

CITY OF NORTH BEND
COOS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



**12700 SW 72nd Ave.
Tigard, OR 97223**

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

For the Year Ended June 30, 2011

ANNUAL FINANCIAL REPORT

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CITY OF NORTH BEND
COOS COUNTY, OREGON

<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
Rick Wetherell, Mayor	November 2012
Larry Garboden	November 2014
Barry Hayes	November 2014
William Richardson	November 2014
Janet Rubin	November 2012
Mike Erbele	November 2012
Howard Graham	November 2012

All council members receive mail at the address listed below.

ADMINISTRATION
Janet Willis, City Administrator

City Hall
835 California Street
North Bend, OR 97459

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**CITY OF NORTH BEND
COOS COUNTY, OREGON**

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COOS COUNTY, OREGON
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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

November 25, 2011

To the Honorable Mayor and
Members of the City Council
City of North Bend, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Bend, Oregon, as of and for the year ended June 30, 2011 which collectively comprise the basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of management. Our responsibility is to express opinions on these basic 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 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 control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type-activities, each major fund, the aggregate remaining fund information, the City of North Bend, Oregon, as of June 30, 2011, and the results of its operations and the 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, as listed in the table of contents, is not a required part of the basic financial statements, but 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 inquires of management regarding the methods of measurement and presentation. 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 Required Supplementary Information and the Supplementary Information, including budgetary comparison schedules as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Required Supplementary Information and Supplementary Information 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.

Pauly, Rogers and Co. P.C.

PAULY, ROGERS AND CO., P.C.

CITY OF NORTH BEND, OREGON
Management's Discussion and Analysis
For the fiscal year ended June 30, 2011

As management of the City of North Bend (the City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We request readers to consider the information presented here in conjunction with the basic financial statements (pages 3-11) and the accompanying notes to the financial statements (pages 12-34).

FINANCIAL HIGHLIGHTS

- The City's assets totaled \$71,538,854 at June 30, 2011, consisting of \$12,160,217 in unrestricted cash and cash equivalents, \$30,297,556 in capital assets, \$27,827,447 in investment in joint venture, and \$1,253,634 in receivables and deferrals. Total assets decreased by \$90,697 from the previous fiscal year.
- The City's liabilities totaled \$6,825,208 at June 30, 2011, consisting of \$6,075,237 in non-current liabilities, \$43,614 in accrued interest, and \$706,357 in accounts payable and other liabilities. Total liabilities increased by \$28,996 from the previous fiscal year.
- The assets of the City exceeded its liabilities at June 30, 2011 by \$64,713,646 (net assets), consisting of \$33,846,164 in unrestricted net assets, \$29,404,218 invested in capital assets, net of related debt, and the remainder of \$1,463,264 restricted for capital projects and debt service. Unrestricted net assets represent the amount that may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$119,693 from the previous fiscal year. This represents an increase of \$308,667 in the combination of unrestricted net assets and net assets invested in joint venture, net of related debt, a decrease of \$1,480,812 invested in capital assets, net of related debt, and an increase of \$1,052,452 restricted for capital projects, special revenues, and debt service.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,356,823, an increase of \$397,094 over the prior fiscal year. The total combined fund balances are composed of \$1,463,264 (20%) in restricted funds, \$463,197 (6%) in committed funds, \$3,381,058 (46%) in assigned funds, and \$2,049,304 (28%) in unassigned funds.
- The City's unassigned fund balance for the general fund was \$2,049,304 at June 30, 2011, down by \$222,700 from the June 30, 2010 unreserved, undesignated general fund balance of \$2,272,004. The unassigned general fund balance represents 36% of general fund expenditures.
- The City's total liabilities increased by \$28,996 during the current fiscal year to an ending balance of \$6,825,208, primarily due to additional long-term debt for the Safe Water loan incurred for the joint venture capital project in process between 2009 and 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are written for the purpose of introducing the City's basic financial statements. The basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present information about the City using the method of accounting similar to that used by private-sector companies, called the full-accrual basis of accounting. This basis of accounting reveals all assets and liabilities as well as revenue and expenses regardless of when cash is received or paid. This provides a broad view of the financial picture of the City. The full-accrual basis differs from the modified-accrual basis of accounting used by the governmental fund financial statements of the City, which focus on the use of spendable resources and the balance of such resources in the short-term period of one fiscal year.

The Statement of Net Assets reveals the total assets and liabilities of the City, with the difference between the two disclosed as *net assets*. Net assets may serve as one of the key performance measurements over time to gauge whether the financial position of the City is improving or deteriorating.

The Statement of Activities reveals the detail of the change in the City's net assets for the year ending June 30, 2011. All activities affecting net assets are included, regardless of the timing of cash flow, which may be in future fiscal periods.

City of North Bend's Net Assets at June 30

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	8,198,035	7,826,259	5,215,816	4,834,645	13,413,851	12,660,904
Investment in Coos Bay-North Bend Water Board	27,827,447	27,201,176	0	0	27,827,447	27,201,176
Capital Assets, net of depreciation	25,767,580	27,273,104	4,529,976	4,494,367	30,297,556	31,767,471
Total Assets	61,793,062	62,300,539	9,745,792	9,329,012	71,538,854	71,629,551
Long-term Liabilities Outstanding	6,075,237	6,028,760	0	0	6,075,237	6,028,760
Other Liabilities	627,547	647,384	122,424	120,068	749,971	767,452
Total Liabilities	6,702,784	6,676,144	122,424	120,068	6,825,208	6,796,212
Net Assets:						
Invested in Capital Assets, net of related debt	24,874,242	26,390,663	4,529,976	4,494,367	29,404,218	30,885,030
Restricted for debt service	28,140	4,666	0	0	28,140	0
Restricted for other	1,435,124	406,146	0	0	1,435,124	410,812
Unrestricted	28,752,772	28,822,920	5,093,392	4,714,577	33,846,164	33,537,497
Total Net Assets	55,090,278	55,624,395	9,623,368	9,208,944	64,713,646	64,833,339

Both of the government-wide financial statements are designed to present information by function of the government. *Governmental activities* are primarily supported by taxes and intergovernmental revenue for the purpose of identification, planning, and execution of urban renewal strategies to improve the livability of the City of North Bend. These activities are separated from *business-type activities*, which are supported primarily from user fees and charges directly linked to the services provided. The City's governmental activities include general government, public safety, highways and streets, culture and recreation, and community promotion. The business-type activities of the City are comprised of sewage-disposal operations.

The government-wide financial statements include not only the City of North Bend (the *primary* government), but also a legally separate governmental unit named North Bend Urban Renewal Agency, which is considered a *blended* component unit of the City of North Bend. Financial statements of the North Bend Urban Renewal Agency can be obtained from the Finance department at P.O. Box B, 835 California Street, North Bend, Oregon, 97459, (541) 756-8575, or via the web at www.northbendcity.org

The government-wide financial statements can be found on pages 3-4 of this report.

City of North Bend's Changes in Net Assets at June 30

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	1,159,717	1,159,653	1,787,645	1,789,453	2,947,362	2,949,106
Operating Grants & Contributions	171,342	98,549	15,710	19,400	187,052	117,949
Capital Grants & Contributions	70,701	67,961	0	0	70,701	67,961
General Revenues:						
Property Taxes	4,102,351	3,960,937	0	0	4,102,351	3,960,937
Other Taxes	1,592,720	1,551,863	0	0	1,592,720	1,551,863
Intergovernmental	1,288,875	2,672,546	0	0	1,288,875	2,672,546
Gain (loss) on disposal of assets	(1,178)	(495,492)	60,000	0	58,822	(495,492)
Income from Investment in Coos Bay-North Bend Water Board	271,769	437,180	0	0	271,769	437,180
Interest Income	46,438	58,081	32,109	39,347	78,547	97,428
Miscellaneous Income	35,728	16,468	0	0	35,728	16,468
Total Revenues	8,738,463	9,527,746	1,895,464	1,848,200	10,633,927	11,375,946
Expenses:						
General Government	1,085,884	1,029,157	0	0	1,085,884	1,029,157
Public Safety	3,878,144	3,634,538	0	0	3,878,144	3,634,538
Streets	2,488,317	2,427,349	0	0	2,488,317	2,427,349
Culture & Recreation	1,290,771	1,160,679	0	0	1,290,771	1,160,294
Community Promotion	104,460	182,294	0	0	104,460	182,294
Transfers to other Agencies for Operations	48,569	50,616	0	0	48,569	50,616
Interest on Long-term Debt	231,133	244,831	0	0	231,133	244,831
Sewage Disposal Operations	0	0	1,481,040	1,456,039	1,481,040	1,456,039
Total Expenses	9,127,278	8,729,464	1,481,040	1,456,039	10,608,318	10,185,503
Change in Net Assets	(388,815)	798,282	414,424	392,161	25,609	1,190,443
Net Assets- Beginning	55,624,395	54,826,113	9,208,944	8,816,783	64,833,339	63,642,896
Prior Period Adjustment	(145,302)	0	0	0	(145,302)	0
Net Assets- Ending	55,090,278	55,624,395	9,623,368	9,208,944	64,713,646	64,833,339

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts used for the purpose of maintaining control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure compliance with legal requirements for financial activities. All of the funds of the City can be divided between two categories: governmental and proprietary.

The basic fund financial statements can be found on pages 5-11 of this report.

Governmental funds. A *governmental fund* accounts for generally the same types of activities as *governmental activities*, with the primary difference being the measurement focus. Governmental funds focus on *current financial resources*, which include the measurement of inflows and outflows of spendable resources within a fiscal year as well as the balances of resources at the end of the fiscal year. In contrast, governmental activities in the government-wide financial statements focus on *total economic resources* during the fiscal year, encompassing a longer-term view.

Fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. The difference in the measurement focus of the governmental-fund financial statements and the government-wide financial statements calls for reconciliations between the two types of statements in order to fully explain the specific differences. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. These reconciliations between governmental funds to governmental activities illuminate the long-term impact of the City's short-term financial decisions.

The basic governmental fund financial statements and associated reconciliations can be found on pages 5-8 of this report.

The City maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the budgetary general fund, airport improvement fund, and the urban renewal fund, which are all considered major funds. Due to GASB 54, which the City began implementing in FY2011, 9 additional budgetary funds without a dedicated source of revenue were rolled into the general fund column. Data from the other 14 non-major governmental funds are combined into a single, aggregated presentation of each of these statements. In addition, the City is required to report separate schedules of revenues, expenditures and changes in fund balance for the three major funds that incorporate both the original and final budgets. Supplementary data provides schedules of revenues, expenditures and changes in fund balances for the non-major funds. The equipment and construction fund displays a variation between the original and final budgets for the year ended June 30, 2011. The budgetary comparison at the fund level reinforces the *current financial resources* focus as described above, demonstrating actual results and variances to the annual appropriated budget as adopted by the City's governing body. The schedules for the three major funds can be found on pages 35-37.

Proprietary funds. The City maintains only enterprise-type proprietary funds. These three funds are used to report the same functions presented as *business-type* activities in the government-wide financial statements. Proprietary fund financial statements provide the same information in greater detail than the government-wide financial statements. The City uses enterprise funds to account for its sewer-disposal operations.

The basic proprietary fund financial statements can be found on pages 9-11 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements are an essential part of a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-34 of this report.

OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents combining financial statements and budgetary comparison schedules for the 14 non-major governmental funds. This information can be found on pages 38-52 and 56-64 of this report. Furthermore, budgetary comparison schedules for the three enterprise funds can be found on pages 53-55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As mentioned earlier, net assets may serve as one of the key performance measurements over time to gauge whether the financial position of the City is improving or deteriorating. In the case of the City, assets exceeded liabilities by \$64,713,646 at the close of the most recent fiscal year.

Net assets for the City are divided into several categories. The largest category is unrestricted net assets of \$33,846,164 (52.3%). This amount includes both the net investment in the Coos Bay-North Bend Water Board (which represents 50/50 ownership with the City of Coos Bay) and unrestricted net assets that may be used to meet the ongoing obligations to the City's citizens and creditors.

