ADMINISTRATIVE SERVICES COMMITTEE

Agenda

Wednesday, December 18, 2013
3:30 pm

Madison Avenue Meeting Room
500 SW Madison

Discussion/**Possible Action**	I.	Comprehensive Annual Financial Report (CAFR) (Attachment)
Information	II.	Other Business

Next Scheduled Meeting
Wednesday, January 8, 2014 at 3:30 pm
Madison Avenue Meeting Room, 500 SW Madison Ave

Agenda
Council Policy Review and Recommendation: 98-2.10, "Use of E-Mail by Mayor and City Council"

MEMORANDUM

DATE: 12/9/2013

TO: Administrative Services Committee

FROM: Nancy Brewer, Finance Director NB

SUBJECT: **Accept the June 30, 2013 Comprehensive Annual Financial Report**

I. Issue

To review and accept the FY 12-13 Comprehensive Annual Financial Report (CAFR).

II. Background

Finance Department staff prepares the CAFR and has the responsibility to ensure that the CAFR presents fairly the financial position of the City as of June 30, 2013 in accordance with Generally Accepted Accounting Principles (GAAP). State law requires that the CAFR be filed with the Oregon Secretary of State Office by December 31. The auditors' responsibility is to express an opinion on the basic financial statements based on their audit. The audit is conducted in accordance with auditing standards generally accepted in the U.S. and standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General. The attached CAFR provides financial information such as the Statement of Net Position, Balance Sheet, and Fund Financial Statements to the City Council, citizens, and financial markets.

III. Discussion

The auditors have issued an unmodified opinion for the June 30, 2013 CAFR. To receive an unmodified auditors' opinion, the financial statements must present fairly the financial position of the City. There were no material internal control weaknesses nor were there any material variances from generally accepted accounting principles. There were some items marked as not significant deficiencies by the auditors:

- Governing body monitoring – Auditors recommend the governing body (City Council) articulate their monitoring practices of financial activities and record in the minutes when those activities occur. City Council participates in the budget by approving the annual budget and receives the quarterly operating report.
    - **Staff Response** – This issue was discussed at staff's exit interview with the Auditors. The Auditors want to be sure that any City Council request for financial information other than that which is formally presented (e.g., Budget, Quarterly Operating Reports, and CAFR) is provided. Staff members informed the Auditors such information would be provided, but has not been requested, and that information such as a regular review of the City's bank reconciliation is a staff responsibility and therefore not routinely forwarded to the City Council. The City Council may request to see such information at any time and it would be provided with any discussions being recording in the minutes.
- Fidelity insurance coverage – Auditors recommend City Council evaluate the fidelity insurance coverage to determine whether it is appropriate to carry sufficient coverage for the cash and investment balances.
    - **Staff Response** – The Auditors made the same recommendation last year. For FY 12-13 the Fidelity Insurance coverage for the City Manager and Finance Director was $500,000 each. Staff recognizes that there are times when the City's cash balance in the demand account is significantly higher than this amount, but the $500,000 level is considered to be a standard best practice level and acquiring coverage equal to the highest bank balance amount would be cost prohibitive. Staff believes that the City has a robust set of internal

controls in place that minimize the risk of loss through dual control mechanisms on the ability to issue checks or to transfer monies in and out of the City's bank account.

The auditors have provided a SAS 114 letter which is the auditor's required communication with those charged with Governance. The SAS 114 outlines the auditor's responsibilities of communication under generally accepted auditing standards, the planned scope and timing of the audit, independence, and the significant findings from the audit.

IV. Future GASB Statements

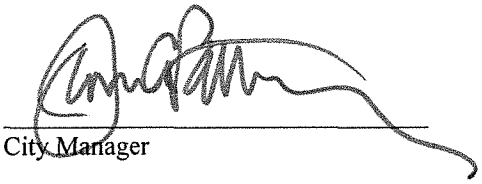
Following are a list of statements issued by GASB and the statements' effective dates. These statements will have varying work load impact for staff based on the application to the City of Corvallis:

- GASB Statement No. 67 and 68 - Accounting and Financial Reporting for Pension Plans - The implementation dates for these statements are fiscal years 2013-14 and 2014-15, respectively. The objective of these statements is to improve financial reporting by state and local governmental pension plans. These Statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Staff has not yet completed an analysis of the work effort required to implement this statement; a significant portion of the City's work will depend on the Oregon Public Employee Retirement System implementation. Corvallis Finance Director Nancy Brewer is an active member of an employer group working with PERS on GASB 67 and 68 implementation issues.

V. Requested Action

Staff requests the Administrative Services Committee review the June 30, 2013 Comprehensive Annual Financial Report, and move to recommend that the City Council accept the June 30, 2013 Comprehensive Annual Financial Report.

Review and Concur:



City Manager

Attachments:

Auditors' SAS 114 Letter – Communication to the Governing Body
June 30, 2013 Comprehensive Annual Financial Report

PAULY, ROGERS AND CO., P.C.
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November 22, 2013

To the Honorable Mayor, Members of
City Council, and City Manager
The City of Corvallis, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corvallis, Oregon for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Purpose of the Audit

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the financial statements and compliance with:

- generally accepted accounting principles and auditing standards
- the Oregon Municipal Audit Law and the related administrative rules
- federal, state and other agency rules and regulations related to financial awards

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of the major federal programs for the purpose of expressing an opinion on compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the City's environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We also communicated any internal control related matters that are required to be communicated under professional standards.

Results of Audit

1. Audit opinion letter - an unmodified opinion on the financial statements has been issued. This means we have given a "clean" opinion with no reservations.

2. State minimum standards – We found no exceptions or issues requiring comment.

3. Federal Awards - We found no issues of non-compliance and no questioned costs. We have responsibility to review these programs and give our opinion on the schedule of expenditures of federal awards, the internal control system, compliance with laws and regulations, and general and specific requirements mandated by the various awards.

4. No separate management letter was issued.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013, except for the implementation of GASB 60 - *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB 65 – *Items Previously Reported as Assets and Liabilities*. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were Management's estimate of Accounts Receivable and Capital Asset Depreciation, which is based on estimated collectability of receivables and useful lives of assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. There were immaterial uncorrected misstatements noted during the audit which were discussed with management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to our retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information

With respect to the other information accompanying the financial statements, we read the information to identify if any material inconsistencies or misstatement of facts existed with the audited financial statements. Our results noted no material inconsistencies or misstatement of facts.

Other Matters – Future Accounting and Auditing Issues

In order to keep you aware of new auditing standards issued by the American Institute of Certified Public Accounts and accounting statements issued by the Governmental Accounting Standards Board (GASB), we have prepared the following summary of the more significant upcoming issues:

GASB 66

GASB Statement No. 66, *Technical Corrections*, resolves conflicting guidance that resulted from the issuance of GASB Statement No. 54 and GASB Statement 62. Amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of a government's risk financing activities to the general fund and the internal services fund type. Amends GASB 62 by modifying the specific guidance on accounting for operating lease payments that vary from a straight-line basis, the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and servicing fees relating to the mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. The implementation date for this statement is fiscal periods beginning after December 15, 2012.

