

CITY OF TILLAMOOK
TILLAMOOK COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF TILLAMOOK
TILLAMOOK COUNTY, OREGON**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

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CITY OF TILLAMOOK
OFFICERS AND MEMBERS OF GOVERNING BODY

June 30, 2010

Mayor

Robert McPheeters	901 Stillwell Avenue	Tillamook, Oregon
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Members of the City Council

Joseph Martin	511 Birch Avenue	Tillamook, Oregon
Matt Harris	1601 4 th Street	Tillamook, Oregon
Suzanne Weber	314 Miller Avenue	Tillamook, Oregon
Steven Forster	508 Linden Drive	Tillamook, Oregon
John Sandusky	1704 12 th Street	Tillamook, Oregon
Willard Berry	609 Spruce Avenue	Tillamook, Oregon

Interim City Manager

Rob Drake	City Hall	Tillamook, Oregon
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City Recorder-Treasurer

Bernadette Sorensen	City Hall	Tillamook, Oregon
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City of Tillamook
210 Laurel Ave.
Tillamook, OR 97141

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

December 15, 2010

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

INDEPENDENT AUDITORS' REPORT

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we express no such opinion. 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 basic 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, the aggregate remaining fund information, and the discretely presented component unit information of the City of Tillamook, Oregon, at June 30, 2010, and the results of its operations and where applicable cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages i through v, 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 have 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information including budgetary comparison schedules (which are required supplementary information for major funds) as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress for Retirement Plan on page 36, as listed in the table of contents, is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management about this supplementary information; however, we did not audit the information and do not express an opinion on it.

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PAULY, ROGERS AND CO., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF TILLAMOOK, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the City of Tillamook's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets were \$13,231,867 at June 30, 2010.
- During the year, the City's net assets decreased by \$103,284.
- The City's governmental funds reported fund balances totaling \$207,334 at June 30, 2010 and the City's Enterprise Funds reported net assets totaling \$9,772,868 at June 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the city, reporting the operations in more detail than the government-wide statements. *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

This annual financial report also includes notes that explain some of the information in the basic financial statements and provide more detailed data. The notes to the financial statements are followed by a section of *required supplementary information* consisting of a schedule of funding progress for the City's PERS retirement plan and major governmental funds' budgetary schedules. The City's annual financial report also includes other supplementary information consisting of combining and individual fund statements and schedules for the City's nonmajor funds. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net assets and how they have changed. Net assets represent the difference between the City's assets and liabilities and is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities* and the *Business-Type activities*.

- *Governmental activities* - Most of the City's basic services are included here, such as general government, public safety, streets, parks and community development. Property and other taxes, licenses, permits and fees, and intergovernmental revenues finance most of these activities.
- *Business-Type activities* – These functions normally are intended to recover all or a significant portion of their costs through user charges and fees to external users of goods and services. The City's activities consist of the water system and the sewage disposal system.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provided additional information at the bottom of the governmental fund statements, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund activities are the same as the business-type activities we report in the government-wide statements but the enterprise fund statements provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

City of Tillamook's Net Assets

	Governmental Activities		Business-type Activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current and other assets	\$ 402,417	\$ 297,955	\$ 2,353,960	\$ 1,995,700	\$ 2,756,377	\$ 2,293,655
Capital assets, net	3,340,070	3,330,516	27,621,245	26,158,538	30,961,315	29,489,054
Total assets	3,742,487	3,628,471	29,975,205	28,154,238	33,717,692	31,782,709
Noncurrent liabilities	52,550	53,995	18,971,852	17,012,586	19,024,402	17,066,581
Other liabilities	230,938	195,402	1,230,485	1,185,575	1,461,423	1,380,977
Total liabilities	283,488	249,397	20,202,337	18,198,161	20,485,825	18,447,558
Net assets:						
Invested in capital assets, net of related debt	3,287,520	3,276,521	8,649,393	9,336,088	11,936,913	12,612,609
Restricted	13,752	9,269	855,187	842,899	868,939	852,168
Unrestricted	157,727	93,284	268,288	(222,910)	426,015	(129,626)
Total net assets	\$ 3,458,999	\$ 3,379,074	\$ 9,772,868	\$ 9,956,077	\$ 13,231,867	\$ 13,335,151

City of Tillamook's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Revenues:						
Program revenues:						
Charges for services	\$ 548,585	\$ 488,722	\$ 2,734,154	\$ 2,643,687	\$ 3,282,739	\$ 3,132,409
Operating grants and contributions	294,609	374,615	-	-	294,609	374,615
Capital grants and contributions	-	-	10,578	1,148,312	10,578	1,148,312
General revenues:						
Property taxes	522,318	507,613	-	-	522,318	507,613
Other taxes	704,422	701,973	-	-	704,422	701,973
Grants and contributions not restricted to specific programs	92,832	104,732	-	-	92,832	104,732
Unrestricted investment earnings	1,678	8,115	8,752	36,561	10,430	44,676
Other	-	(1,257)	-	-	-	(1,257)
Total revenues	2,164,444	2,184,513	2,753,484	3,828,560	4,917,928	6,013,073
Expenses:						
General government	520,596	458,791	-	-	520,596	458,791
Public safety	987,025	1,084,786	-	-	987,025	1,084,786
Streets	327,038	362,571	-	-	327,038	362,571
Parks	29,343	33,195	-	-	29,343	33,195
Community development	219,259	207,273	-	-	219,259	207,273
Water operations	-	-	1,165,742	1,107,659	1,165,742	1,107,659
Sewer operations	-	-	1,769,951	1,572,094	1,769,951	1,572,094
Interest on long-term debt	2,258	3,054	-	-	2,258	3,054
Total expenses	2,085,519	2,149,670	2,935,693	2,679,753	5,021,212	4,829,423
Transfers	1,000	1,000	(1,000)	(1,000)	-	-
Change in net assets	79,925	35,843	(183,209)	1,147,807	(103,284)	1,183,650
Net assets - beginning	3,379,074	3,343,231	9,956,077	8,808,270	13,335,151	12,151,501
Net assets - ending	\$ 3,458,999	\$ 3,379,074	\$ 9,772,868	\$ 9,956,077	\$ 13,231,867	\$ 13,335,151

The City's total revenues were \$4,917,928. The Net Assets decreased by \$103,284 indicating a decrease in the City's financial position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2,165,085 in 2010 and \$2,184,618 in 2009. Governmental fund balances totaled \$207,334 at June 30, 2010 and \$139,616 at June 30, 2009. A summary of changes in governmental fund balances follows:

City of Tillamook - Changes in Governmental Fund Balances

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>
General Fund	\$ 107,190	\$ 29,377	\$ 77,813
Transient Room Tax	(5,525)	4,460	(9,985)
Other governmental funds	<u>105,669</u>	<u>105,779</u>	<u>(110)</u>
	<u>\$ 207,334</u>	<u>\$ 139,616</u>	<u>\$ 67,718</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The fund balance in the General Fund increased by \$77,813 during the 2009-10 fiscal year. During the 2009-10 fiscal year, the City's revenues were approximately \$39,446 less than budgeted and the City's expenditures were approximately \$166,146 less than budgeted.

CAPITAL ASSETS

At June 30, 2010, the City had \$30,961,315 invested in capital assets, net of accumulated depreciation for its governmental and business-type activities. More detailed information about the City's capital assets is presented in the notes to the financial statements.

LONG TERM DEBT

At June 30, 2010, the City's debt outstanding totaled \$19,024,402. The largest debt outstanding consisted of sewer system loans payable of \$17,232,011 and water system bonds payable of \$1,739,841. More detailed information about the City's long term debt is presented in the notes to the financial statements.

ECONOMIC CONDITION AND OUTLOOK

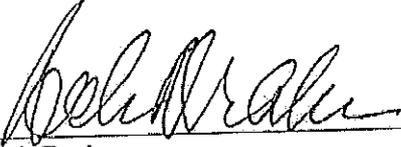
During the preparation of the budget for the fiscal year 2010-11, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following is a list of assumptions used in developing the budget for the fiscal year 2011.

- Wage and Cost of Living adjustment of 5% will be reflected in the budget. Employees took a wage and cost of living freeze last year.
- Due to a downturn in the economy, it is anticipated that interest rates on investments will be less than 1.0% this coming fiscal year.
- Property tax revenue is anticipated to decrease 3%.
- Medical health benefit premiums are expected to decrease about 8% due to switching to a cheaper plan for all non-represented employees.
- The City is proposing a 10% increase from 50% to 60% transfer into the General Fund from the Transient Room Tax Fund

- Staff will propose to City Council for their consideration a water rates increase of 10% to take effect July 1, 2010.
- The City will apply for another \$25,000 Special City Allotment (SCA) grant from the Oregon Department of Transportation to fix city streets.
- The City will raise its wastewater rates by 23% beginning July 1, 2010. This rate increase is based on a study conducted by Steve Donovan Enterprises dated May 3, 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The City's financial report is designed to provide our taxpayers, with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the City of Tillamook. Our address is: 210 Laurel Avenue, Tillamook, Oregon 97141.



Rob Drake
Interim City Manager

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BASIC FINANCIAL STATEMENTS

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CITY OF TILLAMOOK

STATEMENT OF NET ASSETS

June 30, 2010

<u>Assets</u>	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
Cash and investments	\$ 395,645	\$ 764,834	\$ 1,160,479	\$ 208,461
Restricted cash and investments	-	1,122,821	1,122,821	-
Receivables:				
Accounts	22,157	235,874	258,031	-
Property taxes	45,659	-	45,659	13,540
Assessments	42,956	-	42,956	-
Notes	-	-	-	58,720
Inventories	-	126,431	126,431	-
Internal balances	(104,000)	104,000	-	-
Capital assets:				
Land	671,769	233,620	905,389	288,131
Construction in progress	51,101	79,622	130,723	-
Buildings	2,230,151	-	2,230,151	-
Improvements	465,541	-	465,541	-
Infrastructure	540,408	-	540,408	-
Utility plant	-	34,978,676	34,978,676	-
Equipment	568,647	491,314	1,059,961	-
Less accumulated depreciation	(1,187,547)	(8,161,987)	(9,349,534)	-
Total assets	3,742,487	29,975,205	33,717,692	568,852
<u>Liabilities</u>				
Accounts payable and other current liabilities	111,876	276,435	388,311	-
Compensated absences payable	119,062	69,143	188,205	-
Accrued interest	-	820,273	820,273	7,485
Accrued interest payable from restricted assets	-	64,634	64,634	-
Noncurrent liabilities:				
Due within one year	14,888	648,807	663,695	261,182
Due within one year payable from restricted assets	-	203,000	203,000	-
Due in more than one year	37,662	18,120,045	18,157,707	145,232
Total liabilities	283,488	20,202,337	20,485,825	413,899
<u>Net Assets</u>				
Invested in capital assets, net of related debt	3,287,520	8,649,393	11,936,913	-
Restricted for debt service	-	663,724	663,724	-
Restricted for system development	-	191,463	191,463	-
Restricted for streets	13,752	-	13,752	-
Unrestricted	157,727	268,288	426,015	154,953
Total net assets	\$ 3,458,999	\$ 9,772,868	\$ 13,231,867	\$ 154,953

