



STAYTON, OREGON

Audit Report

June 30, 2011

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

CITY OF STAYTON

362 N. Third Avenue
Stayton, Oregon 97383
(503) 769-3425

AUDIT REPORT

JUNE 30, 2011

CITY OFFICIALS

A. SCOTT VIGIL (Sworn in as Mayor Jan. 3, 2011, Council Member July 1, 2010 to Jan 3, 2011) Mayor
160 N. Evergreen, Stayton, OR 97383

GERRY ABOUD (July 1, 2010 to Jan. 3, 2011) Mayor
836 E. Kathy St., Stayton, OR 97383

HENRY PORTER (Sworn in Jan. 3, 2011, elected Council President Jan. 18, 2011) . Council President
985 N. Fourth Ave, Stayton, OR 97383

DON WALTERS (July 1, 2010 to Jan. 3, 2011) Council President
450 W. Locus St., Stayton, OR 97383

LARRY EMERY (Sworn in Jan. 3, 2011). Council Member
438 W. Burnett Street, Stayton, OR 97383

JAMES LOFTUS Council Member
633 N. Third Avenue, Stayton, OR 97383

JENNIFER NIEGEL (Sworn in Jan. 3, 2011) Council Member
PO Box 248, Stayton, OR 97383

BRIAN QUIGLEY (Sworn in Jan. 3, 2011) Council Member
1013 E. Virginia St., Stayton, OR 97383

STEVE FRANK (July 1, 2010 to Jan. 3, 2011) Council Member
1515 E. Jefferson St., Stayton, OR 97383

CITY ADMINISTRATION

DON EUBANK City Administrator
362 N. 3rd Avenue, Stayton, OR 97383

CHRISTINE SHAFFER Finance Director
360 N. 3rd Avenue, Stayton, OR 97383

CITY OF STAYTON

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Stayton, Oregon

I 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 Stayton, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Stayton, Oregon's management. My responsibility is to express opinions on these financial statements based on my audit.

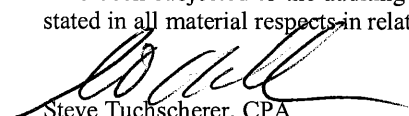
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Stayton, Oregon, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2011, on my consideration of the City of Stayton, Oregon's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 important for assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 35 through 37 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. I have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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. I 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stayton, Oregon's financial statements as a whole. The combining and individual non-major and major fund financial statements and additional supporting schedules included in the Other Supplementary Information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of City of Stayton, Oregon. The combining and individual non-major and major fund financial statements 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 combining and individual non-major and major fund financial statements, and additional supporting schedules included in the Other Supplementary Information section and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Steve Tuchscherer, CPA
September 23, 2011

MANAGEMENT'S DISCUSSION
AND ANALYSIS

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011
Unaudited

The management discussion and analysis of the City of Stayton, Oregon (the City) financial performance provides an overview of the City's financial activities for the fiscal year that ended June 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2011 are as follows:

- The City's net assets increased by \$68,200 which represents a 0.13 percent increase from the previous year. Net assets are \$36,557,452 for governmental activities and \$14,412,969 for business-type activities.
- General revenues from governmental activities accounted for \$3,152,855 in revenue, or 82.5 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$669,612 or 17.5 percent of all revenues for governmental activities. Total revenue from governmental activities is \$3,822,467.
- General revenues from business-type activities accounted for \$239,909 in revenue, or 5.5 percent of all revenues from business-type activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,137,269 or 94.5 percent of all revenues for business-type activities. Total revenue from business-type activities is \$4,377,178.
- The City had \$8,131,446 in program expenses. Of the program expenses, \$953,535 was for providing water service, \$1,363,902 was for providing sewer service, and \$308,056 was for operating the municipal pool.
- Among the governmental funds, the General Fund had \$2,800,167 in revenues, which primarily consisted of property taxes and franchise fees. Actual amounts available for appropriation in the General Fund were \$14,592 less than budgeted. General Fund expenditures totaled \$3,118,656 including \$332,800 in interfund transfers out. The General Fund's fund balance increased \$206 to \$725,232 from \$725,026.
- Among proprietary funds, the Water Fund had \$1,782,730 in revenues, which primarily consisted of user fees. The Sewer Fund had \$2,491,384 in revenues, which primarily consisted of user fees. The Swimming Pool Fund had \$367,725 in revenues which primarily consisted of property taxes and user fees. Actual amounts available for appropriations in the Water Fund were \$4,203 more than budgeted. Actual amounts available for appropriations in the Sewer Fund were \$138,226 more than budgeted. Actual amounts available for appropriations in the Swimming Pool Fund were \$14,797 less than budgeted.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as the condition of buildings, and water and sewer systems facilities.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011
Unaudited

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions of the City that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues. The governmental activities of the City include general government activities, street construction and maintenance, police services, and providing resources for library, culture and recreation. The proprietary activities of the City include water and sewer utilities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The City reports two types of funds:

Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund, the Street Fund and the Vehicle Replacement Fund. Budgetary comparison schedules for the other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are used to report the functions presented as business-type activities in the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund - enterprise funds. The City uses enterprise funds to account for water, sewer, and other operations. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, and Other Funds. Included in the Water Fund for the Proprietary Statements on pages 15, 16, and 17 are the Water SDC Fund and the Water Construction Fund. Included in the Sewer Fund are the Sewer SDC Fund, and the Sewer Construction Fund. Included in the Other Funds are the Swimming Pool Fund and the Sublimity RECD Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Notes to the Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011
Unaudited

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund, the Housing Rehabilitation Fund and the Vehicle Replacement Fund. The required supplementary information immediately follows the notes to the financial statements.

Other supplementary information includes combining statements, individual fund statements and schedules, and other schedules. These statements and schedules immediately follow the required supplementary information in this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The City's net assets at fiscal year-end are \$50,970,421 this is an increase of \$68,200 or 0.13%.

A significant portion of the City's net assets (92.9% percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary of the City's net assets for the current and prior year.

	<u>Summary of Net Assets</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and Other Assets	\$ 2,775,973	\$ 2,899,627	\$ 9,983,114	\$ 3,358,923	\$ 12,759,087	\$ 6,258,550
Capital Assets	<u>34,203,674</u>	<u>34,768,922</u>	<u>24,892,231</u>	<u>22,306,060</u>	<u>59,095,905</u>	<u>57,074,982</u>
Total Assets	<u>36,979,647</u>	<u>37,668,549</u>	<u>34,875,345</u>	<u>25,664,983</u>	<u>71,854,992</u>	<u>63,333,532</u>
Liabilities						
Current Liabilities	422,195	401,377	9,292,743	798,452	9,714,938	1,199,829
Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>11,169,633</u>	<u>11,231,482</u>	<u>11,169,633</u>	<u>11,231,482</u>
Total Liabilities	<u>422,195</u>	<u>401,377</u>	<u>20,462,376</u>	<u>12,029,934</u>	<u>20,884,571</u>	<u>12,431,311</u>
Net Assets						
Invested in Capital Assets						
Net of Debt	34,203,674	34,925,676	13,143,905	10,356,012	47,347,579	45,281,688
Restricted	1,311,368	1,541,439	(1,264,431)	1,210,262	46,937	2,751,701
Unrestricted	<u>1,042,410</u>	<u>800,057</u>	<u>2,533,495</u>	<u>2,068,775</u>	<u>3,575,905</u>	<u>2,868,832</u>
Total Net Assets	<u>\$ 36,557,452</u>	<u>\$ 37,267,172</u>	<u>\$ 14,412,969</u>	<u>\$ 13,635,049</u>	<u>\$ 50,970,421</u>	<u>\$ 50,902,221</u>

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
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Changes in net assets - The City's total revenues for the fiscal year ended June 30, 2011 were \$8,199,645. The total cost of all programs and services was \$8,131,446. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net assets.

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>
Revenues						
Program Revenues						
Charges for Services	\$ 544,025	\$ 553,172	\$ 4,112,017	\$ 3,819,031	\$ 4,656,042	\$ 4,372,203
Operating Grants and Contributions	1,606	822	-	-	1,606	822
Capital Grants and Contributions	123,981	33,380	25,252	72,452	149,233	105,832
Total Program Revenues	669,612	587,374	4,137,269	3,891,483	4,806,881	4,478,857
General Revenues						
Local Sources						
Property Taxes	1,652,359	1,805,482	157,545	123,978	1,809,904	1,929,460
Franchise Fees	620,750	592,567	-	-	620,750	592,567
Other Taxes	62,734	62,595	-	-	62,734	62,595
Intergovernmental	451,562	578,899	-	-	451,562	578,899
Interest & Investment Earnings	13,551	13,776	33,899	17,955	47,450	31,731
Other Revenues	351,899	349,022	48,465	38,260	400,364	387,282
Total General Revenues	3,152,855	3,402,341	239,909	180,193	3,392,764	3,582,534
Total Revenues	3,822,467	3,989,715	4,377,178	4,071,676	8,199,645	8,061,391
Program Expenses						
General Government	2,151,596	1,593,925	-	-	2,151,596	1,593,925
Public Safety	1,868,374	1,937,255	-	-	1,868,374	1,937,255
Highways and Streets	713,564	657,579	-	-	713,564	657,579
Culture and Recreation	502,380	518,885	-	-	502,380	518,885
Interest Expense	-	1,582	270,039	280,879	270,039	282,461
Utility Services						
Water Utilities	-	-	953,535	1,027,731	953,535	1,027,731
Sewer Utilities	-	-	1,363,902	1,399,110	1,363,902	1,399,110
Swimming Pool	-	-	308,056	353,981	308,056	353,981
Total Program Expenses	5,235,914	4,709,226	2,895,532	3,061,701	8,131,446	7,770,927
Transfers	703,727	630,437	(703,727)	(630,437)	-	-
Change in Net Assets	<u>\$ (709,720)</u>	<u>\$ (89,074)</u>	<u>\$ 777,919</u>	<u>\$ 379,538</u>	<u>\$ 68,199</u>	<u>\$ 290,464</u>

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the City. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>
General Government	\$ 2,151,596	\$ 1,593,925	\$(2,081,608)	\$(1,560,909)
Public Safety	1,868,374	1,937,255	(1,579,680)	(1,609,836)
Public Works	713,564	657,579	(703,316)	(593,151)
Culture and Recreation	502,380	518,885	(201,698)	(356,374)
Interest Expense	-	1,582	-	(1,582)
Total Program Expenses	<u>\$ 5,235,914</u>	<u>\$ 4,709,226</u>	<u>\$(4,566,302)</u>	<u>\$(4,121,852)</u>

The dependence on general revenues for general government activities is apparent. For 2010-11 82.48 percent of general government activities are supported through general revenues

Business-Type Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>
Utility Services	\$ 2,317,437	\$ 2,426,841	\$ 1,721,540	\$ 1,342,984
Swimming Pool	308,056	353,981	(209,764)	(232,323)
Interest on Long-Term Debt	270,039	280,879	(270,039)	(280,879)
Total Program Expenses	<u>\$ 2,895,532</u>	<u>\$ 3,061,701</u>	<u>\$ 1,241,737</u>	<u>\$ 829,782</u>

Business type activities increased the City's net assets by \$777,919. Of the business-type activities, the Sewer Fund, Water Fund and Swimming Pool Fund accounted for approximately 40.6%, 57.0% and 2.4% of revenues, respectively.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$2,566,500, an increase of \$32,187. The fund balance constitutes restricted, committed, assigned and unassigned amounts. Of the current fund balances, \$478,972 is restricted, \$1,362,296 is committed and \$725,232 is unassigned and available for spending at the City's discretion.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011
Unaudited

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$725,232, an increase of \$206 over the previous year.

The Street Fund reported a restricted ending fund balance of \$82,034, an increase of \$23,299 over the previous year.

The Vehicle Replacement Fund reported a fund balance \$863,397, an increase of \$170,783 over the previous year. The Vehicle Replacement fund balance is committed for vehicle replacement.

The Facilities Development Fund reported a fund balance \$343,261, an increase of \$67,243 over the previous year. The Facilities Development fund balance is committed for miscellaneous capital projects.

Proprietary Funds

The Water Fund reported a budgetary fund balance of \$709,540, an increase of \$356,872 over the previous year. The Water Fund ending balance includes restricted assets of \$24,620 for customer deposits.

The Sewer Fund reported a budgetary fund balance of \$841,530, a decrease of \$2,210,277 from the previous year. The Sewer Fund ending balance includes restricted assets of \$336,767 for debt service and \$24,857 for customer deposits.

Budgetary Highlights

An appropriation transfer resolutions was adopted by the City Council in May, 2011 to allow for additional capital outlay spending in the Water Fund. In June, 2011, the City Council adopted a supplemental budget increasing miscellaneous revenues and other expenditures in the Trust and Agency Fund to allow for expenditure of unanticipated proceeds from Marion County pass through dollars.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the City had invested, before net reduction for accumulated depreciation, \$91,063,114 in capital assets, including buildings, land, vehicles, water and sewer utility systems, and other equipment. This amount represents an increase of \$3,311,400 over the prior year.

Total depreciation expense for the year was \$1,290,477. Additional information on the City's capital assets can be found in Note 3 of the Notes to the basic financial statements section of this report.

Long-Term Debt

At June 30, 2011 the City had total debt outstanding of \$11,436,397. Proceeds from additions to long-term debt of \$204,954 were received during the fiscal year ending June 30, 2011. Not included in the long-term debt balance is \$8,310,000 in proceeds from interim financing debt for construction of an expanded and updated sewer treatment plant. Existing debt was reduced by \$422,413. Interest paid on the debt amounted to \$258,398.

Additional information on the City's long-term debt can be found in Note 5 of the Notes to the Basic Financial Statements.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011
Unaudited

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the City's officials during the process of developing the fiscal year 2011-2012 budget. The City's budget for the fiscal year ending June 30, 2011 is fairly consistent with the current fiscal year. The City considered the current economic environment, no increase in the current property tax rate, limited growth in revenues, and expected inflationary increases in expenditures when establishing the budget.

