

**CITY OF CRESWELL
LANE COUNTY, OREGON**

**ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010**

CITY OF CRESWELL
LANE COUNTY, OREGON
June 30, 2010

CITY OFFICIALS

Name	Position	Term Expires
Bob Hooker <i>322 Pebble Beach Drive Creswell, OR 97426</i>	Mayor	12/31/2010
William McCoy <i>115 South 3rd - PO Box 579 Creswell, OR 97426</i>	Council Member	12/31/2012
Robert Millam <i>535 South 7th Street Creswell, OR 97426</i>	Council Member	12/31/2010
David Case <i>439 Blue Jay Loop Creswell, OR 97426</i>	Council Member	12/31/2010 Resigned: 06/01/10
Jack Gradle <i>574 North 5th Street Creswell, OR 97426</i>	Council Member	12/31/2012
Jane Vincent <i>708 Kings Row Creswell, OR 97426</i>	Council Member	12/31/2012
Jean McKittrick <i>1214 Spyglass Court Creswell, OR 97426</i>	Council Member	12/31/2010

ADMINISTRATION

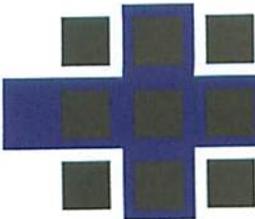
City Hall
13 South First Street
Creswell, Oregon 97426

Name	Position
Mark Shrives	City Administrator
Layli Nichols	Finance Director

CITY OF CRESWELL
LANE COUNTY, OREGON
June 30, 2010

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MAXWELL & COMPANY

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Creswell, Oregon

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 3 through 11); budgetary comparison information (pages 41 through 44), are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in

the audit of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information (pages 45 through 64) and the other financial schedules (pages 65 through 67) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying auditing procedures applied in the audited of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

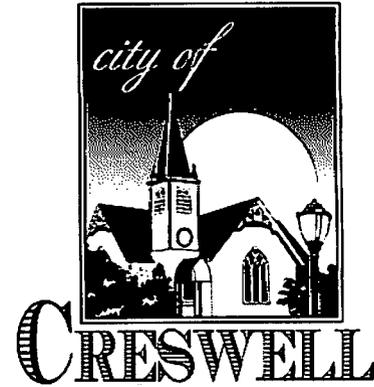
Maxwell & Company CPAs

MAXWELL & COMPANY
Certified Public Accountants

Eugene, Oregon
January 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Creswell
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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

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

FINANCIAL HIGHLIGHTS

Government Wide

- The assets of the City exceeded its liabilities by \$32.9 million (reported as net assets). Within the net assets, \$7.2 million (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- Total assets increased by \$1 million this fiscal year. Governmental net assets decreased by \$484,000 and business net assets increased by \$1.5 million.

Fund Level

- The City's governmental funds reported a combined fund balance of \$2.5 million, an \$800,000 decrease over the prior fiscal year.
- Taxes increased approximately \$248,000 over the prior year. Increases were primarily due to a reclassification of program to general revenue, namely State Highway User Revenues.
- The proprietary funds - those used to account for programs which the City charges for the services it provides - reported combined net assets of \$20.2 million, an increase of \$1.5 million over the prior year.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the City as a whole, with more detailed information for certain City funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City and present a long-term view of the City's finances (they include capital assets and long-term liabilities).

The fund financial statements provide detailed information about the City's major governmental funds and the City's proprietary funds. Enterprise funds are reported using a method called accrual basis of accounting, which measures amounts using cash, all assets and liabilities, (receivables and payables), regardless of when they will be converted to cash or paid out with cash. Government funds are reported using a method called modified accrual basis of accounting, which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid out with cash.

Major funds are defined as the General Fund and any other fund where the assets, liabilities, revenues, or expenditures/expenses exceed 10% of total government fund amounts or 10% of total enterprise fund amounts and 5% of total government and enterprise fund amounts combined. Generally accepted accounting principles require that detailed information about major funds be separately disclosed. The City's General, State Highway Street, and Capital Improvement funds qualify as major government funds. The Building Fund was included by management electively, as we feel the activity within this fund is significant even though it technically did not meet the criteria. The Water, Sewer, and Airport funds qualify as major enterprise funds.

Basic financial statements include a Statement of Net Assets, Statement of Activities, Fund Financial Statements and the notes to the financial statements. Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting.

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Accompanying notes are an integral part of the financial statements. Notes provide additional details or other information about the figures represented, accounting basis, policies and procedures as well as compliance, stewardship and accountability.

THE CITY AS A WHOLE

One important question asked about the City's finances is, "Is the City better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in net assets over time is one indicator of whether the City's financial health is improving or deteriorating. However, there are other non-financial factors that influence the City's fiscal health, such as changes in the economy and changes in the City's tax base, etc. This report includes a comparison to the prior year, in order to assist the reader in determining the status of the City's fiscal standing over time.

Net Assets as of June 30th

The table below reflects a summary of net assets compared to the prior fiscal year; the following notes summarize the major changes to net assets.

Government and business assets and liabilities (rounded to the nearest \$1, 000) were as follows:

	Government		Business		Total	
	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009
Cash and investments	\$ 2,581,000	\$ 3,731,000	\$ 7,421,000	\$ 7,647,000	\$ 10,002,000	\$ 11,378,000
Other assets	164,000	185,000	345,000	269,000	509,000	454,000
Capital assets	10,122,000	9,638,000	24,670,000	22,820,000	34,792,000	32,458,000
Total assets	12,867,000	13,554,000	32,436,000	30,736,000	45,303,000	44,290,000
Current liabilities	(125,000)	(354,000)	(497,000)	(714,000)	(622,000)	(1,068,000)
Non-current liabilities	(25,000)		(11,732,000)	(11,312,000)	(11,757,000)	(11,312,000)
Total liabilities	(150,000)	(354,000)	(12,229,000)	(12,026,000)	(12,379,000)	(12,380,000)
Net assets:						
Invested in capital assets	10,122,000	9,638,000	12,785,000	11,437,000	22,907,000	21,075,000
Net of related debt						
Restricted net assets	861,000	67,000	1,982,000		2,843,000	67,000
Unrestricted net assets	1,733,000	3,495,000	5,440,000	7,273,000	7,173,000	10,768,000
Total net assets	\$ 12,716,000	\$ 13,200,000	\$ 20,207,000	\$ 18,710,000	\$ 32,923,000	\$ 31,910,000

Changes in Net Assets:

During the fiscal year 2009-2010, several major events changed the balance of net assets. An explanation of each follows:

Governmental Activities:

The decrease in net assets is primarily attributed to completed assets transferred to funds that contributed the resources and an overall decrease in investment revenue. Major additions to capital assets include completion of the N 5th and A Street project, as well as completion of the first phase of City Hall. Government cash and investments were reduced by \$1,150,000 as a result of expenditures for ongoing projects, and declining investment revenue. Work on the Harvey Road Improvement project was not complete at year end and is included under construction in progress in the audit statement.

Business Activities:

The growth of capital assets is largely attributed to the addition of infrastructure and buildings which provide services to Creswell citizens such as the fire suppression system at the Airport of \$424,000, the addition of a new public works facility of \$1 million, and water distribution improvements of \$66,000. This year non-current liabilities are \$11.7 million due to long term debt for the Wastewater Facility completed in 2006-2007, and the recognition of accrued interest payable and related debt for the Water Treatment Plant Project. Work on the Water Treatment Plant was not complete at year end and is included under construction in progress in the audited financial statement.

Both Governmental and Business activities reflect a significant change in restricted and unrestricted net assets, mainly due to the reclassification of systems development charges (SDC) funds.

Governmental and Business Activities as of June 30th

As with the Statement of Net Assets, the Statement of Activities reports activities on a consolidated basis. A summary of significant activities follows the table below.

Government and Business revenues and expenses (rounded to the nearest \$1,000) were as follows:

	Government		Business		Total	
	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009
Revenues:						
Program revenues:						
Capital grants & contributions	\$ 51,000	\$ 338,000	\$ 262,000	\$ 228,000	\$ 313,000	\$ 566,000
Operating grants	24,000	90,000			24,000	90,000
Charges for service	128,000	416,000	2,614,000	2,758,000	2,742,000	3,174,000
Total program revenues	203,000	844,000	2,876,000	2,986,000	3,079,000	3,830,000
General revenue:						
Property taxes	724,000	685,000			724,000	685,000
Franchise & public service taxes	657,000	448,000			657,000	448,000
Investment earnings	12,000	62,000	63,000	178,000	75,000	241,000
Other	34,000			32,000	34,000	32,000
Total general revenues	1,427,000	1,195,000	63,000	210,000	1,490,000	1,405,000
Total revenues:	1,630,000	2,039,000	2,939,000	3,196,000	4,569,000	5,235,000
Expenses:						
General government	387,000	380,000			387,000	380,000
Public safety	512,000	487,000			512,000	487,000
Planning & land use	124,000	140,000			124,000	140,000
Highways & streets	166,000	146,000			166,000	146,000
Culture & recreation	146,000	127,000			146,000	127,000
Depreciation - unallocated	205,000	173,000			205,000	173,000
Water			693,000	658,000	693,000	658,000
Sewer			936,000	904,000	936,000	904,000
Airport			429,000	433,000	429,000	433,000
Total expenses	1,540,000	1,453,000	2,058,000	1,995,000	3,598,000	3,448,000
Excess/deficiency before Contributions and transfers	90,000	586,000	881,000	1,201,000	971,000	1,787,000
Transfer to or (from) other funds	(601,000)	260,000	601,000	(260,000)		
Capital contributions		(35,000)		35,000		
Loss on disposal of capital assets		(96,000)				(96,000)
Change in net assets	(512,000)	715,000	1,482,000	976,000	971,000	1,691,000
Net Assets, Beginning of year	13,228,000	12,485,000	18,725,000	17,734,000	31,953,000	30,219,000
Net assets, end of year	\$ 12,716,000	\$ 13,200,000	\$ 20,207,000	\$ 18,710,000	\$ 32,924,000	\$ 31,910,000

Governmental Activities:

Total revenues included \$198,000 in state highway user revenue, \$8,000 in land use permits (down 32% from last year), \$36,000 in court fines, and \$57,000 in building and electrical permit services (\$79,000 less than last year). This year only 14 building permits were issued for new single-family dwellings, and none for new commercial construction. Property taxes collected reflect a 5% increase over last year. Interest rates are continually declining, reducing overall investment revenue by \$50,000. Capital contributions, (infrastructure paid for by developers and dedicated to the City) were minimal. The decrease from last year reflects the fluctuation of new development within the City. Franchise revenues and public service taxes increased by \$209,000 over last year mainly due to the reclassification of program revenues and general revenues, such as highway user revenue of \$198,000. Other revenue includes a one-time contribution of \$14,000 for in lieu of parks improvements.

Expenses showed an increase in operating expenses of \$55,000, mostly the result in an overall increase in the costs of goods and services. Building and electrical permit inspection and surcharge fees decreased by \$69,000 since last year; resulting in an overall decrease to materials and services within the Building Department Fund. Materials and services increased in the Street Fund mostly due to increased street maintenance costs and engineering services provided throughout this year.

Business Activities:

Charges for service in Water and Sewer Funds generated the majority of the \$2.6 million in operating revenues for all business type activities; though the Airport Fund generated \$221,000 in fuel sales and \$50,000 in land lease and rental income. Other revenues include: water and sewer hook-up fees, late payment penalties, and shut off fees, as well as pilot supplies in the Airport Fund.

Overall expenses increased due to the increased cost of goods and services. Debt service in the Sewer Fund increased as the City continues accelerated debt service payments. Regular debt service will begin as soon as the project is completed. It is the City's intent to make accelerated debt service payments for this new debt as has been done for the sewer debt as long as funds are available.

Fund Financial Analysis

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the City financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

There are nine governmental funds, of which four are classified as major funds. The major funds are discussed individually, while the non-major funds are briefly summarized at the end of this discussion.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$2,552,000, a decrease of \$998,000 from the prior year. The General Fund accounts for \$1,078,000; the rest of the \$1,474,000 total resides in other funds and is either legally restricted or designated by the governing body for specific purposes.

The General Fund is the chief operating fund for the City. The \$1,078,000 in fund balance decreased \$58,000 during the fiscal year. A key factor in the decrease was transfers to other funds totaling \$315,000. \$215,000 was transferred to the Capital Improvement Fund for City improvements, while \$100,000 was transferred to the Airport Fund to subsidize operations and maintenance. Franchise taxes increased slightly to \$305,000, while investment and other revenue were down totaling \$25,000. Court fines, forfeitures and court costs decreased about \$1,000 with a total of \$44,000. Other taxes including cigarette and liquor taxes increased

slightly providing about \$96,000 in revenue. Property tax increases are controlled by state statute and allowed to grow by up to 3% per year under normal circumstances.

The State Highway Street Fund records activity for the construction and maintenance of the City's roads and related infrastructure. The primary source of revenue in the Street Fund is receipts from highway user revenue which totaled \$198,000. The fund balance at fiscal year-end is \$234,000, down \$543,000 from last year. Overall, the reduction of fund balance is due to construction of the N 5th and A Street improvements totaling \$611,000 for this fiscal year. As a result of the reduction in fund balance, the focus of activity in this fund will shift primarily to maintenance for the next few years until there is a large enough balance for another improvement project, or as other funding options become available.

The Capital Improvement Fund accounts for the revenues and expenditures of major capital improvements. This fund ended with a balance of \$230,000. The decrease in fund balance from last year is a direct result of expenditures for the purchase of the new Public Works facility and construction of City Hall, as discussed earlier with changes in net assets.

The Building Department Fund accounts for building permit and inspection services. Permit revenues received of \$57,000 decreased by \$79,000, which is reflective of the current economy and building trends. The Building Department's fund balance decreased \$11,000, with an ending balance of \$136,000.

The remaining Governmental Funds, which include the State Revenue Sharing Fund, Local Improvement District Fund, the Bicycle Foot Path Fund, the Parks Development Fund and Transportation Enhancement Fund, shared a combined ending fund balance of \$875,000.

Enterprise Funds (Business-type Funds)

The Water Fund received \$1,364,000 in user charges, up slightly from last year. This increase is primarily due to a one half of one percent annual increase built into the rate structure. System development charges of \$74,000 were down by just over \$50,000, reflecting a decline in new development this year. Overall, net assets increased by about \$1 million, with an ending balance of \$10,253,000.