The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Governmental activities:								
General government	\$ 520,596	\$ 146,176	\$ 45,493	\$ -	\$ (328,927)	\$ -	\$ (328,927)	
Public safety	987,025	170,969	15,000	-	(801,056)	-	(801,056)	
Streets	327,038	217,799	227,616	-	118,377	-	118,377	
Parks	29,343	2,366	6,500	-	(20,477)	-	(20,477)	
Community development	219,259	11,275	-	-	(207,984)	-	(207,984)	
Interest on long-term debt	2,258	-	-	-	(2,258)	-	(2,258)	
Total governmental activities	2,085,519	548,585	294,609	-	(1,242,325)	-	(1,242,325)	
Business-type activities:								
Water operations	1,165,742	1,214,748	-	10,578	-	59,584	59,584	
Sewer operations	1,769,951	1,519,406	-	-	-	(250,545)	(250,545)	
Total business-type activities	2,935,693	2,734,154	-	10,578	-	(190,961)	(190,961)	
Total primary government	\$ 5,021,212	\$ 3,282,739	\$ 294,609	\$ 10,578	(1,242,325)	(190,961)	(1,433,286)	
Component unit:								
Urban Renewal Agency	\$ 265,749	\$ -	\$ -	\$ -				\$ (265,749)
General revenues:								
Property taxes					522,318	-	522,318	184,930
Franchise taxes					428,592	-	428,592	-
Transient room taxes					275,830	-	275,830	-
Intergovernmental revenues from state available for general purposes					92,832	-	92,832	-
Interest income					1,678	8,752	10,430	1,493
Transfers					1,000	(1,000)	-	-
Total general revenues					1,322,250	7,752	1,330,002	186,423
Change in net assets					79,925	(183,209)	(103,284)	(79,326)
Net assets - beginning					3,379,074	9,956,077	13,335,151	234,279
Net assets - ending					\$ 3,458,999	\$ 9,772,868	\$ 13,231,867	\$ 154,953

The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2010

<u>Assets</u>	<u>General</u>	<u>Transient Room Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 238,708	\$ 1,617	\$ 155,320	\$ 395,645
Accounts receivable	5,713	-	16,444	22,157
Property taxes receivable	45,659	-	-	45,659
Assessments receivable	-	-	42,956	42,956
Due from other funds	3,398	-	-	3,398
Total assets	<u>\$ 293,478</u>	<u>\$ 1,617</u>	<u>\$ 214,720</u>	<u>\$ 509,815</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 17,985	\$ 7,142	\$ 14,697	\$ 39,824
Other liabilities	72,052	-	-	72,052
Due to other funds	56,000	-	51,398	107,398
Deferred revenue	40,251	-	42,956	83,207
Total liabilities	186,288	7,142	109,051	302,481
Fund Balances:				
Unreserved	107,190	(5,525)	105,669	207,334
Total liabilities and fund balances	<u>\$ 293,478</u>	<u>\$ 1,617</u>	<u>\$ 214,720</u>	

Amounts reported for governmental activities in the statement of net assets (page 3) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,340,070
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds	83,207
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(52,550)
Other liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(119,062)
	<u> </u>

Net assets of governmental activities (page 3)	<u>\$ 3,458,999</u>
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The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

Statement of Revenues, Expenditures and Changes in Fund Balances
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	General	Transient Room Tax	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 514,551	\$ -	\$ -	\$ 514,551
Motel taxes	-	275,830	-	275,830
Licenses, permits and fees	525,021	-	229,144	754,165
Fines and forfeitures	126,576	-	-	126,576
Charges for services	37,145	-	6,576	43,721
Intergovernmental	153,325	-	258,269	411,594
Assessment district collections	-	-	8,408	8,408
Interest income	861	158	659	1,678
All other	26,266	-	2,296	28,562
Total revenues	1,383,745	275,988	505,352	2,165,085
Expenditures:				
Current:				
General government	514,511	-	-	514,511
Public safety	941,203	-	-	941,203
Streets	-	-	404,681	404,681
Parks	8,276	-	5,678	13,954
Community development	-	134,605	61,557	196,162
Transfers to other agencies	-	-	24,153	24,153
Debt service	-	-	12,258	12,258
Total expenditures	1,463,990	134,605	508,327	2,106,922
Revenues over (under) expenditures	(80,245)	141,383	(2,975)	58,163
Other financing sources (uses):				
Loan proceeds	8,555	-	-	8,555
Transfers from other funds	149,503	-	41,188	190,691
Transfers to other funds	-	(151,368)	(38,323)	(189,691)
Total other financing sources (uses)	158,058	(151,368)	2,865	9,555
Changes in fund balances	77,813	(9,985)	(110)	67,718
Fund balances - beginning	29,377	4,460	105,779	139,616
Fund balances - ending	\$ 107,190	\$ (5,525)	\$ 105,669	\$ 207,334

The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities
(page 4) are different because:

Net change in fund balances - total governmental funds (page 6)		\$ 67,718
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation during the year.</p>		
Capital outlays	\$ 125,018	
Depreciation expense	<u>(115,464)</u>	9,554
<p>The issuance of long-term debt provides current financial resources to governmental funds, while repayment of long-term debt principal consumes current financial resources of governmental funds. However, neither transaction has any effect on net assets. This amount is the net effect of these differences.</p>		
Long-term debt principal repaid	10,000	
Note payable proceeds	<u>(8,555)</u>	1,445
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the effect of the change in certain receivables during the year.</p>		
Property taxes	7,767	
Assessments	<u>(8,408)</u>	(641)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the effect of the change in certain liabilities during the year.</p>		
Compensated absences		<u>1,849</u>
Change in net assets of governmental activities (page 4)		<u>\$ 79,925</u>

The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

Statement of Net Assets
ENTERPRISE FUNDS
June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 474,199	\$ 290,635	\$ 764,834
Restricted cash and investments	849,241	273,580	1,122,821
Accounts receivable	97,122	138,752	235,874
Inventories	126,431	-	126,431
Due from other funds	111,000	48,000	159,000
	<u>1,657,993</u>	<u>750,967</u>	<u>2,408,960</u>
Total current assets			
Capital assets:			
Land	-	233,620	233,620
Utility plant	8,861,776	26,116,900	34,978,676
Equipment	335,944	155,370	491,314
Construction in progress	79,622	-	79,622
Less accumulated depreciation	<u>(3,893,805)</u>	<u>(4,268,182)</u>	<u>(8,161,987)</u>
	<u>5,383,537</u>	<u>22,237,708</u>	<u>27,621,245</u>
Total capital assets (net of accumulated depreciation)			
	<u>7,041,530</u>	<u>22,988,675</u>	<u>30,030,205</u>
Total assets			
LIABILITIES			
Current liabilities:			
Accounts payable	28,181	69,292	97,473
Retainage payable	-	178,962	178,962
Accrued interest payable	64,634	820,273	884,907
Compensated absences payable	29,304	39,839	69,143
Due to other funds	-	55,000	55,000
Loans payable, current	-	550,802	550,802
Bonds payable, current	301,005	-	301,005
	<u>423,124</u>	<u>1,714,168</u>	<u>2,137,292</u>
Total current liabilities			
Noncurrent liabilities:			
Loans payable	-	16,681,209	16,681,209
Bonds payable	1,438,836	-	1,438,836
	<u>1,438,836</u>	<u>16,681,209</u>	<u>18,120,045</u>
Total noncurrent liabilities			
	<u>1,861,960</u>	<u>18,395,377</u>	<u>20,257,337</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	3,643,696	5,005,697	8,649,393
Restricted for debt service	390,144	273,580	663,724
Restricted for system development	191,463	-	191,463
Unrestricted	954,267	<u>(685,979)</u>	<u>268,288</u>
	<u>\$ 5,179,570</u>	<u>\$ 4,593,298</u>	<u>\$ 9,772,868</u>
Total net assets			

The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

Statement of Revenues, Expenses and Changes in Net Assets
 ENTERPRISE FUNDS
 Year Ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,202,989	\$ 1,512,893	\$ 2,715,882
Other	11,759	6,513	18,272
Total operating revenues	<u>1,214,748</u>	<u>1,519,406</u>	<u>2,734,154</u>
Operating expenses:			
Personal services	496,121	392,261	888,382
Materials and services	394,038	616,288	1,010,326
Depreciation	184,267	302,324	486,591
Total operating expenses	<u>1,074,426</u>	<u>1,310,873</u>	<u>2,385,299</u>
Operating income	<u>140,322</u>	<u>208,533</u>	<u>348,855</u>
Nonoperating revenues (expenses):			
Interest revenue	4,973	3,779	8,752
Interest expense	<u>(91,316)</u>	<u>(459,078)</u>	<u>(550,394)</u>
Total nonoperating revenues (expenses)	<u>(86,343)</u>	<u>(455,299)</u>	<u>(541,642)</u>
Income-(loss) before contributions and transfers	53,979	(246,766)	(192,787)
Capital contributions:			
System development charges	10,578	-	10,578
Transfers out	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
Change in net assets	64,557	(247,766)	(183,209)
Total net assets - beginning	<u>5,115,013</u>	<u>4,841,064</u>	<u>9,956,077</u>
Total net assets - ending	<u>\$ 5,179,570</u>	<u>\$ 4,593,298</u>	<u>\$ 9,772,868</u>

The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

Statement of Cash Flows
ENTERPRISE FUNDS
Year Ended June 30, 2010

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,224,752	\$ 1,519,725	\$ 2,744,477
Cash payments to suppliers for goods and services	(389,696)	(569,639)	(959,335)
Cash payments to employees for services	(493,075)	(387,968)	(881,043)
Net cash provided by operating activities	<u>341,981</u>	<u>562,118</u>	<u>904,099</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(1,000)	(1,000)
Advances from other funds	276,295	12,000	288,295
Advances to other funds	-	(262,295)	(262,295)
Net cash provided by (used in) noncapital financing activities	<u>276,295</u>	<u>(251,295)</u>	<u>25,000</u>
Cash flows from capital and related financing activities:			
Loan proceeds	-	2,543,125	2,543,125
Capital contributions	10,578	-	10,578
Purchase of capital assets	(136,670)	(2,203,793)	(2,340,463)
Debt principal payments	(285,941)	(297,918)	(583,859)
Debt interest payments	(104,180)	(65,358)	(169,538)
Net cash used in capital and related financing activities	<u>(516,213)</u>	<u>(23,944)</u>	<u>(540,157)</u>
Cash flows from investing activities:			
Interest on investments	4,973	3,779	8,752
Net increase in cash and investments	107,036	290,658	397,694
Cash and investments - beginning	1,216,404	273,557	1,489,961
Cash and investments - ending	<u>\$ 1,323,440</u>	<u>\$ 564,215</u>	<u>\$ 1,887,655</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 140,322	\$ 208,533	\$ 348,855
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	184,267	302,324	486,591
(Increase) decrease in:			
Accounts receivable	10,004	319	10,323
Inventories	3,111	-	3,111
Increase (decrease) in:			
Accounts payable	1,231	46,649	47,880
Compensated absences	3,046	4,293	7,339
Total adjustments	<u>201,659</u>	<u>353,585</u>	<u>555,244</u>
Net cash provided by operating activities	<u>\$ 341,981</u>	<u>\$ 562,118</u>	<u>\$ 904,099</u>

The accompanying notes are an integral part of this statement.