Amounts available for appropriation in the General Fund are \$3,595,320 for the fiscal year 2011-12, a decrease of \$233,976 or 6.1%. The significant cause of this decrease is the removal of proceeds from the Sublimity Police Contract. No new programs were added to the 2011-2012 budget.

The City is budgeting a \$404,805 or 18.0 percent increase in Water Fund resources, due primarily from an increased beginning fund balance. The Water Fund is budgeting a \$50,000 increase in capital outlay expenditures for water system improvements, and an increased contingency and ending fund balance.

For the Sewer Fund the City is budgeting a \$120,107 or 2.6 percent decrease in resources. In the Sewer Construction Fund, a decrease of \$1,736,000 is budgeted because the project, that was fully budgeted for in 2010-11, was partially completed by June 30, 2011.

The Street Fund budget is increased by 105% to \$862,600 in anticipation of significantly larger ODOT grants and a new street maintenance fee is anticipated to generate \$84,000 for fiscal year 2011-12.

With the exceptions noted above, operating costs of both governmental activities and business-type activities are expected to be similar to those of the 2010-11 period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the City of Stayton at (503) 769-3425. The office is located inside City Hall at 362 N. Third Avenue, Stayton, Oregon 97383.

BASIC FINANCIAL
STATEMENTS

Government – Wide
Financial Statements

CITY OF STAYTON
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 2,469,377	\$ 9,647,895	\$ 12,117,272
Receivables	260,270	335,219	595,489
Advances from Other Funds	46,326	-	46,326
Total Current Assets	2,775,973	9,983,114	12,759,087
Restricted Assets:			
Sinking Funds for Debt Service	-	-	-
Total Restricted Assets	-	-	-
Capital Assets:			
Land	1,759,203	225,743	1,984,946
Construction in Progress	-	8,134,703	8,134,703
Buildings & Improvements	3,734,047	21,661,209	25,395,256
Equipment & Vehicles	1,164,011	983,686	2,147,697
Infrastructure	48,763,603	1,594,977	50,358,580
Other Capital Assets	1,910,267	1,131,665	3,041,932
Less: Accumulated Depreciation	(23,127,457)	(8,839,752)	(31,967,209)
Total Capital Assets, Net of Depreciation	34,203,674	24,892,231	59,095,905
Total Assets	\$ 36,979,647	\$34,875,345	\$ 71,854,992
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 88,426	\$ 511,813	\$ 600,239
Payroll Liabilities	-	-	-
Interest Payable	-	60,532	60,532
Customer Deposits	-	49,477	49,477
Deferred Revenue	200,000	-	200,000
Advances to Other Funds	-	46,326	46,326
Interim Construction Note Payable	-	8,310,100	8,310,100
Accrued Compensated Absences	129,529	27,532	157,061
OPEB Payable	4,240	20,199	24,439
Current Portion of Long-Term Liabilities:			
Notes Payable	-	-	-
Bonds Payable	-	266,764	266,764
Total Current Liabilities	422,195	9,292,743	9,714,938
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	-	-	-
Bonds Payable	-	11,169,633	11,169,633
Total Long-Term Liabilities	-	11,169,633	11,169,633
Total Liabilities	\$ 422,195	\$20,462,376	\$ 20,884,571
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	\$ 34,203,674	\$13,143,905	\$ 47,347,579
Restricted for:			
Capital Projects	343,261	(2,138,320)	(1,795,059)
Debt Service	-	336,767	336,767
Other Projects	310,220	537,122	847,342
Unrestricted	1,700,297	2,533,495	4,233,792
Total Net Assets	\$ 36,557,452	\$14,412,969	\$ 50,970,421

The accompanying notes to the basic financial statements are an integral part of this statement

CITY OF STAYTON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>(Expenses)</u>	<u>Program Revenues</u>			<u>Net</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>(Expense) Revenue and Change in Net Assets</u>
<u>GOVERNMENTAL ACTIVITIES:</u>					
General Government	\$ 2,151,596	\$ 68,382	\$ 1,606	\$ -	\$ (2,081,608)
Public Safety	1,868,374	280,252	-	8,442	(1,579,680)
Highway and Streets	713,564	10,248	-	-	(703,316)
Culture and Recreation	502,380	185,143	-	115,539	(201,698)
Interest Expense	-	-	-	-	-
Total Governmental Activities	\$ 5,235,914	\$ 544,025	\$ 1,606	\$ 123,981	\$ (4,566,302)
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Utilities	\$ 953,535	\$ 1,668,738	\$ -	\$ 25,252	\$ 740,455
Sewer Utilities	1,363,902	2,344,987	-	-	981,085
Swimming Pool	308,056	98,292	-	-	(209,764)
Interest on Long-Term Debt	270,039	-	-	-	(270,039)
Total Business-type Activities	\$ 2,895,532	\$ 4,112,017	\$ -	\$ 25,252	\$ 1,241,737
Total Primary Government	\$ 8,131,446	\$ 4,656,042	\$ 1,606	\$ 149,233	\$ (3,324,565)
			<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>CHANGES IN NET ASSETS:</u>					
Net (expense) revenue			\$ (4,566,302)	\$ 1,241,737	\$ (3,324,565)
<u>GENERAL REVENUES:</u>					
Local Sources:					
Property Taxes, levied for general purposes			1,652,359	157,545	1,809,904
Intergovernmental Tax Turnovers			451,562	-	451,562
State Revenue Sharing			62,734	-	62,734
Franchise Taxes			620,750	-	620,750
Interest and Investment Earnings			13,551	33,899	47,450
Other Revenue			351,899	48,465	400,364
Interfund Transfers			703,727	(703,727)	-
Subtotal - General Revenues			3,856,582	(463,818)	3,392,764
Change in Net Assets			(709,720)	777,919	68,199
NET ASSETS, JULY 1, 2010			37,267,172	13,635,050	50,902,222
NET ASSETS, JUNE 30, 2011			\$ 36,557,452	\$ 14,412,969	\$ 50,970,421

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

Governmental Fund
Financial Statements

CITY OF STAYTON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Street Fund</u>	<u>Vehicle Replacement Fund</u>	<u>Facilities Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>						
Cash and Investments	\$ 622,762	\$ 124,940	\$ 817,471	\$ 343,355	\$ 560,849	\$ 2,469,377
Receivables:						
Interest	-	-	-	-	-	-
Accounts	105,293	7,998	-	-	-	113,291
Loans	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Property Tax	134,903	-	-	-	12,076	146,979
Franchise Fees	-	-	-	-	-	-
Liens	-	-	-	-	-	-
Advances from Other Funds	-	-	46,326	-	-	46,326
Due From Other Funds	-	-	-	-	-	-
Total Assets	\$ 862,958	\$ 132,938	\$ 863,797	\$ 343,355	\$ 572,925	\$ 2,775,973
<u>LIABILITIES AND FUND BALANCES:</u>						
Liabilities:						
Accounts Payable	\$ 26,658	\$ 50,904	\$ 400	\$ 94	\$ 10,370	\$ 88,426
Assessments and Surcharges Payable	-	-	-	-	-	-
Interest Payable	-	-	-	-	-	-
Payroll Payable	-	-	-	-	-	-
Loans Payable	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Deferred Revenue	111,068	-	-	-	9,979	121,047
Due To Other Funds	-	-	-	-	-	-
Total Liabilities	137,726	50,904	400	94	20,349	209,473
<u>FUND EQUITIES:</u>						
Restricted for:						
Street Projects	-	82,034	-	-	228,186	310,220
Miscellaneous Community Projects	-	-	-	-	105,239	105,239
Parks & Recreation Programs	-	-	-	-	63,513	63,513
Committed for:						
Vehicle Replacement	-	-	863,397	-	-	863,397
Parks Capital Projects	-	-	-	-	22,676	22,676
Library Programs	-	-	-	-	112,686	112,686
Public Works Programs	-	-	-	-	20,276	20,276
Miscellaneous Capital Projects	-	-	-	343,261	-	343,261
Unassigned	725,232	-	-	-	-	725,232
Total Fund Equities	725,232	82,034	863,397	343,261	552,576	2,566,500
Total Liabilities & Fund Equities	\$ 862,958	\$ 132,938	\$ 863,797	\$ 343,355	\$ 572,925	\$ 2,775,973

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

CITY OF STAYTON
RECONCILIATION OF THE
BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total Fund Balances - Governmental Funds \$ 2,566,500

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

The cost of the assets is -	\$ 57,331,131	
The accumulated depreciation is -	<u>(23,127,457)</u>	
Net Value of Assets		34,203,674

Certain receivables that will not be available to pay for current-period expenditures are deferred in the governmental funds:

Property Taxes	(78,953)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Other Post-Employment Benefits Payable	(4,240)
Accrued Compensated Absences	<u>(129,529)</u>

Net Assets of Governmental Activities	<u>\$ 36,557,452</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF STAYTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Street Fund	Vehicle Replacement Fund	Facilities Development Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>						
Taxes and Assessments	\$ 1,628,545	\$ 35,570	\$ -	\$ -	\$ 173,819	\$ 1,837,934
Intergovernmental	165,558	347,738	-	-	1,000	514,296
Franchise Fees	620,750	-	-	-	-	620,750
Licenses & Permits	68,382	-	-	-	29,312	97,694
Charges for Service	249,360	-	-	-	66,959	316,319
Fines and Forfeitures	32,178	-	-	-	16,169	48,347
Investment Revenue	4,507	342	4,807	1,380	2,515	13,551
Grants	1,606	-	-	-	205,646	207,252
Other Revenue	29,281	131	-	36,353	286,134	351,899
Total Revenues	2,800,167	383,781	4,807	37,733	781,554	4,008,042
<u>EXPENDITURES:</u>						
Current Operating:						
General Government	667,963	-	-	30,491	434,875	1,133,329
Public Safety	1,843,851	-	-	-	38,540	1,882,391
Highway and Streets	97,497	167,578	-	-	448,489	713,564
Culture and Recreation	158,390	-	-	-	343,990	502,380
Debt Service	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital Outlay	18,155	59,489	39,291	19,999	310,984	447,918
Total Expenditures	2,785,856	227,067	39,291	50,490	1,576,878	4,679,582
Excess (Deficiency) of Revenues						
Over Expenditures	14,311	156,714	(34,484)	(12,757)	(795,324)	(671,540)
<u>OTHER FINANCING SOURCES (USES):</u>						
Interfund Transfers In	318,695	-	205,267	80,000	663,500	1,267,462
Interfund Transfers (Out)	(332,800)	(133,415)	-	-	(97,520)	(563,735)
Interfund Loans In	-	-	-	-	-	-
Interfund Loans (Out)	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	(14,105)	(133,415)	205,267	80,000	565,980	703,727
Net Change in Fund Balances	206	23,299	170,783	67,243	(229,344)	32,187
FUND BALANCES, July 1, 2010	725,026	58,735	692,614	276,018	781,920	2,534,313
FUND BALANCES, June 30, 2011	\$ 725,232	\$ 82,034	\$ 863,397	\$ 343,261	\$ 552,576	\$ 2,566,500

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

CITY OF STAYTON
RECONCILIATION OF
THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net changes in fund balances - total governmental funds		\$ 32,187
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capitalized assets	\$ 274,095	
Less current year depreciation	<u>(839,343)</u>	(565,248)
Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.		
The changes in amounts deferred are as follows:		
Property Taxes		(185,575)
Additions to certain payroll liabilities are reported as an expense in the Statement of Activities.		
Vacation Payable		(5,101)
Other Post-Employment Benefits Payable		<u>14,017</u>
Changes in net assets of governmental assets		<u>\$ (709,720)</u>

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

Proprietary Fund
Financial Statements

CITY OF STAYTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Funds			Total Proprietary Funds
	Water Utility Fund	Sewer Utility Fund	Other Funds	
<u>ASSETS:</u>				
Current Assets:				
Cash and Investments	\$ 835,386	\$ 8,680,673	\$ 131,836	\$ 9,647,895
Advances to Other Funds	-	-	-	-
Receivables	119,558	\$ 204,398	11,263	335,219
Total Current Assets	954,944	8,885,071	143,099	9,983,114
Capital Assets:				
Land	10,411	215,332	-	225,743
Construction in Progress	4,715,614	3,419,089	-	8,134,703
Infrastructure	11,661,787	9,999,422	-	21,661,209
Buildings & Improvements	50,087	440,554	493,045	983,686
Equipment & Vehicles	476,793	1,083,141	35,043	1,594,977
Other Capital Assets	33,316	601,125	497,224	1,131,665
Less: Accumulated Depreciation	(3,989,656)	(4,136,713)	(713,383)	(8,839,752)
Total Capital Assets, Net of Depreciation	12,958,352	11,621,950	311,929	24,892,231
Total Assets	13,913,296	20,507,021	455,028	34,875,345
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable	44,465	464,245	3,103	511,813
Interest Payable	3,571	56,961	-	60,532
Customer Deposits	24,620	24,857	-	49,477
Accrued Compensated Absences	17,166	7,303	3,063	27,532
OPEB Payable	8,078	7,688	4,433	20,199
Deferred Revenue	-	-	-	-
Advances from Other Funds	-	-	46,326	46,326
Interim Construction Note Payable	-	8,310,100	-	8,310,100
Current Portion of Long-Term Obligations	37,226	229,538	-	266,764
Total Current Liabilities	135,126	9,100,692	56,925	9,292,743
Long-Term Obligations	5,061,283	6,108,350	-	11,169,633
Total Long-Term Liabilities	5,061,283	6,108,350	-	11,169,633
Total Liabilities	5,196,409	15,209,042	56,925	20,462,376
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	7,859,843	5,284,062	-	13,143,905
Restricted for:				
Capital Projects	83,881	(2,222,201)	-	(2,138,320)
Debt Service	-	336,767	-	336,767
Other Purposes	114,162	24,857	398,103	537,122
Unrestricted	659,001	1,874,494	-	2,533,495
Total Net Assets	\$ 8,716,887	\$ 5,297,979	\$ 398,103	\$ 14,412,969

