



ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

CITY OF SILVERTON

Officers and Directors For the Year Ended June 30, 2012

	<u>Term Expires January,</u>
<u>MAYOR</u>	
Stu Rasmussen 417 N Water Street Silverton, OR 97381	2013
<u>CITY COUNCIL</u>	
Randal Thomas 111 Coolidge Street Silverton, OR 97381	2015
Bill Cummins 104 Breyona Way Silverton, OR 97381	2015
Kyle Palmer 429 S. Third Street Silverton, OR 97381	2013
Judy Schmidt 595 Edgewood Dr. Silverton, OR 97381	2013
Laurie A. Carter 805 Shelokum Dr Silverton, OR 97381	2013
Scott Walker 717 Eureka Ave Silverton, OR 97381	2015

CITY MANAGER

Rick Lewis – Interim from June 17, 2011 to January 2, 2012
Bob Willoughby – Term began January 3, 2012

FINANCE DIRECTOR

Kathleen Zaragoza

CITY OF SILVERTON
TABLE OF CONTENTS
For the Year Ended June 30, 2012

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	A – B
MANAGEMENT’S DISCUSSION AND ANALYSIS	a – f
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements.....	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balances.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	5
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General	6
Street.....	7
Proprietary Funds	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Basic Financial Statements	11 – 31
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining General Funds Balance Sheet	32
Combining General Funds Statement of Revenues, Expenditures and Changes in Fund Balances	33
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Operating Reserve	34
Other Governmental Funds	
Combining Balance Sheets	35
Combining Schedules of Revenues, Expenditures and Changes in Fund Balances	36
Special Revenue Funds	
Combining Balance Sheets	37, 38
Combining Schedules of Revenues, Expenditures and Changes in Fund Balances	39, 40
Debt Service Funds:	
Combining Balance Sheets	41
Combining Schedules of Revenues, Expenditures and Changes in Fund Balances	42
Capital Projects Funds:	
Combining Balance Sheets	43, 44
Combining Schedules of Revenues, Expenditures and Changes in Fund Balances	45, 46

CITY OF SILVERTON
TABLE OF CONTENTS (Continued)

Page

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (continued)

Other Governmental Funds (continued):

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:

Special Revenue Funds

Building Operations	47
Transportation	48
Electrical Inspection.....	49
Abatement	50
Transient Tax.....	51
Community Development and Block Grant Housing Rehabilitation	52

Debt Service Funds

Bonded Debt Service.....	53
Debt Service.....	54
Assessment.....	55
Urban Renewal.....	56

Capital Projects Funds

Building Capital Improvement Reserve.....	57
Dam Early Warning System.....	58
Steelhammer LID	59
Senior Center.....	60
Street Improvement SDC	61
Storm Water Improvement SDC.....	62
Street Lights Improvement.....	63
Parks and Recreation Improvement SDC.....	64
Street Reimbursement SDC	65

Enterprise Funds:

Sewer (A Major Fund).....	66
Water (A Major Fund).....	67
WWTP Digester Project (A Major Fund)	68

Other Enterprise Funds

Combining Statement of Net Assets.....	69
Combining Statement of Revenues, Expenses and Changes in Net Assets	70
Combining Statement of Cash Flows	71, 72
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Sewer Improvement SDC.....	73
Sewer Reimbursement SDC.....	74
Water Improvement SDC.....	75
Water Reimbursement SDC	76
Sewer Debt Reserve	77

CITY OF SILVERTON
TABLE OF CONTENTS (Continued)

	<u>Page</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (continued)	
Internal Service Funds	
Combining Statement of Net Assets	78
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	79
Combining Statement of Cash Flows.....	80
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Fleet Replacement.....	81
Major Equipment Replacement	82
Extended Leave.....	83
Sewer System Funds	
Comparative Statement of Net Assets.....	84
Comparative Statements of Revenues, Expenses and Changes in Net Assets.....	85
Water System Funds	
Comparative Statement of Net Assets.....	86
Comparative Statement of Revenues, Expenses and Changes in Net Assets	87
 INDEPENDENT AUDITOR’S REPORT REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS.....	 88, 89
 GRANT COMPLIANCE - Yellow Book	
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.....	90, 91
Schedule of Findings and Responses	92



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
CITY OF SILVERTON
Silverton, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF SILVERTON** as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF SILVERTON**, as of June 30, 2012, the respective changes in financial position, cash flows, where applicable, thereof, and the respective budgetary comparisons for the General and Street Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

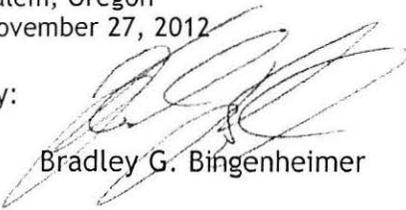
INDEPENDENT AUDITOR'S REPORT (Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *a* through *f* 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 required supplementary information 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
November 27, 2012

By:



Bradley G. Bingenheimer

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SILVERTON

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2012

This discussion and analysis presents the highlights of financial activities and financial position for the City of Silverton. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The City's assets exceeded its liabilities at June 30, 2012 by \$42,112,660 (*net assets*). Of this amount, \$25,355,357 was invested in capital assets; \$9,345,880 was restricted for specific purposes resulting in unrestricted assets of \$7,411,423.

The City's total net assets increased by \$805,196 (or 1.9%), which was due primarily to the increase of net assets invested in capital assets section in governmental activities.

The City's business-type funds had an increase in net assets of \$195,853, which is primarily due to the increase in current and other assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's Annual Financial Report consists of several sections. Taken together they provide a Comprehensive Financial Report of the City. The components of the report include the following:

Management's Discussion and Analysis This section of the report provides financial highlights, overview and economic factors affecting the City.

Basic Financial Statements They include a statement of net assets, a statement of activities, fund financial statements and the notes to the financial statements.

The statements of net assets and activities focus on an entity-wide presentation using the accrual basis of accounting and provide both long-term and short-term information about the City's financial status. The Governmental activities include most of the City's basic services such as police, street maintenance and improvement, community planning and governance. The Business-type activities include the operation of the City's sewer and water utilities.

Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental Fund Statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own columns and the remaining funds are combined into a column titled "Other Governmental Funds." Budgetary comparison statements are presented for the General Fund and the Community Development Block Grant Housing Rehabilitation Fund.

Statements for the City's proprietary funds follow the governmental funds and include net assets; revenues, expenses and changes in fund net assets; and cash flows.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Combining and Individual Fund Statements and Schedules. Readers wanting additional information about other major funds not presented in the basic financial statements and non-major funds can find it in this section. Included within this section are:

- Combining statements of other governmental funds, which are classified as non-major. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
- Budgetary comparisons. Budgetary information for all funds, except General Fund and Community Development Block Grant Housing Rehabilitation Fund, which are presented within the basic financial statements, are presented here.
- Combining statements of other proprietary funds which are classified as non-major. These statements include balance sheets, statements of revenues, expenses, and changes in fund net assets, and cash flows.

Audit comments and disclosures required by state regulations. These are supplemental communications on the city's compliance and internal controls as required by Oregon State Statutes.

FINANCIAL SUMMARY AND ANALYSIS

As mentioned earlier, the City's net assets as of June 30, 2012 are \$42,112,660. The largest portion of net assets is comprised of the City's investment in capital assets (e.g., land, buildings, equipment and public infrastructure); less any related debt outstanding used to acquire those assets. The City uses capital assets to provide services to citizens; therefore, these assets are not available for future spending. The resources to repay the related debt is not provided by capital assets, but will be provided from other sources such as charges for services.

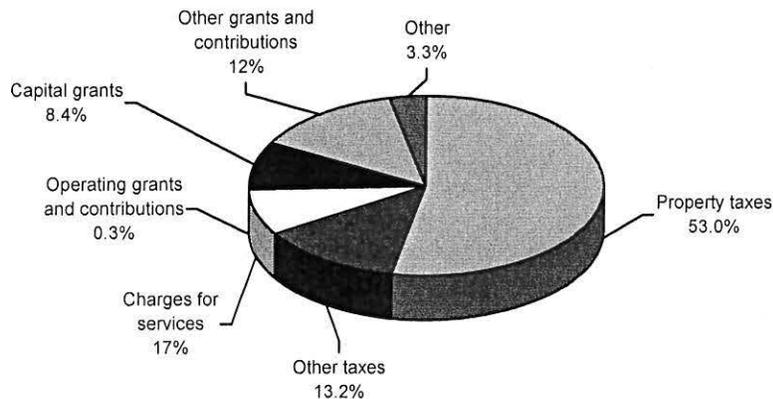
NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current and other assets	\$11,205,374	\$ 11,964,770	\$ 8,199,682	\$ 4,288,383	\$ 19,405,056	\$ 16,253,153
Capital assets, net	<u>11,825,767</u>	<u>11,560,584</u>	<u>30,231,502</u>	<u>30,163,356</u>	<u>42,057,269</u>	<u>41,723,940</u>
Total assets	<u>23,031,141</u>	<u>23,525,354</u>	<u>38,431,184</u>	<u>34,451,739</u>	<u>61,462,325</u>	<u>57,977,093</u>
<u>Liabilities</u>						
Long-term liabilities	4,677,698	5,177,033	13,839,869	10,165,437	18,517,567	15,342,470
Other liabilities	<u>382,693</u>	<u>986,914</u>	<u>449,405</u>	<u>340,245</u>	<u>832,098</u>	<u>1,327,159</u>
Total liabilities	<u>5,060,391</u>	<u>6,163,947</u>	<u>14,289,274</u>	<u>10,505,682</u>	<u>19,349,665</u>	<u>16,669,629</u>
<u>Net assets</u>						
Invested in capital assets, net of related debt	8,400,333	7,656,720	16,955,024	20,554,783	25,355,357	28,211,503
Restricted	3,880,083	3,872,398	5,465,797	2,168,165	9,345,880	6,040,563
Unrestricted	<u>5,690,334</u>	<u>5,832,289</u>	<u>1,721,089</u>	<u>1,223,109</u>	<u>7,411,423</u>	<u>7,055,398</u>
Total net assets	<u>\$17,970,750</u>	<u>\$ 17,361,407</u>	<u>\$ 24,141,910</u>	<u>\$ 23,946,057</u>	<u>\$ 42,112,660</u>	<u>\$41,307,464</u>

The unrestricted net assets of governmental activities increased by \$356,025, which is primarily due to an increase in cash and receivables.

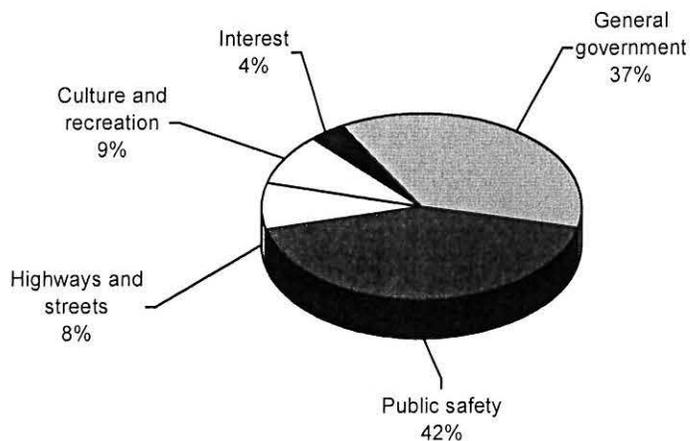
The governmental activities revenue comes primarily from property taxes, charges for services and various grants and contributions. The city's governmental expenses cover a wide variety of services, with general government, public safety and streets accounting for most of these expenses.

City of Silverton Governmental Activities Revenue



Property taxes are the City's primary source of revenue comprising 53% of the City's governmental revenue. The City's permanent tax rate is \$3.6678 per \$1,000 of assessed value. Additional taxes are levied, for the repayment of bonded indebtedness. The next largest revenue source is from other taxes, which is for transient taxes and franchise fees.

City of Silverton Governmental Activities Functional Expenses



The primary expenses for governmental activities are public safety at 42% and general government activities at 37%. Public safety exceeds general government expenses by \$ 279,409.

Net assets of the governmental activities increased by \$ 609,343, or 3.5%. Net assets of the City's business-type activities increased by \$195,853 or 0.82%. Key elements of these changes are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program:						
Charges for services	\$ 436,017	\$ 476,191	\$ 3,954,845	\$ 3,882,109	\$ 4,390,862	\$ 4,358,300
Operating grants and contributions	13,598	50,282	-	-	13,598	50,282
Capital grants and contributions	348,537	465,328	96,448	90,855	444,985	556,183
General:						
Property taxes	2,804,200	2,762,936	-	-	2,804,200	2,762,936
Other taxes	696,817	678,504	-	-	696,817	678,504
Other grants and contributions	719,358	667,506	-	-	719,358	667,506
Other	182,197	193,135	49,697	28,198	231,894	221,333
Total revenues	<u>5,200,724</u>	<u>5,293,882</u>	<u>4,100,990</u>	<u>4,001,162</u>	<u>9,301,714</u>	<u>9,295,044</u>
Expenses						
General government	1,942,676	2,109,615	-	-	1,942,676	2,109,615
Public safety	2,222,085	2,157,058	-	-	2,222,085	2,157,058
Highways and streets	420,059	483,714	-	-	420,059	483,714
Culture and recreation	472,033	480,418	-	-	472,033	480,418
Interest on long-term obligations	183,480	212,151	-	-	183,480	212,151
Sewer	-	-	2,020,781	1,962,962	2,020,781	1,962,962
Water	-	-	1,235,404	1,190,762	1,235,404	1,190,762
Total expenses	<u>5,240,333</u>	<u>5,442,956</u>	<u>3,256,185</u>	<u>3,153,724</u>	<u>8,496,518</u>	<u>8,596,680</u>
Change in net assets before transfers	(39,609)	(149,074)	844,805	847,438	805,196	698,364
Transfers	<u>648,952</u>	<u>829,359</u>	<u>(648,952)</u>	<u>(829,359)</u>	<u>-</u>	<u>-</u>
Increase in net assets	609,343	680,285	195,853	18,079	805,196	698,364
Net assets - beginning	<u>17,361,407</u>	<u>16,681,122</u>	<u>23,946,057</u>	<u>23,927,978</u>	<u>41,307,464</u>	<u>40,609,100</u>
Net assets - ending	<u>\$ 17,970,750</u>	<u>\$ 17,361,407</u>	<u>\$ 24,141,910</u>	<u>\$ 23,946,057</u>	<u>\$ 42,112,660</u>	<u>\$ 41,307,464</u>

Governmental Activities

The change in net assets for governmental activities for 2012 was an increase of \$ 609,343. A large part of the change is due to the decrease in general government expenditures.

Business-type Activities

The small increase in net assets is from a change in the transfers being reduced and a slight increase in total revenues.

FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2012, the City's governmental funds reported a combined fund balance of \$6,628,319, which is a decrease of \$92,816 from June 30, 2011. The decrease is a small change and most fund balances remained stable.