CITY OF TILLAMOOK

Statement of Fiduciary Net Assets
AGENCY FUND
June 30, 2010

Assets

Cash and investments

\$ 5,036

Liabilities

Amounts held for others

\$ 5,036

The accompanying notes are an integral part of this statement.

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CITY OF TILLAMOOK

Notes to Financial Statements Year Ended June 30, 2010

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Tillamook 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. The more significant of the City's accounting policies are described below.

(A) Organization and Operation

The City of Tillamook was incorporated February 28, 1891. The City operates under a charter adopted January 1, 1917 which has been amended by various acts. The City is governed by an elected mayor and the City Council consisting of six members elected from each of the City's wards. The City provides various services as authorized by its charter including police protection, street maintenance, sewer service and water service.

(B) Description of the Reporting Entity

As required by GAAP, these financial statements present the government and its component unit (Tillamook Urban Renewal Agency), an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements. Financial accountability is determined in accordance with criteria set forth in GAAP, primarily on the basis of authority to appoint a voting majority of an organization's governing board, the ability to impose its will on that organization, the potential for that organization to provide specific financial benefits or impose specific financial burdens and that organization's fiscal dependency.

Tillamook Urban Renewal Agency – The Agency was formed to plan, direct, and manage certain projects within the City of Tillamook. Pursuant to ORS 457.035, two members of the City Council have been appointed part of the governing body of the Agency, the remaining members of the governing body are at-large positions.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(C) Government-wide and Fund Financial Statements

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which are primarily supported by intergovernmental revenues and taxes, are reported separately from *business-type activities*, which rely primarily upon fees charged to external parties. Eliminations have been made to minimize the double-counting of internal activities. Direct expenses are not eliminated from the various functional categories.

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

Fund Financial Statements:

Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Remaining governmental funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and provides essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(C) Government-wide and Fund Financial Statements (Contd)

General Fund - This fund is used to account for general activities of the City. Primary sources of revenues are property taxes, licenses, permits and fees, fines and forfeitures and revenues from other government agencies. Primary expenditures are for general government and public safety.

Transient Room Tax Fund – This fund is used to account for the collections of the City's motel tax. Expenditures are for tourism related activities and transfers to the General Fund and the Property Purchase and Building Reserve Fund.

The City reports the following major enterprise funds:

Water Fund - This fund is used to account for operations of the City's water system. Revenues consist primarily of user charges. Expenditures are for the repair, maintenance and operations of the water system, capital improvements and retirement of debt.

Sewer Fund - This fund is used to account for operations of the City's sewage disposal system. Revenues consist primarily of user charges. Expenditures are for the repair, maintenance and operations of the sewage disposal system and treatment plant, capital improvements and retirement of debt.

Additionally, the City reports the following fund:

Agency Fund - This fund accounts for the City's monies held for others and the City's role is purely custodial. The City's agency fund is used to account for the amounts collected for bail by the City's municipal court.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(D) Measurement Focus and Basis of Accounting

Government-wide and Enterprise Fund Financial Statements:

The government-wide and enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and entitlements. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City applies 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, and does not apply FASB guidance issued subsequent to November 30, 1989 unless specifically adopted by the GASB.

Governmental Fund Financial Statements:

All governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 be used to pay liabilities of the current period. The City considers property taxes as available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. All transactions occurring in the governmental fund financial statements are recorded using the modified accrual basis of accounting, except for:

- Interfund transactions for goods and services which are recorded on the accrual basis
- Revenues from grants which are recorded as earned
- Principal and interest on general long-term debt which are recorded when due

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(D) Measurement Focus and Basis of Accounting (Contd)

Significant revenues that were measurable and available at June 30, 2010 under the modified accrual basis of accounting were as follows:

- Federal and state grants (to the extent that revenues are recorded as eligible expenditures are incurred)
- State, county and local shared revenues
- Property taxes collected within sixty days of year end

When program expenses are incurred for which both restricted and unrestricted net assets are available to finance a program, it is the City's policy to first apply restricted resources to such programs, followed by unrestricted resources.

(E) Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers amounts of equity in pooled cash and investments as cash and cash equivalents. This is in conformity with Statement No. 9 of the Governmental Accounting Standards Board which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash.

(F) Investments

Investments included in cash and investments are carried at fair value. The City invests in the State of Oregon Local Government Investment Pool and in U.S. Government agencies securities as authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool and except U.S. Government agencies securities which are exempt from statutes requiring such insurance.

(G) Receivables

Property taxes receivable in the governmental funds, which have been collected within 60 days of year end, are considered measurable and available, and are recognized as revenues in the governmental fund financial statements. All other property taxes receivable in the governmental funds are offset by deferred revenue because they are not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary by management as uncollectable taxes become a lien on the property.

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(G) Receivables (Contd)

Receivables for federal and state grants are recorded as revenue as earned. Accounts receivable of the enterprise funds are recorded as revenue when earned.

Assessments receivable pertain to improvements benefiting specific property owners. These receivables are offset by a deferred revenue account and are recorded as revenue in the governmental fund financial statements when they become measurable and available.

The City has elected to not accrue certain revenues, including fuel tax, hotel/motel tax, and franchise fees.

(H) Supply Inventories

Inventories, consisting of materials and supplies used in the water operations, are valued at the lower of cost (first-in, first-out) or market and are charged to expense when used.

(I) Capital Assets

Capital assets, which include property, water and sewer plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City has elected to record infrastructure assets (i.e., streets, bridges, sidewalks, and similar items) added after July 1, 2003, as allowed by GASB 34.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 to 50
Infrastructure	40
Sewer system	10 to 50
Water system	10 to 50
Equipment	5 to 15

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(J) Long-Term Debt

All City long-term debt is included in the government-wide financial statements. Long-term debt directly related to and expected to be paid from the enterprise funds is also included in those funds.

(K) Compensated Absences

Accumulated vested compensated absences are accrued in the government-wide and enterprise fund financial statements as earned by employees. Sick pay, which does not vest, is recorded when leave is taken.

(L) Leases

Leases which meet certain criteria established by the Financial Accounting Standards Board are classified as capital leases and recorded in the government-wide financial statements. Leases which do not meet the criteria of a capital lease are classified as operating leases. Operating lease payments are expensed when paid.

(M) Property Tax Calendar

Ad valorem property taxes are levied on all taxable property as of July 1 of the beginning of the fiscal year. Property taxes become an enforceable lien on that date for real property and for personal property. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Uncollected taxes, including delinquent amounts, are considered by management substantially collectible or recoverable through liens.

(N) Restricted Net Assets

Restricted net assets reported in the Statement of Net Assets represent amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations.

(O) Estimates

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

CITY OF TILLAMOOK

Notes to Financial Statements
 Year Ended June 30, 2010

2 - CASH AND INVESTMENTS:

The City maintains a cash and investments pool that is available for use by all funds. In addition, cash and investments are separately held by some of the City's funds.

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

	City	Urban Renewal Agency
Cash on hand	\$ 260	\$ -
Deposits with financial institutions	1,097,979	6,619
Investments	1,190,097	201,842
Total cash and investments	<u>\$2,288,336</u>	<u>\$ 208,461</u>

Cash and investments are reflected in the basic financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 1,160,479
Restricted cash and investments	<u>1,122,821</u>
Total statement of net assets	2,283,300
Statement of Fiduciary Net Assets	
Total cash and investments	<u>\$ 2,288,336</u>

Deposits with Financial Institutions

Deposits with financial institutions are bank demand deposits. The total bank balance, as shown on the banks' records at June 30, 2010, is \$680,621 for the City and \$6,701 for the Urban Renewal Agency. Of the City's deposits, \$646,470 is covered by federal depository insurance. The Urban Renewal Agency's deposits were fully covered by federal depository insurance.

Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) Chapter 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a policy for deposits custodial credit risk. As of June 30, 2010, all deposits are insured.

2 - CASH AND INVESTMENTS: (Contd)

Investments

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

At June 30, 2010, the City's investments consisted of the following:

	<u>City</u>	<u>Urban Renewal Agency</u>
Investment in Oregon Local Government Investment Pool (LGIP)	<u>\$ 1,190,097</u>	<u>\$ 201,842</u>

The Oregon Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. As of June 30, 2010, the fair value of the position in the State Treasurer's Local Government Investment Pool is 99.56% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. The City's investment in the Oregon Local Government Investment Pool is 100% of total investments. The Urban Renewal Agency's investment in the Oregon Local Government Investment Pool is 100% of total investments.

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2010, were: 77% mature within 93 days, 8% mature from 94 days to one year, and 15% mature from one to three years.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CITY OF TILLAMOOK

Notes to Financial Statements

Year Ended June 30, 2010

2 - CASH AND INVESTMENTS: (Contd)

Restricted Cash and Investments

Amounts shown as restricted on the balance sheet consist of the following at June 30, 2010:

Bond reserve account:	
Water Bond No. 1	\$ 94,315
Water Bond No. 2	156,791
Water Bond No. 3	99,640
Water Bond No. 4	39,398
Bond debt service account:	
Water Bond No. 1	23,579
Water Bond No. 2	137,171
Water Bond No. 3	87,185
Water Bond No. 4	19,699
Systems development charges reserve account	191,463
Sewer loan reserve account	<u>273,580</u>
	<u>\$ 1,122,821</u>

The bond reserve account consists of amounts deposited in accordance with the requirements of the City's water bond agreement with the U.S. Department of Agriculture. The reserve requirement is equal to the annual debt service payment on the water bonds and is being funded over a ten year period in accordance with the bond agreement.

The bond debt service account consists of amounts required to be deposited monthly in accordance with the requirements of the City's water bond agreement with the U.S. Department of Agriculture in order to meet the annual debt service payments as they are due.

The systems development charges reserve account consists of fees that are restricted for specific purposes in accordance with state law.