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

CITY OF STAYTON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Enterprise Funds			Total Proprietary Funds
	Water Utility Funds	Sewer Utility Funds	Other Funds	
<u>OPERATING REVENUES:</u>				
Charges for Services & Fees	\$ 1,658,058	\$ 2,330,875	\$ 98,292	\$ 4,087,225
Developer Reimbursements	10,680	14,112	-	24,792
Total Revenues	1,668,738	2,344,987	98,292	4,112,017
<u>OPERATING EXPENSES:</u>				
Personal Services	437,721	484,217	214,913	1,136,851
Materials and Supplies	292,911	672,105	72,492	1,037,508
Depreciation Expense	222,903	207,580	20,651	451,134
Total Operating Expenses	953,535	1,363,902	308,056	2,625,493
Income (Loss) from Operations	715,203	981,085	(209,764)	1,486,524
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Property Taxes	-	-	157,545	157,545
Intergovernmental- Grants	25,252	-	-	25,252
Investment Revenue	3,280	29,504	1,115	33,899
Interest Expense	(7,626)	(260,613)	(1,800)	(270,039)
Miscellaneous	13,959	2,512	31,994	48,465
Total Non-Operating Revenues (Expenses)	34,865	(228,597)	188,854	(4,878)
Income before Transfers	750,068	752,488	(20,910)	1,481,646
<u>TRANSFERS:</u>				
Transfers from Other Funds	108,140	301,000	81,300	490,440
Transfers to Other Funds	(459,977)	(724,190)	(10,000)	(1,194,167)
Changes in Net Assets	398,231	329,298	50,390	777,919
TOTAL NET ASSETS, June 30, 2010	8,318,656	4,968,681	347,713	13,635,050
TOTAL NET ASSETS, June 30, 2011	\$ 8,716,887	\$ 5,297,979	\$ 398,103	\$ 14,412,969

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

CITY OF STAYTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Enterprise Funds			Total Proprietary Funds
	Water Utility Fund	Sewer Utility Fund	Other Funds	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from User Charges	\$ 1,707,329	\$ 2,379,616	\$ 96,078	\$ 4,183,023
Cash Payments for Employee Services	(427,090)	(478,931)	(214,103)	(1,120,124)
Cash Payments to Suppliers	(358,884)	(256,246)	(72,592)	(687,722)
Net Cash Provided (Used) by Operating Activities	921,355	1,644,439	(190,617)	2,375,177
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>				
Transfer from Other Funds	108,140	301,000	81,300	490,440
Transfer to Other Funds	(459,977)	(724,190)	(10,000)	(1,194,167)
Net Cash Provided (Used) by Non-capital Financing Activities	(351,837)	(423,190)	71,300	(703,727)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from Long-Term Debt	204,954	-	-	204,954
Proceeds from collection of Property Taxes	-	-	157,545	157,545
Proceeds from collection of Grants Other Non-Operating Revenue	39,211	2,512	31,994	73,717
Acquisition of Capital Assets	(343,416)	(2,657,501)	(36,388)	(3,037,305)
Proceeds from Short Term Borrowing	-	8,310,100	-	8,310,100
Principal Paid on Long Term Debt	(196,025)	(226,388)	(21,837)	(444,250)
Interest Paid on Long Term Debt	(11,601)	(262,954)	(1,800)	(276,355)
Net Cash Provided (Used) by Capital and Related Financing Activ	(306,877)	5,165,769	129,514	4,988,406
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment Income	3,280	29,504	1,115	33,899
Net Cash Provided (Used) by Investing Activities	3,280	29,504	1,115	33,899
CASH AND CASH EQUIVALENTS AT JULY 1, 2010	569,465	2,264,151	120,523	2,954,139
CASH AND CASH EQUIVALENTS AT JUNE 30, 2011	\$ 835,386	\$ 8,680,673	\$ 131,835	\$ 9,647,894
<u>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Income (loss) from operations	\$ 715,203	\$ 981,085	\$ (209,764)	\$ 1,486,524
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	222,903	207,580	20,651	451,134
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	37,989	33,790	(2,214)	69,565
Increase (decrease) in deposits	602	839	-	1,441
Increase (decrease) in payables	(55,342)	421,145	710	366,513
Increase (decrease) in deferred revenues	-	-	-	-
Net cash provided (used) by operating activities	\$ 921,355	\$ 1,644,439	\$ (190,617)	\$ 2,375,177

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

Notes to the Basic
Financial Statements

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Stayton, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected five member council. Administrative functions are delegated to the City administrator who reports to and is responsible to the mayor and council. The chief administrative officer is the City Administrator.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP Statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following is a summary of the more significant policies of the City:

A. Reporting Entity

In determining the financial reporting entity, the City of Stayton complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the City's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the City holds the corporate powers of the organization; 3) the City appoints a voting majority of the organization's board; 4) the City is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the City; and 6) there is fiscal dependency by the organization on the City. Based on the aforementioned criteria, the City of Stayton is a primary government with no includable component units.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. 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. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. The City does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements: The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund – This Fund provides for street and bridge repairs and maintenance within the City. The primary source of revenue is from state gas tax turnovers and maintenance fees collected by the City.

Vehicle Replacement Fund – This Fund provides for replacement of water, sewer, street, parks, and police department vehicles and other equipment used by the City on an established life-cycle basis. The primary source of revenue is from interfund transfers.

Facilities Development Fund – This Fund provides for capital purchases. The primary sources of revenue are from rents collected and interfund transfers.

Additionally the City also reports non-major funds within the governmental fund type.

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include the Library Fund, Street SDC Fund, Park SDC Fund, Public Works Administration Fund, Grants Fund, 911 Agency Fund, Trust Fund, and NEDCO Fund.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by business-type or propriety funds). Non-major capital projects funds include the Park Construction Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water Fund - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities.

Sewer Fund - The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities.

Swimming Pool Fund - The Swimming Pool Fund is used to account for the operation of the Stayton Memorial Pool. The pool provides a variety of aquatic activities to Stayton area residents.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's Sewer and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Budgeting

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

E. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The City has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the City to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer.

In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

F. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

CITY OF STAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

G. Accumulated Compensated Absences

Accumulated vested vacation and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with the current resources are reported as liabilities in the government-wide statements and represent a reconciling item between the fund level and government-wide presentations. In business-type funds both the current and long-term liabilities are recorded. Sick pay, which does not vest, is recognized in applicable funds when leave is taken.

H. Receivables & Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds."

An allowance for bad debts is not carried in the enterprise funds as the City has strong enforcement procedures including shut off of services and any uncollectible amounts would be immaterial. An allowance for bad debt is not carried in the governmental funds because the City has determined that any uncollectible amount would be immaterial to the financial statements.

I. Deferred Revenue

The City reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

J. Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The costs of proprietary fund type inventories are recorded as expenditures when consumed rather than when purchased.

K. Long-Term Debt

All bonds and capital leases to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Assets.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

L. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The estimated useful lives are as follows:

Buildings and Improvements	40-50 years
Furniture and Office Equipment	3-5 years
Machinery and Equipment	10-20 years
Vehicles	5-10 years
Water and Sewer Systems	40-50 years
Infrastructure	15-65 years

One-half year of depreciation is taken in the year the assets are acquired or retired.

M. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

N. Equity Classifications:

Government-wide Statements

Equity is classified as net assets, which represents the difference between assets and liabilities. Net assets are displayed in three components:

- a. 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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Equity Classifications (Cont):

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City does not have any nonspendable resources as of June 30, 2011.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for various projects and purposes.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the City Council, and does not lapse at year-end. The City did not have any committed resources as of June 30, 2011.
- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the City Council or through the Board of Directors delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

O. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

2. CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Note 1.E.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

Investments, including amounts held in pool 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 prices, 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.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2011, the reported amount of the City's deposits was \$88,383 and the bank balance was \$475,628. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

Investments - Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2011, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2011, the City's investments in financial institutions are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	\$ 5,234,947	N/A
Total Investments	<u>\$ 5,234,947</u>	

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

2. CASH AND INVESTMENTS (CONT.):

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the City's total investments.

3. RECEIVABLES:

Receivables as of the end of the fiscal year for the City's governmental funds are as follows:

	General Fund	Street Fund	Vehicle Replacement Fund	Other Governmental Funds
Property Taxes	\$ 134,903	\$ -	\$ -	\$ 12,076
Accounts	105,293	7,998	-	-
Loans	-	-	-	-
Advances to Other Funds	-	-	46,326	-
Total	<u>\$ 240,196</u>	<u>\$ 7,998</u>	<u>\$ 46,326</u>	<u>\$ 12,076</u>

Accounts receivable represent charges for water and sewer services provided by the City to its patrons that were outstanding at the end of the fiscal year.

The City's provision for future losses on uncollectible accounts or bad debts is based upon past collection experience. No allowance for doubtful accounts is provided because the City has the authority to certify a lien on the property served to the County Assessor for any amounts not paid. Any accounts not collectible in this manner are directly written off in the year the amount becomes uncollectible. Such direct write-offs during 2010-11 were immaterial.

Receivables as of the end of the fiscal year for the City's enterprise funds are as follows:

	Enterprise Fund
Accounts Receivable for User Charges	<u>\$ 50,718</u>
Total	<u>\$ 50,718</u>

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

4. CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2011:

Governmental Activities	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Assets not being depreciated:				
Land	\$ 1,728,657	\$ 30,546	\$ -	\$ 1,759,203
Assets being depreciated:				
Building and Building Improvements	3,734,047		-	3,734,047
Other Improvements	1,720,754	189,513	-	1,910,267
Equipment and Vehicles	1,153,023	10,988		1,164,011
Infrastructure*	<u>48,720,555</u>	<u>43,048</u>	-	<u>48,763,603</u>
Total Depreciable Assets	55,328,379	243,549	-	55,571,928
Less: Accumulated Depreciation				
Building and Building Improvements	1,014,285	68,057	-	1,082,342
Other Improvements	578,819	88,955	-	667,774
Equipment and Vehicles	579,209	29,872		609,081
Infrastructure*	<u>20,115,801</u>	<u>652,459</u>	-	<u>20,768,260</u>
Total Accumulated Depreciation	22,288,114	839,343	-	23,127,457
Net Value of Capital Assets Being Depreciated	<u>33,040,265</u>	<u>(595,794)</u>	-	<u>32,444,471</u>
Total Governmental Activities--Net Value of Capital Assets	<u>\$ 34,768,922</u>	<u>\$ (565,248)</u>	<u>\$ -</u>	<u>\$ 34,203,674</u>
Business-type Activities				
Assets not being depreciated:				
Land	\$ 225,743	\$ -	\$ -	\$ 225,743
Construction-In-Process	5,555,970	2,578,733	-	8,134,703
Assets being depreciated:				
Building and Building Improvements	963,687	19,999	-	983,686
Other Improvements	1,484,078	-	-	1,484,078
Equipment and Vehicles	1,018,753	270,725	46,914	1,242,564
Infrastructure*	<u>21,493,361</u>	<u>167,848</u>	-	<u>21,661,209</u>
Total Depreciable Assets	24,959,879	458,572	46,914	25,371,537
Less: Accumulated Depreciation				
Building and Building Improvements	531,807	28,136	-	559,943
Other Improvements	1,386,955	36,368	-	1,423,323
Equipment and Vehicles	589,679	100,195	-	689,874
Infrastructure*	<u>5,979,658</u>	<u>286,435</u>	-	<u>6,266,093</u>
Total Accumulated Depreciation	8,488,099	451,134	-	8,939,233
Net Value of Capital Assets Being Depreciated	<u>16,471,780</u>	<u>7,438</u>	<u>46,914</u>	<u>16,432,304</u>
Total Business-type Activities--Net Value of Capital Assets	<u>\$ 22,253,493</u>	<u>\$ 2,586,171</u>	<u>\$ 46,914</u>	<u>\$ 24,792,750</u>
Total Net Assets of Primary Government	<u>\$ 57,022,415</u>	<u>\$ 2,020,923</u>	<u>\$ 46,914</u>	<u>\$ 58,996,424</u>
Depreciation expense was charged to functions of the primary government as follows:				
Governmental Activities:		Business-Type Activities		
General Government	\$ 839,343		Water Utilities	\$ 222,903
			Sewer Utilities	207,580
			Swimming Pool	20,651
Total depreciation expense - governmental activities	<u>\$ 839,343</u>			<u>\$ 451,134</u>

* With the implementation of GASB #34, the City elected the prospective reporting approach for infrastructure assets. Accordingly, only infrastructure assets acquired on July 1, 2003 and thereafter will be presented in the financial statements.

