

***CITY OF FALLS CITY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010***

CITY OF FALLS CITY, OREGON
CITY OFFICIALS
JUNE 30, 2010

Mayor

Darrin Fleener
285 N. Main St.
Falls City, Oregon 97344

Council

Erma Ferguson
273 Mill St.
Falls City, Oregon 97344

Julee Bishop
540 Hopkins Rd.
Falls City, Oregon 97344

Bruce Garrett
5135 Waymire Rd.
Falls City, Oregon 97344

Donavan Watkins (July 1, 2009 - March 2010)
260 S. Main St.
Falls City, Oregon 97344

John Volkmann
521 Hopkins St.
Falls City, Oregon 97344

William Lowman
506 1st Ave.
Falls City, Oregon 97344

Henry Hughes (April 10, 2010 to June 30, 2010)
180 Dayton St.
Fallas, City, Oregon 97344

City Staff

Gian Paolo Mammone, City Administrator
Keith Moes, Finance Director

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FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Falls City
299 Mill Street
Falls City, Oregon 97344

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

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

As described in the summary of significant accounting policies of the notes to the financial statements, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Oregon, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City does not maintain historical cost and depreciation records for capital assets including infrastructure, and therefore, no information for capital assets is presented in the financial statements.

In our opinion, except for the matters discussed above, 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 fund information of the City of Falls City, Oregon, as of June 30, 2010, and the respective changes in financial position – modified cash basis thereof for the year then ended, in conformity with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010 on our consideration of the City'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 should be considered in assessing the results of our audit.

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

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
September 29, 2010

CITY OF FALLS CITY, OREGON
 Management's Discussion and Analysis
 June 30, 2010

As management of the City of Falls City, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

	June 30,	
	2010	2009
Net assets	\$ 824,653	\$ 858,643
Change in net assets	(33,990)	190,877
Governmental funds - fund balances	501,206	512,204
Proprietary funds - net assets	323,447	346,439

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Falls City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Assets (Modified Cash Basis). This presents information on the assets and liabilities of the City as of the date on the statement utilizing the modified cash basis of accounting. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (Modified Cash Basis). The *statement of activities* presents information showing how the cash basis net assets of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net assets utilizing the modified cash basis of accounting.

In the government-wide financial statements, the City's basic activities are shown as governmental activities. All basic City government functions are shown here: such as, administration, city hall, legal, parks, streets and police. These activities are primarily financed through property taxes and other intergovernmental activities. The business-type activities of the City includes utility operations.

Fund financial statements. The *fund financial statements* provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City of Falls City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Falls City, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful in obtaining an understanding of each fund's activity.

Proprietary funds. The City of Falls City charges customers for the utility services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and *other supplemental information*.

Government-wide Financial Analysis

	Statements of Net Assets at June 30,					
	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 502,765	\$ 323,447	\$ 826,212	\$ 514,307	\$ 346,439	\$ 860,746
Receivables	237,030	-	237,030	305,691	647	306,338
Total assets	<u>739,795</u>	<u>323,447</u>	<u>1,063,242</u>	<u>819,998</u>	<u>347,086</u>	<u>1,167,084</u>
Other liabilities	238,589	-	238,589	307,794	647	308,441
Net assets:						
Restricted	118,507	77,892	196,399	118,895	222,052	340,947
Unrestricted	<u>382,699</u>	<u>245,555</u>	<u>628,254</u>	<u>393,309</u>	<u>124,387</u>	<u>517,696</u>
Total Net Assets	<u>\$ 501,206</u>	<u>\$ 323,447</u>	<u>\$ 824,653</u>	<u>\$ 512,204</u>	<u>\$ 346,439</u>	<u>\$ 858,643</u>

Statement of Net Assets. The Statement of Net Assets (modified cash basis) is provided on a comparative basis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Falls City, assets exceeded liabilities by \$824,653 as of June 30, 2010. Overall, the financial position of the governmental funds and the financial position of the business-type funds deteriorated.

Restricted net assets represent sources that are subject to external restrictions on their use, such as debt service payments or capital projects. Unrestricted net assets are available for general operations of the City.

Statements of Activity
For the years ended June 30,

	2010			2009		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Receipts						
Charges for service	\$ 93,673	\$ 349,741	\$ 443,414	\$ 11,949	\$ 344,896	\$ 356,845
Operating grants	53,313	-	53,313	77,199	-	77,199
Capital grants	-	-	-	25	-	25
Property taxes	96,540	7,268	103,808	93,005	7,101	100,106
Franchise fees	29,700	-	29,700	30,422	-	30,422
Intergovernmental	18,727	-	18,727	21,192	-	21,192
Miscellaneous	22,148	77	22,225	192,383	-	192,383
<i>Total Receipts</i>	314,101	357,086	671,187	426,175	351,997	778,172
Disbursements						
General government	170,496	-	170,496	96,413	-	96,413
Community services	48,734	-	48,734	31,610	-	31,610
Cemetery	1,639	-	1,639	2,266	-	2,266
Fire	44,801	-	44,801	49,214	-	49,214
Parks	7,696	-	7,696	6,697	-	6,697
Streets	56,233	-	56,233	82,948	-	82,948
Water	-	250,804	250,804	-	208,944	208,944
Sewer	-	124,774	124,774	-	138,203	138,203
<i>Total Disbursements</i>	329,599	375,578	705,177	269,148	347,147	616,295
Loan proceeds	-	-	-	-	29,000	29,000
Transfers	4,500	(4,500)	-	-	-	-
Change in net assets	(10,998)	(22,992)	(33,990)	157,027	33,850	190,877
Net assets – July 1	512,204	346,439	858,643	355,177	312,589	667,766
Net assets – June 30	\$ 501,206	\$ 323,447	\$ 824,653	\$ 512,204	\$ 346,439	\$ 858,643

Statement of Activities (Modified Cash Basis). The key elements of the change in the City's net assets for the year ended June 30, 2010 are as follows:

Key elements in changes in net assets:

Intergovernmental receipts	\$ (25)
Miscellaneous receipts	(170,158)
General government	74,083
Community services	17,124
Streets	(26,715)

Financial Analysis of the City of Falls City's Government Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

General Fund Budget

There were no changes to the General Fund budget during the year.