The Sewer Fund received \$918,000 in user charges, which are within \$5,000 of the prior year's receipts. The Sewer Fund also has a one half of one percent annual increase built into the rate structure. System development charges in the Sewer Fund were also down with receipts totaling \$52,000. Overall net assets increased \$322,000, with an ending balance of \$8,718,000.

The Airport Fund ended the year with net assets totaling \$1,237,000, an overall increase of \$101,000. This increase is primarily due to a \$100,000 transfer from the General Fund and the amortization of capital expenses. Primary sources of revenue in the Airport Fund include fuel sales which totaled \$222,000 and rental income of \$50,000. The Airport Fund continues to struggle as net operating revenues are often not sufficient to cover operating and capital related expenditures.

General Fund Budgetary Highlights

The budgetary statement for the General Fund shows the original budget, final budget, actual revenues, expenditures and transfers for the fiscal year ended June 30, 2010. Six budgetary adjustments were approved by Council during the fiscal year. The adjustments included two \$5,000 grants received for culture and recreation projects, \$6,000 for work on the old schoolhouse owned by the City, \$25,000 moved from capital outlay to materials and services for anticipated expenses for the Cobalt Building and \$3,100 contribution to the Garden Lake Bridge Project. The difference to revenues and expenditures resulted in an adjustment to contingency of \$15,000. Overall, the General Fund actual costs for materials and services were \$172,000 less than the revised budget, and capital outlay was some \$89,000 less than the revised budget.

Capital Assets and Debt Administration

Capital Assets

In 2009-2010, capital assets for the governmental and enterprise funds increased primarily due to the capitalization of City Hall and the 5th and A Street capital improvements generated by the City.

Government and Business Capital Assets (rounded to the nearest \$1,000) were as follows:

	Government		Business		Total	
	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009
Land	\$ 403,000	\$ 403,000	\$ 1,298,000	\$ 948,000	\$ 1,701,000	\$ 1,351,000
Construction in progress	321,000	1,565,000	9,717,000	9,151,000	10,038,000	10,716,000
Capitalized interest	0	0	281,000	120,000	281,000	120,000
Buildings	1,903,000	803,000	2,905,000	2,004,000	4,808,000	2,807,000
Equipment	486,000	269,000	420,000	401,000	906,000	670,000
Infrastructure	8,020,000	7,404,000	15,913,000	15,423,000	23,933,000	22,827,000
Total	11,133,000	10,444,000	30,534,000	28,047,000	41,667,000	38,491,000
Total depreciation	(1,011,000)	(806,000)	(5,864,000)	(5,297,000)	(6,875,000)	(6,103,000)
Net Capital Assets	\$ 10,122,000	\$ 9,638,000	\$ 24,670,000	\$ 22,750,000	\$ 34,792,000	\$ 32,388,000

Debt Administration

Debt Outstanding includes a long-term note for sewer system improvements, a bond for sewer system improvements, long-term debt for water system improvements, compensated absences, and postemployment benefit liabilities (OPEB).

Government and Business Obligations (rounded to the nearest \$1,000) were as follows:

	Government		Business		Total	
	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009
Long term obligations:						
Compensated absences	\$ 23,000	\$ 26,000	\$ 50,000	\$ 49,000	\$ 73,000	\$ 75,000
OPEB liability	2,000				2,000	
Notes payable			10,277,000	9,351,000	10,277,000	9,351,000
Bond payable			1,607,000	1,834,000	1,607,000	1,834,000
Total obligations	\$ 25,000	\$ 26,000	\$ 11,934,000	\$ 11,234,000	\$ 11,959,000	\$ 11,260,000

THE FUTURE OF THE CITY

City Hall Project

Phase I of the City Hall Project (which included construction of a two-story building and finishing the first floor), was completed during this fiscal year and City staff moved into the new City Hall building in February 2010. With construction complete, the City Hall Project was capitalized at \$1,582,635. This final figure includes the additional land that was purchased in FY 2005-2006 in order to expand the building footprint.

Phase II of the project includes finishing the second floor and installation of an elevator. Although in the initial project bid the additive bid of the elevator was rejected due to cost, the economic downturn that occurred provided an opportunity for the City to rebid the elevator. A contract was awarded near the end of

the fiscal year to start installation of the elevator. Construction in progress for the elevator totaled \$16,260. The City will continue to schedule transfers to the Capital Improvement Fund for completion of the remainder of Phase II of the project.

Phase III of the project will provide upgrades to the parking area on 1st and C Street. The City will continue to schedule transfers to the Capital Improvement Fund for completion of Phase III of the project.

Water System Improvement Project

The adopted Water Master Plan estimated an overall project cost of \$10.3 million dollars. The City has secured \$9.825 million in loans and will provide a \$500,000 match. Funding for this project has been secured through OECD (safe drinking water funds and water/wastewater funds) in the form of a \$4 million loan at 1% interest, and interim financing in the form of a \$5.825 million loan at 2.91% interest. Upon project completion, the interim loan will be converted to long-term debt through the sale of revenue bonds. Although project completion was anticipated in this fiscal year, additional testing requirements have delayed completion. Construction in progress payments to date total \$9,426,295.

Creswell Airport Water Line Extension

In 2001, the Fire Marshall placed a building moratorium on the City of Creswell Airport. The reason for the moratorium was the lack of water necessary to fight a fire on the airport property. The City entered into a five-year agreement with the Fire Marshal by passing Resolution 2001-11, which stated that adequate fire suppression would be provided no later than June 2006. Further negotiations with the Fire Marshall resulted in an extension of the time frame. Through Airport Improvement Program grant funding from the Federal Aviation Administration, Phase I of the project was completed in the spring of 2009

Phase II of the project was completed at year end and the improvements of \$424,220 were capitalized this year. With adequate fire suppression in place, the Fire Marshall has lifted the building moratorium at the airport.

Harvey Road Upgrade

The City of Creswell, in partnership with Lane County, started construction work on Harvey Road in April 2009. Several years in the planning stages, the work was awarded to Delta Construction. From Cobalt Lane to Scott Avenue, the project consists of widening Harvey Road to two 12 foot travel lanes, a 6-foot wide paved bike lane on both sides of the road and a left turn lane at Nieblock Lane. The work also includes the installation of a closed storm drainage system along with curbs, gutters, and sidewalks. It further includes installing a pedestrian pathway along Nieblock Lane from Harvey Road to Creswell High School driveway, along with school crossings and intersection lighting at the Nieblock Lane and the Morse Avenue Intersections. In addition to the County funded portion of the project, the City will replace the waterline along the entire length of the project. The total cost of the County project and the City project is approximately \$2.6 million. Total City construction in progress payments to date are; \$304,034.

Public Works Facility

The City was offered the opportunity to purchase a 4-acre parcel which has four buildings on it. The parcel and buildings will provide an excellent long-term solution for a public works facility. The property was purchased and capitalized at \$1,000,598.

5th Street & A Street Reconstruction Project

This project consists of the removal of existing pavement, construction of new pavement, curbs, gutters, sidewalks, storm drains and other associated work on a 960-foot section of 5th Street, and a 590-foot section of A Street. The City will be generating a Local Improvement District for curb, gutter, and sidewalk improvements in the affected area. Total construction costs are \$626,584.

Garden Lake Park Bridge Project

Graduates of the City of Creswell and City of Cottage Grove Ford Leadership Class completed a bridge project in the City's Garden Lake Park. The project was capitalized at **\$12,018**.

REQUESTS FOR INFORMATION:

This financial report was designed to provide a general overview of the City for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Layli Nichols, Finance Director
City of Creswell
P.O. Box 276
Creswell, Oregon 97426

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CRESWELL
LANE COUNTY, OREGON
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 2,579,278	\$ 7,421,407	\$ 10,000,685
Cash with fiscal agent	1,330	-	1,330
Accounts receivable	113,935	235,976	349,911
Property taxes receivable	42,723	-	42,723
Assessments receivable	669	-	669
Grants receivable	6,207	9,903	16,110
Inventories	-	98,756	98,756
<i>Capital assets:</i>			
Nondepreciable capital assets	723,569	11,295,732	12,019,301
Depreciable capital assets, net	9,398,544	13,373,941	22,772,485
Total capital assets	<u>10,122,113</u>	<u>24,669,673</u>	<u>34,791,786</u>
Total assets	<u>12,866,255</u>	<u>32,435,715</u>	<u>45,301,970</u>
Liabilities			
Accounts payable	24,398	24,914	49,312
Other accrued liabilities	34,165	1,000	35,165
Interest payable	-	215,893	215,893
Deposits	66,655	46,096	112,751
Deferred revenue	-	5,941	5,941
<i>Noncurrent liabilities:</i>			
Due within one year	-	202,551	202,551
Due in more than one year	24,961	11,732,160	11,757,121
Total liabilities	<u>150,179</u>	<u>12,228,555</u>	<u>12,378,734</u>
Net Assets			
Invested in capital assets, net of related debt	10,122,113	12,785,126	22,907,239
<i>Restricted for:</i>			
Streets and bicycle/foot paths	286,377	-	286,377
Debt service	14,574	72,785	87,359
Systems development	560,040	1,909,025	2,469,065
Unrestricted	1,732,972	5,440,224	7,173,196
Total net assets	<u>\$ 12,716,076</u>	<u>\$ 20,207,160</u>	<u>\$ 32,923,236</u>

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

CITY OF CRESWELL
LANE COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenue			Primary Government		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
<i>Governmental activities:</i>							
General government	\$ 386,901	\$ 1,521	\$ 17,683	\$ -	\$ (367,697)	\$ -	\$ (367,697)
Public safety	511,817	54,660	6,207	-	(450,950)	-	(450,950)
Planning and land use	123,962	68,350	-	-	(55,612)	-	(55,612)
Highways and streets	165,878	-	-	19,395	(146,483)	-	(146,483)
Culture and recreation	146,680	3,697	-	31,230	(111,753)	-	(111,753)
Depreciation expense, unallocated	204,898	-	-	-	(204,898)	-	(204,898)
Total governmental activities	1,540,136	128,228	23,890	50,625	(1,337,393)	-	(1,337,393)
<i>Business-type activities:</i>							
Water	693,648	1,387,726	-	73,882	-	767,960	767,960
Sewer	936,029	932,478	-	52,206	-	48,655	48,655
Airport	428,673	293,662	-	136,154	-	1,143	1,143
Total business-type activities	2,058,350	2,613,866	-	262,242	-	817,758	817,758
Total primary government	\$ 3,598,486	\$ 2,742,094	\$ 23,890	\$ 312,867	(1,337,393)	817,758	(519,635)
General revenues:							
<i>Taxes:</i>							
Property taxes, levied for general purposes					723,532	-	723,532
Franchise and public service taxes					300,401	-	300,401
State shared revenues					322,167	-	322,167
Transient room tax					34,621	-	34,621
Interest and investment earnings					11,554	63,233	74,787
Other revenues					34,236	-	34,236
Transfers					(600,622)	600,622	-
Total general revenues and transfers					825,889	663,855	1,489,744
Change in net assets					(511,504)	1,481,613	970,109
Net Assets, July 1					13,199,888	18,710,221	31,910,109
Prior period adjustment					27,692	15,326	43,018
Net Assets, as adjusted July 1					13,227,580	18,725,547	31,953,127
Net Assets, June 30					\$ 12,716,076	\$ 20,207,160	\$ 32,923,236

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

FUND FINANCIAL STATEMENTS

CITY OF CRESWELL
LANE COUNTY, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2010

	General Fund	State Tax Street Fund	Capital Improvement Fund	Building Department Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 1,065,121	\$ 282,297	\$ 230,111	\$ 136,351	\$ 865,398	\$ 2,579,278
Cash with fiscal agent	1,330	-	-	-	-	1,330
<i>Receivables:</i>						
Accounts	86,969	17,010	-	24	9,331	113,334
Property taxes	42,723	-	-	-	-	42,723
Assessments	-	-	-	-	669	669
Grants	6,207	-	-	-	-	6,207
Other receivables	598	-	-	-	-	598
Total assets	<u>\$ 1,202,948</u>	<u>\$ 299,307</u>	<u>\$ 230,111</u>	<u>\$ 136,375</u>	<u>\$ 875,398</u>	<u>\$ 2,744,139</u>
Liabilities						
Accounts payable	\$ 23,333	\$ 860	\$ -	\$ 205	\$ -	\$ 24,398
Other accrued liabilities	34,165	-	-	-	-	34,165
Deposits	1,837	64,818	-	-	-	66,655
Deferred revenue	65,700	-	-	-	669	66,369
Total liabilities	<u>125,035</u>	<u>65,678</u>	<u>-</u>	<u>205</u>	<u>669</u>	<u>191,587</u>
Fund Balances						
Unreserved	1,077,913	233,629	230,111	136,170	-	1,677,823
Special revenue funds	-	-	-	-	860,155	860,155
Debt service funds	-	-	-	-	14,574	14,574
Total fund balances	<u>1,077,913</u>	<u>233,629</u>	<u>230,111</u>	<u>136,170</u>	<u>874,729</u>	<u>2,552,552</u>
Total liabilities and fund balances	<u>\$ 1,202,948</u>	<u>\$ 299,307</u>	<u>\$ 230,111</u>	<u>\$ 136,375</u>	<u>\$ 875,398</u>	<u>\$ 2,744,139</u>

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

CITY OF CRESWELL
LANE COUNTY, OREGON
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2010

Fund balance of governmental funds in the Balance Sheet: **\$ 2,552,552**

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 10,122,113

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the fund financial statement, but are recognized in the Statement of Net Assets.