CITY OF STAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

5. LONG-TERM DEBT:

The table below presents current year changes in long term obligations and the current portions due for each issue. Governmental and business-type activities are shown separately:

	<u>Outstanding Balance July 1, 2010</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2011</u>	<u>Due within One Year</u>
BUSINESS-TYPE ACTIVITIES					
OEED Bonds, series 1993 for special public works projects					
- Original Balance \$510,000					
Dated: December 21, 1993					
Interest Rate: 5.19%					
Principal	\$ 155,710	\$ -	\$ 36,025	\$ 119,685	\$ 37,894
Interest	4,672	8,081	9,162	3,591	
Totals	<u>\$ 160,382</u>	<u>\$ 8,081</u>	<u>\$ 45,187</u>	<u>\$ 123,276</u>	<u>\$ 37,894</u>
GO Refunding Bonds, series 2001 - Original Balance \$1,295,000					
Dated: December 1, 2001					
Interest Rate: 4.00% - 4.40%					
Principal	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -
Interest	2,874	3,520	6,394	-	
Totals	<u>\$ 162,874</u>	<u>\$ 3,520</u>	<u>\$ 166,394</u>	<u>\$ -</u>	<u>\$ -</u>
Sewer Revenue Bonds, US Department of Agriculture - Original Balance \$2,952,000					
Dated: May 28, 1997					
Interest Rate: 5.00%					
Principal	\$ 2,516,491	\$ -	\$ 46,218	\$ 2,470,273	\$ 44,068
Interest	11,376	125,743	125,952	11,167	
Totals	<u>\$ 2,527,867</u>	<u>\$ 125,743</u>	<u>\$ 172,170</u>	<u>\$ 2,481,440</u>	<u>\$ 44,068</u>
Oregon Department of Environmental Quality (ODEQ) Clean Water Revolving Loan - Original Balance \$4,382,000					
Dated: September 27, 2007					
Interest Rate: 2.92%					
Principal	\$ 4,047,785	\$ -	\$ 180,170	\$ 3,867,615	\$ 185,470
Interest	47,926	114,757	116,890	45,793	
Totals	<u>\$ 4,095,711</u>	<u>\$ 114,757</u>	<u>\$ 297,060</u>	<u>\$ 3,913,408</u>	<u>\$ 185,470</u>
Oregon Economic and Community Development Department (OECD) Water State Revolving Loan - Approved Balance \$4,761,900					
Dated: February 18, 2009					
Interest Rate: 3.4%					
Principal	\$ 4,773,870	\$ 204,954	\$ -	\$ 4,978,824	\$ -
Interest	-	-	-	-	
Totals	<u>\$ 4,773,870</u>	<u>\$ 204,954</u>	<u>\$ -</u>	<u>\$ 4,978,824</u>	<u>\$ -</u>
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 11,653,856	\$ 204,954	\$ 422,413	\$ 11,436,397	\$ 267,432
Interest	66,848	252,101	258,398	60,551	-
Totals	<u>\$ 11,720,704</u>	<u>\$ 457,055</u>	<u>\$ 680,811</u>	<u>\$ 11,496,948</u>	<u>\$ 267,432</u>
TOTAL DEBT AGREEMENTS:					
Principal	\$ 11,653,856	\$ 204,954	\$ 422,413	\$ 11,436,397	\$ 267,432
Interest	66,848	252,101	258,398	60,551	-
Totals	<u>\$ 11,720,704</u>	<u>\$ 457,055</u>	<u>\$ 680,811</u>	<u>\$ 11,496,948</u>	<u>\$ 267,432</u>

CITY OF STAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

5. LONG-TERM DEBT (Cont.):

The debt service requirements on the above debt are as follows:

	Due Fiscal Year Ending June 30,	Principal	Interest	Total
<u>Business-Type Activities</u>				
OEDD Bonds, series 1993 for special public works projects - Original Balance \$510,000	2012	\$ 37,894	\$ 6,212	\$ 44,106
	2013	39,861	4,245	44,106
	2014	41,930	2,176	44,106
	Total	<u>\$ 119,685</u>	<u>\$ 12,633</u>	<u>\$ 132,318</u>
Sewer Revenue Bonds, US Department of Agriculture - Original Balance \$2,952,000	2012	\$ 44,068	\$ 125,865	\$ 169,933
	2013	48,149	123,894	172,043
	2014	50,895	121,148	172,043
	2015	53,440	118,603	172,043
	2016	55,679	116,364	172,043
	2017-2021	320,958	539,257	860,215
	2022-2026	405,208	455,007	860,215
	2027-2031	511,575	348,640	860,215
	2032-2036	645,864	214,351	860,215
	2037-2039	334,564	49,847	384,411
	Total	<u>\$ 2,470,400</u>	<u>\$ 2,212,976</u>	<u>\$ 4,683,376</u>
Oregon Department of Environmental Quality (ODEQ) Clean Water Revolving Loan - Original Balance \$4,382,000	2012	\$ 185,470	\$ 111,590	\$ 297,060
	2013	190,925	106,135	297,060
	2014	196,541	100,519	297,060
	2015	202,322	94,738	297,060
	2016	208,273	88,787	297,060
	2017-2021	1,136,936	348,364	1,485,300
	2022-2026	1,314,271	171,029	1,485,300
	2027-2028	432,877	12,701	445,578
	Total	<u>\$ 3,867,615</u>	<u>\$ 1,033,863</u>	<u>\$ 4,901,478</u>
Oregon Economic and Community Development Department (OECD) Water State Revolving Loan - Approved Balance \$4,761,900	2012	\$ 163,583	\$ 169,280	\$ 332,863
	2013	169,145	163,718	332,863
	2014	174,896	157,967	332,863
	2015	180,842	152,021	332,863
	2016	186,991	145,872	332,863
	2017-2021	1,034,755	629,560	1,664,315
	2022-2026	1,223,038	441,277	1,664,315
	2027-2031	1,445,580	218,735	1,664,315
	2032-2033	399,994	16,345	416,339
	Total	<u>\$ 4,978,824</u>	<u>\$ 2,094,775</u>	<u>\$ 7,073,599</u>

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

6. PENSION PLAN:

Union Bank of California

The City sponsors a retirement plan for eligible employees and non-sworn police employees through a contract with Union Bank of California. The retirement plan is a defined benefit plan to which employees and the City both contribute. All full time employees are eligible to participate in the Plan after six months of employment. Benefits vest after 60 months of membership in the Plan. Employees may retire with insurance benefits at age 65 or at age 55 with 30 years of service. Employees are eligible for early retirement with reduced benefits at age 55. The Plan also provide for death and disability benefits.

The Plan requires, and it is the policy of the City, to fund all normal current and prior unfunded service pension costs over a period of ten years.

The rate of employee contribution is established in the Plan document as 6% of the basic monthly earnings. The rate of employer contributions is determined annually, based on an actuarial evaluation by Milliman USA. The employer rate for 2010-11 was 23% of employee earnings. The contribution for the year ended June 30, 2011 was \$318,966 which consists of \$227,833 for the City's portion, and \$91,133 for the employees' portion.

For the year ended June 30, 2011, the City's annual pension cost of \$318,966 was equal to the City's actual contributions. The required contribution was determined as part of the July 1, 2008 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 6.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation and seniority/merit raises of 5.0 percent per year, compounded annually. For this valuation, the actuarial value of assets is equal of the plan's net assets, which is the fund balance of the insurance contract at the valuation date.

Oregon Public Employees' Retirement System

Plan Description. The City contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service.

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.state.or.us.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

6. PENSION PLAN (Cont.):

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The City "picks up" employee contributions at a rate of 6% as allowed under ORS 237.075. The City is required to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2011 were 13.89% and 10.79% respectively. The contribution requirements of plan members and the City are established and may be amended by the PERS Board of Trustees.

Annual Pension Cost. The City's contribution to PERS for the years ending June 30, 2011, 2010, and 2009 were \$161,214, \$160,015, and \$131,615 respectively. The contributions actually made are equivalent to the Annual Pension Cost.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA)

Plan Description

The District contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598- 7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

Funding Policy

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.29% of annual covered PERS payroll and 0.19% for OPSRP payroll. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to PERS' RHIA for the year ended June 30, 2011, was \$14,694, which equaled the required contributions for the year.

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year ending June 30, 2011, the amount actually contributed to the plans, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 7,947
Interest on net OPEB obligation	238
Adjustment to the annual required contribution	<u>-</u>
Annual OPEB cost (expense)	8,185
Contributions made	<u>5,946</u>
Increase in net OPEB obligation	2,239
Net OPEB obligation, beginning of year	<u>2,001</u>
Net OPEB obligation, end of year	<u><u>\$ 4,240</u></u>

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

8. CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

9. RISK MANAGEMENT:

To reduce the risk of loss from liability, fire, theft, accident, medical costs, errors and omissions, the City maintains various commercial insurance policies.

In 1981 the League of Oregon Cities joined together with the Association of Oregon Counties to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City has obtained, from CCIS, insurance for risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Vehicle Replacement Fund	\$ 46,326	
Sewer Fund	-	
Swimming Pool Fund		\$ 46,326
Total	<u>\$ 46,326</u>	<u>\$ 46,326</u>

The amount payable to the Vehicle Replacement Fund from the Swimming Pool Fund relates to a capital loan with a stated interest rate of 2% payable over the next three years with annual installments of \$23,636.

The amount payable to the Sewer Fund from the Sewer Construction Fund results from cash deficits which are expected to be made up in the ensuing year.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONT.):

Interfund transfers for the year ended June 30, 2011 were as follows:

	Transfers Out	Transfers In
General Fund	\$ 332,800	\$ 318,695
Library Fund	-	145,500
Street Fund	133,415	-
Street SDC Fund	2,120	-
Parks SDC	95,400	-
Public Works Fund	-	423,000
Vehicle Replacement	-	205,267
Parks Construction	-	95,000
Facilities Development	-	80,000
Muni Water	350,967	108,140
Water SDC	109,010	-
Sewer	572,275	150,000
Sewer SDC	151,915	-
Sewer Construction	-	151,000
Swimming Pool	10,000	81,300
Total	<u>\$ 1,757,902</u>	<u>\$ 1,757,902</u>

The City makes interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. The transfers are part of the City's budget preparation and adoption.

11. DEFERRED REVENUE:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2011, the various components of deferred revenue consist of the following:

Governmental Funds – Budget Basis:

	<u>Governmental Activities / Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 111,068	\$ 9,979	\$ 121,047
Total	<u>\$ 111,068</u>	<u>\$ 9,979</u>	<u>\$ 121,047</u>

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The City maintains two Enterprise Funds which account for the municipal water and sewer activities. Key financial data for these operations for the year ended June 30, 2011 are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>CONDENSED STATEMENT OF NET ASSETS:</u>			
Current Assets	\$ 954,944	\$ 8,885,071	\$ 9,840,015
Capital Assets	12,958,352	11,621,950	24,580,302
Total Assets	<u>\$ 13,913,296</u>	<u>\$ 20,507,021</u>	<u>\$ 34,420,317</u>
Current Liabilities	135,126	9,100,692	9,235,818
Non-Current Liabilities	5,061,283	6,108,350	11,169,633
Total Liabilities	<u>\$ 5,196,409</u>	<u>\$ 15,209,042</u>	<u>\$ 20,405,451</u>
Total Net Assets			
Invested in Capital Assets, net of related debt	\$ 7,859,843	\$ 5,284,062	\$ 13,143,905
Restricted for Capital Projects	83,881	(2,222,201)	(2,138,320)
Restricted for Debt Service	-	336,767	336,767
Restricted for Other Purposes	114,162	24,857	139,019
Unrestricted	659,001	1,874,494	2,533,495
<u>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS:</u>			
Operating Revenues	1,668,738	2,344,987	4,013,725
Operating Expenses	730,632	1,156,322	1,886,954
Depreciation	222,903	207,580	430,483
Operating Income (Loss)	<u>715,203</u>	<u>981,085</u>	<u>1,696,288</u>
Non-Operating Revenues (Expenses)	34,865	(228,597)	(193,732)
Transfers To (From)	<u>(351,837)</u>	<u>(423,190)</u>	<u>(775,027)</u>
Change In Net Assets	398,231	329,298	727,529
Beginning Net Assets	8,318,656	4,968,681	13,287,337
Ending Net Assets	<u>\$ 8,716,887</u>	<u>\$ 5,297,979</u>	<u>\$ 14,014,866</u>
<u>CONDENSED STATEMENT OF CASH FLOWS:</u>			
Cash Provided (Used) by:			
Operating Activities	921,355	1,644,439	2,565,794
Non Capital Financing Activities	(351,837)	(423,190)	(775,027)
Capital & Related Financing	(306,877)	5,165,769	4,858,892
Investing Activities	3,280	29,504	32,784
Beginning Cash	569,465	2,264,151	2,833,616
Ending Cash	<u>\$ 835,386</u>	<u>\$ 8,680,673</u>	<u>\$ 9,516,059</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF STAYTON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<u>REVENUES:</u>				
Taxes and Assessments	\$ 1,668,041	\$ 1,668,041	\$ 1,628,545	\$ (39,496)
Charges for Services	255,400	255,400	249,360	(6,040)
Intergovernmental	156,200	156,200	165,558	9,358
Franchise Fees	607,000	607,000	620,750	13,750
Licenses, Permits and Fees	32,500	32,500	68,382	35,882
Fines and Forfeitures	46,500	46,500	32,178	(14,322)
Investment Revenue	5,000	5,000	4,507	(493)
Grants	1,000	1,000	1,606	606
Rents	28,460	28,460	27,348	(1,112)
Other Revenue	22,500	22,500	1,933	(20,567)
Total Revenues	2,822,601	2,822,601	2,800,167	(22,434)
<u>EXPENDITURES:</u>				
Personal Services	2,283,010	2,283,010	2,047,084	(235,926)
Materials and Services	843,882	843,882	720,617	(123,265)
Capital Outlay	36,000	36,000	18,155	(17,845)
Contingency	178,604	178,604	-	(178,604)
Total Expenditures	3,341,496	3,341,496	2,785,856	(555,640)
Excess (Deficiency) of Revenues Over Expenditures	(518,895)	(518,895)	14,311	533,206
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	318,695	318,695	318,695	-
Operating Transfer (Out)	(332,800)	(332,800)	(332,800)	-
Total Other Financing Sources/(Uses)	(14,105)	(14,105)	(14,105)	-
Net Change in Fund Balance	(533,000)	(533,000)	206	533,206
Budgetary Fund Balance - July 1, 2010	688,000	688,000	725,026	37,026
Budgetary Fund Balance - June 30, 2011	\$ 155,000	\$ 155,000	\$ 725,232	\$ 570,232