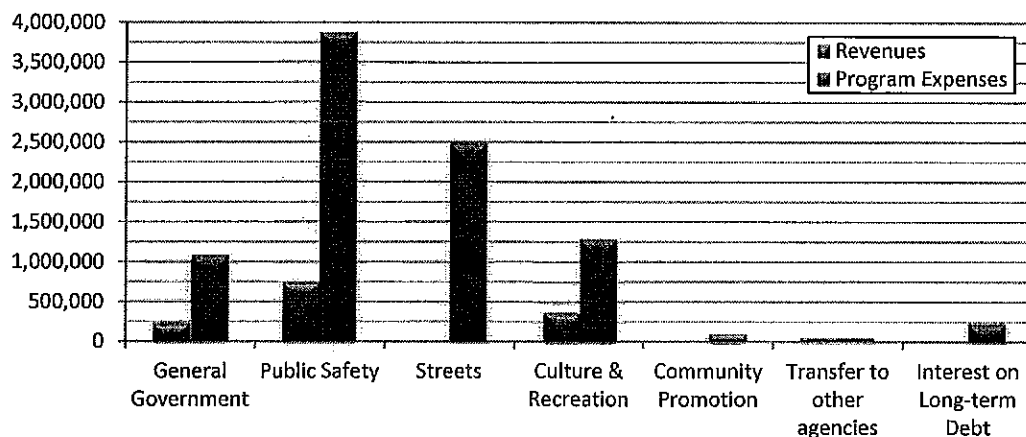
The second largest category is *net assets invested in capital, net of related outstanding debt* used to acquire these assets, which accounted for 45.4% of total net assets. This represents investment in land, infrastructure, and construction in progress, less accumulated depreciation and debt used to purchase these capital assets. The City uses these assets to provide services to citizens; thus, capital assets are not available for future spending. It should also be noted that these assets do not generate revenue to service the associated debt. Thus, resources to pay the debt must come from other sources, specifically *unrestricted* net assets.

The third category of the City's net assets is externally restricted for capital projects, special revenues, and debt service. This is 2.3% of total net assets.

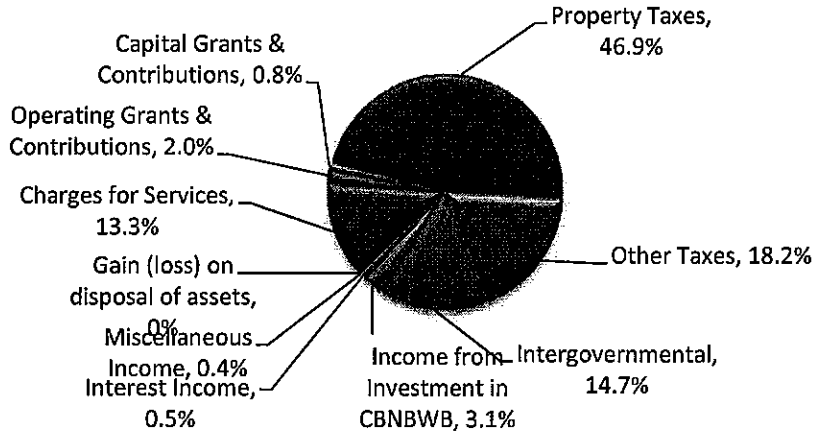
The City was able to maintain positive balances in all categories of net assets in both the current fiscal year and the prior fiscal year. The City's net assets have decreased by \$119,693 during the current fiscal year.

Governmental activities. Governmental activities decreased the City's net assets by \$388,815, thereby negating 94% of the total growth in the net assets of the City. One of the primary factors in this decrease was related to a drop in intergovernmental revenue in the Urban Renewal fund from the prior year due to the completion of the Waterfront project. Expenses also rose by 4.5% over the prior year. In addition to the decrease stated above, an additional prior period adjustment of \$145,302 decreased net assets due to federal revenue that was overstated in FY2010 in connection with the Waterfront project.

Expenses and Program Revenues – Governmental Activities

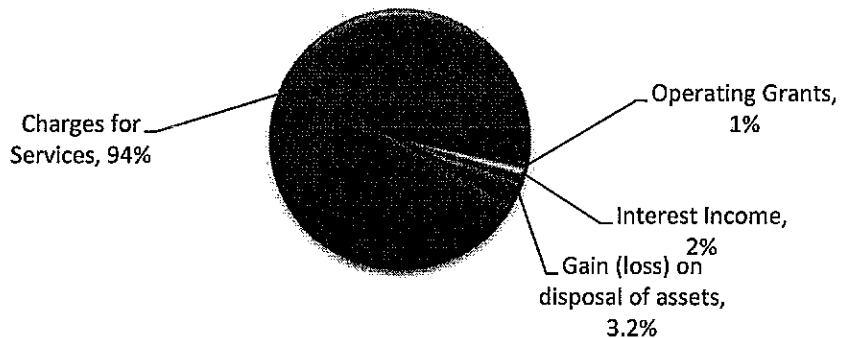


Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the City's net assets by \$414,424, thereby accounting for 100% of the total growth in the net assets of the City, although, as mentioned above, this growth was offset by a 94% decrease in governmental activities. Both revenues and expenses increased by small amounts from the prior year, and the overall change in business-type net assets was positive due to an ongoing accumulation of resources for future capital projects. The business-type activities pertain to wastewater sewer disposal and storm water maintenance operations. The primary source of revenue for these activities is charges for services, and the primary driver for expenses is daily operations of both systems.

Revenues by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. This information can be used to evaluate the City's ability to meet its financing requirements. Unassigned fund balances may serve as a useful measure of a government's net resources that are available for spending at the end of the fiscal year.

As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$7,356,823, an increase of \$397,094 over the prior fiscal year. The composition of total governmental fund balances indicated \$1,463,264 (20%) as restricted, \$463,197 (6%) as committed, \$3,381,058 (46%) as assigned, and \$2,049,304 (28%) as unassigned. A full explanation of the fund balance classifications can be found on pages 18-19. Of the \$397,094 increase in combined ending fund balances, the general fund contributed \$3,729,703 (51%), the urban renewal fund contributed \$2,116,748 (29%), and the non-major governmental funds contributed \$1,510,372 (20%).

The primary operating fund of the City is the general fund. At June 30, 2011, the general fund balance had \$416,089 (11%) in committed funds (PERS Reserve), \$1,264,310 (34%) in assigned funds, and \$2,049,304 in unassigned funds. One way to measure liquidity for the general fund is with the ratio of unassigned fund balance to total fund expenditures, which is 36%. This ratio is down 6% from June 30, 2010.

Using restated June 30, 2010 general fund balance for GASB 54 purposes, the general fund balance for June 30, 2011 increased by \$138,292 in the current fiscal year. This represents a 4% increase over the June 30, 2010 general fund balance. The key factor in this growth is the amount of property tax revenue increased by \$134,017 (5.5%) between June 30, 2010 and June 30, 2011 as a result of increases in tax assessed value (which increase at a maximum of 3% for existing property, excluding new taxable property).

The two remaining major governmental funds are the airport improvement fund and the urban renewal fund. The airport improvement fund is a debt service fund originally established while the airport was owned and operated by the City. The debt service payments are entirely offset by intergovernmental payments from the Coos County Airport District.

The urban renewal fund increased its ending fund balance by \$228,846 as of June 30, 2011, to a total of \$2,116,748, an increase of 12% over the prior year balance. The change in fund balance is comprised of an operating change in fund balance of \$374,148, which is reduced by a prior period adjustment of \$145,302 due to federal revenue incorrectly recognized in the prior year in connection with the Waterfront Project.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements in greater detail. There are three enterprise funds, all for the purpose of sewage disposal operations. These funds are the sewage disposal fund, sewage capital replacement fund, and the storm sewer fund. The sewage disposal fund tracks the wastewater treatment plant operations, whereas the capital replacement fund is used for large capital improvements to the sewage system and treatment plant. The storm sewer fund is used to track the storm sewer activities. Unrestricted net assets of the combined enterprise funds as of June 30, 2011 are \$5,093,392. The combined increase in net assets for the current fiscal year is \$414,424.

GENERAL FUND BUDGETARY HIGHLIGHTS

The total appropriated budget of the general fund for fiscal year 2010-11 was \$7,973,003, which was comprised of general government (\$1,882,749 or 24%), public safety (\$4,064,171 or 51%), culture and recreation (\$683,795 or 9%), operating contingency (\$583,939 or 7%), and transfers to other funds (\$758,348 or 9%). There were no changes to the adopted budget during the year. It should be noted that the budgetary general fund differs from the general fund required by GASB 54. The City's budget can be found by contacting the Finance Department. See the Request for Information section below.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$30,297,556 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress. The City's total investment in capital assets decreased 4.5% (a 5.5% decrease for governmental activities due to depreciation and a 1% increase for business-type activities, where asset additions outpaced depreciation).

City of North Bend's Capital Assets at June 30

	Governmental activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	554,722	554,722	734,809	734,809	1,289,531	1,289,531
Buildings and improvements	5,457,942	5,467,719	2,390,747	2,534,668	7,848,689	8,002,387
Equipment	3,036,838	2,895,221	491,911	220,042	3,528,749	3,115,263
Infrastructure	13,144,872	15,134,031	882,495	1,004,848	14,027,367	16,138,879
Construction in progress	3,573,206	3,221,411	30,014	0	3,603,220	3,221,411
Total	25,767,580	27,273,104	4,529,976	4,494,367	30,297,556	31,767,471

Additional information on the City's capital assets can be found in note 5 on pages 23-24 of this report.

Debt Administration - The City's long-term debt as of June 30, 2011 is \$6,075,237, an increase of \$46,477 (0.7%) from June 30, 2010. The June 30, 2011 debt balance includes \$5,218,918 that is to be paid from the Coos Bay-North Bend Water Board revenues. \$45,473 in the amount of an Infrastructure Finance Authority (formerly known as Oregon Economic and Community Development) loan is to be paid from the Coos County Airport District revenues. The remaining \$810,846 is to be paid from City and Urban Renewal agency property taxes and general revenue.

In 2010-11, the City incurred new debt in the form of a Safe Water loan from the Infrastructure Finance Authority. More detail on this loan can be found on page 27.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The 2010-11 tax assessed value was in excess of \$611 million dollars, which would establish this limit to approximately \$18.3 million dollars. The City continues to operate significantly below this amount.

Additional information on the City's long-term debt can be found in note 6 on pages 25-29.

City of North Bend's Outstanding Debts at June 30

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	0	0	0	0	0	0
Full faith and credit obligations	4,760,000	4,995,000	0	0	4,760,000	4,995,000
Economic development loans	1,309,598	990,125	0	0	1,309,598	990,125
General obligation capital lease	42,657	83,412	0	0	42,657	83,412
Unamort premium on FFCO	107,810	115,846	0	0	107,810	115,846
Unamort loss on loan refunding	(144,828)	(155,623)	0	0	(144,828)	(155,623)
Total	6,075,237	6,028,760	0	0	6,075,237	6,028,760

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

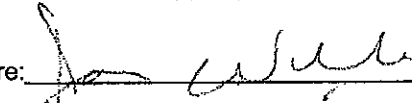
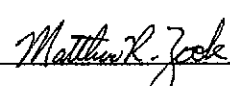
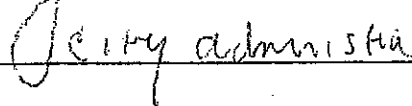
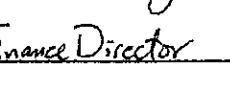
The City of North Bend continues to see economic challenge similar to many cities in Coos County and Oregon. Unemployment rates continue in the double-digit range, with the seasonally adjusted rate for FY2010-11 ranging between a high of 13% (January 2011) to a low of 11.2% (June 2011). Raw PERS rates increased between 2.15% and 4.1% for fiscal years 2011-12 and 2012-13. Health insurance continues to rise. Personal services costs amount to 64% of the appropriated FY2011-12 general fund budget.

Tax assessed values continue to rise, albeit at a slower rate of 1.8% between October 2010 to 2011, compared with a 2.4% growth between October 2009 to 2010. Property taxes continue as the highest source of revenue in the General Fund, and actual collections are expected to be higher in FY2011-12 than in FY2010-11, which should allow the City to keep up with the additional cost of delivering services. Other major revenue streams, such as franchise fees and intergovernmental agreements, are expected to come in slightly higher than budgeted. In summary, the City continues to budget conservatively and expects to meet our FY2011-12 general fund revenue projections, in addition to maintaining a PERS reserve fund, general fund contingency of 6.5%, and unappropriated general fund balance of 10% of FY2011-12 budget.

Rates for City services have generally remained flat for the 2011-12 fiscal year. A slight increase in pool usage fees was approved by City Council in the fall of 2011. Rates are subject to review at any time by the City Council.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate its accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's Finance department at P.O. Box B, 835 California Street, North Bend, Oregon, 97459, (541) 756-8575, or via the web at www.northbendcity.org.

