>	<u>23,296</u>	<u>(37,504)</u>
EXPENDITURES:				
Materials and Services	40,652	40,652 (1)	652	40,000
Capital Outlay	907,948	907,948 (1)	733	907,215
Total Expenditures	<u>948,600</u>	<u>948,600</u>	<u>1,385</u>	<u>947,215</u>
Net Change in Fund Balance	(887,800)	(887,800)	21,911	909,711
Beginning Fund Balance	<u>887,800</u>	<u>887,800</u>	<u>888,178</u>	<u>378</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910,089</u>	<u>\$ 910,089</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, 2012**

<u>JACKSON COUNTY HOUSING AUTHORITY</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES:				
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)	-	117,045
Other Financing (Uses):				
Transfers Out	(14,997)	(14,997) (1)	(14,997)	-
Total Other Financing Sources (Uses)	(14,997)	(14,997)	(14,997)	-
Net Change in Fund Balance	(132,042)	(132,042)	(14,997)	117,045
Beginning Fund Balance	132,042	132,042	132,042	-
Ending Fund Balance	\$ -	\$ -	\$ 117,045	\$ 117,045

(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, 2012**

WATER CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Interest & Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES:				
Materials and Services	2,000	2,000 (1)	1,340	660
Total Expenditures	2,000	2,000	1,340	660
Excess of Revenues Over Expenditures	(2,000)	(2,000)	(1,340)	660
Other Financing Sources (Uses):				
Transfers Out	(18,000)	(18,000) (1)	(11,051)	6,949
Total Other Financing Sources (Uses)	(18,000)	(18,000)	(11,051)	6,949
Net Change in Fund Balance	(20,000)	(20,000)	(12,391)	7,609
Beginning Fund Balance	20,000	20,000	12,391	(7,609)
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

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

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - PERS
For the Year Ended June 30, 2012**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
12/31/2010	\$ 2,057,505	\$ 2,442,645	\$ 385,140	84.2%	614,657	62.7%
12/31/2009	\$ 2,041,520	\$ 2,211,444	\$ 169,924	92.3%	663,580	25.6%
12/31/2008	\$ 1,747,730	\$ 1,982,202	\$ 234,472	88.2%	783,617	29.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 68,582	100%
2011	\$ 81,244	100%
2010	\$ 95,648	100%

The above table presents the most recent actuarial valuations for the City's participation in PERS and it provides information that approximates the funding progress of the plan.

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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, 2012**

	WATER DEBT FUND	STREET CAPITAL PROJECT FUND	98 GO BOND FUND	CAPITAL PURCHASE RESERVE FUND	TOTAL
ASSETS:					
Cash and Investments	\$ 570,194	\$ 30,127	\$ -	\$ 320,682	\$ 921,003
Prepays	-	-	42,540	-	42,540
Total Assets	\$ 570,194	\$ 30,127	\$ 42,540	\$ 320,682	\$ 963,543
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 400	\$ -	\$ 400
Due To Other Funds	-	-	31,053	-	31,053
Total Liabilities	-	-	31,453	-	31,453
Fund Balances:					
Nonspendable	-	-	42,540	-	42,540
Restricted	570,194	-	-	-	570,194
Committed	-	30,127	-	320,682	350,809
Unassigned	-	-	(31,453)	-	(31,453)
Total Fund Balances	570,194	30,127	11,087	320,682	932,090
Total Liabilities and Fund Balances	\$ 570,194	\$ 30,127	\$ 42,540	\$ 320,682	\$ 963,543

**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, 2012**

	WATER DEBT FUND	STREET CAPITAL PROJECT FUND	98 GO BOND FUND	CAPITAL PURCHASE RESERVE FUND	TOTAL
REVENUES:					
Taxes	\$ -	\$ -	\$ 55,400	\$ -	\$ 55,400
Total Revenues	<u>-</u>	<u>-</u>	<u>55,400</u>	<u>-</u>	<u>55,400</u>
EXPENDITURES:					
Capital Outlay	-	-	-	19,098	19,098
Debt Service:					
Principal	117,586	-	35,000	-	152,586
Interest	34,994	-	17,350	-	52,344
Total Expenditures	<u>152,580</u>	<u>-</u>	<u>52,350</u>	<u>19,098</u>	<u>224,028</u>
Excess of Revenues Over, (Under) Expenditures	(152,580)	-	3,050	(19,098)	(168,628)
Other Financing Sources, (Uses):					
Transfers In	88,145	-	-	53,390	141,535
Total Other Financing Sources, (Uses)	<u>88,145</u>	<u>-</u>	<u>-</u>	<u>53,390</u>	<u>141,535</u>
Net Change in Fund Balance	(64,435)	-	3,050	34,292	(27,093)
Beginning Fund Balance	<u>634,629</u>	<u>30,127</u>	<u>8,037</u>	<u>286,390</u>	<u>959,183</u>
Ending Fund Balance	<u>\$ 570,194</u>	<u>\$ 30,127</u>	<u>\$ 11,087</u>	<u>\$ 320,682</u>	<u>\$ 932,090</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, 2012**