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

CITY OF STAYTON
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Taxes and Assessments	\$ -	\$ -	\$ 35,570	\$ 35,570
Intergovernmental	387,567	387,567	347,738	(39,829)
Investment Revenue	500	500	342	(158)
Miscellaneous Revenue	600	600	131	(469)
Total Revenues	388,667	388,667	383,781	(4,886)
<u>EXPENDITURES:</u>				
Personal Services	80,990	80,990	75,948	(5,042)
Materials and Services	109,425	109,425	91,630	(17,795)
Capital Outlay	66,000	66,000	59,489	(6,511)
Contingency	29,337	29,337	-	(29,337)
Total Expenditures	285,752	285,752	227,067	(58,685)
Excess of Revenues Over (Under) Expenditures	102,915	102,915	156,714	53,799
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(133,415)	(133,415)	(133,415)	-
Total Other Financing Sources (Uses):	(133,415)	(133,415)	(133,415)	-
Net Change In Fund Balance	(30,500)	(30,500)	23,299	53,799
FUND BALANCE, July 1, 2010	30,500	30,500	58,735	28,235
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 82,034	\$ 82,034

CITY OF STAYTON
VEHICLE REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
	<u>REVENUES:</u>			
Investment Revenue	\$ 9,800	\$ 9,800	\$ 4,807	\$ (4,993)
Total Revenues	9,800	9,800	4,807	(4,993)
<u>EXPENDITURES:</u>				
Capital Outlay	387,000	387,000	39,291	(347,709)
Contingency	399,903	399,903	-	(399,903)
Total Expenditures	786,903	786,903	39,291	(747,612)
Excess (Deficiency) of Revenues Over Expenditure	(777,103)	(777,103)	(34,484)	742,619
<u>OTHER FINANCING SOURCES (USES):</u>				
Interfund Loan Repayment	21,836	21,836	21,837	1
Operating Transfer In	205,267	205,267	205,267	-
Total Other Financing Sources/(Uses)	227,103	227,103	227,104	1
Net Change in Fund Balance	(550,000)	(550,000)	192,620	742,620
Budgetary Fund Balance - July 1, 2010	550,000	550,000	624,451	74,451
Budgetary Fund Balance - June 30, 2011	\$ -	\$ -	\$ 817,071	\$ 817,071

Reconciliation to Generally Accepted Accounting Principles:

Net change in fund balance from above	192,620
Repayment of Interfund Loan	(21,837)
Net Change in Fund Balance, GAAP Basis	<u>\$ 170,783</u>

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

OTHER
SUPPLEMENTARY
INFORMATION

Combining and Individual
Fund Financial Statements

Additional Supporting Schedules

Proprietary Funds

CITY OF STAYTON
COMBINING SCHEDULE OF NET ASSETS
WATER UTILITY FUNDS

JUNE 30, 2011

	<u>Water Fund</u>	<u>Water SDC Fund</u>	<u>Water Construction Fund</u>	<u>Total</u>
<u>ASSETS:</u>				
Current Assets:				
Cash & Investments	\$ 661,963	\$ 89,542	\$ 83,881	\$ 835,386
Accounts Receivable	119,558	-	-	119,558
Total Current Assets	781,521	89,542	83,881	954,944
Capital Assets:				
Land	10,411	-	-	10,411
Construction in Progress	4,715,614	-	-	4,715,614
Infrastructure	11,661,787	-	-	11,661,787
Buildings & Improvements	50,087	-	-	50,087
Equipment & Vehicles	476,793	-	-	476,793
Other Capital Assets	33,316	-	-	33,316
Less: Accumulated Depreciation	(3,989,656)	-	-	(3,989,656)
Total Capital Assets, Net of Depreciation	12,958,352	-	-	12,958,352
Total Assets	\$ 13,739,873	\$ 89,542	\$ 83,881	\$ 13,913,296
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable	\$ 44,465	\$ -	\$ -	\$ 44,465
Interest Payable	3,571	-	-	3,571
Customer Deposits	24,620	-	-	24,620
Compensated Absences Payable	17,166	-	-	17,166
OPEB Payable	8,078	-	-	8,078
Current Portion of Long-Term Debt	37,226	-	-	37,226
Total Current Liabilities:	135,126	-	-	135,126
Long-Term Debt, Non-Current Portion	5,061,283	-	-	5,061,283
Total Liabilities	5,196,409	-	-	5,196,409
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	7,859,843	-	-	7,859,843
Restricted for:				
Capital Projects	-	-	83,881	83,881
Other Purposes	24,620	89,542	-	114,162
Unrestricted	659,001	-	-	659,001
Total Net Assets	\$ 8,543,464	\$ 89,542	\$ 83,881	\$ 8,716,887

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

WATER UTILITY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Water Fund</u>	<u>Water SDC Fund</u>	<u>Water Construction Fund</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>				
Charges for Services	1,658,058	-	-	1,658,058
System Development Charges	-	10,680	-	10,680
Total Operating Revenues	1,658,058	10,680	-	1,668,738
<u>OPERATING EXPENSES:</u>				
Personal Services	437,721	-	-	437,721
Materials and Services	292,905	-	6	292,911
Depreciation	222,903	-	-	222,903
Total Operating Expenses	953,529	-	6	953,535
Operating Income (loss)	704,529	10,680	(6)	715,203
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Capital Grants	-	-	25,252	25,252
Investment Revenue	2,573	707	-	3,280
Interest Expense	(7,626)	-	-	(7,626)
Miscellaneous	13,959	-	-	13,959
Total Non-Operating Revenues (Expenses)	8,906	707	25,252	34,865
Income (loss) before transfers	713,435	11,387	25,246	750,068
<u>TRANSFERS:</u>				
Operating Transfers In	108,140	-	-	108,140
Operating Transfers (Out)	(350,967)	(109,010)	-	(459,977)
Total Transfers:	(242,827)	(109,010)	-	(351,837)
Changes in Net Assets	470,608	(97,623)	25,246	398,231
NET ASSETS, July 1, 2010	8,081,664	187,165	49,827	8,318,656
EQUITY TRANSFER IN (OUT)	(8,808)	-	8,808	-
NET ASSETS, June 30, 2011	<u>\$8,543,464</u>	<u>\$ 89,542</u>	<u>\$ 83,881</u>	<u>\$ 8,716,887</u>

CITY OF STAYTON

WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget
	Original	Final		Positive (Negative)
<u>REVENUES:</u>				
Charges for Services	\$ 1,720,086	\$ 1,720,086	\$ 1,629,008	\$ (91,078)
Licenses, Permits and Fees	29,000	29,000	29,050	50
Investment Revenue	1,300	1,300	2,573	1,273
Other Revenue	11,500	11,500	13,959	2,459
Total Revenues	1,761,886	1,761,886	1,674,590	(87,296)
<u>EXPENDITURES:</u>				
Personal services	468,358	468,358	427,090	(41,268)
Materials and supplies	471,472	441,472	336,610	(104,862)
Capital Outlay	75,000	105,000	103,565	(1,435)
Debt Service				
Principal	391,100	391,100	196,025	(195,075)
Interest	206,620	206,620	11,601	(195,019)
Contingency	167,678	167,678	-	(167,678)
Total Expenditures	1,780,228	1,780,228	1,074,891	(705,337)
Excess (Deficiency of Revenues over Expenditures)	(18,342)	(18,342)	599,699	618,041
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	108,140	108,140	108,140	-
Operating Transfer (Out)	(350,967)	(350,967)	(350,967)	-
Total Other Financing Sources/(Uses)	(242,827)	(242,827)	(242,827)	-
Net Change In Fund Balance	(261,169)	(261,169)	356,872	618,041
Budgetary Fund Balance - July 1, 2010	261,169	261,169	352,668	91,499
Budgetary Fund Balance - June 30, 2011	\$ -	\$ -	\$ 709,540	\$ 709,540

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	356,872
Debt Repayment - Principal	196,025
Capital outlay that is capitalized	147,270
Depreciation Expense	(222,903)
Change in Vacation Payable	(7,041)
Change in Interest Payable	3,975
OPEB Expense	(3,590)

Net Income as Reported in Proprietary Funds Statement of
of Revenues, Expenditures, and Changes in Net Assets

\$ 470,608

CITY OF STAYTON

WATER SDC FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Licenses, Permits and Fees	\$ 10,680	\$ 30,000	\$ (19,320)
Investment Revenue	707	900	(193)
Total Revenues	11,387	30,900	(19,513)
<u>EXPENDITURES:</u>			
Materials and Services	-	15,500	(15,500)
Capital Outlay	-	50,000	(50,000)
Contingency	-	41,390	(41,390)
Total Expenditures	-	106,890	(106,890)
Excess of Revenues Over (Under) Expenditures	11,387	(75,990)	87,377
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer (Out)	(109,010)	(109,010)	-
Total Other Financing Sources/(Uses)	(109,010)	(109,010)	-
Net Change In Fund Balance	(97,623)	(185,000)	87,377
FUND BALANCE, July 1, 2010	187,165	185,000	2,165
FUND BALANCE, June 30, 2011	\$ 89,542	\$ -	\$ 89,542

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	(97,623)
Capital outlay that is capitalized	-
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u><u>\$ (97,623)</u></u>

CITY OF STAYTON
WATER CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Grants	\$ 25,252	\$ -	\$ 25,252
Total Revenues	25,252	-	25,252
<u>EXPENDITURES:</u>			
Personal Services		-	-
Materials and Services	14,790	50,000	(35,210)
Capital Outlay	181,362	522,000	(340,638)
Total Expenditures	196,152	572,000	(375,848)
Excess of Revenues Over (Under) Expenditures	(170,900)	(572,000)	401,100
<u>OTHER FINANCING SOURCES (USES):</u>			
Loan Proceeds	204,954	572,000	(367,046)
Total Other Financing Sources/(Uses)	204,954	572,000	(367,046)
Net Change In Fund Balance	34,054	-	34,054
FUND BALANCE, July 1, 2010	49,827	-	49,827
FUND BALANCE, June 30, 2011	\$ 83,881	\$ -	\$ 83,881

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	34,054
Loan Proceeds	(204,954)
Expenditures that are capitalized	196,146
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	\$ 25,246

CITY OF STAYTON
COMBINING SCHEDULE OF NET ASSETS
SEWER UTILITY FUNDS

JUNE 30, 2011

	<u>Sewer Fund</u>	<u>Sewer SDC Fund</u>	<u>Sewer Construction Fund</u>	<u>Total</u>
<u>ASSETS:</u>				
Current Assets:				
Cash & Investments	\$ 2,160,425	\$ 318,272	\$ 6,201,976	\$ 8,680,673
Interfund Loans Receivable	-	-	-	-
Accounts Receivable	204,398	-	-	204,398
Total Current Assets	2,364,823	318,272	6,201,976	8,885,071
Capital Assets:				
Land	215,332	-	-	215,332
Construction in Progress	3,419,089	-	-	3,419,089
Infrastructure	9,999,422	-	-	9,999,422
Buildings & Improvements	440,554	-	-	440,554
Equipment & Vehicles	1,083,141	-	-	1,083,141
Other Capital Assets	601,125	-	-	601,125
Less: Accumulated Depreciation	(4,136,713)	-	-	(4,136,713)
Total Capital Assets, Net of Depreciation	11,621,950	-	-	11,621,950
Total Assets	\$ 13,986,773	\$ 318,272	\$ 6,201,976	\$ 20,507,021
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable	\$ 31,896	\$ -	\$ 432,349	\$ 464,245
Interest Payable	56,961	-	-	56,961
Customer Deposits	24,857	-	-	24,857
Compensated Absences Payable	7,303	-	-	7,303
OPEB Payable	7,688	-	-	7,688
Interim Construction Note Payable	-	-	8,310,100	8,310,100
Current Portion of Long-Term Debt	229,538	-	-	229,538
Total Current Liabilities	358,243	-	8,742,449	9,100,692
Long-Term Debt, Non-Current Portion	6,108,350	-	-	6,108,350
Total Liabilities	6,466,593	-	8,742,449	15,209,042
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	5,284,062	-	-	5,284,062
Restricted for:				
Capital Projects	-	318,272	(2,540,473)	(2,222,201)
Debt Service	336,767	-	-	336,767
Other Purposes	24,857	-	-	24,857
Unrestricted	1,874,494	-	-	1,874,494
Total Net Assets	\$ 7,520,180	\$ 318,272	\$ (2,540,473)	\$ 5,297,979

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

SEWER UTILITY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Sewer Fund	Sewer SDC Fund	Sewer Construction Fund	Total
<u>OPERATING REVENUES:</u>				
Charges for Services	\$ 2,330,875	\$ -	\$ -	\$ 2,330,875
System Development Charges	-	14,112	-	14,112
Total Operating Revenues	2,330,875	14,112	-	2,344,987
<u>OPERATING EXPENSES:</u>				
Personal Services	484,217	-	-	484,217
Materials and Services	672,105	-	-	672,105
Depreciation	207,580	-	-	207,580
Total Operating Expenses	1,363,902	-	-	1,363,902
Operating Income (loss)	966,973	14,112	-	981,085
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Investment Revenue	7,997	1,901	19,606	29,504
Interest Expense & Loan Fees	(260,613)	-	-	(260,613)
Miscellaneous Revenue	2,512	-	-	2,512
Total Non-Operating Revenues (Expenses)	(250,104)	1,901	19,606	(228,597)
Income (loss) before transfers	716,869	16,013	19,606	752,488
<u>TRANSFERS:</u>				
Operating Transfers In	150,000	-	151,000	301,000
Operating Transfers (Out)	(572,275)	(151,915)	-	(724,190)
Total Transfers:	(422,275)	(151,915)	151,000	(423,190)
Changes in Net Assets	294,594	(135,902)	170,606	329,298
NET ASSETS, July 1, 2010	4,727,926	454,174	(213,419)	4,968,681
EQUITY TRANSFER IN (OUT)	2,497,660	-	(2,497,660)	-
NET ASSETS, June 30, 2011	\$ 7,520,180	\$ 318,272	\$ (2,540,473)	\$ 5,297,979