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 Title:  Title: 

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**CITY OF NORTH BEND
COOS COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

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**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STATEMENT OF NET ASSETS
June 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 7,106,239	\$ 5,053,978	\$ 12,160,217
Receivables	1,038,306	161,838	1,200,144
Deferred bond issuance costs	53,490	-	53,490
Investment in Coos Bay-North Bend Water Board	27,827,447	-	27,827,447
Capital Assets:			
Land	554,722	734,809	1,289,531
Buildings and improvements	8,710,179	6,280,493	14,990,672
Equipment	5,317,400	1,927,744	7,245,144
Infrastructure	42,816,697	5,374,659	48,191,356
Construction in progress	3,573,206	30,014	3,603,220
Less accumulated depreciation	(35,204,624)	(9,817,743)	(45,022,367)
Total assets	<u>61,793,062</u>	<u>9,745,792</u>	<u>71,538,854</u>
LIABILITIES			
Accounts payable	96,973	37,318	134,291
Payroll liabilities	157,403	24,265	181,668
Compensated absences payable	321,076	60,841	381,917
Accrued interest	43,614	-	43,614
Unearned revenue	8,481	-	8,481
Noncurrent Liabilities:			
Due within one year:	329,439	-	329,439
Due in more than one year:	5,745,798	-	5,745,798
Total liabilities	<u>6,702,784</u>	<u>122,424</u>	<u>6,825,208</u>
NET ASSETS			
Invested in capital assets, net of related debt	24,874,242	4,529,976	29,404,218
Restricted for debt service	28,140	-	28,140
Restricted for other	1,435,124	-	1,435,124
Unrestricted	28,752,772	5,093,392	33,846,164
Total net assets	<u>\$ 55,090,278</u>	<u>\$ 9,623,368</u>	<u>\$ 64,713,646</u>

See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities				
General government	\$ 1,085,884	\$ 161,141	\$ 71,967	\$ -
Public safety	3,878,144	676,903	-	70,701
Streets	2,488,317	-	-	-
Culture and recreation	1,290,771	321,673	50,806	-
Community promotion	104,460	-	-	-
Transfers to other agencies for operation	48,569	-	48,569	-
Interest on long-term debt	231,133	-	-	-
Total governmental activities	9,127,278	1,159,717	171,342	70,701
Business-type activities				
Sewage-disposal operations	1,481,040	1,787,645	15,710	-
Total business-type activities	1,481,040	1,787,645	15,710	-
Total	\$ 10,608,318	\$ 2,947,362	\$ 187,052	\$ 70,701

General revenues:

- Property taxes
- Motel taxes
- Franchise taxes
- Other Taxes
- Intergovernmental
- Income from investment in Coos Bay-North Bend Water Board
- Gain (Loss) on disposal of capital assets
- Interest income
- Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Prior Period Adjustment

Net assets - ending

See accompanying notes to the basic financial statements

**Net Revenue (Expenses) and
Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (852,776)	\$ -	\$ (852,776)
(3,130,540)	-	(3,130,540)
(2,488,317)	-	(2,488,317)
(918,292)	-	(918,292)
(104,460)	-	(104,460)
-	-	-
(231,133)	-	(231,133)
<u>(7,725,518)</u>	<u>-</u>	<u>(7,725,518)</u>
-	322,315	322,315
-	322,315	322,315
<u>(7,725,518)</u>	<u>322,315</u>	<u>(7,403,203)</u>
4,102,351	-	4,102,351
88,762	-	88,762
853,911	-	853,911
650,047	-	650,047
1,288,875	-	1,288,875
271,769	-	271,769
(1,178)	60,000	58,822
46,438	32,109	78,547
35,728	-	35,728
<u>7,336,703</u>	<u>92,109</u>	<u>7,428,812</u>
(388,815)	414,424	25,609
55,624,395	9,208,944	64,833,339
<u>(145,302)</u>	<u>-</u>	<u>(145,302)</u>
<u>\$ 55,090,278</u>	<u>\$ 9,623,368</u>	<u>\$ 64,713,646</u>

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	GENERAL FUND	AIRPORT IMPROVEMENT FUND	URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash and investments	\$ 3,586,183	\$ -	\$ 2,106,224	\$ 1,413,832	\$ 7,106,239
Property taxes receivable	398,100	-	59,743	2,171	460,014
Assessments receivable	13,286	-	-	-	13,286
Accounts receivable	357,938	51,565	10,876	144,627	565,006
Total assets	<u>\$ 4,355,507</u>	<u>\$ 51,565</u>	<u>\$ 2,176,843</u>	<u>\$ 1,560,630</u>	<u>\$ 8,144,545</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES					
Accounts payable	\$ 75,433	\$ -	\$ 352	\$ 21,188	\$ 96,973
Payroll liabilities	131,140	-	-	26,263	157,403
Deferred revenue	419,231	51,565	59,743	2,807	533,346
Total liabilities	<u>625,804</u>	<u>51,565</u>	<u>60,095</u>	<u>50,258</u>	<u>787,722</u>
FUND BALANCES					
Restricted for:					
Capital Projects				1,435,124	1,435,124
Debt Service				28,140	28,140
Committed	416,089	-	-	47,108	463,197
Assigned	1,264,310	-	2,116,748	-	3,381,058
Unassigned	2,049,304	-	-	-	2,049,304
Total fund balances	<u>3,729,703</u>	<u>-</u>	<u>2,116,748</u>	<u>1,510,372</u>	<u>7,356,823</u>
Total liabilities and fund balances	<u>\$ 4,355,507</u>	<u>\$ 51,565</u>	<u>\$ 2,176,843</u>	<u>\$ 1,560,630</u>	<u>\$ 8,144,545</u>

See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS**

June 30, 2011

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances		\$ 7,356,823
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>		
Net Capital Assets		25,767,580
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>		
Full Faith and Credit Obligations	\$ (4,760,000)	
Deferred Bond Issue Costs	53,490	
Loans Payable	(1,309,598)	
Lease Payable	(42,657)	
Bond Premium	(107,810)	
Loss on Loan Refunding	144,828	
Accrued Interest	(43,614)	
Net Adjustment		(6,065,361)
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>		
Accrued Vacation		(321,076)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Deferred Revenue		524,865
Joint Venture Equity Investment		<u>27,827,447</u>
Total Net Assets		<u>\$ 55,090,278</u>

See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	GENERAL FUND	AIRPORT IMPROVEMENT FUND	URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property taxes	\$ 3,558,699	\$ -	\$ 533,004	\$ 2,122	\$ 4,093,825
Other taxes	-	-	-	650,047	650,047
Motel taxes	-	-	-	88,762	88,762
Licenses, fees and permits	1,106,366	-	-	80,629	1,186,995
Fines and penalties	47,368	-	-	26,851	74,219
Intergovernmental	1,227,182	9,185	-	1,004,452	2,240,819
Assessment district collections	205	-	-	-	205
Donations	11,100	-	-	26,603	37,703
Interest income	23,243	-	13,483	9,712	46,438
All other	38,418	-	-	7,415	45,833
Total revenues	<u>6,012,581</u>	<u>9,185</u>	<u>546,487</u>	<u>1,896,593</u>	<u>8,464,846</u>
EXPENDITURES					
Current:					
General government	792,972	-	-	139,676	932,648
Public safety	3,751,526	-	-	-	3,751,526
Streets	1,346	-	47,724	370,714	419,784
Culture and recreation	606,035	-	-	689,246	1,295,281
Community promotion	-	-	-	107,223	107,223
Transfers to other agencies for operations	-	-	-	403,071	403,071
Capital improvements	482,410	-	94,575	255,196	832,181
Debt Service:					
Principal	-	6,091	11,845	252,093	270,029
Interest	-	3,094	18,195	243,920	265,209
Total expenditures	<u>5,634,289</u>	<u>9,185</u>	<u>172,339</u>	<u>2,461,139</u>	<u>8,276,952</u>
Revenues over (under) expenditures	378,292	-	374,148	(564,546)	187,894
OTHER FINANCING SOURCES, (USES)					
Loan Proceeds	-	-	-	354,502	354,502
Transfers in	-	-	-	244,671	244,671
Transfers out	(240,000)	-	-	(4,671)	(244,671)
Total other financing sources, (uses)	<u>(240,000)</u>	<u>-</u>	<u>-</u>	<u>594,502</u>	<u>354,502</u>
Net change in fund balance	138,292	-	374,148	29,956	542,396
Fund Balance - July 1, 2010	3,591,411	-	1,887,902	1,480,416	6,959,729
Prior Period Adjustment	-	-	(145,302)	-	(145,302)
Fund Balance - June 30, 2011	<u>\$ 3,729,703</u>	<u>\$ -</u>	<u>\$ 2,116,748</u>	<u>\$ 1,510,372</u>	<u>\$ 7,356,823</u>

See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures	\$	542,396
<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 in the current period.</p>		
Capitalized Additions, Net	\$	1,009,462
Disposal of Capital Assets, Net		(1,178)
Depreciation Expense		(2,513,808)
Net Adjustment		(1,505,524)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.</p>		
New Debt Issuance	\$	(354,502)
Amortization of Deferred Bond Issue Costs		(5,776)
Amortization of Loss on Refunding		(10,795)
Accrued Compensated Absences		(4,586)
GO Bonds, Obligations, Loans, and Leases, Bond Premium		318,820
Net Adjustment		(56,839)
<p>Under the accrual basis of accounting, interest on long-term debt is accrued when payments are not due until after year end.</p>		
Accrued Interest		1,856
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property Taxes	\$	8,526
Other Receivables		(5,501)
Net Adjustment		3,025
<p>The payments from joint ventures are recorded in the governmental funds as revenue because they provide current financial resources. In the Statement of Activities, the payments reduce the receivable from the joint venture.</p>		
Increase in Joint Venture Investment		271,769
Increase in Joint Venture Loans Receivable		354,502
Change in Net Assets	\$	(388,815)

See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEWAGE DISPOSAL OPERATIONS**

June 30, 2011

ASSETS

Current assets:

Cash and investments	\$ 5,053,978
Accounts receivable	161,838

Total current assets	<u>5,215,816</u>
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Capital Assets

Land	734,809
Buildings and improvements	6,280,493
Equipment	1,927,744
Sewer lines	5,404,673
Less accumulated depreciation	<u>(9,817,743)</u>

Total capital assests, net of accumulated depreciation	<u>4,529,976</u>
--	------------------

Total assets	<u>9,745,792</u>
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LIABILITIES

Current liabilities:

Accounts payable	37,318
Payroll liabilities	24,265
Compensated absences payable	<u>60,841</u>

Total liabilities	<u>122,424</u>
-------------------	----------------

NET ASSETS

Invested in capital assets, net of related debt	4,529,976
Unrestricted	<u>5,093,392</u>

Total net assets	<u>\$ 9,623,368</u>
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See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUND
SEWAGE DISPOSAL OPERATIONS
For the Year Ended June 30, 2011**

OPERATING REVENUES

Sewer charges	\$ 1,458,809
Storm sewer charges	299,455
Miscellaneous	<u>29,381</u>
Total operating revenues	<u>1,787,645</u>

OPERATING EXPENSES

Salaries, wages, and benefits	739,013
Operating supplies	197,989
Professional services	51,485
Repairs and maintenance	52,070
Utilities	96,997
Rents	3,407
Insurance	17,284
Depreciation	<u>322,795</u>
Total operating expenses	<u>1,481,040</u>

Operating income 306,605

OTHER REVENUES

Gain on sale of asset	60,000
Grant	15,710
Interest income	<u>32,109</u>

Total other revenues 107,819

Change in Net Assets 414,424

Net assets - July 1, 2010 9,208,944

Net asset - June 30, 2011 \$ 9,623,368

See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SEWAGE DISPOSAL OPERATIONS
For the Year Ended June 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,833,891
Cash payments to suppliers for goods and services	(427,967)
Cash payments to employees for services	(727,922)
Interest Income	32,109
	<hr/>

Net cash provided by operating activities 710,111

CASH FLOWS FROM FINANCING ACTIVITIES

Gain on sale of capital asset	60,000
Capital expenditures	<u>(358,404)</u>

Net cash provided by financing activities (298,404)

CASH FLOWS FROM INVESTING ACTIVITIES

Grants	<u>15,710</u>
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Net cash provided by investing activities 15,710

Net increase, (decrease) in cash and cash equivalents 427,417

Cash and cash equivalents - July 1, 2010 4,626,561

Cash and cash equivalents - June 30, 2011 \$ 5,053,978

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

Operating income	\$ 306,605
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	322,795
Increase in accounts receivable	46,246
Decrease in accounts payable	(8,735)
Increase in accrued vacation payable	10,253
Increase in payroll liabilities	838
Interest Income	32,109
	<hr/>

Net cash provided by operating activities \$ 710,111

See accompanying notes to the basic financial statements

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United State 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 accounting policies are described below.

THE FINANCIAL REPORTING ENTITY

The City of North Bend, with an estimated population of 9,695, encompasses approximately five square miles in Coos County on the southern Oregon coast. It is bounded on two sides by the waters of Coos Bay and on another side by the City of Coos Bay (population 15,967). The City was incorporated as a municipal corporation in 1903 and operates under a council-manager form of government.

The Council consists of a mayor and six members , who serve overlapping two-year and four-year terms respectively. The Council appoints the Administrator, who is responsible for the day-to-day management.