GASB 67

GASB Statement No. 67, *Financial Reporting for Pension Plans*, amends the requirements of GASB Statement No. 25 as they relate to pension plans administered through trusts that meet certain criteria, establishes standards for financial reporting by defined benefit pension plans administered through qualified trusts, and amends note disclosure and required supplemental information requirements for defined benefit and defined contribution pension plans administered through qualified trusts. The implementation date for this statement is fiscal periods beginning after June 15, 2013.

GASB 68

GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics. This statement will impact the government-wide financial statements for most entities with net position being reduced by an actuarially determined amount. The implementation date for this statement is fiscal periods beginning after June 15, 2014.

Best Practices – Not Significant Deficiencies

1. Governing Body Monitoring

An integral part of internal controls is the monitoring of financial activities by those charged with the governance (elected officials). This can be accomplished by asking specifically designed questions to senior staff, by reviewing financial statements and projections and by comparing financial results to pre-established benchmarks. While elected officials participate in the budget adoption process and receive staff prepared financial statements, these only partially fulfill the monitoring function. We recommend that the City Council articulate their monitoring practices and record in the minutes when those activities occur. Since monitoring activities, including benchmarking, are unique to each entity we are available to assist the City Council in establishing checklists, questions and benchmarks that are customized for your use.

2. Fidelity Insurance Coverage

   In reviewing fidelity insurance coverage we noticed that the City often carries cash and investment balances in excess of the insurance coverage amount. We recommend that the City Council examine this exposure risk and make a determination as to the amount of insurance coverage they feel is prudent in regard to their oversight.

This information is intended solely for the use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Roy R Rogers

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

CITY OF CORVALLIS, OREGON

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

Prepared by the City of Corvallis
Department of Finance

CITY OF CORVALLIS, OREGON
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CORVALLIS
ENHANCING COMMUNITY LIVABILITY

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November 22, 2013

To the Honorable Mayor, City Council, City Manager, and Citizens of Corvallis, Oregon

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Corvallis for the fiscal year ended June 30, 2013 in compliance with state law. State law requires that a CAFR be published within six months of fiscal year end and be audited in accordance with generally accepted auditing standards by independent certified public accountants.

Responsibility for the completeness and reliability of the information contained in this report rests with the City's management and is based on an internal control structure designed for this purpose. The internal control structure is designed to provide reasonable, rather than absolute, assurance that these objectives are met because the cost of the internal control should not exceed the related benefits.

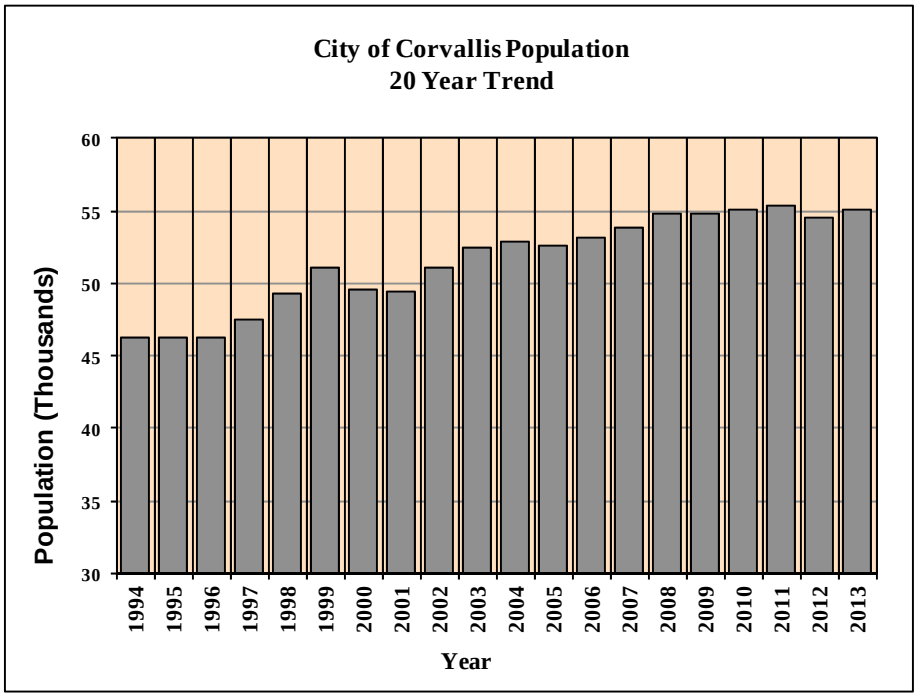
The City's financial statements were audited by Pauly Rogers and Co. PC, a firm of independent certified public accountants. The independent auditors have issued an unmodified opinion on the City of Corvallis' financial statements for the fiscal year ended June 30, 2013. The independent auditors' report is presented in the Financial Section of this report.

Management's Discussion and Analysis (MD&A) is located in its own Management's Discussion and Analysis section of this report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

THE CITY OF CORVALLIS AND ITS SERVICES

The City of Corvallis, Oregon (population 55,055) is Oregon's 10th largest City and the county seat of Benton County. Corvallis is located in the central Willamette Valley, approximately 80 miles south of Portland and 50 miles from the Pacific Ocean. The name Corvallis means "Heart of the Valley" and was arrived at by compounding the Latin words for heart and valley.

The City of Corvallis, Oregon is a municipal corporation governed by an elected Mayor and nine Councilors. The nine City Councilors are elected in the November general election by ward for two year terms. The Mayor is elected at-large and serves a four-year term. The City Manager is appointed by the City Council and is responsible to the City Council for the day-to-day management of the City. The City Council is assisted in their policy making role by over 20 standing advisory boards and commissions. The City has no component units as defined by accounting principles generally accepted in the United States of America.



The City provides a full range of municipal services including: police and fire protection; emergency communications for all of Benton County; parks and recreation programs; library; public infrastructure improvements; planning and housing; building plan inspections and reviews; water, wastewater, and storm water utilities; bus transit system; municipal airport; and general administrative services.