The General Fund is the primary operating fund of the City. As of June 30, 2012, the fund balance for the General Fund is \$2,414,389, which is an increase of \$ 77,389 from June 30, 2011.

Proprietary funds provide the same type of information as presented in the government-wide statements of net assets and activities, but in more detail. The proprietary fund's net assets amounted to \$24,251,130 as of June 30, 2012, which is an increase of \$ 211,491 from June 30, 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were ten budget transfer resolutions and one supplemental budget resolution adopted by City Council during the fiscal year ended June 30, 2012. The General Fund budget was changed with contingency appropriations transferred to public works in the amount of \$26,500 and transfers out in the amount of \$41,750.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2012, the City had invested \$59,373,361 in capital assets of its governmental and business-type activities. This investment includes land and land improvements, buildings, equipment and public infrastructure of roads and bridges. The investment in governmental activities capital assets increased by \$ 584,906, and business-type activities increased by \$836,691. Significant additions during the year ended June 30, 2012 in governmental activities was the related to City Hall water line replacement, sidewalk improvements, police vehicle and new shop addition and improvement.

Additional information regarding the City's capital assets may be found in note 4 of the financial statements.

The governmental long-term principal debt outstanding as of June 30, 2012 was \$4,677,698 and business-type principal debt was \$13,839,869.

A summary of the City's principal long-term debt outstanding is as follows:

General Obligation refunding Bond series 2010	\$	925,000
General Obligation Bonds - Pool		165,000
Pension Obligation Bond		1,572,679
Sewer Revenue Bonds payable to Bank of New York		7,620,000
Sewer LOCAP Rev Bonds payable to Bank of New York		3,955,000
Water Revenue Bond payable to USDA		1,701,478
Notes payable to Oregon Economic and Community Development Department		986,763
Notes payable to West Coast Bank – JJWF Lid		245,343
Urban Renewal Loan to School District		1,103,328
Compensated absences		242,976

Additional information pertaining to the City's long-term debt may be found in Note 7 of the financial statements.

ECONOMIC FACTORS

During the 2012, fiscal year and continuing into the 2013 fiscal year the City, as well as citizens have continued to see decreasing property values. The impact of foreclosures has created a larger impact on property tax revenues, as property values have been lowered by an even larger amount. This has an impact on the City property tax dollars, which are based on either the real market value or the assessed value, whichever is lower.

New construction for residential housing is still down and is expected to remain low for the next 2-5 years. This has a major impact on planning revenues and system development charges.

FINANCIAL CONTACT

The City's financial statements are intended to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability.

If you have questions about the financial report or need additional financial information, please contact Kathleen Zaragoza, Finance Director at 306 S Water St, Silverton, OR 97381. Financial information can also be found on the City of Silverton website.

BASIC FINANCIAL STATEMENTS

CITY OF SILVERTON

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 8,043,467	\$ 7,280,005	\$ 15,323,472
Receivables, net	2,336,011	390,824	2,726,835
Inventories	16,065	90,550	106,615
Prepaid pension costs, net	809,831	390,760	1,200,591
Bond premium and issuance costs, net	-	47,543	47,543
Capital assets:			
Land, improvements and construction in progress	4,044,456	3,766,027	7,810,483
Other capital assets, net	7,781,311	26,465,475	34,246,786
TOTAL ASSETS	23,031,141	38,431,184	61,462,325
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	250,614	354,684	605,298
Accrued interest payable	36,070	48,344	84,414
Deposits	75,496	66,890	142,386
Internal balances	20,513	(20,513)	-
Long-term liabilities:			
Due within one year	644,930	473,854	1,118,784
Due in more than one year	4,032,768	13,366,015	17,398,783
TOTAL LIABILITIES	5,060,391	14,289,274	19,349,665
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	8,400,333	16,955,024	25,355,357
Restricted for:			
Capital projects	1,287,119	5,343,941	6,631,060
Debt service	2,034,613	121,856	2,156,469
Other purposes	558,351	-	558,351
Unrestricted	5,690,334	1,721,089	7,411,423
TOTAL NET ASSETS	\$ 17,970,750	\$ 24,141,910	\$ 42,112,660

CITY OF SILVERTON

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

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital Grants	Governmental Activities	Business-type Activities	Totals
			Grants and Contributions	and Contributions			
Governmental activities:							
General government	\$ 1,942,676	\$ 202,150	\$ 5,030	\$ 48,834	\$ (1,686,662)		\$ (1,686,662)
Public safety	2,222,085	219,468	5,000	-	(1,997,617)		(1,997,617)
Highways and streets	420,059	994	-	224,039	(195,026)		(195,026)
Culture and recreation	472,033	13,405	3,568	75,664	(379,396)		(379,396)
Interest on long-term obligations	183,480	-	-	-	(183,480)		(183,480)
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,240,333</u>	<u>436,017</u>	<u>13,598</u>	<u>348,537</u>	<u>(4,442,181)</u>		<u>(4,442,181)</u>
Business-type activities:							
Sewer	2,020,781	2,421,016	-	53,541		\$ 453,776	453,776
Water	1,235,404	1,533,829	-	42,907		341,332	341,332
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,256,185</u>	<u>3,954,845</u>	<u>-</u>	<u>96,448</u>		<u>795,108</u>	<u>795,108</u>
TOTALS	<u>\$ 8,496,518</u>	<u>\$ 4,390,862</u>	<u>\$ 13,598</u>	<u>\$ 444,985</u>	<u>(4,442,181)</u>	<u>795,108</u>	<u>(3,647,073)</u>
General revenues:							
Taxes levied for:							
General purposes					2,144,591	-	2,144,591
Debt service					659,609	-	659,609
Miscellaneous taxes					190,700	-	190,700
Franchise fees					506,117	-	506,117
Grants and contributions not restricted to specific programs					719,358	-	719,358
Unrestricted investment earnings					63,981	36,835	100,816
Miscellaneous					111,122	12,862	123,984
Gain on sale of asset					7,094	-	7,094
Transfers					648,952	(648,952)	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>5,051,524</u>	<u>(599,255)</u>	<u>4,452,269</u>
Change in net assets					609,343	195,853	805,196
Net assets - beginning					17,361,407	23,946,057	41,307,464
Net assets - ending					<u>\$ 17,970,750</u>	<u>\$ 24,141,910</u>	<u>\$ 42,112,660</u>

CITY OF SILVERTON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Street	Other Governmental Funds	Totals
<u>ASSETS</u>				
Cash and investments	\$ 2,482,549	\$ 259,401	\$ 3,838,983	\$ 6,580,933
Receivables	947,493	44,652	1,340,716	2,332,861
Inventories	1,116	14,949	-	16,065
TOTAL ASSETS	<u>\$ 3,431,158</u>	<u>\$ 319,002</u>	<u>\$ 5,179,699</u>	<u>\$ 8,929,859</u>
<u>LIABILITIES</u>				
Accounts payable and accrued items	\$ 168,653	\$ 11,242	\$ 70,719	\$ 250,614
Due to other funds	-	-	20,513	20,513
Consumer deposits	75,496	-	-	75,496
Deferred revenue	772,313	-	1,182,604	1,954,917
TOTAL LIABILITIES	<u>1,016,462</u>	<u>11,242</u>	<u>1,273,836</u>	<u>2,301,540</u>
<u>FUND BALANCES</u>				
Nonspendable	1,116	-	-	1,116
Restricted	-	14,949	3,244,431	3,259,380
Assigned	540,008	292,811	661,432	1,494,251
Unassigned	1,873,572	-	-	1,873,572
TOTAL FUND BALANCES	<u>2,414,696</u>	<u>307,760</u>	<u>3,905,863</u>	<u>6,628,319</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,431,158</u>	<u>\$ 319,002</u>	<u>\$ 5,179,699</u>	
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				11,825,767
Prepaid pension costs are not financial resources available for current period expenditures and, therefore, are not reported in the funds.				809,831
Other long-term assets are not available for current period expenditures and, therefore, are deferred in the funds.				1,954,917
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(4,713,768)
Internal service funds are used by management to charge the cost of certain activities such as capital asset replacement and payment of extended leave benefits. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.				<u>1,465,684</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES				<u>\$ 17,970,750</u>

CITY OF SILVERTON

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	General	Street	Other Governmental Funds	Totals
REVENUES				
Property taxes	\$ 2,190,555	\$ -	\$ 673,623	\$ 2,864,178
Transient tax	-	-	190,700	190,700
Franchise fees	506,117	-	-	506,117
Licenses, permits and fees	89,977	994	210,231	301,202
Fines and forfeitures	214,950	-	-	214,950
Assessments	-	-	149,238	149,238
Intergovernmental	225,177	638,685	87,641	951,503
Rentals	8,022	-	-	8,022
Loan repayments	-	-	12,964	12,964
Interest	28,062	1,479	22,687	52,228
Miscellaneous	144,675	1,620	13,880	160,175
TOTAL REVENUES	<u>3,407,535</u>	<u>642,778</u>	<u>1,360,964</u>	<u>5,411,277</u>
EXPENDITURES				
Current				
General government	1,509,998	-	358,047	1,868,045
Public safety	2,134,283	-	-	2,134,283
Highways and streets	-	295,051	-	295,051
Culture and recreation	367,764	-	-	367,764
Debt service	-	-	732,325	732,325
Capital outlay	115,508	142,178	327,133	584,819
TOTAL EXPENDITURES	<u>4,127,553</u>	<u>437,229</u>	<u>1,417,505</u>	<u>5,982,287</u>
Excess (deficiency) of revenues over expenditures	<u>(720,018)</u>	<u>205,549</u>	<u>(56,541)</u>	<u>(571,010)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	3,500	-	-	3,500
Transfers in	1,159,064	-	267,234	1,426,298
Transfers out	(365,157)	(201,686)	(384,761)	(951,604)
TOTAL OTHER FINANCING SOURCES (USES)	<u>797,407</u>	<u>(201,686)</u>	<u>(117,527)</u>	<u>478,194</u>
Net change in fund balances	77,389	3,863	(174,068)	(92,816)
Fund balances at beginning of year	<u>2,337,307</u>	<u>303,897</u>	<u>4,079,931</u>	<u>6,721,135</u>
Fund balance at end of year	<u>\$ 2,414,696</u>	<u>\$ 307,760</u>	<u>\$ 3,905,863</u>	<u>\$ 6,628,319</u>

See notes to basic financial statements

CITY OF SILVERTON

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (92,816)

*Amounts reported for governmental activities in the
Statement of Activities are different because of the following*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between those two amounts is:

Capital outlay	\$ 584,819	
Depreciation	<u>(343,104)</u>	241,715

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

Taxes	(59,978)	
Special assessments	(147,731)	
Fines and forfeitures	(4,516)	
Housing rehabilitation loans	<u>(12,965)</u>	(225,190)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences		2,009
Accrued interest		5,211

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

497,326

Governmental funds do not report amortization of the unfunded pension liability as an expenditure, while the government-wide statements report the portion allocable to the current period only.

(50,615)

Internal service funds are used by management to charge the cost of certain activities, such as major equipment replacement and extended leave payments, to individual funds. The net revenue (expense) of internal services funds, adjusted for interfund activity, is reported with governmental activities.

231,703

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 609,343

CITY OF SILVERTON

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 1,938,630	\$ 1,938,630	\$ 2,190,555	\$ 251,925
Franchise fees	445,000	445,000	506,117	61,117
Licenses, permits and fees	70,200	70,200	89,977	19,777
Fines and forfeitures	192,600	192,600	214,950	22,350
Intergovernmental	314,375	314,375	379,977	65,602
Rentals	8,000	8,000	8,022	22
Interest	13,500	13,500	25,537	12,037
Miscellaneous	59,800	59,800	144,675	84,875
	<u>3,042,105</u>	<u>3,042,105</u>	<u>3,559,810</u>	<u>517,705</u>
TOTAL REVENUES				
EXPENDITURES				
City council	35,400	35,400	35,388	12
City management	354,758	354,758	272,354	82,404
Finance and court	354,934	354,934	346,416	8,518
Police	2,403,507	2,403,507	2,177,330	226,177
Community development	502,981	502,981	309,365	193,616
Public works	795,064	821,564	708,114	113,450
Non-departmental	346,450	346,450	278,586	67,864
Contingency and reserves	572,229	503,979	-	503,979
	<u>5,365,323</u>	<u>5,323,573</u>	<u>4,127,553</u>	<u>1,196,020</u>
TOTAL EXPENDITURES				
Excess (deficiency) of revenues over expenditures	<u>(2,323,218)</u>	<u>(2,281,468)</u>	<u>(567,743)</u>	<u>1,713,725</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	3,500	3,500
Transfers in	1,083,535	1,083,535	1,059,064	(24,471)
Transfers out	(323,407)	(365,157)	(365,157)	-
	<u>760,128</u>	<u>718,378</u>	<u>697,407</u>	<u>(20,971)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
Net change in fund balance	(1,563,090)	(1,563,090)	129,664	1,692,754
Fund balance at beginning of year	1,563,090	1,563,090	1,899,824	336,734
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>2,029,488</u>	<u>\$ 2,029,488</u>
Reconciliation to generally accepted accounting principles				
Repayment of interfund loan			<u>(154,800)</u>	
Fund balance at end of year			<u>\$ 1,874,688</u>	

See notes to basic financial statements

CITY OF SILVERTON

**STREET - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Original and Final Budget	Actual	Variance
REVENUES			
Licenses, permits and fees	\$ -	\$ 994	\$ 994
Intergovernmental	515,000	638,685	123,685
Interest	625	1,479	854
Miscellaneous	<u>350</u>	<u>1,620</u>	<u>1,270</u>
 TOTAL REVENUES	 <u>515,975</u>	 <u>642,778</u>	 <u>126,803</u>
 EXPENDITURES			
Personal services	213,987	213,314	673
Materials and services	99,330	81,737	17,593
Capital outlay	151,200	142,178	9,022
Contingency	<u>74,518</u>	<u>-</u>	<u>74,518</u>
 TOTAL EXPENDITURES	 <u>539,035</u>	 <u>437,229</u>	 <u>101,806</u>
 Excess (deficiency) of revenues over expenditures	 (23,060)	 205,549	 228,609
 OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(201,686)</u>	<u>(201,686)</u>	<u>-</u>
 Net change in fund balance	 (224,746)	 3,863	 228,609
Fund balance at beginning of year	<u>224,746</u>	<u>303,897</u>	<u>79,151</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 307,760</u>	 <u>\$ 307,760</u>