Accounting principles generally accepted in the United States of America require that these financial statements present the City (the primary government) and all component units, if any. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in government-wide financial statements. The city has no discretely presented component units and has one blended component unit (North Bend Urban Renewal Agency). Additionally, the City has joint and equal ownership with the City of Coos Bay in the Coos Bay-North Bend Water Board. The blended component unit and joint venture both have June 30 year ends.

North Bend Urban Renewal Agency – The Agency was formed to plan, direct and manage certain projects within North Bend. Pursuant to ORS 457.055, the Council has been appointed governing body of the Agency. The Agency is reported as a blended component unit in these financial statements. Separate financial statements for the Agency are available at the North Bend City Hall.

Coos Bay-North Bend Water Board – The creation and full control over the operation, maintenance and extension of the water system is granted to the Coos Bay-North Bend Water Board by the charter of each city, under the provisions of ORS 225.050. The Board of Directors of the Coos Bay-North Bend Water Board consists of two members from each city, appointed by the Mayor and confirmed by the Council of their respective cities. The investment is valued at fifty percent of the Water Board's net assets, plus the amount which will be collected from the Water Board in annual installments to retire the outstanding portion of general obligation bonds and full faith and credit obligations issued for the benefit of the Coos Bay-North Bend Water Board. Readers of these financial statements are advised to refer to the annual financial report of the Coos Bay-North Bend Water Board for further financial information when the report information is available.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities and the component unit. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Eliminations have been made to eliminate the double counting of internal activities. Direct expenses are not eliminated from the various functional categories.

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

Separate financial statements are provided for governmental funds and proprietary funds. Each fund is considered to be a separate accounting entity. 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 non-major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available ("susceptible to accrual"). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes which are accrued if collected within 30 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The proprietary fund utilizes the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when the related fund liability is incurred. This basis of accounting is in accordance with generally accepted accounting principles. All Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989 have been applied, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements. Subsequent private-sector guidance will not be followed.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The following major governmental funds are reported:

General Fund – This is the primary operating fund. It accounts for all the financial operations except those required to be accounted for in another fund. Principal sources of revenue are property taxes, licenses and permits, state shared revenues and charges for administrative services from other funds. Primary expenditures are for general government, police and fire protection, and culture and recreation.

Airport Improvement Fund – This fund previously was primarily used to account for grant proceeds for capital improvements at the North Bend Municipal Airport and was classified as a Capital Projects Fund. This fund has been reclassified as a Debt Service Fund as it is now used to account for amounts collected from the Coos County Airport District for debt service on the Airport Industrial Park Loan.

Urban Renewal Agency – This fund is a blended component unit. The Agency was formed to plan, direct and manage certain projects within North Bend.

The following major proprietary fund is reported:

Sewage Disposal Operations Fund – This fund is used to account for operations of the sewage disposal system. Revenues consist primarily of user charges. Expenditures are for the repair, maintenance and operations of the sewage system and treatment plant as well as capital improvements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BUDGETS

A budget is prepared for all funds, in accordance with the legal requirements set forth in the Oregon Local Budget Law. The Council begins its budget process early in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent.

The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund other than the General Fund:

LEVEL OF CONTROL

Personal Services	Interfund Transactions
Materials and Services	Debt Service
Capital Outlay	Operating Contingency

The General Fund is appropriated at the department level along with transfers and contingencies. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if approved by Council due to a need which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original and final budget amounts. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2011.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY BASIS OF ACCOUNTING

While the financial position, results of operations, and changes in fund balance/net assets is reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary differences between the budgetary basis and GAAP basis are that capital outlay is expensed when purchased, depreciation and amortization expenses are not reported, inventory is expensed as purchased, property taxes are recorded as revenue when received, joint venture equity changes are not recorded, proceeds of long-term borrowing are recognized as an "other financing source" and principal and compensated absences are considered an expenditure when paid. Bond issue costs are recognized as expenditures when bonds are issued (rather than amortizing over the life of the bonds).

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.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and cash and investments in the investment pool. Investments, including equity in pooled cash and investments, are stated at fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year-end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

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

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five 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.

Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5-50 years
Equipment	3-50 years
Infrastructure	15-20 years
Sewer lines	20-25 years

Supply Inventories

Inventories are expensed as purchased in the governmental funds and expensed when used in the government-wide financial statements. Inventories are not recorded as an asset because they are considered by management to be immaterial at year end.

Compensated absences

Accumulated vested compensated absences are accrued in the government-wide and enterprise fund financial statements as earned by the employees. Sick pay, which does not vest, is recorded when leave is taken. A liability is not accrued in the governmental funds because it is expected that vacation pay will be liquidated with expendable available resources.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term obligations

In the government-wide financial statements and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

Net assets/Fund Equity

For the government-wide statements, net assets are classified into three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets/Fund Equity (Continued)

- Nonspendable fund balance represents amounts that are not in a spendable form. There are no nonspendable fund balances at year end.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The City Administrator and Finance Director are designated to have the authority to assign fund balance amounts.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no nonspendable fund balances at year end.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

Cash flow statements

For purposes of the statement of cash flows, the enterprise fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalent. Accordingly, all investments are considered to be cash equivalents.

Property tax calendar

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15, and May 15. Real property taxes unpaid on May 16 are considered delinquent. Uncollected taxes, including delinquent amounts, are deemed by management to be substantially collectible or recoverable through liens.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Cash management policies are governed by state statutes. Statutes authorize investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments.

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:

Cash on hand	\$ 870
Deposits with financial institutions	1,587,807
Investments	<u>10,571,540</u>
Total Cash and Investments	<u>\$ 12,160,217</u>

Deposits

Deposits with financial institutions consist of bank demand deposits. For the fiscal year ended June 30, 2011, the bank balances were \$1,751,119. Of the bank balance, \$354,369 was covered by Federal Depository Insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may now be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2011, none of the bank balance was exposed to custodial credit risk because it was insured or collateralized.

Investments

State statutes authorize investment primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's Investment Pool, among others. Investments are valued at fair value as required by GASB 31. At June 30, 2011, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value of the Pool shares as reported in Oregon Short Term Fund audited financial statements.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2011, the following investments and maturities are reported:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
State Treasurer's Investment Pool	\$ 8,378,148	\$ 8,378,148	\$ -	\$ -
Time Certificate Deposits	2,193,392	-	2,193,392	-
Total	\$ 10,571,540	\$ 8,378,148	\$ 2,193,392	\$ -

The State Treasurer's Local Government Investment Pool (LGIP) is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report.

The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2011. In addition, the Coos County Treasury Pool is utilized under the warrant system, as well as maintaining deposits from property tax collection proceeds and certain revenues distributed from the State of Oregon.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date past eighteen months.

Custodial Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2011, all percentage restrictions were complied with. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized. State statutes do not limit the percentage of investments in this instrument.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. RECEIVABLES

Receivables for the individual major funds and nonmajor funds reported on the statement of net assets at June 30, 2011 are as follows:

	<u>Property Taxes</u>	<u>Accounts</u>	<u>Assessments</u>	<u>Total</u>
Governmental Activities				
General Fund	\$ 398,100	\$ 357,938	\$ 13,286	\$ 769,324
Airport Improvement fund	-	51,565	-	51,565
Urban Renewal Agency	59,743	10,876	-	70,619
Nonmajor governmental Funds	<u>2,171</u>	<u>144,627</u>	<u>-</u>	<u>146,798</u>
Total governmental activities	<u>\$ 460,014</u>	<u>\$ 565,006</u>	<u>\$ 13,286</u>	<u>\$ 1,038,306</u>
Business Type Activities				
Sewage Disposal Operation Fund	\$ -	\$ 132,770	\$ -	\$ 132,770
Storm Sewer Fund	<u>-</u>	<u>29,068</u>	<u>-</u>	<u>29,068</u>
Total business type activities	<u>\$ -</u>	<u>\$ 161,838</u>	<u>\$ -</u>	<u>\$ 161,838</u>

4. INVESTMENT IN JOINT VENTURE

Pursuant to an intergovernmental agreement authorized by state statutes, the City joined the City of Coos Bay to establish and operate a water board for the mutual advantage of the governments. The City's share of assets, liabilities, and fund equity is 50 percent. Following is a summary of the most recent audited financial information as of, and for the year ended June 30, 2011:

Cash and investments	\$ 5,066,942
Other assets	<u>52,680,836</u>
Total assets	<u>\$ 57,747,778</u>
Total liabilities	\$ 11,580,155
Total equity	<u>46,167,623</u>
Total liabilities and equity	<u>\$ 57,747,778</u>

An investment in joint venture in the amount of \$27,827,447 was booked in 2010-11 for the 50% equity interest that the City of North Bend has in the Coos Bay/North Bend Water Board. The Coos Bay/North Bend Water Board issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Coos Bay/North Bend Water Board, P.O. Box 539, Coos Bay, OR 97420 or by calling (541) 267-3128.

<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
<u>\$ 27,201,176</u>	<u>\$ 864,539</u>	<u>\$ 238,268</u>	<u>\$ 27,827,447</u>

The investment in the Joint Venture is calculated as 50% of the Water Board equity adjusted by long term receivables associated with the entity.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for governmental and business type activities of the primary government for the year ended June 30, 2011 was as follows:

Description	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS			
	7/1/2010	Additions	(Deletions)	6/30/2011
Capital Assets not being depreciated				
Land	\$ 554,722	\$ -	\$ -	\$ 554,722
Construction in Process	3,221,411	357,306	(5,511)	3,573,206
	<u>3,776,133</u>	<u>357,306</u>	<u>(5,511)</u>	<u>4,127,928</u>
Other Capital Assets				
Buildings & Improvements	8,468,561	241,618	-	8,710,179
Equipment	5,021,248	380,425	(84,273)	5,317,400
Infrastructure	42,781,073	35,624	-	42,816,697
Total other Capital Assets	<u>56,270,882</u>	<u>657,667</u>	<u>(84,273)</u>	<u>56,844,276</u>
Less Accumulated Depreciation				
Buildings & Improvements	3,000,842	251,395	-	3,252,237
Equipment	2,126,027	237,630	(83,095)	2,280,562
Infrastructure	27,647,042	2,024,783	-	29,671,825
Total Accumulated Depreciation	<u>32,773,911</u>	<u>2,513,808</u>	<u>(83,095)</u>	<u>35,204,624</u>
Total Capital Assets, Net	<u>\$ 27,273,104</u>	<u>\$ (1,498,835)</u>	<u>\$ (6,689)</u>	<u>\$ 25,767,580</u>

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS				
	July 1, 2010	Additions	Disposals	June 30, 2011
Capital assets not being depreciated:				
Land	\$ 734,809	\$ -	\$ -	\$ 734,809
Construction in Progress	-	30,014	-	30,014
Total capital assets not being depreciated	734,809	30,014	-	764,823
Capital assets being depreciated:				
Building and improvements	6,267,332	13,161	-	6,280,493
Equipment	1,772,404	315,229	(159,889)	1,927,744
Infrastructure	5,374,659	-	-	5,374,659
Total capital assets being depreciated	13,414,395	328,390	(159,889)	13,582,896
Less accumulated depreciation for:				
Buildings and improvements	3,732,664	157,082	-	3,889,746
Equipment	1,552,362	43,360	(159,889)	1,435,833
Infrastructure	4,369,811	122,353	-	4,492,164
Total accumulated depreciation	9,654,837	322,795	(159,889)	9,817,743
Total Capital Assets, Net	\$ 4,494,367	\$ 35,609	\$ -	\$ 4,529,976

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense is charged to functions as follows:

<u>Governmental Activities</u>	<u>Governmental Funds</u>
General government	\$ 177,931
Public Safety	226,263
Streets	2,079,758
Culture and recreation	29,856
Total	\$ 2,513,808
<u>Business-type activities</u>	<u>Business-Type Funds</u>
Sewage-disposal operations	\$ 322,795
Total	\$ 322,795

6. LONG TERM DEBT

Changes in long-term obligations for the year ended June 30, 2011 were as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due within one year</u>	<u>Interest matured and paid</u>
Governmental Activities						
General obligation bonds payable						
Series 2006 full faith and credit obligation	\$ 4,995,000	\$ -	\$ 235,000	\$ 4,760,000	\$ 250,000	\$ 217,211
Economic development loans payable:						
Safe Water Loan	-	354,502	-	354,502	-	-
Airport Industrial Park	51,564	-	6,091	45,473	6,456	3,094
Water system expansion - bay crossing	107,684	-	3,268	104,416	3,431	5,352
Harbor Avenue improvements	362,451	-	11,845	350,606	12,440	18,195
City Shop construction	468,426	-	13,825	454,601	14,455	21,361
General obligation capital lease	83,412	-	40,755	42,657	42,657	3,893
Total governmental activities	\$ 6,068,537	\$354,502	\$ 310,784	\$ 6,112,255	\$ 329,439	\$ 269,106
Unamortized premium on full faith and credit obligations	\$ 115,846	\$ -	\$ 8,036	\$ 107,810	\$ 8,036	\$ -
Unamortized loss on loan refunding	(155,623)	-	(10,795)	(144,828)	(10,795)	-
Total governmental activities	\$ 6,028,760	\$354,502	\$ 308,025	\$ 6,075,237	\$ 326,680	\$ 269,106

