

**CITY OF CRESWELL
LANE COUNTY, OREGON**

**ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012**

CITY OF CRESWELL
LANE COUNTY, OREGON
 June 30, 2012

CITY OFFICIALS

Name	Position	Term Expires
Bob Hooker <i>322 Pebble Beach Drive Creswell, OR 97426</i>	Mayor	12/31/2012
William McCoy <i>115 South 3rd - PO Box 579 Creswell, OR 97426</i>	Council Member	12/31/2012 Deceased 5/17/12
A.J. O'Connell <i>98 North 7th Street Creswell, OR 97426</i>	Council Member	12/31/2014
Mike Anderson <i>PO Box 1307 - 524 N 5th Street Creswell, OR 97426</i>	Council Member	12/31/2014
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	12/31/2014
Jacob Daniels <i>436 Holbrook Lane Apt.B Creswell, OR 97426</i>	Council Member	12/31/2012 Appointed 6/11/12 Replace Bill McCoy

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, 2012

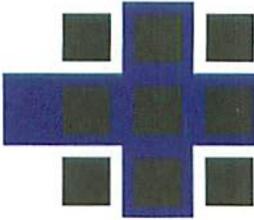
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CITY OF CRESWELL
LANE COUNTY, OREGON
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MAXWELL & COMPANY

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

To 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, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Creswell, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Creswell, Oregon, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 March 22, 2013, on our consideration of the City of Creswell, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 12) and the budgetary comparison (pages 44 through 47) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

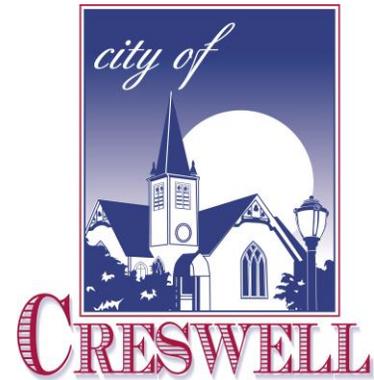
MAXWELL & COMPANY
Certified Public Accountants

Maxwell & Company CPAs

Eugene, Oregon
March 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Creswell
13 South 1st Street, P.O. Box 276 Creswell, OR 97426
Ph (541) 895-2531 Fax 541) 895-3647



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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, 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 \$35.5 million (reported as net assets). Within the net assets, \$8.8 million (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- Total net assets increased by \$385,000 this fiscal year. Governmental net assets increased by \$59,000 and business net assets increased by \$326,000.

Fund Level

- The City's governmental funds reported a combined fund balance of \$3.5 million, an increase of \$249,000 over the prior fiscal year.
- The proprietary funds - those used to account for programs which the City charges for the services it provides, - reported combined net assets of \$20.6 million, an increase of \$33,000 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 Fund and State Highway Street Fund qualify as major government funds. The Capital Improvement and Building Funds were included by management electively, as we feel the activity within these funds is significant even though they 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.

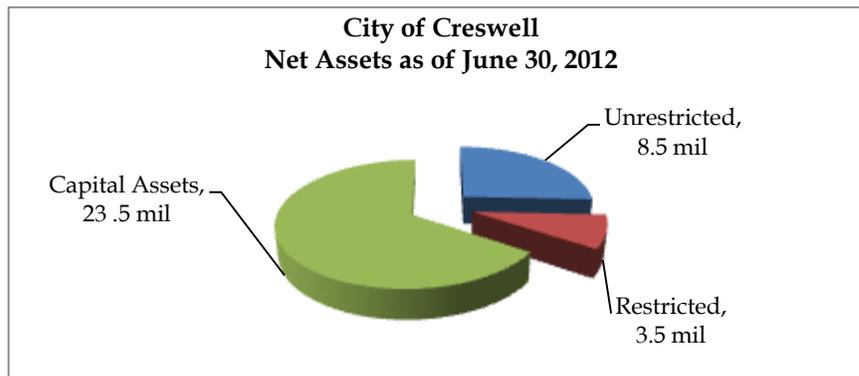
Government and business assets and liabilities (rounded to the nearest \$1, 000) were as follows:

	Government		Business		Total	
	June 2012	June 2011	June 2012	June 2011	June 2012	June 2011
Cash and investments	\$3,546,000	\$3,275,000	\$8,266,000	\$8,383,000	\$11,812,000	\$11,658,000
Other assets	191,000	225,000	328,000	436,000	519,000	661,000
Capital assets	11,399,000	11,586,000	23,699,000	24,219,000	35,098,000	35,805,000
Total assets	15,136,000	15,086,000	32,293,000	33,038,000	47,429,000	48,124,000
Current liabilities	131,000	140,000	437,000	639,000	568,000	779,000
Non-current liabilities	83,000	83,000	11,289,000	12,158,000	11,372,000	12,241,000
Total liabilities	214,000	223,000	11,726,000	12,797,000	11,940,000	13,020,000
Net assets:						
Invested in capital assets net of related debt	11,382,000	11,557,000	12,100,000	11,779,000	23,482,000	23,336,000
Restricted net assets	1,148,000	999,000	2,173,000	1,909,000	3,499,000	2,908,000
Unrestricted net assets	2,392,000	2,307,000	6,294,000	6,553,000	8,508,000	8,860,000
Total net assets	\$14,922,000	\$14,863,000	\$20,567,000	\$20,241,000	\$35,489,000	\$35,104,000

Changes in net assets

The increase in net assets of \$385,000 is attributed mainly to net operating income and system development charges. The reduction in liabilities is mainly due to debt service payments made on debt for water and sewer infrastructure improvements.

The largest portion of the City’s net assets, at 66%, are invested in capital assets (e.g. land, building, equipment and streets) and reported net of related outstanding debt. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. Restricted net assets total \$3.5 million and represent cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining \$8.5 million is unrestricted, meaning it is available for meeting the City’s ongoing obligations. The following chart displays the three components of net assets as of June 30, 2012.



Statement of 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 2012	June 2011	June 2012	June 2011	June 2012	June 2011
Revenues:						
Program revenues:						
Capital grants & contributions	\$ 16,000	\$ 1,718,000	\$ 85,000	\$ 320,000	\$ 101,000	\$ 2,038,000
Operating grants	292,000	263,000	-	-	292,000	263,000
Charges for service	102,000	129,000	2,602,000	2,573,000	2,704,000	2,702,000
Total program revenues	410,000	2,110,000	2,687,000	2,893,000	3,097,000	5,003,000
General revenue:						
Property taxes	778,000	749,000	-	-	778,000	749,000
Franchise & public service taxes	478,000	477,000	-	-	478,000	477,000
Investment earnings	21,000	11,000	45,000	50,000	66,000	61,000
Other	15,000	5,000	-	-	15,000	5,000
Total general revenues	1,292,000	1,242,000	45,000	50,000	1,337,000	1,292,000
Total revenues:	1,702,000	3,352,000	2,732,000	2,943,000	4,434,000	6,295,000
Expenses:						
General government	241,000	228,000	-	-	241,000	228,000
Public safety	560,000	529,000	-	-	560,000	529,000
Planning & land use	172,000	180,000	-	-	172,000	180,000
Highways & streets	145,000	162,000	-	-	145,000	162,000
Culture & recreation	136,000	140,000	-	-	136,000	140,000
Depreciation - unallocated	269,000	252,000	-	-	269,000	252,000
Water	-	-	1,075,000	932,000	1,075,000	932,000
Sewer	-	-	911,000	929,000	911,000	929,000
Airport	-	-	540,000	433,000	540,000	433,000
Total expenses	1,523,000	1,491,000	2,526,000	2,294,000	4,049,000	3,785,000
Excess/deficiency before contributions and transfers	179,000	1,861,000	206,000	649,000	385,000	2,510,000
Transfer to or (from) other funds	(120,000)	286,000	120,000	(286,000)	-	-
Loss on disposal of capital assets	-	-	-	(329,000)	-	(329,000)
Change in net assets	59,000	2,147,000	326,000	34,000	385,000	2,181,000
Net Assets, Beginning of Year	14,863,000	12,716,000	20,241,000	20,207,000	35,104,000	32,923,000
Net Assets, End of Year	\$ 14,922,000	\$ 14,863,000	\$ 20,567,000	\$ 20,241,000	\$ 35,489,000	\$ 35,104,000

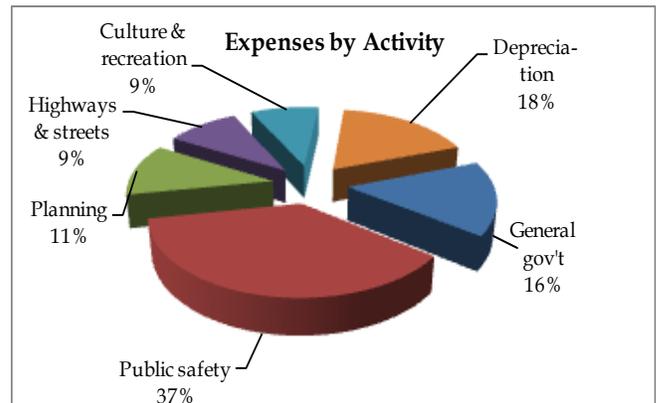
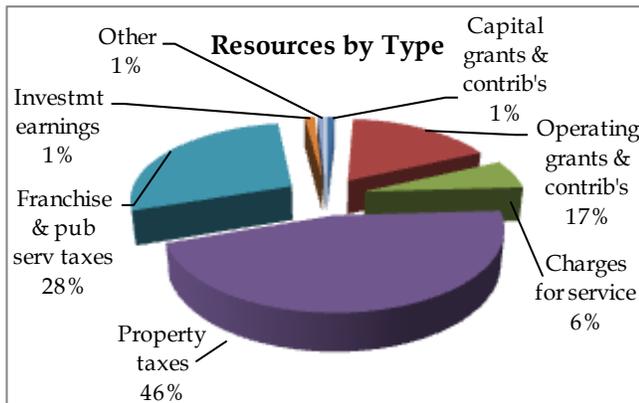
Governmental Activities

Governmental activities increased \$59,000 from the prior year. This increase is mainly due to revenues that exceed program expenses.

Financial highlights from governmental activities for the year include:

- Capital grants and contributions – decreased by \$1.7 million from the prior year due to the lack of contributed capital purchased by third parties and donated to the City. The \$16,000 received this year reflects parks and transportation system development charges.
- Operating grants - increased 10%, mainly due to an increase in State Highway Street Tax.
- Charges for service – decreased 21% mainly a result of a reduction in court fines collected and planning and land use permits issued.
- Property taxes comprise approximately 46% of governmental operating resources. For operating purposes, property tax revenues increased \$29,000 over last year, as allowed by statute.
- Total governmental activity expense – increased 2.1% over last year mainly due to an increase in police, legal and other contractual services.

Governmental Activities as of June 30, 2012



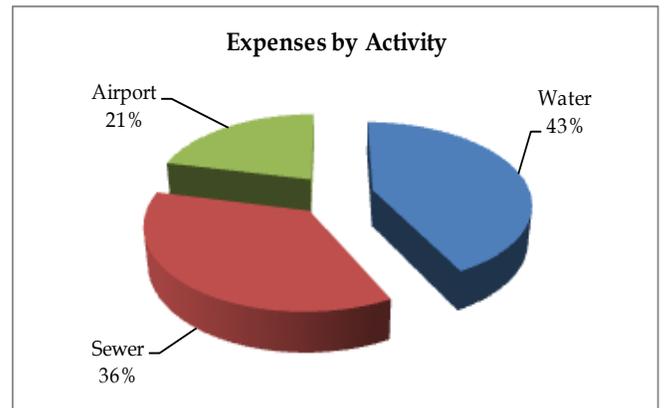
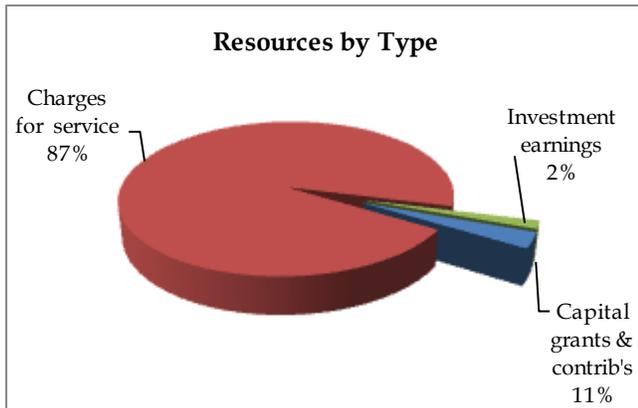
Business Activities

Business-type activities generated a \$326,000 increase to net assets from the prior year.

