



**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**CITY OF WALDPOR  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**TABLE OF CONTENTS**

	<u>Page</u>
CITY OFFICIALS	1
FINANCIAL SECTION:	
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to the Basic Financial Statements	18 - 43
REQUIRED SUPPLEMENTARY INFORMATION:	
Major Funds:	44
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	45
Street Fund	46
Urban Renewal Debt Service Fund	47

SUPPLEMENTARY INFORMATION:

Major Governmental Fund:

Schedule of Revenues, Expenditures, and Changes in Fund  
Balance - Budget and Actual:

Urban Renewal Construction Fund 48

Debt Service Fund 49

Nonmajor Governmental Funds: 50

Combining Balance Sheet – Nonmajor Governmental Funds 51

Combining Statement of Revenues, Expenditures, and Changes in Fund  
Balances - Nonmajor Governmental Funds 52

Schedule of Revenues, Expenditures, and Changes in Fund  
Balance - Budget and Actual:

Community Fund 53

Road District Fund 54

Proprietary Funds: 55

Schedule of Revenues, Expenses, and Changes in  
Net Assets – Budget and Actual (Non-GAAP budgetary basis)

Water Fund 56

Sewer Fund 57

Public Works Internal Service Fund 58

ACCOMPANYING INFORMATION:

Auditor's Comments and Reports:

Report on Internal Control and Compliance and Other Matters 59 - 60

Independent Auditor's Comments 61 - 62

Federal Financial Assistance Program Compliance:

Report on Compliance and on Internal Control in Accordance  
with OMB Circular A-133 63 - 64

Schedule of Findings and Questioned Costs 65

Summary Schedule of Prior Audit Findings 66

Schedule of Expenditures of Federal Awards 67

Note to the Schedule of Expenditures of Federal Awards 68

**CITY OFFICIALS**

**CITY OF WALDPOR**

**CITY OFFICIALS**

**June 30, 2007**

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# **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

November 20, 2007

To the Governing Body of the City of Waldport:

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 Waldport, as of and for the year ended June 30, 2007, 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 Waldport'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Waldport as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information for the General Fund and the major Special Revenue Funds as shown in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of the City of Waldport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waldport's basic financial statements. The supplementary information and other accompanying financial information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Waldport. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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Hough, MacAdam & Wartnik, LLC  
Certified Public Accountants

**CITY OF WALDPOR**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**June 30, 2007**

This management's discussion and analysis (MD&A) provides an overview of financial activities and financial position for the City of Waldport for fiscal year ending June 30, 2007. The analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position, budget changes and variance from the budget, and specific issues related to funds and the economic factors affecting the city.

**DISCUSSION OF FINANCIAL STATEMENTS**

**Government-wide financial statements** include the Statement of Net Assets and the Statement of Activities.

- The **Statement of Net Assets** focuses on resources available for future operation. This statement presents a snap-shot view of the assets the community 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 or subsidized by general revenues.

**Fund financial statements** focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The city's major governmental funds are presented in their own column and the remaining funds are combined. Budgetary comparison statements are presented for the major funds as well. Statements for the city's proprietary funds include net assets, revenues, expenses and changes in fund net assets, and cash flows.

**Governmental funds and proprietary funds** use different accounting approaches. Governmental funds, which comprise most of the city's basic services, are reported using *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. Proprietary funds are reported using *accrual basis for accounting* in the Statement of Net Assets and Statement of Activities. Proprietary funds include enterprise funds, also known as business-type activities, and internal service funds, which provide supplies and services to other city programs and activities.

**GOVERNMENT WIDE CONDENSED FINANCIAL INFORMATION**

The Statement of Net Assets and the Statement of Activities include all assets and liabilities using the *accrual basis for accounting*, which is similar to the accounting used by most private sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

Net assets, the difference between assets and liabilities, is one way to measure the city's financial health or position. Other nonfinancial factors, such as changes in the city's property tax base and the condition of city roads and utilities, also need to be considered to assess the overall health of the city.

Condensed Statement of Net Assets  
At Year End

	Governmental Activities		Business Type Activities		City as a Whole	
	2006	2007	2006	2007	2006	2007
Cash and Investments	1,576,079	1,326,380	736,066	959,840	2,312,145	2,286,221
Other Assets	477,801	354,099	153,767	184,269	631,568	538,368
Capital Assets, Net	1,937,119	281,741	9,031,574	9,451,762	10,698,693	11,833,503
<b>Total Assets</b>	<b>3,990,999</b>	<b>1,962,220</b>	<b>9,921,407</b>	<b>10,595,871</b>	<b>13,642,406</b>	<b>14,658,092</b>
Current Liabilities	350,072	398,405	122,400	189,579	472,472	587,984
Long Term Liabilities	2,933,700	2,454,058	1,602,818	1,632,052	4,536,518	4,086,110
<b>Total Liabilities</b>	<b>3,283,772</b>	<b>2,852,463</b>	<b>1,725,218</b>	<b>1,821,631</b>	<b>5,008,990</b>	<b>4,674,094</b>
<b>Net Assets:</b>						
Invested in Capital Assets						
net of related debt	(1,242,908)	(360,049)	7,381,901	7,762,409	6,138,993	7,402,360
Restricted	564,862	723,435	412,135	490,931	976,997	1,214,366
Unrestricted (Deficit)	1,385,273	846,371	402,154	520,900	1,787,426	1,367,272
<b>Total Net Assets</b>	<b>\$ 707,227</b>	<b>\$ 1,209,757</b>	<b>\$ 8,196,190</b>	<b>\$ 8,774,240</b>	<b>\$ 8,903,416</b>	<b>\$ 9,983,998</b>

As of June 30, 2007, the city has almost \$12 million invested in a broad range of capital assets, including water, wastewater, and street utility systems. Additions to capital assets for the year included the South Sewer improvement project and lagoon rehabilitation, "Downtown Revitalization" of Highway 101, library expansion, reservoir rehabilitation, and street improvements. More detailed information about the city's capital assets is presented in the notes to the financial statements. The city's fiscal year 2007-2008 budget has appropriated almost \$800,000 for capital outlays, which includes additional "Downtown Revitalization" of Highway 101, Lint Slough waterline replacement, Crestline park improvements and street improvements.

As of June 30, 2007, the city received US Department of Agriculture – Rural Development loan proceeds and paid off interim financing from Department of Environmental Quality. At year end, the city owed \$4.4 million of principal debt. Detailed information about the city's long term debt is presented in the notes to the financial statements.

The city's combined net assets increased \$1 million over the previous year and were almost \$10 million on June 30, 2007. Net assets for governmental activities are nominal due to governmental debt of \$2.7 million, including voter-approved General Obligation Bonds and Urban Renewal Bonds. Taxes are levied annually, as provided by law, to pay the principal and interest payment of General Obligation Bonds and Urban Renewal Bonds. Business type activities resulted in net assets of almost \$9 million, which are invested in capital assets.

Change in Net Assets  
At Year End

	Governmental Activities		Business Type Activities		City as a Whole	
	2006	2007	2006	2007	2006	2007
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 500,318	\$ 114,243	\$ 1,031,503	\$ 1,093,633	\$ 1,531,821	\$ 1,207,876
Grants and Contributions	411,082	132,490	20,528	451,447	431,610	583,937
<b>General Revenues</b>						
Taxes	911,819	947,051	-	-	911,819	947,051
Intergovernmental	258,494	280,563	-	-	258,494	280,563
Interest	55,729	80,500	22,511	38,695	78,240	119,195
<b>Total Revenues</b>	<b>2,137,442</b>	<b>1,554,847</b>	<b>1,074,542</b>	<b>1,583,775</b>	<b>3,211,984</b>	<b>3,138,622</b>
<b>Expenses:</b>						
General Government	329,040	347,003	-	-	329,040	347,003
Public Safety	303,568	315,550	-	-	303,568	315,550
Street, Storm Water	124,175	147,267	-	-	124,175	147,267
Community, Recreation	165,222	184,822	-	-	165,222	184,822
Interest Expense	149,322	114,568	-	-	149,322	114,568
Water	-	-	379,620	418,256	379,620	418,256
Sewer	-	-	469,242	530,575	469,242	530,575
<b>Total Expenses</b>	<b>1,071,327</b>	<b>1,109,210</b>	<b>848,862</b>	<b>948,831</b>	<b>1,920,189</b>	<b>2,058,041</b>
<b>Excess (Deficiency)</b>						
before Transfers	1,066,116	445,638	225,679	634,944	1,291,795	1,080,582
Transfers In (Out)	(616,226)	56,893	616,226	(56,893)	-	-
<b>Increase (Decrease) in</b>						
<b>Net Assets</b>	<b>449,890</b>	<b>502,531</b>	<b>841,905</b>	<b>578,051</b>	<b>1,291,795</b>	<b>1,080,582</b>
<b>Net Assets at</b>						
<b>beginning of year</b>	<b>257,336</b>	<b>707,226</b>	<b>7,354,285</b>	<b>8,196,190</b>	<b>7,611,621</b>	<b>8,903,416</b>
<b>Net Assets at</b>						
<b>end of year</b>	<b>\$ 707,226</b>	<b>\$ 1,209,757</b>	<b>\$ 8,196,190</b>	<b>\$ 8,774,241</b>	<b>\$ 8,903,416</b>	<b>\$ 9,983,998</b>

**Governmental** charges for services decreased from the previous year; in the previous year the city assessed property owners \$423,130 for local improvements. Contributions for governmental activities included donated land, support from the Friends of the Waldport Public Library, and a Siletz Tribal grant.

**Business** type activity revenue includes water and sewer charges and US Department of Agriculture – Rural Development grant proceeds of \$451,447.

## FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

**General fund** revenues increased 24% over the previous year and are attributed to donated land, support from the Friends of the Waldport Public Library, and a Siletz Tribal grant. General fund expenditures increased 9% over the previous year for additional administration, public safety, and library services.

Principal debt in the **debt service** fund decreased \$259,135 this fiscal year. Limited tax improvement bonds were issued by US Department of Agriculture for south sewer improvements in the amount of \$237,400. Interim financing provided by the Department of Environmental Quality was repaid.

**Waldport Urban Renewal Agency's** contributions to the city's capital assets for the year included grant matching costs for the "Downtown Revitalization" project, engineering costs for Lint Slough waterline, library building improvements, and Keady Street improvements. The agency's fiscal year 2007-2008 budget has appropriated \$272,000 for capital outlays, which includes "Downtown Revitalization" of Highway 101 and inflow & infiltration mitigation in Old Town.

The City was able to procure over \$2 million of transportation funds that are targeted to implement recommended public improvements along Highway 101 from the south end of the Alsea Bridge through downtown to the sea wall. In order to qualify for this grant, urban renewal provided matching funds. The "Downtown Revitalization" total project includes additional construction work to be done by the Oregon Department of Transportation (ODOT). These other two projects will include new signals at the Highway 101 and Highway 34 intersection, and a new paving project for the entire length of Highway 101 through town.