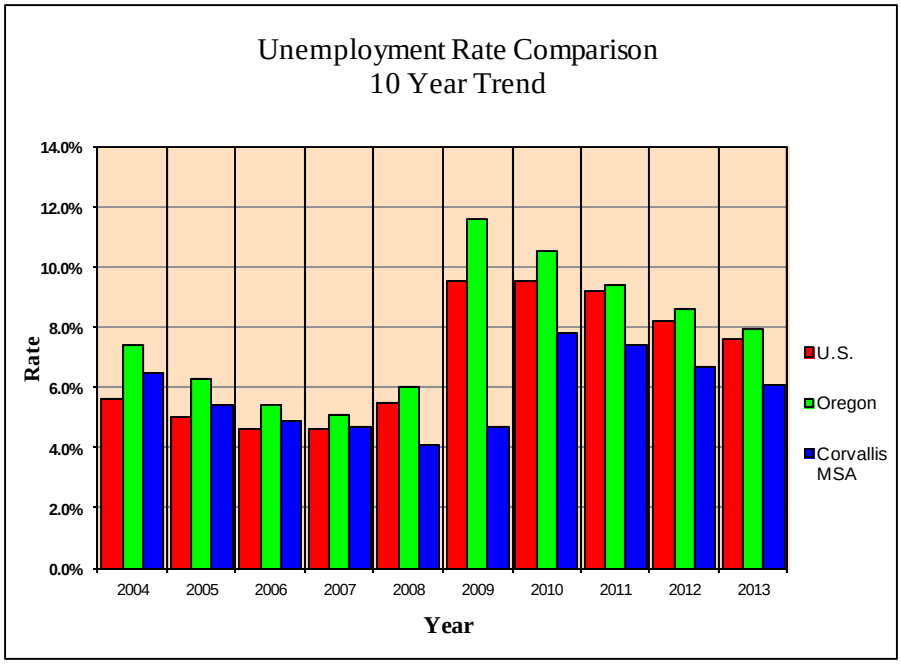
The Oregon Constitution and Oregon Revised Statutes require that the budget be balanced, adopted by July 1, and that the fiscal year for local governments is July 1 through June 30. The budget sets forth City Council's goals and objectives, and identifies the resources necessary to accomplish them. The legal level of budgetary control, as adopted by Council Resolution, is by department within each fund. Appropriations lapse at fiscal year end and incomplete projects must be re-appropriated in the following fiscal year as part of the adoption of the annual budget. The City did not exceed legally adopted budget appropriations during the 2012-13 fiscal year.

ASSESSING ECONOMIC CONDITION

Corvallis' primary employment bases are education, high-technology, and service industries. Corvallis is home to Oregon State University (OSU). OSU is one of only two universities in the country designated as a combined land, space, sea, and sun grant university. OSU enrolls approximately 26,390 students and employs approximately 9,450 people. OSU serves as Oregon's leading source of basic applied research in forestry, agriculture, fisheries, engineering, electronics, home economics and the sciences for the development of human, land, atmospheric and oceanic resources, and is one of the nation's leading research universities.

Corvallis is also home to high-tech industry. Hewlett-Packard (HP) employs approximately 1,550 people at its Corvallis location. ATS Systems Oregon, designs, builds and installs manufacturing automation systems solutions, employs approximately 190. CH_2M Hill, an international consulting firm of engineers, planners, economists and scientists, was founded in Corvallis in 1946. CH_2M Hill maintains a regional headquarters in Corvallis which employs approximately 400 people. Good Samaritan Regional Medical

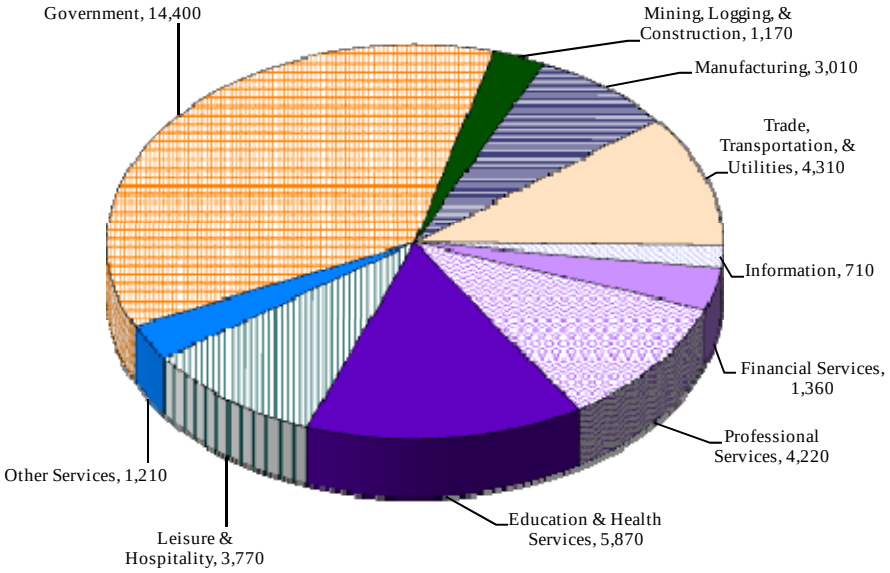
Center employs approximately 2,630 people and the Corvallis Clinic employs 540 people. Fiserv Corporation provides data processing systems created specifically for the credit union industry and employs approximately 250 at its Corvallis location. The Oregon Nanoscience and Mictrotechnologies Institute (ONAMI) is a collaboration among Oregon universities, including OSU, and regional industry for micro and nanotechnology research and development and is a leader in this field. ONAMI has multiple facilities located in Oregon's Silicon Forest, including facilities in Corvallis.



Oregon's June 2013 seasonally adjusted unemployment rate was 7.9 percent. The Corvallis MSA's (Benton County) seasonally adjusted unemployment rate for June 2013 was 6.1 percent or .6 percentage points lower than the June 2012 unemployment rate of 6.7 percent. The Corvallis' MSA seasonally adjusted unemployment rate is 1.5 percentage points below the national unemployment rate and 1.8 percentage points below Oregon's unemployment rate. Compared to June 2012 the Corvallis MSA gained 280 jobs. Manufacturing jobs increased by 170 and trade, transportation, utilities employment decreased by 100, education and health services had a 110 increase, governmental employment increased by 620, and all other services increased by 180 jobs bringing total employment to 38,950.

Factors contributing to the Corvallis MSA's relatively low unemployment rate on a state-wide basis are a highly educated work force (47 percent hold a bachelor's degree or higher degree, 53 percent of those residing in Corvallis) and a high per capita personal income. The most recent reported Corvallis MSA per capita income of $38,677 (2011). What makes the per capita income number more impressive is the high OSU student population with many students living in college induced poverty. The Corvallis MSA has been affected by the recession but has consistently had the state's lowest seasonally adjusted unemployment rate and a high per capita personal income. The recession has impacted the local housing market; residential construction activity has slowed significantly. There are major commercial construction projects planned or underway at or related to OSU.