	Franchise fees	22,980		
	Property taxes	42,723		
	Assessments	<u>669</u>		
			66,372	

Compensated absences other postemployment benefits are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

	Compensated absences	(22,971)		
	Other postemployment benefits	<u>(1,990)</u>		
			(24,961)	

Net assets of governmental activities in the Statement of Net Assets: **\$ 12,716,076**

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

CITY OF CRESWELL
LANE COUNTY, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
June 30, 2010

	General Fund	State Street Tax Fund	Capital Improvement Fund	Building Department Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 717,054	\$ -	\$ -	\$ -	\$ -	\$ 717,054
Franchise taxes	305,115	-	-	-	-	305,115
Intergovernmental	95,486	210,347	-	-	40,454	346,287
Grants	23,890	-	-	-	-	23,890
Other taxes	23,212	-	-	-	-	23,212
Fines and forfeitures	43,785	-	-	-	-	43,785
Licenses and permits	16,821	-	-	57,359	-	74,180
Charges for services	1,311	-	-	-	-	1,311
System development charges	-	-	-	-	24,670	24,670
Donations	4,752	-	-	-	-	4,752
Investment earnings	5,531	1,590	1,276	490	2,664	11,551
Other revenue	19,530	14,577	-	23	13,850	47,980
Total revenues	<u>1,256,487</u>	<u>226,514</u>	<u>1,276</u>	<u>57,872</u>	<u>81,638</u>	<u>1,623,787</u>
Expenditures						
<i>Current operating:</i>						
General government	225,098	-	-	68,965	7,500	301,563
Public safety	509,672	-	-	-	-	509,672
Planning and land use	123,715	-	-	-	-	123,715
Highways and streets	-	168,086	-	-	-	168,086
Culture and recreation	127,731	-	-	-	-	127,731
Capital outlay	12,784	597,321	1,418,949	-	12,387	2,041,441
Total expenditures	<u>999,000</u>	<u>765,407</u>	<u>1,418,949</u>	<u>68,965</u>	<u>19,887</u>	<u>3,272,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>257,487</u>	<u>(538,893)</u>	<u>(1,417,673)</u>	<u>(11,093)</u>	<u>61,751</u>	<u>(1,648,421)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	965,000	-	3,807	968,807
Transfers out	(315,000)	(3,807)	-	-	-	(318,807)
Total other financing sources	<u>(315,000)</u>	<u>(3,807)</u>	<u>965,000</u>	<u>-</u>	<u>3,807</u>	<u>650,000</u>
Change in fund balances	<u>(57,513)</u>	<u>(542,700)</u>	<u>(452,673)</u>	<u>(11,093)</u>	<u>65,558</u>	<u>(998,421)</u>
Fund Balances, July 1	<u>1,135,426</u>	<u>776,329</u>	<u>682,784</u>	<u>147,263</u>	<u>809,171</u>	<u>3,550,973</u>
Fund Balances, June 30	<u>\$ 1,077,913</u>	<u>\$ 233,629</u>	<u>\$ 230,111</u>	<u>\$ 136,170</u>	<u>\$ 874,729</u>	<u>\$ 2,552,552</u>

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

**CITY OF CRESWELL
LANE COUNTY, OREGON
GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2010

**Net change in governmental fund balance in the Statement of Revenues, Expenditures and
Changes in Fund Balance:** **\$ (998,421)**

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

Governmental funds report outlays for capital assets as expenditures because such
outlays use current financial resources. In contrast, the Statement of Activities reports
only a portion of the outlay as expense. The outlay is allocated over the assets' estimated
useful lives as depreciation expense for the period.

Capitalized assets	1,939,614	
Capital assets transferred to proprietary funds (See Note 6E-2, page 37)	(1,250,622)	
Less current-year depreciation	<u>(204,898)</u>	484,094

Governmental funds do not present revenues that are not available to pay current
obligations. In contrast, such revenues are reported in the Statement of Activities when
earned.

Property taxes	6,477	
Franchise fees	<u>(4,713)</u>	1,764

Accrued compensated absences and other postemployment benefits are not due and
payable in the current period and, therefore, are not reported in the governmental funds.

Compensated absences	3,049	
Other postemployment benefits	<u>(1,990)</u>	<u>1,059</u>

Change in net assets of governmental funds in the Statement of Activities: **\$ (511,504)**

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

CITY OF CRESWELL
LANE COUNTY, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	
Assets				
<i>Current assets:</i>				
Cash and investments	\$ 4,840,209	\$ 2,543,517	\$ 37,681	\$ 7,421,407
<i>Receivables:</i>				
Accounts	134,217	98,272	1,642	234,131
Grants	-	-	9,903	9,903
Other receivables	-	-	1,845	1,845
Inventory	86,560	830	11,366	98,756
Total current assets	<u>5,060,986</u>	<u>2,642,619</u>	<u>62,437</u>	<u>7,766,042</u>
<i>Noncurrent assets:</i>				
Land and construction in progress	10,248,108	881,095	166,529	11,295,732
Other capital assets, net	3,218,299	9,135,448	1,020,194	13,373,941
Total noncurrent	<u>13,466,407</u>	<u>10,016,543</u>	<u>1,186,723</u>	<u>24,669,673</u>
Total assets	<u>18,527,393</u>	<u>12,659,162</u>	<u>1,249,160</u>	<u>32,435,715</u>
Liabilities and Net Assets				
<i>Liabilities:</i>				
<i>Current liabilities:</i>				
Accounts payable	19,961	3,099	1,854	24,914
Other accrued liabilities	-	-	1,000	1,000
Deposits	46,096	-	-	46,096
Deferred revenue	-	-	5,941	5,941
Interest payable	204,190	11,703	-	215,893
Notes payable	-	166,025	-	166,025
Bonds payable	-	36,526	-	36,526
Total current liabilities	<u>270,247</u>	<u>217,353</u>	<u>8,795</u>	<u>496,395</u>
<i>Noncurrent liabilities:</i>				
Compensated absences	23,924	22,390	3,850	50,164
Notes payable	7,980,226	2,130,909	-	10,111,135
Bonds payable	-	1,570,861	-	1,570,861
Total noncurrent liabilities	<u>8,004,150</u>	<u>3,724,160</u>	<u>3,850</u>	<u>11,732,160</u>
Total liabilities	<u>8,274,397</u>	<u>3,941,513</u>	<u>12,645</u>	<u>12,228,555</u>
<i>Net assets:</i>				
Invested in capital assets, net of related debt	5,486,181	6,112,222	1,186,723	12,785,126
<i>Restricted for:</i>				
Debt service	-	72,785	-	72,785
Systems development	1,462,648	446,377	-	1,909,025
Unrestricted	3,304,167	2,086,265	49,792	5,440,224
Total net assets	<u>\$ 10,252,996</u>	<u>\$ 8,717,649</u>	<u>\$ 1,236,515</u>	<u>\$ 20,207,160</u>

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

CITY OF CRESWELL
LANE COUNTY, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Airport Fund	
Operating Revenues				
Charges for services	\$ 1,364,356	\$ 918,282	\$ -	\$ 2,282,638
Rental income	-	-	50,176	50,176
Fuel sales	-	-	221,579	221,579
Other revenue	23,371	14,195	21,908	59,474
Total operating revenue	<u>1,387,727</u>	<u>932,477</u>	<u>293,663</u>	<u>2,613,867</u>
Operating Expenses				
Personal services	276,243	253,837	93,906	623,986
Contractual services	21,032	31,747	45,679	98,458
Repairs and maintenance	3,867	3,888	9,044	16,799
Materials and supplies	183,238	92,108	19,659	295,005
Utilities	57,005	32,147	9,357	98,509
Fuel costs	-	-	189,612	189,612
Depreciation and amortization	152,263	353,190	61,416	566,869
Total operating expenses	<u>693,648</u>	<u>766,917</u>	<u>428,673</u>	<u>1,889,238</u>
Operating income (loss)	<u>694,079</u>	<u>165,560</u>	<u>(135,010)</u>	<u>724,629</u>
Non-operating Revenues (Expenses)				
Grant revenue	-	-	136,154	136,154
System development charges	73,882	52,206	-	126,088
Investment earnings	39,825	23,157	252	63,234
Interest expense	-	(169,113)	-	(169,113)
Total non-operating revenues (expenses)	<u>113,707</u>	<u>(93,750)</u>	<u>136,406</u>	<u>156,363</u>
Net income (loss) before contributions and transfers	<u>807,786</u>	<u>71,810</u>	<u>1,396</u>	<u>880,992</u>
Transfers in	625,311	625,311	100,000	1,350,622
Transfers out	(375,000)	(375,000)	-	(750,000)
Change in net assets	<u>1,058,097</u>	<u>322,121</u>	<u>101,396</u>	<u>1,481,614</u>
Net Assets, July 1	<u>9,179,573</u>	<u>8,395,528</u>	<u>1,135,119</u>	<u>18,710,220</u>
Prior period adjustment	15,326	-	-	15,326
Net Assets, as adjusted July 1	<u>9,194,899</u>	<u>8,395,528</u>	<u>1,135,119</u>	<u>18,725,546</u>
Net Assets, June 30	<u>\$ 10,252,996</u>	<u>\$ 8,717,649</u>	<u>\$ 1,236,515</u>	<u>\$ 20,207,160</u>

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

CITY OF CRESWELL
LANE COUNTY, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Airport Fund	
Cash flows from operating activities:				
Cash received for services	\$ 1,389,622	\$ 917,207	\$ 276,778	\$ 2,583,607
Other operating revenues	23,371	14,195	21,908	59,474
Cash payments to suppliers for goods and services	(296,287)	(157,848)	(280,089)	(734,224)
Cash payments to employees for services	(276,991)	(252,389)	(93,072)	(622,452)
Net cash provided by (used for) operating activities	<u>839,715</u>	<u>521,165</u>	<u>(74,475)</u>	<u>1,286,405</u>
Cash flows from noncapital financing activities:				
Operating transfers from (to) other funds	(375,000)	(375,000)	100,000	(650,000)
Net cash provided by (used for) noncapital financing activities	<u>(375,000)</u>	<u>(375,000)</u>	<u>100,000</u>	<u>(650,000)</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	1,156,256	-	-	1,156,256
System development charges	73,882	52,206	-	126,088
Acquisition of capital assets	(1,444,834)	(6,159)	(137,892)	(1,588,886)
Capital grants	-	-	136,025	136,025
Principal paid on long-term obligations	-	(584,119)	-	(584,119)
Interest paid	-	(170,851)	-	(170,851)
Net cash provided by (used for) capital and related financing activities	<u>(214,696)</u>	<u>(708,923)</u>	<u>(1,867)</u>	<u>(925,487)</u>
Cash flows from investing activities:				
Interest received	39,825	23,159	252	63,236
Net cash provided by (used for) investing activities	<u>39,825</u>	<u>23,159</u>	<u>252</u>	<u>63,236</u>
Net increase (decrease) in cash and cash equivalents	289,844	(539,599)	23,910	(225,845)
Cash and cash equivalents - July 1	<u>4,550,365</u>	<u>3,083,116</u>	<u>13,772</u>	<u>7,647,253</u>
Cash and cash equivalents - June 30	<u>\$ 4,840,209</u>	<u>\$ 2,543,517</u>	<u>\$ 37,681</u>	<u>\$ 7,421,407</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	694,079	165,560	(135,010)	724,629
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>				
Depreciation expense	\$ 152,263	\$ 353,190	\$ 61,416	\$ 566,869
(Increase) decrease in accounts receivable	24,480	(1,075)	126	23,531
(Increase) decrease in inventory	(16,116)	52	3,061	(13,003)
Increase (decrease) in accounts payable	(15,029)	1,989	(10,798)	(23,838)
Increase (decrease) in other accrued liabilities	-	-	1,000	1,000
Increase (decrease) in deferred revenues	-	-	4,897	4,897
Increase (decrease) in water deposits payable	786	1,448	-	2,234
Increase (decrease) in compensated absences payable	(748)	-	834	86
Total adjustments	<u>145,636</u>	<u>355,605</u>	<u>60,535</u>	<u>561,776</u>
Net cash provided by (used for) operating activities	<u>\$ 839,715</u>	<u>\$ 521,165</u>	<u>\$ (74,475)</u>	<u>\$ 1,286,405</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

A. Reporting Entity

The City of Creswell, Oregon is a municipal corporation, incorporated in 1909. The City operates under a Council-City Administrator form of government. The governing body consists of an elected mayor and six elected council members. The mayor is elected to serve a two-year term and council members are elected to serve a four-year term. The City Administrator coordinates the activities and policies of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Administrator.

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents all the assets and liabilities of the City with the difference reported as net assets.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

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2. BASIS OF PRESENTATION

The financial transactions of the city are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

There are stated minimum criteria for determination of major funds: percentage of the assets, liabilities, revenues or expenditure/expenses of either the fund category, or the governmental and enterprise combined. The City can elect to add funds as a major fund which either have debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining statements.

A. Governmental Funds

Major Governmental Funds

General Fund: This is the City's primary operating fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise taxes, licenses and permits and state shared revenues. Primary expenditures are for general government, police protection and culture and recreation.

State Tax Street Fund: This fund accounts for the construction or reconstruction of streets. These improvements are paid primarily from funding received pursuant to the State of Oregon Gas Tax Apportionment.

Capital Improvement Fund: This fund accounts for all resources and expenditures used to finance capital projects. Transfers from the General Fund, Water Fund and Sewer Fund currently finance this fund.

Building Department Fund: This fund accounts for activities in the City's building and electrical code enforcement programs. Resources are provided from fees collected for the monitoring of building, structural, mechanical, plumbing and electrical code and plan reviews.

Non-major Governmental Fund Types:

Special Revenue Funds: These funds account for the proceeds of specific revenue sources that are legally restricted or designated by the City for a specified purpose.

Debt Service Fund: This fund accounts for the accumulation of resources (assessment principal and interest) and the payment of related debt including principal, interest and other costs.

B. Proprietary Funds

The City reports each of its three proprietary funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, sewer and airport facilities. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following proprietary funds:

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Water Fund:

Water Operating Fund (budgetary basis financial statements only)
Water Reserve Fund (budgetary basis financial statements only)

Sewer Fund:

Sewer Operating Fund (budgetary basis financial statements only)
Sewer Reserve Fund (budgetary basis financial statements only)

Airport Fund:

Airport Operating Fund

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

Government-wide financial statements and proprietary funds financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash inflows and outflows.

Governmental funds and permanent fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, franchise fees, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Unearned revenues arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to

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them. An example of this would be when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources, such as any unused reimbursable leave outstanding at the time of an employee's resignation or retirement. However, in the government-wide financial statements, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government are recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences are included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements and the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water, Sewer, and Airport Funds are charges to customers for sales and services. The Water and Sewer 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 proprietary funds include the cost of sales and services, administrative expenses and overheads and depreciation on capital assets including the amortization of intangible assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations that do not conflict with GASB pronouncements issued subsequent to November 30, 1989.