Key activities during the fiscal year include:

- Capital grants and contributions – decreased by \$235,000 from the prior year due to the lack of contributed capital purchased by third parties and donated to the City. The \$85,000 received this year reflects water and sewer system development charges.
- Charges for service in the Water and Sewer Funds generated the majority of the \$2.7 million in revenues for all business-type activities; though fuel sales in the Airport Fund increased \$47,000.
- Expenses increased \$232,000 over last year, mainly due to an increase to depreciation expense and amortization of \$108,000 in the Water Fund, and an increase of \$126,000 in contractual services in the Airport Fund, \$100,000 of which was for legal services.
- While fuel sales generate a significant amount of income for the Airport, fuel costs were \$212,000, an increase of \$41,000 over last year.

Business Activities as of June 30, 2012



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 \$3,514,000, an increase of \$249,000 from the prior year. The General Fund accounts for \$1,598,000; the remaining \$1,915,000 of the total resides in other funds and is either legally restricted or assigned by the governing body for specific purposes.

The General Fund is the chief operating fund for the City. The \$1,598,000 in fund balance increased \$34,000 during the fiscal year. \$150,000 was transferred to the Capital Improvement Fund for City Hall. Franchise taxes remained constant at \$303,000, while court fines, forfeitures and court costs decreased about \$18,000 with a total of \$33,000. Other taxes, including liquor and 9-1-1 taxes, increased slightly, combined with state-shared revenues, provided about \$177,000 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 \$274,000. The fund balance at fiscal year-end is \$492,000, up \$137,000 from last year. No new major construction projects were begun as the focus of activity in this fund will relate 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 \$652,000. The increase in fund balance from last year is primarily due to a transfer in from the General Fund of \$150,000. There were no transfers to this fund from any other fund this year, and no expenditures from this fund other than those related to the City Hall construction project.

The Building Department Fund accounts for building permit and inspection services. Permit revenues received of \$37,000 increased by only \$2,000, which is reflective of the current economy and building trends. The Building Department's Fund balance decreased \$8,000, with an ending balance of \$111,000.

The remaining Governmental Funds, which include the Local Improvement District Fund, the Bicycle Foot Path Fund, the Parks Development Fund and Transportation Enhancement Fund, shared a combined ending fund balance of \$660,000.

Enterprise Funds (Business-type Funds)

The Water Fund received \$1,315,000 in user charges, down \$28,000 from last year. This decrease is primarily due to a reduction in service connections and an overall reduction in water consumption for the year. This year, the City received eight new system development charges for new residential houses, double that of last year at \$42,000. Overall, net assets increased by about \$327,000, with an ending balance of \$10,717,000.

The Sewer Fund received \$927,000 in user charges, an increase of \$10,000 over the prior year's receipts. System development charges in the Sewer Fund also increased, with receipts totaling \$43,000. Overall net assets increased \$77,000, with an ending balance of \$8,696,000.

The Airport Fund ended the year with net assets totaling \$1,154,000, an overall decrease of \$77,000. Primary sources of revenue in the Airport Fund include fuel sales, which totaled \$264,000 and rental income of \$54,000. The Airport Fund continues to struggle as net operating revenues are often not sufficient to cover operating and capital-related expenditures. This year, the General Fund provided two transfers totaling \$120,000, \$100,000 of which was to cover legal fees and the rest for operations. According to the Governmental Accounting Standards Board, enterprise funds should be self-sufficient, relying on fees charged for goods or services to cover operations, maintenance, and replacement and expansion costs.

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, 2012. Four budgetary adjustments were approved by Council during the fiscal year. The adjustments included a \$5,000 Alliance for Community Safety Grant, used to fund the Every 15 Minutes program at the Creswell School District, recognition of the Rural Tourism Marketing Program grant which is passed through to the Chamber of Commerce for tourism and marketing, and two transfers to the Airport Fund totaling \$120,000. Overall, the General Fund actual costs for materials and services were \$245,000 less than the revised budget, and capital outlay was some \$73,000 less than the revised budget.

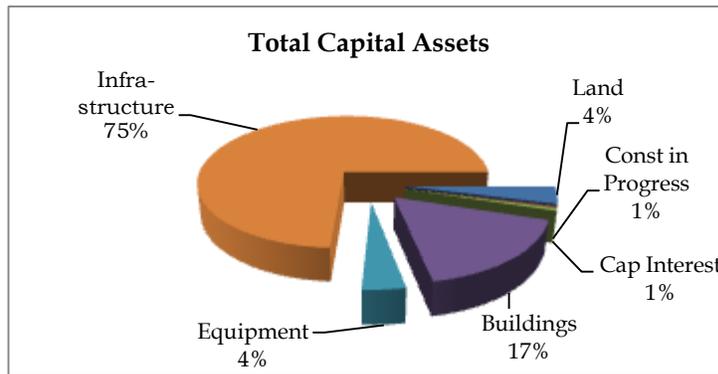
Capital Assets and Debt Administration

Capital Assets

In 2011-2012, capital assets for the governmental and enterprise funds decreased primarily due to depreciation, as the only major addition was a water line improvement to a portion of Mary Neal and South 7th Streets. The construction in progress shown is for work on the 2nd story of City Hall, anticipated to be completed in the 2012-2013 fiscal year.

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

	Government		Business		Total	
	June 2012	June 2011	June 2012	June 2011	June 2012	June 2011
Land	\$ 403,000	\$ 403,000	\$ 1,298,000	\$ 1,298,000	\$ 1,701,000	\$ 1,701,000
Construction in progress	107,000	25,000	-	-	107,000	25,000
Capitalized interest	-	-	281,000	281,000	281,000	281,000
Buildings	1,962,000	1,962,000	5,400,000	5,400,000	7,362,000	7,362,000
Equipment	487,000	488,000	1,196,000	1,173,000	1,683,000	1,661,000
Infrastructure	9,971,000	9,971,000	21,906,000	21,890,000	31,877,000	31,861,000
Total:	12,930,000	12,849,000	30,081,000	30,042,000	43,011,000	42,891,000
Accum depreciation:	(1,532,000)	(1,263,000)	(6,640,000)	(5,822,000)	(8,172,000)	(7,085,000)
Net capital assets:	\$ 11,398,000	\$ 11,586,000	\$ 23,441,000	\$ 24,220,000	\$ 34,839,000	\$ 35,806,000



Debt Administration

Debt Outstanding includes a Bancroft bond payable for a special assessment district, 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).

During the fiscal year, all scheduled debt service payments were met. Regular debt service has begun in the Water Fund in the 2011-2012 fiscal year. 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.

Debt service in the Sewer Fund reflects the following accelerated principal payments:

- \$155,000 Bond through USDA Rural Utility Services
- \$150,000 Clean Water Revolving Loan Fund through the Department of Environmental Quality

Debt service in the Water Fund reflects the following accelerated principal payments:

- \$200,000 Safe Drinking Water Loan through Business Oregon, Infrastructure Finance Authority

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

	Government		Business		Total	
	June 2012	June 2011	June 2012	June 2011	June 2012	June 2011
Long-term obligations:						
Bancroft bond payable	\$ 17,000	\$ 29,000	\$ -	\$ -	\$ 17,000	\$ 29,000
Compensated absences	21,000	24,000	50,000	50,000	71,000	74,000
OPEB liability	46,000	30,000	-	-	46,000	30,000
Notes payable	-	-	10,420,000	11,065,000	10,420,000	11,065,000
Bond payable	-	-	1,179,000	1,376,000	1,179,000	1,376,000
Total obligations:	\$ 84,000	\$ 83,000	\$ 11,649,000	\$ 12,491,000	\$ 11,733,000	\$ 12,574,000

THE FUTURE OF THE CITY

City Hall Project

- Phase I of the City Hall project (which included construction of a two-story building and finished first floor, was completed in the 2009-2010 fiscal year and capitalized for \$1,582,635. This phase included the additional land that was purchased in order to expand the building footprint.
- Phase II of the project included installation of an elevator, which was completed in the 2010-2011 fiscal year and capitalized at \$57,168.
- Phase III will construct improvements to the second story including the addition of council chambers, a restroom, and improvements to common areas. Construction in progress is \$106,821 to date. It is estimated that this project will be completed in the 2012-2013 fiscal year.
- Phase IV of this project will be to construct improvements to the parking area located at the corner of South 1st and C Streets. This phase will need to be commenced as soon as phase III is complete in order to be compliant with the conditions of approval as outlined by the City's Planning Commission before the project began.
- Phase V will consist of completing infill to the second story, and currently does not have a projected start date.

Street Infrastructure and Maintenance

As of the most recent Census, the City has exceeded a population of 5,000. This made the City eligible for funding through the Federal Department of Transportation. If the city receives these funds directly from the federal government, funds may only be used for federal projects. The City has entered into an intergovernmental agreement with the Oregon Department of Transportation to exchange these federal dollars for state revenues at a discount of \$0.94 on the dollar. This discounted exchange will enable the City to have much greater flexibility with the use of these resources. It is anticipated that contributions to the City will be \$53,000 in the 2012-2013 fiscal year.

Looking ahead, there are several streets that need maintenance or replacement as prioritized in the City's Transportation System Plan. With the lack of adequate resources to keep up with scheduled maintenance, the City will be waiting several years before any major project can be considered, unless additional sustainable funding becomes available.

AWOS (Automated Weather Observation System) at Creswell Airport

The City secured grants from the Department of Transportation, Connect Oregon Rural Airports (CORA) and the FAA Airport Improvement Program (AIP) in the combined amount of \$243,164 at the beginning of the 2012-2013 fiscal year, for the purpose of installing an AWOS at the Airport. This is the first step toward providing a non-precision GPS approach at the Airport. Having a non-precision GPS approach would

ultimately increase the usability of the Airport as pilots would be able to fly even during inclement weather conditions.

Cobalt Building

Donated to the City in lieu of parks open space by a developer, this building has become an ongoing project for our Resource Assistance to Rural Environments (RARE) interns. It has taken several turns between four RARE interns and work continues to identify the appropriate recreational use of the building.

Fiber Optics

As discussed in last year's management discussion and analysis, an infrastructure project that is critical not only to economic development, but also to livability within the community, is to take advantage of the access to the fiber ring that was installed by the Regional Fiber Consortium. This project has not moved forward for several years due to the projected costs and the need for several other jurisdictions to partner in the project. It may be time to again begin that discussion. The City did recently become a part of the City of Cottage Grove Enterprise Zone, which will add incentives to businesses considering Creswell as a location.

Planning and Land Use

City planning continues to focus on updating the City's Comprehensive Plan in order to meet State requirements. As a part of this update, there will also be an update to the City's Transportation System Plan and Storm Water Master Plan. Completion of these items will dovetail with the previously discussed infrastructure improvements as we prepare Creswell for future growth and/or development.

Other Items

There are other items that should be commented on regarding the City and/or reported as events that have occurred prior to the filing of this audit.

1. Two developments have occurred that will have a significant impact on the financial health of the Creswell Airport. With limited ability to generate new revenue sources, the Airport continually struggles to balance its budget. Over the last several years, the City Council has transferred funds from the General Fund to the Airport Fund in order to balance the Airport Fund. Two events have occurred that will continue to threaten the financial well being of the Airport. The first event was the filing of a Code of Federal Regulations Part 16 complaint against the City of Creswell and the Creswell Airport. This is an administrative action that does not have any monetary penalties, but attorney fees to defend the action have cost the City General Fund over \$100,000. In a somewhat related action filed by the same party, recently a breach of lease lawsuit was filed against the City and the Airport. Trial is scheduled for July 2013. Both of these actions have impacted the Airport Fund and the City's General Fund in a negative fashion and do not bode well for the future financial health of the Airport.