CITY OF SILVERTON

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

	Enterprise				Totals	Governmental
	Sewer	Water	WWTP Digester Project	Other Enterprise Funds		Internal Service
ASSETS						
Current assets						
Cash and investments	\$ 295,034	\$ 602,729	\$ 4,399,133	\$ 1,983,109	\$ 7,280,005	\$ 1,462,534
Receivables, net	244,506	146,318	-	-	390,824	3,150
Due from other funds	-	-	-	20,513	20,513	-
Inventories	7,551	82,999	-	-	90,550	-
Total current assets	547,091	832,046	4,399,133	2,003,622	7,781,892	1,465,684
Bond premium and issuance costs, net	47,543	-	-	-	47,543	-
Capital assets						
Land and construction in progress	3,582,601	183,426	-	-	3,766,027	-
Other capital assets, net	18,318,669	8,146,806	-	-	26,465,475	-
TOTAL ASSETS	22,495,904	9,162,278	4,399,133	2,003,622	38,060,937	1,465,684
LIABILITIES						
Current liabilities						
Accounts payable and accrued items	87,224	74,077	193,383	-	354,684	-
Consumer deposits	-	66,890	-	-	66,890	-
Accrued interest payable	38,828	6,818	-	-	45,646	-
Accumulated unpaid vacation	36,101	30,008	-	-	66,109	-
Long-term obligations due within one year	360,000	38,903	-	-	398,903	-
Total current liabilities	522,153	216,696	193,383	-	932,232	-
Long-term obligations due in more than one year	11,215,000	1,662,575	-	-	12,877,575	-
TOTAL LIABILITIES	11,737,153	1,879,271	193,383	-	13,809,807	-
NET ASSETS						
Invested in capital assets, net of related debt	10,326,270	6,628,754	-	-	16,955,024	-
Restricted for:						
Capital projects	-	-	4,205,750	1,138,191	5,343,941	-
Debt service	-	121,856	-	-	121,856	-
Unrestricted	432,481	532,397	-	865,431	1,830,309	1,465,684
TOTAL NET ASSETS	\$ 10,758,751	\$ 7,283,007	\$ 4,205,750	\$ 2,003,622	24,251,130	\$ 1,465,684
Prepaid pension costs allocable to business-type activities in the statement of net assets					390,760	
Long-term obligations issued to prepay the PERS unfunded actuarial liability are allocable to business-type activities in the statement of net assets					(499,980)	
Net assets of business-type activities					<u>\$ 24,141,910</u>	

CITY OF SILVERTON

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012**

	Enterprise				Totals	Governmental
	Sewer	Water	WWTP Digester Project	Other Enterprise Funds		Activities
						Internal Service
OPERATING REVENUES						
Charges for services	\$ 2,421,016	\$ 1,533,829	\$ -	\$ -	\$ 3,954,845	\$ -
OPERATING EXPENSES						
Personal services	645,528	497,801	-	-	1,143,329	-
Materials and services	436,657	339,400	-	2,128	778,185	-
Depreciation	485,585	282,960	-	-	768,545	-
Total operating expenses	1,567,770	1,120,161	-	2,128	2,690,059	-
Operating income (loss)	853,246	413,668	-	(2,128)	1,264,786	-
NON-OPERATING REVENUES (EXPENSES)						
System development charges	-	-	-	96,448	96,448	-
Interest	5,056	2,977	20,618	8,184	36,835	7,544
Miscellaneous	9,623	2,339	900	-	12,862	-
Amortization	(2,502)	-	-	-	(2,502)	-
Interest	(417,066)	(84,613)	-	-	(501,679)	-
Total non-operating revenue (expenses)	(404,889)	(79,297)	21,518	104,632	(358,036)	11,138
Income before transfers	448,357	334,371	21,518	102,504	906,750	11,138
TRANSFERS						
Transfers in	757,175	25,259	4,004,955	863,060	5,650,449	220,565
Transfers out	(5,052,434)	(464,300)	(757,175)	(71,799)	(6,345,708)	(23,468)
Total transfers	(4,295,259)	(439,041)	3,247,780	791,261	(695,259)	197,097
Change in net assets	(3,846,902)	(104,670)	3,269,298	893,765	211,491	208,235
Total net assets at beginning of year	14,605,653	7,387,677	936,452	1,109,857		1,257,449
Total net assets - ending	\$ 10,758,751	\$ 7,283,007	\$ 4,205,750	\$ 2,003,622		\$ 1,465,684
Amortization of prepaid pension costs related to enterprise funds					(24,423)	
Adjustment to reflect the changes in the pension bond related to enterprise funds					8,785	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					\$ 195,853	

CITY OF SILVERTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise				Governmental	
	Sewer	Water	WWTP Digester Project	Other	Internal Service	
				Enterprise Funds		Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,402,553	\$ 1,521,277	\$ -	\$ -	\$ 3,923,830	\$ -
Payments to suppliers	(394,745)	(326,729)	128,106	(2,253)	(595,621)	-
Payments to employees	(637,880)	(490,184)	-	-	(1,128,064)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,369,928</u>	<u>704,364</u>	<u>128,106</u>	<u>(2,253)</u>	<u>2,200,145</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	842,547	842,547	220,565
Transfers out	(1,047,479)	(464,300)	-	(46,540)	(1,558,319)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(1,047,479)</u>	<u>(464,300)</u>	<u>-</u>	<u>796,007</u>	<u>(715,772)</u>	<u>220,565</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Issuance of long-term obligations	-	-	4,004,955	-	4,004,955	-
System development charges received	-	-	-	96,448	96,448	-
Other	9,623	2,339	900	-	12,862	-
Sale of capital assets	-	-	-	-	-	3,594
Acquisition of capital assets	(54,257)	-	(757,175)	(25,259)	(836,691)	(23,468)
Increase in receivable related to sale	-	-	-	-	-	(3,150)
Principal paid on long-term obligations	(350,000)	(37,095)	-	-	(387,095)	-
Interest paid on long-term obligations	(445,459)	(84,761)	-	-	(530,220)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(840,093)</u>	<u>(119,517)</u>	<u>3,248,680</u>	<u>71,189</u>	<u>2,360,259</u>	<u>(23,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	5,056	2,977	20,618	8,184	36,835	7,544
Net increase (decrease) in cash	(512,588)	123,524	3,397,404	873,127	3,881,467	205,085
Cash - beginning of year	807,622	479,205	1,001,729	1,109,982	3,398,538	1,257,449
Cash - end of year	<u>\$ 295,034</u>	<u>\$ 602,729</u>	<u>\$ 4,399,133</u>	<u>\$ 1,983,109</u>	<u>\$ 7,280,005</u>	<u>\$ 1,462,534</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 853,246	\$ 413,668	\$ -	\$ (2,128)	\$ 1,264,786	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	485,585	282,960	-	-	768,545	-
Decrease (increase) in assets						
Receivables, net	(18,463)	(9,763)	-	-	(28,226)	-
Inventories	7,308	14,206	-	-	21,514	-
Increase (decrease) in liabilities						
Accounts payable and accrued items	34,604	(1,535)	128,106	(125)	161,050	-
Consumer deposits	-	(2,789)	-	-	(2,789)	-
Accumulated unpaid vacation	7,648	7,617	-	-	15,265	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,369,928</u>	<u>\$ 704,364</u>	<u>\$ 128,106</u>	<u>\$ (2,253)</u>	<u>\$ 2,200,145</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS						
Transfers in	757,175	25,259	4,004,955	20,513	4,807,902	-
Transfers out	(4,004,955)	-	(757,175)	(25,259)	(4,787,389)	-
Total non-cash transactions	<u>\$ (3,247,780)</u>	<u>\$ 25,259</u>	<u>\$ 3,247,780</u>	<u>\$ (4,746)</u>	<u>\$ 20,513</u>	<u>\$ -</u>

The Sewer Debt Reserve Fund received non-cash transfers of \$20,513 from the Transient Tax Fund.

CITY OF SILVERTON

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

1. Summary of significant accounting policies

A. Financial reporting entity

The **CITY OF SILVERTON** (City) was organized under the general laws of the State of Oregon. Control of the City is vested in its Mayor and Council Members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Mayor and Council. The chief administrative officer is the City Manager.

The accompanying financial statements present all activities, funds and the component unit for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

The City Council serves as the governing board of the Silverton Urban Renewal Agency. Therefore, the accounts of the agency are included in the financial statements of the City.

Complete financial statements for the Silverton Urban Renewal Agency may be obtained from the City's finance department.

B. 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 nonfiduciary activities of the City (the primary government) and its component unit. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. 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, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus, basis of accounting and financial statement presentation

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

The government-wide statements and proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The City has elected to not follow FASB pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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 are charges to customers for sales and services. Operating expenses for proprietary 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.

In the government-wide and proprietary fund financial statements, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus, basis of accounting and financial statement presentation (continued)

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City, considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

- *General* - accounts for the financial resources of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation. With the implementation of GASB 54, the General Operating Reserve Fund has been combined with the General Fund for financial reporting purposes.
- *Street* - revenue from taxes on motor vehicle fuel use for street construction and maintenance.

The City reports the following major proprietary funds:

- *Sewer* - accounts for the operation of the City's sewer system.
- *Water* - accounts for the operation of the City's water system.
- *WWTP Digester Program* – accounts for the construction of wastewater treatment plant digester construction.

The City also includes the following fund types as other governmental funds and other enterprise funds:

Special revenue - account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating fund authorized to make expenditures.

Debt service - account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital projects - account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from long-term obligations issued to finance capital acquisitions and improvements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus, basis of accounting and financial statement presentation (continued)

Enterprise - accounts for the operations of predominantly self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis.

Internal service - accounts for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The principal source of revenues is interfund charges and transfers.

D. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year-end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The City established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

E. Use of estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

G. User charges and fines receivable

User charges and fines receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that have not been collected by the time the financial statements are issued.

H. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories consist of expendable supplies held for consumption.

I. Capital assets

Capital assets are recorded in the Statement of Net Assets at cost or estimated historical cost if purchased or constructed. Donated items are recorded at their estimated fair value at the date of donation. The City records capital assets for items with original cost, or estimated fair value if donated, of \$5,000 or more and an expected economic useful life of 3 years or more.

Public domain (infrastructure) capital assets (e.g., roads, bridges, sidewalks, storm sewers, and other assets that are immovable and of value to the City) that have been acquired or significantly reconstructed since 1980 have been capitalized at estimated historical cost.

Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in the change in net assets. Depreciation taken on contributed capital assets is recorded as an expense of operations and charged to retained earnings.

Capital assets are depreciated using the straight-line method over the following estimated useful lives with prorated depreciation in the year of acquisition and prorated depreciation in the year of disposal.

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Plant in service	50
Machinery and equipment	10
Infrastructure	60

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

J. Long-term obligations

Long-term obligations consist of notes, bonds, and compensated absences.

Long-term obligations expected to be repaid from Proprietary Funds are accounted for in the business-type activities and Proprietary Funds.

Long-term obligations expected to be repaid from Governmental Funds are accounted for in the governmental activities.

K. Compensated absences - sick leave

The City has a policy which permits employees to earn sick leave at the rate of one day per month with no limit on accumulation.

L. Equity classification

Government-wide and Proprietary Fund Reporting

In the government-wide and proprietary fund financial statements equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental Fund Type Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories list below:

Non-spendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

L. Equity classification (continued)

Committed — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the Administrative Services Director to assign fund balance amounts.

Unassigned — the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

M. Risk management

The City is exposed to various risks of loss related to errors and omissions, automobile, damage to and destruction of assets, bodily injury, and worker's compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

2. Deposits and investments

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any City, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

Credit risk: Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2012, the City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	<u>\$ 15,128,544</u>

Interest Rate Risk: The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The City does not have a formal policy that places a limit on the amount that may be invested in any one issuer. 100 percent of the City's investments are in the State Treasurer's Investment Pool.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2012, \$3,888 of the City's bank balances were exposed to custodial risk.

A. The City's deposits and investments at June 30, 2012 are as follows:

Total investments	\$ 15,128,544
Cash on hand	2,500
Deposits with financial institutions	<u>192,428</u>
Total deposits and investments	<u>\$ 15,323,472</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

B. Cash and investments by fund:

<u>Governmental activities/funds</u>	
General	\$ 2,482,549
Street	259,401
Other governmental	<u>3,838,983</u>
Governmental funds	6,580,933
Internal service	<u>1,462,534</u>
Total governmental activities	<u>8,043,467</u>
<u>Business-type activities/funds</u>	
Sewer	295,034
Water	602,729
WWTP Digester Project	4,399,133
Other enterprise	<u>1,983,109</u>
Total business-type activities/funds	<u>7,280,005</u>
Total cash and investments	<u>\$ 15,323,472</u>

3. Receivables

A. The City's receivables at June 30, 2012 are shown below:

	<u>Governmental Activities / Funds</u>				<u>Business-type Activities / Funds</u>			<u>Internal Service</u>
	<u>General</u>	<u>Street</u>	<u>Other</u>	<u>Totals</u>	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
User charges	\$ -	\$ -	\$ -	\$ -	\$ 243,980	\$ 140,031	\$ 384,011	\$ -
Property assessments	-	-	513,795	513,795	-	-	-	-
Property taxes	163,297	-	47,432	210,729	-	-	-	-
County treasurer	17,029	-	1,217	18,246	-	-	-	-
Accounts	123,415	44,652	76,343	244,410	900	7,172	8,072	3,150
Notes	-	-	701,929	701,929	-	-	-	-
Fines	43,752	-	-	43,752	-	-	-	-
Loans	600,000	-	-	600,000	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	(374)	(885)	(1,259)	-
	<u>\$ 947,493</u>	<u>\$ 44,652</u>	<u>\$ 1,340,716</u>	<u>\$ 2,332,861</u>	<u>\$ 244,506</u>	<u>\$ 146,318</u>	<u>\$ 390,824</u>	<u>\$ 3,150</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables (continued)

B. Property taxes receivable

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Marion County bills and collects property taxes for the City.

ii. 2011-12 property tax transactions

	Balances July 1, 2011	2011-12 Levy	Adjust- ments	Net Interest (Discounts)	Collections	Balances June 30, 2012
Current	\$ -	\$ 2,910,785	\$ (20,101)	\$ (71,672)	\$ 2,715,149	\$ 103,863
Prior	<u>226,944</u>	<u>-</u>	<u>(19,009)</u>	<u>11,510</u>	<u>112,579</u>	<u>106,866</u>
	<u>\$ 226,944</u>	<u>\$ 2,910,785</u>	<u>\$ (39,110)</u>	<u>\$ (60,162)</u>	\$ 2,827,728	<u>\$ 210,729</u>
			Prior year accrual		(7,132)	
			Current year accrual		<u>43,582</u>	
					<u>\$ 2,864,178</u>	

iii. Ensuing year's levy

The City's permanent tax rate is \$3.6678 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

The Urban Renewal Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2012-13.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect these levies.