<u>WATER DEBT SERVICE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXPENDITURES:				
Debt Service	\$ 162,580	\$ 162,580	(1) \$ 152,580	\$ 10,000
Reserves	610,194	610,194	(1) -	610,194
Total Expenditures	<u>772,774</u>	<u>772,774</u>	<u>152,580</u>	<u>620,194</u>
Excess of Revenues Over, (Under) Expenditures	(772,774)	(772,774)	(152,580)	620,194
Other Financing (Uses):				
Transfer In	<u>138,145</u>	<u>138,145</u>	<u>88,145</u>	<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>138,145</u>	<u>138,145</u>	<u>88,145</u>	<u>(50,000)</u>
Net Change in Fund Balance	(634,629)	(634,629)	(64,435)	570,194
Beginning Fund Balance	<u>634,629</u>	<u>634,629</u>	<u>634,629</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,194</u>	<u>\$ 570,194</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, 2012**

<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>
Net Change in Fund Balance	(30,127)	(30,127)	-	30,127
Beginning Fund Balance	<u>30,127</u>	<u>30,127</u>	<u>30,127</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, 2012**

	<u>98 GO BOND FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Property Taxes	\$ 55,400	\$ 55,400	\$ 55,400	\$ -
Total Revenues	<u>55,400</u>	<u>55,400</u>	<u>55,400</u>	<u>-</u>
EXPENDITURES:				
Materials and Service	200	200 (1)	-	200
Debt Service	55,400	55,400 (1)	52,350	3,050
Reserves	16,700	16,700 (1)	-	16,700
Total Expenditures	<u>72,300</u>	<u>72,300</u>	<u>52,350</u>	<u>19,950</u>
Net Change in Fund Balance	(16,900)	(16,900)	3,050	19,950
Beginning Fund Balance	<u>16,900</u>	<u>16,900</u>	<u>8,037</u>	<u>(8,863)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,087</u>	<u>\$ 11,087</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, 2012**

<u>CAPITAL PURCHASE RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
Capital Outlay	\$ 334,630	\$ 334,630 (1)	\$ 19,098	\$ 315,532
Total Expenditures	<u>334,630</u>	<u>334,630</u>	<u>19,098</u>	<u>315,532</u>
Excess of Revenues Over (Under) Expenditures	<u>(334,630)</u>	<u>(334,630)</u>	<u>(19,098)</u>	<u>315,532</u>
Other Financing Sources (Uses):				
Transfers In	<u>53,390</u>	<u>53,390</u>	<u>53,390</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>53,390</u>	<u>53,390</u>	<u>53,390</u>	<u>-</u>
Net Change in Fund Balance	(281,240)	(281,240)	34,292	315,532
Beginning Fund Balance	<u>281,240</u>	<u>281,240</u>	<u>286,390</u>	<u>5,150</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,682</u>	<u>\$ 320,682</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, 2012**

	<u>VENDING MACHINE FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 929	\$ (71)
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>929</u>	<u>(71)</u>
EXPENDITURES:				
Materials and Services	<u>3,029</u>	<u>3,029</u> (1)	<u>1,382</u>	<u>1,647</u>
Total Expenditures	<u>3,029</u>	<u>3,029</u>	<u>1,382</u>	<u>1,647</u>
Net Change in Fund Balance	(2,029)	(2,029)	(453)	1,576
Beginning Fund Balance	<u>2,029</u>	<u>2,029</u>	<u>2,617</u>	<u>588</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,164</u>	<u>\$ 2,164</u>

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 because there were no substantial restricted or committed revenues.