Capital asset additions for the **street fund** included paving overlays and Cedar sidewalk improvements, as well as projects contributed (\$322,361) from the urban renewal agency.

**Water fund** charges for services decreased 1% from the previous year. Fifteen water system development charges were received for fiscal year ending 2007, 5 less than in the previous year. There were no changes in water base and usage rates this year. Water operating expenses increased 7% over the previous year and are attributed to waterline repairs and maintenance.

Capital asset additions for the **water fund** included reservoir rehabilitation, a new plant roof and current controller, a pressure reducing valve, as well as engineering for the Lint Slough waterline contributed from the urban renewal agency.

**Sewer fund** charges for services increased 11% from the previous year due to a rate increase of \$0.69 per unit to pay for USDA revenue bond financing of the south sewer improvements and an increase in the number of system development charges. Seventeen sewer system development charges were received for fiscal year ending 2007, 6 more than in the previous year. Sewer operating expenses increased 2% over the previous year.

Capital asset additions for the **sewer fund** included construction of the south sewer improvements, lagoon rehabilitation, and pump station improvements. A revenue bond was issued by US Department of Agriculture for south sewer improvements in the amount of \$882,400. Interim financing provided by the Department of Environmental Quality was repaid.

## **BUDGETARY CHANGES**

The first change to the adopted budget recognized additional revenues for the library building improvements in the amount of \$35,000 and increased appropriations for street improvements by \$24,520. The second and third budget changes recognized USDA revenues and appropriated for the USDA refinancing and for the completion of USDA funded projects. The third budget change also increased general fund administration appropriations by \$7,500, land use planning appropriations by \$3,000, public safety appropriations by \$3,000, and community fund appropriations by \$2,000. There was one change to the urban renewal agency's originally adopted budget, appropriating \$500 for debt issuance cost.

## **ECONOMIC CONDITIONS**

Waldport's elected officials considered many factors when setting the budget, tax rates, and fees charged for activities. One of those factors is a consideration of the economic conditions of the Waldport area.

Waldport has an estimated population of 2,110 and is located on the Pacific Ocean in the central portion of the Oregon Coast in Lincoln County. The 2000 Census data reported 1,099 housing units within the City of Waldport. Lincoln County's assessed value for the City of Waldport was \$167 million for year ending June 30, 2007, an increase of 6% over the previous year.

Charges for services and property taxes represent the major resources for the city. Construction for the South Waldport Sewer Improvement project began in June 2005 to upgrade the hydraulic capacity (carrying capacity) of the city's sewer conveyance system, and to correct deficiencies in the current system. A portion of the project will allow for the future installation of sewer lines to those properties that currently do not have sewer services, laying the groundwork for future provision of service. A generous grant from the US Department of Agriculture Rural Development has reduced the project cost to be paid by service users and future service users.

The city has received a little over \$2 million in transportation funds to begin some "Downtown Revitalization" projects for the portion of US Highway 101 that runs through the downtown area. This project is scheduled to begin Fall of 2007 and be completed by Summer 2008. It will give an economic face-lift to the heavily traveled corridor.

Although this coastal area of Oregon is considered rural, the city is fortunate to lie within a very progressive county that enjoys DSL and fiber optics throughout. Alsea Bay, Alsea River, Lint Slough, and the Siuslaw National Forest offer some outstanding natural features in Waldport, and current community efforts are underway to "market" these recreational opportunities to the tourists.

## **FINANCIAL CONTACT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Waldport's finances and to show the city's accountability for the money it receives. Questions concerning information provided in this report or requests for additional financial information should be addressed to:

Nancy E. Leonard  
City Manager  
City of Waldport

# **BASIC FINANCIAL STATEMENTS**

**CITY OF WALDPORT**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 734,027	\$ 468,909	\$ 1,202,936
Investment, available for sale	49,000	-	49,000
Receivables:			
Accounts (net)	35,230	137,433	172,663
Property taxes	50,248	-	50,248
Special assessments	263,371	-	263,371
Restricted assets - cash and cash equivalents:			
Temporarily restricted	543,354	490,931	1,034,285
Inventories	5,250	46,836	52,086
Capital assets:			
Land	156,694	23,982	180,676
Construction in process	450,216	714,849	1,165,065
Depreciable assets, net of depreciation	1,774,831	8,712,931	10,487,762
Total assets	4,062,221	10,595,871	14,658,092
<b>LIABILITIES</b>			
Accounts payable	21,945	92,560	114,505
Deferred revenue	10,333	-	10,333
Compensated absences payable	14,291	22,774	37,065
Accrued interest payable	64,105	16,943	81,048
Non-current liabilities:			
Amount due within one year	287,732	57,301	345,033
Amount due after one year	2,454,058	1,632,052	4,086,110
Total liabilities	2,852,464	1,821,630	4,674,094
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(360,049)	7,762,409	7,402,360
Restricted for:			
Debt service	530,655	71,927	602,582
Streets	178,602		178,602
System development	14,178	419,004	433,182
Unrestricted	846,371	520,901	1,367,272
Total net assets	\$ 1,209,757	\$ 8,774,241	\$ 9,983,998

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

**CITY OF WALDPOR**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services & Contracts	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 347,003	\$ 41,597	\$ 53,000	\$ -	\$ (252,406)	\$ -	\$ (252,406)
Public safety	315,550	31,517	-	-	(284,033)	-	(284,033)
Highways and streets	147,267	-	-	12,500	(134,767)	-	(134,767)
Culture and recreation	174,464	35,614	1,131	65,859	(71,860)	-	(71,860)
Interest expense	114,568	5,515	-	-	(109,053)	-	(109,053)
<b>Total governmental activities</b>	<b>1,098,852</b>	<b>114,243</b>	<b>54,131</b>	<b>78,359</b>	<b>(852,119)</b>	<b>-</b>	<b>(852,119)</b>
<b>Business-type activities:</b>							
Water	418,256	518,601	-	-	-	100,345	100,345
Sewer	530,575	575,032	-	451,447	-	495,904	495,904
<b>Total business-type activities</b>	<b>948,831</b>	<b>1,093,633</b>	<b>-</b>	<b>451,447</b>	<b>-</b>	<b>596,249</b>	<b>596,249</b>
<b>Total government</b>	<b>\$ 2,047,683</b>	<b>\$ 1,207,876</b>	<b>\$ 54,131</b>	<b>\$ 529,806</b>	<b>(852,119)</b>	<b>596,249</b>	<b>(255,870)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					351,747	-	351,747
Property taxes, levied for dedicated purposes					487,863	-	487,863
Intergovernmental aid not restricted to specific purposes					44,531	-	-
Intergovernmental aid restricted to specific purposes					236,032	-	236,032
Franchise and room taxes					107,442	-	107,442
Gain (Loss) on disposition of capital assets					(10,358)	-	(10,358)
Interest and investment earnings					80,500	38,695	119,195
<b>Total General Revenues</b>					<b>1,297,757</b>	<b>38,695</b>	<b>1,291,921</b>
<b>Other</b>							
Transfer in (out)					56,893	(56,893)	-
<b>Changes in net assets</b>					<b>502,531</b>	<b>578,051</b>	<b>1,080,582</b>
Net assets - beginning as restated					707,226	8,196,190	8,903,416
Net assets - ending					<b>\$ 1,209,757</b>	<b>\$ 8,774,241</b>	<b>\$ 9,983,998</b>

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

**CITY OF WALDPOR  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007**

	Major Funds			
	General	Street	Urban Renewal Debt Service	Urban Renewal Construction
<b>ASSETS</b>				
Cash and cash equivalents	\$ 295,458	\$ 166,121	\$ 338,972	\$ 205,400
Receivables (net)				
Accounts receivable	23,652	7,943	-	3,635
Property taxes	22,024	-	15,690	-
Special assessments	-	-	-	-
Inventory	-	5,250	-	-
Advances to other funds	80,000	-	-	-
Total assets	<u>\$ 421,134</u>	<u>\$ 179,314</u>	<u>\$ 354,662</u>	<u>\$ 209,035</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,687	\$ 712	\$ -	\$ 734
Advances from other funds	-	-	-	80,000
Deferred revenue	30,899	-	14,637	-
Total liabilities	<u>50,586</u>	<u>712</u>	<u>14,637</u>	<u>80,734</u>
<b>FUND BALANCES (DEFICITS)</b>				
Reserved for:				
Debt service	-	-	340,025	-
Inventory	-	5,250	-	-
Streets	-	173,352	-	-
System development	-	-	-	-
Advance	80,000	-	-	-
Investment held for resale	49,000	-	-	-
Unreserved, reported in:				
Major funds	241,548	-	-	128,301
Special revenue funds	-	-	-	-
Total fund balances (deficits)	<u>370,548</u>	<u>178,602</u>	<u>340,025</u>	<u>128,301</u>
Total liabilities and fund balances	<u>\$ 421,134</u>	<u>\$ 179,314</u>	<u>\$ 354,662</u>	<u>\$ 209,035</u>

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

Debt Service	Other Governmental Funds	Total
\$ 190,204	\$ 81,226	\$ 1,277,381
-	-	35,230
6,431	6,103	50,248
263,371	-	263,371
-	-	5,250
-	-	80,000
\$ 460,006	\$ 87,329	\$ 1,711,480
\$ -	\$ 812	\$ 21,945
-	-	80,000
269,376	5,699	320,611
269,376	6,511	422,556
190,630	-	530,655
-	-	5,250
-	-	173,352
-	14,178	14,178
-	-	80,000
-	-	49,000
-	-	-
-	-	369,849
-	66,640	66,640
190,630	80,818	1,288,924
\$ 460,006	\$ 87,329	\$ 1,711,480

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

**CITY OF WALDPOR**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2007**

**Total fund balances - governmental funds** \$ 1,288,924

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

Capital assets are not current financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value:

Capital assets, net of depreciation	\$ 2,381,741	
Donated land-held for resale	49,000	
	2,430,741	2,430,741

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds:

Property taxes	46,907	
Special assessments	263,371	
	310,278	310,278

All liabilities are reported in the Statement of Net Assets, however, if they are not due and payable in the current period, they are not recorded in the governmental funds:

Compensated absences payable	(14,291)	
Accrued interest payable on note payable	(64,105)	
Bond payable	(2,432,805)	
Note payable	(308,985)	
	(2,820,186)	(2,820,186)