A. Assets, Liabilities, and Equity

Cash and Investments

The City maintains a common cash and investment pool for all City funds. All short-term, highly liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP) where the remaining maturity at the time of purchase is one year or less are stated at amortized cost, which approximates fair value. Investments with a remaining maturity at the time of purchase of more than one year are stated at fair value. Fair value is determined as the quoted market price if available, otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties. Earning on pooled cash and investments are credited to each fund monthly based on the average daily balance of each participating fund.

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Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

Receivables and Payables

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

Recorded property taxes receivable that are collected within 30 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Receivables of the enterprise funds are recognized as revenue when earned, including services provided but not billed. Receivables in governmental and enterprise funds are stated net of any allowance for uncollectible.

Inventories and Prepays

Inventories of materials and supplies in the enterprise funds are stated at cost on a first-in, first-out basis and charged to expenses as used. Prepays in the governmental funds are stated at cost and charged to expenditures in the period consumed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, pathways, streetlights, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of greater than three years. Additions or improvements and other capital outlays that significantly extend the useful life of an asset or that significantly increase the capacity of an asset are capitalized. With the implementation of GASB 34, the City elected the prospective reporting approach for infrastructure assets. Accordingly, infrastructure assets acquired on July 1, 2003 and

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thereafter will be presented in the financial statements. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets, including intangible assets with definite useful lives, is recorded as an unallocated expense in the Statement of Activities for governmental activities and an allocated expense in the Statement of Activities for business-type activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is calculated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building & improvements	50
Airport improvements	25-30
Machinery and equipment	3-10
Vehicles	5-20
Utility systems	15-33
Infrastructure	15-65

Accrued Compensated Absences and Sick Pay

Accumulated vested vacation pay and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with current resources are reported as non-current liabilities in the government-wide statements and represents a reconciling item between the fund level and government-wide presentations.

Sick leave pay, which does not vest, is recognized in all funds when leave is taken.

Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are capitalized in the year of issue and are amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund-level financial statements. Planned expenditures include future capital projects, debt service, equipment reserves, and other commitments for which fund balances have not been appropriated or specifically segregated.

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Restricted Net Assets

In the government-wide financial statements, restrictions on net assets that are either imposed by creditors, grantors, laws or other regulations, or by enabling legislation are reported as restricted net assets.

Use of Estimates

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GASB Pronouncements issued, not yet in effect

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009, which will be effective for the City beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types. The City has not currently determined what, if any, impact implementation may have on future financial statements.

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

Each May, the City Budget Officer submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City). The City is required to budget all funds. The City's budget is prepared for each fund on the modified accrual basis of accounting. For all fund types, inter-fund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund and function. Information on the past two years' actual revenues and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the function group level (i.e. personal services, materials and services, capital outlay, debt service, transfers, and contingency). Appropriations lapse as of year-end.

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The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the City Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the function group, but cannot make changes to the function groups themselves, which is the legal level of control. During the fiscal year ended June 30, 2010, City Council approved no supplemental budgets.

B. Excess of Expenditures over Appropriations

There are no funds that had expenditures in excess of related appropriations.

5. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains a cash management pool for its cash and investments in which each fund participates. Interest earnings are distributed monthly based on average monthly balances. Cash and investments are comprised of the following at June 30, 2010:

Petty cash	\$	380
Deposit with financial institutions		435,569
Investments		<u>9,564,737</u>
Total cash and investments	\$	<u><u>10,000,685</u></u>

Deposits with Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits. Deposits in excess of federal depository insurance currently limited to balances less than \$250,000; Oregon Revised Statute 295 effective July 1, 2008 created a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. At June 30, 2010, the City's deposits with various financial institutions had a bank value of \$689,480. Of these deposits, \$250,000 was covered by federal depository insurance and the remainder was collateralized in accordance with Oregon Revised Statutes.

Investments

The City participates in the State of Oregon Local Investment Pool (LGIP or Pool) which is an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and managed, like that of a prudent investor, exercising reasonable care, skill, and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on

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the Pool as of and for the year ended June 30, 2010 was unqualified and may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, OR 97310.

The City's position in the pool at June 30, 2010 is stated at cost which approximates fair value.

Investment Policy

The purpose of the City's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The City has delegated investment responsibilities to the City's administrative staff, which are primarily responsible for implementing the investment policy.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for credit risk.

Credit Risk

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the State Treasurer's Investment Pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk

The City is required to provide information about the concentration of credit risk associated with its investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investment.

Interest Rate Risk

The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. As of June 30, 2010, the City had the following investments:

Investment Type	Maturities	Percentage of Portfolio	Fair Value
Local Government Investment Pool	One day	100%	\$ 9,564,737

B. Receivables

City management determined that all receivables are collectible; therefore, no allowance for doubtful accounts is considered necessary.

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C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2010 are as follows:

	Balances at 07/01/09	Increases	Decreases	Balances at 06/30/2010
Governmental Activities:				
Land	\$ 403,275	\$ -	\$ -	\$ 403,275
Construction in progress	1,564,520	627,462	(1,871,688)	320,294
Total nondepreciable assets	1,967,795	627,462	(1,871,688)	723,569
Buildings	803,547	1,099,875	-	1,903,422
Equipment	268,708	217,111	-	485,819
Infrastructure	7,404,031	616,232	-	8,020,263
Total depreciable assets	8,476,286	1,933,218	-	10,409,504
Less accumulated depreciation for:				
Buildings	(195,427)	(27,062)	-	(222,489)
Equipment	(157,339)	(27,122)	-	(184,461)
Infrastructure	(453,296)	(150,714)	-	(604,010)
Total accumulated depreciation	(806,062)	(204,898)	-	(1,010,960)
Net depreciable assets	7,670,224	1,728,320	-	9,398,544
Total assets	\$ 9,638,019	\$ 2,355,782	\$ (1,871,688)	\$ 10,122,113

Depreciation expense for the year is unallocated in the governmental activities.

	Balances at 07/01/09	Increases	Decreases	Balances at 06/30/2010
Business-type Activities:				
Land	\$ 947,541	\$ 350,210	\$ -	\$ 1,297,751
Construction in progress	9,150,832	924,863	(358,627)	9,717,068
Capitalized interest	119,586	161,327	-	280,913
Total nondepreciable assets	10,217,959	1,436,400	(358,627)	11,295,732
Buildings	2,004,208	900,412	-	2,904,620
Equipment	401,146	18,416	-	419,562
Infrastructure	15,423,074	490,425	-	15,913,499
Total depreciable assets	17,828,428	1,409,253	-	19,237,681
Less accumulated depreciation for:				
Buildings	(1,083,279)	(69,399)	-	(1,152,678)
Equipment	(213,082)	(20,052)	-	(233,134)
Infrastructure	(4,000,510)	(477,418)	-	(4,477,928)
Total accumulated depreciation	(5,296,871)	(566,869)	-	(5,863,740)
Net depreciable assets	12,531,557	842,384	-	13,373,941
Total assets	\$ 22,749,516	\$ 2,278,784	\$ (358,627)	\$ 24,669,673

Depreciation expense from business-type activities are charged to functions as follows:

	Water	Sewer	Airport	Total
Depreciation expense	\$ 152,263	\$ 353,190	\$ 61,416	\$ 566,869

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D. Interfund Transfers

	<u>Transfers From</u> <u>Other Funds</u>	<u>Transfers To</u> <u>Other Funds</u>	<u>Total From (To)</u> <u>Other Funds</u>
Governmental Activities:			
General Fund	\$ -	\$ (315,000)	\$ (315,000)
State Tax Street Fund	-	(3,807)	(3,807)
Capital Improvement Fund	965,000	(1,250,622)	(285,622)
Other Governmental Funds	3,807	-	3,807
Total governmental funds transfers	<u>968,807</u>	<u>(1,569,429)</u>	<u>(600,622)</u>
Business-type Activities:			
Water Fund	625,311	(375,000)	250,311
Sewer Fund	625,311	(375,000)	250,311
Airport Fund	100,000	-	100,000
Total proprietary funds transfers	<u>1,350,622</u>	<u>(750,000)</u>	<u>600,622</u>
Total transfers	<u>\$ 2,319,429</u>	<u>\$ (2,319,429)</u>	<u>\$ -</u>

Interfund transfers are used to contribute toward cost of capital projects and equipment, allocate completed capital assets to funds providing resources, and operational resources.

E. Deferred Revenues:

Unavailable

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental activities recognize those revenues.

Unearned

Revenue recognition is deferred on the fund and government-wide level in connection with resources that have been received but not yet earned.

At June 30, 2010, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Activities:			
General Fund:			
Franchise fees receivable	\$ 22,977	\$ -	\$ 22,977
Property taxes receivable	42,723	-	42,723
Other Governmental Funds:			
Assessments receivable	669	-	669
Total governmental activities	<u>\$ 66,369</u>	<u>\$ -</u>	<u>\$ 66,369</u>
Business-type Activities:			
Airport Fund:			
Hanger rents paid in advance	\$ -	\$ 5,941	\$ 5,941
Total business-type activities	<u>\$ -</u>	<u>\$ 5,941</u>	<u>\$ 5,941</u>

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Noncurrent Liabilities

The following represent long-term debt information for the governmental and business-type activities and are followed by descriptions of each revenue bond and notes payable.

<i>Governmental Activities:</i>		Balances			Balances	Due in
		07/1/2009	Increase	Decrease	06/30/10	Current Year
Compensated absences		\$ 26,020	\$ -	\$ (3,049)	\$ 22,971	\$ -
Other postemployment benefits		-	1,990	-	1,990	-
Total governmental activities		\$ 26,020	\$ 1,990	\$ (3,049)	\$ 24,961	\$ -
<i>Business-type Activities:</i>	Interest	Balances			Balances	Due in
	Rate	07/1/2009	Increase	Decrease	06/30/10	Current Year
Revenue Bond Payable						
<i>Sewer Fund:</i>						
USDA RUS Loan 92-01	4.25%	\$ 1,833,665	\$ -	\$ (226,279)	\$ 1,607,386	\$ 36,526
Total revenue bonds payable		1,833,665	-	(226,279)	1,607,386	36,526
Notes Payable						
<i>Water Fund:</i>						
Business Oregon Loan G06001	2.91%	3,104,326	1,156,257	-	4,260,583	-
Business Oregon Loan S06004	1.00%	3,719,644	-	-	3,719,644	-
<i>Sewer Fund:</i>						
Clean Water SRF Loan R25140	3.14%	2,654,775	-	(357,841)	2,296,934	166,025
Total notes payable		9,478,745	1,156,257	(357,841)	10,277,161	166,025
Compensated absences		48,630	1,534	-	50,164	-
Total business-type activities		\$ 11,361,040	\$ 1,157,791	\$ (584,120)	\$ 11,934,711	\$ 202,551
					Due in current year	\$ 202,551
					Due in more than one year	11,732,160
					Total noncurrent liabilities	\$ 11,934,711

Revenue Bond Payable – USDA RUS Loan 92-01

On June 1, 2006, the City issued revenue installment sewer bond No. 1. Proceeds from this issue were used to repay interim financing for the wastewater treatment project. Terms of this obligation call for repayment over 40 years with annual payments of \$104,840, which includes interest at 4.25% per annum. This bond is accounted for in the Sewer Fund.

The USDA requires the City to maintain a minimum cash reserve of \$72,785, which is held in the Sewer Reserve Fund, a component of the Sewer Fund.

Note Payable - Business Oregon Loan G06001 - Interim

By City resolution #2006-29, the City is authorized to borrow up to \$5,825,000 from the Oregon Economic and Community Development Department (OECDD) for the City's water system improvements. Interim financing from the borrowing will bear interest at 2.91% and was scheduled to mature on August

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15, 2009. Permanent long-term financing, also from the Oregon Economic and Community Development Department, will repay all interim financing borrowings but as yet has not been established.

As of June 30, 2010, the City had received a total of \$4,260,583 from the interim financing loan.

Note Payable – Business Oregon Loan S06004

By City ordinance #435, the City is authorized to borrow up to \$4,000,000 from the Safe Drinking Water Revolving Loan Fund administered by the Oregon Economic and Community Development Department (OECD). The proceeds of this borrowing are being used for costs incurred for the improvement of the City's water system. As of June 30, 2010, the City had received a total of \$3,719,644 from this loan.

Annual debt service requirements to maturity for this note are not yet determined, however repayment will be made over a period of 30 years and will bear interest at 1% per annum. It is anticipated that the City will begin making annual payments on this note December 1, 2010.

Note Payable - Clean Water SRF Loan R25140

The City executed a promissory note and borrowed \$3,370,000 from the State of Oregon Department of Environmental Quality to partially finance improvements to the City's wastewater treatment facility. Terms of this debt call for repayment over 20 years with semi-annual principal and interest payments of \$118,428 beginning May 1, 2006. Interest rate on this note is at 3.14%. This note payable is accounted for in the Sewer Fund.

Future Requirements on Long-term Debt

The following is a schedule of future requirements on long-term debt as of June 30, 2010:

Year Ended June 30	USDA RUS Loan 92-01			Clean Water SRF Loan R25140		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 36,526	\$ 68,314	\$ 104,840	\$ 166,025	\$ 70,831	\$ 236,856
2012	38,078	66,762	104,840	171,280	65,576	236,856
2013	39,697	65,143	104,840	176,700	60,156	236,856
2014	41,384	63,456	104,840	182,292	54,564	236,856
2015	43,143	61,697	104,840	188,061	48,795	236,856
2016-2020	244,827	279,373	524,200	1,033,435	150,845	1,184,280
2021-2025	301,466	222,734	524,200	379,141	13,074	392,215
2026-2030	371,209	152,991	524,200	.	.	.
2031-2035	457,087	67,113	524,200	.	.	.
2036	33,969	1,444	35,413	.	.	.
Totals	<u>\$ 1,607,386</u>	<u>\$ 1,049,027</u>	<u>\$ 2,656,413</u>	<u>\$ 2,296,934</u>	<u>\$ 463,841</u>	<u>\$ 2,760,775</u>

The two Business Oregon Loans were not finalized, nor were payments amortized, as of June 30, 2010.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

F. Restricted Net Assets

The following represents net assets that are restricted for debt service and systems development.