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT (CONTINUED)

Future debt service requirements to maturity for bonds payable, full faith and credit obligations payable, loans payable, and capital leases are shown below:

Fiscal year of maturity	Full Faith & Credit Obligations		Loans		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011-12	\$ 250,000	\$ 206,905	\$ 36,782	\$ 46,248	\$ 42,657	\$ 1,991	\$ 329,439	\$ 255,144
2012-13	255,000	195,218	38,623	44,407	-	-	293,623	239,625
2013-14	275,000	181,968	40,558	42,472	-	-	315,558	224,440
2014-15	285,000	167,968	42,590	40,439	-	-	327,590	208,407
2015-16	300,000	153,343	44,726	38,304	-	-	344,726	191,647
2016-21	1,725,000	541,675	220,020	158,855	-	-	1,945,020	700,530
2021-26	1,670,000	144,739	266,659	102,566	-	-	1,936,659	247,305
2026-31	-	-	265,138	33,506	-	-	265,138	33,506
Unscheduled Debt	-	-	354,502	-	-	-	354,502	-
Totals	\$ 4,760,000	\$ 1,591,816	\$ 1,309,598	\$ 506,797	\$ 42,657	\$ 1,991	\$ 6,112,255	\$ 2,100,604

Full Faith Credit Obligations: During 2005-06, Series 2006 Full Faith and Credit Refunding Obligations were issued, the proceeds of which were used to advance refund the \$5,397,233 outstanding balance of one of the water system expansion loans used for financing activities of the Coos Bay-North Bend Water Board. The Series 2006 full faith and credit obligations are being retired from revenues of that agency. Principal and interest payments are due semi-annually each June 1 and December 1 through December 1, 2024, with interest rates ranging from 4.15% to 5%.

Annual requirements to repay the Series 2006 full faith and credit obligations are as follows:

Fiscal Year of Maturity	Principal				Future Interest
	Outstanding July 1, 2010	Issued During Year	Matured & Paid During Year	Outstanding June 30, 2011	
2010-11	\$ 235,000	\$ -	\$ (235,000)	\$ -	\$ -
2011-12	250,000	-	-	250,000	206,905
2012-13	255,000	-	-	255,000	195,218
2013-14	275,000	-	-	275,000	181,968
2014-15	285,000	-	-	285,000	167,968
2015-16	300,000	-	-	300,000	153,343
2016-21	1,725,000	-	-	1,725,000	541,675
2021-26	1,670,000	-	-	1,670,000	144,739
	\$ 4,995,000	\$ -	\$ (235,000)	\$ 4,760,000	\$ 1,591,816

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT (CONTINUED)

Loans Payable:

During 2009-10, the Water Board began a project to increase the capacity of the Pony Creek water treatment plant from 8 MGD to 12 MGD. Engineering began in 2009-10 and construction began in 2010-11, continuing into 2011-12. The cities of Coos Bay and North Bend each borrowed approximately \$5 million dollars on the Water Board's behalf to finance the project. The Water Board will pledge its revenue stream to the two cities for repayment of the debt when it is due. Debt repayment will begin on December 1st of the year in which the project is completed. Payment terms are not yet available. The amount of the loan drawn at June 30, 2011 was \$354,502 from each city.

During 2000-01, a loan of \$93,300 was received from the Oregon Economic & Community Development Department, the proceeds of which were transferred to the Oregon International Port of Coos Bay to be used for capital improvements at the North Bend Municipal Airport. Annual payments of \$9,185 including principal and interest at 6% per annum are due December 1.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal			Future Interest
	Outstanding July 1, 2010	Matured and Paid During Year	Outstanding June 30, 2011	
2010-11	\$ 6,091	\$ 6,091	\$ -	\$ -
2011-12	6,456	-	6,456	2,728
2012-13	6,844	-	6,844	2,341
2013-14	7,254	-	7,254	1,930
2014-15	7,689	-	7,689	1,495
2015-16	8,151	-	8,151	1,034
2016-21	9,079	-	9,079	572
Total	\$ 51,564	\$ 6,091	\$ 45,473	\$ 10,100

During 2004-05, a loan agreement was entered into with the Oregon Economic & Community Development Department to finance the portion of the cost of an expansion of the water system. This loan is for the principal amount of \$125,000. Annual payments of \$8,620 including principal and interest at 4.97% per annum are due December 1 and are payable from monies to be received from Coos Bay-North Bend Water Board.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT (CONTINUED)

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal			Future Interest
	Outstanding July 1, 2010	Matured and Paid During Year	Outstanding June 30, 2011	
2010-11	\$ 3,268	\$ 3,268	\$ -	\$ -
2011-12	3,431	-	3,431	5,189
2012-13	3,601	-	3,601	5,019
2013-14	3,780	-	3,780	4,840
2014-15	3,968	-	3,968	4,652
2015-16	4,165	-	4,165	4,455
2016-21	24,145	-	24,145	18,955
2021-26	30,771	-	30,771	12,329
2026-31	30,555	-	30,555	3,885
Total	\$ 107,684	\$ 3,268	\$ 104,416	\$ 59,324

During 2003-04, a loan agreement was entered into with the Oregon Economic & Community Development Department to finance improvements along Harbor Avenue on the waterfront. This loan is for the principal amount of \$400,000. Under the loan agreement, the State held all amounts not required for construction and remitted the entire principal amount in installments as construction occurred. During 2003-04, loan principal advances were received totaling \$358,662. The remaining \$41,338 was received in 2004-05. Annual payments of \$30,040 including principal and interest at 5.02% per annum are due December 1.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal			Future Interest
	Outstanding July 1, 2010	Matured and Paid During Year	Outstanding June 30, 2011	
2010-11	\$ 11,845	\$ 11,845	\$ -	\$ -
2011-12	12,440	-	12,440	17,600
2012-13	13,064	-	13,064	16,976
2013-14	13,720	-	13,720	16,320
2014-15	14,409	-	14,409	15,631
2015-16	15,132	-	15,132	14,908
2016-21	87,846	-	87,846	62,354
2021-26	112,223	-	112,223	37,977
2026-31	81,772	-	81,772	8,249
Total	\$ 362,451	\$ 11,845	\$ 350,606	\$ 190,015

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT (CONTINUED)

During 2004-05, a loan agreement was entered into with the Oregon Economic & Community Development Department to finance the construction of new city shops and renovations to the police department. This loan was originally for the principal amount of \$400,000, and is currently \$500,000. During 2005-06, loan principal advances totaling \$278,670 were received. During 2006-07, loan principal advances totaling \$45,313 were received. During 2007-08, loan principal advance of \$176,017 were received. Annual payments of \$35,185 including principal and interest at 4.56% per annum are due December 1.

Annual requirements to repay the loan are shown below:

Fiscal Year of Maturity	Principal			Future Interest
	Outstanding July 1, 2010	Matured and Paid During Year	Outstanding June 30, 2011	
2010-11	\$ 13,825	\$ 13,825	\$ -	\$ -
2011-12	14,455	-	14,455	20,730
2012-13	15,114	-	15,114	20,071
2013-14	15,804	-	15,804	19,381
2014-15	16,524	-	16,524	18,661
2015-16	17,278	-	17,278	17,907
2016-21	98,950	-	98,950	76,975
2021-26	123,665	-	123,665	52,260
2026-31	152,811	-	152,811	21,373
Total	\$ 468,426	\$ 13,825	\$ 454,601	\$ 247,358

Capital Lease: A capital lease agreement was entered into for financing the acquisition of a fire truck. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The carrying value of the fire truck is \$162,118 at June 30, 2011. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as shown below:

Year	Future Lease Payment
2011-12	\$ 44,648
	44,648
Less amounts representing interest	(1,991)
Total	\$ 42,657

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. TRANSFERS

Transfers made during the year are summarized as follows:

Fund:	Transfer In	Transfer Out
Governmental Funds:		
General	\$ -	\$ 240,000
Nonmajor	244,671	4,671
Total Governmental Funds	\$ 244,671	\$ 244,671
Total Business Type Funds	\$ 500,000	\$ 500,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8. RETIREMENT PLANS

Pension benefits are provided for substantially all employees in one of three plans: (1) State of Oregon Public Employees Retirement System Plan covering all employees except street department employees, (2) Great-West Life Assurance Company's Public Employees Retirement System Plan which covers 31 former employees and one current employee, and (3) Western Conference of Teamsters Pension Plan which covers street department employees. Substantially all employees formerly participating in the Great-West Life Assurance Company's Public Employees Retirement System Plan were integrated into the State of Oregon Public Employees Retirement System Plan effective July 1, 2002.

(1) State of Oregon Public Employees Retirement System Plan: The State of Oregon Public Employees Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan covers substantially all employees except street department employees.

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

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. RETIREMENT PLANS (CONTINUED)

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

PERS is administered under Oregon Revised Statutes Chapter 238 and Chapter 238A by the Public Employees Retirement Board. Participation by most political subdivisions is optional but irrevocable if elected. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

PERS members are required to contribute 6% of their annual covered salary. Contributions are submitted based on an actuarially determined rate. The rate effective July 1, 2010 is 10.05% of salary covered under the plan for Tier 1 and Tier 2 employees (PERS), 6.54% for general employees covered under the Oregon Public Services Retirement Plan (OPSRP), and 9.25% for police and fire employees covered under OPSRP. Contributions include the employer's portion and the employee's portion for all employees. The contribution requirements of plan members are established and may be amended by the Public Employees Retirement Board. Contributions to PERS were equal to the required contributions for the years ended June 30, 2011 2010, and 2009.

The actuary has determined that there is no implicit liability for health insurance subsidies in accordance with GASB Statement #45 – Accounting for Other Post-Employment benefits.

Three year trend information for PERS is as follows:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 538,151	100%	\$ -
6/30/2010	533,210	100%	-
6/30/2009	618,353	100%	-

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. RETIREMENT PLANS (CONTINUED)

(2) Great-West Life Assurance Company's Public Employees Retirement System Plan: This plan is an agent multiple-employer public employee retirement system defined benefit plan which covers 31 former employees and one current employee. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A stand-alone financial report covering only the City of North Bend is not available. However, the Great-West Life Assurance Company's 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 Great-West Life Assurance Company, P.O. Box 1700, Denver, Colorado 80201. Plan members are required to contribute 7% of their annual covered salary, which is picked up by the City. In addition, City contributions are made at an actuarially determined rate. The contribution requirements are established and may be amended by the Council. For 2010-11, the annual pension cost was \$16,633 and the amount contributed by the City was \$17,675. The required contributions for 2010-11 were determined as part of July 1, 2011 actuarial valuation. Significant actuarial assumptions used in the valuation include (a) assets are valued at the fund balance of the insurance contract, (b) a rate of return on the investment of assets of 3.5% per year, and (c) cost-of-living increases of 2% per year.

The Schedule of Funding Progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ 3,774,509	\$ 4,031,884	\$ 257,375	94%	\$ 41,331	623%
7/1/2009	3,673,309	3,815,669	142,360	96%	45,844	311%
7/1/2011	3,570,817	4,281,051	710,234	83%	47,051	1,509%

Actuarial Valuations are performed bi-annually

Three Year Trend Information for Great-West Life is as follows:

Year Ended	Annual Required Contribution	Percentage of APC Contributed
6/30/2011	\$ 17,680	100%
6/30/2010	27,345	88%
6/30/2009	27,345	35%

(3) Western Conference of Teamsters Pension Plan: Pension benefits for all union employees of the street department are offered by the Western Conference of Teamsters. In this defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer contribution rate for 2010-11 was \$3 per covered hour in accordance with the union's collective 2011, 2010, and 2009, the contributions were calculated using 7,317, 8,352, and 8,352 total covered hours and the required contributions of \$21,950 \$24,555, and \$23,302 respectively were made.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

10. CONTINGENCIES

Grants receivable and grant receipts are subject to adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including claims already collected, could become a liability. Management believes that such disallowance, if any, will be immaterial.

The City in the course of regular business, is named as a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable.