Significant Fund Transactions

The CDBG fund had a substantial excess of receipts over disbursements due to several loans being paid off in the current year.

Debt Administration

Long-term debt. At the end of the current fiscal year, the City had total revenue-backed bonded debt outstanding of \$1,092,639 and a fire truck loan of \$25,000 outstanding.

During the current fiscal year, the City's total debt decreased by \$56,772 net.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The assessed valuation of the City of Falls City is in excess of \$32,000,000, therefore, the current debt limitation for the City of Falls City is in excess of \$960,000. The City had no outstanding general obligation debt.

Additional information on the City of Falls City's long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and the Next Year's Budget

The City of Falls City's Budget Committee considered all the following factors while preparing the City budget for the 2010-11 fiscal year:

- a. Prior history of revenue and expenditures,
- b. Capital projects in the water and sewer,
- c. Expected property tax revenue,

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City Recorder
City of Falls City
299 Mill Street
Falls City, Oregon 97344

BASIC FINANCIAL STATEMENTS

CITY OF FALLS CITY, OREGON
STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 502,765	\$ 323,447	\$ 826,212
Property taxes receivable	9,109	-	9,109
Loans receivable	227,921	-	227,921
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	739,795	323,447	1,063,242
LIABILITIES			
Payroll withholdings	1,559	-	1,559
Deferred revenue	237,030	-	237,030
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	238,589	-	238,589
NET ASSETS			
Restricted for:			
Debt service	-	77,892	77,892
Grants and donations	118,507	-	118,507
Unrestricted	382,699	245,555	628,254
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 501,206</u>	<u>\$ 323,447</u>	<u>\$ 824,653</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FALLS CITY, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2010

	<u>Disbursements</u>	<u>Fees, Fines and Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Functions/Programs			
Governmental activities:			
General government	\$ 170,496	\$ 8,597	\$ 8,500
Community services	48,734	83,365	4,956
Cemetery	1,639	11	-
Fire	44,801	-	-
Parks	7,696	-	-
Street	56,233	-	39,857
	<hr/>	<hr/>	<hr/>
<i>Total governmental activities</i>	329,599	91,973	53,313
Business-type activities:			
Water	250,804	220,757	-
Sewer	124,774	128,984	-
	<hr/>	<hr/>	<hr/>
<i>Total business-type activities</i>	375,578	349,741	-
	<hr/>	<hr/>	<hr/>
<i>Total activities</i>	\$ 705,177	\$ 441,714	\$ 53,313
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
General Receipts:			
Property taxes			
Franchise fees			
Intergovernmental			
Fines and forfeitures			
Miscellaneous			
<i>Total general receipts</i>			
Transfers			
Change in net assets			
Net assets, July 1, 2009			
Net assets, June 30, 2010			

<u>Receipts</u>	<u>Net Changes in Fund Net Assets</u>		
<u>Capital</u>			
<u>Grants and</u>	<u>Governmental</u>	<u>Business-type</u>	
<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ -	\$ (153,399)	\$ -	\$ (153,399)
-	39,587	-	39,587
-	(1,628)	-	(1,628)
-	(44,801)	-	(44,801)
-	(7,696)	-	(7,696)
-	(16,376)	-	(16,376)
-	(184,313)	-	(184,313)
-	-	(30,047)	(30,047)
-	-	4,210	4,210
-	-	(25,837)	(25,837)
\$ -	(184,313)	(25,837)	(210,150)
	96,540	7,268	103,808
	29,700	-	29,700
	18,727	-	18,727
	1,700	-	1,700
	22,148	77	22,225
	168,815	7,345	176,160
	4,500	(4,500)	-
	(10,998)	(22,992)	(33,990)
	512,204	346,439	858,643
\$	501,206	\$ 323,447	\$ 824,653

The accompanying notes are an integral part of the financial statements.

CITY OF FALLS CITY, OREGON

STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General</u>	<u>Street</u>	<u>Wagner Library Reserve</u>
ASSETS			
Cash and investments	\$ 122,199	\$ 7,790	\$ 90,680
Property taxes receivable	9,109	-	-
Loans receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 131,308</u>	<u>\$ 7,790</u>	<u>\$ 90,680</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll withholdings	\$ 1,559	\$ -	-
Deferred revenue	9,109	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	10,668	-	-
Fund Balances			
Unreserved, reported in:			
General fund	120,640	-	-
Special revenue funds	-	7,790	90,680
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>120,640</u>	<u>7,790</u>	<u>90,680</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 131,308</u>	<u>\$ 7,790</u>	<u>\$ 90,680</u>

<i>CDBG</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 226,845	\$ 55,251	\$ 502,765
-	-	9,109
227,921	-	227,921
<u>\$ 454,766</u>	<u>\$ 55,251</u>	<u>\$ 739,795</u>
\$ -	\$ -	\$ 1,559
227,921	-	237,030
227,921	-	238,589
-	-	120,640
226,845	55,251	380,566
226,845	55,251	501,206
<u>\$ 454,766</u>	<u>\$ 55,251</u>	<u>\$ 739,795</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FALLS CITY, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2010**