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, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 3,546,452	\$ 8,266,323	\$ 11,812,775
Cash with fiscal agent	1,427	-	1,427
Accounts receivable	115,973	248,614	364,587
Property taxes receivable	55,307	-	55,307
Assessments receivable	16,790	-	16,790
Grants receivable	1,235	-	1,235
Inventories	-	79,732	79,732
<i>Capital assets:</i>			
Nondepreciable capital assets	510,096	1,840,713	2,350,809
Depreciable capital assets, net	10,888,176	21,858,096	32,746,272
Total assets	<u>15,135,456</u>	<u>32,293,478</u>	<u>47,428,934</u>
Liabilities			
Accounts payable	34,013	21,370	55,383
Other accrued liabilities	36,575	919	37,494
Interest payable	-	24,703	24,703
Deposits	60,398	29,270	89,668
Deferred revenue	-	887	887
<i>Noncurrent liabilities:</i>			
Due within one year	-	360,257	360,257
Due in more than one year	82,915	11,288,890	11,371,805
Total liabilities	<u>213,901</u>	<u>11,726,296</u>	<u>11,940,197</u>
Net Assets			
Invested in capital assets, net of related debt	11,381,692	12,099,891	23,481,583
Restricted for:			
Streets and bicycle/foot paths	539,640	-	539,640
Debt service	14,836	178,555	193,391
Systems development	593,665	2,172,625	2,766,290
Unrestricted	2,391,722	6,116,111	8,507,833
Total net assets	<u>\$ 14,921,555</u>	<u>\$ 20,567,182</u>	<u>\$ 35,488,737</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, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 240,702	\$ 2,289	\$ 13,581	\$ -	\$ (224,832)	\$ -	\$ (224,832)
Public safety	559,820	44,482	4,995	-	(510,343)	-	(510,343)
Planning and land use	171,673	51,692	-	-	(119,981)	-	(119,981)
Highways and streets	144,803	-	273,579	4,388	133,164	-	133,164
Culture and recreation	136,301	3,260	-	11,312	(121,729)	-	(121,729)
Depreciation expense, unallocated	269,131	-	-	-	(269,131)	-	(269,131)
Total governmental activities	<u>1,522,430</u>	<u>101,723</u>	<u>292,155</u>	<u>15,700</u>	<u>(1,112,852)</u>	<u>-</u>	<u>(1,112,852)</u>
Business-type activities:							
Water	1,074,726	1,322,273	-	42,218	-	289,765	289,765
Sewer	910,632	936,211	-	42,714	-	68,293	68,293
Airport	540,468	343,507	-	-	-	(196,961)	(196,961)
Total business-type activities	<u>2,525,826</u>	<u>2,601,991</u>	<u>-</u>	<u>84,932</u>	<u>-</u>	<u>161,097</u>	<u>161,097</u>
Total primary government	<u>\$ 4,048,256</u>	<u>\$ 2,703,714</u>	<u>\$ 292,155</u>	<u>\$ 100,632</u>	<u>(1,112,852)</u>	<u>161,097</u>	<u>(951,755)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					778,126	-	778,126
Franchise and public service taxes					300,811	-	300,811
State shared revenues					136,275	-	136,275
Transient room tax					40,698	-	40,698
Interest and investment earnings					20,627	44,914	65,541
Other revenues					14,953	-	14,953
Transfers					(120,000)	120,000	-
Total general revenues and transfers					<u>1,171,490</u>	<u>164,914</u>	<u>1,336,404</u>
Change in net assets					<u>58,638</u>	<u>326,011</u>	<u>384,649</u>
Net Assets, July 1					<u>14,862,917</u>	<u>20,241,171</u>	<u>35,104,088</u>
Net Assets, June 30					<u>\$ 14,921,555</u>	<u>\$ 20,567,182</u>	<u>\$ 35,488,737</u>

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, 2012

	General Fund	State Tax Street Fund	Capital Improvement Fund	Building Department Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 1,581,763	\$ 533,987	\$ 652,585	\$ 111,707	\$ 666,410	\$ 3,546,452
Cash with fiscal agent	1,427	-	-	-	-	1,427
<i>Receivables:</i>						
Accounts	90,050	24,015	-	-	-	114,065
Property taxes	55,307	-	-	-	-	55,307
Assessments	-	-	-	-	16,790	16,790
Grants	1,235	-	-	-	-	1,235
Other receivables	1,908	-	-	-	-	1,908
Total assets	<u>\$ 1,731,690</u>	<u>\$ 558,002</u>	<u>\$ 652,585</u>	<u>\$ 111,707</u>	<u>\$ 683,200</u>	<u>\$ 3,737,184</u>
Liabilities						
Accounts payable	\$ 21,061	\$ 5,656	-	\$ 685	\$ 6,612	\$ 34,014
Other accrued liabilities	36,285	289	-	-	-	36,574
Deposits	380	60,018	-	-	-	60,398
Deferred revenue	75,460	-	-	-	16,790	92,250
Total liabilities	<u>133,186</u>	<u>65,963</u>	<u>-</u>	<u>685</u>	<u>23,402</u>	<u>223,236</u>
Fund Balances						
Nonspendable	380	60,018	-	-	-	60,398
Restricted	20,512	432,021	-	111,022	659,798	1,223,353
Assigned	331,624	-	652,585	-	-	984,209
Unassigned	1,245,988	-	-	-	-	1,245,988
Total fund balances	<u>1,598,504</u>	<u>492,039</u>	<u>652,585</u>	<u>111,022</u>	<u>659,798</u>	<u>3,513,948</u>
Total liabilities and fund balances	<u>\$ 1,731,690</u>	<u>\$ 558,002</u>	<u>\$ 652,585</u>	<u>\$ 111,707</u>	<u>\$ 683,200</u>	<u>\$ 3,737,184</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, 2012

Fund balance of governmental funds in the Balance Sheet: \$ 3,513,948

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. 11,398,272

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	20,153	
	Property taxes	55,307	
	Assessments	16,790	
			92,250

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

	Notes payable	(16,579)	
			(16,579)

Compensated absences and 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	(20,709)	
	Other postemployment benefits	(45,626)	
			(66,335)

Net assets of governmental activities in the Statement of Net Assets: \$ 14,921,556

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, 2012

	General Fund	State Street Tax Fund	Capital Improvement Fund	Building Department Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 766,139	\$ -	\$ -	\$ -	\$ -	\$ 766,139
Franchise taxes	268,191	-	-	-	-	268,191
Intergovernmental	18,576	273,579	-	-	-	292,155
Grants	136,660	-	-	-	-	136,660
Other taxes	75,451	-	-	-	-	75,451
Special assessments	-	-	-	-	15,117	15,117
Fines and forfeitures	41,757	-	-	-	-	41,757
Licenses and permits	11,107	-	-	37,795	-	48,902
Charges for services	10,679	-	-	-	-	10,679
System development charges	-	-	-	-	15,700	15,700
Investment earnings	11,334	2,465	2,827	600	3,401	20,627
Other revenue	11,457	1,209	-	211	-	12,877
Total revenues	<u>1,351,351</u>	<u>277,253</u>	<u>2,827</u>	<u>38,606</u>	<u>34,218</u>	<u>1,704,255</u>
Expenditures						
<i>Current operating:</i>						
General government	239,260	-	-	46,542	-	285,802
Public safety	544,130	-	-	-	-	544,130
Planning and land use	128,239	-	-	-	-	128,239
Highways and streets	-	136,988	-	-	-	136,988
Culture and recreation	135,175	-	-	-	-	135,175
Debt service:	-	-	-	-	-	-
Principal	-	-	-	-	12,556	12,556
Interest	-	-	-	-	1,327	1,327
Capital outlay	1,049	-	81,752	-	8,237	91,038
Total expenditures	<u>1,047,853</u>	<u>136,988</u>	<u>81,752</u>	<u>46,542</u>	<u>22,120</u>	<u>1,335,255</u>
Excess revenues over (under) expenditures	<u>303,498</u>	<u>140,265</u>	<u>(78,925)</u>	<u>(7,936)</u>	<u>12,098</u>	<u>369,000</u>
Other Financing Sources (Uses)						
Transfers in	-	-	150,000	-	2,736	152,736
Transfers out	(270,000)	(2,736)	-	-	-	(272,736)
Total other financing sources	<u>(270,000)</u>	<u>(2,736)</u>	<u>150,000</u>	<u>-</u>	<u>2,736</u>	<u>(120,000)</u>
Change in fund balances	33,498	137,529	71,075	(7,936)	14,834	249,000
Fund Balances, July 1	<u>1,565,006</u>	<u>354,510</u>	<u>581,510</u>	<u>118,958</u>	<u>644,964</u>	<u>3,264,948</u>
Fund Balances, June 30	<u>\$ 1,598,504</u>	<u>\$ 492,039</u>	<u>\$ 652,585</u>	<u>\$ 111,022</u>	<u>\$ 659,798</u>	<u>\$ 3,513,948</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, 2012

**Net change in governmental fund balance in the Statement of Revenues, Expenditures and
Changes in Fund Balance:** \$ 249,000

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. Donations of capital assets are reported as capital contributions in the Statement of Activities, but do not appear in the governmental funds because they are not 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.

Expenditures for capital assets	81,752	
Less current-year depreciation	(269,132)	
	(187,380)	(187,380)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded the repayments.

Principal payments	12,556	
	12,556	12,556

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.

Assessments	(12,271)	
Property taxes	11,986	
Interest	(770)	
Franchise fees	(2,132)	
	(3,187)	(3,187)

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	3,386	
Other postemployment benefits	(15,737)	
	(12,351)	(12,351)

Change in net assets of governmental funds in the Statement of Activities: \$ 58,638