The sewer loan reserve represents the portion of the State of Oregon Department of Environmental Quality loan reserve requirement that was funded at June 30, 2010. The reserve requirement for the six loans is \$728,805 at June 30, 2010.

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 671,769	\$ -	\$ -	\$ 671,769
Construction in progress	51,101	-	-	51,101
Total capital assets not being depreciated	<u>722,870</u>	<u>-</u>	<u>-</u>	<u>722,870</u>
Capital assets being depreciated:				
Buildings	2,230,151	-	-	2,230,151
Other improvements	453,778	11,763	-	465,541
Infrastructure	434,798	105,610	-	540,408
Equipment	561,002	7,645	-	568,647
Total capital assets being depreciated	<u>3,679,729</u>	<u>125,018</u>	<u>-</u>	<u>3,804,747</u>
Less accumulated depreciation for:				
Buildings	437,752	44,568	-	482,320
Other improvements	189,162	16,443	-	205,605
Infrastructure	25,811	13,264	-	39,075
Equipment	419,358	41,189	-	460,547
Total accumulated depreciation	<u>1,072,083</u>	<u>115,464</u>	<u>-</u>	<u>1,187,547</u>
Total capital assets being depreciated, net	<u>2,607,646</u>	<u>9,554</u>	<u>-</u>	<u>2,617,200</u>
Governmental activities capital assets, net	<u>\$ 3,330,516</u>	<u>\$ 9,554</u>	<u>\$ -</u>	<u>\$ 3,340,070</u>

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

3 - CAPITAL ASSETS: (Contd)

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 233,620	\$ -	\$ -	\$ 233,620
Construction in progress	<u>17,659,051</u>	<u>1,870,024</u>	<u>19,449,453</u>	<u>79,622</u>
Total capital assets not being depreciated	<u>17,892,671</u>	<u>1,870,024</u>	<u>19,449,453</u>	<u>313,242</u>
Capital assets being depreciated:				
Water utility plant	8,822,502	39,274	-	8,861,776
Sewer utility plant	6,667,447	19,449,453	-	26,116,900
Equipment	<u>451,314</u>	<u>40,000</u>	<u>-</u>	<u>491,314</u>
Total capital assets being depreciated	<u>15,941,263</u>	<u>19,528,727</u>	<u>-</u>	<u>35,469,990</u>
Less accumulated depreciation for:				
Water utility plant	3,480,240	162,508	-	3,642,748
Sewer utility plant	3,898,419	292,707	-	4,191,126
Equipment	<u>296,737</u>	<u>31,376</u>	<u>-</u>	<u>328,113</u>
Total accumulated depreciation	<u>7,675,396</u>	<u>486,591</u>	<u>-</u>	<u>8,161,987</u>
Total capital assets being depreciated, net	<u>8,265,867</u>	<u>19,042,136</u>	<u>-</u>	<u>27,308,003</u>
Business-type activities capital assets, net	<u>\$ 26,158,538</u>	<u>\$ 20,912,160</u>	<u>\$ 19,449,453</u>	<u>\$ 27,621,245</u>

Depreciation expense was charged to the functions of the City as follows:

Governmental Activities:

General government	\$ 5,741
Public safety	24,383
Streets	35,091
Parks	15,389
Community development	<u>34,860</u>
Total depreciation expense, governmental activities	<u>\$ 115,464</u>

Business-type Activities:

Water operations	\$ 184,267
Sewer operations	<u>302,324</u>
Total depreciation expense, business-type activities	<u>\$ 486,591</u>

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS:

Changes in long-term obligations for the year ended June 30, 2010, were as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within One Year	Interest Matured and Paid
Governmental Activities:						
Loans payable:						
Linden Drive Project	\$ 43,000	\$ -	\$ 10,000	\$ 33,000	\$ 10,000	\$ 2,258
Animal Control Truck	10,995	8,555	-	19,550	4,888	-
Total governmental activities long-term obligations	<u>\$ 53,995</u>	<u>\$ 8,555</u>	<u>\$ 10,000</u>	<u>\$ 52,550</u>	<u>\$ 14,888</u>	<u>\$ 2,258</u>
Business-type Activities:						
Sewer system loans payable	\$ 14,986,804	\$ 2,543,125	\$ 297,918	\$ 17,232,011	\$ 550,802	\$ 65,358
Water system bonds payable	2,025,782	-	285,941	1,739,841	301,005	104,180
Total business-type activities long-term obligations	<u>\$ 17,012,586</u>	<u>\$ 2,543,125</u>	<u>\$ 583,859</u>	<u>\$ 18,971,852</u>	<u>\$ 851,807</u>	<u>\$ 169,538</u>

Loans Payable

During 2000-01, the City entered into a loan agreement for \$110,000 for the Linden Drive Local Improvement District (LID) Project. The loan carries an interest rate of 5.25% and is payable in annual installments. The loan is payable primarily from assessment payments received by the City, and the City has pledged all amounts received from property which is assessed for costs of the Linden Drive LID Project, including payments of assessments and amounts received from foreclosing assessment liens.

Estimated annual debt service requirements as of June 30, 2010, are as follows:

Year	Total	Principal	Interest
2010-11	\$ 11,732	\$ 10,000	\$ 1,732
2011-12	12,208	11,000	1,208
2012-13	<u>12,630</u>	<u>12,000</u>	<u>630</u>
Totals	<u>\$ 36,570</u>	<u>\$ 33,000</u>	<u>\$ 3,570</u>

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS: (Contd)

Loans Payable (Contd)

During 2007-08, the City entered into a loan agreement for \$21,704 to acquire an animal control truck. During 2009-10, the City amended the loan agreement to include an additional \$8,555 to acquire additional equipment. The loan is to be repaid over a 4-year period in annual installments of \$5,273, including interest at 3.00% per annum.

Estimated annual debt service requirements as of June 30, 2010, are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-11	\$ 5,273	\$ 4,888	\$ 385
2011-12	5,273	4,888	385
2012-13	5,273	4,888	385
2013-14	<u>5,273</u>	<u>4,886</u>	<u>387</u>
	<u>\$ 21,092</u>	<u>\$ 19,550</u>	<u>\$ 1,542</u>

During 2005-06, the City entered into a loan agreement for \$200,000 to purchase property for the Sewer Fund. The loan is to be repaid over a 20-year period in annual installments of \$15,175, including interest at 4.56% per annum.

Estimated annual debt service requirements as of June 30, 2010, are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-11	\$ 15,175	\$ 7,437	\$ 7,738
2011-12	15,175	7,776	7,399
2012-13	15,175	8,130	7,045
2013-14	15,175	8,501	6,674
2014-15	15,175	8,889	6,286
2015-16	15,175	9,294	5,881
2016-17	15,175	9,718	5,457
2017-18	15,175	10,161	5,014
2018-19	15,175	10,624	4,551
2019-20	15,175	11,109	4,066
2020-21	15,175	11,616	3,559
2021-22	15,175	12,145	3,030
2022-23	15,175	12,699	2,476
2023-24	15,175	13,278	1,897
2024-25	15,175	13,884	1,291
2025-26	<u>15,098</u>	<u>14,439</u>	<u>659</u>
	<u>\$ 242,723</u>	<u>\$ 169,700</u>	<u>\$ 73,023</u>

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS: (Contd)

Loans Payable (Contd)

During 2007-08, the City entered into a loan agreement for \$1,000,000 to fund construction of sewer system improvements. In 2008-09, unpaid accrued interest of \$54,349 was added to the outstanding loan principal balance. The loan is to be repaid over a 25-year period in annual installments, including interest at 2% to 5% per annum.

Estimated annual debt serve requirements as of June 30, 2010, are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-11	\$ 69,878	\$ 24,448	\$ 45,430
2011-12	69,278	24,582	44,696
2012-13	73,678	29,719	43,959
2013-14	72,803	29,884	42,919
2014-15	71,928	30,055	41,873
2015-16	70,927	30,257	40,670
2016-17	69,928	30,468	39,460
2017-18	68,927	30,686	38,241
2018-19	72,928	35,914	37,014
2019-20	71,653	36,165	35,488
2020-21	70,302	36,442	33,860
2021-22	69,103	36,700	32,403
2022-23	72,603	42,035	30,568
2023-24	70,853	42,387	28,466
2024-25	69,452	42,682	26,770
2025-26	72,702	48,066	24,636
2026-27	70,613	48,490	22,123
2027-28	68,602	48,914	19,688
2028-29	71,502	54,382	17,120
2029-30	69,478	54,805	14,673
2030-31	72,340	60,270	12,070
2031-32	69,965	60,758	9,207
2032-33	72,590	66,269	6,321
2033-34	69,978	66,805	3,173
	<u>\$1,702,011</u>	<u>\$ 1,011,183</u>	<u>\$ 690,828</u>

CITY OF TILLAMOOK

Notes to Financial Statements
 Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS: (Contd)

Loans Payable (Contd)

During 1997-98, the City entered into a loan agreement with the State of Oregon Department of Environmental Quality (DEQ) for \$1,910,373 to fund construction of sewer system improvements. The loan is being paid in semi-annual installments of \$88,669, including interest at 3.77% per annum. The City paid a loan origination fee of 1.5 percent of the loan amount and is paying an annual servicing fee of 0.5 percent of the outstanding loan balance. The City has pledged net operating revenues from the sewage disposal system to pay the amounts due under the loan agreement. Additionally, the City is required to fund a loan reserve equal to 100 percent of the average annual debt service. The loan reserve requirement equals \$169,485 and had been fully funded as of June 30, 2010.

Estimated annual debt service requirements as of June 30, 2010, are shown as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>
2010-11	\$ 180,221	\$ 154,168	\$ 23,171	\$ 2,882
2011-12	179,436	160,035	17,304	2,097
2012-13	178,620	166,126	11,213	1,281
2013-14	<u>177,774</u>	<u>172,447</u>	<u>4,892</u>	<u>435</u>
Totals	<u>\$ 716,051</u>	<u>\$ 652,776</u>	<u>\$ 56,580</u>	<u>\$ 6,695</u>

During 2002-2003, the City entered into a second loan agreement with the DEQ for \$500,000 to fund construction of sewer system improvements and has borrowed \$441,902 under the agreement. The loan will be repaid in semi-annual installments of \$15,810, including interest at 3.19% per annum. The agreement requires the City to pay an annual servicing fee of 0.5 percent of the outstanding loan balance. The City has pledged net operating revenues from the sewage disposal system to pay the amounts due under the loan agreement. Additionally, the City is required to fund a loan reserve equal to 100 percent of the average annual debt service. The loan reserve requirement equals \$31,589 and had been fully funded as of June 30, 2010.