11. OPERATING LEASE

There are operating leases in effect for various pieces of office equipment. The total operating lease expense, including maintenance fees, for the year ended June 30, 2011 was \$3,854. The future minimum lease payments are as follows:

Year	<u>Lease Payment</u>
2012	\$ 2,388
2013	<u>597</u>
Total	<u>\$ 2,985</u>

12. COMPENSATED ABSENCES PAYABLE

The governmental funds compensated absences balances at June 30, 2011 and 2010 are \$321,076, and \$316,491. The business type funds compensated absences balances at June 30, 2011 and 2010 are \$60,841, and \$50,588. Changes are as follows:

Compensated Absences	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental	\$ 316,490	\$ 4,586	\$ -	\$ 321,076
Business Type	<u>50,588</u>	<u>10,253</u>	<u>-</u>	<u>60,841</u>
	<u>\$ 367,078</u>			<u>\$ 381,917</u>

13. PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

13. PROPERTY TAX LIMITATIONS (CONTINUED)

An additional limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

14. PRIOR PERIOD ADJUSTMENT

There is a prior period adjustment in the amount of (\$145,302) to beginning net assets and fund balance in the Urban Renewal Agency due to an adjustment in federal funds received in the prior year for the waterfront project. Federal funds toward this project were overstated in the fiscal year 2009-2010 on the accounting from the Oregon Department of Transportation (ODOT), who managed the project. This correction was made in the fiscal year 2010-2011, resulting in the shift of the federal fund receivable to the City, which subsequently paid the amount due to ODOT. The reduction in federal funds revenue was in line with the anticipated project budget. The total project cost was recorded accurately in both the prior and current fiscal years.

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**CITY OF NORTH BEND
COOS COUNTY, OREGON**

REQUIRED SUPPLEMENTARY DATA

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Property taxes:				
Current year's levy	\$ 3,275,806	\$ 3,275,806	\$ 3,325,035	\$ 49,229
Prior years' levies	115,000	115,000	233,664	118,664
Total property taxes	<u>3,390,806</u>	<u>3,390,806</u>	<u>3,558,699</u>	<u>167,893</u>
Licenses, fees and permits:				
Franchises	840,000	840,000	888,175	48,175
Licenses	2,500	2,500	2,544	44
Swimming pool fees	163,103	163,103	180,354	17,251
Community center fees	31,000	31,000	31,543	543
Other fees	3,000	3,000	3,750	750
Total licenses, fees and permits	<u>1,039,603</u>	<u>1,039,603</u>	<u>1,106,366</u>	<u>66,763</u>
Fines and penalties	<u>50,000</u>	<u>50,000</u>	<u>47,368</u>	<u>(2,632)</u>
Intergovernmental:				
Intergovernmental agreement	1,545,064	1,545,064	667,719	(877,345)
Alcoholic beverage apportionment	138,866	138,866	115,220	(23,646)
Cigarette tax	13,291	13,291	14,916	1,625
State revenue sharing	80,000	80,000	76,085	(3,915)
Federal and state grants	211,730	211,730	42,894	(168,836)
Total intergovernmental	<u>1,988,951</u>	<u>1,988,951</u>	<u>916,834</u>	<u>(1,072,117)</u>
Donations	<u>10,500</u>	<u>10,500</u>	<u>6,000</u>	<u>(4,500)</u>
Interest income	<u>18,000</u>	<u>18,000</u>	<u>13,954</u>	<u>(4,046)</u>
All other:				
Fire/EMS support	3,500	3,500	-	(3,500)
Miscellaneous	20,000	20,000	27,307	7,307
Total all other	<u>23,500</u>	<u>23,500</u>	<u>27,307</u>	<u>3,807</u>
Total revenues	<u>6,521,360</u>	<u>6,521,360</u>	<u>5,676,528</u>	<u>(844,832)</u>

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
EXPENDITURES				
General government:				
Nondepartmental	193,065	193,065 (1)	130,236	62,829
City administrator	174,863	174,863 (1)	159,481	15,382
City finance	148,445	148,445 (1)	138,920	9,525
Community development block grant	1,000,000	1,000,000 (1)	17,799	982,201
Public works	248,293	248,293 (1)	240,349	7,944
City attorney	50,000	50,000 (1)	40,731	9,269
City hall and grounds	61,483	61,483 (1)	58,956	2,527
Economic development	6,600	6,600 (1)	6,500	100
Total general government	<u>1,882,749</u>	<u>1,882,749</u>	<u>792,972</u>	<u>1,089,777</u>
Public safety:				
Police department	2,520,042	2,520,042 (1)	2,286,433	233,609
Fire department	1,336,629	1,336,629 (1)	1,260,981	75,648
Airport fire protection	207,500	207,500 (1)	204,112	3,388
Total public safety	<u>4,064,171</u>	<u>4,064,171</u>	<u>3,751,526</u>	<u>312,645</u>
Culture and recreation:				
Parks department	287,394	287,394 (1)	236,803	50,591
Community center	28,639	28,639 (1)	27,411	1,228
Swimming pool	367,762	367,762 (1)	332,168	35,594
Total culture and recreation	<u>683,795</u>	<u>683,795</u>	<u>596,382</u>	<u>87,413</u>
Operating contingencies	583,939	583,939 (1)	-	583,939
Total expenditures	<u>7,214,654</u>	<u>7,214,654</u>	<u>5,140,880</u>	<u>2,073,774</u>
Revenues over (under) expenditures	(693,294)	(693,294)	535,648	1,228,942
OTHER FINANCING SOURCES (USES)				
Tax Anticipation Note Interest Expense	(1)	(1) (1)	-	1
Transfers out:				
Equipment and construction fund	(370,000)	(370,000)	(370,000)	-
PERS reserve	(100,000)	(100,000)	(100,000)	-
Fire equipment fund	(35,000)	(35,000)	(35,000)	-
Community building	(8,348)	(8,348)	(8,348)	-
Misc capital projects fund	(200,000)	(200,000)	(200,000)	-
Technical equipment reserve fund	(5,000)	(5,000)	(5,000)	-
City hall/shops	(40,000)	(40,000)	(40,000)	-
Parks improvement fund	-	-	-	-
Total other financing sources (uses)	<u>(758,349)</u>	<u>(758,349) (1)</u>	<u>(758,348)</u>	<u>1</u>
Net change in fund balance	(1,451,643)	(1,451,643)	(222,700)	1,228,943
Fund Balance - July 1, 2010	<u>2,176,643</u>	<u>2,176,643</u>	<u>2,272,004</u>	<u>95,361</u>
Fund Balance - June 30, 2011	<u>\$ 725,000</u>	<u>\$ 725,000</u>	<u>\$ 2,049,304</u>	<u>\$ 1,324,304</u>

(1) Appropriation Level

RECONCILIATION TO GAAP FUND BALANCE AS REQUIRED BY GASB 54

Ending Fund Balance:	
Fire Equipment Fund	89,182
Community Building Fund	20,137
Traffic Control Fund	153,922
Improvement Revolving Fund	318,543
Swim Pool Improvement Fund	42,040
PERS Reserve Fund	416,089
Technical Equipment Reserve Fund	26,798
Parks Improvement Fund	43,561
Equipment and Construction Fund	570,127
	<u>3,729,703</u>

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**AIRPORT IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Intergovernmental:				
Coos County Airport District	\$ 9,185	\$ 9,185	\$ 9,185	\$ -
Total revenues	9,185	9,185	9,185	-
EXPENDITURES				
Transfers to other agencies for debt service				
Airport loan principal	6,091	6,091	6,091	-
Airport loan interest	3,094	3,094	3,094	-
Total expenditures	9,185	9,185 (1)	9,185	-
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2010	-	-	-	-
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**URBAN RENEWAL AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Property taxes:				
Current year's levy	\$ 455,717	\$ 455,717	\$ 497,736	\$ 42,019
Prior years' levies	15,000	15,000	35,268	20,268
Total property taxes	470,717	470,717	533,004	62,287
Intergovernmental - state and federal grants	500,000	500,000	-	(500,000)
Interest income	15,000	15,000	13,483	(1,517)
Total revenue	985,717	985,717	546,487	(439,230)
EXPENDITURES				
Personal services	20,000	20,000 (1)	20,000	-
Materials and services	41,200	41,200 (1)	27,724	13,476
Capital outlay	500,000	500,000 (1)	94,575	405,425
Contingency	1,831,160	1,831,160 (1)	-	1,831,160
Urban renewal loan principal	11,845	11,845 (1)	11,845	-
Urban renewal loan interest	18,196	18,196 (1)	18,195	1
Total expenditures	2,422,401	2,422,401	172,339	2,250,062
Net change in fund balance	(1,436,684)	(1,436,684)	374,148	1,810,832
Fund balance - July 1, 2010	1,436,684	1,436,684	1,887,902	451,218
Prior period adjustment	-	-	(145,302)	(145,302)
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,116,748</u>	<u>\$ 2,116,748</u>

(1) Appropriation Level

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**CITY OF NORTH BEND
COOS COUNTY, OREGON**

SUPPLEMENTARY DATA

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**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	STATE TAX STREET FUND	LIBRARY FUND	911 EMERGENCY PLANNING FUND	LIBRARY DONATION FUND
ASSETS				
Cash and investments	\$ 257,176	\$ 225,455	\$ 7	\$ 388,249
Property taxes receivable	-	-	-	-
Accounts receivable	48,557	75,345	-	-
Total assets	\$ 305,733	\$ 300,800	\$ 7	\$ 388,249
LIABILITIES AND FUND BALANCES:				
LIABILITIES				
Accounts payable	\$ 3,905	\$ 9,234	\$ -	\$ 482
Payroll liabilities	2,779	18,453	-	-
Deferred revenues	-	-	-	-
Total liabilities	6,684	27,687	-	482
FUND BALANCES				
Restricted	299,049	273,113	7	387,767
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balances	299,049	273,113	7	387,767
Total liabilities and fund balances	\$ 305,733	\$ 300,800	\$ 7	\$ 388,249

FOOTPATH & BICYCLE FUND	TRANSIENT ROOM TAX FUND	BUILDING PROGRAM FUND	COMMUNITY CENTER BOND FUND	WATER PIPELINE LOAN FUND	CITY HALL SHOPS LOAN FUND
\$ 71,486	\$ 59,630	\$ 336,814	\$ 1,907	\$ -	\$ 26,000
-	-	-	2,171	-	-
459	19,933	100	233	-	-
<u>\$ 71,945</u>	<u>\$ 79,563</u>	<u>\$ 336,914</u>	<u>\$ 4,311</u>	<u>\$ -</u>	<u>\$ 26,000</u>
\$ -	\$ 6,381	\$ 1,186	\$ -	\$ -	\$ -
-	1,868	3,163	-	-	-
-	-	636	2,171	-	-
-	8,249	4,985	2,171	-	-
71,945	71,314	331,929	2,140	-	26,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>71,945</u>	<u>71,314</u>	<u>331,929</u>	<u>2,140</u>	<u>-</u>	<u>26,000</u>
<u>\$ 71,945</u>	<u>\$ 79,563</u>	<u>\$ 336,914</u>	<u>\$ 4,311</u>	<u>\$ -</u>	<u>\$ 26,000</u>

<u>CB NB WATERBOARD FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>WATER PROJECTS FUND</u>	<u>TOTAL</u>
\$ -	\$ 47,108	\$ -	\$ 1,413,832
-	-	-	2,171
-	-	-	144,627
<u>\$ -</u>	<u>\$ 47,108</u>	<u>\$ -</u>	<u>\$ 1,560,630</u>
\$ -	\$ -	\$ -	\$ 21,188
-	-	-	26,263
-	-	-	2,807
-	-	-	50,258
-	-	-	1,463,264
-	47,108	-	47,108
-	-	-	-
-	47,108	-	1,510,372
<u>\$ -</u>	<u>\$ 47,108</u>	<u>\$ -</u>	<u>\$ 1,560,630</u>

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	STATE TAX STREET FUND	LIBRARY FUND	911 EMERGENCY PLANNING FUND	LIBRARY DONATION FUND
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	650,047	-	-
Motel taxes	-	-	-	-
Licenses, fees and permits	-	26,851	-	-
Intergovernmental	478,544	2,750	48,569	-
Donations	-	-	-	26,603
Interest income	1,319	1,844	7	2,451
All other	2,274	4,829	-	-
Total revenues	482,137	686,321	48,576	29,054
EXPENDITURES				
Current:				
General government	-	-	-	-
Streets	370,714	-	-	-
Culture and recreation	-	681,749	-	6,378
Community promotion	-	-	-	-
Transfers to other agencies for operations	-	-	48,569	-
Capital improvement	-	-	-	3,547
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	370,714	681,749	48,569	9,925
Revenues over (under) expenditures	111,423	4,572	7	19,129
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	-	-
Transfer in	-	-	-	-
Transfer Out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	111,423	4,572	7	19,129
Fund Balances - July 1, 2010	187,626	268,541	-	368,638
Fund Balances - June 30, 2011	\$ 299,049	\$ 273,113	\$ 7	\$ 387,767