In addition, the City will levy \$315,105 for payment of long-term debt principal and interest due in 2012-13.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets

A. Capital asset activity for the year ended June 30, 2012 was as follows:

	Balances June 30, 2011	Additions	Deletions	Balances June 30, 2012
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 3,542,587	\$ -	\$ -	\$ 3,542,587
Right of way	479,624	-	-	479,624
Construction in progress	1,500,147	295,181	1,773,083	22,245
Total capital assets not being depreciated	<u>5,522,358</u>	<u>295,181</u>	<u>1,773,083</u>	<u>4,044,456</u>
Capital assets being depreciated				
Buildings and improvements	1,740,544	1,813,942	-	3,554,486
Equipment	1,732,086	90,792	23,381	1,799,497
Land improvements	2,140,786	-	-	2,140,786
Infrastructure	3,113,766	181,455	-	3,295,221
Total capital assets being depreciated	<u>8,727,182</u>	<u>2,086,189</u>	<u>23,381</u>	<u>10,789,990</u>
Less accumulated depreciation for:				
Buildings and improvements	495,535	84,902	-	580,437
Equipment	1,503,091	137,336	23,381	1,617,046
Land improvements	250,183	-	-	250,183
Infrastructure	440,147	120,866	-	561,013
Total accumulated depreciation	<u>2,688,956</u>	<u>343,104</u>	<u>23,381</u>	<u>3,008,679</u>
Total capital assets being depreciated, net	<u>6,038,226</u>	<u>1,743,085</u>	<u>-</u>	<u>7,781,311</u>
Governmental activities capital assets, net	<u>\$ 11,560,584</u>	<u>\$ 2,038,266</u>	<u>\$ 1,773,083</u>	<u>\$ 11,825,767</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated				
Land	\$ 2,254,610	\$ -	\$ -	\$ 2,254,610
Construction in progress	728,983	782,434	-	1,511,417
Total capital assets not being depreciated	<u>2,983,593</u>	<u>782,434</u>	<u>-</u>	<u>3,766,027</u>
Capital assets being depreciated				
Water and sewer lines	15,310,489	-	-	15,310,489
Buildings and improvements	6,704,893	3,205	-	6,708,098
Plant and equipment	18,455,986	51,052	-	18,507,038
Land improvements	247,263	-	-	247,263
Total capital assets being depreciated	<u>40,718,631</u>	<u>54,257</u>	<u>-</u>	<u>40,772,888</u>
Less accumulated depreciation for:				
Water and sewer lines	6,082,556	254,594	-	6,337,150
Buildings and improvements	1,750,996	134,389	-	1,885,385
Plant and equipment	5,534,149	374,127	-	5,908,276
Land improvements	171,167	5,435	-	176,602
Total accumulated depreciation	<u>13,538,868</u>	<u>768,545</u>	<u>-</u>	<u>14,307,413</u>
Total capital assets being depreciated, net	<u>27,179,763</u>	<u>(714,288)</u>	<u>-</u>	<u>26,465,475</u>
Business-type activities capital assets, net	<u>\$ 30,163,356</u>	<u>\$ 68,146</u>	<u>\$ -</u>	<u>\$ 30,231,502</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets (continued)

B. Depreciation expense was charged to functions/programs of the City as follows:

<i>Governmental activities</i>	
General government	\$ 61,955
Public safety	57,138
Highways and streets	121,945
Culture and recreation	<u>102,066</u>
Total depreciation expense - governmental activities	<u>\$ 343,104</u>
<i>Business-type activities</i>	
Sewer	\$ 485,585
Water	<u>282,960</u>
Total depreciation expense - business-type activities	<u>\$ 768,545</u>

5. Deferred revenue

	Governmental Funds		
	General	Other	Totals
Loans	\$ 600,000	\$ 700,128	\$ 1,300,128
Property taxes	128,561	38,405	166,966
Property assessments	-	444,071	444,071
Fines	<u>43,752</u>	<u>-</u>	<u>43,752</u>
	<u>\$ 772,313</u>	<u>\$ 1,182,604</u>	<u>\$ 1,954,917</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Interfund transactions

The interfund transfers during the year ended June 30, 2012 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Other Governmental	\$ 144,731
General	Internal Service	120,426
General	General	100,000
Street	General	178,578
Street	Other Governmental	6,666
Street	Internal Service	16,442
Other Governmental	General	65,324
Other Governmental	Other Governmental	77,723
Other Governmental	Other Enterprise	235,142
Other Governmental	Internal Service	6,572
Sewer	General	384,311
Sewer	Other Governmental	21,887
Sewer	WWTP Digester	4,004,955 *
Sewer	Other Enterprise	627,918
Sewer	Internal Service	13,363
Water	General	384,311
Water	Other Governmental	16,227
Water	Internal Service	63,762
WWTP Digester	Sewer	757,175 *
Other Enterprise	General	46,540
Other Enterprise	Water	25,259 *
Internal Service	Governmental Activities	23,468 *

* Non-cash transfers

In the adopted budget, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

Non-cash transfers occur when a fund acquires capital assets which will be used in the operation of a different fund's activities, issues long-term obligations which will be repaid out of a different fund's resources or pays principal on long-term obligations reported in a different fund.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Long-term obligations

A. Transactions for the governmental activities for the year ended June 30, 2012 were as follows:

	Outstanding June 30, 2011	Additions	Reductions	Outstanding June 30, 2012	Balances Due Within One Year
General Obligation Refunding Bond, Series 2010 - original issue \$1,175,000, due over 7 years, in semi- annual installments of interest at 3.00 percent payable on June 1 and December 1 with principal payments annually June					
Principal	\$ 1,000,000	\$ -	\$ 75,000	\$ 925,000	\$ 80,000
Interest	5,918	26,287	30,000	2,205	
	<u>1,005,918</u>	<u>26,287</u>	<u>105,000</u>	<u>927,205</u>	
General Obligation Refunding Bond, Series 2003 - original issue \$1,200,000, due over 10 years, in semi- annual installments of interest at 3.75 percent payable on June 1 and December 1 with principal payments annually June					
Principal	320,000	-	155,000	165,000	165,000
Interest	888	11,604	12,000	492	
	<u>320,888</u>	<u>11,604</u>	<u>167,000</u>	<u>165,492</u>	
Pension Obligation Bonds, original issue of \$1,957,495, due over 27 years in semi-annual installments payable on June 1 and December 1 including variable interest rates at 2 to 7.36 percent with principal payments annually June 1					
Principal	1,600,313	-	27,634	1,572,679	27,962
Interest	8,681	118,663	118,813	8,531	
	<u>1,608,994</u>	<u>118,663</u>	<u>146,447</u>	<u>1,581,210</u>	
Allocable to business-type activities					
Principal	(506,020)	-	(8,738)	(497,282)	(8,842)
Interest	(2,746)	(37,521)	(37,569)	(2,698)	
	<u>1,100,228</u>	<u>81,142</u>	<u>100,140</u>	<u>1,081,230</u>	<u>19,120</u>
Note payable - [WEVP LID] Oregon Economic Development Department (OEDD), original issue of \$1,275,000, due over 25 years in various annual installments payable on December 1, including interest at 3 to 4.625 percent					
Principal	1,028,451	-	41,688	986,763	41,926
Interest	25,951	44,105	44,919	25,137	
	<u>1,054,402</u>	<u>44,105</u>	<u>86,607</u>	<u>1,011,900</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Long-term obligations (continued)

A. Transactions for the governmental activities for the year ended June 30, 2012 were as follows (continued):

	Outstanding June 30, 2011	Additions	Reductions	Outstanding June 30, 2012	Balances Due Within One Year
Note payable - [JJWF LID] West Coast Bank, original issue of \$459,221, due over 10 years in semi annual installments payable on May 25 and November 25, including interest at 4.25 percent.					
Principal	\$ 328,221	\$ -	\$ 82,878	\$ 245,343	\$ 42,534
Interest	<u>-</u>	<u>13,619</u>	<u>13,619</u>	<u>-</u>	
	<u>328,221</u>	<u>13,619</u>	<u>96,497</u>	<u>245,343</u>	
Note payable - [URA] Silver Falls School District 4J, original issue of \$1,255,000, due over 14 years in various annual installments payable on February 15, including interest at the rate of the prevailing rate of the local Government Investment Pool on December 31 of each year.					
Principal	1,057,216	-	114,714	942,502	95,287
Interest	<u>2,230</u>	<u>5,109</u>	<u>5,286</u>	<u>2,053</u>	
	<u>1,059,446</u>	<u>5,109</u>	<u>120,000</u>	<u>944,555</u>	
Note payable - [URA] Silver Falls School District 4J, original issue of \$195,000, due over 11 years in various annual installments payable on February 15, including interest at the rate of the prevailing rate of the local Government Investment Pool on December 31 of each year.					
Principal	169,976	-	9,150	160,826	21,462
Interest	<u>359</u>	<u>841</u>	<u>850</u>	<u>350</u>	
	<u>170,335</u>	<u>886</u>	<u>10,045</u>	<u>161,176</u>	
Accumulated unpaid vacation	<u>178,876</u>	<u>176,867</u>	<u>178,876</u>	<u>176,867</u>	<u>176,867</u>
Total governmental activities long-term obligations	5,218,314	359,619	864,165	4,713,768	\$ 644,930
Accrued interest payable	<u>41,281</u>	<u>182,752</u>	<u>187,963</u>	<u>36,070</u>	
Principal	<u>\$ 5,177,033</u>	<u>\$ 176,867</u>	<u>\$ 676,202</u>	<u>\$ 4,677,698</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Long-term obligations (continued)

B. Transactions for the business-type activities for the year ended June 30, 2012 were as follows:

	Outstanding July 1, 2011	Additions	Reductions	Outstanding June 30, 2012	Balances Due Within One Year
Water Revenue Bond payable to U.S. Department of Agriculture (USDA), Rural Development, original issue of \$2,127,000, due in annual installments over 40 years of \$121,856 payable on May 31 including interest at 4.875 percent, secured by net water system revenues.					
Principal	\$ 1,738,573	\$ -	\$ 37,095	\$ 1,701,478	\$ 38,903
Interest	6,966	84,613	84,761	6,818	
	<u>1,745,539</u>	<u>84,613</u>	<u>121,856</u>	<u>1,708,296</u>	
Sewer Revenue Refunding Bonds payable to Bank of NY, original issue of \$8,170,000 due over 25 years, in semi-annual installments payable on June 1 and December 1 including variable interest rates at 3.00% to 4.625%, average coupon rate of 4.33%, with principal payments annually in June, secured by net sewer system revenues.					
Principal	7,870,000	-	250,000	7,620,000	265,000
Interest	67,221	285,153	319,831	32,543	
	<u>7,937,221</u>	<u>285,153</u>	<u>569,831</u>	<u>7,652,543</u>	
Local Oregon Capital Assets Program Bonds payable to Bank of NY, original issue of \$4,055,000 due over 20 years, annual installments payable on June 1 including variable interest rates at 2.00% to 4.60%.					
Principal	-	4,055,000	100,000	3,955,000	95,000
Interest	-	131,913	125,628	6,285	
	<u>-</u>	<u>4,186,913</u>	<u>225,628</u>	<u>3,961,285</u>	
Pension Obligation Bonds amount allocated from governmental activities					
Principal	506,020	-	8,738	497,282	8,842
Interest	2,746	37,521	37,569	2,698	
	<u>508,766</u>	<u>37,521</u>	<u>46,307</u>	<u>499,980</u>	
Accumulated unpaid vacation	<u>50,844</u>	<u>66,109</u>	<u>50,844</u>	<u>66,109</u>	<u>66,109</u>
Total business-type activities long-term obligations	10,242,370	4,660,309	1,014,466	13,888,213	<u>\$ 473,854</u>
Accrued interest payable	<u>76,933</u>	<u>539,200</u>	<u>567,789</u>	<u>48,344</u>	
Principal	<u>\$ 10,165,437</u>	<u>\$ 4,121,109</u>	<u>\$ 446,677</u>	<u>\$ 13,839,869</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Long-term obligations (continued)

C. The future maturities of governmental activities long-term obligations are as follows:

Fiscal Year	General Obligation Refunding Bonds Series 2010		General Obligation Refunding Bonds Series 2003		Pension Obligation Bonds		OEDD	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 80,000	\$ 27,750	\$ 165,000	\$ 6,188	\$ 19,120	\$ 84,440	\$ 41,926	\$ 43,439
2014	235,000	25,350	-	-	20,712	89,686	42,177	41,920
2015	250,000	18,300	-	-	20,325	93,493	42,450	40,317
2016	265,000	10,800	-	-	21,180	99,475	47,748	38,619
2017	95,000	2,850	-	-	20,731	103,343	48,057	36,709
2018-22	-	-	-	-	269,015	452,332	268,773	151,416
2023-27	-	-	-	-	605,163	170,498	337,026	84,387
2028-29	-	-	-	-	99,151	6,792	158,606	10,883
	<u>\$ 925,000</u>	<u>\$ 85,050</u>	<u>\$ 165,000</u>	<u>\$ 6,188</u>	<u>\$1,075,397</u>	<u>\$ 1,100,059</u>	<u>\$ 986,763</u>	<u>\$ 447,690</u>

Fiscal Year	West Coast Bank		Silver Falls SD		Silver Falls SD		Compensated	Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Absences	Principal	Interest
2013	\$ 42,534	\$ 13,963	\$ 95,287	\$ 4,713	\$ 21,462	\$ 3,538	\$ 176,867	\$ 644,930	\$ 181,297
2014	44,361	12,136	95,764	4,236	21,934	3,066	-	462,331	174,011
2015	46,267	10,231	96,243	3,757	22,417	2,583	-	479,723	166,660
2016	48,233	8,265	96,724	3,276	22,910	2,090	-	503,446	160,874
2017	50,325	6,172	97,208	2,792	23,413	1,586	-	336,004	152,183
2018-22	13,623	575	461,276	6,623	48,690	2,375	-	1,051,318	611,208
2023-27	-	-	-	-	-	-	-	942,189	254,885
2028-39	-	-	-	-	-	-	-	257,757	17,675
	<u>\$ 245,343</u>	<u>\$ 51,342</u>	<u>\$ 942,502</u>	<u>\$ 25,397</u>	<u>\$ 160,826</u>	<u>\$ 15,238</u>	<u>\$ 176,867</u>	<u>\$ 4,677,698</u>	<u>\$ 1,718,793</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Long-term obligations (continued)

D. The future maturities of business-type activities long-term obligations are as follows:

Fiscal Year	Water Revenue Bond USDA		Sewer Revenue Refunding Bonds		Sewer LOCAP		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 38,903	\$ 82,953	\$ 265,000	\$ 312,331	\$ 95,000	\$ 157,810	\$ 8,842	\$ 39,046
2014	40,800	81,056	295,000	304,381	70,000	155,910	9,578	41,472
2015	42,789	79,067	295,000	295,531	85,000	154,510	9,398	43,233
2016	44,875	76,981	300,000	286,681	90,000	151,960	9,794	45,999
2017	47,063	74,794	265,000	277,681	135,000	149,260	9,587	47,787
2018-22	272,049	337,233	1,230,000	1,248,630	1,005,000	657,903	124,397	209,165
2023-27	345,148	264,133	1,450,000	990,455	1,255,000	445,503	279,837	78,841
2028-32	437,890	171,391	1,780,000	651,575	1,220,000	143,290	45,849	3,140
2033-36	431,961	53,804	1,740,000	205,816	-	-	-	-
	<u>\$ 1,701,478</u>	<u>\$ 1,221,412</u>	<u>\$ 7,620,000</u>	<u>\$ 4,573,081</u>	<u>\$ 3,955,000</u>	<u>\$ 2,016,146</u>	<u>\$ 497,282</u>	<u>\$ 508,683</u>