	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>type</u>	
		<u>Activities</u>	<u>Totals</u>
Debt Service:			
Local Improvement District	\$ 14,574	\$ -	\$ 14,574
Sewer Fund - USDA debt covenant	-	72,785	72,785
Total debt service	<u>\$ 14,574</u>	<u>\$ 72,785</u>	<u>\$ 87,359</u>
Systems Development:			
Parks	\$ 335,925	\$ -	\$ 335,925
Transportation	224,115	-	224,115
Water	-	1,462,648	1,462,648
Sewer	-	446,377	446,377
Total systems development	<u>\$ 560,040</u>	<u>\$ 1,909,025</u>	<u>\$ 2,469,065</u>

6. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of City-County Insurance Services (CIS), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CIS for insurance coverage. Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or it may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy.

B. Defined Benefit Pension Plans – Oregon Public Employees Retirement System

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing, multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs. The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. 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. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. 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.

CITY OF CRESWELL
LANE COUNTY, OREGON
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June 30, 2010

Both PERS plans provide retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281 or by calling 503-598-7377.

Funding Policy

Covered employees are required by State Statute to contribute 6.00% of their salary to the system, but the employer is allowed to pay any or all of the employee's contribution in addition to the required employer's contribution. The City elected to contribute the 6.00% "pick-up" for the year ended June 30, 2010. The City is required by ORS 238-225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2010 were 7.99% and 7.76% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The City's contributions to PERS for the years ending June 30, 2010, 2009, and 2008 were \$81,305, \$91,632, and \$70,976 respectively, equal to the required contributions for the year.

C. Deferred Compensation Plan

The City has a deferred compensation trust plan created in accordance with Internal Revenue Code Section 457. The trust holds assets for the exclusive benefit of plan participants and their beneficiaries.

D. Other Postemployment Benefits (OPEB)

City Healthcare Plan

Plan Description

As required by ORS 243.303, the City provides retirees the same group health, dental and vision insurance as provided to current employees. Employees hired before August 9, 1999 may elect from either Option A or Option B as described below. All other employees may elect only Option B.

Option A: Upon retirement with twelve years of full service with the City, the City will pay at age sixty-two, full health and dental benefits for the retiree. At age sixty-five, and for the life of the retiree, the health benefit reverts to a Medicare Supplement and the dental benefit continues.

Option B: Upon employee retirement with 15 years of consecutive service with the City and eligible for full retirement benefits under the City's employee retirement system (PERS), the City will pay full health, dental and vision benefits for the retiree until the date the retiree becomes Medicare eligible or the employee reaches age 65, whichever occurs first.

The City's defined benefit postemployment healthcare plan is administered by City County Insurance Services (CIS), an agent multiple-employer healthcare provider. CIS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to CIS, 1212 Court Street NE, Salem, OR 97301, or by accessing the CIS website at www.cisservices.com.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Funding Policy

The City funds the plan only to the extent of current year insurance premium requirement on a pay-as-you-go basis. There is no obligation on the part of the City to fund these benefits in advance. Retiree healthcare premiums are paid by the City to CIS. The City has not established an irrevocable trust to accumulate assets to fund the cost of the OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation

The City implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, prospectively in fiscal year ending June 30, 2010. An actuarial valuation was completed in August 2006 for the fiscal year ending June 30, 2008. As of the actuarial valuation date, the City had 11 active employees and 2 retirees participating in the healthcare plan.

The City's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (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) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2010, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Normal cost at year-end	\$ 3,061
Amortization of UAAL	9,312
Annual required contribution	12,373
Total premiums paid for retirees	(10,383)
Increase in net OPEB obligation - 06/30/10	1,990
Net OPEB obligation - 06/30/09	-
Net OPEB obligation - 06/30/10	\$ 1,990

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 is as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2008	\$ 12,373	84%	\$ 1,990

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 0.5 percent after ten years. The UAAL is being amortized over an initial period of 30 years.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
08/01/06	\$ -	\$ 122,125	\$ 122,125	0%	\$ 574,256	21%

E. Contingencies

1 - Unemployment Claims

The City of Creswell has elected the "reimbursement" basis for unemployment claims to the State of Oregon Department of Human Resources Employment Division. If a terminated employee collects unemployment compensation based upon earnings from the City, the City is required to reimburse the State of Oregon for the amount of unemployment compensation paid. Amounts billed by the State of Oregon are charged to expenditures; however, amounts for which the City is potentially liable as a result of claims not yet filed are unknown.

2 - Capital Projects Fund

The City uses the Capital Projects Fund to accumulate resources for capital projects and major equipment purchases. The funding sources are transfers in from the General Fund, Water Fund and Sewer Fund. Once the capital project is completed or the equipment is purchased, the capital asset is transferred back to the fund that provided the resources. At the end of any fiscal year, the fund balance comprises of amounts that have been contributed by those funds but not yet distributed back to the fund that provided the resource.

For the 2012/2013 fiscal year, the City is proposing resolutions to the City Council which create two new funds, a Capital Improvement Reserve Fund within the Water Fund and a Capital Improvement Reserve Fund within the Sewer Fund which will provide a clearer delineation of the resources and uses of the reserve funds. If approved, the respective balances from the Capital Improvement Fund will be transferred to the newly established funds.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

3 - Property Tax Limitation

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limitation, tax revenue is separated into those for public schools and those for local governments other than public schools. The limitation specifies a maximum rate for all local government operations of \$10.00 per \$1,000 of real market value, while schools are similarly limited to a \$5.00 maximum rate. Local government taxes in the City currently do not exceed the \$10.00 rate limit; however, this limitation may affect the availability of future tax revenues for the City.

In May 1997, voters approved Measure 50, which rolled back assessed values to 90% of 1995-96 and limits future increases of taxable assessed values to 3% per year, except for major improvements. Tax rates are now fixed and not subject to change. Voters may approve local initiatives above the fixed rate provided a majority approves at either (i) a general election in an even numbered year, or (ii) at any other election in which at least 50% of registered voters cast a ballot.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds as well as the proprietary funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances outstanding at June 30, 2010 are recognized in the following funds on a budgetary basis and are eliminated on the fund and government-wide basis:

Fund	Encumbered Amount
General Fund	\$ 25,986
Capital Improvement Fund	28,600
Water Reserve Fund	330,404
Total	\$ 384,990

G. Prior Period Adjustments

Beginning Net Assets

The General Fund beginning net assets is being restated due to recognition of additional franchise fees receivable and the corresponding revenue which increased beginning net assets. On a modified accrual basis, the receivable is not expected to be received soon after the end of the period to pay liabilities of the current period; therefore, the budgetary and fund statements balances are not being adjusted.

The Water Fund beginning net assets is being restated due to additional inventory. This adjustment increased beginning net assets.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

	Governmental Activities	Business-type Activities
	General Fund	Water Fund
Net assets, July 1	\$ 13,199,888	\$ 9,179,573
Prior period adjustment	27,692	15,326
Net assets, as adjusted July 1	<u>\$ 13,227,580</u>	<u>\$ 9,194,899</u>

Beginning Fund Balances – Budgetary Basis

The modified accrual budget basis beginning fund balances are being adjusted due to recognition of utility receivables and the corresponding revenue which are considered collectible soon after the end of the period to pay liabilities of the current period. The fund statements & government-wide statements beginning net assets reflect these receivables and; therefore, are not being adjusted.

	Proprietary Funds	
	Water Fund	Sewer Fund
Fund balance, July 1	\$ 2,568,855	\$ 1,983,125
Prior period adjustment	158,695	97,195
Fund balance, as adjusted July 1	<u>\$ 2,727,550</u>	<u>\$ 2,080,320</u>

H. Construction Commitments

At June 30, 2010, the City had the following commitments outstanding:

1. A Construction contract with Pall Corporation for the water improvement project.

Contract amount	\$ 1,547,262
Liquidated through June 30, 2010	(1,239,600)
Balance on contract, June 30 2010	<u>\$ 307,662</u>

2. An engineering contract with CH2MHILL Engineering for the water improvement project.

Contract amount	\$ 1,368,000
Liquidated through June 30, 2010	(1,345,267)
Balance on contract, June 30 2010	<u>\$ 22,733</u>

3. A contract with Pacific Excavation, Inc. for the Airport water system improvement.

Contract amount	\$ 100,185
Liquidated through June 30, 2010	(94,598)
Balance on contract, June 30 2010	<u>\$ 5,587</u>

4. A contract with ThyssenKrup for the City Hall elevator.

Contract amount	\$ 44,000
Liquidated through June 30, 2010	(15,400)
Balance on contract, June 30 2010	<u>\$ 28,600</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

I. Subsequent Events

Subsequent to June 30, 2010, the City awarded a contract for 5th and A St. improvements to Eugene Sand and Gravel, Inc. for \$28,828.

Subsequent to June 30, 2010, the City entered a professional services agreement with Nagao/Hansen Architects, P.C. for architectural and other related professional services for designing the second floor infill at City Hall. The contracted amount is not to exceed \$90,000.

Subsequent to June 30, 2010, a Federal Aviation Administration Part 16 Action has been filed against the City. The financial implications to the City of the Part 16 proceedings are indirect. There is no monetary relief available under Part 16 and no civil penalties may be assessed. However, if the FAA finds that the City is in violation of FAA grant terms, the FAA can suspend payment and eligibility for future federal grants. Thus, there is a risk of a reduction in funds to which the City otherwise may be entitled. However, before rendering a decision adverse to the City, the FAA would provide an opportunity for corrective action; consequently, the actual risk of a reduction in funds is remote.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget Basis</u>			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
Property taxes	\$ 677,181	\$ 677,181	\$ 717,054	\$ 39,873
Franchise taxes	284,000	284,000	261,512	(22,488)
Grants	29,919	39,919	28,890	(11,029)
Intergovernmental	87,404	87,404	84,375	(3,029)
Other taxes	77,423	77,423	78,224	801
Fines and forfeitures	54,685	54,685	52,528	(2,157)
Licenses and permits	30,405	30,405	10,634	(19,771)
Charges for services	15,000	15,000	7,199	(7,801)
Donations	16,750	16,750	4,752	(11,998)
Investment earnings	24,875	24,875	5,533	(19,342)
Other revenue	1,650	1,650	5,787	4,137
Total revenues	<u>1,299,292</u>	<u>1,309,292</u>	<u>1,256,488</u>	<u>(52,804)</u>
Expenditures				
Personal services	240,170	240,170	175,726	64,444
Material and services	943,656	985,656	813,837	171,819
Capital outlay	119,235	102,335	12,784	89,551
Contingency	250,000	234,900	-	234,900
Total expenditures	<u>1,553,061</u>	<u>1,563,061</u>	<u>1,002,347</u>	<u>560,714</u>
Excess revenues over (under) expenditures	<u>(253,769)</u>	<u>(253,769)</u>	<u>254,141</u>	<u>507,910</u>
Other Financing Sources (Uses)				
Transfers out	(315,000)	(315,000)	(315,000)	-
Total other financing sources (uses)	<u>(315,000)</u>	<u>(315,000)</u>	<u>(315,000)</u>	<u>-</u>
Change in fund balance	(568,769)	(568,769)	(60,859)	507,910
Fund Balance, July 1	<u>1,162,813</u>	<u>1,162,813</u>	<u>1,112,786</u>	<u>(50,027)</u>
Fund Balance, June 30	<u>\$ 594,044</u>	<u>\$ 594,044</u>	<u>1,051,927</u>	<u>\$ 457,883</u>
Reconciliation to GAAP Basis Fund Balance:				
Encumbrances			25,986	
GAAP Basis Fund Balance, June 30			<u>\$ 1,077,913</u>	

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE TAX STREET FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ 190,360	\$ 190,360	\$ 210,347	\$ 19,987
Investment earnings	15,250	15,250	1,591	(13,659)
Other revenue	2,500	2,500	14,577	12,077
Total revenues	<u>208,110</u>	<u>208,110</u>	<u>226,515</u>	<u>18,405</u>
Expenditures				
Personal services	117,281	117,281	95,782	21,499
Material and services	96,560	96,560	72,305	24,255
Capital outlay	711,150	711,150	597,321	113,829
Contingency	30,000	30,000	-	30,000
Total expenditures	<u>954,991</u>	<u>954,991</u>	<u>765,408</u>	<u>189,583</u>
Excess revenues over (under) expenditures	<u>(746,881)</u>	<u>(746,881)</u>	<u>(538,893)</u>	<u>207,988</u>
Other Financing Sources (Uses)				
Transfers in	80,000	80,000	-	(80,000)
Transfers out	(3,807)	(3,807)	(3,807)	-
Loan proceeds	25,000	25,000	-	(25,000)
Total other financing sources (uses)	<u>101,193</u>	<u>101,193</u>	<u>(3,807)</u>	<u>(105,000)</u>
Change in fund balance	<u>(645,688)</u>	<u>(645,688)</u>	<u>(542,700)</u>	<u>102,988</u>
Fund Balance, July 1	<u>698,298</u>	<u>698,298</u>	<u>776,329</u>	<u>78,031</u>
Fund Balance, June 30	<u>\$ 52,610</u>	<u>\$ 52,610</u>	<u>\$ 233,629</u>	<u>\$ 181,019</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget Basis</u>			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
Investment earnings	\$ 11,520	\$ 11,520	\$ 1,275	\$ (10,245)
Total revenues	<u>11,520</u>	<u>11,520</u>	<u>1,275</u>	<u>(10,245)</u>
Expenditures				
Capital outlay	1,481,270	1,481,270	1,240,147	241,123
Total expenditures	<u>1,481,270</u>	<u>1,481,270</u>	<u>1,240,147</u>	<u>241,123</u>
Excess revenues over (under) expenditures	<u>(1,469,750)</u>	<u>(1,469,750)</u>	<u>(1,238,872)</u>	<u>230,878</u>
Other Financing Sources (Uses)				
Transfers in	965,000	965,000	965,000	-
Total other financing sources (uses)	<u>965,000</u>	<u>965,000</u>	<u>965,000</u>	<u>-</u>
Change in fund balance	(504,750)	(504,750)	(273,872)	230,878
Fund Balance, July 1	504,750	504,750	475,383	(29,367)
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	201,511	<u>\$ 201,511</u>
Reconciliation to GAAP Basis Fund Balance:				
Encumbrances			28,600	
GAAP Basis Fund Balance, June 30			<u>\$ 230,111</u>	

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING DEPARTMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs
	Original Budget	Final Budget	Actual	Final Budget - Positive (Negative)
Revenues				
Licenses and permits	\$ 89,650	\$ 89,650	\$ 57,359	\$ (32,291)
Investment earnings	5,200	5,200	490	(4,710)
Other revenue	150	150	23	(127)
Total revenues	95,000	95,000	57,872	(37,128)
Expenditures				
Personal services	22,093	22,093	17,688	4,405
Material and services	100,040	100,040	51,277	48,763
Capital outlay	2,500	2,500	-	2,500
Contingency	55,000	55,000	-	55,000
Total expenditures	179,633	179,633	68,965	110,668
 Excess revenues over (under) expenditures	 (84,633)	 (84,633)	 (11,093)	 73,540
 Change in fund balance	 (84,633)	 (84,633)	 (11,093)	 73,540
Fund Balance, July 1	143,000	143,000	147,263	4,263
Fund Balance, June 30	\$ 58,367	\$ 58,367	\$ 136,170	\$ 77,803

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

State Revenue Sharing Fund:

This fund accounts for revenue sharing funds from the State of Oregon which are used by the City for capital expenditures.