**Total net assets - governmental activities** \$ 1,209,757

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

**CITY OF WALDPOR**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	Major Funds			
	General	Street	Urban Renewal Debt Service	Urban Renewal Construction
Revenues:				
Property taxes	\$ 349,615	\$ -	\$ 268,173	\$ -
Franchise and room taxes	107,442	-	-	-
Intergovernmental	165,475	109,588	-	-
Fees and fines	31,517	-	-	-
Assessments	-	-	-	-
Charges for services	51,176	104,300	-	-
Donations and grants	29,227	-	-	-
Interest earnings	13,517	6,041	18,469	25,431
Other	44,399	-	-	4,058
Total revenues	<u>792,368</u>	<u>219,929</u>	<u>286,642</u>	<u>29,489</u>
Expenditures:				
Current:				
General government	342,108	-	-	416,685
Public safety	301,383	-	-	-
Highways and streets	-	169,174	-	-
Culture and recreation	237,490	-	-	-
Debt service	-	-	238,638	-
Total expenditures	<u>880,981</u>	<u>169,174</u>	<u>238,638</u>	<u>416,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(88,613)</u>	<u>50,755</u>	<u>48,004</u>	<u>(387,196)</u>
Other financing sources (uses):				
Transfer in (out)	114,434	(18,547)	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>114,434</u>	<u>(18,547)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,821	32,208	48,004	(387,196)
Fund balances at beginning of year	<u>344,727</u>	<u>146,394</u>	<u>292,021</u>	<u>515,497</u>
Fund balances at end of year	<u>\$ 370,548</u>	<u>\$ 178,602</u>	<u>\$ 340,025</u>	<u>\$ 128,301</u>

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

Debt Service	Other Governmental Funds	Total
\$ 117,287	\$ 102,404	\$ 837,479
-	-	107,442
-	18,000	293,063
-	-	31,517
114,122	-	114,122
-	35,614	191,090
-	-	29,227
13,290	3,752	80,500
-	1,131	49,588
244,699	160,901	1,734,028
-	-	758,793
-	-	301,383
-	104,426	273,600
-	27,824	265,314
565,195	-	803,833
565,195	132,250	2,402,923
(320,496)	28,651	(668,895)
-	-	95,887
237,400	-	237,400
237,400	-	333,287
(83,096)	28,651	(335,608)
273,726	52,167	1,624,532
\$ 190,630	\$ 80,818	\$ 1,288,924

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

**CITY OF WALDPOR**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2007**

**Total net change in fund balances - governmental funds** \$ (335,608)

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

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received:

Property taxes	\$ 2,129	
Special assessments	<u>(108,606)</u>	(106,477)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital expenditures exceeds depreciation during the period:

Capital outlay	527,214	
Loss on disposed assets	(10,358)	
Donated capital asset	49,000	
Depreciation	<u>(72,234)</u>	493,622

In the governmental funds, long-term liabilities are recorded when paid and amortization expenses are not reported. On the Statement of Activities, they are recorded when accrued:

Changes in compensated absences payable	(870)	
Changes in accrued interest payable	<u>13,627</u>	12,757

The issuance of long-term debt provides current financial resources to the governmental funds while the repayment of long-term debt consumes the current financial resources. However, neither has any affect on the Statement of Activities:

Issuance of debt	(237,400)	
Repayment of debt	<u>675,637</u>	<u>438,237</u>

**Change in net assets of governmental activities** \$ 502,531

**CITY OF WALDPOR**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2007

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Sewer	Totals	Public Works
				Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 156,114	\$ 241,387	\$ 397,501	\$ 71,408
Accounts receivable - net	51,304	86,129	137,433	-
Restricted assets - cash	177,847	313,084	490,931	-
Inventory	40,222	6,614	46,836	-
Total current assets	<u>425,487</u>	<u>647,214</u>	<u>1,072,701</u>	<u>71,408</u>
Capital assets:				
Land	7,518	10,741	18,259	5,723
Construction in process	88,380	626,469	714,849	-
Depreciable assets, net of depreciation	2,423,230	6,102,847	8,526,077	186,854
Total capital assets, net	<u>2,519,128</u>	<u>6,740,057</u>	<u>9,259,185</u>	<u>192,577</u>
Total assets	<u>2,944,615</u>	<u>7,387,271</u>	<u>10,331,886</u>	<u>263,985</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	43,848	47,810	91,658	902
Compensated absences payable	-	-	-	22,774
Accrued interest payable	2,757	14,186	16,943	-
Current portion of revenue bond payable	-	9,019	9,019	-
Current portion of notes payable	25,321	22,961	48,282	-
Total current liabilities	<u>71,926</u>	<u>93,976</u>	<u>165,902</u>	<u>23,676</u>
Long-term liabilities:				
Revenue bond payable (net of current portion)	-	873,381	873,381	-
Notes payable (net of current portion)	496,748	261,923	758,671	-
Total long-term liabilities	<u>496,748</u>	<u>1,135,304</u>	<u>1,632,052</u>	<u>-</u>
Total liabilities	<u>568,674</u>	<u>1,229,280</u>	<u>1,797,954</u>	<u>23,676</u>
Net assets:				
Invested in capital assets, net of related debt	1,997,059	5,572,773	7,569,832	192,577
Restricted for debt service	32,631	39,296	71,927	-
Restricted for system development	145,216	273,788	419,004	-
Unrestricted	201,035	272,134	473,169	47,732
Total net assets	<u>\$ 2,375,941</u>	<u>\$ 6,157,991</u>	<u>\$ 8,533,932</u>	<u>\$ 240,309</u>

Reconciliation of total net assets in the Statement of Net Assets  
Proprietary Funds to the Statement of Net Assets - Business-Type Activities

Net assets at end of year, Proprietary Funds	\$ 8,533,932
Inclusion of Internal Service Fund	<u>240,309</u>
Net assets at end of year, Statement of Net assets - Business-Type Funds	<u>\$ 8,774,241</u>

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

**CITY OF WALDPOR**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Sewer	Totals	Public Works Internal Service Fund
Operating revenues:				
Charges for services, net of bad debt	\$ 505,569	\$ 561,999	\$ 1,067,568	\$ 667,085
Operating expenses:				
Current:				
Personal services	-	-	-	573,291
Materials and services	337,752	379,870	717,622	47,123
Depreciation	72,708	132,779	205,487	23,130
Total operating expenses	410,460	512,649	923,109	643,544
Operating income (loss)	95,109	49,350	144,459	23,541
Nonoperating revenues (expenses):				
Grant proceeds	-	451,447	451,447	-
Interest earnings	14,952	23,743	38,695	2,524
Interest expense	(7,796)	(17,926)	(25,722)	-
Total nonoperating revenues (expenses)	7,156	457,264	464,420	2,524
Income (loss) before contributions and transfers	102,265	506,614	608,879	26,065
Capital contributions from other funds	38,994	-	38,994	-
Transfers (to) from other funds	(40,566)	(55,321)	(95,887)	-
Change in net assets	100,693	451,293	551,986	26,065
Net assets at beginning of year	2,275,248	5,681,049	7,956,297	214,244
Prior period adjustment	-	25,649	25,649	-
Net assets at beginning of year, restated	2,275,248	5,706,698	7,981,946	214,244
Net assets at end of year	<u>\$ 2,375,941</u>	<u>\$ 6,157,991</u>	<u>\$ 8,533,932</u>	<u>\$ 240,309</u>

Reconciliation of change in net assets  
on the Statement of Net Assets-Proprietary Funds to  
the Statement of Activities Business-Type Funds

Change in net assets, Proprietary Funds	\$ 551,986
Inclusion of Internal Service Fund	26,065
Change in net assets, Statement of Activities-Business-Type Funds	<u>\$ 578,051</u>

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

**CITY OF WALDPOR**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**For the Fiscal Year Ended June 30, 2007**

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Sewer	Totals	Public Works Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 500,300	\$ 538,508	\$ 1,038,808	\$ 20,019
Receipts from interfund services provided	-	-	-	647,066
Payments for interfund services used	(224,338)	(314,710)	(539,048)	-
Cash paid to employees	-	-	-	(568,712)
Cash paid to suppliers	(73,466)	(34,501)	(107,967)	(47,750)
Net cash provided (used) by operating activities	202,496	189,297	391,793	50,623
Cash flows from noncapital financing activities:				
Transfers to (from) other funds	(40,566)	(55,321)	(95,887)	-
Cash flows from capital and related financing activities				
Grant and loan proceeds	-	1,333,847	1,333,847	-
Purchase of capital assets	(84,497)	(480,016)	(564,513)	-
Interest paid	(7,898)	(17,926)	(25,824)	-
Principal payments on long-term debt	(24,732)	(882,752)	(907,484)	-
Net cash provided (used) by capital and related financing activities	(117,127)	(46,847)	(163,974)	-
Cash flows from investing activities:				
Interest on investments	14,952	23,743	38,695	2,524
Net increase (decrease) in cash and cash equivalents	59,755	110,872	170,627	53,147
Cash and cash equivalents at beginning of year (including restricted cash of \$412,135)	274,206	443,599	717,805	18,261
Cash and cash equivalents at end of year (including restricted cash of \$490,931)	\$ 333,961	\$ 554,471	\$ 888,432	\$ 71,408

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$ 95,109	\$ 49,350	\$ 144,459	\$ 23,541
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	72,708	132,779	205,487	23,130
Change in assets and liabilities:				
Accounts receivable	(4,419)	(22,162)	(26,581)	-
Inventory	1,239	(2,981)	(1,742)	-
Assessments receivable	(850)	(1,329)	-	-
Accounts payable	38,709	33,640	72,349	(627)
Accrued payroll and benefits	-	-	-	4,579
Net cash provided (used) by operating activities	\$ 202,496	\$ 189,297	\$ 393,972	\$ 50,623
Noncash investing, capital, and financing activities:				
Transfer of capital assets between funds	\$ 38,994	\$ -	\$ 38,994	\$ -

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

**CITY OF WALDPOR**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Waldport (City), Lincoln County, Oregon, a municipal corporation, provides for public improvements and general administrative services. The City operates under a Council-Manager form of government consisting of seven elected members and a Manager directly responsible to them.

The basic financial statements include all financial activities, organizations and functions for which the City Council is responsible for financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Therefore, although legally separate entities, blended component units are, in substance, part of the City's operations and data from these units are combined with data of the primary government.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by GASB, the City of Waldport's Urban Renewal Agency and Special Road District #3 are component units of the City.

*Blended Component Units.* The Urban Renewal Agency of the City of Waldport, (Agency) Oregon, was created by adoption of City Ordinance 435 in 1981. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. Special Road District #3 of the City of Waldport, (District) Oregon, was created by adoption of City Ordinance 488 in 1983. The District is organized under general laws pertaining to road districts in the State of Oregon. The City is neither responsible for deficits nor entitled to surpluses of the Agency or District. The Agency and District Boards are appointed by and made up of the same members as the Common Council of the City. However, legally the two Boards are distinct and conduct all business as such. Based on standards set fourth in GASB Statement 39, which first became effective for the fiscal year ended June 30, 2004, the Agency and District are considered to be "component units" of the City. Accordingly, the financial statements of the Agency and District are included in the City's basic financial statements as special revenue funds using the "blended" method of presentation. A copy of the Agency's and District's financial statements can be obtained from the City Hall located at 125 Alsea Hwy, Waldport, Oregon 97394.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

**Government-wide Financial Statements** The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. Inter-fund activity such as loans and transfers are eliminated to avoid "doubling up" revenues and expenses.