Corvallis MSA Nonfarm Employment



MAJOR INITIATIVES

Local governments throughout the Willamette Valley, the State of Oregon and the USA continue to experience budget reductions due to the ongoing deterioration of the economy and slow property tax growth which lags expenditure increases. The City of Corvallis is no different in this experience. The City of Corvallis' fiscal challenges as an organization, as in years past, are primarily in its property tax supported services, but are also impacting other special revenue funds and enterprise funds in recent years. The structural challenge of a revenue stream that grows, at best, by 3 percent annually, while mandated personnel-related expenditures grow at 5.5 percent or more annually, results in cyclical corrections to the organization's budget. The City's non-dedicated revenues (property taxes, franchise fees, transient room taxes, and state shared revenues), which provide nearly 70 percent of the total revenues available to fund the Police, Fire, Library, Parks & Recreation and Land-Use Planning functions, are projected to decrease in FY 13-14, based primarily on a significant refund made in respect of a valuation appeal and award to Hewlett-Packard of its assessed value. As a result, one of the City Council's major initiatives in the coming fiscal year will continue to be the development of a long-term, financially sustainable budget.

For FY 12-13, the City's certified assessed value grew by about 0.5 percent, which was much lower than the 3.0 percent forecast that was premised on discussions with Benton County finance staff, prior year averages, and known valuation trends at the time the budget was adopted. The lower than forecast growth was primarily due to some significant sales of taxable property to tax-exempt buyers, in combination with very little development to add to the tax base. Existing residential property in Corvallis has generally done better than national averages at holding its value. The 32.8 percent difference between the 2012 total real market and certified assessed values means that most existing residential and commercial property will see the constitutional 3 percent increase in assessed value in 2013, which should serve to partly offset the major decline in industrial property values based on how those properties are assessed. New residential development coming onto the tax rolls in FY 13-14 is expected to be multi-family housing, largely associated with the growth in the Oregon State university student population. New non-residential

development occurring in Corvallis continues to predominantly be added by tax exempt entities such as OSU or the Good Samaritan Regional Medical Center.

For FY 12-13, Benton County, charged with collecting and distributing property tax revenue for all taxing jurisdictions in the County, withheld $1 million of the total tax distribution for a potential tax refund to Hewlett-Packard based on their appeal pending since 2008. However, other appeals that got resolved during the year were refunded using that holdback so that a late May 2013 decision from the Court of Appeals upholding Hewlett-Packard's appeal will result in a significant revenue loss for FY 13-14. The impact to the City includes a refund of $1.4 million in property taxes paid by Hewlett-Packard since 2008; re-paying the interest that has accrued on the outstanding balance has been stayed as the State appeals the Hewlett-Packard decision to the Oregon Supreme Court. Benton County is expected to withhold tax turnovers for FY 13-14 and FY 14-15 to be prepared to refund the interest should Hewlett-Packard prevail. One additional tax court case for Comcast's appeal of its statewide valuation is pending a decision by the Supreme Court; Benton County has managed this appeal by using a deferred billing process so no additional revenue loss is expected if the case is decided in Comcast's favor. Budget cuts in property tax supported programs have occurred for FY 13-14, including the net elimination of 2.33 FTE, and several other positions left authorized but unfunded. More cuts are expected to be necessary in the future until sufficient reserves are established and some kind of sustainable equilibrium can be established through alternative revenues or expenditure control/reductions.

During the FY 13-14 budget process, the core responsibilities below were used as an overarching mechanism to help attain a sustainable budget where recurring revenues matched or exceeded recurring expenditures. Future budgets will continue to take these factors into consideration:

1) Resident Well Being
2) Public Safety
3) Infrastructure
4) Livability
5) Economic Vitality

For the organization, in addition to the property tax impacts discussed above, several major factors led to increased and different financial challenges, including:

1) PERS rate increases effective July 1, 2013 were announced in November 2012, but subsequently were completely offset by a combination of legislative and Public Employees Retirement System (PERS) Board actions. FY 13-14 employer rates will now be flat with prior years. The impacts of additional system changes that came about through a late September special legislative session are expected to continue to stabilize the system's employer rates, but are also expected to be litigated at the Oregon Supreme Court.
2) Moody's has continued to leave the City on negative outlook; this was confirmed in the fall of 2012 when the City refunded outstanding debt in the Water and Wastewater funds.
3) The American Federation of State, County and Municipal Employees (AFSCME) bargaining unit began negotiations in February for a July 1 contract period. Since negotiations were not completed by fiscal year-end, the FY 13-14 budget process did not include any changes to compensation for AFSCME members.
4) Exempt employees (mostly managers and supervisors) have taken no COLA for four years, and agreed to a reduction in the cafeteria benefit amount effective December 2012. No compensation changes were anticipated for this group in developing the FY 13-14 budget.
5) The Corvallis Police Officers Association (CPOA) and International Association of Fire Fighters (IAFF) labor units both have approved contracts that have included reductions in costs for medical

benefits and a COLA effective with the July payroll. The CPOA COLA is 2.5 percent and equates to approximately $90,470 for FY 13-14. The IAFF COLA is 2 percent based on the February 2013 CPI-U and equates to approximately $99,620 for FY 13-14.

6) The Corvallis Regional Communications Center Association (CRCCA) settled its labor agreement subsequent to fiscal year-end; terms had not been finalized in time to incorporate changes in salaries or benefits into the FY 13-14 budget for CRCCA members.

LONG-TERM FINANCIAL PLANNING

Long-term financial plans are developed for each operating fund of the organization. Revenue and expenditure estimates are updated as more information becomes available through each fiscal year. The plans are presented in a three-year format but staff uses the financial plans projected over the course of seven years for longer range planning such as utility rate setting and modeling tax levies or debt issuance opportunities in order to see the long term impact of short term decisions. Capital project budgets are included in the financial plans to ensure that adequate revenue sources are projected to be available for both the construction of a project and the related operating costs that may be incurred upon the project's completion.

RELEVANT FINANCIAL POLICIES

For general governmental and enterprise funds, the City's Fund Balance Policy guideline is to project a positive budgetary ending fund balance for each fund for the year. The Finance Director recommends an appropriate ending fund balance for each fund taking into account items such as:

- the current fund balance;
- the City Council's recommended fund balance for the property tax funds combined;
- cash flow requirements to support expenditures, including up to three months of payroll costs;
- future capital needs;
- significant revenue and expenditure trends;
- relative rate stability from year to year for enterprise funds;
- susceptibility of the fund to emergency or unanticipated expenditures;
- credit worthiness and capacity to support debt service requirements;
- legal or regulatory requirements affecting revenues, expenditures, and fund balances;
- reliability of outside revenues; and
- any other factors pertinent to that fund's operations.

Per the Fund Balance policy, the City of Corvallis will use the GASB's definitions of Fund Balance for the Comprehensive Annual Financial Report (CAFR) and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. Portions of the fund balance that are not available for appropriation will be identified as a Reserved Balance. The fund balance classification definitions are provided in the Notes to the Basic Financial Statements in the Fund Balance section.

The City's bond refunding policy specifies that the refunding bond issuances be authorized by City Council and comply with the rules adopted by the State Treasurer and outlined in Oregon Revised Statutes. Advance refundings require that a financial advisor be employed and must either have a present value savings of $5 million or more or have a minimum savings ratio of 3.0 percent.