Bicycle/Foot Path Fund:

The fund accounts for the development and maintenance of bicycle/foot paths within the city as required by Oregon statutes.

Parks Development Fund:

This fund accounts for receipts and expenditures of parks system improvement fees.

Transportation Enhancement Fund:

This fund accounts for receipts and expenditures of transportation system improvement.

DEBT SERVICE FUNDS

Local Improvement District Fund

This fund accounts for receipts and expenditures for all local improvement districts of the City. The major sources are assessment principal and interest payments received.

CITY OF CRESWELL
LANE COUNTY, OREGON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
June 30, 2010

	<u>Special Revenue Funds</u>	<u>Debt Service Fund: Local Improvement District Fund</u>	<u>Total Non-major Governmental Funds</u>
ASSETS			
Cash and investments	\$ 850,824	\$ 14,574	\$ 865,398
Receivables:			
Accounts	9,331	-	9,331
Assessments	-	669	669
Total assets	<u>\$ 860,155</u>	<u>\$ 15,243</u>	<u>\$ 875,398</u>
Liabilities			
Deferred revenue	\$ -	\$ 669	\$ 669
Total liabilities	<u>-</u>	<u>669</u>	<u>669</u>
Fund Balances			
Unreserved, unreserved reported in:			
Special revenue funds	860,155	-	860,155
Debt service funds	-	14,574	14,574
Total fund balances	<u>860,155</u>	<u>14,574</u>	<u>874,729</u>
Total liabilities and fund balances	<u>\$ 860,155</u>	<u>\$ 15,243</u>	<u>\$ 875,398</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds	Debt Service Fund: Local Improvement District Fund	Total Non-major Governmental Funds
Revenues			
Intergovernmental	\$ 40,454	\$ -	\$ 40,454
System development charges	24,670	-	24,670
Investment earnings	2,615	49	2,664
Other revenue	13,850	-	13,850
Total revenues	81,589	49	81,638
Expenditures			
Current operating:			
General government	7,500	-	7,500
Capital outlay	12,387	-	12,387
Total expenditures	19,887	-	19,887
Excess (deficiency) of revenues over (under) expenditures	61,702	49	61,751
Other Financing Sources (Uses)			
Transfers in	3,807	-	3,807
Total other financing sources (uses)	3,807	-	3,807
Change in fund balance	65,509	49	65,558
Fund Balances, July 1	794,646	14,525	809,171
Fund Balances, June 30	\$ 860,155	\$ 14,574	\$ 874,729

CITY OF CRESWELL
LANE COUNTY, OREGON
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
June 30, 2010

	<u>State Revenue Sharing Fund</u>	<u>Bicycle and Foot Path Fund</u>	<u>Parks Development Fund</u>	<u>Transportation Enhancement Fund</u>	<u>Total Non-major Special Revenue Funds</u>
ASSETS					
Cash and investments	\$ 238,036	\$ 52,748	\$ 335,925	\$ 224,115	\$ 850,824
Receivables:					
Accounts	9,331	-	-	-	9,331
Total assets	<u>\$ 247,367</u>	<u>\$ 52,748</u>	<u>\$ 335,925</u>	<u>\$ 224,115</u>	<u>\$ 860,155</u>
 Net Assets					
<i>Unreserved reported in:</i>					
Special revenue funds	247,367	52,748	335,925	224,115	860,155
Total fund balances	<u>\$ 247,367</u>	<u>\$ 52,748</u>	<u>\$ 335,925</u>	<u>\$ 224,115</u>	<u>\$ 860,155</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010

	State Revenue Sharing Fund	Bicycle and Foot Path Fund	Parks Development Fund	Transportation Enhancement Fund	Total Non-major Special Revenue Funds
Revenues					
Intergovernmental	\$ 40,454	\$ -	\$ -	\$ -	\$ 40,454
System development charges	-	-	17,775	6,895	24,670
Investment earnings	703	177	1,041	694	2,615
Other revenue	-	-	13,850	-	13,850
Total revenues	41,157	177	32,666	7,589	81,589
Expenditures					
Current operating:					
General government	7,500	-	-	-	7,500
Capital outlay	-	3,350	9,037	-	12,387
Total expenditures	7,500	3,350	9,037	-	19,887
Excess (deficiency) of revenues over (under) expenditures	33,657	(3,173)	23,629	7,589	61,702
Other Financing Sources (Uses)					
Transfers in	-	3,807	-	-	3,807
Total other financing sources (uses)	-	3,807	-	-	3,807
Change in fund balance	33,657	634	23,629	7,589	65,509
Fund Balances, July 1	213,710	52,114	312,296	216,526	794,646
Fund Balances, June 30	\$ 247,367	\$ 52,748	\$ 335,925	\$ 224,115	\$ 860,155

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE REVENUE SHARING FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs
	Original Budget	Final Budget	Actual	Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ 36,755	\$ 36,755	\$ 40,454	\$ 3,699
Investment earnings	3,225	3,225	703	(2,522)
Total revenues	39,980	39,980	41,157	1,177
Expenditures				
Material and services	9,000	9,000	7,500	1,500
Capital outlay	244,763	244,763	-	244,763
Total expenditures	253,763	253,763	7,500	246,263
Excess revenues over (under) expenditures	(213,783)	(213,783)	33,657	247,440
Change in fund balance	(213,783)	(213,783)	33,657	247,440
Fund Balance, July 1	213,783	213,783	213,710	(73)
Fund Balance, June 30	\$ -	\$ -	\$ 247,367	\$ 247,367

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BICYCLE AND FOOT PATH FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Investment earnings	\$ 725	\$ 725	\$ 177	\$ (548)
Total revenues	<u>725</u>	<u>725</u>	<u>177</u>	<u>(548)</u>
Expenditures				
Capital outlay	52,277	52,277	3,350	48,927
Total expenditures	<u>52,277</u>	<u>52,277</u>	<u>3,350</u>	<u>48,927</u>
Excess revenues over (under) expenditures	<u>(51,552)</u>	<u>(51,552)</u>	<u>(3,173)</u>	<u>48,379</u>
Other Financing Sources (Uses)				
Transfers in	3,807	3,807	3,807	-
Total other financing sources (uses)	<u>3,807</u>	<u>3,807</u>	<u>3,807</u>	<u>-</u>
Change in fund balance	(47,745)	(47,745)	634	48,379
Fund Balance, July 1	<u>47,745</u>	<u>47,745</u>	<u>52,114</u>	<u>4,369</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,748</u>	<u>\$ 52,748</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
System development charges	\$ 24,240	\$ 24,240	\$ 17,775	\$ (6,465)
In lieu of park improvements	-	-	13,850	13,850
Investment earnings	4,250	4,250	1,041	(3,209)
Total revenues	28,490	28,490	32,666	4,176
Expenditures				
Material and services	1,500	1,500	-	1,500
Capital outlay	335,610	335,610	9,037	326,573
Total expenditures	337,110	337,110	9,037	328,073
Excess revenues over (under) expenditures	(308,620)	(308,620)	23,629	332,249
Change in fund balance	(308,620)	(308,620)	23,629	332,249
Fund Balance, July 1	308,620	308,620	312,296	3,676
Fund Balance, June 30	\$ -	\$ -	\$ 335,925	\$ 335,925

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION ENHANCEMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
System development charges	\$ 9,403	\$ 9,403	\$ 6,895	\$ (2,508)
Investment earnings	2,650	2,650	694	(1,956)
Total revenues	<u>12,053</u>	<u>12,053</u>	<u>7,589</u>	<u>(4,464)</u>
Expenditures				
Material and services	1,500	1,500	-	1,500
Capital outlay	227,078	227,078	-	227,078
Total expenditures	<u>228,578</u>	<u>228,578</u>	<u>-</u>	<u>228,578</u>
Excess revenues over (under) expenditures	<u>(216,525)</u>	<u>(216,525)</u>	<u>7,589</u>	<u>224,114</u>
Change in fund balance	(216,525)	(216,525)	7,589	224,114
Fund Balance, July 1	<u>216,525</u>	<u>216,525</u>	<u>216,526</u>	<u>1</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,115</u>	<u>\$ 224,115</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL IMPROVEMENT DISTRICT FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Special assessments	\$ 38,250	\$ 38,250	\$ -	\$ (38,250)
Investment earnings	1,075	1,075	49	(1,026)
Total revenues	39,325	39,325	49	(39,276)
Expenditures				
Material and services	2,700	2,700	-	2,700
Debt service:				
Principal	39,750	39,750	-	39,750
Interest and other charges	6,750	6,750	-	6,750
Total expenditures	49,200	49,200	-	49,200
 Excess revenues over (under) expenditures	 (9,875)	 (9,875)	 49	 9,924
Other Financing Sources (Uses)				
Transfers out	(80,000)	(80,000)	-	80,000
Loan proceeds	80,000	80,000	-	(80,000)
Total other financing sources (uses)	-	-	-	-
 Change in fund balance	 (9,875)	 (9,875)	 49	 9,924
 Fund Balance, July 1	 13,745	 13,745	 14,525	 780
Fund Balance, June 30	\$ 3,870	\$ 3,870	\$ 14,574	\$ 10,704

PROPRIETARY FUNDS

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING BALANCE SHEET
WATER FUNDS
June 30, 2010

	Water Fund	Water Reserve Fund	Total Water Funds
Assets			
<i>Current assets:</i>			
Cash and investments	\$ 3,062,150	\$ 1,778,059	\$ 4,840,209
<i>Receivables:</i>			
Accounts	134,217	-	134,217
Inventory	86,560	-	86,560
Total current assets	3,282,927	1,778,059	5,060,986
<i>Noncurrent assets:</i>			
Land and construction in progress	10,248,108	-	10,248,108
Other capital assets, net	3,218,299	-	3,218,299
Total noncurrent	13,466,407	-	13,466,407
Total assets	\$ 16,749,334	\$ 1,778,059	\$ 18,527,393
Liabilities			
Accounts payable	\$ 6,813	\$ 13,148	\$ 19,961
Deposits	46,096	-	46,096
Interest payable	204,190	-	204,190
Total current liabilities	257,099	13,148	270,247
<i>Noncurrent liabilities:</i>			
Compensated absences	23,924	-	23,924
Notes payable	7,980,226	-	7,980,226
Total noncurrent liabilities	8,004,150	-	8,004,150
Total liabilities	8,261,249	13,148	8,274,397
Net Assets			
Invested in capital assets, net of related debt	5,486,181	-	5,486,181
<i>Restricted for:</i>			
Systems development	-	1,462,648	1,462,648
Unrestricted	3,001,904	302,263	3,304,167
Total net assets	8,488,085	1,764,911	10,252,996
Total liabilities and net assets	\$ 16,749,334	\$ 1,778,059	\$ 18,527,393

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER FUNDS
For the Fiscal Year Ended June 30, 2010

	Water Fund	Water Reserve Fund	Total Water Funds
Operating Revenues			
Charges for services	\$ 1,364,356	\$ -	\$ 1,364,356
Other revenue	23,371	-	23,371
Total operating revenue	1,387,727	-	1,387,727
Operating Expenses			
Personal services	276,243	-	276,243
Contractual services	21,032	-	21,032
Repairs and maintenance	3,867	-	3,867
Materials and supplies	183,238	-	183,238
Utilities	57,005	-	57,005
Depreciation and amortization	152,263	-	152,263
Total operating expenses	693,648	-	693,648
Operating income (loss)	694,079	-	694,079
Non-operating Revenues (Expenses)			
System development charges	-	73,882	73,882
Investment earnings	30,478	9,347	39,825
Total non-operating revenues (expenses)	30,478	83,229	113,707
Net income (loss) before contributions and transfers	724,557	83,229	807,786
Transfers in	1,544,425	1,256,256	2,800,681
Transfers out	(1,631,256)	(919,114)	(2,550,370)
Change in net assets	637,726	420,371	1,058,097
Net Assets, July 1	7,835,033	1,344,540	9,179,573
Prior period adjustment	15,326	-	15,326
Net Assets, as adjusted July 1	7,850,359	1,344,540	9,194,899
Net Assets, June 30	\$ 8,488,085	\$ 1,764,911	\$ 10,252,996

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING STATEMENT OF CASH FLOWS
WATER FUNDS
For the Fiscal Year Ended June 30, 2010