	General	Street	Wagner Library Reserve
RECEIPTS			
Taxes and assessments	\$ 96,540	\$ -	\$ -
Licenses and permits	34,184	-	-
Charges for services	90	-	-
Intergovernmental	25,103	39,857	-
Miscellaneous	16,417	1,700	4,141
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	172,334	41,557	4,141
DISBURSEMENTS			
Personal services	51,712	21,280	-
Materials and services	119,877	23,748	2,080
Capital outlay	50,677	3,369	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	222,266	48,397	2,080
RECEIPTS OVER (UNDER) DISBURSEMENTS			
	(49,932)	(6,840)	2,061
OTHER FINANCING SOURCES (USES)			
Transfers in	65,000	-	-
Transfers out	(23,500)	(500)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	41,500	(500)	-
NET CHANGE IN FUND BALANCES			
	(8,432)	(7,340)	2,061
FUND BALANCES, Beginning of year			
	<hr/>	<hr/>	<hr/>
	129,072	15,130	88,619
FUND BALANCES, End of year			
	<hr/>	<hr/>	<hr/>
	\$ 120,640	\$ 7,790	\$ 90,680
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>CDBG</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ -	\$ 96,540
-	-	34,184
-	4,429	4,519
-	7,080	72,040
83,365	1,195	106,818
83,365	12,704	314,101
-	12,279	85,271
28,594	7,807	182,106
-	8,176	62,222
28,594	28,262	329,599
54,771	(15,558)	(15,498)
-	35,000	100,000
(65,000)	(6,500)	(95,500)
(65,000)	28,500	4,500
(10,229)	12,942	(10,998)
237,074	42,309	512,204
\$ 226,845	\$ 55,251	\$ 501,206

The accompanying notes are an integral part of the financial statements.

CITY OF FALLS CITY, OREGON

STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - PROPRIETARY FUNDS

JUNE 30, 2010

	<u>Sewer</u>	<u>Sewer Debt Service</u>	<u>City Utility Reserve</u>
ASSETS			
Cash and investments	\$ 26,992	\$ 12,419	\$ 163,882
LIABILITIES			
	-	-	-
NET ASSETS			
Restricted for debt service	-	12,419	-
Unrestricted	26,992	-	163,882
<i>Total Net Assets</i>	<u>\$ 26,992</u>	<u>\$ 12,419</u>	<u>\$ 163,882</u>

<i>Water</i>	<i>Water Debt Service</i>	<i>Totals</i>
\$ 54,681	\$ 65,473	\$ 323,447
-	-	-
-	65,473	77,892
54,681	-	245,555
<u>\$ 54,681</u>	<u>\$ 65,473</u>	<u>\$ 323,447</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FALLS CITY, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS****(MODIFIED CASH BASIS) - PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2010**

	<u>Sewer</u>	<u>Sewer Debt Service</u>	<u>City Utility Reserve</u>
OPERATING RECEIPTS			
Charges for services	\$ 87,759	\$ -	\$ 40,196
Miscellaneous	1,106	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Operating Receipts</i>	88,865	-	40,196
OPERATING DISBURSEMENTS			
Personal services	42,781	-	-
Materials and services	37,865	-	4,520
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Operating Disbursements</i>	80,646	-	4,520
OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS			
	8,219	-	35,676
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Taxes and assessments	-	7,268	-
Debt service disbursements			
Principal	-	(36,161)	-
Interest	-	(3,447)	-
	<hr/>	<hr/>	<hr/>
<i>Net Nonoperating Receipts (Disbursements)</i>	-	(32,340)	-
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS			
	8,219	(32,340)	35,676
Transfers in	6,444	-	-
Transfers out	(500)	-	(10,124)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	14,163	(32,340)	25,552
NET ASSETS, Beginning of year	<hr/>	<hr/>	<hr/>
	12,829	44,759	138,330
NET ASSETS, End of year	<hr/>	<hr/>	<hr/>
	\$ 26,992	\$ 12,419	\$ 163,882

<u>Water</u>	<u>Water Debt Service</u>	<u>Totals</u>
\$ 219,478	\$ -	\$ 347,433
1,279	-	2,385
<hr/>	<hr/>	<hr/>
220,757	-	349,818
103,571	-	146,352
50,157	-	92,542
31,603	-	31,603
<hr/>	<hr/>	<hr/>
185,331	-	270,497
<hr/>	<hr/>	<hr/>
35,426	-	79,321
-	-	7,268
-	(16,739)	(52,900)
-	(48,734)	(52,181)
<hr/>	<hr/>	<hr/>
-	(65,473)	(97,813)
<hr/>	<hr/>	<hr/>
35,426	(65,473)	(18,492)
1,680	91,983	100,107
(93,983)	-	(104,607)
<hr/>	<hr/>	<hr/>
(56,877)	26,510	(22,992)
<hr/>	<hr/>	<hr/>
111,558	38,963	346,439
<hr/>	<hr/>	<hr/>
<u>\$ 54,681</u>	<u>\$ 65,473</u>	<u>\$ 323,447</u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Falls City, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city administrator. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The Statement of Net Assets (Modified Cash Basis) presents the assets and liabilities of the City, including capital assets and related debt. Net assets, representing assets less liabilities, is shown in two components: Restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

Government accounting standards set forth minimum criteria (percentage of the assets, liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City's financial operations are accounted for in the following fund types:

Governmental Fund Types

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for fire protection, insurance and general administration.

Special Revenue Funds

These funds account for revenue derived from specific taxes or other earmarked revenue sources, including Federal and State grant awards, which are legally restricted to finance particular functions or activities.

Proprietary Fund Type

Enterprise Funds

These funds account for the financing of predominantly self-supporting activities which render services on a user charge basis to the general public.

The City reports the following major governmental funds:

General Fund

Street Fund

Gas tax apportionments received from the State are recorded in this fund. Disbursements are for construction and maintenance of public streets.

Wagner Library Reserve Fund

This fund accounts for receipts and disbursements related to the funds designated for library expansion.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

CDBG Fund

This fund accounts for the loan repayments received for the rehabilitation housing loans through West Valley Housing Authority.

The City reports the following nonmajor governmental funds. All are special revenue funds.

Community Center Fund

This fund accounts for receipts and disbursements related to the community center.

State Revenue Sharing

This fund accounts for state shared revenues.

Municipal Court

This fund is used to account for activity in the City's municipal court.

Cemetery Care

Operations of the City's cemetery are accounted for in this fund.

Wagner Library Expansion Fund

This fund accounts for the distributions from the Wagner Trust which are designated for library purposes.

Technical Assistance Grant

This fund accounts for money received as a technical assistance grant.

Equipment Fund

This fund accounts for money set aside for equipment purchases.