Fiscal Year	Accumulated Unpaid		Totals	
	Vacation	Principal	Principal	Interest
2013	\$ 66,109	\$ 473,854	\$	592,140
2014	-	415,378		582,819
2015	-	432,187		572,341
2016	-	444,669		561,621
2017	-	456,650		549,522
2018-22	-	2,631,446		2,452,931
2023-27	-	3,329,985		1,778,932
2028-32	-	3,483,739		969,396
2033-36	-	2,171,961		259,620
	<u>\$ 66,109</u>	<u>\$ 13,839,869</u>	<u>\$</u>	<u>8,319,322</u>

8. Defined benefit pension plan

The City contributes to the Oregon Public Employees' Retirement System (PERS); a cost-sharing, multiple-employer, defined benefit pension plan and the Oregon Public Service Retirement Plan (OPSRP); a cost-sharing, multiple-employer, hybrid pension plan. Both PERS and OPSRP are governed by the Public Employees' Retirement Board (PERB) under the provisions of Oregon Revised Statutes 238. PERS provides retirement benefits under a variety of benefit options, as selected by retiring employees, and provides death and disability benefits. OPSRP provides a combination of retirement benefits under a defined benefit plan and an individual account program (IAP), the balance of which will be paid out in either a lump sum or over a 5, 10, 15, or 20 year period. Employees hired on or after August 29, 2003, participate only in OPSRP. Beginning January 1, 2004, active PERS members hired before August 29, 2003, became members of the IAP of OPSRP. These members retain their existing PERS account; however, any future member contributions will be placed in the IAP. A copy of the Oregon Public Employees' Retirement System annual financial report may be obtained by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377 or at www.oregon.gov/PERS.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined benefit pension plan (continued)

City employees are eligible to participate after completing six months of service. Covered employees are required by state statute to contribute 6 percent of their compensation to the plan. Current law permits the City to pay this amount on behalf of the employees. The City's contribution rate is set by PERB and is periodically adjusted based upon actuarial computations of the amount needed to provide retirement benefits. Effective July 1, 2009 the City elected to have the contribution rate for employees hired before August 29, 2003 split by employee class. The City's contribution rate for general service employees is 9.52 percent of covered compensation and City's contribution rate for police officers is 17.8 percent of covered compensation. For employees hired on or after August 29, 2003, the City's contribution rate for police officers is 11.2 percent of covered compensation and 8.49 percent of covered compensation for all other employees.

The City's contribution to the plan for the years ending June 30, 2012, 2011, and 2010, were equal to the City's required contributions for each year as follows:

Year Ended June 30,	City Contribution	Member paid Contribution	Totals
2012	\$ 317,094	\$ 157,835	\$ 474,929
2011	211,625	165,994	377,619
2010	193,793	154,745	348,538

9. Net assets restricted through enabling legislation

The amount of net assets restricted by enabling legislation is as follows:

Governmental Activities

Capital Projects – Ordinances imposing System Development Charges (SDC) and Local Improvement District (LID) assessments restrict the use to capital improvements which expand the capacity of the system for which the charge was made \$ 1,281,718

Highways and streets – Article IX, Section 3a of the Oregon State Constitution restricts the use of revenue from taxes on motor vehicle fuel use 307,760

Business-type Activities

Capital Projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made 1,138,191

10. Segment information for Enterprise Funds

The City has issued revenue bonds to finance sewer and water systems. The two systems are accounted for in eight funds.

Summary financial information for the sewer and water systems for the year ended June 30, 2012 is as follows:

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Segment information for Enterprise Funds (continued)

Condensed statement of net assets	Sewer	Water
Assets		
Current	\$ 5,942,256	\$ 1,839,636
Noncurrent	21,948,813	8,330,232
Total assets	27,891,069	10,169,868
Liabilities		
Current	715,536	216,696
Noncurrent	11,215,000	1,662,575
Total liabilities	11,930,536	1,879,271
Net assets		
Invested in capital assets, net of related debt	10,326,270	6,628,754
Restricted	4,336,351	1,129,446
Unrestricted	1,297,912	532,397
Total net assets	\$ 15,960,533	\$ 8,290,597
 Condensed statement of revenues, expenses and changes in fund net assets		
Operating revenue	\$ 2,421,016	\$ 1,533,829
Depreciation expense	485,585	282,960
Other operating expenses	1,082,185	839,329
Operating income	853,246	411,540
Nonoperating revenues (expenses)	(326,868)	(31,168)
Income before transfers	526,378	380,372
Transfers in	5,625,190	25,259
Transfers out	(5,832,879)	(512,829)
Change in net assets	318,689	(107,198)
Net assets – beginning	15,641,844	8,397,795
Net assets – ending	\$ 15,960,533	\$ 8,290,597
 Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	\$ 1,498,034	\$ 702,111
Non-capital financing activities	(228,202)	(487,570)
Capital and related financing activities	2,462,128	(101,869)
Investing activities	28,636	8,199
Net increase in cash	3,760,596	120,871
Cash and cash equivalents - beginning	1,909,090	1,489,448
Cash and cash equivalents - ending	\$ 5,669,686	\$ 1,610,319

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Segment information for Enterprise Funds (continued)

Condensed statement of cash flows (continued)	<u>Sewer</u>	<u>Water</u>
Supplementary disclosure of non-cash transactions		
Transfers in	\$ 4,782,643	\$ 25,259
Transfers out	<u>(4,762,130)</u>	<u>(25,259)</u>
Total non-cash transfers	<u>\$ 20,513</u>	<u>\$ -</u>

11. Contingencies - accumulated sick leave

Portions of sick leave accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2012, City employees had accumulated 1,803 days of sick leave.

12. Risk management

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Net assets - reserved

As required by agreement with the U. S. Department of Agriculture, Rural Utilities Services the City has reserved a portion of the net assets in the Water Fund for future debt service, as follows:

Water	\$ 121,856
Sewer	\$ 599,381

14. Construction commitment

The City has entered into contracts with remaining commitments for construction, as follows:

	<u>Commitment</u>
Waste Water Treatment Digester Plant	\$ 2,536,079

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF SILVERTON

**COMBINING BALANCE SHEET
GENERAL FUNDS
June 30, 2012**

	General	General Operating Reserve	Totals
<u>ASSETS</u>			
Cash and investments	\$ 1,942,541	\$ 540,008	\$ 2,482,549
Receivables	947,493	-	947,493
Inventories	1,116	-	1,116
TOTAL ASSETS	\$ 2,891,150	\$ 540,008	\$ 3,431,158
<u>LIABILITIES</u>			
Accounts payable and accrued items	\$ 168,653	\$ -	\$ 168,653
Consumer deposits	75,496	-	75,496
Deferred revenue	772,313	-	772,313
TOTAL LIABILITIES	1,016,462	-	1,016,462
<u>FUND BALANCES</u>			
Nonspendable	1,116	-	1,116
Assigned	-	540,008	540,008
Unassigned	1,873,572	-	1,873,572
TOTAL FUND BALANCES	1,874,688	540,008	2,414,696
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,891,150	\$ 540,008	\$ 3,431,158

CITY OF SILVERTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

GENERAL FUNDS

For the Year Ended June 30, 2012

	General	General Operating Reserve	Totals
REVENUES			
Property taxes	\$ 2,190,555	\$ -	\$ 2,190,555
Franchise fees	506,117	-	506,117
Licenses, permits and fees	89,977	-	89,977
Fines and forfeitures	214,950	-	214,950
Intergovernmental	225,177	-	225,177
Rentals	8,022	-	8,022
Interest	25,537	2,525	28,062
Miscellaneous	144,675	-	144,675
TOTAL REVENUES	<u>3,405,010</u>	<u>2,525</u>	<u>3,407,535</u>
EXPENDITURES			
Current			
General government	1,509,998	-	1,509,998
Public safety	2,134,283	-	2,134,283
Culture and recreation	367,764	-	367,764
Capital outlay	115,508	-	115,508
TOTAL EXPENDITURES	<u>4,127,553</u>	<u>-</u>	<u>4,127,553</u>
Excess (deficiency) of revenues over expenditures	<u>(722,543)</u>	<u>2,525</u>	<u>(720,018)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	3,500	-	3,500
Transfers in	1,059,064	100,000	1,159,064
Transfers out	(365,157)	-	(365,157)
TOTAL OTHER FINANCING SOURCES (USES)	<u>697,407</u>	<u>100,000</u>	<u>797,407</u>
Net change in fund balances	(25,136)	102,525	77,389
Fund balances at beginning of year	<u>1,899,824</u>	<u>437,483</u>	<u>2,337,307</u>
Fund balance at end of year	<u>\$ 1,874,688</u>	<u>\$ 540,008</u>	<u>\$ 2,414,696</u>

CITY OF SILVERTON

**GENERAL OPERATING RESERVE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 1,500	\$ 2,525	\$ 1,025
EXPENDITURES			
Contingency	<u>538,747</u>	<u>-</u>	<u>538,747</u>
Excess (deficiency) of revenues over expenditures	(537,247)	2,525	539,772
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	(437,247)	102,525	539,772
Fund balance at beginning of year	<u>437,247</u>	<u>437,483</u>	<u>236</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 540,008</u>	<u>\$ 540,008</u>

CITY OF SILVERTON

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2012**

	Special Revenue	Debt Service	Capital Projects	Totals
<u>ASSETS</u>				
Cash and investments	\$ 486,997	\$ 1,393,364	\$ 1,958,622	\$ 3,838,983
Receivables	777,074	562,444	1,198	1,340,716
TOTAL ASSETS	\$ 1,264,071	\$ 1,955,808	\$ 1,959,820	\$ 5,179,699
<u>LIABILITIES</u>				
Accounts payable and accrued items	\$ 38,843	\$ 15,206	\$ 16,670	\$ 70,719
Due to other funds	20,513	-	-	20,513
Deferred revenue	700,128	482,476	-	1,182,604
TOTAL LIABILITIES	759,484	497,682	16,670	1,273,836
<u>FUND BALANCES</u>				
Restricted for:				
Debt service	-	1,458,126	-	1,458,126
Building Operations	1,646	-	-	1,646
Transportation	47,555	-	-	47,555
Electrical Inspection	19,433	-	-	19,433
Abatement	29,581	-	-	29,581
Transient Tax	41,951	-	-	41,951
CDBG Housing Rehabilitation	364,421	-	-	364,421
Capital projects	-	-	1,281,718	1,281,718
Assigned for:				
Capital projects	-	-	661,432	661,432
TOTAL FUND BALANCES	504,587	1,458,126	1,943,150	3,905,863
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,264,071	\$ 1,955,808	\$ 1,959,820	\$ 5,179,699

CITY OF SILVERTON

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	Special Revenue	Debt Service	Capital Projects	Totals
REVENUES				
Property taxes	\$ -	\$ 673,623	\$ -	\$ 673,623
Transient tax	190,700	-	-	190,700
Licenses and permits	85,051	-	125,180	210,231
Assessments	-	149,238	-	149,238
Intergovernmental	50,414	-	37,227	87,641
Loan repayments	12,964	-	-	12,964
Interest	3,212	13,361	6,114	22,687
Miscellaneous	5,388	-	8,492	13,880
	<u>347,729</u>	<u>836,222</u>	<u>177,013</u>	<u>1,360,964</u>
EXPENDITURES				
Current				
General government	355,096	2,951	-	358,047
Debt service	-	732,325	-	732,325
Capital outlay	-	-	327,133	327,133
	<u>355,096</u>	<u>735,276</u>	<u>327,133</u>	<u>1,417,505</u>
TOTAL EXPENDITURES	<u>355,096</u>	<u>735,276</u>	<u>327,133</u>	<u>1,417,505</u>
Excess (deficiency) of revenues over expenditures	<u>(7,367)</u>	<u>100,946</u>	<u>(150,120)</u>	<u>(56,541)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	146,452	120,782	267,234
Transfers out	(118,730)	(171,979)	(94,052)	(384,761)
	<u>(118,730)</u>	<u>(25,527)</u>	<u>26,730</u>	<u>(117,527)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(118,730)</u>	<u>(25,527)</u>	<u>26,730</u>	<u>(117,527)</u>
Net change in fund balances	(126,097)	75,419	(123,390)	(174,068)
Fund balances at beginning of year	630,684	1,382,707	2,066,540	4,079,931
	<u>630,684</u>	<u>1,382,707</u>	<u>2,066,540</u>	<u>4,079,931</u>
Fund balances at end of year	<u>\$ 504,587</u>	<u>\$ 1,458,126</u>	<u>\$ 1,943,150</u>	<u>\$ 3,905,863</u>

CITY OF SILVERTON

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS

June 30, 2012

	Building Operations	Transportation	Electrical Inspection
<u>ASSETS</u>			
Cash and investments	\$ 8,836	\$ 36,481	\$ 20,645
Receivables	-	12,813	-
TOTAL ASSETS	\$ 8,836	\$ 49,294	\$ 20,645
<u>LIABILITIES</u>			
Accounts payable and accrued items	\$ 7,190	\$ 1,739	\$ 1,212
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	7,190	1,739	1,212
<u>FUND BALANCES</u>			
Restricted	1,646	47,555	19,433
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,836	\$ 49,294	\$ 20,645

		Community Development Block Grant Housing Rehabilitation			
Abatement	Transient Tax	Rehabilitation	Totals		
\$ 22,395	\$ 36,020	\$ 362,620	\$ 486,997		
<u>7,186</u>	<u>55,146</u>	<u>701,929</u>	<u>777,074</u>		
<u>\$ 29,581</u>	<u>\$ 91,166</u>	<u>\$ 1,064,549</u>	<u>\$ 1,264,071</u>		
\$ -	\$ 28,702	\$ -	\$ 38,843		
-	20,513	-	20,513		
<u>-</u>	<u>-</u>	<u>700,128</u>	<u>700,128</u>		
-	49,215	700,128	759,484		
<u>29,581</u>	<u>41,951</u>	<u>364,421</u>	<u>504,587</u>		
<u>\$ 29,581</u>	<u>\$ 91,166</u>	<u>\$ 1,064,549</u>	<u>\$ 1,264,071</u>		

CITY OF SILVERTON

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012**

	Building Operations	Transportation	Electrical Inspection
REVENUES			
Transient tax	\$ -	\$ -	\$ -
Licenses, permits and fees	66,888	-	14,049
Intergovernmental	1,580	48,834	-
Loan repayments	-	-	-
Interest	211	238	142
Miscellaneous	162	5,226	-
	68,841	54,298	14,191
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	135,273	56,566	22,954
	(66,432)	(2,268)	(8,763)
Excess (deficiency) of revenues over expenditures			
OTHER FINANCING SOURCES (USES)			
Transfers out	(20,839)	(21,198)	(8,494)
	(87,271)	(23,466)	(17,257)
Net Change in fund balances			
Fund balances at beginning of year	88,917	71,021	36,690
	\$ 1,646	\$ 47,555	\$ 19,433
Fund balances at end of year			