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS: (Contd)

Loans Payable (Contd)

Estimated annual debt service requirements as of June 30, 2010 are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>
2010-11	\$ 33,292	\$ 20,791	\$ 10,829	\$ 1,672
2011-12	33,186	21,459	10,161	1,566
2012-13	33,077	22,149	9,471	1,457
2013-14	32,964	22,861	8,759	1,344
2014-15	32,848	23,597	8,023	1,228
2015-16	32,728	24,355	7,265	1,108
2016-17	32,605	25,139	6,481	985
2017-18	32,477	25,947	5,673	857
2018-19	32,345	26,780	4,840	725
2019-20	32,209	27,642	3,978	589
2020-21	32,069	28,531	3,089	449
2021-22	31,924	29,449	2,171	304
2022-23	31,774	30,395	1,225	154
2023-24	15,790	15,542	248	-
Totals	\$ 439,288	\$ 344,637	\$ 82,213	\$ 12,438

During 2005-2006, the City entered into a loan agreement in the amount of \$300,000 with the State of Oregon Department of Environmental Quality to fund construction of sewer system improvements and has borrowed \$178,679 under the agreement. The loan will be repaid with a payment of \$34,265 on August 1, 2010 and in semi-annual installments of \$18,633 thereafter, including interest at 1.11% per annum. The City has pledged net operating revenues from the sewage disposal system to pay the amounts due under the loan agreement. Additionally, the City is required to fund a loan reserve equal to 50 percent of the average annual debt service. The loan reserve requirement equals \$18,850 and had not been fully funded as of June 30, 2010.

Estimated annual debt service payments as of June 30, 2010 are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-11	\$ 52,898	\$ 51,099	\$ 1,799
2011-12	37,266	35,949	1,317
2012-13	37,266	36,349	917
2013-14	37,266	36,754	512
2014-15	18,631	18,528	103
Totals	\$ 183,327	\$ 178,679	\$ 4,648

Notes to Financial Statements
Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS: (Contd)

Loans Payable (Contd)

During 2005-2006, the City entered into a second agreement with the DEQ for \$268,000 to fund construction of sewer system improvements and has borrowed \$191,072 under the agreement. The loan will be repaid in semi-annual installments of \$6,562, including interest at 2.81% per annum. The agreement requires the City to pay an annual servicing fee of 0.5 percent of the outstanding loan balance. The City has pledged net operating revenues from the sewage disposal system to pay the amounts due under the loan agreement. Additionally, the City is required to fund a loan reserve equal to 50 percent of the average annual debt service. The loan reserve requirement equals \$6,561 and had not been fully funded at June 30, 2010.

Estimated annual debt service payments as of June 30, 2010 are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>
2010-11	\$ 13,901	\$ 8,696	\$ 4,428	\$ 777
2011-12	13,857	8,942	4,182	733
2012-13	13,812	9,195	3,929	688
2013-14	13,765	9,456	3,668	641
2014-15	13,717	9,723	3,401	593
2015-16	13,668	9,998	3,126	544
2016-17	13,617	10,281	2,843	493
2017-18	13,565	10,572	2,552	441
2018-19	13,511	10,871	2,253	387
2019-20	13,456	11,178	1,946	332
2020-21	13,400	11,495	1,629	276
2021-22	13,341	11,820	1,304	217
2022-23	13,281	12,155	969	157
2023-24	13,220	12,499	625	96
2024-25	13,163	12,859	272	32
Totals	<u>\$ 203,274</u>	<u>\$ 159,740</u>	<u>\$ 37,127</u>	<u>\$ 6,407</u>

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS: (Contd)

Loans Payable (Contd)

During 2005-2006, the City entered into a third agreement with the DEQ for \$8,000,000, which was increased to \$9,800,000 during 2007-08, to \$12,271,773 during 2008-2009, and to \$16,926,224 during 2009-10 to fund construction of sewer system improvements and has borrowed \$14,715,296 under the agreement. The loan will be repaid in semi-annual installments of \$990,654, including interest at 2.87% per annum. The agreement requires the City to pay an annual servicing fee of 0.5 percent of the outstanding loan balance. The City has pledged net operating revenues from the sewage disposal system to pay the amounts due under the loan agreement. Additionally, the City is required to fund a loan reserve equal to 50 percent of the average annual debt service. The loan reserve requirement equals \$502,320 and had not been fully funded at June 30, 2010.

Estimated annual debt service payments as of June 30, 2010, are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>
2010-11	\$ 1,343,971	\$ 284,163	\$ 986,232	\$ 73,576
2011-12	1,061,368	580,616	410,038	70,714
2012-13	1,058,424	597,400	393,254	67,770
2013-14	1,055,394	614,669	375,985	64,740
2014-15	1,052,276	632,436	358,218	61,622
2015-16	1,049,069	650,717	339,937	58,415
2016-17	1,045,769	669,527	321,127	55,115
2017-18	1,042,373	688,880	301,774	51,719
2018-19	1,038,879	708,793	281,861	48,225
2019-20	1,035,284	729,281	261,373	44,630
2020-21	1,031,586	750,362	240,292	40,932
2021-22	1,027,780	772,052	218,602	37,126
2022-23	1,023,864	794,369	196,285	33,210
2023-24	1,019,835	817,330	173,324	29,181
2024-25	1,015,690	840,956	149,698	25,036
2025-26	1,011,425	865,264	125,390	20,771
2026-27	1,007,037	890,276	100,378	16,383
2027-28	1,002,521	916,010	74,644	11,867
2028-29	997,876	942,488	48,166	7,222
2029-30	993,070	969,707	20,922	2,441
Totals	<u>\$ 20,913,491</u>	<u>\$14,715,296</u>	<u>\$5,377,500</u>	<u>\$ 820,695</u>

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

4 - LONG-TERM OBLIGATIONS: (Contd)

Bonds Payable

Bonds payable consist of revenue installment water bonds payable from revenues of the City's water operations. Bonds outstanding at June 30, 2010, are as follows:

Revenue Installment Water Bonds:

No. 1 payable to U.S. Department of Agriculture, annual payments of \$94,315, including interest at 5.75 percent	\$ 161,568
No. 2 payable to U.S. Department of Agriculture, annual payments of \$156,767, including interest at 5.125 percent	791,884
No. 3 payable to U.S. Department of Agriculture, annual payments of \$99,640, including interest at 5.125 percent	503,317
No. 4 payable to U.S. Department of Agriculture, annual payments of \$39,398, including interest at 4.75 percent	<u>283,072</u>
Totals	<u><u>\$ 1,739,841</u></u>

Estimated future maturities are as follows:

	Water Bond No. 1		Water Bond No. 2		Water Bond No. 3		Water Bond No. 4		Totals	
	Principal	Interest	Principal	Interest	Principal	Interst	Principal	Interest	Principal	Interest
2010-2011	\$ 85,025	\$ 9,290	\$ 116,183	\$ 40,584	\$ 73,845	\$ 25,795	\$ 25,952	\$ 13,446	\$ 301,005	\$ 89,115
2011-2012	76,543	4,401	122,137	34,630	77,630	22,010	27,185	12,213	303,495	73,254
2012-2013	-	-	128,397	28,370	81,608	18,032	28,476	10,922	238,481	57,324
2013-2014	-	-	134,977	21,790	85,791	13,849	29,829	9,569	250,597	45,208
2014-2015	-	-	141,895	14,872	90,187	9,453	31,246	8,152	263,328	32,477
2015-2020	-	-	148,295	7,600	94,256	4,831	140,384	17,046	382,935	29,477
	<u>\$161,568</u>	<u>\$ 13,691</u>	<u>\$ 791,884</u>	<u>\$ 147,846</u>	<u>\$ 503,317</u>	<u>\$ 93,970</u>	<u>\$283,072</u>	<u>\$ 71,348</u>	<u>\$1,739,841</u>	<u>\$ 326,855</u>

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

5 – URBAN RENEWAL AGENCY LONG-TERM OBLIGATIONS:

The Tillamook Urban Renewal Agency has obligations under various loan agreements with TLC Federal Credit Union. Transactions for the year ended June 30, 2010, are as follows:

	Interest Rate	Beginning Balance	Additions	Payments	Ending Balance	Interest Paid
Loan 142	0%	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -
Loan 143	3.5%	-	147,132	54,976	92,156	299
Loan 144	5.5%	-	67,000	-	67,000	-
Loan 145	5.5%	-	144,000	-	144,000	-
Loan 146	5.5%	-	44,538	-	44,538	-
Loan 147	5.5%	-	58,720	-	58,720	-
Totals		<u>\$ 175,000</u>	<u>\$461,390</u>	<u>\$ 229,976</u>	<u>\$ 406,414</u>	<u>\$ 299</u>

Estimated future principal and interest maturities are as follows:

Year	Total	Principal	Interest
2010-11	\$ 278,921	\$ 261,182	\$ 17,739
2011-12	77,156	69,386	7,770
2012-13	40,856	36,914	3,942
2013-14	40,831	38,932	1,899
Totals	<u>\$ 437,764</u>	<u>\$ 406,414</u>	<u>\$ 31,350</u>

CITY OF TILLAMOOK

Notes to Financial Statements

Year Ended June 30, 2010

6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances as of June 30, 2010, is as follows:

Funds	Due from Other Funds	Due to Other Funds	Interfund Loan Receivable	Interfund Loan Payable	Transfers In	Transfers Out
<u>Governmental Funds:</u>						
General Fund	\$ 3,398	\$ -	\$ -	\$ 56,000	\$ 149,503	\$ -
Transient Room Tax Fund	-	-	-	-	-	151,368
Nonmajor governmental funds	-	3,398	-	48,000	41,188	38,323
<u>Proprietary Funds:</u>						
Water Fund	-	-	111,000	-	-	-
Sewer Fund	-	-	48,000	55,000	-	1,000
	<u>\$ 3,398</u>	<u>\$ 3,398</u>	<u>\$ 159,000</u>	<u>\$159,000</u>	<u>\$ 190,691</u>	<u>\$ 190,691</u>

Interfund Loan Receivable/Payable is the result of three separate loans. Two loans were a result of shortfalls in revenue; a loan from the Sewer Fund to the State Tax Street Fund for \$60,000, and a loan from the Water Fund to the General Fund for \$70,000. These loans are being repaid, including interest at two percent, over a five year period. The third loan is from the Water Fund to the Sewer Fund for \$55,000 and is a result of cost over runs in the Wastewater Treatment Plan upgrade project.

Transfers are used to move revenues from the fund with collection authority to the fund authorized to make the expenditure, and to move unrestricted general fund revenues to finance various programs accounted for in other funds in accordance with budgetary authorization.

7- RETIREMENT PLAN:

Plan Description

The City participates in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The system is a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes Chapter 238 and Chapter 238A by the Public Employees Retirement Board. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional but

CITY OF TILLAMOOK

Notes to Financial Statements
Year Ended June 30, 2010

7- RETIREMENT PLAN: (Contd)

Plan Description (Contd)

irrevocable if elected. A stand-alone financial report is not available for the City. However, the State of Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, 11410 S.W. 68th Parkway, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-PERS.