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

Sewer

This fund accounts for the operation of the City's sewer system.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Sewer Debt Service

This fund accounts for debt service reserve as required by USDA.

Water

This fund accounts for the operation of the City's water system.

Water Debt Service

This fund accounts for debt service reserve as required by USDA.

City Utility Reserve

This fund accounts for debt service reserve as required by USDA.

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide and proprietary fund financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

The City's policy is to prepare its financial statements on the basis of modified cash receipts and disbursements. Consequently, certain receipts and the related assets are recognized when received rather than when earned, and certain disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Also, assets that are measurable, but not yet collected are recorded on the City's statement of assets and liabilities as an asset and deferred revenue. Capital assets and the related debt obligations are recorded. Depreciation is not recorded on capital assets. The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.445), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The City maintains cash and investments in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of assets and liabilities as cash and investments.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

Receivables and Deferred Revenues

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current year are recorded as receivable at year-end. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Property tax receivables are offset by deferred revenue and, accordingly, have not been recorded as revenues.

Long-Term Debt

In the government-wide financial statements long-term debt is not reported. Payment of principal and interest is charged to expenditures when paid. The fire truck loan is reported as governmental long-term debt, repayments are made from the General fund.

Accrued Compensated Absences

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid. Annually at June 30, employees may request to be paid for unused sick leave in excess of 80 hours. Payment is made at 50% of the employee's hourly rate. The amount of accrued but unpaid vacation and sick pay at June 30, 2010 was not available.

Budgets and Budgetary Accounting

The City adopts the budget on a department basis for the General Fund and a program basis (equivalent to a fund), for all other funds. Therefore, cash disbursements of a fund may not legally exceed that object's appropriations for cash disbursements. The City Council may amend the budget to expend unforeseen receipts by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

Use of Restricted Net Assets

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted net assets to be spent first.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect reporting amounts of certain assets, liabilities, revenues and expenditures as of June 30, 2010. Actual results may differ from those estimates.

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2010:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u> </u>	<u> </u>
Cash		
Deposits with financial institutions	\$ 44,257	\$ 44,257
Cash held by fiscal agents	225,846	225,846
Investments		
Local Government Investment Pool	556,109	556,109
	<u>\$ 826,212</u>	<u>\$ 826,212</u>

Deposits

The book balance of the City's bank deposits (checking accounts) was \$44,257 and the bank balance was \$58,359 at year end.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2010, none of the City's bank balances were exposed to custodial credit risk as the balances were under FDIC insurance limits.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CASH AND INVESTMENTS (Continued)

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP 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). At June 30, 2010, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

Cash held by fiscal agents

Cash held by fiscal agents is held by West Valley Housing Authority. Information on collateralization of this cash is contained in the annual financial report of the Authority. The Authority is subject to the same regulations regarding collateralization as the City.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM DEBT

Long-term debt transactions for the year ended June 30, 2010 are as follows:

	<u>Outstanding July 1, 2009</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2010</u>	<u>Due Within One Year</u>
<i>Governmental activities</i>					
Fire truck loan, semiannual interest payments at 3.0% to 4.5% and irregular principal payments per schedule	\$ 29,000	\$ -	\$ (4,000)	\$ 25,000	\$ -
<i>Business-type activities</i>					
Sewer System Bonds, original amount \$76,000, issued July 20, 1993, interest rate 5.25%	\$ 62,433	\$ -	\$ (36,033)	\$ 26,400	\$ 3,222
Revenue Bonds, original amount \$1,204,650, issued May 25, 2003 interest rate 4.5%	1,082,978	-	(16,739)	1,066,239	17,492
	<u>\$ 1,145,411</u>	<u>\$ -</u>	<u>\$ (52,772)</u>	<u>\$ 1,092,639</u>	<u>\$ 20,714</u>

Future debt service requirements are as follows:

Governmental Activities

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 1,073	\$ 1,073
2012	-	1,073	1,073
2013	-	1,073	1,073
2014	5,000	1,073	6,073
2015	5,000	876	5,876
2016-18	15,000	1,350	16,350
	<u>\$ 25,000</u>	<u>\$ 6,518</u>	<u>\$ 31,518</u>

The City transferred \$65,000 from the CDBG fund to the General fund in the 2009-10 fiscal year. The City intends to transfer the \$65,000 back to the CDBG fund with interest at 1%. The City intends to make monthly payments to effect this, starting in the 2010-11 fiscal year.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM DEBT (Continued)

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 20,714	\$ 49,367	\$ 70,081
2012	21,670	48,411	70,081
2013	22,671	47,410	70,081
2014	23,719	46,362	70,081
2015	24,814	45,267	70,081
2016-20	127,761	208,786	336,547
2021-25	148,612	178,753	327,365
2026-30	185,197	142,168	327,365
2031-35	230,790	96,575	327,365
2036-40	286,691	39,759	326,450
	<u>\$ 1,092,639</u>	<u>\$ 902,858</u>	<u>\$ 1,995,497</u>

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

PENSION PLAN (Continued)

Funding Status (Continued)

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. For rate changes implemented July 1, 2005, the PERB voted to phase in the rate changes for PERS (for most employers a rate increase). On July 1, 2007 the City's rate decreased to 2.62 percent based on the 2005 valuation.

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. Beginning July 1, 2007 OPSRP rates were set at 8.78 percent for police and fire and 5.51 percent for general service employees based on the December 31, 2005 valuation.

Annual Pension Cost

The City's contributions to PERS for the fiscal years ending June 30, 2007, 2008, and 2009 were \$13,843, \$13,483, and \$3,506, respectively, which equaled the required contribution for the year.