Governmental activities – The City's general government activities are reported in this category, including the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds. Funding sources vary and include property taxes and intergovernmental revenues.

Business-type activities – The City provides water and sewer services to its customers and this category reports the activities of the proprietary funds.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Financial Statements.** Fund financial statements report detailed information about the City. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The various funds of the City are grouped into the categories governmental and proprietary.

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for the governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenues, Expenditures and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the City's finances and meets the cash flow needs of its proprietary activities.

**Governmental funds** are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Franchise taxes, special assessments, licenses, fees and permits, interest and charges for services are susceptible to accrual if collected within 30 days of fiscal year end. Property taxes are subject to accrual if received within 60 days of fiscal year end. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City presents separate financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

Major governmental funds include:

**General Fund** - This fund is the City's primary operating fund. This fund is used to account for all financial resources and transactions not required to be accounted for in other funds.

**Debt Service Fund** – This Debt Service fund is used to account for the servicing of general long term debt not being financed by proprietary funds. The primary sources of revenue are property taxes, assessments, loan proceeds and interest earnings.

**Street Fund** - This fund is a Special Revenue fund, used to account for the proceeds of specific revenue sources that are legally restricted. The primary sources of revenue are state highway fund revenues and charges for services.

**Urban Renewal Debt Service Fund** - This Debt Service fund is used to account for the servicing of general long term debt. This fund is financed by revenues raised under Section 1c, Article XI of the Oregon Constitution, and Chapter 457.

**Urban Renewal Construction Fund** - This Capital Projects fund is used to account for construction and administration within the urban renewal area. The primary sources of revenue are loan proceeds and interest earnings.

Additionally, the City reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including trusts or major capital projects).

**Proprietary funds** are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds include the following fund types:

*Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds* are used to account for those activities and services furnished internally to other funds within the City on a cost reimbursement basis. Charges are made to the various funds to support these activities. This fund type is also used to account for activities provided to other entities.

Major proprietary funds include:

**Water Fund** - This fund is used to account for the activities of the water treatment and distribution system.

**Sewer Fund** - This fund is used to account for the activities of the wastewater conveyance and treatment system.

## C. Assets, Liabilities and Equity

### 1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments in the Oregon State Treasury Local Government Investment Pool (LGIP).

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

Investments are stated at amortized cost, which approximates fair value. Non-financial assets held as investments for sale are stated at fair market value.

### 2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (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."

Advances between funds are offset by a balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph B above. Fines and permit revenue are not susceptible to accrual because generally they are not measurable until received in cash. An allowance for uncollectibles has been established for the water and sewer funds and represents the portion of receivables not expected to be collected.

3. *Inventories*

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

4. *Restricted Assets*

Certain resources are set aside for repayment of debt and are classified as restricted assets on the Statement of Net Assets because their use is limited. Reserve accounts are used to report resources set aside for system development improvements or capacity increasing capital improvements to the water and sewer system and, when necessary, for the purpose of making principal and interest payments on the bonds and notes payable. For the fiscal year ending June 30, 2007 the City had \$1,034,285 in restricted assets to comply with these debt covenants and required reserves.

5. *Capital Assets*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The City maintains a capitalization threshold of \$5,000 and a useful life of at least two years. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest paid on construction financing is capitalized in the Proprietary funds and in the governmental activities in the Statements of Net Assets.

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. For governmental activities these costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide Statement of Net Assets and in the respective funds.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5-15 years
Buildings	50 years
Water and sewer systems	50 years
Streets	20 years
Other improvements	10 - 30 years

## 6. *Deferred Revenue*

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

## 7. *Compensated Absences*

It is the City's policy to permit employees to accumulate paid leave benefits. No liability is reported for unpaid accumulated sick leave. Employees are allowed to accrue paid leave time to a maximum of 480 hours. In proprietary funds, vested paid leave benefits are recognized as expenses when earned by the employee and unpaid benefits are liabilities of those funds. Governmental fund types recognize the expenditure when benefits are paid. Paid leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in the General Fund only if they have matured, for example, as the result of employee resignations and retirements.

The governmental funds typically used in prior years to liquidate the liability for compensated absences are any funds with payroll, which include the General Fund. Employees have the option to accumulate overtime as compensatory pay, which accrues at overtime rates.

## 8. *Long-term Obligations*

The City reports all long-term debt on the Statement of Net Assets. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

## 9. *Operating Revenues and Expenses, Non-operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for sales of water and sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Non-operating revenues and expenses of the City are those revenues and expenses not directly related to the service provided by the fund. Non-operating revenues and expenses include interest, grants, and gain or loss on disposition of capital assets.

## 10. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 11. *Fund Equity*

Reservations of fund balance represent amounts that are not appropriable or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. *Net Assets*

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

13. *Upcoming Accounting Standards*

Governmental Accounting standards Board Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2010. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of Other Post Employment Benefit costs (expenses) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The City is currently reviewing the application of this policy and expects the policy to have a minimal financial impact on the Statement of Net Assets and the Statement of Activities.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. The annual budget for proprietary funds is adopted on a basis not consistent with accounting principles generally accepted in the United States of America to comply with Oregon Local Budget Law. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control for the general fund is by department. Total personal services, materials and services, capital outlay, debt service, contingency and transfers are the levels of control for the remaining funds.

Original appropriations may be increased through resolutions by transferring amounts between appropriations in the same fund or by transferring from an appropriation in the general fund to an appropriation category in another fund. A supplemental budget is needed to increase appropriations when appropriations transfers are unauthorized. Budget amounts are as originally adopted, or as amended by the City Council.

Management may reassign resources within functions without seeking approval of the City Council.

The District has complied with statutory requirements for the current budget except as follows:

Expenditures exceeded appropriations for the current fiscal year:

General Fund:

Administration

\$ 709

### III. DETAILED NOTES

#### A. Deposits and Investments.

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2007. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the fiscal year ended June 30, 2007, the carrying amounts of the City's deposits in various financial institutions were \$876,786 and the bank balance was \$955,233. All deposits are held in the name of the City. Of the bank balance, all was covered by federal depository insurance and a certificate of participation.

*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's formal deposit policy for custodial credit risk is to deposit funds with qualified institutions. A qualified institution is defined by City policy as including approved security broker/dealers maintaining minimum net capital of \$10,000,000 and having a history of at least 10 years of operation. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

**Investments.** The City of Waldport has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during fiscal year 2007. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at cost, which approximates fair value.

In addition, the City has a donation of land, which it plans to dispose of in the short term. This is designated on the Government-wide Statement of Net Assets as an investment available for sale, stated at its fair market value.

*Credit Risk.* State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has a formal investment policy that is in accordance with State statutes and further limits the liquidity and diversification of the City's investments.

*Concentration of Credit Risk.* The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

*Interest Rate Risk.* The City's formal investment policy explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates by the following maturity constraints. Funds intended to be used to pay for current operations of the City may be invested with maturities not exceeding the dates of anticipated usage, but in no event longer than the limit established by ORS 294.135(1) (currently 18 months).

As of June 30, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	97%	\$ 1,352,901
Land	< 1 year	3%	49,000

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets follows:

Carrying amount of deposits	\$ 876,786
Cash with County	7,534
Local Government Investment Pool	<u>1,352,901</u>
Total	<u>\$ 2,237,221</u>

**Balance Sheet**

<b>Governmental Funds:</b>	
General Fund	\$ 295,458
Debt Service Fund	190,204
Street Fund	166,121
Urban Renewal Debt Service Fund	338,972
Urban Renewal Construction Fund	205,400
Nonmajor funds - Governmental Funds	<u>81,226</u>
	<u>1,277,381</u>
<b>Proprietary Funds:</b>	
Water Fund (includes restricted cash of \$177,847)	333,961
Sewer Fund (includes restricted cash of \$313,084)	554,471
Public Works Fund	<u>71,408</u>
	<u>959,840</u>
Total	<u>\$ 2,237,221</u>

**Restricted Cash.** Restricted cash and investments consist of the following:

Governmental Activities:		
Debt Service Fund		\$ 190,204
Urban Renewal Debt Service Fund		338,972
Non-major Funds		14,178
		<u>543,354</u>
Business-type Activities:		
Water Fund		177,847
Sewer Fund		313,084
		<u>490,931</u>
Total		<u>\$ 1,034,285</u>

**B. Receivables**

Receivables as of fiscal year end are as follows:

Governmental Activities:			Urban	Urban		Non-major	
	General	Street	Renewal Debt Svc	Renewal Construction	Debt Service	Funds	Totals
Accounts							
receivable	\$23,652	\$ 7,943	\$ -	\$ 3,635	\$ -	\$ -	\$ 35,230
Property taxes	22,024	-	15,690	-	6,431	6,103	50,248
Special							
assessments	-	-	-	-	263,371	-	263,371
Total Governmental							
Receivables	<u>\$45,676</u>	<u>\$ 7,943</u>	<u>\$15,690</u>	<u>\$ 3,635</u>	<u>\$ 269,802</u>	<u>\$ 6,103</u>	<u>\$ 348,849</u>

Business-type Activities:

		Water	Sewer	Totals
Accounts receivable		\$ 52,589	\$ 87,414	\$ 140,003
Less allowance for doubtful accounts		<u>(1,285)</u>	<u>(1,285)</u>	<u>(2,570)</u>
Net business-type Accounts receivables		<u>\$ 51,304</u>	<u>\$ 86,129</u>	<u>\$ 137,433</u>

All non-current property taxes and special assessments receivable are treated as deferred revenue in the governmental funds. Accounts Receivable for the Business-type Funds is reported on the Statement of Net Assets net of \$2,570 allowance for uncollectibles. Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectibles has been established for those accounts.

Property taxes are assessed as of January 1 and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Lincoln and remittance to the City is made at periodic intervals. For fiscal year 2006-07, the City imposed a property tax rate of \$2.3328 per \$1,000 of assessed value and a levy for bonded indebtedness of \$124,433.

Following is a summary of property tax transactions for the fiscal year ended June 30, 2007:

Lincoln County General and Debt Service:	Receivable 6/30/2006	2006-2007 Net Levy	Collections and Adjustments	Receivable 6/30/2007
2006-07	\$ -	\$ 476,330	\$ 460,279	\$ 16,051
2005-06	15,890	-	9,430	6,460
2004-05	6,679	-	3,199	3,480
2003-04	4,183	-	3,045	1,138
2002-03	1,265	-	951	314
2001-02	340	-	91	249
2000-01	239	-	56	183
1999-00	89	-	7	82
Prior years	534	-	36	498
Total	<u>\$ 29,219</u>	<u>\$ 476,330</u>	<u>\$ 477,094</u>	28,455
Taxes receivable, current portion				<u>(1,884)</u>
Deferred taxes receivable				<u>\$ 26,571</u>

The City of Waldport's Urban Renewal Agency, a component unit, receives revenues under Section 1c, Article XI of the Oregon Constitution, and ORS Chapter 457. For fiscal year 2006-07, the Agency assessed \$274,068.