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, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Airport Fund	
Assets				
<i>Current assets:</i>				
Cash and investments	\$ 6,224,466	\$ 2,027,976	\$ 13,881	\$ 8,266,323
Receivables:				
Accounts	143,491	102,865	1,822	248,178
Other receivables	-	-	436	436
Inventory	69,974	899	8,859	79,732
Total current assets	<u>6,437,931</u>	<u>2,131,740</u>	<u>24,998</u>	<u>8,594,669</u>
<i>Noncurrent assets:</i>				
Land and construction in progress	793,089	881,095	166,529	1,840,713
Other capital assets, net	<u>12,403,152</u>	<u>8,485,948</u>	<u>968,996</u>	<u>21,858,096</u>
Total noncurrent	<u>13,196,241</u>	<u>9,367,043</u>	<u>1,135,525</u>	<u>23,698,809</u>
Total assets	<u>19,634,172</u>	<u>11,498,783</u>	<u>1,160,523</u>	<u>32,293,478</u>
Liabilities and Net Assets				
Liabilities:				
<i>Current liabilities:</i>				
Accounts payable	18,755	1,860	755	21,370
Other accrued liabilities	525	394	-	919
Deposits	29,270	-	-	29,270
Deferred revenue	-	-	887	887
Interest payable	20,720	3,983	-	24,703
Notes payable	117,318	188,225	-	305,543
Bonds payable	-	54,714	-	54,714
Total current liabilities	<u>186,588</u>	<u>249,176</u>	<u>1,642</u>	<u>437,406</u>
<i>Noncurrent liabilities:</i>				
Compensated absences	24,143	21,598	4,488	50,229
Notes payable	8,706,711	1,407,221	-	10,113,932
Bonds payable	-	1,124,729	-	1,124,729
Total noncurrent liabilities	<u>8,730,854</u>	<u>2,553,548</u>	<u>4,488</u>	<u>11,288,890</u>
Total liabilities	<u>8,917,442</u>	<u>2,802,724</u>	<u>6,130</u>	<u>11,726,296</u>
Net assets:				
Invested in capital assets, net of related debt	4,372,212	6,592,154	1,135,525	12,099,891
Restricted for:				
Debt service		178,555	-	178,555
Systems development	1,526,067	646,558	-	2,172,625
Unrestricted	4,818,451	1,278,792	18,868	6,116,111
Total net assets	<u>\$ 10,716,730</u>	<u>\$ 8,696,059</u>	<u>\$ 1,154,393</u>	<u>\$ 20,567,182</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, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Airport Fund	
Operating Revenues				
Charges for services	\$ 1,315,116	\$ 927,357	\$ -	\$ 2,242,473
Rental income	-	-	54,492	54,492
Fuel sales	-	-	264,228	264,228
Other revenue	7,158	8,854	24,787	40,799
Total operating revenue	<u>1,322,274</u>	<u>936,211</u>	<u>343,507</u>	<u>2,601,992</u>
Operating Expenses				
Personal services	350,061	287,516	80,485	718,062
Contractual services	16,668	31,760	131,010	179,438
Repairs and maintenance	6,155	4,417	6,858	17,430
Materials and supplies	156,026	90,004	20,892	266,922
Utilities	71,490	36,948	8,388	116,826
Fuel costs	-	-	220,347	220,347
Other operating expenses	5,613	-	668	6,281
Depreciation and amortization	406,087	344,207	71,822	822,116
Total operating expenses	<u>1,012,100</u>	<u>794,852</u>	<u>540,470</u>	<u>2,347,422</u>
Operating income (loss)	<u>310,174</u>	<u>141,359</u>	<u>(196,963)</u>	<u>254,570</u>
Non-operating Revenues (Expenses)				
System development charges	42,218	42,714	-	84,932
Investment earnings	33,467	11,389	57	44,913
Interest expense	(59,556)	(118,848)	-	(178,404)
Total non-operating revenues (expenses)	<u>16,129</u>	<u>(64,745)</u>	<u>57</u>	<u>(48,559)</u>
Net income (loss) before contributions and transfers	326,303	76,614	(196,906)	206,011
Transfers in	-	-	120,000	120,000
Transfers out	-	-	-	-
Change in net assets	<u>326,303</u>	<u>76,614</u>	<u>(76,906)</u>	<u>326,011</u>
Net Assets, July 1	<u>10,390,427</u>	<u>8,619,445</u>	<u>1,231,299</u>	<u>20,241,171</u>
Net Assets, June 30	<u>\$ 10,716,730</u>	<u>\$ 8,696,059</u>	<u>\$ 1,154,393</u>	<u>\$ 20,567,182</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, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Airport Fund	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,312,730	\$ 926,025	\$ 343,271	\$ 2,582,026
Other operating receipts	7,158	8,854	-	16,012
Payments to suppliers for goods and services	(220,671)	(161,128)	(452,449)	(834,248)
Payments to employees for services	(348,420)	(286,931)	(81,211)	(716,562)
Net cash provided by (used for) operating activities	<u>750,797</u>	<u>486,820</u>	<u>(190,389)</u>	<u>1,047,228</u>
Cash flows from noncapital financing activities:				
Operating transfers from (to) other funds	-	-	120,000	120,000
Due to other funds	-	-	(34,191)	(34,191)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>85,809</u>	<u>85,809</u>
Cash flows from capital and related financing activities:				
System development charges	42,218	42,714	-	84,932
Acquisition of capital assets	(286,754)	(14,551)	-	(301,305)
Capital grants	-	-	117,003	117,003
Principal paid on long-term obligations	(316,157)	(525,574)	-	(841,731)
Interest paid	(228,614)	(124,774)	-	(353,388)
Net cash provided by (used for) capital and related financing activities	<u>(789,307)</u>	<u>(622,185)</u>	<u>117,003</u>	<u>(1,294,489)</u>
Cash flows from investing activities:				
Interest received	33,467	11,390	57	44,914
Net cash provided by (used for) investing activities	<u>33,467</u>	<u>11,390</u>	<u>57</u>	<u>44,914</u>
Net increase (decrease) in cash and cash equivalents	(5,043)	(123,975)	12,480	(116,538)
Cash and cash equivalents - July 1	<u>6,229,509</u>	<u>2,151,951</u>	<u>1,401</u>	<u>8,382,861</u>
Cash and cash equivalents - June 30	<u>\$ 6,224,466</u>	<u>\$ 2,027,976</u>	<u>\$ 13,881</u>	<u>\$ 8,266,323</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 310,174	\$ 141,359	\$ (196,963)	\$ 254,570
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>				
Depreciation expense	406,087	344,207	71,822	822,116
(Increase) decrease in accounts receivable	419	(1,332)	(23)	(936)
(Increase) decrease in inventory	16,944	252	8,594	25,790
Increase (decrease) in accounts payable	18,337	1,749	(71,882)	(51,796)
Increase (decrease) in other accrued liabilities	525	394	(1,000)	(81)
Increase (decrease) in deferred revenues	-	-	(211)	(211)
Increase (decrease) in water deposits payable	(2,805)	-	-	(2,805)
Increase (decrease) in compensated absences payable	1,116	191	(726)	581
Total adjustments	<u>440,623</u>	<u>345,461</u>	<u>6,574</u>	<u>792,658</u>
Net cash provided by (used for) operating activities	<u>\$ 750,797</u>	<u>\$ 486,820</u>	<u>\$ (190,389)</u>	<u>\$ 1,047,228</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, 2012

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.

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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.

C. 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.

D. 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.

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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.

E. 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:

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

F. 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

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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 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.

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G. 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. Earnings on pooled cash and investments are credited to each fund monthly.

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

In the governmental fund financial statements, property taxes are recorded as receivable if collected within 30 days after year-end and 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. In the government-wide statements, property taxes are not deferred but recognized as revenue. 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. Receivables in governmental and enterprise funds are stated net of any allowance for uncollectibles.

Interfund 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".

Inventories and Prepaids

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. Prepaids in the governmental funds are stated at cost and charged to expenditures in the period consumed.

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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 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

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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.

Equity

For the Government-wide financial statements, equity is classified as net assets and displayed in three components:

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

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

Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In February 2009, effective for reporting periods beginning after June 15, 2010, GASB approved Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types. It also provides additional classification based on the relative strengths of the constraints that control how specific monies can be spent. The Statement requires governmental fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable fund balance is reported when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Restricted fund balance is reported when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance is reported when the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

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Assigned fund balance is a resource that is constrained by the government if the intended use is for a specific purpose, but is neither restricted nor committed. The City Council has granted authority to the City Administrator and the Finance Director to assign fund balance amounts.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When unrestricted classifications of fund balance are spent, it is the City's policy to consider that committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

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.

2. 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.

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.

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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, 2012, City Council approved no supplemental budgets.

B. Excess of Expenditures over Appropriations

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

3. 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 to each fund. Cash and investments are comprised of the following at June 30, 2012:

Petty cash	\$	380
Deposits with financial institutions		231,302
Investments		<u>11,581,093</u>
Total cash and investments	\$	<u>11,812,775</u>

Deposits with Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits. Deposits in excess of federal depository insurance are 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, 2012, the City's deposits with various financial institutions had a bank value of \$325,903. 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, 2012 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, 2012 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, 2012, the City had the following investments:

Investment Type	Maturities	Percentage of Portfolio	Fair Value
Local Government Investment Pool	One day	100%	\$ 11,581,093

B. Receivables

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

C. Capital Assets

Capital asset activities for the year ended June 30, 2012 are as follows:

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	Balances at 7/1/2011	Increases	Decreases	Balances at 6/30/2012
Governmental Activities:				
Land	\$ 403,275	\$ -	\$ -	\$ 403,275
Construction in progress	25,069	81,752	-	106,821
Total nondepreciable assets	<u>428,344</u>	<u>81,752</u>	<u>-</u>	<u>510,096</u>
Buildings	1,962,033	-	-	1,962,033
Equipment	487,604	-	-	487,604
Infrastructure	9,970,730	-	-	9,970,730
Total depreciable assets	<u>12,420,367</u>	<u>-</u>	<u>-</u>	<u>12,420,367</u>
Less accumulated depreciation for:				
Buildings	(261,506)	(39,722)	-	(301,228)
Equipment	(225,217)	(41,302)	-	(266,519)
Infrastructure	(776,336)	(188,108)	-	(964,444)
Total accumulated depreciation	<u>(1,263,059)</u>	<u>(269,132)</u>	<u>-</u>	<u>(1,532,191)</u>
Net depreciable assets	<u>11,157,308</u>	<u>(269,132)</u>	<u>-</u>	<u>10,888,176</u>
Total assets	<u>\$ 11,585,652</u>	<u>\$ (187,380)</u>	<u>\$ -</u>	<u>\$ 11,398,272</u>

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

	Balances at 7/1/2011	Increases	Decreases	Balances at 6/30/2012
Business-type Activities:				
Land	\$ 1,297,750	\$ -	\$ -	\$ 1,297,750
Construction in progress	-	-	-	-
Capitalized interest	280,913	-	-	280,913
Total nondepreciable assets	<u>1,578,663</u>	<u>-</u>	<u>-</u>	<u>1,578,663</u>
Buildings	5,400,326	-	-	5,400,326
Equipment	1,172,721	22,901	-	1,195,622
Infrastructure	21,889,969	16,354	-	21,906,323
Total depreciable assets	<u>28,463,016</u>	<u>39,255</u>	<u>-</u>	<u>28,502,271</u>
Less accumulated depreciation for:				
Buildings	(1,256,672)	(129,581)	-	(1,386,253)
Equipment	(273,171)	(61,340)	-	(334,511)
Infrastructure	(4,292,216)	(626,572)	-	(4,918,788)
Total accumulated depreciation	<u>(5,822,059)</u>	<u>(817,493)</u>	<u>-</u>	<u>(6,639,552)</u>
Net depreciable assets	<u>22,640,957</u>	<u>(778,238)</u>	<u>-</u>	<u>21,862,719</u>
Total assets	<u>\$ 24,219,620</u>	<u>\$ (778,238)</u>	<u>\$ -</u>	<u>\$ 23,441,382</u>

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

	Water	Sewer	Airport	Total
Depreciation expense	\$ 404,533	\$ 341,138	\$ 71,822	\$ 817,493

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D. Interfund Transfers

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

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>	<u>Total From (To) Other Funds</u>
Governmental Activities:			
General Fund	\$ 81,752	\$ (270,000)	\$ (188,248)
State Tax Street Fund	-	(2,736)	(2,736)
Capital Improvement Fund	150,000	(81,752)	68,248
Other Governmental Funds	2,736	-	2,736
	<hr/>	<hr/>	<hr/>
Total governmental funds transfers	234,488	(354,488)	(120,000)
Business-type Activities:			
Airport Fund	120,000	-	120,000
	<hr/>	<hr/>	<hr/>
Total proprietary fund transfer	120,000	-	120,000
	<hr/>	<hr/>	<hr/>
Total transfers	\$ 354,488	\$ (354,488)	\$ -

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.

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Activities:			
<i>General Fund:</i>			
Franchise fees receivable	\$ 20,153	\$ -	\$ 20,153
Property taxes receivable	55,307	-	55,307
	<hr/>	<hr/>	<hr/>
Total General Fund	75,460	-	75,460
<i>Other Governmental Funds:</i>			
Assessments receivable	16,790	-	16,790
	<hr/>	<hr/>	<hr/>
Total governmental activities	92,250	-	92,250
Business-type Activities:			
<i>Airport Fund:</i>			
Hanger rents paid in advance	-	887	887
	<hr/>	<hr/>	<hr/>
Total business-type activities	\$ -	\$ 887	\$ 887

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

F. 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.

	Interest Rate	Balances 07/01/11	Increases	Decreases	Balances 06/30/12	Due in Current Year
Governmental Activities:						
Bancroft note	4.65%	\$ 29,135	\$ -	\$ (12,556)	\$ 16,579	-
Compensated absences		24,096	-	(3,387)	20,709	-
Other postemployment benefits		29,889	15,738	-	45,627	-
Total governmental activities		<u>\$ 83,120</u>	<u>\$ 15,738</u>	<u>\$ (15,943)</u>	<u>\$ 82,915</u>	<u>\$ -</u>
Business-type Activities:						
Revenue Bond Payable						
<i>Sewer Fund:</i>						
USDA RUS Loan 92-01	4.25%	\$ 1,375,834	\$ -	\$ (196,391)	\$ 1,179,443	\$ 54,714
Notes Payable						
<i>Water Fund:</i>						
Business Oregon Loan G06001	2.91%	5,256,610	-	-	5,256,610	-
Business Oregon Loan S06004	1.00%	3,883,576	-	(316,157)	3,567,419	117,318
<i>Sewer Fund:</i>						
Clean Water SRF Loan R25140	3.14%	1,924,629	-	(329,183)	1,595,446	188,225
Total notes payable		11,064,815	-	(645,340)	10,419,475	305,543
Compensated absences		49,648	581	-	50,229	-
Total business-type activities		<u>\$ 12,490,297</u>	<u>\$ 581</u>	<u>\$ (841,731)</u>	<u>\$ 11,649,147</u>	<u>\$ 360,257</u>
					Due in current year	360,257
					Due in more than one year	<u>11,288,890</u>
					Total noncurrent liabilities	<u>\$ 11,649,147</u>

Bancroft Note Payable

On October 15, 2010, the City secured financing through Siuslaw Bank for unpaid portion of capital improvement assessments associated with Local Improvement District #15. The terms of the note are semi-annual interest payments at 4.65% and principal payments upon collection from the affected property owners, until the note is retired.