JACOB AND AMILIA WAGNER LIBRARY TRUST FUNDS

The City is the beneficiary of a trust established by Jacob and Amilia Wagner. Under the terms of the trust, as modified by court order, twenty percent of the investment income from the trust funds turned over to the City is allocated by the City for future expansion of the library and the remaining funds are used annually for purchase of contemporary and historic publications on the subject of art, politics, and political science. Wells Fargo Bank of San Francisco, California is the trustee. The principal amount of the trust is \$50,000 with a current value of \$100,952 at year end. The principal of the trust is not included in the City's financial statements.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

INTERFUND TRANSACTIONS

Interfund transfers in and out for all funds were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 65,000	\$ 23,500
Street	-	500
State Revenue Sharing	-	6,500
Equipment	11,500	-
CDBG	-	65,000
Cemetery	6,000	-
Court	17,500	-
Water	1,680	
Water Debt Service	91,983	93,983
Sewer	6,444	500
Utility	-	10,124
	<u>\$ 200,107</u>	<u>\$ 200,107</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. There were no open claims at the time of this report.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

CITY OF FALLS CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits disbursements of a fund in excess of Council approved appropriations.

Disbursements in excess of appropriations in individual funds for the year ended June 30, 2010 occurred as follows:

<u>Fund / Appropriation category</u>	<u>Appropriation</u>	<u>Disbursement</u>	<u>Variance</u>
Technical Assistance Grant			
Materials and services	-	176	(176)
City Utility Reserve			
Materials and services	-	4,520	(4,520)
CDBG			
Transfers out	-	65,000	(65,000)

GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

SUBSEQUENT EVENTS

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855), as of June 30, 2009. ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through September 13, 2010, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FALLS CITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 94,000	\$ 94,000	\$ 96,540	\$ 2,540
Licenses and permits	33,075	33,075	34,184	1,109
Charges for services	600	600	90	(510)
Intergovernmental	122,500	122,500	25,103	(97,397)
Miscellaneous	10,300	10,300	16,417	6,117
<i>Total Receipts</i>	<u>260,475</u>	<u>260,475</u>	<u>172,334</u>	<u>(88,141)</u>
DISBURSEMENTS				
Administration	202,245	202,245	169,769	32,476
Parks	26,545	26,545	7,696	18,849
Fire	51,175	51,175	44,801	6,374
Library	900	900	-	900
Contingency	93,710	93,710	-	93,710
<i>Total Disbursements</i>	<u>374,575</u>	<u>374,575</u>	<u>222,266</u>	<u>152,309</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(114,100)	(114,100)	(49,932)	64,168
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	65,000	65,000
Transfers out	(23,500)	(23,500)	(23,500)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(23,500)</u>	<u>(23,500)</u>	<u>41,500</u>	<u>65,000</u>
NET CHANGE IN FUND BALANCE	(137,600)	(137,600)	(8,432)	129,168
FUND BALANCE, Beginning of year	<u>137,600</u>	<u>137,600</u>	<u>129,072</u>	<u>(8,528)</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,640</u>	<u>\$ 120,640</u>

CITY OF FALLS CITY, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - STREET FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 41,000	\$ 41,000	\$ 39,857	\$ (1,143)
Miscellaneous	-	-	1,700	1,700
<i>Total Receipts</i>	<u>41,000</u>	<u>41,000</u>	<u>41,557</u>	<u>557</u>
DISBURSEMENTS				
Personal services	23,130	23,130	21,280	1,850
Materials and services	24,850	24,850	23,748	1,102
Capital outlay	4,100	4,100	3,369	731
Contingency	3,007	3,007	-	3,007
<i>Total Disbursements</i>	<u>55,087</u>	<u>55,087</u>	<u>48,397</u>	<u>6,690</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(14,087)	(14,087)	(6,840)	7,247
FUND BALANCE, Beginning of year	<u>14,587</u>	<u>14,587</u>	<u>15,130</u>	<u>543</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,790</u>	<u>\$ 7,790</u>

CITY OF FALLS CITY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -

WAGNER LIBRARY RESERVE FUND

YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS				
Miscellaneous	\$ 2,500	\$ 2,500	\$ 4,141	\$ 1,641
DISBURSEMENTS				
Materials and services	91,608	91,608	2,080	89,528
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(89,108)	(89,108)	2,061	91,169
FUND BALANCE, Beginning of year	89,108	89,108	88,619	(489)
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,680</u>	<u>\$ 90,680</u>

CITY OF FALLS CITY, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - CDBG FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 16,000	\$ 16,000	\$ 83,365	\$ 67,365
DISBURSEMENTS				
Materials and services	50,500	50,500	28,594	21,906
Contingency	22,278	22,278	-	22,278
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(56,778)	(56,778)	54,771	111,549
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(65,000)	(65,000)
NET CHANGE IN FUND BALANCE	(56,778)	(56,778)	(10,229)	46,549
FUND BALANCE, Beginning of year	56,778	56,778	237,074	180,296
FUND BALANCE, End of year	\$ -	\$ -	\$ 226,845	\$ 226,845

OTHER SUPPLEMENTARY INFORMATION

CITY OF FALLS CITY, OREGON
COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>State Revenue Sharing</u>	<u>Wagner Library Expansion</u>	<u>Cemetery Care</u>
ASSETS			
Cash and investments	\$ 834	\$ 9,092	\$ 10,945
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Unreserved, reported in:			
Special revenue funds	834	9,092	10,945
Total Liabilities and Fund Balances	<u>\$ 834</u>	<u>\$ 9,092</u>	<u>\$ 10,945</u>

<i><u>Municipal Court</u></i>	<i><u>Equipment</u></i>	<i><u>Totals</u></i>
\$ 11,793	\$ 22,587	\$ 55,251
\$ -	\$ -	\$ -
11,793	22,587	55,251
\$ 11,793	\$ 22,587	\$ 55,251