Following is a summary of Agency tax increment transactions for the fiscal year ended June 30, 2007:

Lincoln County Urban Renewal Agency:	Receivable 6/30/2006	2006-2007 Net Levy	Collections and Adjustments	Receivable 6/30/2007
2006-07	\$ -	\$ 274,068	\$ 264,926	\$ 9,142
2005-06	8,570	-	5,086	3,484
2004-05	3,562	-	1,706	1,856
2003-04	2,281	-	1,661	620
2002-03	665	-	500	165
2001-02	185	-	51	134
2000-01	152	-	(2)	154
Prior years	168	-	33	135
Total	<u>\$ 15,583</u>	<u>\$ 274,068</u>	<u>\$ 273,961</u>	15,690
Taxes receivable, current portion				<u>(1,053)</u>
Deferred taxes receivable				<u>\$ 14,637</u>

The City of Waldport's Road District, a component unit, imposed a property tax rate of \$0.6960 per \$1,000 of assessed value.

Following is a summary of property tax transactions for the fiscal year ended June 30, 2007:

Lincoln County Waldport Road District:	Receivable 6/30/2006	2006-2007 Net Levy	Collections and Adjustments	Receivable 6/30/2007
2006-07	\$ -	\$ 104,680	\$ 101,153	\$ 3,527
2005-06	3,326	-	1,974	1,352
2004-05	1,379	-	661	718
2003-04	838	-	610	228
2002-03	253	-	190	63
2001-02	70	-	19	51
2000-01	51	-	12	39
1999-00	20	-	1	19
Prior years	108	-	2	106
Total	<u>\$ 6,045</u>	<u>\$ 104,680</u>	<u>\$ 104,622</u>	6,103
Taxes receivable, current portion				<u>(404)</u>
Deferred taxes receivable				<u>\$ 5,699</u>

**C. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2007, the various components of deferred revenue consist of the following:

<u>Fund</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable:			
General Fund	\$ 20,566	\$ -	\$ 20,566
Debt Service Fund	6,005	-	6,005
Urban Renewal Debt Service Fund	14,637	-	14,637
Nonmajor Fund	5,699	-	5,699
Assessments receivable:			
Debt Service Fund	263,371		263,371
Prepaid business licenses:			
General Fund	<u>-</u>	<u>10,333</u>	<u>10,333</u>
Total deferred revenue	<u>\$ 310,278</u>	<u>\$ 10,333</u>	<u>\$ 320,611</u>

**D. Advances to/from Other Funds**

The composition of advances to/from other funds balances as of June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Urban Renewal Capital Projects Fund	<u>\$ 80,000</u>

## E. Capital Assets

Capital asset activity for the City for the fiscal year ended June 30, 2007 was as follows:

Governmental activities:	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
<i>Nondepreciable capital assets</i>				
Land	\$ 156,694	\$ -	\$ -	\$ 156,694
Construction in progress	26,932	423,284	-	450,216
Total nondepreciable capital assets	183,626	423,284	-	606,910
<i>Depreciable capital assets</i>				
Buildings	739,572	-	-	739,572
Streets and storm systems	1,236,961	94,280	-	1,331,241
Park system	172,277	9,650	(14,798)	167,129
Equipment	40,635	-	-	40,635
Total depreciable capital assets	2,189,445	103,930	(14,798)	2,278,577
<i>Less accumulated depreciation for:</i>				
Buildings	(221,660)	(15,598)	-	(237,258)
Streets and storm systems	(164,051)	(42,819)	-	(206,870)
Park system	(29,288)	(8,103)	4,440	(32,951)
Equipment	(20,953)	(5,714)	-	(26,667)
Total accumulated depreciation	(435,952)	(72,234)	4,440	(503,746)
Net depreciable capital assets	1,753,493	31,696	(10,358)	1,774,831
Net governmental capital assets	\$ 1,937,119	\$ 454,980	\$ (10,358)	\$ 2,381,741

Depreciation is allocated as a direct expense to the governmental programs as follows:

General government	\$ 21,312
Highways and streets	42,819
Culture and recreation	8,103
	<u>\$ 72,234</u>

Business-type Activities:	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
<i><u>Nondepreciable capital assets:</u></i>				
Land	\$ 23,982	\$ -	\$ -	\$ 23,982
Construction in progress	1,076,237	436,141	(797,529)	714,849
Total nondepreciable capital assets	1,100,219	436,141	(797,529)	738,831
<i><u>Depreciable capital assets:</u></i>				
Buildings	71,361	-	-	71,361
Utility systems	9,675,657	1,035,843	-	10,711,500
Equipment	273,289	-	-	273,289
Total depreciable capital assets	10,020,307	1,035,843	-	11,056,150
<i>Less accumulated depreciation for:</i>				
Buildings	(24,445)	(1,427)	-	(25,872)
Equipment	(110,221)	(21,703)	-	(131,924)
Utility systems	(1,979,934)	(205,489)	-	(2,185,423)
Total accumulated depreciation	(2,114,600)	(228,619)	-	(2,343,219)
Net depreciable capital assets	7,905,707	807,224	-	8,712,931
Net business-type capital assets	\$ 9,005,926	\$ 1,243,365	\$ (797,529)	\$ 9,451,762

**F. Long-Term Debt**

**Business-Type Activities:**

**Revenue Bonds.** Revenue bonds are an obligation of the City payable from net income of the sewer fund. Debt Reserve requirements are \$4,542 and the City was in compliance for the fiscal year 2006-2007. The future requirements for amortization of outstanding revenue bonds are as follows:

Issue of March 27, 2007  
 Original amount: \$882,400  
 Interest rate 4.125%  
 Purpose: South Sewer Improvements

<u>Fiscal Year</u>	<u>USDA # 92-08 payable from Sewer Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 45,418	\$ 9,019	\$ 36,399
2008-09	45,418	9,391	36,027
2009-10	45,418	9,778	35,640
2010-11	45,418	10,181	35,237
2011-12	45,418	10,601	34,817
2012-16	227,088	59,939	167,149
2017-21	227,088	73,363	153,725
2022-26	227,088	89,795	137,293
2027-31	227,088	109,908	117,180
2032-36	227,088	134,525	92,563
2037-41	227,088	164,657	62,431
2042-46	<u>226,794</u>	<u>201,243</u>	<u>25,551</u>
Total	<u>\$ 1,816,412</u>	882,400	<u>\$ 934,012</u>
Less current portion		<u>(9,019)</u>	
		<u>\$ 873,381</u>	

**Notes Payable.** The notes payable consist of a note payable to the Oregon Department of Environmental Quality (DEQ) from net income of the sewer fund, notes payable to the Oregon Economic and Community Development Department (OECDD) from the net revenues of the utility funds, and a note payable to Umpqua Bank (Umpqua) from net income of the water fund. The DEQ Sewer Fund note requires a reserve of \$17,791. The City was in compliance with this reserve for the year ending June 30, 2007. The future requirements for amortization of the outstanding note balances are as follows:

Issue date: September 1, 2000  
 Original amount: \$243,857  
 Interest rate: 3.43%  
 Purpose: Golf course pump station

<u>Fiscal Year</u>	<u>DEQ #94341B payable from Sewer Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 17,514	\$ 11,353	\$ 6,161
2008-09	17,514	11,746	5,768
2009-10	17,514	12,151	5,363
2010-11	17,514	12,572	4,942
2011-12	17,514	13,007	4,507
2012-16	87,570	72,102	15,468
2017-20	52,532	49,518	3,014
Total	<u>\$ 227,672</u>	182,449	<u>\$ 45,223</u>
Less current portion		<u>(11,353)</u>	
		<u>\$ 171,096</u>	

Issue date: 9-30-2003  
 Original amount: \$519,900  
 Interest rate: 1%  
 Purpose: Water Source Improvements

<u>Fiscal Year</u>	<u>OECDD #S01008 Payable from Water Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 20,145	\$ 15,553	\$ 4,592
2008-09	20,146	15,709	4,437
2009-10	20,146	15,866	4,280
2010-11	20,145	16,024	4,121
2011-12	20,145	16,185	3,960
2012-16	100,726	83,383	17,343
2017-21	100,725	87,636	13,089
2022-26	100,726	92,107	8,619
2027-31	100,726	96,805	3,921
2032	20,144	19,945	199
Total	<u>\$ 523,774</u>	459,213	<u>\$ 64,561</u>
Less current portion		<u>(15,553)</u>	
		<u>\$ 443,660</u>	

Issue date: 10-28-05  
 Original amount: \$125,875  
 Interest rate: 5.2%  
 Purpose: Lagoon rehabilitation

<u>Fiscal Year</u>	<u>OECD Y03006 Payable from Sewer Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 17,083	\$ 11,608	\$ 5,475
2008-09	17,176	12,289	4,887
2009-10	17,176	12,906	4,270
2010-11	17,176	13,553	3,623
2011-12	17,176	14,234	2,942
2012-13	17,176	14,948	2,228
2013-14	17,176	15,699	1,477
2014-15	<u>7,887</u>	<u>7,198</u>	<u>689</u>
Total	<u>\$ 128,026</u>	102,435	<u>\$ 25,591</u>
Less current portion		<u>(11,608)</u>	
		<u>\$ 90,827</u>	

Issue date: 3-14-2003  
 Original amount: \$100,000  
 Interest rate: 4.5%  
 Purpose: Water source improvements

<u>Fiscal Year</u>	<u>Umpqua Bank Payable from Water Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 12,602	\$ 9,768	\$ 2,834
2008-09	12,952	10,045	2,907
2009-10	12,952	10,663	2,289
2010-11	12,952	11,320	1,632
2011-12	12,952	12,017	935
2012-13	<u>9,262</u>	<u>9,043</u>	<u>219</u>
Total	<u>\$ 73,672</u>	62,856	<u>\$ 10,816</u>
Less current portion		<u>(9,768)</u>	
		<u>\$ 53,088</u>	

**Governmental Activities:**

**General Obligation Bonds.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds may be issued for both general government and proprietary funds. Bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues, otherwise they are reported in the Governmental Activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City of Waldport reports all its general obligation bonds as obligations of the Governmental Activities and they are payable from ad valorem taxes of the debt service fund. Debt reserve requirements are \$92,300 and the City was in compliance for the fiscal year 2006-2007.