FOOTPATH & BICYCLE FUND	TRANSIENT ROOM TAX FUND	BUILDING PROGRAM FUND	COMMUNITY CENTER BOND FUND	WATER PIPELINE LOAN FUND	CITY HALL SHOPS LOAN FUND
\$ -	\$ -	\$ -	\$ 2,122	\$ -	\$ -
-	-	-	-	-	-
-	88,762	-	-	-	-
-	-	80,629	-	-	-
4,811	2,985	5,965	-	8,620	-
-	-	-	-	-	-
442	463	2,285	23	-	138
-	312	-	-	-	-
<u>5,253</u>	<u>92,522</u>	<u>88,879</u>	<u>2,145</u>	<u>8,620</u>	<u>138</u>
-	-	139,676	-	-	-
-	-	-	-	-	-
1,119	-	-	-	-	-
-	107,223	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,268	13,825
-	-	-	-	5,352	21,360
<u>1,119</u>	<u>107,223</u>	<u>139,676</u>	<u>-</u>	<u>8,620</u>	<u>35,185</u>
4,134	(14,701)	(50,797)	2,145	-	(35,047)
-	-	-	-	-	-
-	-	-	-	-	44,671
-	-	-	(4,671)	-	-
-	-	-	(4,671)	-	44,671
4,134	(14,701)	(50,797)	(2,526)	-	9,624
<u>67,811</u>	<u>86,015</u>	<u>382,726</u>	<u>4,666</u>	<u>-</u>	<u>16,376</u>
<u>\$ 71,945</u>	<u>\$ 71,314</u>	<u>\$ 331,929</u>	<u>\$ 2,140</u>	<u>\$ -</u>	<u>\$ 26,000</u>

CB NB WATERBOARD FUND	CAPITAL PROJECTS FUND	WATER PROJECTS FUND	TOTAL
\$ -	\$ -	\$ -	\$ 2,122
-	-	-	650,047
-	-	-	88,762
-	-	-	107,480
452,208	-	-	1,004,452
-	-	-	26,603
-	740	-	9,712
-	-	-	7,415
<u>452,208</u>	<u>740</u>	<u>-</u>	<u>1,896,593</u>
-	-	-	139,676
-	-	-	370,714
-	-	-	689,246
-	-	-	107,223
-	-	354,502	403,071
-	251,649	-	255,196
235,000	-	-	252,093
217,208	-	-	243,920
<u>452,208</u>	<u>251,649</u>	<u>354,502</u>	<u>2,461,139</u>
-	(250,909)	(354,502)	(564,546)
-	-	354,502	354,502
-	200,000	-	244,671
-	-	-	(4,671)
<u>-</u>	<u>200,000</u>	<u>354,502</u>	<u>594,502</u>
-	(50,909)	-	29,956
-	98,017	-	1,480,416
<u>\$ -</u>	<u>\$ 47,108</u>	<u>\$ -</u>	<u>\$ 1,510,372</u>

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STATE TAX STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Local gas taxes	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Intergovernmental - State gas tax apportionments	402,612	402,612	478,544	75,932
Interest income	1,500	1,500	1,319	(181)
Miscellaneous	1,000	1,000	2,274	1,274
Total revenues	605,112	605,112	482,137	(122,975)
EXPENDITURES				
Personal services	243,689	243,689 (1)	203,026	40,663
Materials and services	185,789	185,789 (1)	167,688	18,101
Capital outlay	240,000	240,000 (1)	-	240,000
Contingency	50,000	50,000 (1)	-	50,000
Total expenditures	719,478	719,478	370,714	348,764
Net change in fund balance	(114,366)	(114,366)	111,423	225,789
Fund balance - July 1, 2010	145,885	145,885	187,626	41,741
Fund balance - June 30, 2011	\$ 31,519	\$ 31,519	\$ 299,049	\$ 267,530

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Intergovernmental - coos county library service district:				
Current year's tax levy	\$ 570,000	\$ 570,000	\$ 599,164	\$ 29,164
Prior years' tax levies	37,000	37,000	50,883	13,883
Intergovernmental - other	3,000	3,000	2,750	(250)
Total intergovernmental	610,000	610,000	652,797	42,797
Interest income	2,000	2,000	1,844	(156)
Fine and fees	25,000	25,000	26,851	1,851
Miscellaneous	5,500	5,500	4,829	(671)
Total revenues	642,500	642,500	686,321	43,821
EXPENDITURES				
Personal services	616,588	616,588 (1)	524,281	92,307
Materials and services	192,928	192,928 (1)	157,468	35,460
Contingency	12,294	12,294 (1)	-	12,294
Total expenditures	821,810	821,810	681,749	140,061
Net change in fund balance	(179,310)	(179,310)	4,572	183,882
Fund balance - July 1, 2010	179,310	179,310	268,541	89,231
Fund balance - June 30, 2011	\$ -	\$ -	\$ 273,113	\$ 273,113

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**911 EMERGENCY PLANNING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ -	\$ -	\$ 7	\$ 7
Intergovernmental - Telephone excise tax receipts	60,500	60,500	48,569	(11,931)
Total Revenues	60,500	60,500	48,576	(11,924)
EXPENDITURES				
Transfers to other agencies for operations	60,500	60,500 (1)	48,569	11,931
Net change in fund balance	-	-	7	7
Fund balance - July 1, 2010	-	-	-	-
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**LIBRARY DONATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 3,200	\$ 3,200	\$ 2,451	\$ (749)
Donations	25,000	25,000	26,603	1,603
Miscellaneous	500	500	-	(500)
Total revenues	<u>28,700</u>	<u>28,700</u>	<u>29,054</u>	<u>354</u>
EXPENDITURES				
Materials and services	21,000	21,000 (1)	6,378	14,622
Capital outlay	85,000	85,000 (1)	3,547	81,453
Total expenditures	<u>106,000</u>	<u>106,000</u>	<u>9,925</u>	<u>96,075</u>
Net change in fund balance	(77,300)	(77,300)	19,129	96,429
Fund balance - July 1, 2010	<u>361,348</u>	<u>361,348</u>	<u>368,638</u>	<u>7,290</u>
Fund balance - June 30, 2011	<u>\$ 284,048</u>	<u>\$ 284,048</u>	<u>\$ 387,767</u>	<u>\$ 103,719</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**FOOTPATH AND BICYCLE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Intergovernmental - State gas tax apportionment	\$ 4,070	\$ 4,070	\$ 4,811	\$ 741
Intergovernmental - State grants	45,000	45,000	-	(45,000)
Total intergovernmental	49,070	49,070	4,811	(44,259)
Interest Income	550	550	442	(108)
Total revenues	49,620	49,620	5,253	(44,367)
EXPENDITURES				
Materials and services	2,000	2,000 (1)	1,119	881
Capital outlay	116,244	116,244 (1)	-	116,244
Total expenditures	118,244	118,244	1,119	117,125
Net change in fund balance	(68,624)	(68,624)	4,134	72,758
Fund balance - July 1, 2010	68,624	68,624	67,811	(813)
Fund balance - June 30, 2011	\$ -	\$ -	\$ 71,945	\$ 71,945

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**TRANSIENT ROOM TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Motel taxes	\$ 62,000	\$ 62,000	\$ 88,762	\$ 26,762
Intergovernmental - federal grants	8,000	8,000	2,985	(5,015)
Interest income	1,000	1,000	463	(537)
Miscellaneous	500	500	312	(188)
Total revenues	71,500	71,500	92,522	21,022
EXPENDITURES				
Personal services	63,816	63,816 (1)	61,502	2,314
Materials and services	54,455	54,455 (1)	45,721	8,734
Contingency	33,234	33,234 (1)	-	33,234
Total expenditures	151,505	151,505	107,223	44,282
Net change in fund balance	(80,005)	(80,005)	(14,701)	65,304
Fund balance - July 1, 2010	80,005	80,005	86,015	6,010
Fund balance - June 30, 2011	\$ -	\$ -	\$ 71,314	\$ 71,314

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**BUILDING PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Licenses, fees and permits - building permits	\$ 100,000	\$ 100,000	\$ 80,629	\$ (19,371)
Intergovernmental - other	10,000	10,000	5,965	(4,035)
Interest income	4,600	4,600	2,285	(2,315)
Total revenues	114,600	114,600	88,879	(25,721)
EXPENDITURES				
Personal services	136,737	136,737 (1)	126,957	9,780
Materials and services	43,125	43,125 (1)	12,719	30,406
Capital outlay	25,000	25,000 (1)	-	25,000
Contingency	282,105	282,105 (1)	-	282,105
Total expenditures	486,967	486,967	139,676	347,291
Net change in fund balance	(372,367)	(372,367)	(50,797)	321,570
Fund balance - July 1, 2010	372,367	372,367	382,726	10,359
Fund balance - June 30, 2011	\$ -	\$ -	\$ 331,929	\$ 331,929

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**COMMUNITY CENTER BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Property taxes:				
Prior years' levies	\$ 300	\$ 300	\$ 2,122	\$ 1,822
Total property taxes	300	300	2,122	1,822
Interest income	-	-	23	23
Total revenues	300	300	2,145	1,845
OTHER FINANCING SOURCES (USES)				
Transfer Out	(4,671)	(4,671) (1)	(4,671)	-
Net change in fund balance	(4,371)	(4,371)	(2,526)	1,845
Fund balance - July 1, 2010	4,371	4,371	4,666	295
Fund balance - June 30, 2011	\$ -	\$ -	\$ 2,140	\$ 2,140

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**WATER PIPELINE LOAN FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Intergovernmental - Coos Bay-North				
Bend water bond	\$ 8,620	\$ 8,620	\$ 8,620	\$ -
EXPENDITURES				
Debt service:				
Pipeline loan principal	3,268	3,268	3,268	-
Pipeline loan interest	5,352	5,352	5,352	-
Total expenditures	8,620	8,620 (1)	8,620	-
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2010	-	-	-	-
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**CITY HALL/SHOPS LOAN FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 125	\$ 125	\$ 138	\$ 13
EXPENDITURES				
Debt service:				
Economic development loan principal	13,825	13,825	13,825	-
Economic development loan interest	21,360	21,360	21,360	-
Total expenditures	35,185	35,185 (1)	35,185	-
Revenues over (under) expenditures	(35,060)	(35,060)	(35,047)	13
OTHER FINANCING SOURCES (USES)				
Transfer in	44,671	44,671	44,671	-
Net change in fund balance	9,611	9,611	9,624	13
Fund balance - July 1, 2010	16,378	16,378	16,376	(2)
Fund balance - June 30, 2011	<u>\$ 25,989</u>	<u>\$ 25,989</u>	<u>\$ 26,000</u>	<u>\$ 11</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**COOS BAY - NORTH BEND WATERBOARD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Coos Bay-North Bend waterboard	\$ 452,212	\$ 452,212	\$ 452,208	\$ (4)
EXPENDITURES				
Debt service:				
Water loan fund principal	235,000	235,000	235,000	-
Water loan fund interest	217,212	217,212	217,208	4
Total expenditures	452,212	452,212 (1)	452,208	4
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2010	-	-	-	-
Fund balance - June 30, 2011	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 2,000	\$ 2,000	\$ 740	\$ (1,260)
Donations and misc. revenue	20,000	20,000	-	(20,000)
Property sales	200,000	200,000	-	(200,000)
Total revenues	222,000	222,000	740	(221,260)
EXPENDITURES				
Debt service	61,000	61,000 (1)	-	61,000
Contingency	159,000	159,000 (1)	-	159,000
Capital outlay	1,007,197	1,007,197 (1)	251,649	755,548
Total expenditures	1,227,197	1,227,197	251,649	975,548
OTHER FINANCING SOURCES (USES)				
Loan proceeds	700,000	700,000	-	(700,000)
Transfer in	200,000	200,000	200,000	-
Total other financing sources (uses)	900,000	900,000	200,000	(700,000)
Net change in fund balance	(105,197)	(105,197)	(50,909)	54,288
Fund balance - July 1, 2010	105,197	105,197	98,017	(7,180)
Fund balance - June 30, 2011	\$ -	\$ -	\$ 47,108	\$ 47,108