The City's Investment Policy is designed to establish and provide guidelines for the safe and efficient management of the City's cash and investments. The primary Investment Policy objectives are:

preservation of capital; conformance with federal, state and other legal requirements; maintaining sufficient liquidity to meet operating cash flows; and achieve diversification to limit risk exposure to acceptable levels. The City has a relationship with Davidson Fixed Income Management for investment advisory services. Staff prepares a monthly Treasury Report as required by the investment policy. Staff also meets quarterly with Investment Council to review reports and portfolio performance. The Investment Policy's diversification and risk management are discussed in greater detail in the Notes to the Basic Financial Statements under Cash and Investments.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Corvallis, Oregon for its comprehensive annual financial report for the year ended June 30, 2012. This is the 24th consecutive year that the City of Corvallis has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

DISTINGUISHED BUDGET PRESENTATION AWARD

The City of Corvallis received GFOA's Distinguished Budget Presentation Award as well as Special Performance Measures Recognition for its FY 12-13 annual budget document and the FY 13-14 annual budget document has been submitted. This is the 25th consecutive year that the City of Corvallis has achieved the prestigious award of a distinguished presentation and the second time it has earned special recognition. The Distinguished Budget Presentation award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a government and its management. In order to receive the award, a governmental unit must publish a budget document that meets program criteria as a policy document, a communications medium, an operations guide, and a financial plan.

ACKNOWLEDGMENTS

The compilation of the Comprehensive Annual Financial Report is the responsibility of the Finance Department. This report is evidence of the dedication and many hours of hard work required to compile such a report. We would like to thank the entire Finance staff, specifically Lisa Hill, Tina Stephens and Jeanna Yeager, for the excellent service they provide throughout the year which is reflected in this Comprehensive Annual Financial Report. We would also like to thank the City Council, the Administrative Services Committee, and the City Manager for their leadership and support in developing this CAFR.

Nancy Brewer
Finance Director

Julian Contreras
Financial Services Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Corvallis

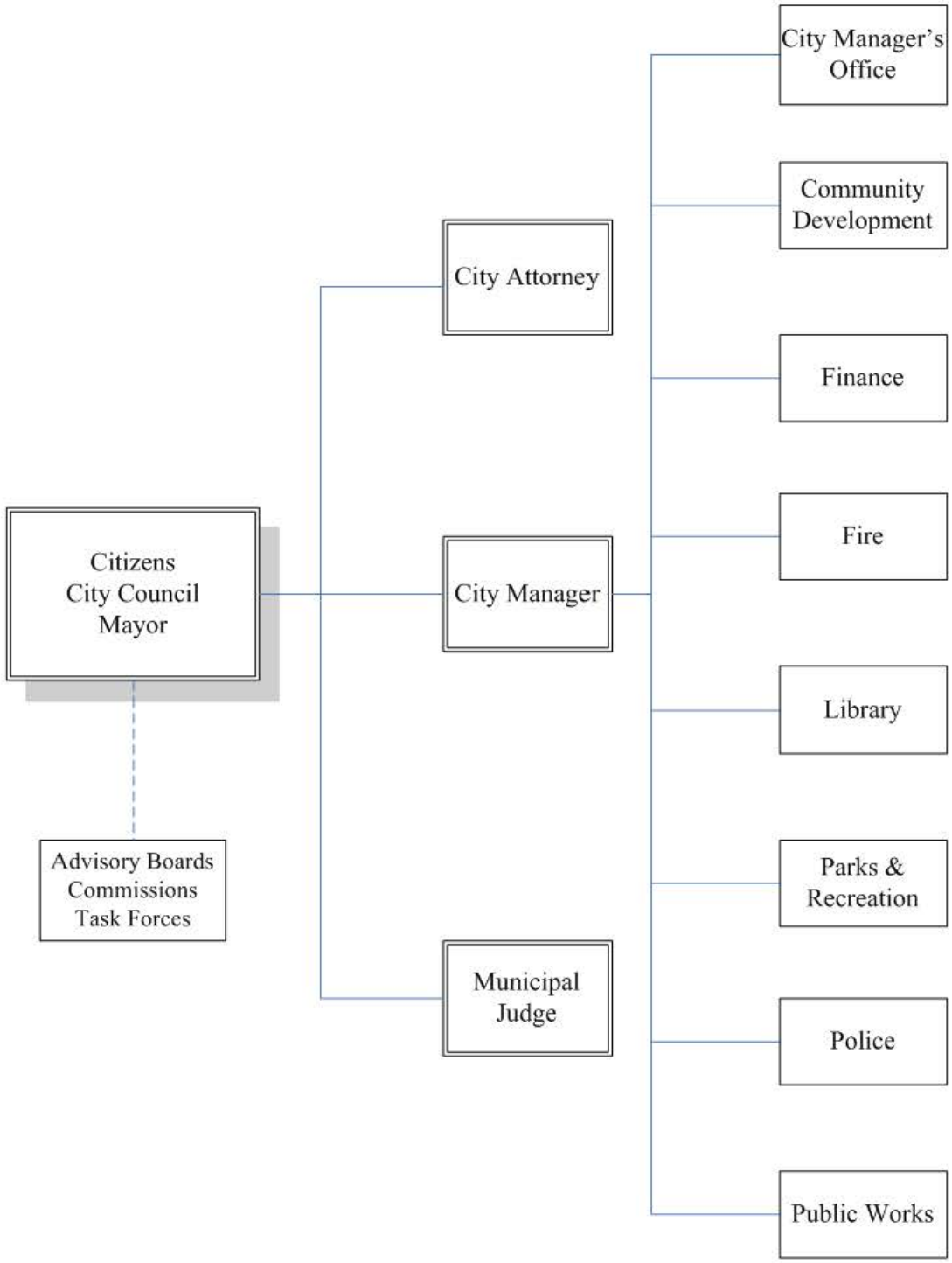
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF CORVALLIS
ORGANIZATION CHART



ELECTED

MAYOR
Julie Manning

Penny York	Ward 1
Roen Hogg	Ward 2
Richard Hervey	Ward 3
Dan Brown	Ward 4
Mike Beilstein	Ward 5
Joel Hirsch	Ward 6
Bruce Sorte	Ward 7
Biff Traber	Ward 8
Hal Brauner	Ward 9

APPOINTED

CITY MANAGER
Jim Patterson

FINANCE DIRECTOR
Nancy Brewer

FINANCIAL SERVICES MANAGER
Julian Contreras

SENIOR ACCOUNTANT
Tina Stephens

501 SW Madison Avenue
Corvallis, Oregon 97333

FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION
- SUPPLEMENTARY INFORMATION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
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November 22, 2013

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of
The City Council and City Manager
City of Corvallis, Oregon

Report on the Financial Statements

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 Corvallis as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corvallis, as of June 30, 2013, and the respective changes in financial position and budgetary comparisons for the general fund, street fund, parks and recreation fund, fire and rescue fund, community development revolving fund, library fund, and capital construction fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, 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 schedule of expenditures of federal expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements
The supplementary information, as listed in the table of contents and the schedule of expenditures of federal expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents and the schedule of federal expenditures, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applies in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirement

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 22, 2013 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 22, 2013, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Roy R Rogers

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is a narrative, introduction, overview and analysis of the basic financial statements. MD&A is Required Supplementary Information.