The future requirements for amortization of outstanding water bonds are as follows:

Issue date: July 29, 1994  
 Original amount: \$1,583,300  
 Interest rate: 4.5%  
 Purpose: Sewer plant construction

<u>Fiscal Year</u>	<u>USDA Payable from Debt Service Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 86,052	\$ 25,106	\$ 60,946
2008-09	86,053	26,236	59,817
2009-10	86,053	27,417	58,636
2010-11	86,053	28,651	57,402
2011-12	86,053	29,940	56,113
2012-16	430,265	171,163	259,102
2017-21	430,265	213,300	216,965
2022-26	430,265	265,811	164,454
2027-31	662,496	331,248	331,248
2032-36	470,986	235,493	235,493
Total	<u>\$ 2,854,541</u>	1,354,365	<u>\$ 1,500,176</u>
Less current portion		<u>(25,106)</u>	
		<u>\$ 1,329,259</u>	

Issue of March 1, 1999  
 Original amount: \$385,000  
 Interest rate: 4.63%  
 Purpose: Water plant construction (refunding)

<u>Fiscal Year</u>	<u>US Bank Payable from Debt Service Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 49,162	\$ 45,000	\$ 4,162
2008-09	47,093	45,000	2,093
Total	<u>\$ 96,255</u>	90,000	<u>\$ 6,255</u>
Less current		<u>(45,000)</u>	
		<u>\$ 45,000</u>	

**Revenue Bonds.** Revenue bonds consist of a bond payable to Bank of America from tax increment revenues of the urban renewal debt service fund and limited tax improvement bonds payable to US Department of Agriculture – Rural Development (USDA) from special assessments of the debt service fund. Debt Reserve requirements are \$164,490 and the City was in compliance for the fiscal year 2006-2007. The future requirements for amortization of outstanding revenue bonds are as follows:

Issue date: January 30, 2001  
 Amount: \$1,490,000  
 Interest rate: 5.45%  
 Purpose: Urban Renewal Projects

<u>Fiscal Year</u>	<u>Bank of America Payable from Urban Renewal Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 183,837	\$ 141,000	\$ 42,837
2008-09	184,153	149,000	35,153
2009-10	184,032	157,000	27,032
2010-11	183,476	165,000	18,476
2011-12	<u>182,023</u>	<u>172,540</u>	<u>9,483</u>
Total	<u>\$ 917,521</u>	784,540	<u>\$ 132,981</u>
Less current		<u>(141,000)</u>	
		<u>\$ 643,540</u>	

Issue of March 27, 2007  
 Original amount: \$237,400  
 Interest rate: 4.125%  
 Purpose: South Sewer Improvements

<u>Fiscal Year</u>	<u>USDA Payable from Debt Service Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007-08	\$ 12,220	\$ 2,427	\$ 9,793
2008-09	12,220	2,527	9,693
2009-10	12,220	2,632	9,588
2010-11	12,220	2,740	9,480
2011-12	12,220	2,853	9,367
2012-16	61,100	16,132	44,968
2017-21	61,100	19,746	41,354
2022-26	61,100	24,169	36,931
2027-31	61,100	29,582	31,518
2032-36	61,100	36,206	24,894
2037-41	61,100	44,316	16,784
2042-46	<u>60,929</u>	<u>54,070</u>	<u>6,859</u>
Total	<u>\$ 488,629</u>	237,400	<u>\$ 251,229</u>
Less current portion		<u>(2,427)</u>	
		<u>\$ 234,973</u>	

**Notes Payable.** The notes payable consisted of two notes 1.) a note between the City and the Oregon Department of Environmental Quality (DEQ) dated November 1, 1993 and in the amount of \$276,691. It is to be repaid from special assessments of the Debt Service Fund. On August 9, 2007, the City elected to pay off the principal and interest at 3%. The payoff amount consisted of \$28,012 in principal and \$233 of interest 2.) a note, with the Department of Environmental Quality, that is to be repaid from tax increment revenues of the Urban Renewal Debt Service Fund. The DEQ note requires a reserve of \$31,908. The City was in compliance with this reserve for the year ending June 30, 2007. The future requirements for amortization of the outstanding note balances are as follows:

Issue date: September 1, 2000  
 Original amount: \$460,551  
 Interest rate: 3.43%  
 Purpose: Sewer infrastructure improvements

Fiscal Year	DEQ # R94341 Payable from Urban Renewal Fund		
	Total	Principal	Interest
2007-08	\$ 54,222	\$ 46,187	\$ 8,035
2008-09	54,282	47,784	6,498
2009-10	54,282	49,437	4,845
2010-11	54,282	51,147	3,135
2011-12	54,284	52,918	1,366
Total	<u>\$ 271,352</u>	247,473	<u>\$ 23,879</u>
Less current		<u>(46,187)</u>	
		<u>\$ 201,286</u>	

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2007:

	Balance 6/30/2006	Additions	Reductions	Balance 6/30/2007	Amount due within one year
<b>Business-type activities:</b>					
Revenue bond - USDA	\$ -	\$ 882,400	\$ -	\$ 882,400	\$ 9,019
Note payable - DEQ	193,422	-	10,973	182,449	11,353
Note payable - OECDD	474,612	-	15,399	459,213	15,553
Note payable - Umpqua	72,189	-	9,333	62,856	9,768
Note payable - OECDD	115,350	-	12,915	102,435	11,608
Note payable - DEQ	794,100	-	794,100	-	-
<b>Total business-type activities</b>	<b>1,649,673</b>	<b>882,400</b>	<b>842,720</b>	<b>1,689,353</b>	<b>57,301</b>
<b>Governmental activities:</b>					
General obligation bonds	1,378,631	-	24,266	1,354,365	25,106
General obligation bonds	130,000	-	40,000	90,000	45,000
Revenue bond - B of A	919,000	-	134,460	784,540	141,000
Revenue bond - USDA	-	237,400	-	237,400	2,427
Note payable - DEQ	32,681	-	4,669	28,012	28,012
Note payable - DEQ	292,115	-	44,642	247,473	46,187
Note payable - DEQ	427,600	-	427,600	-	-
<b>Total governmental activities</b>	<b>\$3,180,027</b>	<b>\$ 237,400</b>	<b>\$ 675,637</b>	<b>\$2,741,790</b>	<b>\$ 287,732</b>

**Changes in other liabilities.** The following is a summary of changes in other liabilities during the fiscal year ended June 30, 2007:

	Balance 6/30/2006	Additions	Reductions	Balance 6/30/2007	Amount due within one year
<b>Governmental Activities:</b>					
Vacation payable	\$ 13,420	\$ 16,788	\$ 15,917	\$ 14,291	\$ 14,291
<b>Business-type Activities:</b>					
Vacation payable	\$ 18,195	\$ 31,285	\$ 26,706	\$ 22,774	\$ 22,774

**G. Restricted Net Assets**

The City's bond covenants require certain reservations of certain fund's net assets for repayment of debt service. Additionally, amounts are restricted for system development. Net assets in these funds are classified as follows:

Governmental Activities:	Debt Service		Urban Renewal		
	Fund	Streets	Fund	Non-major Funds	Total
Net assets restricted for:					
Debt service	\$ 190,630	\$ -	\$ 340,025	\$ -	\$ 530,655
Streets	-	178,602	-	-	178,602
System development	-	-	-	14,178	14,178
	<u>\$ 190,630</u>	<u>\$ 178,602</u>	<u>\$ 340,025</u>	<u>\$ 14,178</u>	<u>\$ 723,435</u>

Business-Type activities

	Water	Sewer	Total
Net assets restricted for:			
Debt service	\$ 32,631	\$ 39,296	\$ 71,927
System development	145,216	273,788	419,004
	<u>\$ 177,847</u>	<u>\$ 313,084</u>	<u>\$ 490,931</u>

**H. Interfund Transfers**

	Transfer out	Transfer in
Governmental Activities:		
General Fund	\$ -	\$ 114,434
Street Fund	18,547	-
Urban Renewal Construction Fund	38,994	-
Business-type Activities:		
Water	40,566	38,994
Sewer	55,321	-
Total	<u>\$ 153,428</u>	<u>\$ 153,428</u>

The above transfers are routine in nature and occur annually. These include transfers to the General Fund to support the administration of the City.

**IV. OTHER INFORMATION**

**A. Contingent Liabilities**

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

## C. Defined Benefit Pension Plan

### ***Public Employees Retirement System***

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

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

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

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

*Funding Policy.* Plan members are required to contribute 6% of their annual covered salary. The City "picks up" employee contributions at a rate of 6% as allowed under ORS 237.075. The City is required to contribute at an actuarially determined rate; the current rate of annual covered payroll for Tier I and Tier II employees is 10.49% for general service employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan. The rate for OPSRP is set at 5.80% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the PERS Board of Trustees.

*Annual Pension Cost.* For 2006-2007 the City's annual pension cost of \$78,936 was equal to the City's required and actual contributions. This consisted of \$50,214 from the City and \$28,722 paid by the City on behalf of employees. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the Projected Unit Credit method. The unfunded Actuarial Liability is amortized as a level percentage of covered payroll through December 31, 2027. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.75% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, and (c) 2.75% per year cost-of-living adjustments. Demographic and economic assumptions are reviewed annually and may be adjusted for mortality, retirement, termination and disability rate changes. Because all PERS employees are required by law to submit the contributions adopted by the Retirement Board, the employer contributions are calculated in conformance with the Standards of GASB 27, and there is no net pension obligation. The contributions actually made are equivalent to the Annual Pension Cost.

Because all PERS employers are required by law to submit the contributions adopted by the PERS Retirement Board, and employer contributions are calculated in conformance with the Standards of GASB Statement No. 27, there is no Net Pension Benefit Obligation. The contributions made for the years ending June 30, 2007, 2006, and 2005 were \$78,936, \$80,067 and \$66,967, respectively.

**IRC Section 457 Plan**

The City contributes 12 percent of the public works superintendent's salary to a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is payable to employees upon retirement, death or unforeseen emergency. Under the plan, participants select investments from alternatives offered by the plan administrator, PEBSCO (Nationwide Retirement Solutions), who is under contract with the City to manage the plan. By making the selection, enrollees accept and assume all risks that pertain to the plan and its administration. The City does not hold assets in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the City employees' deferred compensation plan created in accordance with IRC Section 457 is not reported in the financial statements of the City.

For the years ended June 30, 2007, 2006, and 2005 the City contributed \$7,364, \$5,818, and \$0, respectively, to employee accounts on their behalf.

**D. 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; and natural disasters for which the City carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the City has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

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

**E. Commitments**

At the end of the 2006-07 fiscal year, various departments within the City had several contracts outstanding: The significant contracts are shown below:

<u>Fund</u>	<u>Description</u>	<u>Original Contract Amount</u>	<u>Outstanding Contract Amount</u>	<u>% Complete</u>
URA Construction	Library improvements	\$ 164,139	\$ 28,553	83%
URA Construction	Downtown revitalization	509,489	194,859	62%
Water Fund	Lint Slough Waterline	169,299	130,305	23%
Water Fund	Reservoir Rehabilitation	158,145	108,759	31%
Sewer Fund	Lagon Rehabilitation	605,209	64,600	89%
		<u>\$ 1,606,281</u>	<u>\$ 527,076</u>	<u>67%</u>

**E. Restatement of Beginning Net Assets**

During the 2006-07 fiscal year, management discovered an error that occurred in prior year related to construction in process. Interest paid on Department of Environmental Quality Note #R94344 for construction was not capitalized. Due to this error, the Sewer Fund capital assets were understated and interest expense was overstated.