(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, 2012**

	<u>MUSEUM FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Charges for Services	\$ 100	\$ 100	\$ 621	\$ 521
Total Revenues	<u>100</u>	<u>100</u>	<u>621</u>	<u>521</u>
EXPENDITURES:				
Materials and Services	<u>64,309</u>	<u>64,309</u> (1)	<u>19,359</u>	<u>44,950</u>
Total Expenditures	<u>64,309</u>	<u>64,309</u>	<u>19,359</u>	<u>44,950</u>
Excess of Revenues Over, (Under) Expenditures	(64,209)	(64,209)	(18,738)	45,471
Other Financing (Uses): Transfer In	<u>11,600</u>	<u>11,600</u>	<u>11,570</u>	<u>(30)</u>
Total Other Financing Sources (Uses)	<u>11,600</u>	<u>11,600</u>	<u>11,570</u>	<u>(30)</u>
Net Change in Fund Balance	(52,609)	(52,609)	(7,168)	45,441
Beginning Fund Balance	<u>52,609</u>	<u>52,609</u>	<u>54,246</u>	<u>1,637</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,078</u>	<u>\$ 47,078</u>

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 because there were no substantial restricted or committed revenues.

(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, 2012**

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Utility Sales	\$ 1,300,000	\$ 1,300,000	\$ 1,255,619	\$ (44,381)
Debt Service	99,076	99,076	-	(99,076)
Reserve Water Rights	100,000	100,000	-	(100,000)
Interest	7,500	7,500	8,372	872
Miscellaneous	51,000	51,000	45,458	(5,542)
Total Revenues	<u>1,557,576</u>	<u>1,557,576</u>	<u>1,309,449</u>	<u>(248,127)</u>
EXPENDITURES:				
Personal Services	628,750	628,750 (1)	534,663	94,087
Materials and Services	776,272	856,272 (1)	772,841	83,431
Capital Outlay	424,177	344,177 (1)	79,920	264,257
Debt Service	116,816	116,816 (1)	116,810	6
Contingencies	250,000	250,000 (1)	-	250,000
Reserves	199,076	199,076 (1)	-	199,076
Total Expenditures	<u>2,395,091</u>	<u>2,395,091</u>	<u>1,504,234</u>	<u>890,857</u>
Excess of Revenues Over, (Under) Expenditures	(837,515)	(837,515)	(194,785)	642,730
Other Financing (Uses):				
Transfers In	18,000	18,000	11,051	(6,949)
Transfers Out	(113,540)	(113,540) (1)	(110,740)	2,800
Total Other Financing Sources (Uses)	<u>(95,540)</u>	<u>(95,540)</u>	<u>(99,689)</u>	<u>(4,149)</u>
Net Change in Fund Balance	<u>(933,055)</u>	<u>(933,055)</u>	<u>(294,474)</u>	<u>638,581</u>
Beginning Fund Balance	<u>933,055</u>	<u>933,055</u>	<u>1,221,117</u>	<u>288,062</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 926,643</u>	<u>\$ 926,643</u>
Reconciliation to GAAP Basis:				
Compensated Absences			\$ (32,214)	
Accrued Interest			(68,567)	
Long-term Debt			(1,815,051)	
Capital Assets, Net			<u>12,084,312</u>	
GAAP Basis Fund Balance			<u>\$ 11,095,123</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, 2012**

	<u>WATER SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Charges for Services	\$ 101,525	\$ 116,525	\$ 52,390	\$ (64,135)
Interest	300	300	1,250	950
Total Revenues	<u>101,825</u>	<u>116,825</u>	<u>53,640</u>	<u>(63,185)</u>
EXPENDITURES:				
Materials and Services	38,152	53,152 (1)	47,936	5,216
Capital Outlay	34,382	34,382 (1)	-	34,382
Debt Service	17,740	17,740 (1)	17,735	5
Total Expenditures	<u>90,274</u>	<u>105,274</u>	<u>65,671</u>	<u>39,603</u>
Excess of Revenues Over, (Under) Expenditures	11,551	11,551	(12,031)	(23,582)
Other Financing (Uses)				
Transfers Out	<u>(100,000)</u>	<u>(100,000) (1)</u>	<u>(50,000)</u>	<u>50,000</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(50,000)</u>	<u>50,000</u>
Net Change in Fund Balance	(88,449)	(88,449)	(62,031)	26,418
Beginning Fund Balance	<u>88,449</u>	<u>88,449</u>	<u>75,401</u>	<u>(13,048)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,370</u>	<u>\$ 13,370</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, 2012**