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**WATER PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
EXPENDITURES				
Transfers to other agencies for operations	\$ 500,000	\$ 500,000	(1) \$ 354,502	\$ 145,498
OTHER FINANCING SOURCES (USES)				
Debt issuance proceeds	500,000	500,000	354,502	(145,498)
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2010	-	-	-	-
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**SEWAGE DISPOSAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN WORKING CAPITAL
ACTUAL AND BUDGET - NON GAAP BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Operating revenues:				
Sewer charges	\$ 1,500,000	\$ 1,500,000	\$ 1,458,809	\$ (41,191)
Miscellaneous	10,000	10,000	29,381	19,381
Total operating revenues	<u>1,510,000</u>	<u>1,510,000</u>	<u>1,488,190</u>	<u>(21,810)</u>
Nonoperating revenues:				
Grant	-	-	2,280	2,280
Interest income	15,000	15,000	9,606	(5,394)
Total revenues	<u>1,525,000</u>	<u>1,525,000</u>	<u>1,500,076</u>	<u>(24,924)</u>
EXPENDITURES				
Personal services	680,774	680,774 (1)	666,651	14,123
Materials and services	475,828	475,828 (1)	329,292	146,536
Capital outlay	1,020,000	1,020,000 (1)	328,389	691,611
Total expenditures	<u>2,176,602</u>	<u>2,176,602</u>	<u>1,324,332</u>	<u>852,270</u>
Revenues over (under) expenditures	(651,602)	(651,602)	175,744	827,346
OTHER FINANCING SOURCES (USES)				
Sale of Assets Property	-	-	60,000	60,000
Transfer in - sewer storm fund	15,000	15,000	-	(15,000)
Transfer out - sewer capital replacement fund	(500,000)	(500,000) (1)	(500,000)	-
Total other financing sources (uses)	<u>(485,000)</u>	<u>(485,000)</u>	<u>(440,000)</u>	<u>45,000</u>
Net changes in fund balance	(1,136,602)	(1,136,602)	(264,256)	872,346
Fund balance - July 1, 2010	<u>1,167,281</u>	<u>1,167,281</u>	<u>1,530,459</u>	<u>363,178</u>
Fund balance - June 30, 2011	<u>\$ 30,679</u>	<u>\$ 30,679</u>	<u>\$ 1,266,203</u>	<u>\$ 1,235,524</u>
Reconciliation to Net Assets:				
			3,096,769	
			730,420	
			<u>4,529,976</u>	
			<u>\$ 9,623,368</u>	

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**SEWAGE CAPITAL REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN WORKING CAPITAL
ACTUAL AND BUDGET - NON GAAP BUDGETARY BASIS
For the Year Ended June 30, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES				
Nonoperating revenues:				
Interest income	\$ 22,000	\$ 22,000	\$ 18,135	\$ (3,865)
Grants	-	-	11,150	11,150
Net Revenues	<u>22,000</u>	<u>22,000</u>	<u>29,285</u>	<u>7,285</u>
EXPENDITURES				
Capital outlay	<u>2,750,000</u>	<u>2,750,000 (1)</u>	<u>30,014</u>	<u>2,719,986</u>
Revenues over (under) expenditures	(2,728,000)	(2,728,000)	(729)	(2,712,701)
OTHER FINANCING SOURCES (USES)				
Transfers in - sewer disposal fund	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balance	(2,228,000)	(2,228,000)	499,271	2,727,271
Fund balance - July 1, 2010	<u>2,601,179</u>	<u>2,601,179</u>	<u>2,597,498</u>	<u>(3,681)</u>
Fund balance - June 30, 2011	<u>\$ 373,179</u>	<u>\$ 373,179</u>	<u>\$ 3,096,769</u>	<u>\$ 2,723,590</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**STORM SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN WORKING CAPITAL
ACTUAL AND BUDGET - NON GAAP BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Operating revenues:				
Storm sewer charges	\$ 275,000	\$ 275,000	\$ 299,455	\$ 24,455
Nonoperating revenues:				
Interest income	6,000	6,000	4,368	(1,632)
Grants	-	-	2,280	-
Total revenues	<u>281,000</u>	<u>281,000</u>	<u>306,103</u>	<u>25,103</u>
EXPENDITURES				
Personal services	77,773	77,773 (1)	72,362	5,411
Materials and services	57,280	57,280 (1)	29,941	27,339
Contingency	100,000	100,000 (1)	-	100,000
Capital outlay	340,000	340,000 (1)	60,000	280,000
Total expenditures	<u>575,053</u>	<u>575,053</u>	<u>162,303</u>	<u>412,750</u>
Revenues over (under) expenditures	(294,053)	(294,053)	143,800	437,853
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000) (1)	-	(15,000)
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
Net change in fund balance	(309,053)	(309,053)	143,800	452,853
Fund balance - July 1, 2010	<u>576,013</u>	<u>576,013</u>	<u>586,620</u>	<u>10,607</u>
Fund balance - June 30, 2011	<u>\$ 266,960</u>	<u>\$ 266,960</u>	<u>\$ 730,420</u>	<u>\$ 463,460</u>

(1) Appropriation Level

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**FIRE EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Intergovernmental - grants	\$ 580,000	\$ 580,000	\$ 10,551	\$ (569,449)
Donations	-	-	5,000	5,000
Interest income	250	250	449	199
Total revenues	<u>580,250</u>	<u>580,250</u>	<u>16,000</u>	<u>(564,250)</u>
EXPENDITURES				
Capital outlay	<u>648,326</u>	<u>648,326</u> (1)	<u>11,107</u>	<u>637,219</u>
Total expenditures	<u>648,326</u>	<u>648,326</u>	<u>11,107</u>	<u>637,219</u>
Revenues over (under) expenditures	(68,076)	(68,076)	4,893	72,969
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Net change in fund balance	(33,076)	(33,076)	39,893	72,969
Fund balance - July 1, 2010	<u>33,076</u>	<u>33,076</u>	<u>49,289</u>	<u>16,213</u>
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,182</u>	<u>\$ 89,182</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**COMMUNITY BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 100	\$ 100	\$ 91	\$ (9)
Miscellaneous	2,684	2,684	3,798	1,114
Total Revenues	<u>2,784</u>	<u>2,784</u>	<u>3,889</u>	<u>1,105</u>
EXPENDITURES				
Materials and services	7,000	7,000 (1)	-	7,000
Capital outlay	19,182	19,182 (1)	8,800	10,382
Total Expenditures	<u>26,182</u>	<u>26,182</u>	<u>8,800</u>	<u>17,382</u>
Revenues over (under) expenditures	(23,398)	(23,398)	(4,911)	18,487
OTHER FINANCING SOURCES (USES)				
Transfers in	8,348	8,348	8,348	-
Net change in fund balance	(15,050)	(15,050)	3,437	18,487
Fund balance - July 1, 2010	<u>15,050</u>	<u>15,050</u>	<u>16,700</u>	<u>1,650</u>
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,137</u>	<u>\$ 20,137</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**TRAFFIC CONTROL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 1,600	\$ 1,600	\$ 983	\$ 617
EXPENDITURES				
Materials and services	20,000	20,000 (1)	1,346	18,654
Capital outlay	137,105	137,105 (1)	-	137,105
Total expenditures	157,105	157,105	1,346	155,759
Net change in fund balance	(155,505)	(155,505)	(363)	155,142
Fund balance - July 1, 2010	155,505	155,505	154,285	(1,220)
Fund balance - June 30, 2011	\$ -	\$ -	\$ 153,922	\$ 153,922

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**IMPROVEMENT REVOLVING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Assessment district collections	\$ 50,500	\$ 50,500	\$ 205	\$ 50,295
Interest income	3,500	3,500	2,022	(1,478)
Total revenues	<u>54,000</u>	<u>54,000</u>	<u>2,227</u>	<u>(51,773)</u>
EXPENDITURES				
Materials and services	26,000	26,000 (1)	-	26,000
Capital outlay	343,949	343,949 (1)	-	343,949
Total expenditures	<u>369,949</u>	<u>369,949</u>	<u>-</u>	<u>369,949</u>
Net change in fund balance	(315,949)	(315,949)	2,227	318,176
Fund balance - July 1, 2010	<u>315,949</u>	<u>315,949</u>	<u>316,316</u>	<u>367</u>
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,543</u>	<u>\$ 318,543</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SWIM POOL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Donations and local grants	\$ 114,430	\$ 114,430	\$ 9,313	\$ (105,117)
Interest income	600	600	316	(284)
Total revenues	115,030	115,030	9,629	(284)
EXPENDITURES				
Materials and services	10,000	10,000 (1)	9,653	347
Capital outlay	168,856	168,856 (1)	27,756	141,100
Total expenditures	178,856	178,856	37,409	141,447
Net change in fund balance	(63,826)	(63,826)	(27,780)	36,046
Fund balance - July 1, 2010	63,826	63,826	69,820	5,994
Fund balance - June 30, 2011	\$ -	\$ -	\$ 42,040	\$ 42,040

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**PERS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 2,500	\$ 2,500	\$ 2,311	\$ (189)
EXPENDITURES				
Personal services	346,649	346,649 (1)	-	346,649
Revenues over (under) expenditures	(344,149)	(344,149)	2,311	346,460
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Net change in fund balance	(244,149)	(244,149)	102,311	346,460
Fund balance - July 1, 2010	<u>244,149</u>	<u>244,149</u>	<u>313,778</u>	<u>69,629</u>
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,089</u>	<u>\$ 416,089</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**TECHNICAL EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 400	\$ 400	\$ 208	\$ (192)
EXPENDITURES				
Capital outlay	50,256	50,256 (1)	23,225	27,031
Total expenditures	50,256	50,256	23,225	27,031
Revenues over (under) expenditures	(49,856)	(49,856)	(23,017)	26,839
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
Net change in fund balance	(44,856)	(44,856)	(18,017)	26,839
Fund balance - July 1, 2010	44,856	44,856	44,815	(41)
Fund balance - June 30, 2011	\$ -	\$ -	\$ 26,798	\$ 26,798

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**PARKS IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest income	\$ 200	\$ 200	\$ 281	\$ 81
Intergovernmental - State and federal grants	40,000	40,000	-	(40,000)
Total revenues	40,200	40,200	281	(39,919)
EXPENDITURES				
Materials and services	1,000	1,000 (1)	-	1,000
Capital outlay	57,892	57,892 (1)	5,872	52,020
Total expenditures	58,892	58,892	5,872	53,020
Net change in fund balance	(18,692)	(18,692)	(5,591)	13,101
Fund balance - July 1, 2010	18,692	18,692	49,152	30,460
Fund balance - June 30, 2011	\$ -	\$ -	\$ 43,561	\$ 43,561

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**EQUIPMENT AND CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Intergovernmental				
Transportation Funds	\$ 184,000	\$ 417,213	\$ 297,897	\$ (119,316)
Interest income	1,500	1,500	2,628	1,128
Total revenues	<u>185,500</u>	<u>418,713</u>	<u>300,525</u>	<u>(118,188)</u>
EXPENDITURES				
Capital outlay	307,250	540,463 (1)	405,650	134,813
Contingency	440,259	440,259 (1)	-	440,259
Total expenditures	<u>747,509</u>	<u>980,722</u>	<u>405,650</u>	<u>575,072</u>
Revenues over (under) expenditures	(562,009)	(562,009)	(105,125)	456,884
OTHER FINANCING SOURCES (USES)				
Transfer in	370,000	370,000	370,000	-
Total other financing sources, (uses)	<u>370,000</u>	<u>370,000</u>	<u>370,000</u>	<u>-</u>
Net change in fund balance	(192,009)	(192,009)	264,875	456,884
Fund balance - July 1, 2010	<u>192,009</u>	<u>192,009</u>	<u>305,252</u>	<u>113,243</u>
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,127</u>	<u>\$ 570,127</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, because there are no restricted or committed revenues.

**CITY OF NORTH BEND
COOS COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2011**

ALL FUNDS:						
TAX YEAR	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/10	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/11
Current:						
2010-11	\$ 4,171,194	\$ 99,904	\$ (8,950)	\$ 3,301	\$ 3,828,408	\$ 237,233
Prior years:						
2009-10	237,726	(72)	1,301	9,919	133,051	115,967
2008-09	124,251	(18)	(8,044)	10,346	58,175	68,396
2007-08	58,748	(9)	(10,829)	10,265	34,068	24,125
2006-07	19,403	(5)	(5,442)	5,004	14,168	4,802
2005-06 & prior years	11,359	-	(1,969)	1,388	1,287	9,491
Total prior	<u>451,487</u>	<u>(104)</u>	<u>(24,983)</u>	<u>36,922</u>	<u>240,749</u>	<u>222,781</u>
Total all Funds	<u>\$ 4,622,681</u>	<u>\$ 99,800</u>	<u>\$ (33,933)</u>	<u>\$ 40,223</u>	<u>\$ 4,069,157</u>	<u>\$ 460,014</u>
RECONCILIATION OF REVENUE						
Cash collections by county treasurer above					\$ 4,069,157	
Taxes in Lieu of Property Taxes					<u>24,668</u>	
Total revenue					<u>\$ 4,093,825</u>	
ALLOCATION BY FUND						
General fund					\$ 3,558,699	\$ 398,100
Debt service fund					2,122	2,171
Urban renewal fund					<u>533,004</u>	<u>59,743</u>
					<u>\$ 4,093,825</u>	<u>\$ 460,014</u>

**CITY OF NORTH BEND
COOS 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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 - (503) 620-2632 • FAX (503) 684-7523

November 25, 2011

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of North Bend, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated November 25, 2011. 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 North Bend, Oregon 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.

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the City Council 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.