	<u>Water</u> <u>Fund</u>	<u>Water Reserve</u> <u>Fund</u>	<u>Total Water</u> <u>Funds</u>
<i>Cash flows from operating activities:</i>			
Cash received for services	\$ 1,389,622	\$ -	\$ 1,389,622
Other operating revenues	23,371	-	23,371
Cash payments to suppliers for goods and services	(296,287)	-	(296,287)
Cash payments to employees for services	(276,991)	-	(276,991)
Net cash provided by (used for) operating activities	<u>839,715</u>	<u>-</u>	<u>839,715</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating transfers from (to) other funds	(475,000)	100,000	(375,000)
Net cash provided by (used for) noncapital financing activities	<u>(475,000)</u>	<u>100,000</u>	<u>(375,000)</u>
<i>Cash flows from capital and related financing activities:</i>			
Proceeds from capital debt	-	1,156,256	1,156,256
System development charges	-	73,882	73,882
Acquisition of capital assets	(11,911)	(1,432,923)	(1,444,834)
Net cash provided by (used for) capital and related financing activities	<u>(11,911)</u>	<u>(202,785)</u>	<u>(214,696)</u>
<i>Cash flows from investing activities:</i>			
Interest received	30,478	9,347	39,825
Net cash provided by (used for) investing activities	<u>30,478</u>	<u>9,347</u>	<u>39,825</u>
Net increase (decrease) in cash and cash equivalents	383,282	(93,438)	289,844
Cash and cash equivalents - July 1	<u>2,678,868</u>	<u>1,871,497</u>	<u>4,550,365</u>
Cash and cash equivalents - June 30	<u>\$ 3,062,150</u>	<u>\$ 1,778,059</u>	<u>\$ 4,840,209</u>
<i>Reconciliation of operating income to net cash provided by (used for) operating activities:</i>			
Operating income (loss)	\$ 694,079	\$ -	\$ 694,079
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>			
Depreciation expense	152,263	-	152,263
(Increase) decrease in accounts receivable	24,480	-	24,480
(Increase) decrease in inventory	(16,116)	-	(16,116)
Increase (decrease) in accounts payable	(15,029)	-	(15,029)
Increase (decrease) in water deposits payable	786	-	786
Increase (decrease) in compensated absences payable	(748)	-	(748)
Total adjustments	<u>145,636</u>	<u>-</u>	<u>145,636</u>
Net cash provided by (used for) operating activities	<u>\$ 839,715</u>	<u>\$ -</u>	<u>\$ 839,715</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING BALANCE SHEET
SEWER FUNDS
June 30, 2010

	Sewer Fund	Sewer Reserve Fund	Total Sewer Funds
Assets			
<i>Current assets:</i>			
Cash and investments	\$ 1,302,054	\$ 1,241,463	\$ 2,543,517
Receivables:			
Accounts	98,272	-	98,272
Inventory	830	-	830
Total current assets	1,401,156	1,241,463	2,642,619
<i>Noncurrent assets:</i>			
Land and construction in progress	881,095	-	881,095
Other capital assets, net	9,135,448	-	9,135,448
Total noncurrent	10,016,543	-	10,016,543
Total assets	\$ 11,417,699	\$ 1,241,463	\$ 12,659,162
Liabilities and Net Assets			
<i>Liabilities:</i>			
<i>Current liabilities:</i>			
Accounts payable	\$ 3,099	\$ -	\$ 3,099
Interest payable	11,703	-	11,703
Notes payable	166,025	-	166,025
Bonds payable	36,526	-	36,526
Total current liabilities	217,353	-	217,353
<i>Noncurrent liabilities:</i>			
Compensated absences	22,390	-	22,390
Notes payable	2,130,909	-	2,130,909
Bonds payable	1,570,861	-	1,570,861
Total noncurrent liabilities	3,724,160	-	3,724,160
Total liabilities	3,941,513	-	3,941,513
<i>Net assets:</i>			
Invested in capital assets, net of related debt	6,112,222	-	6,112,222
Restricted for:			
Debt service	72,785	-	72,785
Systems development	-	446,377	446,377
Unrestricted	1,291,179	795,086	2,086,265
Total net assets	7,476,186	1,241,463	8,717,649
Total liabilities and net assets	\$ 11,417,699	\$ 1,241,463	\$ 12,659,162

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
SEWER FUNDS
For the Fiscal Year Ended June 30, 2010

	Sewer Fund	Sewer Reserve Fund	Total Sewer Funds
Operating Revenues			
Charges for services	\$ 918,282	\$ -	\$ 918,282
Other revenue	14,195	-	14,195
Total operating revenue	<u>932,477</u>	<u>-</u>	<u>932,477</u>
Operating Expenses			
Personal services	253,837	-	253,837
Contractual services	31,747	-	31,747
Repairs and maintenance	3,888	-	3,888
Materials and supplies	92,108	-	92,108
Utilities	32,147	-	32,147
Depreciation and amortization	353,190	-	353,190
Total operating expenses	<u>766,917</u>	<u>-</u>	<u>766,917</u>
Operating income (loss)	<u>165,560</u>	<u>-</u>	<u>165,560</u>
Non-operating Revenues (Expenses)			
System development charges	-	52,206	52,206
Investment earnings	19,344	3,813	23,157
Interest expense	(169,113)	-	(169,113)
Total non-operating revenues (expenses)	<u>(149,769)</u>	<u>56,019</u>	<u>(93,750)</u>
Net income (loss) before contributions and transfers	<u>15,791</u>	<u>56,019</u>	<u>71,810</u>
Transfers in	625,311	100,000	725,311
Transfers out	(475,000)	-	(475,000)
Change in net assets	<u>166,102</u>	<u>156,019</u>	<u>322,121</u>
Net Assets, July 1	7,310,084	1,085,444	8,395,528
Net Assets, June 30	<u>\$ 7,476,186</u>	<u>\$ 1,241,463</u>	<u>\$ 8,717,649</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING STATEMENT OF CASH FLOWS
SEWER FUNDS
For the Fiscal Year Ended June 30, 2010

	Sewer Fund	Sewer Reserve Fund	Total Sewer Funds
Cash flows from operating activities:			
Cash received for services	\$ 917,207	\$ -	\$ 917,207
Other operating revenues	14,195	-	14,195
Cash payments to suppliers for goods and services	(157,848)	-	(157,848)
Cash payments to employees for services	(252,389)	-	(252,389)
Net cash provided by (used for) operating activities	<u>521,165</u>	<u>-</u>	<u>521,165</u>
Cash flows from noncapital financing activities:			
Operating transfers from (to) other funds	(475,000)	100,000	(375,000)
Net cash provided by (used for) noncapital financing activities	<u>(475,000)</u>	<u>100,000</u>	<u>(375,000)</u>
Cash flows from capital and related financing activities:			
System development charges	-	52,206	52,206
Acquisition of capital assets	(6,159)	-	(6,159)
Principal paid on long-term obligations	(584,119)	-	(584,119)
Interest paid	(170,851)	-	(170,851)
Net cash provided by (used for) capital and related financing activities	<u>(761,129)</u>	<u>52,206</u>	<u>(708,923)</u>
Cash flows from investing activities:			
Interest received	19,346	3,813	23,159
Net cash provided by (used for) investing activities	<u>19,346</u>	<u>3,813</u>	<u>23,159</u>
Net increase (decrease) in cash and cash equivalents	(695,618)	156,019	(539,599)
Cash and cash equivalents - July 1	1,997,672	1,085,444	3,083,116
Cash and cash equivalents - June 30	<u>\$ 1,302,054</u>	<u>\$ 1,241,463</u>	<u>\$ 2,543,517</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 165,560	\$ -	\$ 165,560
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation expense	353,190	-	353,190
(Increase) decrease in accounts receivable	(1,075)	-	(1,075)
(Increase) decrease in inventory	52	-	52
Increase (decrease) in accounts payable	1,990	-	1,990
Increase (decrease) in compensated absences payable	1,448	-	1,448
Total adjustments	<u>355,605</u>	<u>-</u>	<u>355,605</u>
Net cash provided by (used for) operating activities	<u>\$ 521,165</u>	<u>\$ -</u>	<u>\$ 521,165</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WATER FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs
	Original Budget	Final Budget	Actual	Final Budget - Positive (Negative)
Revenues				
Charges for services	\$ 1,357,650	\$ 1,357,650	\$ 1,364,356	\$ 6,706
Investment earnings	37,452	37,452	30,478	(6,974)
Other revenue	2,900	2,900	23,371	20,471
Total revenues	<u>1,398,002</u>	<u>1,398,002</u>	<u>1,418,205</u>	<u>20,203</u>
Expenditures				
Personal services	366,287	366,287	276,989	89,298
Material and services	306,770	306,770	228,708	78,062
Capital outlay	472,360	472,360	64,463	407,897
<i>Debt service:</i>				
Principal	155,000	155,000	-	155,000
Interest and other charges	74,673	74,673	161,327	(86,654)
Contingency	325,000	325,000	-	325,000
Total expenditures	<u>1,700,090</u>	<u>1,700,090</u>	<u>731,487</u>	<u>968,603</u>
Excess revenues over (under) expenditures	<u>(302,088)</u>	<u>(302,088)</u>	<u>686,718</u>	<u>988,806</u>
Other Financing Sources (Uses)				
Transfers out	(475,000)	(475,000)	(475,000)	-
Total other financing sources (uses)	<u>(475,000)</u>	<u>(475,000)</u>	<u>(475,000)</u>	<u>-</u>
Change in fund balance	<u>(777,088)</u>	<u>(777,088)</u>	<u>211,718</u>	<u>988,806</u>
Fund Balance, July 1	2,658,750	2,658,750	2,568,855	\$ (89,895)
Prior period adjustment	-	-	158,695	158,695
Fund Balance, as adjusted July 1	<u>2,658,750</u>	<u>2,658,750</u>	<u>2,727,550</u>	<u>68,800</u>
Fund Balance, June 30	<u>\$ 1,881,662</u>	<u>\$ 1,881,662</u>	<u>2,939,268</u>	<u>\$ 1,057,606</u>
Reconciliation to Net Assets:				
Inventory			86,560	
Land and construction in progress			10,248,108	
Other capital assets, net			3,218,299	
Compensated absences			(23,924)	
Notes payable			(7,980,226)	
Net Assets, June 30			<u>\$ 8,488,085</u>	

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WATER RESERVE FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget Basis</u>			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
REVENUES				
System development charges	\$ 79,165	\$ 79,165	\$ 73,882	\$ (5,283)
Investment earnings	76,550	76,550	9,347	(67,203)
Total revenues	<u>155,715</u>	<u>155,715</u>	<u>83,229</u>	<u>(72,486)</u>
EXPENDITURES				
Capital outlay	4,085,615	4,085,615	130,537	3,955,078
Total expenditures	<u>4,085,615</u>	<u>4,085,615</u>	<u>130,537</u>	<u>3,955,078</u>
Excess revenues over (under) expenditures	<u>(3,929,900)</u>	<u>(3,929,900)</u>	<u>(47,308)</u>	<u>3,882,592</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Loan proceeds	1,668,000	1,668,000	571,727	(1,096,273)
Total other financing sources (uses)	<u>1,768,000</u>	<u>1,768,000</u>	<u>671,727</u>	<u>(1,096,273)</u>
Change in fund balance	(2,161,900)	(2,161,900)	624,419	2,786,319
Fund Balance, July 1	2,161,900	2,161,900	2,086,472	(75,428)
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	2,710,891	<u>\$ 2,710,891</u>
Reconciliation to Net Assets:				
Loan proceeds receivable			(1,276,384)	
Encumbrances			330,404	
Net Assets, June 30			<u>\$ 1,764,911</u>	

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEWER FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget Basis</u>			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 931,692	\$ 931,692	\$ 932,478	\$ 786
Investment earnings	45,520	45,520	19,344	(26,176)
Total revenues	<u>977,212</u>	<u>977,212</u>	<u>951,822</u>	<u>(25,390)</u>
EXPENDITURES				
Personal services	339,497	339,497	252,388	87,109
Material and services	196,200	196,200	152,673	43,527
Capital outlay	239,560	239,560	13,325	226,235
<i>Debt service:</i>				
Principal	593,070	593,070	584,119	8,951
Interest and other charges	161,900	161,900	169,113	(7,213)
Contingency	175,000	175,000	-	175,000
Total expenditures	<u>1,705,227</u>	<u>1,705,227</u>	<u>1,171,618</u>	<u>533,609</u>
Excess revenues over (under) expenditures	<u>(728,015)</u>	<u>(728,015)</u>	<u>(219,796)</u>	<u>508,219</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(575,000)	(575,000)	(475,000)	100,000
Total other financing sources (uses)	<u>(575,000)</u>	<u>(575,000)</u>	<u>(475,000)</u>	<u>100,000</u>
Change in fund balance	<u>(1,303,015)</u>	<u>(1,303,015)</u>	<u>(694,796)</u>	<u>608,219</u>
Fund Balance, July 1	2,280,995	2,280,995	1,983,125	(297,870)
Prior period adjustment	-	-	97,195	97,195
Fund Balance, as adjusted July 1	<u>2,280,995</u>	<u>2,280,995</u>	<u>2,080,320</u>	<u>(200,675)</u>
Fund Balance, June 30	<u>\$ 977,980</u>	<u>\$ 977,980</u>	1,385,524	<u>\$ 407,544</u>
Reconciliation to Net Assets:				
Inventory			830	
Land and construction in progress			881,095	
Other capital assets, net			9,135,448	
Notes payable			(2,296,934)	
Bonds payable			(1,607,387)	
Compensated absences			(22,390)	
Net Assets, June 30			<u>\$ 7,476,186</u>	

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEWER RESERVE FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
REVENUES				
System development charges	\$ 71,190	\$ 71,190	\$ 52,206	\$ (18,984)
Investment earnings	12,500	12,500	3,813	(8,687)
Total revenues	<u>83,690</u>	<u>83,690</u>	<u>56,019</u>	<u>(27,671)</u>
EXPENDITURES				
Capital outlay	1,167,675	1,167,675	-	1,167,675
Total expenditures	<u>1,167,675</u>	<u>1,167,675</u>	<u>-</u>	<u>1,167,675</u>
Excess revenues over (under) expenditures	<u>(1,083,985)</u>	<u>(1,083,985)</u>	<u>56,019</u>	<u>1,140,004</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Change in fund balance	<u>(983,985)</u>	<u>(983,985)</u>	<u>156,019</u>	<u>1,140,004</u>
Fund Balance, July 1	983,985	983,985	1,085,444	101,459
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,241,463</u>	<u>\$ 1,241,463</u>
Fund Balance consists of:				
Required USDA reserve			\$ 72,785	
Other			<u>1,168,678</u>	
Total Fund Balance			<u>\$ 1,241,463</u>	

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AIRPORT FUND
For the Fiscal Year Ended June 30, 2010