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.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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For the year ending June 30, 2012, the USDA requires the City to maintain a minimum cash reserve of \$62,904, 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 bears a 2.91% interest rate and was scheduled to mature on August 15, 2009 or at the project completion date. 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, 2012, the City had received a total of \$5,256,610 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 (OECDD). The proceeds of this borrowing were used for costs incurred for the improvement of the City's water system.

Annual debt service requirements to maturity for this note will be made over a period of 30 years and will consist of principal payments of \$154,992 and will bear interest at 1% per annum. The City began making annual payments on this note December 1, 2010. As of June 30, 2012, the outstanding balance on this loan was \$3,567,419.

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. As of June 30, 2012, the outstanding balance on this loan was \$1,595,466.

For the year ending June 30, 2012, the Oregon Department of Environmental Quality requires the City to maintain a minimum cash reserve of \$115,651, which is held in the Sewer Reserve Fund, a component of the Sewer Fund.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Future Requirements on Long-term Debt

The following is a schedule of future requirements on long-term debt as of June 30, 2012:

Year Ended	Revenue Bonds Payable			Notes Payable					
	USDA RUS Loan			Clean Water SRF Loan 25140			Business Oregon S06004		
	June 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2013	\$ 54,714	\$ 50,126	\$ 104,840	\$ 188,225	\$ 48,631	\$ 236,856	\$ 117,318	\$ 37,674	\$ 154,992
2014	57,039	47,801	104,840	194,182	42,674	236,856	118,491	36,501	154,992
2015	59,463	45,377	104,840	200,327	36,529	236,856	119,676	35,316	154,992
2016	61,990	42,850	104,840	206,666	30,190	236,856	120,873	34,119	154,992
2017	64,625	40,215	104,840	213,207	23,649	236,856	122,082	32,911	154,993
2018-2022	366,734	157,466	524,200	592,839	29,603	622,442	628,968	145,995	774,963
2023-2027	451,576	72,624	524,200	-	-	-	661,050	113,910	774,960
2028-2032	63,302	2,690	65,992	-	-	-	694,772	80,192	774,964
2033-2037	-	-	-	-	-	-	730,212	44,750	774,962
2038-2040	-	-	-	-	-	-	253,977	7,575	261,552
Totals	<u>\$ 1,179,443</u>	<u>\$ 459,149</u>	<u>\$ 1,638,592</u>	<u>\$ 1,595,446</u>	<u>\$ 211,276</u>	<u>\$ 1,806,722</u>	<u>\$ 3,567,419</u>	<u>\$ 568,943</u>	<u>\$ 4,136,362</u>

The interim Business Oregon Loan G06001 was not finalized, nor were payments amortized, as of June 30, 2012.

G. Restricted Net Assets

The following represents net assets that are restricted for debt service and systems development in the Statement of Net Asset:

	Governmental Activities	Business-type Activities	Totals
Debt Service:			
Local Improvement District	\$ 14,836	\$ -	\$ 14,836
Sewer Fund - USDA debt covenant	-	62,904	62,904
Sewer Fund - Oregon DEQ debt covenant	-	115,651	115,651
Total debt service	<u>\$ 14,836</u>	<u>\$ 178,555</u>	<u>\$ 193,391</u>
Systems Development:			
Parks	\$ 359,628	\$ -	\$ 359,628
Transportation	234,037	-	234,037
Water	-	1,526,067	1,526,067
Sewer	-	646,558	646,558
Total systems development	<u>\$ 593,665</u>	<u>\$ 2,172,625</u>	<u>\$ 2,766,290</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

H. Fund Balance Classifications:

The following represents fund balances by classification:

<u>Fund Balances</u>	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>Capital Improvement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>						
Deposits	\$ 380	\$ 60,018	\$ -	\$ -	\$ -	\$ 60,398
<i>Restricted:</i>						
Building inspection	-	-	-	111,022	-	111,022
Capital projects	-	-	-	-	593,665	593,665
Debt service	-	-	-	-	14,626	14,626
Garden Lake Park	16,960	-	-	-	-	16,960
Skate Plaza	3,552	-	-	-	-	3,552
Transportation	-	432,021	-	-	51,507	483,528
Total restricted	<u>20,512</u>	<u>432,021</u>	<u>-</u>	<u>111,022</u>	<u>659,798</u>	<u>1,223,353</u>
<i>Assigned:</i>						
Capital projects	-	-	652,585	-	-	652,585
Fiber optics	331,624	-	-	-	-	331,624
Total assigned	<u>331,624</u>	<u>-</u>	<u>652,585</u>	<u>-</u>	<u>-</u>	<u>984,209</u>
<i>Unassigned:</i>						
	<u>1,245,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,245,988</u>
Total fund balances	<u>\$ 1,598,504</u>	<u>\$ 492,039</u>	<u>\$ 652,585</u>	<u>\$ 111,022</u>	<u>\$ 659,798</u>	<u>\$ 3,513,948</u>

4. 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.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 (OPERS). The Oregon Public Employees State and Local Government Rate Pool (SLGRP) 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 and the defined benefit portion of the plan. OPSRP applies to qualifying City employees hired after August 29, 2003. 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 OPERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. OPERS members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account.

Both OPERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) 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. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7277, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Funding Policy

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the SLGRP plan and a general service rate for the qualifying employees under the OPSRP plan. The SLGRP and OPSRP rates in effect for the year ended June 30, 2012 were 12.77% and 10.25%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The City has elected to pay the required employee contribution of 6% of covered payroll. The City's payroll for employees covered by OPERS was \$615,880 and the City's total payroll was \$645,498 for the year ended June 30, 2012.

The required contribution was determined as part of the actuarial valuation at December 31, 2008, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75% per year, (ii) healthcare cost inflation assumed at 7.0% in 2010, then decreasing to 4.5% in 2029; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8% compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.5%, compounded annually; (v) projected annual rate of wage inflation of 3.75%, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

The City participates in the Retiree Health Insurance Account (RHIA), starting December 31, 2007. It is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB45). Consequently, each employer reports the contractually required contributions. The contractually required contributions is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period from July 1, 2011 to June 30, 2013,

Annual Pension Cost

For the fiscal years ending June 30, 2012, 2011 and 2010, the City's annual pension cost of \$109,924, \$76,432, and \$81,305, respectively, was equal to the City's required and actual contributions. For 2012, the City's annual pension cost for OPERS was equal to the City's required and actual contributions.

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)

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.

Employees hired on or after August 9, 1999 may only elect to receive retirement benefits under Option B.

The City's defined benefit postemployment healthcare plan is administered by City County Insurance Services (CIS), an agent multiple-employer healthcare provider for retirees who are non-Medicare eligible. 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. PERS offers a Medicare supplemental policy for Medicare eligible retirees, which is paid directly to PERS by the City.

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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'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, 2012, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Normal cost at year-end	\$ 10,933
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	23,957
Annual required contribution (ARC)	34,890
Interest on prior-year net OPEB obligation	1,196
Adjustment to ARC	(1,602)
	34,484
Annual OPEB cost	34,484
Contribution	(18,747)
Increase in net OPEB obligation - 06/30/12	15,737
Net OPEB obligation - 06/30/11	29,889
Net OPEB obligation - 06/30/12	\$ 45,626

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, 2012 is as follows:

Fiscal Year End	Annual OPEB		Percentage of Annual OPEB	
	Cost	Contribution	Cost Contribution	Net OPEB Obligation
6/30/2010	\$ 12,373	\$ 10,383	84%	\$ 1,990
6/30/2011	\$ 33,487	\$ 5,588	17%	\$ 29,889
6/30/2012	\$ 34,484	\$ 18,747	54%	\$ 45,626

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

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized over an initial period of 15 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%
08/01/08	NA	NA	NA	NA	NA	NA
08/01/10	\$ -	\$ 327,776	\$ 327,776	0%	\$ 562,657	58%

E. 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.

F. 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

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

G. 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 consists of amounts that have been contributed by those funds but not yet distributed back to the fund that provided the resource. For the year ended 06/30/12, there were no transfers or distributions between the Capital Projects Fund and Water Fund and the Sewer Fund.

For the 2012/2013 fiscal year, the City established 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. The respective balances from the Capital Improvement Fund were transferred to the newly established funds.

H. 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, 2012 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	\$ 17,988
Capital Improvement Fund	251,798
Total	\$ 269,786

CITY OF CRESWELL
LANE COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

I. Commitments

At June 30, 2012, the City had the following commitments outstanding:

1. A construction contract for the second floor of City Hall.

Contract amount	\$ 258,400
Liquidated through June 30, 2012	<u>(6,602.50)</u>
Balance on contract at June 30, 2012	<u>251,798</u>

2. A contract with Lane Council of Governments to develop a Comprehensive Plan.

Contract amount	107,600
Liquidated through June 30, 2012	<u>(89,612)</u>
Balance on contract at June 30, 2012	<u>17,988</u>

Total commitments	<u><u>\$ 269,786</u></u>
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J. Contingency

In December 2011, a Part 16 Action was filed against the City with the Federal Aviation Administration. 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.

K. Subsequent Event

In September 2012, a civil lawsuit was filed with the Lane County Circuit Court which alleges a breach of contract related to a lease of a hanger at the City's airport. An estimate of the likelihood of an unfavorable outcome and the range of potential loss is indeterminable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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.

SPECIAL REVENUE FUNDS

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

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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 738,760	\$ 738,760	\$ 766,139	\$ 27,379
Franchise taxes	264,496	264,496	268,191	3,695
Grants	12,984	18,851	18,576	(275)
Intergovernmental	101,930	101,930	96,373	(5,557)
Other taxes	69,790	69,790	75,451	5,661
Fines and forfeitures	53,020	53,020	41,757	(11,263)
Licenses and permits	23,380	23,380	14,997	(8,383)
Charges for services	7,304	7,304	6,789	(515)
Donations	4,000	4,000	-	(4,000)
Investment earnings	6,125	6,125	9,756	3,631
Other revenue	1,650	1,650	11,457	9,807
Total revenues	<u>1,283,439</u>	<u>1,289,306</u>	<u>1,309,486</u>	<u>20,180</u>
Expenditures				
Personal services	283,299	283,299	215,163	68,136
Material and services	1,002,664	1,008,531	831,526	177,005
Capital outlay	72,750	72,750	-	72,750
Contingency	195,000	75,000	-	75,000
Total expenditures	<u>1,553,713</u>	<u>1,439,580</u>	<u>1,046,689</u>	<u>392,891</u>
Excess revenues over (under) expenditures	<u>(270,274)</u>	<u>(150,274)</u>	<u>262,797</u>	<u>413,071</u>
Other Financing Sources (Uses)				
Transfers out	(200,000)	(320,000)	(270,000)	50,000
Total other financing sources (uses)	<u>(200,000)</u>	<u>(320,000)</u>	<u>(270,000)</u>	<u>50,000</u>
Change in fund balance	(470,274)	(470,274)	(7,203)	463,071
Fund Balance, July 1	<u>1,073,088</u>	<u>1,073,088</u>	<u>1,256,095</u>	<u>183,007</u>
Fund Balance, June 30	<u>\$ 602,814</u>	<u>\$ 602,814</u>	1,248,892	<u>\$ 646,078</u>
Reconciliation to GAAP Basis Fund Balance:				
Encumbrances			17,988	
Combined with the State Revenue Sharing Fund (page 56)			331,624	
GAAP Basis Fund Balance, June 30			<u>\$ 1,598,504</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, 2012