Management's Discussion and Analysis

Readers of the City of Corvallis' Comprehensive Annual Financial Report (CAFR) are offered this narrative overview and analysis of the financial activities of the City of Corvallis (City) for the fiscal year ended June 30, 2013 by management. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the transmittal letter, which can be found on pages 1-7 of this CAFR.

Financial Highlights

- The assets of the City of Corvallis exceeded liabilities at the close of the fiscal year by $283,516,926 (net position), an increase of $4,396,740 from June 30, 2012. Of this amount ($2,970,689) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased for governmental activities by $899,994 or 0.62 percent from June 30, 2012. Net position increased for business-type activities by $3,496,746, an increase of 2.61 percent from June 30, 2012. Both governmental and business-type activities improved net position was based on increases in current assets and decreases in liabilities.
- As of the close of FY 2013, the City of Corvallis' governmental funds reported combined ending fund balances of $17,661,987, an increase of $2,093,753 from the prior year. Approximately 63.93 percent of the total amount, $11,291,499, is available for spending at the City Council's discretion (committed, assigned and unassigned fund balance).
- At the end of FY 2013, the total assigned and unassigned fund balance in the General Fund was $2,065,684 which was 14 percent of the total General Fund operating expenditures of $14,760,083. This was an increase of 166 percent in the fund balance available for expenditures from June 30, 2012, based on departments changing expenditure plans to reduce costs and a specific set aside of monies to the General Fund Fund Balance Reserve.
- Total governmental activities debt increased by $9,993,752 or 24.61 percent during FY 2013. Total business-type activities debt decreased by $14,719,136 or 78.43 percent. The increase for governmental and decrease for business-type activities was the result of making all required payments and refunding Water and Wastewater funded notes with full faith and credit obligations; water and wastewater monies will be used to continue to meet this debt obligation.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Corvallis is improving or deteriorating.

The Statement of Net Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected property taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (called governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (called business-type activities). The governmental activities of the City include police, fire, library, parks and recreation, general administration, public works, and community development. The business-type activities of the City include water, wastewater, and storm water utilities, and the municipal airport.

The government-wide financial statements can be found on pages 24-25 of this report.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. By doing so, readers may better understand the long-term impact of near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Corvallis maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Street, Parks and Recreation, Fire and Rescue, Community Development Revolving, Library, and Capital Construction funds, all of which are considered to be major funds. Data from the other seven governmental funds is combined into a single aggregated presentation. Fund data for each of these non-major governmental funds is disclosed as supplementary information in the form of statements and schedules.

The City adopts an annual appropriated budget for its General Fund, along with all other funds. Budgetary comparison statements have been provided in the basic financial statements for the General Fund and major special revenue funds to demonstrate compliance with this budget. Budgetary comparisons for all other funds have been provided as supplementary information.

The basic governmental fund financial statements can be found on pages 26-35 of this report.

Proprietary Funds The City of Corvallis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, storm water, and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Corvallis uses internal service funds to account for its garage, facility management, telephone and data systems, central administration, and risk management operations. Because these services predominantly benefit governmental rather than business-type functions, they have been consolidated within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Storm Water and Airport Funds, all of which are considered to be major funds of the City of

Corvallis. The internal service funds are all considered to be non-major funds and are combined into a single aggregated presentation in the proprietary fund financial statements. In the basic financial statements, internal service funds are presented as governmental type activities after eliminating interfund transactions. Individual fund data for the internal service funds is provided elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 36-38 of this report.

Fiduciary Funds The City has no fiduciary funds.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 39-68 of this report.

Required Supplementary Information Required supplementary information includes the Other Postemployment Benefits Plan Schedule of Funding Progress. This information can be found on page 69 of this report.

Supplementary Information Supplementary information includes the combining statements referred to earlier in connection with non-major governmental funds and internal service funds; budgetary comparisons for non-major, enterprise and internal service funds; and other financial schedules. This information can be found on pages 70-110 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $283,516,926 at the close of FY 2013. This represented a $4,396,740 or 1.58 percent increase in net position from the prior fiscal year.

CITY OF CORVALLIS
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Current and other assets	$ 46,678,105	$ 47,231,101	$ 22,362,903	$ 23,835,086	$ 69,041,008	$ 71,066,187
Capital assets	153,742,166	153,274,206	133,823,877	132,552,895	287,566,043	285,827,101
Total assets	200,420,271	200,505,307	156,186,780	156,387,981	356,607,051	356,893,288
Total deferred outflows of resources	437,884	406,753	346,167	177,013	784,051	583,766
Total assets and deferred ouflows of resources	200,858,155	200,912,060	156,532,947	156,564,994	357,391,102	357,477,054
Current liabilities	4,247,402	3,462,739	1,702,511	588,404	5,949,913	4,051,143
Long-term liabilities	51,402,565	51,339,164	20,882,551	18,531,959	72,285,116	69,871,123
Total liabilities	55,649,967	54,801,903	22,585,062	19,120,363	78,235,029	73,922,266
Total deferred inflows of resources	35,887	37,862	-	-	35,887	37,862
Total liabilities and deferred inflows of resources	55,685,854	54,839,765	22,585,062	19,120,363	78,270,916	73,960,128
Net Position						
Invested in capital assets, net of related debt	145,112,271	145,619,845	115,238,767	116,547,672	260,351,038	262,167,517
Restricted	9,136,247	9,538,132	14,757,490	14,781,966	23,893,737	24,320,098
Unrestricted	(9,076,217)	(9,085,682)	3,951,628	6,114,993	(5,124,589)	(2,970,689)
Total Net Position	**$ 145,172,301**	**$ 146,072,295**	**$ 133,947,885**	**$ 137,444,631**	**$ 279,120,186**	**$ 283,516,926**

The largest portion of the City's net position, $262,167,514, reflects the City's investment in capital assets (land, building, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City's

investment in capital assets increased $1,816,479 or .69 percent from June 30, 2012. The City's major capital assets are investments in infrastructure – the water, wastewater and storm water systems of treatment plants and collection/distribution facilities, the street and sidewalk system, and the municipal airport. The City uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The City's restricted net position totaled $24,320,098 or 8.58 percent of the total net position representing resources that are subject to external restrictions on how they may be used. This represents an increase of $426,361 in the City's restricted net position from June 30, 2012. The remaining balance of unrestricted net position, ($2,970,689), may be used to meet the City's ongoing obligations to citizens and creditors. Ending the year with negative unrestricted net position has required the City to modify the services it offers to balance the budget for FY 2014.