	Budget Basis			Actual vs
	Original Budget	Final Budget	Actual	Final Budget - Positive (Negative)
REVENUES				
Grants	\$ -	\$ 147,780	\$ 136,154	\$ (11,626)
Rental income	57,020	57,020	50,176	(6,844)
Fuel sales	300,000	300,000	221,579	(78,421)
Investment earnings	1,200	1,200	252	(948)
Other revenue	25,150	25,150	21,908	(3,242)
Total revenues	383,370	531,150	430,069	(101,081)
Personal services	102,041	102,041	93,072	8,969
Material and services	361,389	368,389	269,205	99,184
Capital outlay	17,290	158,070	118,898	39,172
Contingency	30,000	30,000	-	30,000
Total expenditures	510,720	658,500	481,175	177,325
Excess revenues over (under) expenditures	(127,350)	(127,350)	(51,106)	76,244
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	100,000	100,000	100,000	-
Change in fund balance	(27,350)	(27,350)	48,894	76,244
Fund Balance, July 1	32,850	32,850	(6,618)	(39,468)
Fund Balance, June 30	\$ 5,500	\$ 5,500	42,276	\$ 36,776
Reconciliation to Net Assets:				
Inventory			11,366	
Land and construction in progress			166,529	
Other capital assets, net			1,020,194	
Compensated absences			(3,850)	
Net Assets, June 30			\$ 1,236,515	

OTHER FINANCIAL SCHEDULES

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Fiscal Year Ended June 30, 2010

Fiscal Year	Uncollected Balance 7/1/2009	2009-10 Levy	Collections	Interest	Net Adjustments	Uncollected Balance 6/30/2010
2009-10	\$ -	\$ 747,045	\$ 699,814	\$ 287	\$ (22,612)	\$ 24,906
2008-09	22,322	-	11,156	793	(1,475)	10,484
2007-08	8,180	-	3,504	603	(797)	4,482
2006-07	3,365	-	1,849	501	(600)	1,417
2005-06	1,252	-	676	218	(297)	497
2004-05	466	-	34	(2)	(62)	368
2003-04	337	-	2	2	(46)	291
Prior years	323	-	5	4	(44)	278
Totals	\$ 36,245	\$ 747,045	\$ 717,040	\$ 2,406	\$ (25,933)	\$ 42,723

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF FUTURE REQUIREMENTS FOR LONG-TERM DEBT
For the Fiscal Year Ended June 30, 2010

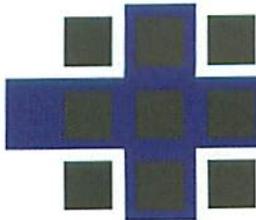
Year Ended June 30	Revenue Bond Payable			Note Payable		
	USDA RUS Loan 92-01			Clean Water SRF Loan R25140		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 36,526	\$ 68,314	\$ 104,840	\$ 166,025	\$ 70,831	\$ 236,856
2012	38,078	66,762	104,840	171,280	65,576	236,856
2013	39,697	65,143	104,840	176,700	60,156	236,856
2014	41,384	63,456	104,840	182,292	54,564	236,856
2015	43,143	61,697	104,840	188,061	48,795	236,856
2016	44,976	59,864	104,840	194,013	42,843	236,856
2017	46,888	57,952	104,840	200,153	36,703	236,856
2018	48,881	55,959	104,840	206,486	30,370	236,856
2019	50,958	53,882	104,840	213,021	23,835	236,856
2020	53,124	51,716	104,840	219,762	17,094	236,856
2021	55,381	49,459	104,840	226,716	10,110	236,826
2022	57,735	47,105	104,840	152,425	2,964	155,389
2023	60,189	44,651	104,840	-	-	-
2024	62,747	42,093	104,840	-	-	-
2025	65,414	39,426	104,840	-	-	-
2026	68,194	36,646	104,840	-	-	-
2027	71,092	33,748	104,840	-	-	-
2028	74,113	30,727	104,840	-	-	-
2029	77,263	27,577	104,840	-	-	-
2030	80,547	24,293	104,840	-	-	-
2031	83,970	20,870	104,840	-	-	-
2032	87,539	17,301	104,840	-	-	-
2033	91,259	13,581	104,840	-	-	-
2034	95,138	9,702	104,840	-	-	-
2035	99,181	5,659	104,840	-	-	-
2036	33,969	1,444	35,413	-	-	-
TOTALS	\$ 1,607,386	\$ 1,049,027	\$ 2,656,413	\$ 2,296,934	\$ 463,841	\$ 2,760,775

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
For the Fiscal Year Ended June 30, 2010

	Date Of Issue	Interest Rate	Principal Payments				Balance June 30, 2010
			Balance	Issued	Matured	Paid	
			July 1, 2009				
<i>Revenue Bond Payable:</i>							
USDA RUS Loan 92-01 - Sewer Fund	06/01/06	4.25%	\$ 1,833,665	\$ -	\$ 26,279	\$ 226,279	\$ 1,607,386
Total revenue bond payable			<u>1,833,665</u>	<u>-</u>	<u>26,279</u>	<u>226,279</u>	<u>1,607,386</u>
<i>Notes Payable:</i>							
Clean Water SRF Loan R25140	07/09/03	3.14%	2,654,775	-	157,841	357,841	2,296,934
Business Oregon Loan G06001 - Interim	12/11/06	2.91%	3,104,326	1,156,257	-	-	4,260,583
Business Oregon Loan S06004	05/08/06	1.00%	3,719,644	-	-	-	3,719,644
Total notes payable			<u>9,478,745</u>	<u>1,156,257</u>	<u>157,841</u>	<u>357,841</u>	<u>10,277,161</u>
Total long-term debt payable			<u>\$ 11,312,410</u>	<u>\$ 1,156,257</u>	<u>\$ 184,120</u>	<u>\$ 584,120</u>	<u>\$ 11,884,547</u>

	Date Of Issue	Interest Rate	Interest Payments				Balance June 30, 2010
			Balance	Issued	Matured	Paid	
			July 1, 2009				
<i>Revenue Bond Interest:</i>							
USDA RUS Loan 92-01 - Sewer Fund	06/01/06	4.25%	\$ -	\$ -	\$ 77,931	\$ 77,931	\$ -
Total revenue bond interest			<u>-</u>	<u>-</u>	<u>77,931</u>	<u>77,931</u>	<u>-</u>
<i>Notes Interest:</i>							
Clean Water SRF Loan R25140	07/09/03	3.14%	-	-	79,015	79,015	-
Business Oregon Loan G06001 - Interim	12/11/06	2.91%	-	-	-	-	-
Business Oregon Loan S06004	05/08/06	1.00%	-	-	-	-	-
Total note interest			<u>-</u>	<u>-</u>	<u>79,015</u>	<u>79,015</u>	<u>-</u>
Total interest			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,946</u>	<u>\$ 156,946</u>	<u>\$ -</u>

COMPLIANCE SECTION:



MAXWELL & COMPANY

Certified Public Accountants

1600 Valley River Dr., Suite 370, Eugene, OR 97401 • (541) 334-4498 • fax (541) 334-1755

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of the City of Creswell as of and for the year ended June 30, 2010, and have issued our report thereon dated January 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

Budgets Legally Required

2009/2010 Budget

1. As previously noted in the 2008/2009 audit report for the 2009/2010 budget, a clerical error occurred in the detail budget document for the Airport Fund. Budgeted resources and expenditures in the "Adopted by Governing Body" column are out-of-balance by \$9,790. The State LB forms and the City's adoption and appropriation resolution of the budget appears to correctly reflect the budget approved by the budget committee.
2. As previously noted in the 2008/2009 audit report for the 2009/2010 budget, the detail budget document indicates a "transfer out" of \$200,000 from the Sewer Fund and a "transfer in" of \$100,000 to the Sewer Reserve Fund resulting in the transfers being out of balance by \$100,000. During the 2009/2010 fiscal year, the actual amount "transferred out" of the Sewer Fund was \$100,000 and the Sewer Reserve Fund "transferred in" \$100,000, a balanced transfer.
3. An additional clerical error was noted in the detail budget document in the Building Department Fund. Budgeted resources and expenditures in the "Adopted by Governing Body" column are out-of-balance by \$22,093. The State LB forms and the City's adoption and appropriation resolution of the budget appears to correctly reflect the budget approved by the budget committee.
4. The General Fund capital outlay on the State forms LB-3 and LB-4 indicate a budget amount of \$114,485. The City's adoption and appropriation resolution indicates an amount of \$119,235. Therefore, the resolution exceeded the LB forms and the amount approved by the budget committee by \$4,750.
5. The public is required to be notified not more than 30 days or less than 5 days for the budget hearing and adoption of the budget. The notice day was on June 18, 2009 and the budget hearing was on June 22, 2009, which is considered 4 days.

2010/2011 Budget

Nothing came to our attention in regards to the 2010/2011 budget.

OAR 162-10-0230 Internal Control

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

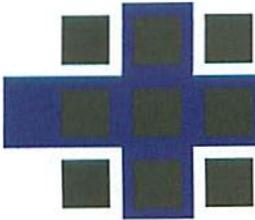
We noted matters involving the internal control and its operation that we consider to be significant deficiencies and material weaknesses, which are noted in the *Government Auditing Standards Schedule of Findings and Responses*.

This report is intended solely for the information and use of the Council members and management of the City of Creswell and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Maxwell & Company CPAs

MAXWELL & COMPANY
Certified Public Accountants

Eugene, Oregon
January 19, 2012



MAXWELL & COMPANY

Certified Public Accountants

1600 Valley River Dr., Suite 370, Eugene, OR 97401 • (541) 334-4498 • fax (541) 334-1755

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

To the Honorable Mayor and Members of the City Council
City of Creswell, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Creswell, Oregon, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible for communicating significant deficiencies and material weaknesses in accordance with professional standards, regardless of management's decisions.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weakness; items 2010-2 and 2010-3.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency, item number 2010-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses, item 2010-4.

We noted certain other matters that we reported to management of the City in a separate letter dated January 19, 2012.

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

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

Maxwell & Company CPAs

MAXWELL & COMPANY
Certified Public Accountants

Eugene, Oregon
January 19, 2012

**CITY OF CRESWELL
LANE COUNTY, OREGON
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

FINANACIAL REPORTING

Significant Deficiencies:

2010-1 – Segregation of Duties – Bank Reconciliations

Condition: During the audit, we noted that bank reconciliations are prepared by the same person who also has access to the receipts and disbursements processes, performs bank transfers and records journal entries.

Criteria: Internal control is most effective when there is adequate segregation of duties.

Cause: Due to the small number of office employees, it is difficult to adequately segregate duties.

Effect: Because of the lack of segregation of duties, there is a risk that an error could occur without being detected in a timely manner by employees in the normal course of performing their functions.

Recommendation: At a minimum, bank statements should be opened and reviewed and signed by another person. The City should assess this process and develop other internal control procedures to mitigate the lack of segregation of duties.

Response: The City's management is keenly aware of the segregation of duties issue in all our accounting functions. The City is currently studying how to design and implement staff functions to achieve this goal given our staff size. In September 2011, staff implemented a new control, whereby all bank statements are opened and reviewed by an individual not in charge of accounting functions. This individual reviews the statements for account balance, unusual transactions and that each check is signed by more than one person. Statements are initialed and dated upon completion. Staff is currently working toward training of other staff to effectuate bank transfers.

Material Weaknesses:

2010-2 – Segregation of Duties – Journal Entries

Condition: The City does not maintain effective controls over the validity of general ledger journal entries. One person prepares and records journal entries in addition to having custody of the general ledger. The process is not reviewed, approved or monitored by another person.

Criteria: Duties should be segregated to the extent that no one person has access to all phases of the journal entry process.

Cause: Due to the small number of office employees who may not possess the knowledge and skills necessary to determine the appropriateness of the journal entries, it is difficult to adequately segregate duties.

Effect: There is a risk that intentional or unintentional errors could occur and go undetected.

Recommendation: Assign another person to review, approve and monitor the journal entries. Additional training may be required to ensure proper oversight of the process.

Response: The City's management acknowledges the risk associated with this issue. We strive to provide segregation of duties to the greatest extent possible given the City's staff size. Currently, the number of office employees who possess the skills and knowledge necessary to determine the appropriateness of journal entries is insufficient to provide this segregation. Management will look at providing training in order to overcome this weakness.

2010-3 –Budgetary Financial Reporting

Condition: We believe that a material weakness in City's internal control over interim budgetary financial reporting exists.

Criteria: Interim budgetary financial statements should be prepared on a timely basis.

Cause: The City's accounting system does not allow budgetary financial statements to be produced until the preceding two year period has been closed.

Effect: Management and those charged with governance needs to receive timely budgetary financial statements to assist them in making sound financial decisions.

Recommendation: Those in charge with governance and management should assess the current process to produce interim budgetary financial statement and develop an internal control policy to ensure timely budgetary financial reporting.

Response: Management is keenly aware of the importance of timely financial reporting. It is now possible with our financial software to produce interim financial statements even when there are more than two budgeting periods open. This condition should no longer exist, and staff should be able to produce interim financial statements in a timely manner.

COMPLIANCE AND OTHER MATTERS

2010-4 External Financial Reporting

Condition: We believe that a material weakness in City's internal control over financial reporting exists in respect to required external reporting.

Criteria: Audited financial statements should be prepared on a timely basis.

Cause: In addition, the City's budgetary basis of accounting audited financial statements requires reporting on the modified accrual and full accrual bases of accounting. The required account Reconciliations, schedules and adjustments necessary to convert the City's budgetary books to those bases of accounting were not prepared on a timely basis.

Effect: The City's June 30, 2010 audited financial statements were not submitted in a timely manner to the Oregon Division of Audits, which requires it to be filed within 180 days of the end of the fiscal year. Additionally, the City has not met the audited financial statement filing requirements for two of their outstanding loans.

Recommendation: The City should develop an internal control policies and procedures to ensure timely financial reporting.

Response: City staff is striving to implement adequate procedures to ensure the timeliness of filing. This includes addressing new reporting requirement procedures and assigning completion of these procedures to various staff members to ensure that staff is not overwhelmed with year-end reporting duties, as well as identifying major projects and assets during the course of the year to prevent a backlog of major projects to reconcile at year-end.