CITY OF FALLS CITY, OREGON**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	<u>Community Center</u>	<u>State Revenue Sharing</u>	<u>Wagner Library Expansion</u>
RECEIPTS			
Charges for services	\$ -	\$ -	\$ -
Intergovernmental	-	7,080	-
Miscellaneous	-	-	1,035
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	-	7,080	1,035
DISBURSEMENTS			
Personal services	-	-	-
Materials and services	4,695	387	-
Capital outlay	-	-	340
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	4,695	387	340
RECEIPTS OVER (UNDER) DISBURSEMENTS			
	(4,695)	6,693	695
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(6,500)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	(6,500)	-
NET CHANGE IN FUND BALANCES			
	(4,695)	193	695
FUND BALANCES, Beginning of year			
	<hr/>	<hr/>	<hr/>
	4,695	641	8,397
FUND BALANCES, End of year			
	<hr/>	<hr/>	<hr/>
	\$ -	\$ 834	\$ 9,092
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Cemetery Care</i>	<i>Technical Assistance</i>	<i>Equipment</i>	<i>Municipal Court</i>	<i>Totals</i>
\$ -	\$ -	\$ -	\$ 4,429	\$ 4,429
-	-	-	-	7,080
11	-	-	149	1,195
11	-	-	4,578	12,704
569	-	-	11,710	12,279
1,070	176	-	1,479	7,807
-	-	7,836	-	8,176
1,639	176	7,836	13,189	28,262
(1,628)	(176)	(7,836)	(8,611)	(15,558)
6,000	-	11,500	17,500	35,000
-	-	-	-	(6,500)
6,000	-	11,500	17,500	28,500
4,372	(176)	3,664	8,889	12,942
6,573	176	18,923	2,904	42,309
\$ 10,945	\$ -	\$ 22,587	\$ 11,793	\$ 55,251

CITY OF FALLS CITY, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - COMMUNITY CENTER FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Materials and services	5,000	5,000	4,695	305
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	(5,000)	(4,695)	305
FUND BALANCE, Beginning of year	5,000	5,000	4,695	(305)
FUND BALANCE , End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FALLS CITY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -

STATE REVENUE SHARING FUND

YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 6,500	\$ 6,500	\$ 7,080	\$ 580
DISBURSEMENTS				
Materials and services	387	387	387	-
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	6,113	6,113	6,693	580
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,500)	(6,500)	(6,500)	-
NET CHANGE IN FUND BALANCE	(387)	(387)	193	580
FUND BALANCE, Beginning of year	387	387	641	254
FUND BALANCE, End of year	\$ -	\$ -	\$ 834	\$ 834

CITY OF FALLS CITY, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -
WAGNER LIBRARY EXPANSION FUND
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$ 400	\$ 400	\$ 1,035	\$ 635
DISBURSEMENTS				
Capital outlay	8,796	8,796	340	8,456
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(8,396)	(8,396)	695	9,091
FUND BALANCE, Beginning of year	8,396	8,396	8,397	1
FUND BALANCE, End of year	\$ -	\$ -	\$ 9,092	\$ 9,092

CITY OF FALLS CITY, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -
CEMETERY CARE FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 500	\$ 500	\$ 11	\$ (489)
DISBURSEMENTS				
Personal services	6,300	6,300	569	5,731
Materials and services	1,715	1,715	1,070	645
Contingency	3,815	3,815	-	3,815
<i>Total Disbursements</i>	<u>11,830</u>	<u>11,830</u>	<u>1,639</u>	<u>10,191</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,330)	(11,330)	(1,628)	9,702
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,330)	(5,330)	4,372	9,702
FUND BALANCE, Beginning of year	<u>5,330</u>	<u>5,330</u>	<u>6,573</u>	<u>1,243</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,945</u>	<u>\$ 10,945</u>

CITY OF FALLS CITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -****MUNICIPAL COURT FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,000	\$ 1,000	\$ 4,429	\$ 3,429
Miscellaneous	-	-	149	149
<i>Total Receipts</i>	1,000	1,000	4,578	3,578
DISBURSEMENTS				
Personal services	14,220	14,220	11,710	2,510
Materials and services	2,750	2,750	1,479	1,271
Contingency	3,788	3,788	-	3,788
<i>Total Disbursements</i>	20,758	20,758	13,189	7,569
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(19,758)	(19,758)	(8,611)	11,147
OTHER FINANCING SOURCES (USES)				
Transfers in	17,500	17,500	17,500	-
NET CHANGE IN FUND BALANCE	(2,258)	(2,258)	8,889	11,147
FUND BALANCE, Beginning of year	2,258	2,258	2,904	646
FUND BALANCE, End of year	\$ -	\$ -	\$ 11,793	\$ 11,793

CITY OF FALLS CITY, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -
TECHNICAL ASSISTANCE FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Materials and services	-	-	176	(176)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(176)	(176)
FUND BALANCE, Beginning of year	-	-	176	176
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FALLS CITY, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -
EQUIPMENT FUND**

YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Capital outlay	24,600	24,600	7,836	16,764
Contingency	6,817	6,817	-	6,817
<i>Total Disbursements</i>	<u>31,417</u>	<u>31,417</u>	<u>7,836</u>	<u>23,581</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,417)	(31,417)	(7,836)	23,581
FUND BALANCE, Beginning of year	<u>19,917</u>	<u>19,917</u>	<u>18,923</u>	<u>(994)</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,587</u>	<u>\$ 22,587</u>

CITY OF FALLS CITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) -
BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 78,500	\$ 78,500	\$ 87,759	\$ 9,259
Intergovernmental	2,500	2,500	-	(2,500)
Miscellaneous	100	100	1,029	929
<i>Total Receipts</i>	<u>81,100</u>	<u>81,100</u>	<u>88,865</u>	<u>7,765</u>
DISBURSEMENTS				
Personal services	48,950	48,950	42,781	6,169
Materials and services	41,470	41,470	37,865	3,605
Contingency	3,373	3,373	-	3,373
<i>Total Disbursements</i>	<u>93,793</u>	<u>93,793</u>	<u>80,646</u>	<u>13,147</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,693)	(12,693)	8,219	20,912
OTHER FINANCING SOURCES (USES)				
Transfers in	6,444	6,444	6,444	-
NET CHANGE IN FUND NET ASSETS	(6,749)	(6,749)	14,163	20,912
FUND NET ASSETS, Beginning of year	<u>6,749</u>	<u>6,749</u>	<u>12,829</u>	<u>6,080</u>
FUND NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,992</u>	<u>\$ 26,992</u>