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental	\$ 254,568	\$ 254,568	\$ 273,579	\$ 19,011
Investment earnings	725	725	2,465	1,740
Other revenue	750	750	1,209	459
Total revenues	<u>256,043</u>	<u>256,043</u>	<u>277,253</u>	<u>21,210</u>
Expenditures				
Personal services	100,318	100,318	73,860	26,458
Material and services	214,725	214,725	63,128	151,597
Capital outlay	82,770	82,770	-	82,770
Contingency	25,000	25,000	-	25,000
Total expenditures	<u>422,813</u>	<u>422,813</u>	<u>136,988</u>	<u>285,825</u>
Excess revenues over (under) expenditures	<u>(166,770)</u>	<u>(166,770)</u>	<u>140,265</u>	<u>307,035</u>
Other Financing Sources (Uses)				
Transfers out	(5,091)	(5,091)	(2,736)	2,355
Total other financing sources (uses)	<u>(5,091)</u>	<u>(5,091)</u>	<u>(2,736)</u>	<u>2,355</u>
Change in fund balance	(171,861)	(171,861)	137,529	309,390
Fund Balance, July 1	<u>323,890</u>	<u>323,890</u>	<u>354,510</u>	<u>30,620</u>
Fund Balance, June 30	<u>\$ 152,029</u>	<u>\$ 152,029</u>	<u>\$ 492,039</u>	<u>\$ 340,010</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, 2012

	<u>Budget Basis</u>			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Investment earnings	\$ 785	\$ 785	\$ 2,826	\$ 2,041
Total revenues	<u>785</u>	<u>785</u>	<u>2,826</u>	<u>2,041</u>
Expenditures				
Capital outlay	789,621	789,621	268,618	521,003
Total expenditures	<u>789,621</u>	<u>789,621</u>	<u>268,618</u>	<u>521,003</u>
Excess revenues over (under) expenditures	(788,836)	(788,836)	(265,792)	523,044
Other Financing Sources (Uses)				
Transfers in	300,000	300,000	150,000	(150,000)
Change in fund balance	(488,836)	(488,836)	(115,792)	373,044
Fund Balance, July 1	<u>488,836</u>	<u>488,836</u>	<u>516,579</u>	<u>27,743</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	400,787	<u>\$ 400,787</u>
Reconciliation to GAAP Basis Fund Balance:				
Encumbrances			251,798	
GAAP Basis Fund Balance, June 30			<u>\$ 652,585</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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Licenses and permits	\$ 44,640	\$ 44,640	\$ 37,795	\$ (6,845)
Investment earnings	345	345	598	253
Other revenue	150	150	211	61
Total revenues	<u>45,135</u>	<u>45,135</u>	<u>38,604</u>	<u>(6,531)</u>
Expenditures				
Personal services	15,234	15,234	13,298	1,936
Material and services	47,275	47,275	33,244	14,031
Capital outlay	2,500	2,500	-	2,500
Contingency	30,000	30,000	-	30,000
Total expenditures	<u>95,009</u>	<u>95,009</u>	<u>46,542</u>	<u>48,467</u>
Excess revenues over (under) expenditures	(49,874)	(49,874)	(7,938)	41,936
Fund Balance, July 1	<u>122,031</u>	<u>122,031</u>	<u>118,960</u>	<u>(3,071)</u>
Fund Balance, June 30	<u>\$ 72,157</u>	<u>\$ 72,157</u>	<u>\$ 111,022</u>	<u>\$ 38,865</u>

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Bicycle/Foot Path Fund:

This 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 FUND

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, 2012

	<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	\$ 651,784	\$ 14,626	\$ 666,410
Receivables:			
Assessments	-	16,790	16,790
Total assets	<u>\$ 651,784</u>	<u>\$ 31,416</u>	<u>\$ 683,200</u>
Liabilities			
Accounts payable	6,612	-	6,612
Deferred revenue	\$ -	\$ 16,790	\$ 16,790
Total liabilities	<u>6,612</u>	<u>16,790</u>	<u>23,402</u>
Fund Balances			
Restricted	645,172	14,626	659,798
Total fund balances	<u>645,172</u>	<u>14,626</u>	<u>659,798</u>
Total liabilities and fund balances	<u>\$ 651,784</u>	<u>\$ 31,416</u>	<u>\$ 683,200</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, 2012

	Special Revenue Funds	Debt Service Fund: Local Improvement District Fund	Total Non-major Governmental Funds
Revenues			
Special assessments	\$ -	\$ 15,117	\$ 15,117
System development charges	15,700	-	15,700
Investment earnings	3,330	71	3,401
Total revenues	<u>19,030</u>	<u>15,188</u>	<u>34,218</u>
Expenditures			
Current operating:			
Debt service:			
Principal	-	12,556	12,556
Interest	-	1,327	1,327
Capital outlay	8,237	-	8,237
Total expenditures	<u>8,237</u>	<u>13,883</u>	<u>22,120</u>
Excess revenues over (under) expenditures	<u>10,793</u>	<u>1,305</u>	<u>12,098</u>
Other Financing Sources (Uses)			
Transfers in	2,736	-	2,736
Total other financing sources (uses)	<u>2,736</u>	<u>-</u>	<u>2,736</u>
Change in fund balance	13,529	1,305	14,834
Fund Balances, July 1	<u>631,643</u>	<u>13,321</u>	<u>644,964</u>
Fund Balances, June 30	<u>\$ 645,172</u>	<u>\$ 14,626</u>	<u>\$ 659,798</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
June 30, 2012

	Bicycle and Foot Path Fund	Parks Development Fund	Transportation Enhancement Fund	Total Non-major Special Revenue Funds
Assets				
Cash and investments	\$ 58,119	\$ 359,627	\$ 234,038	\$ 651,784
Total assets	<u>\$ 58,119</u>	<u>\$ 359,627</u>	<u>\$ 234,038</u>	<u>\$ 651,784</u>
Accounts payable	\$ 6,612	\$ -	\$ -	\$ 6,612
Total liabilities	<u>6,612</u>	<u>-</u>	<u>-</u>	<u>6,612</u>
Fund Balance				
Restricted	51,507	359,627	234,038	645,172
Total fund balances	<u>\$ 51,507</u>	<u>\$ 359,627</u>	<u>\$ 234,038</u>	<u>\$ 645,172</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, 2012

	Bicycle and Foot Path Fund	Parks Development Fund	Transportation Enhancement Fund	Total Non-major Special Revenue Funds
Revenues				
System development charges	\$ -	\$ 11,312	\$ 4,388	\$ 15,700
Investment earnings	294	1,833	1,203	3,330
Total revenues	294	13,145	5,591	19,030
Capital outlay	8,237	-	-	8,237
Total expenditures	8,237	-	-	8,237
Other Financing Sources (Uses)				
Transfers in	2,736	-	-	2,736
Change in fund balance	(5,207)	13,145	5,591	13,529
Fund Balances, July 1	56,714	346,482	228,447	631,643
Fund Balances, June 30	<u>\$ 51,507</u>	<u>\$ 359,627</u>	<u>\$ 234,038</u>	<u>\$ 645,172</u>

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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Investment earnings	\$ 75	\$ 75	\$ 294	\$ 219
Total revenues	<u>75</u>	<u>75</u>	<u>294</u>	<u>219</u>
Expenditures				
Capital outlay	61,870	61,870	8,237	53,633
Total expenditures	<u>61,870</u>	<u>61,870</u>	<u>8,237</u>	<u>53,633</u>
Excess revenues over (under) expenditures	(61,795)	(61,795)	(7,943)	53,852
Other Financing Sources (Uses)				
Transfers in	5,091	5,091	2,736	(2,355)
Change in fund balance	<u>(56,704)</u>	<u>(56,704)</u>	<u>(5,207)</u>	<u>51,497</u>
Fund Balance, July 1	56,704	56,704	56,714	10
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,507</u>	<u>\$ 51,507</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, 2012

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
System development charges	\$ 16,160	\$ 16,160	\$ 11,312	\$ (4,848)
Investment earnings	785	785	1,833	1,048
Total revenues	<u>16,945</u>	<u>16,945</u>	<u>13,145</u>	<u>(3,800)</u>
Expenditures				
Material and services	1,500	1,500	-	1,500
Capital outlay	358,565	358,565	-	358,565
Total expenditures	<u>360,065</u>	<u>360,065</u>	<u>-</u>	<u>360,065</u>
Excess revenues over (under) expenditures	(343,120)	(343,120)	13,145	356,265
Fund Balance, July 1	<u>343,120</u>	<u>343,120</u>	<u>346,482</u>	<u>3,362</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,627</u>	<u>\$ 359,627</u>

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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
System development charges	\$ 6,269	\$ 6,269	\$ 4,388	\$ (1,881)
Investment earnings	572	572	1,203	631
	<u>6,841</u>	<u>6,841</u>	<u>5,591</u>	<u>(1,250)</u>
Total revenues				
	<u>6,841</u>	<u>6,841</u>	<u>5,591</u>	<u>(1,250)</u>
Expenditures				
Material and services	1,500	1,500	-	1,500
Capital outlay	232,517	232,517	-	232,517
	<u>234,017</u>	<u>234,017</u>	<u>-</u>	<u>234,017</u>
Total expenditures				
	<u>234,017</u>	<u>234,017</u>	<u>-</u>	<u>234,017</u>
 Excess revenues over (under) expenditures	 (227,176)	 (227,176)	 5,591	 232,767
 Fund Balance, July 1	 227,176	 227,176	 228,447	 1,271
 Fund Balance, June 30	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 234,038</u>	 <u>\$ 234,038</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, 2012

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Special assessments	\$ 8,175	\$ 8,175	\$ 15,117	\$ 6,942
Investment earnings	175	175	71	(104)
Total revenues	<u>8,350</u>	<u>8,350</u>	<u>15,188</u>	<u>6,838</u>
Expenditures				
Material and services	1,975	1,975	-	1,975
Debt service:				
Principal	13,530	13,530	12,556	974
Interest and other charges	5,954	5,954	1,327	4,627
Total expenditures	<u>21,459</u>	<u>21,459</u>	<u>13,883</u>	<u>7,576</u>
Excess revenues over (under) expenditures	(13,109)	(13,109)	1,305	14,414
Fund Balance, July 1	<u>13,109</u>	<u>13,109</u>	<u>13,321</u>	<u>212</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,626</u>	<u>\$ 14,626</u>

OTHER SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL FUND

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

State Revenue Sharing

This fund is a budgetary fund only which accounts for revenue sharing funds from the State of Oregon. City officials have assigned this fund to be used for a future fiber optic system within the City and is combined with the General Fund in the Fund Financial Statements.

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, 2012

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental	\$ 41,236	\$ 41,236	\$ 40,287	\$ (949)
Investment earnings	662	662	1,577	915
Total revenues	41,898	41,898	41,864	(34)
Expenditures				
Material and services	26,500	26,500	115	26,385
Capital outlay	302,480	302,480	-	302,480
Total expenditures	328,980	328,980	115	328,865
Excess revenues over (under) expenditures	(287,082)	(287,082)	41,749	328,831
Fund Balance, July 1	287,082	287,082	289,875	2,793
Fund Balance, June 30	\$ -	\$ -	\$ 331,624	\$ 331,624
Reconciliation to GAAP Basis Fund Balance:				
Combined with the General Fund (page 44)			(331,624)	
GAAP Basis Fund Balance, June 30			\$ -	

PROPRIETARY 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.