Unrestricted net position for governmental activities totaled ($9,085,682) or (6.22) percent of the total net position for governmental activities. Business-type activities unrestricted net position totaled $6,114,993 or 4.45 percent of the total net position for business-type activities. At the end of FY 2013, the City of Corvallis is able to report positive balances in two of three categories of net position, with the total unrestricted net position negative. The City has taken action during FY 2013 and 2014 to bring the unrestricted net position in governmental activities to a positive balance.

CITY OF CORVALLIS
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Revenue:						
Program Revenue:						
Charges for Service	$ 13,214,477	$ 16,820,136	$ 20,571,528	$ 21,971,843	$ 33,786,005	$ 38,791,979
Operating grants and contributions	9,792,384	9,199,032	188,774	179,089	9,981,158	9,378,121
Capital grants and contributions	3,212,701	3,251,247	3,379,269	2,681,928	6,591,970	5,933,175
General Revenue:						
Property taxes levied for op. purposes	22,294,136	22,312,095	-	-	22,294,136	22,312,095
Property taxes levied for debt service	2,131,238	1,039,546	-	-	2,131,238	1,039,546
Transient room taxes	1,239,155	1,396,192	-	-	1,239,155	1,396,192
Franchise Fees	5,306,529	5,186,269	-	-	5,306,529	5,186,269
Interest and investment earnings	200,061	136,567	149,489	91,137	349,550	227,704
Miscellaneous	1,518,054	1,707,759	188,296	13,165	1,706,350	1,720,924
Gain on sale of capital assets	7,606	26,047	-	-	7,606	26,047
Total Revenues	58,916,341	61,074,890	24,477,356	24,937,162	83,393,697	86,012,052
Expenses:						
Community Development	5,439,231	5,523,235	-	-	5,439,231	5,523,235
Finance Department	901,288	899,514	-	-	901,288	899,514
Fire Department	11,829,749	11,273,160	-	-	11,829,749	11,273,160
Library	6,417,292	6,525,123	-	-	6,417,292	6,525,123
Parks & Recreation	6,444,932	6,831,977	-	-	6,444,932	6,831,977
Police Department	13,879,967	13,271,326	-	-	13,879,967	13,271,326
Public Works	12,241,185	11,538,724	-	-	12,241,185	11,538,724
Non-Departmental	1,407,376	2,647,885	-	-	1,407,376	2,647,885
Interest on long-term debt	2,287,956	2,278,660	-	-	2,287,956	2,278,660
Water	-	-	8,879,814	8,286,092	8,879,814	8,286,092
Wastewater	-	-	9,735,989	9,550,971	9,735,989	9,550,971
Storm Water	-	-	2,558,029	2,436,998	2,558,029	2,436,998
Airport	-	-	979,303	808,105	979,303	808,105
Total Expenses	60,848,976	60,789,604	22,153,135	21,082,166	83,002,111	81,871,770
Excess of revenues over expenditures before transfers	(1,932,635)	285,286	2,324,221	3,854,996	391,586	4,140,282
Transfers	326,760	358,250	(326,760)	(358,250)	-	-
Change in Net Position	(1,605,875)	643,536	1,997,461	3,496,746	391,586	4,140,282
Prior Year Adjustment		256,458				256,458
Net Position - Beginning	146,778,176	145,172,301	131,950,424	133,947,885	278,728,600	279,120,186
Net Position - Ending	$145,172,301	$146,072,295	$ 133,947,885	$137,444,631	$279,120,186	$283,516,926

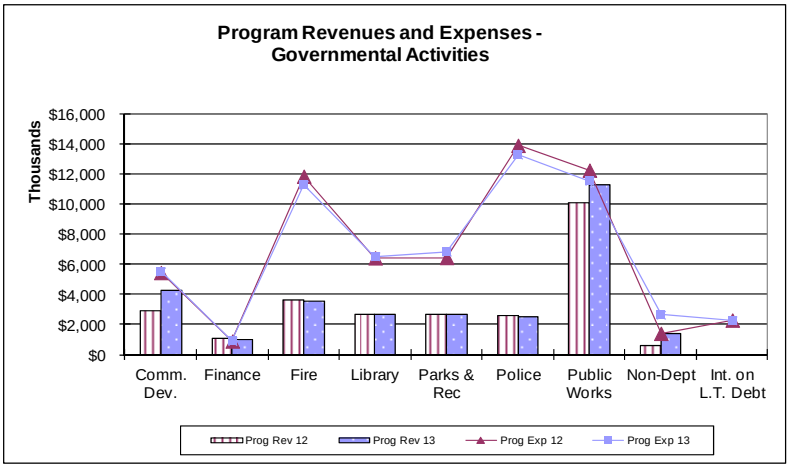
- Governmental activities increased the City's net position by $899,994. This was primarily the result of reducing expenditures and continuing to set aside monies into a fund balance reserve to achieve the City Council's goal of a sustainable budget. Additional expenditure reductions have been budgeted in FY 2014.

- Business-type activities increased the City's net position by $3,496,746. Rate increases in the water, wastewater, and storm water funds have been implemented to increase program revenue to fund operating and maintenance costs as well as to build capacity for either cash or debt funded infrastructure projects.

Financial Analysis of the Government's Funds

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

Governmental Funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance (committed, assigned and unassigned) may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.



As of June 30, 2013, the City's governmental funds reported combined ending fund balances of $17,661,987, an increase of $2,093,753 in comparison with the prior year. Approximately $11,291,499 or 63.93 percent constitutes committed, assigned and unassigned fund balance which is available for spending at the City's discretion. The remainder of the fund balance, $6,370,488 is restricted to indicate that it is not available for new spending because it has already been restricted to pay for capital construction, endowments, and other purposes.

The General Fund is the main operating fund for the City. At the end of FY 2013, the unassigned and assigned fund balance of the General Fund was $2,065,684. Monies restricted and committed totaled $447,596. As a measure of the General Fund's liquidity, it may be useful to compare the spendable fund balance to total fund expenditures. The unassigned and assigned fund balance represents 14.00 percent of the total General Fund operating expenditures.

The total fund balance (restricted, committed, unassigned, and assigned) of the General Fund increased by $1,238,591 during FY 2013. Key factors in this increase are:

- Total revenues were lower than expected by nearly $888,000.
  - Assessed value grew by only 0.5 percent which led to lower than expected property tax revenue. This low rate of growth in assessed value was caused by a combination of Oregon State University and Samaritan Health Services, both of which are non-profits, purchasing several sizeable properties which were removed from the tax rolls, and deprecation reductions on industrial property. Most residential and commercial property assessed values increase by the Oregon Constitutional limit of 3 percent.
  - Franchise Fees came in below projections due to reduced numbers of landline phones and conservation efforts for both electricity and natural gas.