CITY OF FALLS CITY, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) -
BUDGET AND ACTUAL - SEWER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes and assessments	\$ 8,630	\$ 8,630	\$ 7,268	\$ (1,362)
DISBURSEMENTS				
Debt service	39,608	39,608	39,608	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,978)	(30,978)	(32,340)	(1,362)
FUND NET ASSETS, Beginning of year	46,109	46,109	44,759	(1,350)
FUND NET ASSETS, End of year	<u>\$ 15,131</u>	<u>\$ 15,131</u>	<u>\$ 12,419</u>	<u>\$ (2,712)</u>

CITY OF FALLS CITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) -
BUDGET AND ACTUAL - CITY UTILITY RESERVE FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 38,800	\$ 38,800	\$ 40,196	\$ 1,396
DISBURSEMENTS				
Materials and services	-	-	4,520	(4,520)
Capital outlay	10,000	10,000	-	10,000
Contingency	39,666	39,666	-	39,666
<i>Total Disbursements</i>	<u>49,666</u>	<u>49,666</u>	<u>4,520</u>	<u>45,146</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(10,866)	(10,866)	35,676	46,542
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,124)	(10,124)	(10,124)	-
NET CHANGE IN FUND NET ASSETS				
	(20,990)	(20,990)	25,552	46,542
FUND NET ASSETS, Beginning of year				
	<u>145,990</u>	<u>145,990</u>	<u>138,330</u>	<u>(7,660)</u>
FUND NET ASSETS, End of year				
	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 163,882</u>	<u>\$ 38,882</u>

CITY OF FALLS CITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Charges for services	\$ 245,100	\$ 245,100	\$ 219,478	\$ (25,622)
Miscellaneous	200	200	1,279	1,079
<i>Total Receipts</i>	<u>245,300</u>	<u>245,300</u>	<u>220,757</u>	<u>(24,543)</u>
DISBURSEMENTS				
Personal services	117,600	117,600	103,571	14,029
Materials and services	63,100	63,100	50,157	12,943
Capital outlay	37,150	37,150	31,603	5,547
Contingency	55,147	55,147	-	55,147
<i>Total Disbursements</i>	<u>272,997</u>	<u>272,997</u>	<u>185,331</u>	<u>87,666</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(27,697)	(27,697)	35,426	63,123
OTHER FINANCING SOURCES (USES)				
Transfers in	1,680	1,680	1,680	-
Transfers out	(93,983)	(93,983)	(93,983)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(92,303)</u>	<u>(92,303)</u>	<u>(92,303)</u>	<u>-</u>
NET CHANGE IN FUND NET ASSETS	(120,000)	(120,000)	(56,877)	63,123
FUND NET ASSETS, Beginning of year	<u>120,000</u>	<u>120,000</u>	<u>111,558</u>	<u>(8,442)</u>
FUND NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,681</u>	<u>\$ 54,681</u>

CITY OF FALLS CITY, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) -
BUDGET AND ACTUAL - WATER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Debt service	65,473	65,473	65,473	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(65,473)	(65,473)	(65,473)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	91,983	91,983	91,983	-
NET CHANGE IN FUND NET ASSETS	26,510	26,510	26,510	-
FUND NET ASSETS, Beginning of year	38,963	38,963	38,963	-
FUND NET ASSETS, End of year	<u>\$ 65,473</u>	<u>\$ 65,473</u>	<u>\$ 65,473</u>	<u>\$ -</u>

OTHER SCHEDULES

CITY OF FALLS CITY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2010

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2009</u>	<u>2009-2010 Levy</u>	<u>Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2010</u>
2009-2010	\$ -	\$ 107,139	\$ 10	\$ (2,762)	\$ (99,536)	\$ 4,851
2008-2009	5,120	-	-	(64)	(2,315)	2,741
2007-2008	1,527	-	-	(27)	(569)	931
2006-2007	631	-	-	(25)	(289)	317
2005-2006	234	-	-	(19)	(166)	49
2004-2005	36	-	-	-	(9)	27
2003-2004	20	-	-	-	(6)	14
Prior Years	186	-	-	(5)	(2)	179
Total	<u>\$ 7,754</u>	<u>\$ 107,139</u>	<u>\$ 10</u>	<u>\$ (2,902)</u>	<u>\$ (102,892)</u>	<u>\$ 9,109</u>

CITY OF FALLS CITY, OREGON
SCHEDULE OF DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2010

	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>Fiscal Year of Maturity</i></u>
<i>DEBT PRINCIPAL TRANSACTIONS</i>			
2008 Fire truck loan	3.0% - 4.5%	2008	2017-18
1993 Sewer System Bonds	5.25%	1993	2031-32
2000 Water Revenue Bonds	4.5%	2000	2039-40
			<i>Unmatured Interest Outstanding</i>
	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>July 1, 2009</i></u>
<i>DEBT INTEREST TRANSACTIONS</i>			
2008 Fire truck loan	3.0% - 4.5%	2008	\$ 7,114
1993 Sewer System Bonds	5.25%	1993	47,855
2000 Water Revenue Bonds	4.5%	2000	945,770
			<u>\$ 1,000,739</u>

<i>Outstanding July 1, 2009</i>	<i>Issued</i>	<i>Paid</i>	<i>Outstanding June 30, 2010</i>
\$ 29,000	\$ -	\$ (4,000)	\$ 25,000
62,433	-	(36,033)	26,400
1,082,978	-	(16,739)	1,066,239
<u>\$ 1,174,411</u>	<u>\$ -</u>	<u>\$ (56,772)</u>	<u>\$ 1,117,639</u>

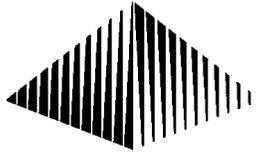
<i>New Issues</i>	<i>Interest Coupons Paid/ Prepaid</i>	<i>Unmatured Interest June 30, 2010</i>
\$ -	\$ (596)	\$ 6,518
-	(42,033)	5,822
-	(48,734)	897,036
<u>\$ -</u>	<u>\$ (91,363)</u>	<u>\$ 909,376</u>