Water Funds:

Water Operating Fund

Water Reserve Fund

Sewer Funds:

Sewer Operating Fund

Sewer Reserve Fund

Airport Fund:

Airport Operating Fund

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING BALANCE SHEET
WATER FUNDS
June 30, 2012

	Water Fund	Water Reserve Fund	Total Water Funds
Assets			
<i>Current assets:</i>			
Cash and investments	\$ 3,329,098	\$ 2,895,368	\$ 6,224,466
<i>Receivables:</i>			
Accounts	143,491	-	143,491
Inventory	69,974	-	69,974
Total current assets	3,542,563	2,895,368	6,437,931
<i>Noncurrent assets:</i>			
Land and construction in progress	793,089	-	793,089
Other capital assets, net	12,403,152	-	12,403,152
Total noncurrent	13,196,241	-	13,196,241
Total assets	\$ 16,738,804	\$ 2,895,368	\$ 19,634,172
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 18,755	\$ -	\$ 18,755
Other accrued liabilities	525	-	525
Deposits	29,270	-	29,270
Interest payable	20,720	-	20,720
Notes payable	117,318	-	117,318
Total current liabilities	186,588	-	186,588
<i>Noncurrent liabilities:</i>			
Compensated absences	24,143	-	24,143
Notes payable	8,706,711	-	8,706,711
Total noncurrent liabilities	8,730,854	-	8,730,854
Total liabilities	8,917,442	-	8,917,442
Net Assets			
Invested in capital assets, net of related debt	4,372,212	-	4,372,212
<i>Restricted for:</i>			
Systems development	-	1,526,067	1,526,067
Unrestricted	3,449,150	1,369,301	4,818,451
Total net assets	7,821,362	2,895,368	10,716,730
Total liabilities and net assets	\$ 16,738,804	\$ 2,895,368	\$ 19,634,172

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, 2012

	<u>Water Fund</u>	<u>Water Reserve Fund</u>	<u>Total Water Funds</u>
Operating Revenues			
Charges for services	\$ 1,315,116	\$ -	\$ 1,315,116
Other revenue	7,158	-	7,158
Total operating revenue	<u>1,322,274</u>	<u>-</u>	<u>1,322,274</u>
Operating Expenses			
Personal services	350,061	-	350,061
Contractual services	16,668	-	16,668
Repairs and maintenance	6,155	-	6,155
Materials and supplies	156,026	-	156,026
Utilities	71,490	-	71,490
Other operating expenses	5,613	-	5,613
Depreciation and amortization	406,087	-	406,087
Total operating expenses	<u>1,012,100</u>	<u>-</u>	<u>1,012,100</u>
Operating income (loss)	<u>310,174</u>	<u>-</u>	<u>310,174</u>
Non-operating Revenues (Expenses)			
System development charges	-	42,218	42,218
Investment earnings	18,546	14,921	33,467
Interest expense	(59,556)	-	(59,556)
Total non-operating revenues (expenses)	<u>(41,010)</u>	<u>57,139</u>	<u>16,129</u>
Net income (loss) before contributions and transfers	<u>269,164</u>	<u>57,139</u>	<u>326,303</u>
Change in net assets	269,164	57,139	326,303
Net Assets, July 1	7,552,198	2,838,229	10,390,427
Net Assets, June 30	<u>\$ 7,821,362</u>	<u>\$ 2,895,368</u>	<u>\$ 10,716,730</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING STATEMENT OF CASH FLOWS
WATER FUNDS
For the Fiscal Year Ended June 30, 2012

	Water Fund	Water Reserve Fund	Total Water Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,312,730	\$ -	\$ 1,312,730
Other operating receipts	7,158	-	7,158
Payments to suppliers for goods and services	(220,671)	-	(220,671)
Payments to employees for services	(348,420)	-	(348,420)
Net cash provided by (used for) operating activities	<u>750,797</u>	<u>-</u>	<u>750,797</u>
Cash flows from capital and related financing activities:			
System development charges	-	42,218	42,218
Acquisition of capital assets	(286,754)	-	(286,754)
Principal paid on long-term obligations	(316,157)	-	(316,157)
Interest paid	(228,614)	-	(228,614)
Net cash provided by (used for) capital and related financing activities	<u>(831,525)</u>	<u>42,218</u>	<u>(789,307)</u>
Cash flows from investing activities:			
Interest received	18,546	14,921	33,467
Net cash provided by (used for) investing activities	<u>18,546</u>	<u>14,921</u>	<u>33,467</u>
Net increase (decrease) in cash and cash equivalents	(62,182)	57,139	(5,043)
Cash and cash equivalents - July 1	<u>3,391,280</u>	<u>2,838,229</u>	<u>6,229,509</u>
Cash and cash equivalents - June 30	<u>\$ 3,329,098</u>	<u>\$ 2,895,368</u>	<u>\$ 6,224,466</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 310,174	\$ -	\$ 310,174
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>			
Depreciation expense	406,087	-	406,087
(Increase) decrease in accounts receivable	419	-	419
(Increase) decrease in inventory	16,944	-	16,944
Increase (decrease) in accounts payable	18,337	-	18,337
Increase (decrease) in other accrued liabilities	525	-	525
Increase (decrease) in water deposits payable	(2,805)	-	(2,805)
Increase (decrease) in compensated absences payable	1,116	-	1,116
Total adjustments	<u>440,623</u>	<u>-</u>	<u>440,623</u>
Net cash provided by (used for) operating activities	<u>\$ 750,797</u>	<u>\$ -</u>	<u>\$ 750,797</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING BALANCE SHEET
SEWER FUNDS
June 30, 2012

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total Sewer Funds</u>
Assets			
<i>Current assets:</i>			
Cash and investments	\$ 614,393	\$ 1,413,583	\$ 2,027,976
Receivables:			
Accounts	102,865	-	102,865
Inventory	899	-	899
Total current assets	<u>718,157</u>	<u>1,413,583</u>	<u>2,131,740</u>
<i>Noncurrent assets:</i>			
Land and construction in progress	881,095	-	881,095
Other capital assets, net	8,485,948	-	8,485,948
Total noncurrent	<u>9,367,043</u>	<u>-</u>	<u>9,367,043</u>
Total assets	<u>\$ 10,085,200</u>	<u>\$ 1,413,583</u>	<u>\$ 11,498,783</u>
Liabilities and Net Assets			
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	\$ 1,860	\$ -	\$ 1,860
Other accrued liabilities	394	-	394
Interest payable	3,983	-	3,983
Notes payable	188,225	-	188,225
Bonds payable	54,714	-	54,714
Total current liabilities	<u>249,176</u>	<u>-</u>	<u>249,176</u>
<i>Noncurrent liabilities:</i>			
Compensated absences	21,598	-	21,598
Notes payable	1,407,221	-	1,407,221
Bonds payable	1,124,729	-	1,124,729
Total noncurrent liabilities	<u>2,553,548</u>	<u>-</u>	<u>2,553,548</u>
Total liabilities	<u>2,802,724</u>	<u>-</u>	<u>2,802,724</u>
Net assets:			
Invested in capital assets, net of related debt	6,592,154	-	6,592,154
Restricted for:			
Debt service	-	178,555	178,555
Systems development	-	646,558	646,558
Unrestricted	690,322	588,470	1,278,792
Total net assets	<u>7,282,476</u>	<u>1,413,583</u>	<u>8,696,059</u>
Total liabilities and net assets	<u>\$ 10,085,200</u>	<u>\$ 1,413,583</u>	<u>\$ 11,498,783</u>

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, 2012

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total Sewer Funds</u>
Operating Revenues			
Charges for services	\$ 927,357	\$ -	\$ 927,357
Other revenue	8,854	-	8,854
Total operating revenue	<u>936,211</u>	<u>-</u>	<u>936,211</u>
Operating Expenses			
Personal services	287,516	-	287,516
Contractual services	31,760	-	31,760
Repairs and maintenance	4,417	-	4,417
Materials and supplies	90,004	-	90,004
Utilities	36,948	-	36,948
Depreciation and amortization	344,207	-	344,207
Total operating expenses	<u>794,852</u>	<u>-</u>	<u>794,852</u>
Operating income (loss)	<u>141,359</u>	<u>-</u>	<u>141,359</u>
Non-operating Revenues (Expenses)			
System development charges	-	42,714	42,714
Investment earnings	4,168	7,221	11,389
Interest expense	(118,848)	-	(118,848)
Total non-operating revenues (expenses)	<u>(114,680)</u>	<u>49,935</u>	<u>(64,745)</u>
Change in net assets	26,679	49,935	76,614
Net Assets, July 1	<u>7,255,797</u>	<u>1,363,648</u>	<u>8,619,445</u>
Net Assets, June 30	<u>\$ 7,282,476</u>	<u>\$ 1,413,583</u>	<u>\$ 8,696,059</u>

CITY OF CRESWELL
LANE COUNTY, OREGON
COMBINING STATEMENT OF CASH FLOWS
SEWER FUNDS
For the Fiscal Year Ended June 30, 2012

	Sewer Fund	Sewer Reserve Fund	Total Sewer Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 926,025	\$ -	\$ 926,025
Other operating receipts	8,854	-	8,854
Payments to suppliers for goods and services	(161,128)	-	(161,128)
Payments to employees for services	(286,931)	-	(286,931)
Net cash provided by (used for) operating activities	<u>486,820</u>	<u>-</u>	<u>486,820</u>
Cash flows from capital and related financing activities:			
System development charges	-	42,714	42,714
Acquisition of capital assets	(14,551)	-	(14,551)
Principal paid on long-term obligations	(525,574)	-	(525,574)
Interest paid	(124,774)	-	(124,774)
Net cash provided by (used for) capital and related financing activities	<u>(664,899)</u>	<u>42,714</u>	<u>(622,185)</u>
Cash flows from investing activities:			
Interest received	4,169	7,221	11,390
Net cash provided by (used for) investing activities	<u>4,169</u>	<u>7,221</u>	<u>11,390</u>
Net increase (decrease) in cash and cash equivalents	(173,910)	49,935	(123,975)
Cash and cash equivalents - July 1	<u>788,303</u>	<u>1,363,648</u>	<u>2,151,951</u>
Cash and cash equivalents - June 30	<u>\$ 614,393</u>	<u>\$ 1,413,583</u>	<u>\$ 2,027,976</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 141,359	\$ -	\$ 141,359
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>			
Depreciation expense	344,207	-	344,207
(Increase) decrease in accounts receivable	(1,332)	-	(1,332)
(Increase) decrease in inventory	252	-	252
Increase (decrease) in accounts payable	1,749	-	1,749
Increase (decrease) in other accrued liabilities	394	-	394
Increase (decrease) in compensated absences payable	191	-	191
Total adjustments	<u>345,461</u>	<u>-</u>	<u>345,461</u>
Net cash provided by (used for) operating activities	<u>\$ 486,820</u>	<u>\$ -</u>	<u>\$ 486,820</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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Charges for services	\$ 1,402,515	\$ 1,402,515	\$ 1,315,116	\$ (87,399)
Investment earnings	23,645	23,645	18,546	(5,099)
Other revenue	4,500	4,500	7,158	2,658
	<u>1,430,660</u>	<u>1,430,660</u>	<u>1,340,820</u>	<u>(89,840)</u>
Expenditures				
Personal services	408,316	408,316	348,944	59,372
Material and services	343,265	343,265	225,103	118,162
Capital outlay	397,155	397,155	38,610	358,545
<i>Debt service:</i>				
Principal	466,157	466,157	316,157	150,000
Interest and other charges	363,836	363,836	321,606	42,230
Contingency	225,000	225,000	-	225,000
	<u>2,203,729</u>	<u>2,203,729</u>	<u>1,250,420</u>	<u>953,309</u>
Excess revenues over (under) expenditures	(773,069)	(773,069)	90,400	863,469
Other Financing Sources (Uses)				
Transfers out	(100,000)	(100,000)	-	100,000
Change in fund balance	(873,069)	(873,069)	90,400	963,469
Fund Balance, July 1	<u>3,263,526</u>	<u>3,263,526</u>	<u>3,312,919</u>	<u>\$ 49,393</u>
Fund Balance, June 30	<u>\$ 2,390,457</u>	<u>\$ 2,390,457</u>	<u>3,403,319</u>	<u>\$ 1,012,862</u>
Reconciliation to Net Assets:				
Inventory			69,974	
Land and construction in progress			793,089	
Other capital assets, net			12,403,152	
Compensated absences			(24,143)	
Notes payable			(8,824,029)	
Net Assets, June 30			<u>\$ 7,821,362</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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
REVENUES				
System development charges	\$ 52,773	\$ 52,773	\$ 42,218	\$ (10,555)
Investment earnings	5,125	5,125	14,921	9,796
Total revenues	<u>57,898</u>	<u>57,898</u>	<u>57,139</u>	<u>(759)</u>
EXPENDITURES				
Capital outlay	<u>2,362,743</u>	<u>2,362,743</u>	-	<u>2,362,743</u>
Total expenditures	<u>2,362,743</u>	<u>2,362,743</u>	-	<u>2,362,743</u>
Excess revenues over (under) expenditures	(2,304,845)	(2,304,845)	57,139	2,361,984
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	-	<u>(50,000)</u>
Change in fund balance	(2,254,845)	(2,254,845)	57,139	2,311,984
Fund Balance, July 1	<u>2,254,845</u>	<u>2,254,845</u>	<u>2,838,229</u>	<u>583,384</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,895,368</u>	<u>\$ 2,895,368</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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget -
				Positive
				(Negative)
REVENUES				
Charges for services	\$ 961,420	\$ 961,420	\$ 927,357	\$ (34,063)
Investment earnings	13,530	13,530	4,168	(9,362)
Other revenue	4,325	4,325	8,854	4,529
	<u>979,275</u>	<u>979,275</u>	<u>940,379</u>	<u>(38,896)</u>
EXPENDITURES				
Personal services	342,937	342,937	287,325	55,612
Material and services	218,500	218,500	158,942	59,558
Capital outlay	298,495	298,495	18,486	280,009
<i>Debt service:</i>				
Principal	525,577	525,577	525,573	4
Interest and other charges	124,770	124,770	118,848	5,922
Contingency	195,000	195,000	-	195,000
	<u>1,705,279</u>	<u>1,705,279</u>	<u>1,109,174</u>	<u>596,105</u>
Excess revenues over (under) expenditures	(726,004)	(726,004)	(168,795)	557,209
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)	-	100,000
Change in fund balance	(826,004)	(826,004)	(168,795)	657,209
Fund Balance, July 1	<u>1,053,822</u>	<u>1,053,822</u>	<u>879,817</u>	<u>(174,005)</u>
Fund Balance, June 30	<u>\$ 227,818</u>	<u>\$ 227,818</u>	<u>711,022</u>	<u>\$ 483,204</u>
Reconciliation to Net Assets:				
Inventory			899	
Land and construction in progress			881,095	
Other capital assets, net			8,485,948	
Compensated absences			(21,598)	
Notes payable			(1,595,446)	
Bonds payable			(1,179,444)	
Net Assets, June 30			<u>\$ 7,282,476</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, 2012