The adjustment for this is considered a correction of an error and resulted in a prior period adjustment to the Sewer Fund financial statements for 2006-07. The effect of the prior period adjustment is:

*Sewer Fund:*

Construction in Process was understated as of the year ended June 30, 2006. If the Construction in Process had been correctly stated as of June 30, 2006, net assets and net income would have increased by \$25,649.

**F. Subsequent Events**

On July 17, 2007, the City entered into a new loan agreement with Umpqua Bank to assist in the funding of Urban Renewal projects, to be paid from tax increment revenues of the Urban Renewal Debt Service fund. This note is for \$190,000 with an interest rate of 4.9% for a term of five years.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

## MAJOR FUNDS

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**General Fund** – This fund is used to account for resources and activities directly associated with carrying out the operations related to the City's basic objectives. Included are all resources and activities that are not required legally or by sound financial management to be accounted for in another fund. The primary sources of revenue are property taxes and intergovernmental revenue.

### **Special Revenue Funds**

**Street** - This fund is used to account for the proceeds of state highway fund revenues and charges for services. Expenditures are for street repairs and maintenance. The Waldport Road District, a separate taxing entity, contracts with the street fund for the purpose of carrying out street improvement projects.

**Urban Renewal Debt Service** - This fund is used to account for the servicing of general long term debt, financed by revenues raised under Section 1c, Article XI of the Oregon Constitution, and Chapter 457.

### **Capital Project Funds**

**Urban Renewal Construction** - This fund is used to account for construction and administration within the urban renewal area, financed by interest earnings and transfers.

### **Debt Service Funds**

**Debt Service** - This fund is used to account for the servicing of governmental long term debt. The primary source of revenue is property taxes, assessments, loan proceeds and interest earnings.

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2007**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Property taxes - current year (net)	\$ 316,400	\$ 316,400	\$ 331,284	\$ 14,884
Previously levied taxes	21,000	21,000	18,331	(2,669)
Franchise and room taxes	97,100	97,100	107,442	10,342
Intergovernmental	190,283	190,283	165,475	(24,808)
Fees and fines	59,600	59,600	31,517	(28,083)
Licenses and Permits	-	-	34,629	34,629
Charges for services	17,405	17,405	16,547	(858)
Interest earnings	7,000	7,000	13,517	6,517
Donations & grants	-	-	29,227	29,227
Other	23,000	58,000	44,399	(13,601)
<b>Total revenues</b>	<b><u>731,788</u></b>	<b><u>766,788</u></b>	<b><u>792,368</u></b>	<b><u>25,580</u></b>
Expenditures:				
General government:				
Administration	282,591	290,091	290,800	(709)
Land use planning	34,400	37,400	37,142	258
Municipal court	15,300	15,300	14,166	1,134
Public safety	300,067	303,067	301,383	1,684
Culture and recreation:				
Library services	210,231	245,231	237,490	7,741
Contingency	128,333	114,833	-	114,833
<b>Total expenditures</b>	<b><u>970,922</u></b>	<b><u>1,005,922</u></b>	<b><u>880,981</u></b>	<b><u>124,941</u></b>
Excess (deficiency) of revenues over (under) expenditures	<u>(239,134)</u>	<u>(239,134)</u>	<u>(88,613)</u>	<u>150,521</u>
Other financing sources (uses):				
Transfer in	114,434	114,434	114,434	-
Advances to other funds	(80,000)	(80,000)	(80,000)	-
<b>Total other financing sources (uses)</b>	<b><u>34,434</u></b>	<b><u>34,434</u></b>	<b><u>34,434</u></b>	<b><u>-</u></b>
Net change in fund balance	(204,700)	(204,700)	(54,179)	150,521
Fund balance at beginning of year	<u>204,700</u>	<u>204,700</u>	<u>344,727</u>	<u>140,027</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	290,548	<u>\$ 290,548</u>
Reconciliation to generally accepted accounting principles basis:				
Record advance as interfund loan receivable			<u>80,000</u>	
GAAP basis fund balance			<u>\$ 370,548</u>	

See auditor's report.

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**STREET FUND**  
**For the Fiscal Year Ended June 30, 2007**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 97,088	\$ (2,912)
Grant proceeds	12,500	12,500	12,500	-
Charges for services	104,300	104,300	104,300	-
Interest earnings	1,200	1,200	6,041	4,841
	<u>218,000</u>	<u>218,000</u>	<u>219,929</u>	<u>1,929</u>
Total revenues				
Expenditures:				
Highways and streets				
Materials and services	116,300	116,300	101,075	15,225
Capital outlay	53,000	77,520	64,853	12,667
Contingency	165,153	140,633	-	140,633
	<u>334,453</u>	<u>334,453</u>	<u>165,928</u>	<u>168,525</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(116,453)	(116,453)	54,001	170,454
Other financing sources (uses):				
Transfer out	(18,547)	(18,547)	(18,547)	-
Net change in fund balance	(135,000)	(135,000)	35,454	170,454
Fund balance at beginning of year	135,000	135,000	146,394	11,394
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	181,848	<u>\$ 181,848</u>

Reconciliation to generally accepted accounting principles basis:

Adjust for change in inventory (3,246)

GAAP basis net assets \$ 178,602

See auditor's report.

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**URBAN RENEWAL DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2007**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Tax increment revenues	\$ 252,900	\$ 252,900	\$ 268,173	\$ 15,273
Interest earnings	9,000	9,000	18,469	9,469
Total revenues	<u>261,900</u>	<u>261,900</u>	<u>286,642</u>	<u>24,742</u>
Expenditures:				
Debt service:				
Interest	61,076	61,076	60,996	80
Principal	177,642	177,642	177,642	-
Total expenditures	<u>238,718</u>	<u>238,718</u>	<u>238,638</u>	<u>80</u>
Net change in fund balance	23,182	23,182	48,004	24,822
Fund balance at beginning of year	<u>275,000</u>	<u>275,000</u>	<u>292,021</u>	<u>17,021</u>
Fund balance at end of year	<u><u>\$ 298,182</u></u>	<u><u>\$ 298,182</u></u>	<u><u>\$ 340,025</u></u>	<u><u>\$ 41,843</u></u>

See auditor's report.

## **SUPPLEMENTARY INFORMATION**

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**URBAN RENEWAL CONSTRUCTION FUND**  
**For the Fiscal Year Ended June 30, 2007**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Interest earnings	\$ 12,500	\$ 12,500	\$ 25,431	\$ 12,931
Other	29,850	29,850	4,058	(25,792)
Total revenues	<u>42,350</u>	<u>42,350</u>	<u>29,489</u>	<u>(12,861)</u>
Expenditures:				
General government				
Materials and services	19,105	19,105	18,743	362
Capital outlay	580,890	580,890	397,942	182,948
Contingency	82,355	82,355	-	82,355
Total expenditures	<u>682,350</u>	<u>682,350</u>	<u>416,685</u>	<u>265,665</u>
Excess of (deficiency) of revenues over (under) expenditures	(640,000)	(640,000)	(387,196)	252,804
Other financing sources (uses):				
Advances from other funds	80,000	80,000	80,000	-
Net change in fund balance	(560,000)	(560,000)	(307,196)	252,804
Fund balance at beginning of year	<u>560,000</u>	<u>560,000</u>	<u>515,497</u>	<u>(44,503)</u>
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>\$ -</u>	208,301	<u>\$ 208,301</u>
Reconciliation to generally accepted accounting principles basis				
Reclassify advances from other funds to balance sheet			<u>(80,000)</u>	
GAAP basis fund balance			<u>\$ 128,301</u>	

See auditor's report.

**CITY OF WALDPORT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
For the Fiscal Year Ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 115,732	\$ 115,732	\$ 117,287	\$ 1,555
Special assessments	32,400	112,400	114,122	1,722
Interest earnings	7,400	7,400	13,290	5,890
Total revenues	<u>155,532</u>	<u>235,532</u>	<u>244,699</u>	<u>9,167</u>
Expenditures:				
Debt service:				
Interest	68,911	68,911	68,660	251
Principal	68,684	496,284	496,535	(251)
Total expenditures	<u>137,595</u>	<u>565,195</u>	<u>565,195</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,937</u>	<u>(329,663)</u>	<u>(320,496)</u>	<u>9,167</u>
Other financing sources (uses):				
Issuance of debt	-	237,400	237,400	-
Net change in fund balance	17,937	(92,263)	(83,096)	9,167
Fund balance at beginning of year	<u>253,400</u>	<u>253,400</u>	<u>273,726</u>	<u>20,326</u>
Fund balance at end of year	<u>\$ 271,337</u>	<u>\$ 161,137</u>	<u>\$ 190,630</u>	<u>\$ 29,493</u>

See auditor's report.

## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds:

Special Revenue Funds are used to account for resources and activities that are required legally or by sound financial management to be accounted for in separate funds.

**Community** - This fund is used to account for park assessments and system development charges, providing park and recreation maintenance and development.

**Waldport Road District** - This fund is used to account for property taxes and transactions related to road improvements.

**CITY OF WALDPOR**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2007

	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>Community Fund</u>	<u>Road District Fund</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 74,971	\$ 6,255	\$ 81,226
Receivables:			
Property taxes - current	-	6,103	6,103
Total assets	<u>\$ 74,971</u>	<u>\$ 12,358</u>	<u>\$ 87,329</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 812	\$ -	\$ 812
Deferred revenue	-	5,699	5,699
Total liabilities	<u>812</u>	<u>5,699</u>	<u>6,511</u>
Fund balances:			
Reserved for system development	14,178	-	14,178
Unreserved, reported in:			
Special revenue funds	<u>59,981</u>	<u>6,659</u>	<u>66,640</u>
Total fund balances	<u>74,159</u>	<u>6,659</u>	<u>80,818</u>
Total liabilities and fund balances	<u>\$ 74,971</u>	<u>\$ 12,358</u>	<u>\$ 87,329</u>

See auditor's report.

**CITY OF WALDPOR**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>Community Fund</u>	<u>Road District Fund</u>	
Revenues:			
Property taxes - current year (net)	\$ -	\$ 98,578	\$ 98,578
Previously levied taxes	-	3,826	3,826
Intergovernmental revenue	18,000	-	18,000
Charges for services	35,614	-	35,614
Interest earnings	3,003	749	3,752
Other	1,131	-	1,131
	<u>57,748</u>	<u>103,153</u>	<u>160,901</u>
Total revenues			
Expenditures:			
Highway and streets	-	104,426	104,426
Culture and recreation	27,824	-	27,824
	<u>27,824</u>	<u>104,426</u>	<u>132,250</u>
Total expenditures			
Net change in fund balance	29,924	(1,273)	28,651
Fund balance at beginning of year	<u>44,235</u>	<u>7,932</u>	<u>52,167</u>
Fund balance at end of year	<u>\$ 74,159</u>	<u>\$ 6,659</u>	<u>\$ 80,818</u>

See auditor's report.