Funding Policy

PERS members are required to contribute 6% of their annual covered salary. The City is required to contribute an actuarially determined rate. The current rate is 5.27% of annual covered payroll for 2 member employees of the State and Local Government Rate Pool. The current rate is 3.38% of annual covered payroll for general service employees and 6.09% of annual covered payroll for police employees for member employees of the Oregon Public Service Retirement Plan. The City contributes the employer's portion and the employee's portion for all employees. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to PERS for the employer's portion for the years ending June 30, 2010, 2009 and 2008, totaled \$159,824 \$259,729 and \$253,344, respectively, equal to the required contributions.

The actuary has determined in accordance with GASB 45 that there is no implicit rate subsidy to record.

8 - BUDGET:

Except for its Agency Fund, the City is required by State law to budget all funds. The Council annually authorizes appropriations for each fund which set the level by which expenditures cannot exceed appropriations. The level of control for General Fund appropriations is by department and appropriations for other funds are generally controlled by personal services, materials and services, capital outlay, debt service, other expenditures and transfers. The budget document contains more specific, detailed information for the aforementioned expenditure categories.

Unexpected resources and certain other changes may be made through use of a supplemental budget which requires publication in newspapers, public hearings and approval by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the levels of control within a fund. Such transfers require approval by the Council. During the year, the City adopted supplemental budgets and approved transfer resolutions. Appropriations lapse at year-end.

The City budgets on a cash basis which is legal, although not in accordance with generally accepted accounting principles.

9 - OVEREXPENDITURES OF APPROPRIATIONS:

During 2009-10, the City overexpended the General Fund Mayor and Council appropriation by \$9,780 and City Recorder appropriation by \$2,849; the Fuel Business License Fund debt service appropriation by \$12,258; the Economic Development Fund transfers appropriation by \$20,223; and the Water Fund personal services appropriation by \$9,250 and debt service appropriation by \$517.

10 - FUND EQUITY DEFICITS:

At June 30, 2010, the State Tax Street Fund had an equity deficit of \$33,520, the Transient Room Tax Fund had an equity deficit of \$5,525, and the Community Development Block Grant Fund had an equity deficit of \$3,398. The City made a \$60,000 interfund loan to the State Tax Street Fund in order to cover the fund deficit. The loan will be paid in equal annual payments through July 2013. The City also intends to make a transfer from the General Fund to the Community Development Block Grant Fund to cover the deficit.

11 - RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the City/County Insurance Services Trust and pays an annual premium to the Trust for its general and automobile liability, automobile physical damage and property coverage. Under the membership agreement with the Trust, the Trust is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

The City carries commercial insurance for other risks of loss including workers' compensation, boiler and machinery and public official bond. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

12 - CONTINGENCY:

Construction was completed on the City's Wastewater Treatment Improvements Project during 2009-10. The general contractor filed suit against the City of Tillamook on April 16, 2010, for, among other similar claims, breach of contract, alleging that the contractor is entitled to approximately \$3,057,614 in damages. On September 8, 2010, the City answered the contractor's complaint and denied that the contractor is entitled to recover under its claims, and asserted a counterclaim against the contractor for delays in completion of the Project. The City has demanded a judgment against the general contractor for approximately \$1,314,000. The ultimate outcome of this matter is not presently determinable.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TILLAMOOK

Schedule of Funding Progress for Retirement Plan

	Actuarial Valuation Date		
	<u>12-31-07</u>	<u>12-31-06</u>	<u>12-31-05</u>
Actuarial value of assets (a)	\$11,021,751	\$ 10,424,233	\$ 9,474,082
Actuarial accrued liability (b)	<u>10,186,189</u>	<u>9,741,851</u>	<u>9,294,959</u>
Unfunded actuarial accrued liability (b-a)	<u>\$ (835,562)</u>	<u>\$ (682,382)</u>	<u>\$ (179,123)</u>
Funded ratio (a/b)	<u>108%</u>	<u>107%</u>	<u>102%</u>
Covered payroll (c)	<u>\$ 1,464,193</u>	<u>\$ 1,271,076</u>	<u>\$ 1,230,295</u>
Unfunded actuarial accrued liability as a percentage of covered payroll ((b-a)/c)	<u>(57)%</u>	<u>(54)%</u>	<u>(15)%</u>

*Updated Schedule of Funding Progress for Retirement Plan was not included in the 12/31/2009 actuarial valuation report.

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non GAAP Budgetary Basis) and Actual
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes:				
Current year's levy	\$ 515,000	\$ 515,000	\$ 491,452	\$ (23,548)
Prior years' levies	20,000	20,000	25,671	5,671
Total property taxes	535,000	535,000	517,123	(17,877)
Licenses, permits and fees:				
Franchise fees:				
Cable TV	28,500	28,500	28,820	320
Electricity	290,000	290,000	303,236	13,236
Telephone	43,476	43,476	42,044	(1,432)
Water/Sewer	57,200	57,200	54,492	(2,708)
Permits and fees:				
Business registration fees	35,000	35,000	37,424	2,424
Building permits	8,000	8,000	2,880	(5,120)
Planning permits	13,000	13,000	20,236	7,236
Miscellaneous permits	1,000	1,000	550	(450)
Miscellaneous fees	6,000	6,000	32,144	26,144
Licenses:				
Licenses	1,200	1,200	923	(277)
Animal licenses	2,300	2,300	2,272	(28)
Total licenses, permits and fees	485,676	485,676	525,021	39,345
Fines and forfeitures:				
Court	150,000	150,000	118,513	(31,487)
Parking	7,500	7,500	6,083	(1,417)
Vehicle impound	10,000	10,000	1,980	(8,020)
Total fines and forfeitures	167,500	167,500	126,576	(40,924)
Charges for services:				
Property Income	19,800	19,800	21,977	2,177
Parking meters/space rental	15,000	15,000	13,843	(1,157)
Other	5,000	5,000	1,325	(3,675)
Total charges for services	39,800	39,800	37,145	(2,655)

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 GENERAL FUND
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues: (Contd)				
Intergovernmental:				
Alcoholic beverage apportionment	\$ 56,588	\$ 56,588	\$ 48,687	\$ (7,901)
Cigarette tax	6,345	6,345	6,879	534
State revenue sharing	38,300	38,300	37,872	(428)
Federal and state grants	5,000	50,060	60,493	10,433
Total intergovernmental	106,233	151,293	153,931	2,638
Interest income	3,000	3,000	861	(2,139)
All other	44,100	44,100	26,266	(17,834)
Total revenues	1,381,309	1,426,369	1,386,923	(39,446)
Other financing sources:				
Loan proceeds	-	-	8,555	8,555
Transfer from Transient Room Tax Fund	129,280	129,280	129,280	-
Transfer from Economic Development Fund	-	-	20,223	20,223
Total other financing sources	129,280	129,280	158,058	28,778
Total revenues and other financing sources	1,510,589	1,555,649	1,544,981	(10,668)
Expenditures:				
General government:				
Mayor and council	84,200	114,260 (1)	124,040	(9,780)
City recorder	133,582	118,582 (1)	121,431	(2,849)
Planning	86,547	86,547 (1)	82,723	3,824
Municipal court	57,235	57,235 (1)	53,347	3,888
City manager	51,522	81,522 (1)	47,966	33,556
City hall	187,656	187,656 (1)	93,294	94,362
Total general government	600,742	645,802	522,801	123,001
Public safety:				
Police department	978,160	978,160 (1)	935,864	42,296
Parks:				
Parks department	9,600	9,600 (1)	8,751	849
Contingency	-	-	-	-
Total expenditures	1,588,502	1,633,562	1,467,416	166,146

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 GENERAL FUND
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other uses:				
Transfer to Water Fund	\$ -	\$ -	\$ -	\$ -
Total expenditures and other uses	<u>1,588,502</u>	<u>1,633,562</u>	<u>1,467,416</u>	<u>166,146</u>
Changes in fund balance	(77,913)	(77,913)	77,565	155,478
Fund balance - beginning	<u>77,913</u>	<u>77,913</u>	<u>36,488</u>	<u>(41,425)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,053</u>	<u>\$ 114,053</u>

(1) Appropriation Level

Reconciliation to GAAP basis:

Changes in fund balance - budgetary basis	\$ 77,565
Property taxes receivable and available - beginning	(7,981)
Property taxes receivable and available - ending	5,409
Accounts receivable - beginning	(6,319)
Accounts receivable - ending	5,713
Accounts payable - beginning	21,411
Accounts payable - ending	<u>(17,985)</u>
Changes in fund balance - GAAP basis	<u>\$ 77,813</u>

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non GAAP Budgetary Basis) and Actual
TRANSIENT ROOM TAX FUND
Year Ended June 30, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Motel taxes	\$ 295,800	\$ 275,830	\$ (19,970)
Interest income	1,800	158	(1,642)
Total revenues	<u>297,600</u>	<u>275,988</u>	<u>(21,612)</u>
Expenditures:			
Personal services	47,268 (1)	47,268	-
Materials and services	90,204 (1)	80,712	9,492
Total expenditures	<u>137,472</u>	<u>127,980</u>	<u>9,492</u>
Other uses:			
Transfer to General Fund	129,316	129,280	36
Transfer to Property Purchase and Building Reserve Fund	35,812	22,088	13,724
Total other uses	<u>165,128 (1)</u>	<u>151,368</u>	<u>13,760</u>
Total expenditures and other uses	<u>302,600</u>	<u>279,348</u>	<u>23,252</u>
Changes in fund balance	(5,000)	(3,360)	1,640
Fund balance - beginning	<u>5,000</u>	<u>4,977</u>	<u>(23)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,617</u>	<u>\$ 1,617</u>
 (1) Appropriation Level			
Reconciliation to GAAP basis:			
Changes in fund balance - budgetary basis		\$ (3,360)	
Accounts payable - beginning		517	
Accounts payable - ending		<u>(7,142)</u>	
Changes in fund balance - GAAP basis		<u>\$ (9,985)</u>	

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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CITY OF TILLAMOOK

**NONMAJOR GOVERNMENTAL FUNDS
(SPECIAL REVENUE FUNDS)**

Property Purchase and Building Reserve Fund - This fund was established to accumulate capital reserves for the purpose of purchasing and maintaining City property and buildings. Resources are provided by transfers from the Transient Room Tax Fund, interest income, and rent payments from County for Tillamook County Transit Center.

State Tax Street Fund - Gas tax apportionments received from the State of Oregon are recorded in this fund. Expenditures are for construction and maintenance of public streets.

Fuel Business License Fund - Collections of the City's gas tax are recorded in this fund. Expenditures are for construction and maintenance of public streets.