CITY OF STAYTON

SEWER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
REVENUES:				
Charges for Services	\$ 2,307,495	\$ 2,307,495	\$ 2,330,875	\$ 23,380
Investment Revenue	28,500	28,500	7,997	(20,503)
Other Revenue	1,000	1,000	2,512	1,512
Total Revenues	2,336,995	2,336,995	2,341,384	4,389
EXPENDITURES:				
Personal services	608,824	608,824	478,931	(129,893)
Materials and supplies	843,540	843,540	679,919	(163,621)
Capital Outlay	169,000	169,000	152,027	(16,973)
Debt Service				
Principal	226,261	226,261	226,388	127
Interest	242,842	242,842	242,715	(127)
Loan Service Fee	20,250	20,250	20,239	(11)
Contingency	865,280	865,280	-	(865,280)
Total Expenditures	2,975,997	2,975,997	1,800,219	(1,175,778)
Excess (Deficiency of Revenues over Expenditures)	(639,002)	(639,002)	541,165	1,180,167
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	150,000	150,000	150,000	-
Operating Transfer (Out)	(721,275)	(721,275)	(572,275)	149,000
Total Other Financing Sources/(Uses)	(571,275)	(571,275)	(422,275)	149,000
Net Change In Fund Balance	(1,210,277)	(1,210,277)	118,890	1,329,167
Budgetary Fund Balance - July 1, 2010	2,051,807	2,051,807	2,185,644	133,837
Budgetary Fund Balance - June 30, 2011	\$ 841,530	\$ 841,530	\$ 2,304,534	\$ 1,463,004

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	118,890
Change in Interest Payable	2,341
Debt Repayment - Principal	226,388
Capital outlay that is capitalized	159,841
Depreciation Expense	(207,580)
Change in Vacation Payable	(1,869)
OPEB Expense	(3,417)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 294,594</u>

CITY OF STAYTON

SEWER SDC FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Licenses, Permits and Fees	\$ 14,112	\$ 40,000	\$ (25,888)
Investment Revenue	1,901	2,200	(299)
Miscellaneous Revenue	-	-	-
Total Revenues	16,013	42,200	(26,187)
<u>EXPENDITURES:</u>			
Personal Services	-	-	-
Materials and Services	-	88,500	(88,500)
Capital Outlay	-	175,000	(175,000)
Contingency	-	74,995	(74,995)
Total Expenditures	-	338,495	(338,495)
Excess of Revenues Over (Under) Expenditures	16,013	(296,295)	312,308
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer In	-	-	-
Operating Transfer (Out)	(151,915)	(151,915)	-
Total Other Financing Sources/(Uses)	(151,915)	(151,915)	-
Net Change In Fund Balances	(135,902)	(448,210)	312,308
FUND BALANCE, July 1, 2010	454,174	448,210	5,964
FUND BALANCE, June 30, 2011	\$ 318,272	\$ -	\$ 318,272

CITY OF STAYTON
SEWER CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Investment Revenue	\$ 19,606	\$ -	\$ 19,606
Total Revenues	19,606	-	19,606
<u>EXPENDITURES:</u>			
Materials and Services	349,748	700,000	(350,252)
Capital Outlay	2,087,956	9,450,000	(7,362,044)
Debt Service			
Interest	59,956	400,000	(340,044)
Contingency	-	50,000	(50,000)
Total Expenditures	2,497,660	10,600,000	(8,102,340)
Excess of Revenues Over (Under) Expenditures	(2,478,054)	(10,600,000)	8,121,946
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer In	151,000	300,000	(149,000)
Loan Proceeds	8,310,100	10,300,000	(1,989,900)
Total Other Financing Sources/(Uses)	8,461,100	10,600,000	(2,138,900)
Net Change In Fund Balance	5,983,046	-	5,983,046
FUND BALANCE, July 1, 2010	(213,419)	-	(213,419)
FUND BALANCE, June 30, 2011	\$ 5,769,627	\$ -	\$ 5,769,627

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	5,983,046
Expenditures that are capitalized	2,497,660
Loan Proceeds that are reclassified as debt	(8,310,100)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 170,606</u>

CITY OF STAYTON
COMBINING SCHEDULE OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS

JUNE 30, 2011

	<u>Swimming Pool Fund</u>	<u>Sublimity RECD Fund</u>	<u>Total</u>
<u>ASSETS:</u>			
Currents Assets:			
Cash & Investments	\$ 38,097	\$ 93,739	\$ 131,836
Property Tax Receivable	11,263	-	11,263
Total Current Assets	49,360	93,739	143,099
Capital Assets:			
Buildings & Improvements	493,045	-	493,045
Equipment & Vehicles	35,043	-	35,043
Other Capital Assets	497,224	-	497,224
Less: Accumulated Depreciation	(713,383)	-	(713,383)
Total Capital Assets, Net of Depreciation	311,929	-	311,929
Total Assets	\$ 361,289	\$ 93,739	\$ 455,028
<u>LIABILITIES:</u>			
Accounts Payable	\$ 3,103	\$ -	\$ 3,103
Compensated Absences Payable	3,063	-	3,063
OPEB Payable	4,433	-	4,433
Interfund Loans Payable	46,326	-	46,326
Total Liabilities	56,925	-	56,925
<u>NET ASSETS:</u>			
Restricted for:			
Other Purposes	304,364	93,739	398,103
Total Net Assets	\$ 304,364	\$ 93,739	\$ 398,103

CITY OF STAYTON
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Swimming Pool Fund	Sublimity RECD Fund	Total
<u>OPERATING REVENUES:</u>			
Charges for Services	98,292	-	98,292
Total Operating Revenues	98,292	-	98,292
<u>OPERATING EXPENSES:</u>			
Personal Services	214,913	-	214,913
Materials and Services	72,492	-	72,492
Depreciation	20,651	-	20,651
Total Operating Expenses	308,056	-	308,056
Operating Income (loss)	(209,764)	-	(209,764)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Property Taxes	157,545	-	157,545
Investment Revenue	672	443	1,115
Interest Expense	(1,800)	-	(1,800)
Miscellaneous Revenues	31,994	-	31,994
Total Non-Operating Revenues (Expenses)	188,411	443	188,854
Income (Loss) Before Transfers	(21,353)	443	(20,910)
<u>TRANSFERS:</u>			
Operating Transfers In	81,300	-	81,300
Operating Transfers (Out)	(10,000)	-	(10,000)
Total Transfers:	71,300	-	71,300
Changes in Net Assets	49,947	443	50,390
NET ASSETS, July 1, 2010	254,417	93,296	347,713
NET ASSETS, June 30, 2011	\$ 304,364	\$ 93,739	\$ 398,103

CITY OF STAYTON
SWIMMING POOL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Actual	Original & Final Budget	Over (Under) Budget
<u>REVENUES:</u>			
Taxes and Assessments	\$ 155,016	\$ 153,400	\$ 1,616
Charges for Services	98,293	127,000	(28,707)
Grants and Contributions	16,389	10,000	6,389
Investment Revenue	672	500	172
Miscellaneous Revenue	15,605	18,200	(2,595)
Total Revenues	285,975	309,100	(23,125)
<u>EXPENDITURES:</u>			
Personal Services	214,103	243,878	(29,775)
Materials and Services	92,491	113,900	(21,409)
Capital Outlay	16,389	14,000	2,389
Debt Service:			
Interfund Loan - Principal	21,837	21,837	-
Interfund Loan - Interest	1,800	1,800	-
Contingency	-	12,985	(12,985)
Total Expenditures	346,620	408,400	(61,780)
Excess of Revenues Over (Under) Expenditures	(60,645)	(99,300)	38,655
<u>OTHER FINANCING SOURCES / (USES):</u>			
Operating Transfer In	81,300	81,300	-
Operating Transfer (Out)	(10,000)	(10,000)	-
Total Other Financing Sources/(Uses)	71,300	71,300	-
Net Change In Fund Balance	10,655	(28,000)	38,655
FUND BALANCE, July 1, 2010	26,328	28,000	(1,672)
FUND BALANCE, June 30, 2011	\$ 36,983	\$ -	\$ 36,983

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	10,655
Change in Deferred Revenue	2,529
Interfund Loan Repayment - Principal	21,837
Capital outlay that is capitalized	36,387
OPEB Expense	(2,283)
Depreciation Expense	(20,651)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 48,474</u>

CITY OF STAYTON

SUBLIMITY/RD RESERVE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Investment Revenue	\$ 443	\$ 750	\$ (307)
Total Revenues	443	750	(307)
<u>EXPENDITURES:</u>			
Contingency	-	-	-
Total Expenditures	-	-	-
Net Change In Fund Balances	443	750	(307)
FUND BALANCE, July 1, 2010	93,296	93,225	71
FUND BALANCE, June 30, 2011	<u>\$ 93,739</u>	<u>\$ 93,975</u>	<u>\$ (236)</u>

Combining Non-Major
Governmental Funds

CITY OF STAYTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Combined Non-Major Special Revenue Funds	Combined Non-Major Capital Projects Funds	Total
<u>ASSETS:</u>			
Cash & Investments	\$ 537,168	\$ 23,681	\$ 560,849
Accounts Receivable	-	-	-
Property Tax Receivable	12,076	-	12,076
Total Assets	549,244	23,681	572,925
<u>LIABILITIES:</u>			
Accounts Payable	9,365	1,005	10,370
Deferred Revenue	9,979	-	9,979
Total Liabilities	19,344	1,005	20,349
<u>FUND EQUITY:</u>			
Restricted for:			
Street Projects	228,186	-	228,186
Misc Community Projects	105,239	-	105,239
Parks & Recreation Programs	63,513	-	63,513
Committed for:			
Parks Capital Projects	-	22,676	22,676
Library Programs	112,686	-	112,686
Public Works Programs	20,276	-	20,276
Total Fund Equity	529,900	22,676	552,576
Total Liabilities and Fund Equity	\$ 549,244	\$ 23,681	\$ 572,925

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Combined Non-Major Special Revenue Funds	Combined Non-Major Capital Projects Funds	Total
<u>REVENUES:</u>			
Taxes and Assessments	\$ 173,819	\$ -	\$ 173,819
Intergovernmental	1,000	-	1,000
Licenses and Permits	29,312	-	29,312
Charges for Services	66,959	-	66,959
Grants	90,107	115,539	205,646
Fines and Forfeitures	16,169	-	16,169
Investment Revenue	2,515	-	2,515
Other Revenue	286,134	-	286,134
Total Revenues	666,015	115,539	781,554
<u>EXPENDITURES:</u>			
General Government	434,875	-	434,875
Public Safety	38,540	-	38,540
Highway and Street	448,489	-	448,489
Culture and Recreation	341,659	2,331	343,990
Capital Outlay	120,584	190,400	310,984
Total Expenditures	1,384,147	192,731	1,576,878
Excess of Revenues Over (Under) Expenditures	(718,132)	(77,192)	(795,324)
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	568,500	95,000	663,500
Operating Transfers Out	(97,520)	-	(97,520)
Total Other Financing Sources (Uses):	470,980	95,000	565,980
Net Change In Fund Balances	(247,152)	17,808	(229,344)
FUND BALANCE, July 1, 2010	777,052	4,868	781,920
FUND BALANCE, June 30, 2011	\$ 529,900	\$ 22,676	\$ 552,576

Non-Major Special
Revenue Funds

CITY OF STAYTON
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2011

	Library Fund	Street SDC Fund	Parks SDC Fund	Public Works Admin- istration Fund	Grants Fund	911 Fund	Trust Fund	NEDCO Fund	Total
<u>ASSETS:</u>									
Cash & Investments	\$ 113,897	\$ 228,186	\$63,513	\$22,209	\$ 5,468	\$ -	\$ 103,895	\$ -	\$537,168
Accounts Receivable	-	-	-	-	-	-	-	-	-
Property Tax Receivable	12,076	-	-	-	-	-	-	-	12,076
Total Assets	125,973	228,186	63,513	22,209	5,468	-	103,895	-	549,244
<u>LIABILITIES:</u>									
Accounts Payable	3,308	-	-	1,933	-	-	4,124	-	9,365
Deferred Revenue	9,979	-	-	-	-	-	-	-	9,979
Total Liabilities	13,287	-	-	1,933	-	-	4,124	-	19,344
<u>FUND EQUITY:</u>									
Restricted for:									
Street Projects	-	228,186	-	-	-	-	-	-	228,186
Misc Community Projects	-	-	-	-	5,468	-	99,771	-	105,239
Parks & Recreation Programs	-	-	63,513	-	-	-	-	-	63,513
Committed for:									
Library Programs	112,686	-	-	-	-	-	-	-	112,686
Public Works Programs	-	-	-	20,276	-	-	-	-	20,276
Total Fund Equity	112,686	228,186	63,513	20,276	5,468	-	99,771	-	529,900
Total Liabilities and Fund Equity	\$ 125,973	\$ 228,186	\$63,513	\$22,209	\$ 5,468	\$ -	\$ 103,895	\$ -	\$549,244