**CITY OF WALDPORT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**COMMUNITY FUND**  
For the Fiscal Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Charges for services	\$ 39,450	\$ 35,614	\$ (3,836)
Interest earnings	1,200	3,003	1,803
Intergovernmental revenue	-	18,000	18,000
Other	1,700	1,131	(569)
	<u>42,350</u>	<u>57,748</u>	<u>15,398</u>
Total revenues			
Expenditures:			
Culture and recreation			
Materials and services	18,300	18,174	126
Capital outlay	69,750	9,650	60,100
	<u>88,050</u>	<u>27,824</u>	<u>60,226</u>
Total expenditures			
Net change in fund balance	(45,700)	29,924	75,624
Fund balance at beginning of year	<u>55,200</u>	<u>44,235</u>	<u>(10,965)</u>
Fund balance at end of year	<u>\$ 9,500</u>	<u>\$ 74,159</u>	<u>\$ 64,659</u>

See auditor's report.

**CITY OF WALDPORT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD DISTRICT FUND**  
For the Fiscal Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes - current year (net)	\$ 94,400	\$ 98,578	\$ 4,178
Previously levied taxes	5,100	3,826	(1,274)
Interest earnings	300	749	449
	<hr/>	<hr/>	<hr/>
Total revenues	99,800	103,153	3,353
Expenditures:			
Highway and streets			
Materials and services	104,500	104,426	74
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(4,700)	(1,273)	3,427
Fund balance at beginning of year	4,700	7,932	3,232
	<hr/>	<hr/>	<hr/>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 6,659</u>	<u>\$ 6,659</u>

See auditor's report.

## PROPRIETARY FUNDS

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Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City's council has decided that periodic determination of net income is appropriate for accountability purposes.

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**Water** - This fund is used to account for the activities of the water operations. The primary source of revenue is charges for services.

**Sewer** - This fund is used to account for the activities of the sewer operations. The primary source of revenue is charges for services.

**Public Works Internal Service Fund** - This fund serves as a centralized pool of labor, materials, equipment and vehicles, which provides services to various funds and other entities. The primary source of revenue is charges for services.

**CITY OF WALDPORT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**WATER FUND**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services	\$ 558,593	\$ 504,719	\$ (53,874)
Operating expenses:			
Materials and services	383,200	335,843	47,357
Capital outlay	174,448	84,497	89,951
Contingency	7,328	-	7,328
Total operating expenses	<u>564,976</u>	<u>420,340</u>	<u>144,636</u>
Operating income (loss)	<u>(6,383)</u>	<u>84,379</u>	<u>90,762</u>
Nonoperating revenue (expenses):			
Interest earnings	3,600	14,952	11,352
Debt service	<u>(33,131)</u>	<u>(32,630)</u>	<u>501</u>
Total nonoperating revenue (expenses)	<u>(29,531)</u>	<u>(17,678)</u>	<u>11,853</u>
Income (loss) before transfers	(35,914)	66,701	102,615
Transfers in (out)	<u>(40,566)</u>	<u>(40,566)</u>	<u>-</u>
Change in net assets	(76,480)	26,135	102,615
Net working capital at beginning of year	<u>210,145</u>	<u>328,971</u>	<u>118,826</u>
Net working capital at end of year	<u>\$ 133,665</u>	<u>355,106</u>	<u>\$ 221,441</u>
Reconciliation to generally accepted accounting principles basis			
Change in receivable		180	
Change in inventory		(1,239)	
Change in accrued interest payable		102	
Change in current portion of long-term debt		<u>(588)</u>	
GAAP basis net working capital		<u>\$ 353,561</u>	

See auditor's report.

**CITY OF WALDPORT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**SEWER FUND**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services	\$ 610,062	\$ 560,670	\$ (49,392)
Operating expenses:			
Materials and services	389,900	382,183	7,717
Capital outlay	541,000	480,015	60,985
Total operating expenses	<u>930,900</u>	<u>862,198</u>	<u>68,702</u>
Operating income (loss)	<u>(320,838)</u>	<u>(301,528)</u>	<u>19,310</u>
Nonoperating revenue (expenses):			
Grant proceeds	505,000	451,447	(53,553)
Interest earnings	10,500	23,743	13,243
Issuance of debt	882,400	882,400	-
Debt service	(919,030)	(900,678)	18,352
Total nonoperating revenue (expenses)	<u>478,870</u>	<u>456,912</u>	<u>(21,958)</u>
Income (loss) before transfers	158,032	155,384	(2,648)
Transfers in (out)	<u>(55,321)</u>	<u>(55,321)</u>	<u>-</u>
Change in net assets	102,711	100,063	(2,648)
Net working capital at beginning of year	<u>424,843</u>	<u>440,022</u>	<u>15,179</u>
Net working capital at end of year	<u>\$ 527,554</u>	540,085	<u>\$ 12,531</u>
Reconciliation to generally accepted accounting principles basis			
Change in receivable		661	
Change in inventory		2,981	
Change in accrued interest payable		(9,954)	
Change in current portion of long-term debt		<u>19,465</u>	
GAAP basis net working capital		<u>\$ 553,238</u>	

See auditor's report.

**CITY OF WALDPORT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**PUBLIC WORKS INTERNAL SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services	\$ 682,000	\$ 667,085	\$ (14,915)
Operating expenses:			
Personal services	591,141	568,712	22,429
Materials and services	52,900	47,123	5,777
Contingency	22,321	-	22,321
Total operating expenses	<u>666,362</u>	<u>615,835</u>	<u>50,527</u>
Operating income (loss)	15,638	51,250	35,612
Nonoperating revenue (expenses):			
Interest earnings	<u>2,000</u>	<u>2,524</u>	<u>524</u>
Change in net assets	17,638	53,774	36,136
Net working capital at beginning of year	<u>14,000</u>	<u>(1,463)</u>	<u>(15,463)</u>
Net working capital at end of year	<u>\$ 31,638</u>	<u>52,311</u>	<u>\$ 20,673</u>
Reconciliation to generally accepted accounting principles basis			
Change in accrued compensation payable		<u>(4,579)</u>	
GAAP basis net working capital		<u>\$ 47,732</u>	

See auditor's report.

**ACCOMPANYING INFORMATION**



**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**

November 20, 2007

To the Governing Body of the City of Waldport:

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 Waldport as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

## Compliance and Other Matters

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

This report is intended solely for the information and use of management; the City Council, the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.



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Hough, MacAdam & Wartnik, LLC  
Certified Public Accountants

## INDEPENDENT AUDITOR'S COMMENTS

June 30, 2007

### **Audit Report Requirements**

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

### **Accounting Systems and Internal Control**

The City of Waldport's accounting systems are adequate and the accounting records are properly maintained. The internal controls for the City are operating as designed and no material weaknesses or significant deficiencies were noted.

### **Collateral**

Based on the results of our tests, balances on deposit with financial institutions were collateralized in accordance with the requirements of ORS 295.015.

### **Indebtedness**

Based on the results of our tests, the City has not exceeded its legal debt limitations as provided by ORS 287.004. The City was in compliance with all debt covenants and all payments were made on a timely basis.

### **Insurance and Fidelity Bonds**

We examined insurance policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering City owned property in force at June 30, 2007, are adequate.

Based on the results of our tests, the City has complied with the provisions of ORS 221.903 regarding the bonding of City personnel.

### **Investments**

Based on the results of our tests, at fiscal year end, the City was in compliance with legal requirements of ORS 294 pertaining to investment of public funds.

### **Budget**

We reviewed the preparation, adoption and execution of the budget for the current year, and the preparation and adoption of the budget for the ensuing fiscal year.

The resolution authorizing appropriations for each fund sets the levels by which expenditures cannot legally exceed appropriations. The level of control for the general fund is by department. Total personal services, materials and services, capital outlay, debt service, contingency and transfers are the levels of control for the remaining funds.

The City has complied with statutory requirements for the current and ensuing year's budgets except as follows:

Expenditures exceeded appropriations for the current fiscal year:

General Fund:

Administration

\$ 709

### **Public Contracts and Purchasing**

Based on the results of our tests and our review of the minutes, the City appears to be in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.

### **Programs Funded from Outside Sources**

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the City complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance.

### **Highway Funds**

The City is in compliance with legal requirements pertaining to the use of revenue from taxes on motor vehicle use fuel and road funds.

### **Statement of Accountability for Independently Elected Officials**

This statement is not applicable to the City of Waldport.



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

November 20, 2007

To the Governing Body of the City of Waldport:

**Compliance**

We have audited the compliance of the City of Waldport with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The City of Waldport's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Waldport's management. Our responsibility is to express an opinion on the City of Waldport's compliance based on our audit.

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

In our opinion, the City of Waldport complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

**Internal Control Over Compliance**

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

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the city's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses as defined above.

This report is intended solely for the information of management; the City Council of the City of Waldport; the State of Oregon, Secretary of State, Division of Audits; and the cognizant and other federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.



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Hough, MacAdam & Wartnik, LLC  
Certified Public Accountants

**CITY OF WALDPOR, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2007**

**SECTION I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Waldport.
2. No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the basic financial statements of the City of Waldport.
3. No instances of noncompliance material to the basic financial statements of the City of Waldport were disclosed during the audit.

**Federal Awards**

4. No material weaknesses or significant deficiencies in internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for the City of Waldport expresses an unqualified opinion.
6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.
7. The program tested as a major program was:  

Water and Waster Disposal Systems for Rural Communities      CFDA # 10.760
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Waldport was not determined to be a low-risk auditee.

**SECTION II FINDINGS - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**CITY OF WALDPART, OREGON**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Fiscal Year Ended June 30, 2007**

FINDING:

06-02	A copy of an invoice submitted for reimbursement from a federal program did not agree with the original invoice.
Condition	A reimbursement request tested included a copy of an invoice that did not agree to the original. The invoice was changed by the vendor at the request of management to include prior expenses subsequently authorized for reimbursement.
Recommendation	Ensure that all requests for reimbursement are supported by original invoice documentation.
Current Status	Managements has implemented recommendation. No similar findings were noted during the June 30, 2007 audit.

**CITY OF WALDPOR**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal Grantor/Program Title		
<u>U.S. Department of Agriculture</u>		
Water and Waste Disposal Systems for Rural Communities	10.760 *	\$ 1,571,247
<u>U.S. Department of Commerce, National Oceanographic and Atmospheric Administration</u>		
Passed through Oregon Department of Land Conservation and Development Coastal Management		
Coastal Zone Management Grant	11.419	<u>4,000</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,575,247</u></u>

\* Major Program

**CITY OF WALDPOR**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2007**

**Note1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Waldport and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.