	Budget Basis			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
REVENUES				
System development charges	\$ 47,460	\$ 47,460	\$ 42,714	\$ (4,746)
Investment earnings	3,750	3,750	7,221	3,471
Total revenues	<u>51,210</u>	<u>51,210</u>	<u>49,935</u>	<u>(1,275)</u>
EXPENDITURES				
Capital outlay	1,455,368	1,455,368	-	1,455,368
Excess revenues over (under) expenditures	<u>(1,404,158)</u>	<u>(1,404,158)</u>	<u>49,935</u>	<u>1,454,093</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	-	(50,000)
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Change in fund balance	(1,354,158)	(1,354,158)	49,935	1,404,093
Fund Balance, July 1	<u>1,354,158</u>	<u>1,354,158</u>	<u>1,363,648</u>	<u>9,490</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,413,583</u>	<u>\$ 1,413,583</u>

Fund Balance consists of:

Required USDA reserve	62,904
Required Oregon DEQ reserve	115,651
Other	1,235,028

Total Fund Balance

\$ 1,413,583

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, 2012

	<u>Budget Basis</u>			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive <u>(Negative)</u>
REVENUES				
Rental income	\$ 55,619	\$ 55,619	\$ 54,492	\$ (1,127)
Fuel sales	369,800	369,800	264,228	(105,572)
Investment earnings	520	520	56	(464)
Other revenue	23,950	23,950	24,787	837
Total revenues	<u>449,889</u>	<u>449,889</u>	<u>343,563</u>	<u>(106,326)</u>
EXPENDITURES				
Personal services	86,891	86,891	81,212	5,679
Material and services	368,100	488,100	379,567	108,533
Capital outlay	2,000	2,000	-	2,000
Contingency	5,000	5,000	-	5,000
Total expenditures	<u>461,991</u>	<u>581,991</u>	<u>460,779</u>	<u>121,212</u>
Excess revenues over (under) expenditures	(12,102)	(132,102)	(117,216)	14,886
OTHER FINANCING SOURCES (USES)				
Transfers in	-	120,000	120,000	-
Change in fund balance	(12,102)	(12,102)	2,784	14,886
Fund Balance, July 1	<u>14,440</u>	<u>14,440</u>	<u>11,713</u>	<u>(2,727)</u>
Fund Balance, June 30	<u>\$ 2,338</u>	<u>\$ 2,338</u>	14,497	<u>\$ 12,159</u>
Reconciliation to Net Assets:				
Inventory			8,859	
Land and construction in progress			166,529	
Other capital assets, net			968,996	
Compensated absences			(4,488)	
Net Assets, June 30			<u>\$ 1,154,393</u>	

OTHER FINANCIAL SCHEDULES

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

Fiscal Year	Uncollected Balance 6/30/2011	2011-12 Levy	Collections	Discounts and Adjustments	Uncollected Balance 6/30/2012	Interest
2011-12	\$ -	798,316	(753,755)	(18,442)	\$ 26,119	\$ 250
2010-11	22,335	-	(6,779)	(853)	14,703	568
2009-10	11,331	-	(1,305)	(345)	9,681	634
2008-09	5,823	-	(3,130)	(207)	2,486	723
2007-08	1,933	-	(1,103)	(84)	746	304
2006-07	612	-	(82)	(89)	441	47
2005-06	407	-	25	(72)	360	15
Prior years	880	-	(9)	(100)	771	14
Totals	\$ 43,321	\$ 798,316	\$ (766,139)	\$ (20,191)	\$ 55,307	\$ 2,555

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT
For the Fiscal Year Ended June 30, 2012

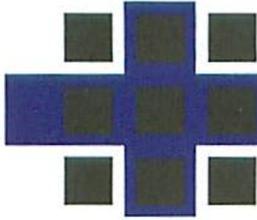
Year Ended June 30	Revenue Bond Payable			Notes Payable					
	USDA RUS Loan 92-01			Clean Water SRF Loan R25140			Business Oregon S06004		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 54,714	\$ 50,126	\$ 104,840	\$ 188,225	\$ 48,631	\$ 236,856	\$ 117,318	\$ 37,674	\$ 154,992
2014	57,039	47,801	104,840	194,182	42,674	236,856	118,491	36,501	154,992
2015	59,463	45,377	104,840	200,327	36,529	236,856	119,676	35,316	154,992
2016	61,990	42,850	104,840	206,666	30,190	236,856	120,873	34,119	154,992
2017	64,625	40,215	104,840	213,207	23,649	236,856	122,082	32,911	154,993
2018	67,371	37,469	104,840	219,954	16,902	236,856	123,303	31,690	154,993
2019	70,235	34,605	104,840	226,915	9,941	236,856	124,536	30,457	154,993
2020	73,220	31,620	104,840	145,970	2,760	148,730	125,781	29,211	154,992
2021	76,332	28,508	104,840	-	-	-	127,039	27,954	154,993
2022	79,576	25,264	104,840	-	-	-	128,309	26,683	154,992
2023	82,958	21,882	104,840	-	-	-	129,592	25,400	154,992
2024	86,483	18,357	104,840	-	-	-	130,888	24,104	154,992
2025	90,159	14,681	104,840	-	-	-	132,197	22,795	154,992
2026	93,991	10,849	104,840	-	-	-	133,519	21,473	154,992
2027	97,985	6,855	104,840	-	-	-	134,854	20,138	154,992
2028	63,302	2,690	65,992	-	-	-	136,203	18,790	154,993
2029	-	-	-	-	-	-	137,565	17,428	154,993
2030	-	-	-	-	-	-	138,941	16,052	154,993
2031	-	-	-	-	-	-	140,330	14,663	154,993
2032	-	-	-	-	-	-	141,733	13,259	154,992
2033	-	-	-	-	-	-	143,151	11,842	154,993
2034	-	-	-	-	-	-	144,582	10,410	154,992
2035	-	-	-	-	-	-	146,028	8,965	154,993
2036	-	-	-	-	-	-	147,488	7,504	154,992
2037	-	-	-	-	-	-	148,963	6,029	154,992
2038	-	-	-	-	-	-	150,453	4,540	154,993
2039	-	-	-	-	-	-	103,524	3,035	106,559
TOTALS	\$ 1,179,443	\$ 459,149	\$ 1,638,592	\$ 1,595,446	\$ 211,276	\$ 1,806,722	\$ 3,567,419	\$ 568,943	\$ 4,136,362

CITY OF CRESWELL
LANE COUNTY, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

	Date Of Issue	Interest Rate	Principal Payments				Balance June 30, 2012
			Balance	Issued	Matured	Paid	
			July 1, 2011				
<i>Revenue Bond Payable:</i>							
USDA RUS Loan 92-01 - Sewer Fund	06/01/06	4.25%	\$ 1,375,833	\$ -	\$ 46,367	\$ 196,390	\$ 1,179,443
<i>Notes Payable:</i>							
Bancroft note - LID #15	10/15/10	4.65%	29,135	-	-	12,556	16,579
Clean Water SRF Loan R25140	07/09/03	3.14%	1,924,629		89,596	329,183	1,595,446
Business Oregon Loan G06001 - Interim	12/11/06	2.91%	5,256,610		-	-	5,256,610
Business Oregon Loan S06004	05/08/06	1.00%	3,883,576	-	116,157	316,157	3,567,419
Total notes payable			<u>11,093,950</u>	<u>-</u>	<u>205,753</u>	<u>657,896</u>	<u>10,436,054</u>
Total long-term debt payable			<u>\$ 12,469,783</u>	<u>\$ -</u>	<u>\$ 252,120</u>	<u>\$ 854,286</u>	<u>\$ 11,615,497</u>

	Date Of Issue	Interest Rate	Interest Payments				Balance June 30, 2012
			Balance	Issued	Matured	Paid	
			July 1, 2011				
<i>Revenue Bond Interest:</i>							
USDA RUS Loan 92-01 - Sewer Fund	06/01/06	4.25%	\$ -	\$ -	\$ 58,450	\$ 58,450	\$ -
Total revenue bond interest			<u>-</u>	<u>-</u>	<u>58,450</u>	<u>58,450</u>	<u>-</u>
<i>Notes Interest:</i>							
Bancroft note - LID #15	10/15/10	4.65%	-	-	-	-	-
Clean Water SRF Loan R25140	07/09/03	3.14%	-	-	56,701	56,701	-
Business Oregon Loan G06001 - Interim	12/11/06	2.91%	-	-	451,828	451,828	-
Business Oregon Loan S06004	05/08/06	1.00%	-	-	38,836	38,836	-
Total note interest			<u>-</u>	<u>-</u>	<u>547,365</u>	<u>547,365</u>	<u>-</u>
Total interest			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,815</u>	<u>\$ 605,815</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, 2012, and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

2011/2012 Budget

1. The public is required to be notified not more than 30 days or less than 5 days for the budget committee meeting. The second notice day was on June 2, 2011 and the budget committee meeting was on June 6, 2011, which is considered 4 days.
2. 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 16, 2011 and the budget hearing was on June 20, 2011, which is considered 4 days.
3. Internal budget documents contained several addition and/or proofing errors that were not corrected prior to final publication. These errors did not affect the legally adopted budget, but did present some numbers incorrectly in the detail.
4. The Resolution Adopting the Budget, Making Appropriations and Levying Taxes (Resolution 2011-11) contained an amount in the initial paragraph that represented the total budget for the year ended June 30, 2012 as \$17,675,997, which was unchanged from the preceding year. The amount should have been \$15,909,361.

2012/2013 Budget

Nothing came to our attention in regards to the 2012/2013 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.

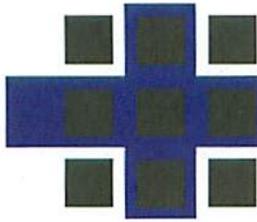
We noted matters involving the internal control and its operation that we consider to be significant deficiencies and material weaknesses, which are noted in the *Government Auditing Standards Schedule of Findings and Responses*.

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
Certified Public Accountants

Eugene, Oregon
March 22, 2013



MAXWELL & COMPANY

Certified Public Accountants

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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 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 the City of Creswell, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City of Creswell, Oregon's basic financial statements and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified 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 weaknesses, item 2010-2.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Creswell, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Creswell, Oregon in a separate letter dated March 22, 2013.

The City of Creswell, Oregon'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 of Creswell, Oregon'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 pass-through entities 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
March 22, 2013

CITY OF CRESWELL
LANE COUNTY, OREGON
For the Year Ended June 30, 2012

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. The City also began training staff in April of 2012 to review and reconcile deposits, credit cards and canceled checks as part of the routine bank reconciliation. As of June 2012, there is a separate staff member who reconciles all deposits, credit cards and canceled checks other than the individual responsible for completing bank reconciliations. This provides additional oversight to cash transactions. Staff has also implemented a process where all transfers are reviewed and approved by a separate individual other than the staff person who makes a transfer.

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.