Abatement	Transient Tax	Community Development Block Grant Housing Rehabilitation	Totals
\$ -	\$ 190,700	\$ -	\$ 190,700
4,114	-	-	85,051
-	-	-	50,414
-	-	12,964	12,964
110	178	2,333	3,212
-	-	-	5,388
4,224	190,878	15,297	347,729
2,057	125,791	12,455	355,096
2,167	65,087	2,842	(7,367)
-	(63,163)	(5,036)	(118,730)
2,167	1,924	(2,194)	(126,097)
27,414	40,027	366,615	630,684
<u>\$ 29,581</u>	<u>\$ 41,951</u>	<u>\$ 364,421</u>	<u>\$ 504,587</u>

CITY OF SILVERTON

**COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
June 30, 2012**

	Bonded Debt Service	Debt Service	Assessment	Urban Renewal	Totals
<u>ASSETS</u>					
Cash and investments	\$ 34,833	\$ 11,541	\$ 750,271	\$ 596,719	\$ 1,393,364
Receivables	21,382	-	513,795	27,267	562,444
TOTAL ASSETS	\$ 56,215	\$ 11,541	\$ 1,264,066	\$ 623,986	\$ 1,955,808
<u>LIABILITIES</u>					
Accounts payable and accrued items	\$ -	\$ -	\$ 14,993	\$ 213	\$ 15,206
Deferred revenue	17,724	-	444,071	20,681	482,476
TOTAL LIABILITIES	17,724	-	459,064	20,894	497,682
<u>FUND BALANCES</u>					
Restricted for debt service	38,491	11,541	805,002	603,092	1,458,126
TOTAL LIABILITIES AND FUND BALANCES	\$ 56,215	\$ 11,541	\$ 1,264,066	\$ 623,986	\$ 1,955,808

CITY OF SILVERTON

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended June 30, 2012**

	<u>Bonded Debt Service</u>	<u>Debt Service</u>	<u>Assessment</u>	<u>Urban Renewal</u>	<u>Totals</u>
REVENUES					
Property taxes	\$ 305,448	\$ -	\$ -	\$ 368,175	\$ 673,623
Assessments	-	-	149,238	-	149,238
Interest	<u>1,609</u>	<u>771</u>	<u>4,183</u>	<u>6,798</u>	<u>13,361</u>
TOTAL REVENUES	<u>307,057</u>	<u>771</u>	<u>153,421</u>	<u>374,973</u>	<u>836,222</u>
EXPENDITURES					
Current					
General government	-	-	-	2,951	2,951
Debt service	<u>271,999</u>	<u>146,447</u>	<u>183,105</u>	<u>130,774</u>	<u>732,325</u>
TOTAL EXPENDITURES	<u>271,999</u>	<u>146,447</u>	<u>183,105</u>	<u>133,725</u>	<u>735,276</u>
Excess (dificiency) of revenues over expenditures	<u>35,058</u>	<u>(145,676)</u>	<u>(29,684)</u>	<u>241,248</u>	<u>100,946</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	146,452	-	-	146,452
Transfer out	<u>-</u>	<u>(171,979)</u>	<u>-</u>	<u>-</u>	<u>(171,979)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(25,527)</u>	<u>-</u>	<u>-</u>	<u>(25,527)</u>
Net change in fund balances	35,058	(171,203)	(29,684)	241,248	75,419
Fund balances at beginning of year	<u>3,433</u>	<u>182,744</u>	<u>834,686</u>	<u>361,844</u>	<u>1,382,707</u>
Fund balances at end of year	<u>\$ 38,491</u>	<u>\$ 11,541</u>	<u>\$ 805,002</u>	<u>\$ 603,092</u>	<u>\$ 1,458,126</u>

CITY OF SILVERTON

**COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
June 30, 2012**

	Building Capital Improvement Reserve	Dam Early Warning System	Steelhammer LID
<u>ASSETS</u>			
Cash and investments	\$ 356,986	\$ 239,743	\$ 250,133
Receivables	-	-	-
TOTAL ASSETS	\$ 356,986	\$ 239,743	\$ 250,133
<u>LIABILITIES</u>			
Accounts payable and accrued items	\$ -	\$ -	\$ -
<u>FUND BALANCE</u>			
Restricted	-	-	250,133
Assigned	356,986	239,743	-
TOTAL FUND BALANCE	356,986	239,743	250,133
TOTAL LIABILITIES AND FUND BALANCES	\$ 356,986	\$ 239,743	\$ 250,133

Street Improvement SDC	Storm Water Improvement SDC	Street Lights Improvement	Parks and Recreation Improvement SDC	Street Reimbursement SDC	Totals
\$ 66,282	\$ 566,429	\$ 64,703	\$ 363,113	\$ 51,233	\$ 1,958,622
-	-	-	1,198	-	1,198
<u>\$ 66,282</u>	<u>\$ 566,429</u>	<u>\$ 64,703</u>	<u>\$ 364,311</u>	<u>\$ 51,233</u>	<u>\$ 1,959,820</u>
\$ 11,046	\$ 2,455	\$ -	\$ 3,169	\$ -	\$ 16,670
55,236	563,974	-	361,142	51,233	1,281,718
-	-	64,703	-	-	661,432
<u>55,236</u>	<u>563,974</u>	<u>64,703</u>	<u>361,142</u>	<u>51,233</u>	<u>1,943,150</u>
<u>\$ 66,282</u>	<u>\$ 566,429</u>	<u>\$ 64,703</u>	<u>\$ 364,311</u>	<u>\$ 51,233</u>	<u>\$ 1,959,820</u>

CITY OF SILVERTON

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2012**

	Building Capital Improvement Reserve	Dam Early Warning System	Steelhammer LID
REVENUES			
Liscenses, permits and fees	\$ -	\$ -	\$ -
Intergovernmental	1,672	1,242	1,296
Interest	-	-	-
Miscellaneous	-	-	-
	1,672	1,242	1,296
TOTAL REVENUES	1,672	1,242	1,296
EXPENDITURES			
Capital outlay	210,361	-	-
Excess (deficiency) of revenues over expenditures	(208,689)	1,242	1,296
OTHER FINANCING SOURCES (USES)			
Transfers in	120,782	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	120,782	-	-
Net change in fund balances	(87,907)	1,242	1,296
Fund balances at beginning of year	444,893	238,501	248,837
Fund balances at end of year	\$ 356,986	\$ 239,743	\$ 250,133

Senior Center	Street Improvement SDC	Storm Water Improvement SDC	Street Lights Improvement	Parks and Recreation Improvement SDC	Street Reimbursement SDC	Totals
\$ -	\$ 63,285	\$ 14,189	\$ -	\$ 37,647	\$ 10,059	\$ 125,180
31,819	-	-	-	1,198	-	37,227
282	284	3,157	335	1,812	244	6,114
7,022	-	-	-	1,470	-	8,492
39,123	63,569	17,346	335	42,127	10,303	177,013
-	27,011	67,516	-	22,245	-	327,133
39,123	36,558	(50,170)	335	19,882	10,303	(150,120)
-	-	-	-	-	-	120,782
(70,782)	(11,635)	(11,635)	-	-	-	(94,052)
(70,782)	(11,635)	(11,635)	-	-	-	26,730
(31,659)	24,923	(61,805)	335	19,882	10,303	(123,390)
31,659	30,313	625,779	64,368	341,260	40,930	2,066,540
\$ -	\$ 55,236	\$ 563,974	\$ 64,703	\$ 361,142	\$ 51,233	\$ 1,943,150

CITY OF SILVERTON

**BUILDING OPERATIONS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Permits and fees	\$ 87,660	\$ 66,888	\$ (20,772)
Intergovernmental	3,500	1,580	(1,920)
Interest	500	211	(289)
Miscellaneous	1,000	162	(838)
TOTAL REVENUES	92,660	68,841	(23,819)
EXPENDITURES			
Personal services	134,482	120,071	14,411
Materials and services	14,075	15,202	(1,127)
Contingency	15,165	-	15,165
TOTAL EXPENDITURES	163,722	135,273	28,449
Excess (deficiency) of revenues over expenditures	(71,062)	(66,432)	4,630
OTHER FINANCING SOURCES (USES)			
Transfers in	24,000	-	(24,000)
Transfers out	(47,935)	(20,839)	27,096
TOTAL OTHER FINANCING SOURCES (USES)	(23,935)	(20,839)	3,096
Net change in fund balance	(94,997)	(87,271)	7,726
Fund balance at beginning of year	94,997	88,917	(6,080)
Fund balance at end of year	\$ -	\$ 1,646	\$ 1,646

CITY OF SILVERTON

**TRANSPORTATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 103,659	\$ 48,834	\$ (54,825)
Interest	100	238	138
Miscellaneous	3,500	5,226	1,726
 TOTAL REVENUES	 107,259	 54,298	 (52,961)
 EXPENDITURES			
Personal services	51,242	45,552	5,690
Materials and services	24,850	11,014	13,836
Contingency	92,270	-	92,270
 TOTAL EXPENDITURES	 168,362	 56,566	 111,796
 Excess (deficiency) of revenues over expenditures	 (61,103)	 (2,268)	 58,835
 OTHER FINANCING SOURCES (USES)			
Transfers out	(21,198)	(21,198)	-
 Net change in fund balance	 (82,301)	 (23,466)	 58,835
Fund balance at beginning of year	82,301	71,021	(11,280)
 Fund balance at end of year	 \$ -	 \$ 47,555	 \$ 47,555

CITY OF SILVERTON

**ELECTRICAL INSPECTION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Licenses, permits and fees	\$ 12,000	\$ 14,049	\$ 2,049
Interest	250	142	(108)
TOTAL REVENUES	12,250	14,191	1,941
EXPENDITURES			
Personal services	23,750	15,202	8,548
Materials and services	8,825	7,752	1,073
Contingency	1,316	-	1,316
TOTAL EXPENDITURES	33,891	22,954	10,937
Excess (deficiency) of revenues over expenditures	(21,641)	(8,763)	12,878
OTHER FINANCING SOURCES (USES)			
Transfers out	(8,494)	(8,494)	-
Net change in fund balance	(30,135)	(17,257)	12,878
Fund balance at beginning of year	30,135	36,690	6,555
Fund balance at end of year	\$ -	\$ 19,433	\$ 19,433

CITY OF SILVERTON

**ABATEMENT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses, permits and fees	\$ 2,000	\$ 4,114	\$ 2,114
Interest	<u>75</u>	<u>110</u>	<u>35</u>
 TOTAL REVENUES	 2,075	 4,224	 2,149
 EXPENDITURES			
Materials and services	<u>28,576</u>	<u>2,057</u>	<u>26,519</u>
Net change in fund balance	(26,501)	2,167	28,668
Fund balance at beginning of year	<u>26,501</u>	<u>27,414</u>	<u>913</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 29,581</u>	 <u>\$ 29,581</u>

CITY OF SILVERTON

**TRANSIENT TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Transient room tax	\$ 142,165	\$ 190,700	\$ 48,535
Interest	<u>50</u>	<u>178</u>	<u>128</u>
 TOTAL REVENUES	 142,215	 190,878	 48,663
 EXPENDITURES			
Materials and services	<u>112,435</u>	<u>125,791</u>	<u>(13,356)</u>
 Excess (deficiency) of revenues over expenditures	 29,780	 65,087	 35,307
 OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(42,650)</u>	<u>(63,163)</u>	<u>(20,513)</u>
 Net change in fund balance	 (12,870)	 1,924	 14,794
Fund balance at beginning of year	<u>12,870</u>	<u>40,027</u>	<u>27,157</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 41,951</u>	 <u>\$ 41,951</u>

CITY OF SILVERTON

**COMMUNITY DEVELOPMENT BLOCK GRANT
HOUSING REHABILITATION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Loan repayments	\$ 5,324	\$ 12,964	\$ 7,640
Interest	2,000	2,333	333
TOTAL REVENUES	7,324	15,297	7,973
EXPENDITURES			
Materials and services	180,000	12,455	167,545
Contingency and reserves	127,975	-	127,975
TOTAL EXPENDITURES	307,975	12,455	295,520
Excess (deficiency) of revenues over expenditures	(300,651)	2,842	303,493
OTHER FINANCING SOURCES (USES)			
Transfers out	(5,036)	(5,036)	-
Net change in fund balance	(305,687)	(2,194)	303,493
Fund balance at beginning of year	305,687	366,615	60,928
Fund balance at end of year	\$ -	\$ 364,421	\$ 364,421

CITY OF SILVERTON

**BONDED DEBT SERVICE - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 275,441	\$ 305,448	\$ 30,007
Interest	<u>750</u>	<u>1,609</u>	<u>859</u>
 TOTAL REVENUES	 276,191	 307,057	 30,866
 EXPENDITURES			
Debt service	<u>272,000</u>	<u>271,999</u>	<u>1</u>
 Net change in fund balance	 4,191	 35,058	 30,867
Fund balance at beginning of year	<u>(4,191)</u>	<u>3,433</u>	<u>7,624</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 38,491</u>	 <u>\$ 38,491</u>

CITY OF SILVERTON

**DEBT SERVICE - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 500	\$ 771	\$ 271
EXPENDITURES			
Debt service	146,450	146,447	3
Contingency	10,000	-	10,000
TOTAL EXPENDITURES	156,450	146,447	10,003
Excess (deficiency) of revenues over expenditures	(155,950)	(145,676)	10,274
OTHER FINANCING SOURCES (USES)			
Transfers in	146,452	146,452	-
Transfers out	(171,979)	(171,979)	-
TOTAL OTHER FINANCING SOURCES (USES)	(25,527)	(25,527)	-
Net change in fund balance	(181,477)	(171,203)	10,274
Fund balance at beginning of year	181,477	182,744	1,267
Fund balance at end of year	\$ -	\$ 11,541	\$ 11,541

CITY OF SILVERTON

**ASSESSMENT - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Assessments	\$ 93,400	\$ 149,238	\$ 55,838
Interest	3,500	4,183	683
TOTAL REVENUES	96,900	153,421	56,521
EXPENDITURES			
Materials and services	4,000	-	4,000
Debt service	183,610	183,105	505
Contingency	733,749	-	733,749
TOTAL EXPENDITURES	921,359	183,105	738,254
Net change in fund balance	(824,459)	(29,684)	794,775
Fund balance at beginning of year	824,459	834,686	10,227
Fund balance at end of year	\$ -	\$ 805,002	\$ 805,002