CITY OF FALLS CITY, OREGON
SCHEDULE OF FUTURE BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2010

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1993 Sewer System Bonds</i>			<i>2000 Water Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 3,222	\$ 1,386	\$ 4,608	\$ 17,492	\$ 47,981	\$ 65,473
2012	3,391	1,217	4,608	18,279	47,194	65,473
2013	3,569	1,039	4,608	19,102	46,371	65,473
2014	3,757	851	4,608	19,962	45,511	65,473
2015	3,954	654	4,608	20,860	44,613	65,473
2016	4,161	447	4,608	21,799	43,674	65,473
2017	4,346	228	4,574	22,779	42,694	65,473
2018	-	-	-	23,805	41,668	65,473
2019	-	-	-	24,876	40,597	65,473
2020	-	-	-	25,995	39,478	65,473
2021	-	-	-	27,165	38,308	65,473
2022	-	-	-	28,387	37,086	65,473
2023	-	-	-	29,665	35,808	65,473
2024	-	-	-	31,000	34,473	65,473
2025	-	-	-	32,395	33,078	65,473
2026	-	-	-	33,852	31,621	65,473
2027	-	-	-	35,376	30,097	65,473
2028	-	-	-	36,968	28,505	65,473
2029	-	-	-	38,631	26,842	65,473
2030	-	-	-	40,370	25,103	65,473
2031	-	-	-	42,186	23,287	65,473
2032	-	-	-	44,085	21,388	65,473
2033	-	-	-	46,069	19,404	65,473
2034	-	-	-	48,142	17,331	65,473
2035	-	-	-	50,308	15,165	65,473
2036	-	-	-	52,572	12,901	65,473
2037	-	-	-	54,938	10,535	65,473
2038	-	-	-	57,410	8,063	65,473
2039	-	-	-	59,993	5,480	65,473
2040	-	-	-	61,778	2,780	64,558
	<u>\$ 26,400</u>	<u>\$ 5,822</u>	<u>\$ 32,222</u>	<u>\$ 1,066,239</u>	<u>\$ 897,036</u>	<u>\$ 1,963,275</u>

<i>2008 Fire truck loan</i>			<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ -	\$ 1,073	\$ 1,073	\$ 20,714	\$ 50,440	\$ 71,154
-	1,073	1,073	21,670	49,484	71,154
-	1,073	1,073	22,671	48,483	71,154
5,000	1,073	6,073	28,719	47,435	76,154
5,000	876	5,876	29,814	46,143	75,957
5,000	675	5,675	30,960	44,796	75,756
5,000	450	5,450	32,125	43,372	75,497
5,000	225	5,225	28,805	41,893	70,698
-	-	-	24,876	40,597	65,473
-	-	-	25,995	39,478	65,473
-	-	-	27,165	38,308	65,473
-	-	-	28,387	37,086	65,473
-	-	-	29,665	35,808	65,473
-	-	-	31,000	34,473	65,473
-	-	-	32,395	33,078	65,473
-	-	-	33,852	31,621	65,473
-	-	-	35,376	30,097	65,473
-	-	-	36,968	28,505	65,473
-	-	-	38,631	26,842	65,473
-	-	-	40,370	25,103	65,473
-	-	-	42,186	23,287	65,473
-	-	-	44,085	21,388	65,473
-	-	-	46,069	19,404	65,473
-	-	-	48,142	17,331	65,473
-	-	-	50,308	15,165	65,473
-	-	-	52,572	12,901	65,473
-	-	-	54,938	10,535	65,473
-	-	-	57,410	8,063	65,473
-	-	-	59,993	5,480	65,473
-	-	-	61,778	2,780	64,558
<u>\$ 25,000</u>	<u>\$ 6,518</u>	<u>\$ 31,518</u>	<u>\$ 1,117,639</u>	<u>\$ 909,376</u>	<u>\$ 2,027,015</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Mayor and City Council
City of Falls City
299 Mill Street
Falls City, Oregon 97344

We have audited the basic financial statements of the City of Falls City, Oregon as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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

OAR 162-10-0230 Internal Control

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

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
September 29, 2010

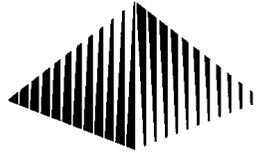
CITY OF FALLS CITY, OREGON
ADDITIONAL INFORMATION REQUESTED BY FMHA
YEAR ENDED JUNE 30, 2010

The following information is provided in the format requested by FMHA for account numbers 43-27-936002162-92-01, 43-27-936002162-92-03 and 43-27-936002162-92-05 City of Falls City.

1. Generally accepted auditing procedures have been performed.
2. Comments regarding the City’s internal control over financial reporting are contained in our report on Government Auditing Standards.
3. The accounting records are reported in the Government Auditing Standards of the report.
4. Records of capital assets are maintained. Adequate capital asset historical cost and depreciation records do not exist.
5. The City has complied with the loan agreement, including the reserve account requirements. At June 30, 2009 the City had \$77,892 held in reserve.
6. The financial reports included in the annual financial report are in agreement with the City’s accounting records.
7. Deposited funds are in institutions insured by the Federal government. Amounts in excess of insured amounts are collateralized in accordance with Oregon law.
8. Insurance

<u>Type of Coverage</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Policy Expiration Date</u>
Property	FLC-9601	Scheduled	6/30/10
Liability	FLC-9601	\$ 500,000	6/30/10
Workers Compensation	FLC-9601W	Per State Statute	6/30/10

9. Conditions disclosed by the audit requiring correction by the City are contained in our report under Government Auditing Standards.
10. Aged accounts receivable at June 30, 2010 were not available.
11. The City of Falls City is exempt from Federal income tax.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and members of the City Council
City of Falls City
299 Mill Street
Falls City, Oregon 97344

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Falls City as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2010. Our report was qualified for no historical cost and depreciation records for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the City of Falls City, the State of Oregon Division of Audits, Federal awarding agencies and passthrough entities and is not intended to be and should not be used by anyone other than those specified parties.


CERTIFIED PUBLIC ACCOUNTANTS
September 29, 2010