	<u>SEWER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Utility Sales	\$ 675,000	\$ 675,000	\$ 659,120	\$ (15,880)
Property Taxes	70,000	70,000	70,000	-
Transfer from RVSS	182,100	182,100	182,099	(1)
Total Revenues	<u>927,100</u>	<u>927,100</u>	<u>911,219</u>	<u>(15,881)</u>
EXPENDITURES:				
Materials and Services	745,000	745,000 (1)	679,244	65,756
Debt Service	182,100	182,100 (1)	179,045	3,055
Reserves	132,038	132,038 (1)	-	132,038
Total Expenditures	<u>1,059,138</u>	<u>1,059,138</u>	<u>858,289</u>	<u>200,849</u>
Net Change in Fund Balance	(132,038)	(132,038)	52,930	184,968
Beginning Fund Balance	<u>132,038</u>	<u>132,038</u>	<u>289,866</u>	<u>157,828</u>
Ending Fund Balance	<u>\$ 132,038</u>	<u>\$ 132,038</u>	<u>\$ 342,796</u>	<u>\$ 342,796</u>
Reconciliation to GAAP Basis:				
Long Term Debt			\$ (778,249)	
Accrued Interest Payable			(13,449)	
Notes Receivable			778,249	
Accrued Interest Receivable			13,449	
Capital Assets, Net			48,542	
GAAP Basis Fund Balance			<u>\$ 391,338</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, 2012**

<u>STORM WATER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Utility Charges	\$ 256,000	\$ 256,000	\$ 258,143	\$ 2,143
Interest Income	700	700	597	(103)
Total Revenues	<u>256,700</u>	<u>256,700</u>	<u>258,740</u>	<u>2,040</u>
EXPENDITURES:				
Personal Services	95,425	95,425 (1)	81,660	13,765
Materials and Services	37,302	43,302 (1)	43,115	187
Capital Outlay	89,768	83,768 (1)	62,490	21,278
Debt Service	90,205	90,205 (1)	29,181	61,024
Contingencies	50,000	50,000 (1)	-	50,000
Total Expenditures	<u>362,700</u>	<u>362,700</u>	<u>216,446</u>	<u>146,254</u>
Excess of Revenues Over Expenditures	(106,000)	(106,000)	42,294	148,294
Other Financing Sources (Uses):				
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	(110,000)	(110,000)	38,294	148,294
Beginning Fund Balance	<u>110,000</u>	<u>110,000</u>	<u>107,780</u>	<u>(2,220)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,074</u>	<u>\$ 146,074</u>
Reconciliation to GAAP Basis:				
Compensated Absences			\$ (4,844)	
Capital Assets, Net			<u>213,956</u>	
GAAP Basis Fund Balance			<u>\$ 355,186</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, 2012**

	<u>STORM WATER SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Charges for Services	\$ 37,750	\$ 37,750	\$ 21,855	\$ (15,895)
Interest Income	500	500	851	351
Total Revenues	<u>38,250</u>	<u>38,250</u>	<u>22,706</u>	<u>(15,544)</u>
EXPENDITURES:				
Materials and Services	652	652 (1)	652	-
Capital Outlay	<u>181,498</u>	<u>181,498 (1)</u>	<u>46,389</u>	<u>135,109</u>
Total Expenditures	<u>182,150</u>	<u>182,150</u>	<u>47,041</u>	<u>135,109</u>
Net Change in Fund Balance	(143,900)	(143,900)	(24,335)	119,565
Beginning Fund Balance	<u>143,900</u>	<u>143,900</u>	<u>180,154</u>	<u>36,254</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,819</u>	<u>\$ 155,819</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, 2012**

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12
Current:						
2011-12	\$ 1,473,308	\$ 35,041	\$ 3,564	\$ 629	\$ 1,371,619	\$ 70,841
Prior Years:						
2010-11	74,357	128	(5,346)	2,004	46,495	24,392
2009-10	27,916	-	(5,597)	1,931	15,144	9,106
2008-09	15,586	-	(4,704)	2,412	12,641	653
2007-08	5,139	-	(2,651)	1,326	5,835	(2,021)
2006-07 & Prior	5,104	-	(687)	390	939	3,868
Total Prior	128,102	128	(18,985)	8,063	81,054	35,998
Total All Funds	\$ 1,601,410	\$ 35,169	\$ (15,421)	\$ 8,692	\$ 1,452,673	\$ 106,839

RECONCILIATION TO REVENUE:

	ALL FUNDS
Cash Collections by County Treasurer Above	\$ 1,452,673
Accrual of Receivables:	
June 30, 2011	(29,634)
June 30, 2012	14,697
Total Revenue	\$ 1,437,736

FUND DISTRIBUTION:

General Fund	\$ 1,312,336
Sewer Fund	70,000
98 GO Bond	55,400
	\$ 1,437,736

**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

February 7, 2013

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, 2012, and have issued our report thereon dated February 7, 2013. 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.

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.

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

February 7, 2013

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, 2012, and have issued our report thereon dated February 7, 2013. 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.

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.

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.

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

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