Bicycle/Pedways Fund - Accounts for a portion of the gas tax apportionment received from the state of Oregon earmarked for bicycle and pedways expenditures.

Equipment Reserve Fund - This fund was established to accumulate capital reserves for replacement and maintenance of equipment. Revenues are normally from assessment district collections, sale of equipment and interest earnings.

Economic Development Fund - This fund accounts for the City's economic development loan program.

Community Development Block Grant Fund - This fund accounts for the City's grant revenues used for the housing rehabilitation program.

Employee Health Fund - This fund is used to account for the City's healthwise program.

Carnahan Park Fund - Grants from the State of Oregon and collections from user fees at Carnahan Park are recorded in this fund. Expenditures are for maintenance, repair, ordinance enforcement and capital costs associated with Carnahan Park.

9-1-1 Communications Fund - The City's share of the State excise tax on telephones is recorded in this fund. The funds are turned over to the Countywide 9-1-1 system.

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CITY OF TILLAMOOK

Combining Balance Sheet
NONMAJOR GOVERNMENTAL (SPECIAL REVENUE) FUNDS
June 30, 2010

<u>Assets</u>	<u>Property Purchase and Building Reserve</u>	<u>State Tax Street</u>	<u>Fuel Business License</u>	<u>Bicycle/ Pedways</u>	<u>Equipment Reserve</u>	<u>Community Development Block Grant</u>	<u>Employee Health</u>	<u>Carnahan Park</u>	<u>Totals</u>
Cash and investments	\$ 5,299	\$ 2,784	\$131,826	\$ 13,588	\$ 75	\$ -	\$ 64	\$ 1,684	\$155,320
Accounts receivable	-	13,315	2,965	164	-	-	-	-	16,444
Assessments receivable	-	-	42,956	-	-	-	-	-	42,956
Total assets	<u>\$ 5,299</u>	<u>\$ 16,099</u>	<u>\$177,747</u>	<u>\$ 13,752</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 1,684</u>	<u>\$214,720</u>
 <u>Liabilities and Fund Balances</u>									
Liabilities:									
Accounts payable	\$ 55	\$ 1,619	\$ 12,964	\$ -	\$ -	\$ -	\$ -	\$ 59	\$ 14,697
Due to other funds	-	48,000	-	-	-	3,398	-	-	51,398
Deferred revenue	-	-	42,956	-	-	-	-	-	42,956
Total liabilities	55	49,619	55,920	-	-	3,398	-	59	109,051
Fund balances-(deficit):									
Unreserved	<u>5,244</u>	<u>(33,520)</u>	<u>121,827</u>	<u>13,752</u>	<u>75</u>	<u>(3,398)</u>	<u>64</u>	<u>1,625</u>	<u>105,669</u>
Total liabilities and fund balances	<u>\$ 5,299</u>	<u>\$ 16,099</u>	<u>\$177,747</u>	<u>\$ 13,752</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 1,684</u>	<u>\$214,720</u>

CITY OF TILLAMOOK

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
NONMAJOR GOVERNMENTAL (SPECIAL REVENUE) FUNDS
Year Ended June 30, 2010

	Property Purchase and Building Reserve	State Tax Street	Fuel Business License	Bicycle/ Pedways	Equipment Reserve	Economic Development	Community Development Block Grant	Employee Health	Carnahan Park	9-1-1 Communications	Totals
Revenues:											
Licenses, permits and fees	\$ -	\$ 84,314	#####	\$ -	\$ -	\$ 11,275	\$ -	\$ -	\$ 2,366	\$ -	\$229,144
Charges for services	6,576	-	-	-	-	-	-	-	-	-	6,576
Intergovernmental	-	158,206	64,865	4,545	-	-	-	-	6,500	24,153	258,269
Interest income	118	9	437	6	-	68	-	-	21	-	659
Assessment district collections	-	-	8,408	-	-	-	-	-	-	-	8,408
All other	-	2,261	35	-	-	-	-	-	-	-	2,296
Total revenues	6,694	244,790	204,934	4,551	-	11,343	-	-	8,887	24,153	505,352
Expenditures:											
Current:											
Streets	-	239,667	164,946	68	-	-	-	-	-	-	404,681
Parks	-	-	-	-	-	-	-	-	5,678	-	5,678
Community development	50,972	-	-	-	-	10,585	-	-	-	-	61,557
Transfers to other agencies	-	-	-	-	-	-	-	-	-	24,153	24,153
Debt service	-	-	12,258	-	-	-	-	-	-	-	12,258
Total expenditures	50,972	239,667	177,204	68	-	10,585	-	-	5,678	24,153	508,327
Revenues over-(under) expenditures	(44,278)	5,123	27,730	4,483	-	758	-	-	3,209	-	(2,975)
Other financing sources (uses):											
Transfer from other funds	22,088	19,100	-	-	-	-	-	-	-	-	41,188
Transfer to other funds	(6,000)	-	(9,600)	-	-	(20,223)	-	-	(2,500)	-	(38,323)
Total other financing sources (uses)	16,088	19,100	(9,600)	-	-	(20,223)	-	-	(2,500)	-	2,865
Changes in fund balance	(28,190)	24,223	18,130	4,483	-	(19,465)	-	-	709	-	(110)
Fund balances-(deficit) - beginning	33,434	(57,743)	103,697	9,269	75	19,465	(3,398)	64	916	-	105,779
Fund balances-(deficit) - ending	\$ 5,244	\$ (33,520)	#####	\$ 13,752	\$ 75	\$ -	\$ (3,398)	\$ 64	\$ 1,625	\$ -	\$105,669

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 PROPERTY PURCHASE AND BUILDING RESERVE FUND
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 100	\$ 100	\$ 118	\$ 18
Charges for services	18,000	18,000	6,576	(11,424)
Total revenues	18,100	18,100	6,694	(11,406)
Other financing sources:				
Transfer from Transient Room Tax Fund	35,812	35,812	22,088	(13,724)
Total revenues and other financing sources	53,912	53,912	28,782	(25,130)
Expenditures:				
Materials and services	49,000	49,000 (1)	21,920	27,080
Capital outlay	36,830	36,830 (1)	29,197	7,633
Total expenditures	85,830	85,830	51,117	34,713
Other uses:				
Transfer to State Tax Street Fund	6,000	6,000	6,000	-
Total expenditures and other uses	91,830	91,830	57,117	34,713
Changes in fund balance	(37,918)	(37,918)	(28,335)	9,583
Fund balance - beginning	37,918	37,918	33,634	(4,284)
Fund balance - ending	\$ -	\$ -	5,299	\$ 5,299
<i>(1) Appropriation Level</i>				
Reconciliation to GAAP basis:				
Accounts payable			(55)	
Fund balance (GAAP basis) - ending			\$ 5,244	

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non GAAP Budgetary Basis) and Actual
STATE TAX STREET FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees:				
Franchise fees:				
Electricity	\$ 45,444	\$ 45,444	\$ 55,495	\$ 10,051
City sanitary	26,250	26,250	28,819	2,569
Intergovernmental:				
State gas tax apportionments	169,078	169,078	157,379	(11,699)
Interest income	100	100	9	(91)
Miscellaneous	110	110	2,261	2,151
Total revenues	<u>240,982</u>	<u>240,982</u>	<u>243,963</u>	<u>2,981</u>
Other financing sources:				
Transfer from Fuel Business License Fund	9,600	9,600	9,600	-
Transfer from Sewage Disposal Fund	1,000	1,000	1,000	-
Transfer from Property Purchase and Building Reserve Fund	6,000	6,000	6,000	-
Transfer from Carnahan Park Fund	2,500	2,500	2,500	-
Total other financing sources	<u>19,100</u>	<u>19,100</u>	<u>19,100</u>	<u>-</u>
Total revenues and other financing sources	<u>260,082</u>	<u>260,082</u>	<u>263,063</u>	<u>2,981</u>
Expenditures:				
Personal services	200,379	205,379 (1)	202,644	2,735
Materials and services	48,493	43,493 (1)	39,349	4,144
Contingency	4,701	4,701 (1)	-	4,701
Total expenditures	<u>253,573</u>	<u>253,573</u>	<u>241,993</u>	<u>11,580</u>
Other uses:				
Sewer Department Loan Repayment	12,240	12,240 (1)	-	12,240
Total expenditures and other uses	<u>265,813</u>	<u>265,813</u>	<u>241,993</u>	<u>23,820</u>
Changes in fund balance	(5,731)	(5,731)	21,070	26,801
Fund balance-(deficit) - beginning	<u>5,731</u>	<u>5,731</u>	<u>(66,286)</u>	<u>(72,017)</u>
Fund balance-(deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>(45,216)</u>	<u>\$ (45,216)</u>
<i>(1) Appropriation Level</i>				
Reconciliation to GAAP basis:				
Accounts receivable			13,315	
Accounts payable			(1,619)	
Fund balance-(deficit) (GAAP basis) - ending			<u>\$ (33,520)</u>	

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non GAAP Budgetary Basis) and Actual
FUEL BUSINESS LICENSE FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fuel business license fees	\$ 115,000	\$ 115,000	\$ 131,189	\$ 16,189
Intergovernmental - federal and state grants	52,119	52,119	64,681	12,562
Assessment district collections	8,000	8,000	8,408	408
Interest income	1,000	1,000	437	(563)
Miscellaneous	5,100	5,100	35	(5,065)
Total revenues	181,219	181,219	204,750	23,531
Expenditures:				
Materials and services	221,402	221,402 (1)	152,618	68,784
Capital outlay	59,233	59,233 (1)	663	58,570
Debt service	-	- (1)	12,258	(12,258)
Total expenditures	280,635	280,635	165,539	115,096
Other uses:				
Transfer to State Tax Street Fund	9,600	9,600 (1)	9,600	-
Total expenditures and other uses	290,235	290,235	175,139	115,096
Changes in fund balance	(109,016)	(109,016)	29,611	138,627
Fund balance - beginning	114,016	114,016	102,215	(11,801)
Fund balance - ending	\$ 5,000	\$ 5,000	131,826	\$ 126,826
<i>(1) Appropriation Level</i>				
Reconciliation to GAAP basis:				
Accounts receivable			2,965	
Assessments receivable			42,956	
Accounts payable			(12,964)	
Deferred revenues			(42,956)	
Fund balance (GAAP basis) - ending			\$ 121,827	

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 BICYCLE/PEDWAYS FUND
 Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
State gas tax apportionments	\$ 1,814	\$ 4,535	\$ 2,721
Interest income	100	6	(94)
Total revenues	1,914	4,541	2,627
Expenditures:			
Materials and services	12,470 (1)	68	12,402
Revenues over-(under) expenditures	(10,556)	4,473	15,029
Fund balance - beginning	10,556	9,115	(1,441)
Fund balance - ending	<u>\$ -</u>	13,588	<u>\$ 13,588</u>
<i>(1) Appropriation Level</i>			
Reconciliation to GAAP basis:			
Accounts receivable		164	
Fund balance (GAAP basis) - ending		<u>\$ 13,752</u>	

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 EQUIPMENT RESERVE FUND
 Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest income	\$ 1,000	\$ -	\$ (1,000)
Expenditures:			
Capital Outlay	<u>1,074</u> (1)	<u>-</u>	<u>1,074</u>
Revenues over-(under) expenditures	(74)	-	74
Fund balance - beginning	<u>74</u>	<u>75</u>	<u>1</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 75</u> (2)	<u>\$ 75</u>

(1) Appropriation Level

(2) GAAP basis is same.