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Library Fund	Street SDC Fund	Parks SDC Fund	Public Works Administration Fund	Grants Fund	911 Fund	Trust Fund	NEDCO Fund	Total
<u>REVENUES:</u>									
Taxes and Assessments	\$ 135,279	\$ -	\$ -	\$ -	\$ -	\$ 38,540	\$ -	\$ -	\$ 173,819
Intergovernmental	1,000	-	-	-	-	-	-	-	1,000
Licenses and Permits	9,844	10,248	9,220	-	-	-	-	-	29,312
Charges for Services	66,959	-	-	-	-	-	-	-	66,959
Grants	25,000	-	-	-	28,115	-	-	36,992	90,107
Fines and Forfeitures	16,169	-	-	-	-	-	-	-	16,169
Investment Revenue	406	1,225	823	61	-	-	-	-	2,515
Other Revenue	240	-	-	16	-	-	285,878	-	286,134
Total Revenues	254,897	11,473	10,043	77	28,115	38,540	285,878	36,992	666,015
<u>EXPENDITURES:</u>									
General Government	-	-	-	-	28,335	-	369,548	36,992	434,875
Public Safety	-	-	-	-	-	38,540	-	-	38,540
Highways and Street	-	21,410	-	427,079	-	-	-	-	448,489
Culture and Recreation	340,387	0	1,272	-	-	-	-	-	341,659
Capital Outlay	34,779	50,000	34,363	-	1,442	-	-	-	120,584
Total Expenditures	375,166	71,410	35,635	427,079	29,777	38,540	369,548	36,992	1,384,147
Excess of Revenues Over (Under) Expenditure:	(120,269)	(59,937)	(25,592)	(427,002)	(1,662)	-	(83,670)	-	(718,132)
<u>OTHER FINANCING SOURCES (USES):</u>									
Operating Transfers In	145,500	-	-	423,000	-	-	-	-	568,500
Operating Transfers (Out)	-	(2,120)	(95,400)	-	-	-	-	-	(97,520)
Total Other Financing Sources (Uses):	145,500	(2,120)	(95,400)	423,000	-	-	-	-	470,980
Net Change In Fund Balances	25,231	(62,057)	(120,992)	(4,002)	(1,662)	-	(83,670)	-	(247,152)
FUND BALANCE, July 1, 2010	87,455	290,243	184,505	24,278	7,130	-	183,441	-	777,052
FUND BALANCE, June 30, 2011	\$ 112,686	\$ 228,186	\$ 63,513	\$ 20,276	\$ 5,468	\$ -	\$ 99,771	\$ -	\$ 529,900

CITY OF STAYTON

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	Over (Under) <u>Budget</u>
<u>REVENUES:</u>			
Taxes and Assessments	\$ 135,279	\$ 134,700	\$ 579
Intergovernmental	1,000	1,346	(346)
Licenses, Permits and Fees	9,844	13,500	(3,656)
Charges for Services	66,959	71,922	(4,963)
Grants and Contributions	25,000	18,500	6,500
Fines and Forfeitures	16,169	15,000	1,169
Investment Revenue	406	500	(94)
Miscellaneous Revenue	240	1,600	(1,360)
Total Revenues	254,897	257,068	(2,171)
<u>EXPENDITURES:</u>			
Personal Services	286,162	299,751	(13,589)
Materials and Services	54,225	61,506	(7,281)
Capital Outlay	34,779	42,970	(8,191)
Contingency	-	23,341	(23,341)
Total Expenditures	375,166	427,568	(52,402)
Excess of Revenues Over (Under) Expenditures	(120,269)	(170,500)	50,231
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer In	145,500	145,500	-
Total Other Financing Sources (Uses):	145,500	145,500	-
Net Change In Fund Balance	25,231	(25,000)	50,231
FUND BALANCE, July 1, 2010	87,455	25,000	62,455
FUND BALANCE, June 30, 2011	\$ 112,686	\$ -	\$ 112,686

CITY OF STAYTON

STREET SDC FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Licenses, Permits and Fees	\$ 10,248	\$ 132,500	\$ (122,252)
Investment Revenue	1,225	1,250	(25)
Total Revenues	11,473	133,750	(122,277)
<u>EXPENDITURES:</u>			
Materials and Services	21,410	56,000	(34,590)
Capital Outlay	50,000	290,000	(240,000)
Contingency		46,046	(46,046)
Total Expenditures	71,410	392,046	(320,636)
Excess of Revenues Over (Under) Expenditures	(59,937)	(258,296)	198,359
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer (Out)	(2,120)	(2,120)	-
Total Other Financing Sources (Uses):	(2,120)	(2,120)	-
Net Change In Fund Balance	(62,057)	(260,416)	198,359
FUND BALANCE, July 1, 2010	290,243	260,416	29,827
FUND BALANCE, June 30, 2011	\$ 228,186	\$ -	\$ 228,186

CITY OF STAYTON

PARKS SDC FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Licenses, Permits and Fees	\$ 9,220	\$ 2,250	\$ 6,970
Investment Revenue	823	900	(77)
Total Revenues	10,043	3,150	6,893
<u>EXPENDITURES:</u>			
Materials and Services	1,272	6,000	(4,728)
Capital Outlay	34,363	55,000	(20,637)
Contingency	-	9,558	(9,558)
Total Expenditures	35,635	70,558	(34,923)
Excess of Revenues Over (Under) Expenditures	(25,592)	(67,408)	41,816
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer (Out)	(95,400)	(95,400)	-
Total Other Financing Sources (Uses):	(95,400)	(95,400)	-
Net Change In Fund Balance	(120,992)	(162,808)	41,816
FUND BALANCE, July 1, 2010	184,505	162,808	21,697
FUND BALANCE, June 30, 2011	\$ 63,513	\$ -	\$ 63,513

CITY OF STAYTON
PUBLIC WORKS ADMINISTRATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	Over (Under) Budget
<u>REVENUES:</u>			
Investment Revenue	\$ 61	\$ 100	\$ (39)
Miscellaneous Revenue	16	100	(84)
Total Revenues	77	200	(123)
<u>EXPENDITURES:</u>			
Personal Services	342,470	362,205	(19,735)
Materials and Services	84,609	96,005	(11,396)
Contingency	-	9,990	(9,990)
Total Expenditures	427,079	468,200	(41,121)
Excess of Revenues Over (Under) Expenditures	(427,002)	(468,000)	40,998
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer In	423,000	423,000	-
Total Other Financing Sources (Uses):	423,000	423,000	-
Net Change In Fund Balance	(4,002)	(45,000)	40,998
FUND BALANCE, July 1, 2010	24,278	45,000	(20,722)
FUND BALANCE, June 30, 2011	\$ 20,276	\$ -	\$ 20,276

CITY OF STAYTON

GRANTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	Over (Under) <u>Budget</u>
<u>REVENUES:</u>			
Grants	\$ 28,115	\$ 394,000	\$ (365,885)
Miscellaneous Revenue	-	8,000	(8,000)
Total Revenues	28,115	402,000	(373,885)
<u>EXPENDITURES:</u>			
Personal Services	23,438	119,500	(96,062)
Materials and Services	4,897	180,100	(175,203)
Capital Outlay	1,442	103,000	(101,558)
Total Expenditures	29,777	402,600	(372,823)
Net Change In Fund Balance	(1,662)	(600)	(1,062)
FUND BALANCE, July 1, 2010	7,130	600	6,530
FUND BALANCE, June 30, 2011	\$ 5,468	\$ -	\$ 5,468

CITY OF STAYTON

911 FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	Over (Under) <u>Budget</u>
<u>REVENUES:</u>			
Taxes and Assessments	<u>\$ 38,540</u>	<u>\$ 56,000</u>	<u>\$ (17,460)</u>
Total Revenues	38,540	56,000	(17,460)
<u>EXPENDITURES:</u>			
Materials and Services	<u>38,540</u>	<u>56,000</u>	<u>(17,460)</u>
Total Expenditures	38,540	56,000	(17,460)
Net Change In Fund Balance	-	-	-
FUND BALANCE, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF STAYTON
TRUST AND AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	Over (Under) <u>Budget</u>
<u>REVENUES:</u>			
Miscellaneous Revenue	\$ 285,878	\$ 500,000	\$(214,122)
Total Revenues	285,878	500,000	(214,122)
<u>EXPENDITURES:</u>			
Materials and Services	369,548	500,000	(130,452)
Contingency	-	150,000	(150,000)
Total Expenditures	369,548	650,000	(280,452)
Net Change In Fund Balance	(83,670)	(150,000)	66,330
FUND BALANCE, July 1, 2010	183,441	150,000	33,441
FUND BALANCE, June 30, 2011	\$ 99,771	\$ -	\$ 99,771

CITY OF STAYTON

NEDCO FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	Over (Under) <u>Budget</u>
<u>REVENUES:</u>			
Grants	\$ 36,992	\$ 48,000	\$ (11,008)
Total Revenues	36,992	48,000	(11,008)
<u>EXPENDITURES:</u>			
Materials and Services	36,992	48,000	(11,008)
Total Expenditures	36,992	48,000	(11,008)
Net Change In Fund Balance	-	-	-
FUND BALANCE, July 1, 2010	-	-	-
FUND BALANCE, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Funds
(Major and Non-Major)

CITY OF STAYTON

CAPITAL PROJECTS FUND - FACILITIES DEVELOPMENT FUND (A MAJOR FUND)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis) (See Note 1)	with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Investment Revenue	\$ 8,000	\$ 8,000	\$ 1,380	\$ (6,620)
Rents	44,946	44,946	36,353	(8,593)
Miscellaneous Revenue	-	-	-	-
Total Revenues	52,946	52,946	37,733	(15,213)
<u>EXPENDITURES:</u>				
Personal Services	-	-	-	-
Materials and Services	100,000	100,000	30,491	(69,509)
Capital Outlay	175,000	175,000	19,999	(155,001)
Contingency	107,946	107,946	-	(107,946)
Total Expenditures	382,946	382,946	50,490	(332,456)
Excess of Revenues Over (Under) Expenditures	(330,000)	(330,000)	(12,757)	317,243
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	80,000	80,000	80,000	-
Total Other Financing Sources (Uses):	80,000	80,000	80,000	-
Net Change In Fund Balance	(250,000)	(250,000)	67,243	317,243
FUND BALANCE, July 1, 2010	250,000	250,000	276,018	26,018
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 343,261	\$ 343,261

CITY OF STAYTON

CAPITAL PROJECTS - PARKS CONSTRUCTION FUND (A NON-MAJOR FUND)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<u>REVENUES:</u>			
Grants	\$ 115,539	\$ 248,450	\$ (132,911)
Total Revenues	115,539	248,450	(132,911)
<u>EXPENDITURES:</u>			
Materials and Services	2,331	7,000	(4,669)
Capital Outlay	190,400	336,450	(146,050)
Total Expenditures	192,731	343,450	(150,719)
Excess of Revenues Over (Under) Expenditures	(77,192)	(95,000)	17,808
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfer In	95,000	95,000	-
Total Other Financing Sources (Uses):	95,000	95,000	-
Net Change In Fund Balance	17,808	-	17,808
FUND BALANCE, July 1, 2010	4,868	-	4,868
FUND BALANCE, June 30, 2011	\$ 22,676	\$ -	\$ 22,676

Additional Supporting
Schedules

CITY OF STAYTON
SCHEDULE OF PROPERTY TAXES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund Permanent Rate Tax, Subject to Measure 5	Local Option	Total	
Assessed Valuation, 2010-11 Tax Roll	\$ 503,997,285	\$ 503,997,285	\$ 503,997,285	
General Fund Permanent Rate Levy, Per \$1,000	0.0033280			
Local Option Levy Rate, Per \$1,000		0.0005952		
Amount Levy Rates Will Raise	1,677,303	299,979	1,977,282	
Additional Taxes Outside Measure 5 Limits - Farmland Roll Corrections & Omitted Property			-	
Net Tax Levy Imposed	<u>\$ 1,677,303</u>	<u>\$ 299,979</u>	<u>\$ 1,977,282</u>	
	Uncollected Balance July 1, 2010	Collector's Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2011
2010-11	\$ 1,977,282	\$ (66,475)	\$ 1,829,321	\$ 81,486
2009-10	81,613	9,996	49,774	41,835
2008-09	36,135	2,493	16,573	22,055
2007-08	16,094	(138)	8,945	7,011
2006-07	5,508	2,936	6,814	1,630
2005-06	1,336	(5)	379	952
2004-05 & Prior	3,687	(106)	308	3,273
Total Cash Collections	<u>\$ 2,121,655</u>	<u>\$ (51,299)</u>	<u>\$ 1,912,114</u>	<u>\$ 158,242</u>
Less Accrued Revenue - June 30, 2010			(31,004)	
Add Accrued Revenue - June 30, 2011			27,920	
Total Property Tax Revenue			<u>\$ 1,909,030</u>	

CITY OF STAYTON

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Outstanding Balance July 1, 2010</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2011</u>	<u>Due within One Year</u>
BUSINESS-TYPE ACTIVITIES					
OEDD Bonds, series 1993 for special public works projects					
- Original Balance \$510,000					
Dated: December 21, 1993					
Interest Rate: 5.19%					
Principal	\$ 155,710	\$ -	\$ 36,025	\$ 119,685	\$ 37,894
Interest	4,672	8,081	9,162	3,591	
Totals	<u>\$ 160,382</u>	<u>\$ 8,081</u>	<u>\$ 45,187</u>	<u>\$ 123,276</u>	<u>\$ 37,894</u>
GO Refunding Bonds, series 2001 - Original Balance \$1,295,000					
Dated: December 1, 2001					
Interest Rate: 4.00% - 4.40%					
Principal	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -
Interest	2,874	3,520	6,394	-	
Totals	<u>\$ 162,874</u>	<u>\$ 3,520</u>	<u>\$ 166,394</u>	<u>\$ -</u>	<u>\$ -</u>
Sewer Revenue Bonds, US Department of Agriculture - Original Balance \$2,952,000					
Dated: May 28, 1997					
Interest Rate: 5.00%					
Principal	\$ 2,516,491	\$ -	\$ 46,218	\$ 2,470,273	\$ 44,068
Interest	11,376	125,743	125,952	11,167	
Totals	<u>\$ 2,527,867</u>	<u>\$ 125,743</u>	<u>\$ 172,170</u>	<u>\$ 2,481,440</u>	<u>\$ 44,068</u>
Oregon Department of Environmental Quality (ODEQ) Clean					
Water Revolving Loan - Original Balance \$4,382,000					
Dated: September 27, 2007					
Interest Rate: 2.92%					
Principal	\$ 4,047,785	\$ -	\$ 180,170	\$ 3,867,615	\$ 185,470
Interest	47,926	114,757	116,890	45,793	
Totals	<u>\$ 4,095,711</u>	<u>\$ 114,757</u>	<u>\$ 297,060</u>	<u>\$ 3,913,408</u>	<u>\$ 185,470</u>
Oregon Economic and Community Development Department (OECDD) Water State					
Revolving Loan - Approved Balance \$4,761,900					
Dated: February 18, 2009					
Interest Rate: 3.4%					
Principal	\$ 4,773,870	\$ 204,954	\$ -	\$ 4,978,824	\$ -
Interest	-	-	-	-	
Totals	<u>\$ 4,773,870</u>	<u>\$ 204,954</u>	<u>\$ -</u>	<u>\$ 4,978,824</u>	<u>\$ -</u>
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 11,653,856	\$ 204,954	\$ 422,413	\$ 11,436,397	\$ 267,432
Interest	66,848	252,101	258,398	60,551	-
Totals	<u>\$ 11,720,704</u>	<u>\$ 457,055</u>	<u>\$ 680,811</u>	<u>\$ 11,496,948</u>	<u>\$ 267,432</u>
TOTAL DEBT AGREEMENTS:					
Principal	\$ 11,653,856	\$ 204,954	\$ 422,413	\$ 11,436,397	\$ 267,432
Interest	66,848	252,101	258,398	60,551	-
Totals	<u>\$ 11,720,704</u>	<u>\$ 457,055</u>	<u>\$ 680,811</u>	<u>\$ 11,496,948</u>	<u>\$ 267,432</u>