CITY OF SILVERTON

**URBAN RENEWAL - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 316,041	\$ 368,175	\$ 52,134
Interest	<u>2,250</u>	<u>6,798</u>	<u>4,548</u>
 TOTAL REVENUES	 <u>318,291</u>	 <u>374,973</u>	 <u>56,682</u>
 EXPENDITURES			
Materials and services	5,100	2,951	2,149
Debt service	289,684	285,574	4,110
Capital outlay	467,220	-	467,220
Contingency	<u>50,000</u>	<u>-</u>	<u>50,000</u>
 TOTAL EXPENDITURES	 <u>812,004</u>	 <u>288,525</u>	 <u>523,479</u>
 Net change in fund balance	 (493,713)	 86,448	 580,161
Fund balance at beginning of year	<u>493,713</u>	<u>516,644</u>	<u>22,931</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>603,092</u>	 <u>\$ 603,092</u>

CITY OF SILVERTON

**BUILDING CAPITAL IMPROVEMENT RESERVE - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 1,800	\$ 1,672	\$ (128)
EXPENDITURES			
Capital outlay	241,658	210,361	31,297
Contingency	382,394	-	382,394
TOTAL EXPENDITURES	624,052	210,361	413,691
Excess (deficiency) of revenues over expenditures	(622,252)	(208,689)	413,563
OTHER FINANCING SOURCES (USES)			
Transfers in	154,690	120,782	(33,908)
Net change in fund balance	(467,562)	(87,907)	379,655
Fund balance at beginning of year	467,562	444,893	(22,669)
Fund balance at end of year	\$ -	\$ 356,986	\$ 356,986

CITY OF SILVERTON

**DAM EARLY WARNING SYSTEM - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 100	\$ 1,242	\$ 1,142
EXPENDITURES			
General government	227,500	-	227,500
Excess (deficiency) of revenues over expenditures	(227,400)	1,242	228,642
OTHER FINANCING SOURCES (USES)			
Transfers out	(10,823)	-	10,823
Net change in fund balance	(238,223)	1,242	239,465
Fund balance at beginning of year	238,223	238,501	278
Fund balance at end of year	\$ -	\$ 239,743	\$ 239,743

CITY OF SILVERTON

**STEELHAMMER LID - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 1,000	\$ 1,296	\$ 296
EXPENDITURES			
Contingency	<u>249,827</u>	<u>-</u>	<u>249,827</u>
Net change in fund balance	(248,827)	1,296	250,123
Fund balance at beginning of year	<u>248,827</u>	<u>248,837</u>	<u>10</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 250,133</u></u>	<u><u>\$ 250,133</u></u>

CITY OF SILVERTON

**SENIOR CENTER - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ -	\$ 31,819	\$ 31,819
Interest	-	282	282
Miscellaneous	-	7,022	7,022
	-	39,123	39,123
TOTAL REVENUES	-	39,123	39,123
OTHER FINANCING SOURCES (USES)			
Transfers out	(104,690)	(70,782)	33,908
Net change in fund balance	(104,690)	(31,659)	73,031
Fund balance at beginning of year	104,690	31,659	(73,031)
	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

CITY OF SILVERTON

**STREET IMPROVEMENT SDC - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Licenses, permits and fees	\$ 45,988	\$ 63,285	\$ 17,297
Intergovernmental	303,774	-	(303,774)
Interest	200	284	84
TOTAL REVENUES	349,962	63,569	(286,393)
EXPENDITURES			
Capital outlay	353,274	27,011	326,263
Contingency	42,079	-	42,079
TOTAL EXPENDITURES	395,353	27,011	368,342
Excess (deficiency) of revenues over expenditures	(45,391)	36,558	81,949
OTHER FINANCING SOURCES (USES)			
Transfers in	25,000	-	(25,000)
Transfers out	(21,635)	(11,635)	10,000
TOTAL OTHER FINANCING SOURCES (USES)	3,365	(11,635)	(15,000)
Net change in fund balance	(42,026)	24,923	66,949
Fund balance at beginning of year	42,026	30,313	(11,713)
Fund balance at end of year	\$ -	\$ 55,236	\$ 55,236

CITY OF SILVERTON

**STORM WATER IMPROVEMENT SDC - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Licenses, permits and fees	\$ 17,544	\$ 14,189	\$ (3,355)
Interest	3,000	3,157	157
TOTAL REVENUES	20,544	17,346	(3,198)
EXPENDITURES			
Capital outlay	72,686	67,516	5,170
Contingency	555,911	-	555,911
TOTAL EXPENDITURES	628,597	67,516	561,081
Excess (deficiency) of revenues over expenditures	(608,053)	(50,170)	557,883
OTHER FINANCING SOURCES (USES)			
Transfers out	(11,635)	(11,635)	-
Net change in fund balance	(619,688)	(61,805)	557,883
Fund balance at beginning of year	619,688	625,779	6,091
Fund balance at end of year	\$ -	\$ 563,974	\$ 563,974

CITY OF SILVERTON

**STREET LIGHTS IMPROVEMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 250	\$ 335	\$ 85
EXPENDITURES			
Capital outlay	39,618	-	39,618
Excess (deficiency) of revenues over expenditures	(39,368)	335	39,703
OTHER FINANCING SOURCES (USES)			
Transfers out	(25,000)	-	25,000
Net change in fund balance	(64,368)	335	64,703
Fund balance at beginning of year	64,368	64,368	-
Fund balance at end of year	\$ -	\$ 64,703	\$ 64,703

CITY OF SILVERTON

**PARKS AND RECREATION IMPROVEMENTS SDC - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses, permits and fees	\$ 49,872	\$ 37,647	\$ (12,225)
Intergovernmental	190,000	1,198	(188,802)
Interest	1,150	1,812	662
Miscellaneous	<u>25,000</u>	<u>1,470</u>	<u>(23,530)</u>
TOTAL REVENUES	<u>266,022</u>	<u>42,127</u>	<u>(223,895)</u>
EXPENDITURES			
Capital outlay	472,686	22,245	450,441
Contingency	<u>148,900</u>	<u>-</u>	<u>148,900</u>
TOTAL EXPENDITURES	<u>621,586</u>	<u>22,245</u>	<u>599,341</u>
Net change in fund balance	(355,564)	19,882	375,446
Fund balance at beginning of year	<u>355,564</u>	<u>341,260</u>	<u>(14,304)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 361,142</u>	<u>\$ 361,142</u>

CITY OF SILVERTON

**STREET REIMBURSEMENT SDC - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Licenses, permits and fees	\$ 5,556	\$ 10,059	\$ 4,503
Interest	100	244	144
TOTAL REVENUES	5,656	10,303	4,647
EXPENDITURES			
Contingency	45,653	-	45,653
Net change in fund balance	(39,997)	10,303	50,300
Fund balance at beginning of year	39,997	40,930	933
Fund balance at end of year	\$ -	\$ 51,233	\$ 51,233

CITY OF SILVERTON

**SEWER - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 2,404,804	\$ 2,421,016	\$ 16,212
Interest	2,500	5,056	2,556
Other	-	9,623	9,623
TOTAL REVENUES	2,407,304	2,435,695	28,391
EXPENDITURES			
Personal services	690,566	645,528	45,038
Materials and services	555,780	446,833	108,947
Capital outlay	58,700	44,081	14,619
Debt service	825,528	795,459	30,069
Contingency	133,535	-	133,535
TOTAL EXPENDITURES	2,264,109	1,931,901	332,208
Excess (deficiency) of revenues over expenditures	143,195	503,794	360,599
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,047,479)	(1,047,479)	-
Net change in fund balance	(904,284)	(543,685)	360,599
Fund balance at beginning of year	904,284	967,451	63,167
Fund balance at end of year	\$ -	423,766	\$ 423,766
Reconciliation to generally accepted accounting principles			
Bond premium and issuance costs, net		47,543	
Capital assets, net		21,901,270	
Accrued interest payable		(38,828)	
Long-term obligations		(11,575,000)	
Net assets at end of year		\$ 10,758,751	

CITY OF SILVERTON

**WATER - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 1,528,000	\$ 1,533,829	\$ 5,829
Interest	1,200	2,977	1,777
Other	2,700	2,339	(361)
TOTAL REVENUES	<u>1,531,900</u>	<u>1,539,145</u>	<u>7,245</u>
EXPENDITURES			
Personal services	514,885	497,801	17,084
Materials and services	365,630	331,490	34,140
Capital outlay	38,700	7,910	30,790
Debt service	121,860	121,856	4
Contingency	559,108	-	559,108
TOTAL EXPENDITURES	<u>1,600,183</u>	<u>959,057</u>	<u>641,126</u>
Excess (deficiency) of revenues over expenditures	<u>(68,283)</u>	<u>580,088</u>	<u>648,371</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	10,823	-	(10,823)
Transfers out	(464,300)	(464,300)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(453,477)</u>	<u>(464,300)</u>	<u>(10,823)</u>
Net change in fund balance	(521,760)	115,788	637,548
Fund balance at beginning of year	521,760	545,283	23,523
Fund balance at end of year	<u>\$ -</u>	<u>661,071</u>	<u>\$ 661,071</u>
Reconciliation to generally accepted accounting principles			
Capital assets, net		8,330,232	
Accrued interest payable		(6,818)	
Long-term obligations		(1,701,478)	
Net assets at end of year		<u>\$ 7,283,007</u>	

CITY OF SILVERTON

**WWTP DIGESTER PROJECT - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 2,500	\$ 20,618	\$ 18,118
Miscellaneous	-	900	900
TOTAL REVENUES	2,500	21,518	19,018
EXPENDITURES			
Capital outlay	4,908,156	819,666	4,088,490
Excess (deficiency) of revenues over expenditures	(4,905,656)	(798,148)	4,107,508
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	4,000,000	4,067,446	67,446
Net change in fund balance	(905,656)	3,269,298	4,174,954
Fund balance at beginning of year	905,656	936,452	30,796
Fund balance at end of year	\$ -	\$ 4,205,750	\$ 4,205,750

CITY OF SILVERTON

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
June 30, 2012

	Sewer Improve- ment SDC	Sewer Reimburse- ment SDC	Water Improve- ment SDC	Water Reimburse- ment SDC	Sewer Debt Reserve	Totals
<u>ASSETS</u>						
Current assets						
Cash and investments	\$ 102,465	\$ 28,136	\$ 901,306	\$ 106,284	844,918	\$ 1,983,109
Due from other funds	-	-	-	-	20,513	20,513
TOTAL ASSETS	<u>102,465</u>	<u>28,136</u>	<u>901,306</u>	<u>106,284</u>	<u>865,431</u>	<u>2,003,622</u>
<u>NET ASSETS</u>						
Restricted for capital projects	102,465	28,136	901,306	106,284	-	1,138,191
Unrestricted	-	-	-	-	865,431	865,431
TOTAL NET ASSETS	<u>\$ 102,465</u>	<u>\$ 28,136</u>	<u>\$ 901,306</u>	<u>\$ 106,284</u>	<u>\$ 865,431</u>	<u>\$ 2,003,622</u>

CITY OF SILVERTON

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2012

	Sewer Improvement SDC	Sewer Reimburse- ment SDC	Water Improvement SDC	Water Reimburse- ment SDC	Sewer Debt Reserve	Totals
OPERATING EXPENSES						
Materials and services	\$ -	\$ -	\$ 2,128	\$ -	\$ -	\$ 2,128
Operating (loss)	-	-	(2,128)	-	-	(2,128)
NON-OPERATING REVENUES (EXPENSES)						
System development charges	31,868	21,673	25,893	17,014	-	96,448
Interest	474	117	4,691	531	2,371	8,184
Total non-operating revenues (expenses)	32,342	21,790	30,584	17,545	2,371	104,632
Income before transfers	32,342	21,790	28,456	17,545	2,371	102,504
TRANSFERS						
Transfers in	-	-	-	-	863,060	863,060
Transfers out	(11,635)	(11,635)	(36,894)	(11,635)	-	(71,799)
Total transfers	(11,635)	(11,635)	(36,894)	(11,635)	863,060	791,261
Change in net assets	20,707	10,155	(8,438)	5,910	865,431	893,765
Total net assets at beginning of year	81,758	17,981	909,744	100,374	-	1,109,857
Total net assets at end of year	\$ 102,465	\$ 28,136	\$ 901,306	\$ 106,284	\$ 865,431	\$ 2,003,622

CITY OF SILVERTON

COMBINING STATEMENT OF CASH FLOWS

OTHER ENTERPRISE FUNDS

For the Year Ended June 30, 2012

	Sewer Improvement SDC	Sewer Reimbursement SDC	Water Improvement SDC
CASH FLOWS FROM OPERATING ACTIVITES			
Payments to suppliers	\$ -	\$ -	\$ (2,253)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	<u>(11,635)</u>	<u>(11,635)</u>	<u>(11,635)</u>
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(11,635)</u>	<u>(11,635)</u>	<u>(11,635)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges received	31,868	21,673	25,893
Other	-	-	-
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>(25,259)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>31,868</u>	<u>21,673</u>	<u>634</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>474</u>	<u>117</u>	<u>4,691</u>
Net increase (decrease) in cash	20,707	10,155	(8,563)
Cash - beginning of year	<u>81,758</u>	<u>17,981</u>	<u>909,869</u>
Cash - end of year	<u>\$ 102,465</u>	<u>\$ 28,136</u>	<u>\$ 901,306</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ -	\$ -	\$ (2,128)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Increase (decrease) in liabilities			
Accounts payable and accrued items	<u>-</u>	<u>-</u>	<u>(125)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,253)</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS			
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,259)</u>

Water Reimbursement SDC	Sewer Debt Reserve	Totals
\$ -	\$ -	\$ (2,253)
-	842,547	842,547
<u>(11,635)</u>	<u>-</u>	<u>(46,540)</u>
<u>(11,635)</u>	<u>842,547</u>	<u>796,007</u>
17,014	-	96,448
-	-	-
<u>-</u>	<u>-</u>	<u>(25,259)</u>
<u>17,014</u>	<u>-</u>	<u>71,189</u>
<u>531</u>	<u>2,371</u>	<u>8,184</u>
5,910	844,918	873,127
<u>100,374</u>	<u>-</u>	<u>1,109,982</u>
<u>\$ 106,284</u>	<u>\$ 844,918</u>	<u>\$ 1,983,109</u>
\$ -	\$ -	\$ (2,128)
<u>-</u>	<u>-</u>	<u>(125)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,253)</u>
<u>\$ -</u>	<u>\$ 20,513</u>	<u>\$ 20,513</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,259)</u>

CITY OF SILVERTON

**SEWER IMPROVEMENT SDC - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 32,040	\$ 31,868	\$ (172)
Interest	<u>300</u>	<u>474</u>	<u>174</u>
 TOTAL REVENUES	 <u>32,340</u>	 <u>32,342</u>	 <u>2</u>
 EXPENDITURES			
Capital outlay	15,000	-	15,000
Contingency	<u>87,711</u>	<u>-</u>	<u>87,711</u>
 TOTAL EXPENDITURES	 <u>102,711</u>	 <u>-</u>	 <u>102,711</u>
 Excess (deficiency) of revenues over expenditures	 (70,371)	 32,342	 102,713
 OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(11,635)</u>	<u>(11,635)</u>	<u>-</u>
 Net change in fund balance	 (82,006)	 20,707	 102,713
Fund balance at beginning of year	<u>82,006</u>	<u>81,758</u>	<u>(248)</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 102,465</u>	 <u>\$ 102,465</u>