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non GAAP Budgetary Basis) and Actual
ECONOMIC DEVELOPMENT FUND
Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Business registration surcharge	\$ 11,000	\$ 11,275	\$ 275
Interest income	100	68	(32)
Miscellaneous income	<u>100</u>	<u>-</u>	<u>(100)</u>
Total revenues	<u>11,200</u>	<u>11,343</u>	<u>143</u>
Expenditures:			
Materials and services	<u>30,061</u> (1)	<u>10,585</u>	<u>19,476</u>
Other uses:			
Transfer to General Fund	<u>-</u> (1)	<u>20,223</u>	<u>(20,223)</u>
Total expenditures and other uses	<u>30,061</u>	<u>30,808</u>	<u>(747)</u>
Changes in fund balance	(18,861)	(19,465)	(604)
Fund balance - beginning	<u>18,861</u>	<u>19,465</u>	<u>604</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u> (2)	<u>\$ -</u>

(1) Appropriation Level

(2) GAAP basis is same.

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 Year Ended June 30, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund balance-(deficit) - beginning	<u>-</u>	<u>(3,398)</u>	<u>(3,398)</u>
Fund balance-(deficit) - ending	<u>\$ -</u>	<u>(3,398)</u> <i>(1)</i>	<u>\$ (3,398)</u>

(1) GAAP basis is same.

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 EMPLOYEE HEALTH FUND
 Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Fund balance - beginning	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 64</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 64</u> (1)	<u>\$ 64</u>

(1) GAAP basis is same.

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 CARNAHAN PARK FUND
 Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 3,500	\$ 2,366	\$ (1,134)
Intergovernmental - state grants	6,500	6,500	-
Interest income	<u>100</u>	<u>21</u>	<u>(79)</u>
Total revenues	<u>10,100</u>	<u>8,887</u>	<u>(1,213)</u>
Expenditures:			
Materials and services	8,200 (1)	7,266	934
Capital outlay	<u>1,170 (1)</u>	<u>646</u>	<u>524</u>
Total expenditures	9,370	7,912	1,458
Other uses:			
Transfer to State Tax Street Fund	<u>2,500 (1)</u>	<u>2,500</u>	<u>-</u>
Total expenditures and other uses	<u>11,870</u>	<u>10,412</u>	<u>1,458</u>
Changes in fund balance	(1,770)	(1,525)	245
Fund balance - beginning	<u>1,770</u>	<u>3,209</u>	<u>1,439</u>
Fund balance - ending	<u>\$ -</u>	1,684	<u>\$ 1,684</u>
 <i>(1) Appropriation Level</i>			
Reconciliation to GAAP basis:			
Accounts payable		<u>(59)</u>	
Fund balance (GAAP basis) - ending		<u>\$ 1,625</u>	

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non GAAP Budgetary Basis) and Actual
 9-1-1 COMMUNICATIONS FUND
 Year Ended June 30, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - telephone excise tax receipts	\$ 24,158	\$ 24,153	\$ (5)
Expenditures:			
Materials and services	24,158 (1)	24,153	5
Revenues over-(under) expenditures	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -

(1) Appropriation Level
 (2) GAAP basis is same.

CITY OF TILLAMOOK

ENTERPRISE FUNDS

The Enterprise Funds account for the operations of the City's water system and sewage disposal system. Revenues are primarily from water and sewer charges. Expenditures are for the operation and maintenance of the water system, sewage disposal system and capital improvements. The City budgets and reports the water and sewer activities in two funds.

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CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Equity -
Budget (Non GAAP Budgetary Basis) and Actual
SEWAGE DISPOSAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sewer charges	\$ 1,496,000	\$ 1,496,000	\$ 1,509,537	\$ 13,537
Connection fees	10,000	10,000	3,675	(6,325)
Interest income	15,000	15,000	3,779	(11,221)
Miscellaneous	7,180	7,180	6,513	(667)
Total revenues	1,528,180	1,528,180	1,523,504	(4,676)
Other financing sources - loan proceeds	2,512,240	7,166,691	2,543,125	(4,623,566)
Total revenues and other financing sources	4,040,420	8,694,871	4,066,629	(4,628,242)
Expenditures:				
Personal services	412,599	412,599 (1)	387,968	24,631
Materials and services	885,620	885,620 (1)	556,329	329,291
Capital outlay	2,983,956	7,638,407 (1)	2,210,693	5,427,714
Debt service:				
Principal	282,231	282,231 (1)	297,918	(15,687) *
Interest	652,180	652,180 (1)	65,358	586,822 *
Fees	6,410	6,410 (1)	6,410	- *
Loan reserve	25,424	25,424 (1)	-	25,424 *
Total expenditures	5,248,420	9,902,871	3,524,676	6,378,195
Other uses:				
Transfer to Water Fund	10,000	10,000	-	10,000
Transfer to State Tax Street Fund	1,000	1,000	1,000	-
Total other uses	11,000	11,000 (1)	1,000	10,000
Total expenditures and other uses	5,259,420	9,913,871	3,525,676	6,388,195
Changes in fund equity	(1,219,000)	(1,219,000)	540,953	1,759,953
Fund equity - beginning	1,490,000	1,490,000	16,262	(1,473,738)
Fund equity - ending	\$ 271,000	\$ 271,000	557,215	\$ 286,215
<i>(1) Appropriation Level</i>				
Reconciliation to GAAP basis:				
Accounts receivable			138,752	
Capital assets (net of accumulated depreciation)			22,237,708	
Current liabilities			(1,659,168)	
Noncurrent liabilities			(16,681,209)	
Fund balance (GAAP basis) - ending			\$ 4,593,298	

* Debt Service is Appropriated together at \$966,245.

CITY OF TILLAMOOK

Schedule of Revenues, Expenditures and Changes in Fund Equity -
Budget (Non GAAP Budgetary Basis) and Actual
WATER FUND
Year Ended June 30, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Water charges	\$ 1,535,437	\$ 1,212,993	\$ (322,444)
Interest income	20,000	4,973	(15,027)
Miscellaneous	18,120	22,337	4,217
	<u>1,573,557</u>	<u>1,240,303</u>	<u>(333,254)</u>
Other financing sources:			
Transfer from Sewage Disposal Fund	10,000	-	(10,000)
Transfer from General Fund	14,280	-	(14,280)
	<u>24,280</u>	<u>-</u>	<u>(24,280)</u>
Total revenues and other financing sources	<u>1,597,837</u>	<u>1,240,303</u>	<u>(357,534)</u>
Expenditures:			
Personal services	483,825 (1)	493,075	(9,250)
Materials and services	1,103,234 (1)	354,981	748,253
Capital outlay	680,498 (1)	171,384	509,114
Debt service:			
Principal	271,093 (1)	285,941	(14,848)
Interest	118,511 (1)	104,180	14,331
	<u>2,657,161</u>	<u>1,409,561</u>	<u>1,247,600</u>
Transfers	30,708 (1)	-	30,708
Changes in fund equity	(1,090,032)	(169,258)	920,774
Fund equity - beginning	<u>1,538,420</u>	<u>1,603,699</u>	<u>65,279</u>
Fund equity - ending	<u>\$ 448,388</u>	<u>1,434,441</u>	<u>\$ 986,053</u>
<i>(1) Appropriation Level</i>			
Reconciliation to GAAP basis:			
Accounts receivable		97,122	
Inventories		126,431	
Capital assets (net of accumulated depreciation)		5,383,537	
Current liabilities		(423,125)	
Noncurrent liabilities		<u>(1,438,836)</u>	
Fund balance (GAAP basis) - ending	-54-	<u>\$ 5,179,570</u>	

CITY OF TILLAMOOK

FIDUCIARY FUND

Agency Fund - This fund accounts for the amounts collected for bail by the City's municipal court.

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CITY OF TILLAMOOK

Statement of Changes in Assets and Liabilities
 AGENCY FUND
 Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Assets</u>				
Cash and investments	<u>\$ 6,215</u>	<u>\$ 22,998</u>	<u>\$24,177</u>	<u>\$ 5,036</u>
<u>Liabilities</u>				
Amounts held for others	<u>\$ 6,215</u>	<u>\$ 22,998</u>	<u>\$24,177</u>	<u>\$ 5,036</u>

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CITY OF TILLAMOOK

PROPERTY TAX SCHEDULE

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CITY OF TILLAMOOK

Schedule of Property Tax Transactions
Year Ended June 30, 2010

<u>Tax Year</u>	<u>Uncollected Taxes 7/1/2009</u>	<u>2009-10 Levy</u>	<u>Adjustments and Corrections</u>	<u>Interest</u>	<u>Collections</u>	<u>Uncollected Taxes 6/30/2010</u>
2009-10	\$ -	\$ 535,583	\$(13,906)	\$ 388	\$ 496,757	\$ 25,308
2008-09	24,235	-	(575)	867	12,682	11,845
2007-08	9,892	-	(17)	690	4,582	5,983
2006-07	4,415	-	(22)	756	3,323	1,826
2005-06	1,313	-	(13)	383	1,499	184
2004-05	291	-	(12)	34	106	207
2003-04	76	-	(13)	-	-	63
Prior years	243	-	-	-	-	243
Totals	<u>\$ 40,465</u>	<u>\$ 535,583</u>	<u>\$(14,558)</u>	<u>\$ 3,118</u>	<u>\$ 518,949</u>	<u>\$ 45,659</u>

RECONCILIATION OF REVENUE:

	<u>GENERAL FUND</u>
Cash Collections by County Treasurer Above	\$ 518,949
Accrual of Receivables:	
June 30, 2009	(7,969)
June 30, 2010	5,406
Other Taxes	<u>(1,835)</u>
Total Revenue	<u>\$ 514,551</u>

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CITY OF TILLAMOOK
TILLAMOOK COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Tillamook as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 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 financial statements are free of material misstatement, we performed tests of 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 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.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

1. Items on the LB-1 form did not match the LB-2 form plus the LB-3 form.
2. We noted expenditures of various funds were within authorized amounts, except as noted on page 35.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

We noted a matter involving the internal control structure and its operation that we consider to be a significant deficiency under standards established by the American Institute of Certified Public Accountants, which is noted in our management letter dated December 15, 2010.

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

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.