CITY OF STAYTON

**SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
<u>Business-Type Activities</u>						
OEDD Bonds, series 1993 for special public works projects - Original Balance \$510,000	2012	\$ -	\$ 44,106	\$ 37,894	\$ 6,212	\$ 81,791
	2013	-	44,106	39,861	4,245	41,930
	2014	-	44,106	41,930	2,176	-
Totals		\$ -	\$ 132,318	\$ 119,685	\$ 12,633	
Sewer Revenue Bonds, US Department of Agriculture - Original Balance \$2,952,000	2012	\$ -	\$ 169,933	\$ 44,068	\$ 125,865	\$ 2,426,205
	2013	-	172,043	48,149	123,894	2,378,056
	2014	-	172,043	50,895	121,148	2,327,161
	2015	-	172,043	53,440	118,603	2,273,721
	2016	-	172,043	55,679	116,364	2,218,042
	2017	-	172,043	58,351	113,692	2,159,691
	2018	-	172,043	61,135	110,908	2,098,556
	2019	-	172,043	64,052	107,991	2,034,504
	2020	-	172,043	67,109	104,934	1,967,395
	2021	-	172,043	70,311	101,732	1,897,084
	2022	-	172,043	73,667	98,376	1,823,417
	2023	-	172,043	77,182	94,861	1,746,235
	2024	-	172,043	80,866	91,177	1,665,369
	2025	-	172,043	84,725	87,318	1,580,644
	2026	-	172,043	88,768	83,275	1,491,876
	2027	-	172,043	93,004	79,039	1,398,872
	2028	-	172,043	97,443	74,600	1,301,429
	2029	-	172,043	102,093	69,950	1,199,336
	2030	-	172,043	106,965	65,078	1,092,371
	2031	-	172,043	112,070	59,973	980,301
	2032	-	172,043	117,418	54,625	862,883
	2033	-	172,043	123,022	49,021	739,861
	2034	-	172,043	128,892	43,151	610,969
	2035	-	172,043	135,044	36,999	475,925
	2036	-	172,043	141,488	30,555	334,437
	2037	-	172,043	148,240	23,803	186,197
	2038	-	172,043	155,315	16,728	30,882
	2039	-	40,325	31,009	9,316	(127)
Totals			\$ 4,683,376	\$ 2,470,400	\$ 2,212,976	
Oregon Department of Environmental Quality (ODEQ) Clean Water Revolving Loan - Original Balance \$4,382,000	2012	\$ 150,387	\$ 297,060	\$ 185,470	\$ 111,590	\$ 3,501,975
	2013	150,387	297,060	190,925	106,135	3,311,050
	2014	150,387	297,060	196,541	100,519	3,114,509
	2015	150,387	297,060	202,322	94,738	2,912,187
	2016	150,387	297,060	208,273	88,787	2,703,914
	2017	150,387	297,060	214,398	82,662	2,489,516
	2018	150,387	297,060	220,705	76,355	2,268,811
	2019	150,387	297,060	227,196	69,864	2,041,615
	2020	150,387	297,060	233,879	63,181	1,807,736
	2021	150,387	297,060	240,758	56,302	1,566,978
	2022	150,387	297,060	247,840	49,220	1,319,138
	2023	150,387	297,060	255,129	41,931	1,064,009
	2024	150,387	297,060	262,633	34,427	801,376
	2025	150,387	297,060	270,358	26,702	531,018
	2026	150,387	297,060	278,311	18,749	252,707
	2027	150,387	297,060	286,496	10,564	(33,789)
	2028	150,387	148,518	146,381	2,137	(180,170)
Totals			\$ 4,901,478	\$ 3,867,615	\$ 1,033,863	

Continued

City of STAYTON
SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
Oregon Economic and Community Development Department (OECD) Water State Revolving Loan - Approved Balance \$4,978,824	2012	\$ -	\$ 332,863	\$ 163,583	\$ 169,280	\$ 4,815,241
	2013	-	332,863	169,145	163,718	4,646,096
	2014	-	332,863	174,896	157,967	4,471,200
This loan is currently in process and a final amortization schedule has not been established. Amounts presented are estimated based on loan proceeds which have been received through June 30, 2011	2015	-	332,863	180,842	152,021	4,290,358
	2016	-	332,863	186,991	145,872	4,103,367
	2017	-	332,863	193,349	139,514	3,910,018
	2018	-	332,863	199,922	132,941	3,710,096
	2019	-	332,863	206,720	126,143	3,503,376
	2020	-	332,863	213,748	119,115	3,289,628
	2021	-	332,863	221,016	111,847	3,068,612
	2022	-	332,863	228,530	104,333	2,840,082
	2023	-	332,863	236,300	96,563	2,603,782
	2024	-	332,863	244,334	88,529	2,359,448
	2025	-	332,863	252,642	80,221	2,106,806
	2026	-	332,863	261,232	71,631	1,845,574
	2027	-	332,863	270,113	62,750	1,575,461
	2028	-	332,863	279,297	53,566	1,296,164
	2029	-	332,863	288,793	44,070	1,007,371
	2030	-	332,863	298,612	34,251	708,759
	2031	-	332,863	308,765	24,098	399,994
	2032	-	332,863	319,263	13,600	80,731
	2033	-	83,476	80,731	2,745	-
Totals			<u>\$ 7,073,599</u>	<u>\$ 4,978,824</u>	<u>\$ 2,094,775</u>	

ACCOMPANYING
INFORMATION

CITY OF STAYTON
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION
As of June 30, 2011

To the Governing Body of the City of Stayton
Stayton, Oregon

Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon Municipal corporations. That financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements, notes to the financial statements, and supplementary information as listed in the table of contents, provide that information.

Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the City's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which may have included samples of transactions, to obtain sufficient audit evidence to support the comments that follow:

ACCOUNTING RECORDS AND INTERNAL CONTROL:

The City's accounting records were in satisfactory condition for audit purposes.

As part of our examination of the financial statements, we obtained an understanding of the accounting system and the controls incorporated into that system. The purpose of understanding the accounting system and its controls is to assist in planning the nature and scope of our examination. The process involved in obtaining an understanding of the system is more limited than a study and evaluation necessary to express an opinion on the internal control system as a whole. Based on our understanding, we determined that our examination could be more efficiently done without placing reliance on certain internal accounting controls. Therefore, we did not test internal accounting controls but adjusted the nature and extent of other auditing procedures as deemed necessary.

Our examination of the combined financial statements would not necessarily disclose all weaknesses in the system because it was based on selective testing. Accordingly, we do not express an opinion on the system of internal control.

Although the City's system of internal control is somewhat limited by the number of administrative personnel available, our study did not disclose any conditions which we considered to be material weaknesses in the limited controls.

As part of our audit of the basic financial statements, we reviewed and tested the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The accounting records were properly maintained and the accounting and internal control structure was adequate.

Management has been provided with a separate letter containing certain items I noted during the audit.

COLLATERAL:

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the City currently deposits public funds.

The City has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

CITY OF STAYTON
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION (Continued)
As of June 30, 2011

INDEBTEDNESS:

The City has not exceeded its legal debt limitation as provided by ORS 328.245. The City was in compliance with all debt covenants and all payments were made on a timely basis.

BUDGET:

Minutes and resolutions of the Budget Committee and City Council were reviewed for compliance of Oregon Budget Law in preparation, adoption and execution of the current year's budget and preparation and adoption of the ensuing year's budget. I found no instances of non-compliance of Oregon Budget Law by the City for the 2010-11 fiscal year or in preparation and adoption of the 2011-12 budget.

INVESTMENTS:

The City is in compliance with legal requirements of ORS 294 pertaining to investment of public funds.

INSURANCE AND FIDELITY BONDS:

I have examined the City's fidelity bonds and insurance coverage at June 30, 2011 and ascertained that such policies appeared to be in force as of that date and appeared to comply with the legal requirements. I recommend periodic review of insurance by qualified individuals, as I do not possess expertise in this area.

PUBLIC CONTRACTING:

The City complied with the requirements of ORS 279 by making every effort to construct public improvements at the least cost to the public agency. Adequate bids and quotes were obtained for all required contracts and purchases.

PROGRAMS FUNDED FROM OUTSIDE SOURCES:

During the fiscal year, the City complied with all appropriate laws, rules, and regulations pertaining to programs funded by the federal government and the State of Oregon. My examination included procedures required under the Single Audit Act of 1984 and described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*. In accordance with *Governmental Auditing Standards*, I issued a report on my consideration of the City of Stayton's compliance and internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are in the Single Audit Section of these financial statements.

CITY OF STAYTON
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION (Continued)
As of June 30, 2011

HIGHWAY FUNDS:

Based on my review of expenditures of monies received from the State of Oregon for road and highway construction, I am not aware of any instances of noncompliance with respect to Article IX, section 3(a) of the Oregon Constitution, pertaining to the use of receipts from taxes on motor vehicle use fuel. Furthermore, I am not aware of any noncompliance with respect to ORS 294, 368, and 373, pertaining to the use of road funds. My review procedures related to the highway funds included examining on a test basis, documents supporting expenditures in the City's Street Fund.

STATEMENT OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS:

This statement is not applicable to the City.

This report is intended solely for the information of the State of Oregon, Secretary of State, Division of Audits and other state agencies and is not intended and should not be used by anyone other than these specified parties.

Steven L. Tuchscherer, CPA
Steve Tuchscherer, CPA, PC

Roseburg, Oregon
September 23, 2011

SINGLE AUDIT
SECTION

CITY OF STAYTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Grantor Program and Title	Federal CFDA Number	Amount Awarded	Receipts	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Oregon Association of Chiefs of Police Occupant Protection Incentive Grants	20.602	\$ 1,760	\$ 1,760	\$ 1,760
Passed through Oregon Department of Transportation State and Community Highway Safety Grant	20.600	6,606	6,417	6,417
Passed through Oregon Parks and Recreation Department Recreation Trails Grant	20.219	<u>73,450</u>	<u>73,450</u>	<u>73,450</u>
Total U.S Department of Transportatin		<u>81,816</u>	<u>81,627</u>	<u>81,627</u>
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Oregon Economic and Community Development Department Capitalization Grants for Safe Drinking Water	66.468	4,978,824	204,954	196,152
U.S. DEPARTMENT OF AGRICULTURE				
Water and Waste Water Systems for Rural Communities	10.760	<u>5,138,700</u>	-	<u>2,497,660</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u><u>\$10,199,340</u></u>	<u><u>\$ 286,581</u></u>	<u><u>\$ 2,775,439</u></u>

This schedule has been prepared using the modified accrual basis of accounting.



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 City Council
City of Stayton, Oregon

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Stayton, as of and for the year ended June 30, 2011, which collectively comprise City of Stayton's basic financial statements and have issued my report thereon dated September 23, 2011. I conducted my 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 my audit, I considered the City of Stayton's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Stayton's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Stayton's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Stayton's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Stayton's financial statements that is more than inconsequential will not be prevented or detected by the City of Stayton's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Stayton's internal control.

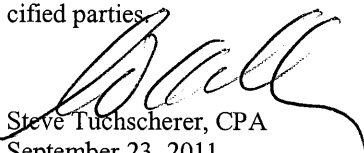
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Stayton's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain other matters that I reported to management of the City of Stayton in a separate letter dated September 23, 2011.

This report is intended solely 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.


Steve Tuchscherer, CPA
September 23, 2011



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Stayton, Oregon

Compliance

I have audited the compliance of City of Stayton, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. City of Stayton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Stayton's management. My responsibility is to express an opinion on City of Stayton's compliance based on my audit.

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

In my opinion, City of Stayton, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

City of Stayton's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit City of Stayton's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, 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.



Steve Tuchscherer, CPA
September 23, 2011

CITY OF STAYTON, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

Section I—Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the financial statements of City of Stayton, Oregon.
2. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Stayton, Oregon were disclosed during the audit.
4. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
5. No significant deficiencies in internal controls over major programs were disclosed by the audit.
6. The auditor’s report on compliance for the major federal award program expresses an unqualified opinion.
7. The audit did not disclose any findings that are required to be reported.
8. The programs tested as a major program was Water and Waste Water Systems for Rural Communities, CFDA 10.760.
9. The threshold for distinguishing between Type A and B programs was \$300,000.
10. The City was not determined to be a low-risk auditee.

Section II—Financial Statements Findings

No findings related to the financial statements are reported for the year ended June 30, 2011.

Section III—Findings and Questioned Costs for Federal Awards.

No matters were reported relating to significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.