CITY OF SILVERTON

**SEWER REIMBURSEMENT SDC - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 22,020	\$ 21,673	\$ (347)
Interest	40	117	77
TOTAL REVENUES	22,060	21,790	(270)
EXPENDITURES			
Contingency	28,397	-	28,397
Excess (deficiency) of revenues over expenditures	(6,337)	21,790	28,127
OTHER FINANCING SOURCES (USES)			
Transfers out	(11,635)	(11,635)	-
Net change in fund balance	(17,972)	10,155	28,127
Fund balance at beginning of year	17,972	17,981	9
Fund balance at end of year	\$ -	\$ 28,136	\$ 28,136

CITY OF SILVERTON

**WATER IMPROVEMENT SDC - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 29,124	25,893	\$ (3,231)
Interest	3,500	4,691	1,191
TOTAL REVENUES	32,624	30,584	(2,040)
EXPENDITURES			
Capital outlay	743,600	27,387	716,213
Contingency	159,111	-	159,111
TOTAL EXPENDITURES	902,711	27,387	875,324
Excess (deficiency) of revenues over expenditures	(870,087)	3,197	873,284
OTHER FINANCING SOURCES (USES)			
Transfers out	(25,635)	(11,635)	14,000
Net change in fund balance	(895,722)	(8,438)	887,284
Fund balance at beginning of year	895,722	909,744	14,022
Fund balance at end of year	\$ -	\$ 901,306	\$ 901,306

CITY OF SILVERTON

**WATER REIMBURSEMENT SDC - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 20,436	\$ 17,014	\$ (3,422)
Interest	300	531	231
TOTAL REVENUES	20,736	17,545	(3,191)
EXPENDITURES			
Contingency	107,775	-	107,775
Excess (deficiency) of revenues over expenditures	(87,039)	17,545	104,584
OTHER FINANCING SOURCES (USES)			
Transfers out	(11,635)	(11,635)	-
Net change in fund balance	(98,674)	5,910	104,584
Fund balance at beginning of year	98,674	100,374	1,700
Fund balance at end of year	\$ -	\$ 106,284	\$ 106,284

CITY OF SILVERTON

**SEWER DEBT RESERVE - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ -	\$ 2,371	\$ 2,371
EXPENDITURES			
Contingency	<u>842,547</u>	<u>-</u>	<u>842,547</u>
Excess (deficiency) of revenues over expenditures	(842,547)	2,371	844,918
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>842,547</u>	<u>863,060</u>	<u>20,513</u>
Net change in fund balance	-	865,431	865,431
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 865,431</u>	<u>\$ 865,431</u>

CITY OF SILVERTON

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012**

	<u>Fleet Replacement</u>	<u>Major Equipment Replacement</u>	<u>Extended Leave</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets				
Cash and cash investments	\$ 641,261	\$ 709,886	\$ 111,387	\$ 1,462,534
Accounts receivable	<u>3,150</u>	<u>-</u>	<u>-</u>	<u>3,150</u>
 TOTAL ASSETS	 <u>644,411</u>	 <u>709,886</u>	 <u>111,387</u>	 <u>1,465,684</u>
 <u>NET ASSETS</u>				
Unrestricted	<u>\$ 644,411</u>	<u>\$ 709,886</u>	<u>\$ 111,387</u>	<u>\$ 1,465,684</u>

CITY OF SILVERTON

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2012

	Fleet Replacement	Major Equipment Replacement	Extended Leave	Totals
NON-OPERATING REVENUES (EXPENSES)				
Interest	\$ 3,336	\$ 3,634.00	\$ 574.00	\$ 7,544
Sale of capital assets	<u>3,594</u>	<u>-</u>	<u>-</u>	<u>3,594</u>
Income before transfers	<u>6,930</u>	<u>3,634</u>	<u>574</u>	<u>11,138</u>
TRANSFERS				
Transfers in	104,894	106,883	8,788	220,565
Transfers out	<u>(23,468)</u>	<u>-</u>	<u>-</u>	<u>(23,468)</u>
Total transfers	<u>81,426</u>	<u>106,883</u>	<u>8,788</u>	<u>197,097</u>
Change in net assets	88,356	110,517	9,362	208,235
Total net assets at beginning of year	<u>556,055</u>	<u>599,369</u>	<u>102,025</u>	<u>1,257,449</u>
Total net assets at end of year	<u>\$ 644,411</u>	<u>\$ 709,886</u>	<u>\$ 111,387</u>	<u>\$ 1,465,684</u>

CITY OF SILVERTON

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2012**

	<u>Fleet</u>	<u>Major Equipment</u>	<u>Extended</u>	<u>Totals</u>
	<u>Replacement</u>	<u>Replacement</u>	<u>Leave</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	\$ 104,894	\$ 106,883	\$ 8,788	\$ 220,565
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(23,468)	-	-	(23,468)
Increase in receivable related to sale	(3,150)	-	-	(3,150)
Sale of capital assets	3,594	-	-	3,594
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(23,024)</u>	<u>-</u>	<u>-</u>	<u>(23,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	3,336	3,634	574	7,544
Net increase in cash	85,206	110,517	9,362	205,085
Cash - beginning of year	<u>556,055</u>	<u>599,369</u>	<u>102,025</u>	<u>1,257,449</u>
Cash - end of year	<u>\$ 641,261</u>	<u>\$ 709,886</u>	<u>\$ 111,387</u>	<u>\$ 1,462,534</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS				
Transfers out	<u>\$ 23,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,468</u>

CITY OF SILVERTON

**FLEET REPLACEMENT - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 1,800	\$ 3,336	\$ 1,536
 EXPENDITURES			
Capital outlay	25,300	23,468	1,832
Contingency	639,699	-	639,699
 TOTAL EXPENDITURES	664,999	23,468	641,531
 Excess (deficiency) of revenues over expenditures	(663,199)	(20,132)	643,067
 OTHER FINANCING SOURCES (USES)			
Transfers in	107,419	104,894	(2,525)
Sale of capital assets	-	3,594	3,594
 TOAL OTHER FINANCING SOURCES (USES)	107,419	108,488	1,069
 Net change in fund balance	(555,780)	88,356	644,136
Fund balance at beginning of year	555,780	556,055	275
 Fund balance at end of year	\$ -	\$ 644,411	\$ 644,411

CITY OF SILVERTON

**MAJOR EQUIPMENT REPLACEMENT - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 2,500	\$ 3,634	\$ 1,134
EXPENDITURES			
Capital outlay	50,000	-	50,000
Contingency	658,532	-	658,532
TOTAL EXPENDITURES	708,532	-	708,532
Excess (deficiency) of revenues over expenditures	(706,032)	3,634	709,666
OTHER FINANCING SOURCES (USES)			
Transfers in	106,883	106,883	-
Net change in fund balance	(599,149)	110,517	709,666
Fund balance at beginning of year	599,149	599,369	220
Fund balance at end of year	\$ -	\$ 709,886	\$ 709,886

CITY OF SILVERTON

**EXTENDED LEAVE - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 450	\$ 574	\$ 124
EXPENDITURES			
Personal services	110,604	-	110,604
Excess (deficiency) of revenues over expenditures	(110,154)	574	(110,480)
OTHER FINANCING SOURCES (USES)			
Transfers in	8,888	8,788	(100)
Net change in fund balance	(101,266)	9,362	110,628
Fund balance at beginning of year	101,266	102,025	759
Fund balance at end of year	\$ -	\$ 111,387	\$ 111,387

CITY OF SILVERTON

**COMPARATIVE STATEMENT OF NET ASSETS
SEWER SYSTEM FUNDS
June 30, 2012 and 2011**

	2012	2011
<u>ASSETS</u>		
Current assets		
Cash and investments	\$ 5,669,686	\$ 1,909,090
Receivables, net	244,506	226,043
Due from other funds	20,513	-
Inventories	7,551	14,859
Total current assets	5,942,256	2,149,992
Bond premium and issuance costs, net	47,543	-
Capital assets, net	21,901,270	21,575,423
TOTAL ASSETS	27,891,069	23,725,415
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued items	280,607	117,897
Accrued interest payable	38,828	67,221
Accumulated unpaid vacation	36,101	28,453
Long-term obligations due within one year	360,000	250,000
Total current liabilities	715,536	463,571
Long-term obligations	11,215,000	7,620,000
TOTAL LIABILITIES	11,930,536	8,083,571
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	10,326,270	13,705,423
Restricted for:		
Capital projects	4,336,351	1,036,191
Unrestricted	1,297,912	900,230
TOTAL NET ASSETS	\$ 15,960,533	\$ 15,641,844

CITY OF SILVERTON

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
SEWER SYSTEM FUNDS**

For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Charges for services	\$ 2,421,016	\$ 2,351,185
OPERATING EXPENSES		
Personal services	645,528	617,097
Materials and services	436,657	476,797
Depreciation	485,585	479,078
Total operating expenses	1,567,770	1,572,972
Operating income	853,246	778,213
NONOPERATING REVENUES (EXPENSES)		
System development charges	53,541	49,555
Interest	28,636	11,720
Miscellaneous	10,523	1,053
Amortization	(2,502)	-
Interest	(417,066)	(368,001)
Total nonoperating revenues (expenses)	(326,868)	(305,673)
Income before transfers	526,378	472,540
TRANSFERS		
Transfers in	5,625,190	554,464
Transfers out	(5,832,879)	(1,054,796)
Total transfers	(207,689)	(500,332)
Change in net assets	318,689	(27,792)
Net assets at beginning of year	15,641,844	15,669,636
Net assets at end of year	\$ 15,960,533	\$ 15,641,844

CITY OF SILVERTON

COMPARATIVE STATEMENT OF NET ASSETS
 WATER SYSTEM FUNDS
 June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current assets		
Cash and investments	\$ 1,610,319	\$ 1,489,448
Receivables, net	146,318	136,555
Inventories	<u>82,999</u>	<u>97,205</u>
Total current assets	1,839,636	1,723,208
Capital assets, net	<u>8,330,232</u>	<u>8,587,933</u>
TOTAL ASSETS	<u>10,169,868</u>	<u>10,311,141</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued items	74,077	75,737
Consumer deposits	66,890	69,679
Accrued interest payable	6,818	6,966
Accumulated unpaid vacation	30,008	22,391
Long-term obligations due within one year	<u>38,903</u>	<u>37,095</u>
Total current liabilities	216,696	211,868
Long-term obligations	<u>1,662,575</u>	<u>1,701,478</u>
TOTAL LIABILITIES	<u>1,879,271</u>	<u>1,913,346</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	6,628,754	6,849,360
Restricted for:		
Debt service	121,856	121,856
Other purposes	1,007,590	1,070,608
Unrestricted	<u>532,397</u>	<u>355,971</u>
TOTAL NET ASSETS	<u>\$ 8,290,597</u>	<u>\$ 8,397,795</u>

CITY OF SILVERTON

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
WATER SYSTEM FUNDS**

For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Charges for services	\$ 1,533,829	\$ 1,530,924
OPERATING EXPENSES		
Personal services	497,801	478,641
Materials and services	341,528	326,481
Depreciation	282,960	282,960
Total operating expenses	1,122,289	1,088,082
Operating income	411,540	442,842
NONOPERATING REVENUES (EXPENSES)		
System development charges	42,907	41,300
Interest	8,199	7,395
Miscellaneous	2,339	8,030
Interest	(84,613)	(85,632)
Total nonoperating revenues (expenses)	(31,168)	(28,907)
Income before transfers	380,372	413,935
TRANSFERS		
Transfers in	25,259	79,244
Transfers out	(512,829)	(502,492)
Total transfers	(487,570)	(423,248)
Change in net assets	(107,198)	(9,313)
Net assets at beginning of year	8,397,795	8,407,108
Net assets at end of year	\$ 8,290,597	\$ 8,397,795

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL
CORPORATIONS**



**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

Honorable Mayor and Members of the City Council
CITY OF SILVERTON
Silverton, Oregon

We have audited the basic financial statements of the **CITY OF SILVERTON** as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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.
- Programs funded from outside sources.
- 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).

Honorable Mayor and Members of the City Council
 CITY OF SILVERTON
 Silverton, Oregon

In connection with our testing nothing came to our attention that caused us to believe the City 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 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

- The budget was executed in compliance with legal requirements, except as follows:
 - Disbursements in excess of appropriations (which is prohibited by ORS 294.435) were made in the following categories:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
Building Operations			
Materials and services	\$ 14,075	\$ 15,202	\$ (1,127)
Transient Tax			
Materials and services	112,435	125,791	(13,356)

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting. However, we have separately issued a letter to management describing deficiencies in internal controls.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the CITY OF SILVERTON and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt, Carlisle & Smith, LLC
 Certified Public Accountants
 Salem, Oregon
 November 27, 2012

By: 
 Brad Bingehneimer

GRANT COMPLIANCE – YELLOW BOOK



**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**

Honorable Mayor and Members of the City Council
CITY OF SILVERTON
Silverton, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of CITY OF SILVERTON as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 27, 2012. 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (See Finding 2012-1).

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 (Continued)*

Internal Control Over Financial Reporting (continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency (See Finding 2012-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its 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*.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, City Council, others within the entity, 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.

Baldt, Carlisle & Smith, LLC

Certified Public Accountants
Salem, Oregon
November 27, 2012

CITY OF SILVERTON
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

Material Weaknesses

2012-1 Segregation of duties over the initiation, posting, and review of all journal entries

Criteria:	Adequate segregation of duties over the initiation, posting, and review of manual adjusting journal entries by the Finance Director, both routine and non-routine.
Condition:	The City's internal controls do not provide for adequate segregation of duties over the initiation, posting, and review of manual adjusting journal entries by the Finance Director, both routine and non-routine.
Cause:	The Finance Director records manual adjusting journal entries as needed, however there is no supervisory review of these journal entries.
Effect:	The Finance Director could post unauthorized journal entries.
Response:	The weakness only exists related to manual entries by the Finance Director. Staff outside the Finance Department does review general ledger accounts they are responsible for and all staff have inquiry and report generation rights for the general ledger. Finance will begin to have a second person initial the journal before it is entered.

Significant Deficiencies

2012-2 Segregation of duties over cash disbursements

Criteria:	Adequate segregation of duties over cash disbursements.
Condition:	The City's internal controls do not provide for adequate segregation of duties over cash disbursements.
Cause:	The cash disbursement process allows access to multiple levels of internal controls by an individual. This includes creating new vendors, coding and processing invoices for payments, printing of checks, custody of check stock and use of the signature stamp.
Effect:	The employee could print a check and use the signature stamp without authorization.
Response:	The deficiency is caused by limitations on the City's resources. The Accounts Payable Clerk will no longer be allowed access to the signature stamps.