- Intergovernmental revenue was lower than originally projected based on slower than expected progress implementing the EPA Community Climate Showcase grant. Work on this grant program will continue in FY 2014.

- The late May announcement that Hewlett-Packard's appeal of 2008 and 2009 valuation had been found in Hewlett-Packard's favor by the Oregon Court of Appeals led the organization to halt all discretionary spending. This led to the FY 2013 underexpenditure of more than $1 million to build the fiscal year-end balance and provide resources to pay the City's estimated $1.4 million share of the refund early in FY 2014.
- The City Council has made a significant commitment to build the General Fund Fund Balance Reserve, and included a set aside of $630,000 from current revenues as well as over $1.3 million from FY 2012's better than expected financial performance.

In the Street Fund, the fund balance decreased by $24,634. State Highway Tax revenue was lower than budgeted by around $360,000 and Systems Development Charge (SDC) revenue was lower than expected by about $180,000.

In the Parks and Recreation Fund, the ending fund balance was $7,592 higher than the prior year. Systems Development Charge revenue was over budget by $94,000 due to the large number of multi-family housing units under construction.

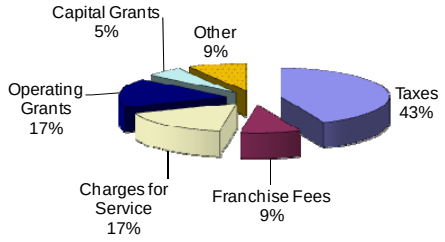
The Fire and Rescue Fund ending fund balance was $436,685 higher than June 30, 2012. This was the result of the Fire Department underexpending its budget at the end of the fiscal year associated with the 2014 property tax refund due to Hewlett-Packard.

The Community Development Revolving Fund ending fund balance was $63,551 lower than the prior year due to reduced CDBG and HOME grant funding. At fiscal year end, the City Council approved an inter-fund loan to keep this fund in a positive position; staff is working on long-term solutions for addressing the city's housing program with reduced federal dollars.

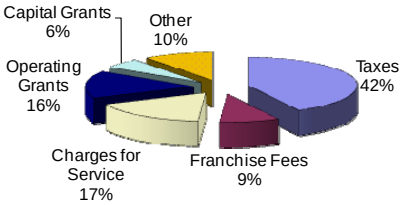
The Library Fund ended FY 2013 with a fund balance $308,623 lower than the prior year. Property taxes from the City's permanent rate, the local option levy, and the Benton County Library Service District were all lower than expected.

Revenue by Source – Governmental Funds

FY 11-12
Revenue by Source

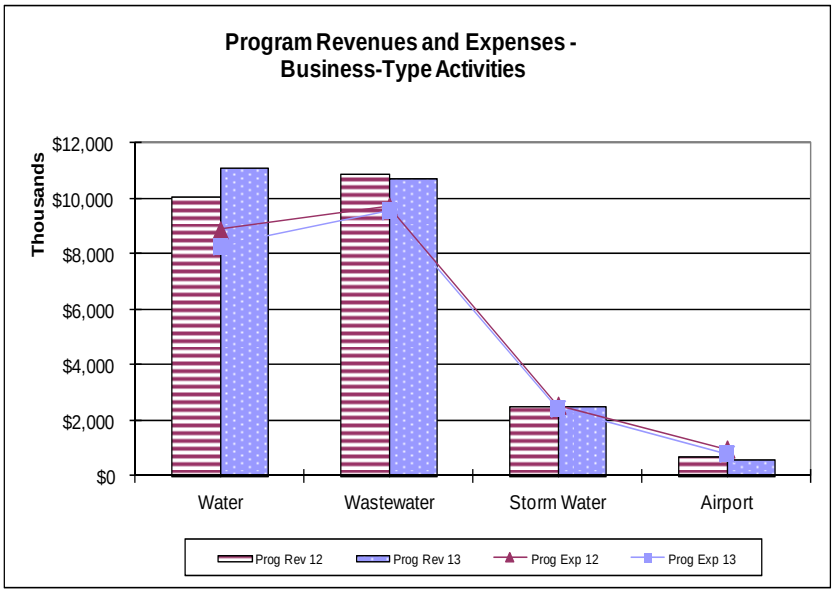


FY 12-13
Revenue by Source

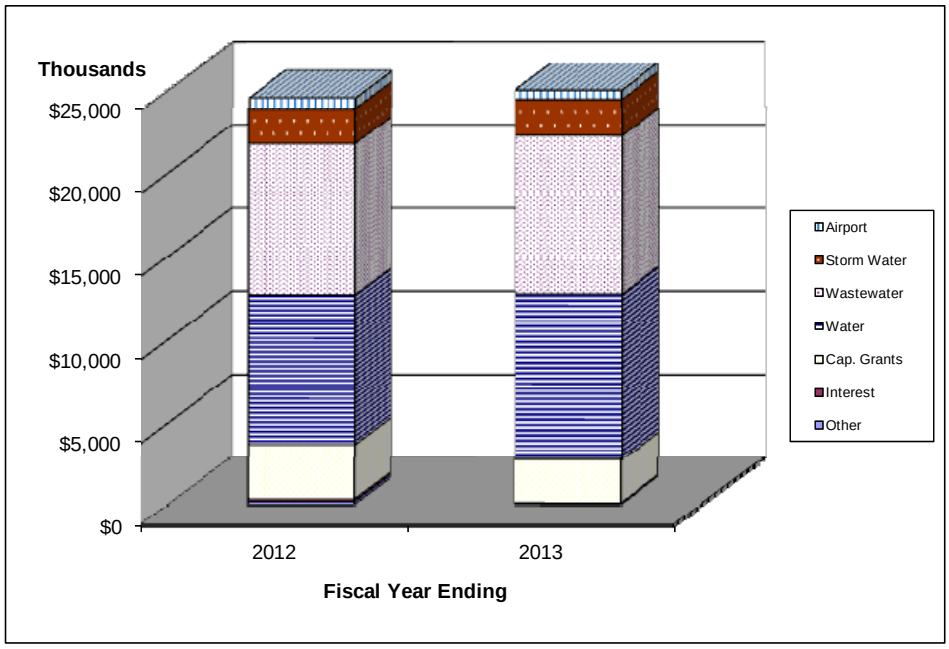


<u>Proprietary Funds</u> The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary funds increased the City's net position by $4,086,212. Key elements of this increase are as follows:

- The Water, Wastewater, and Storm Water Funds accounted for a significant portion of this increase, which resulted in part from the approval of a 2 percent rate increase for water, a 3 percent increase for wastewater, and a 7 percent increase in storm water rates to provide additional monies for operations and maintenance and future capital projects.
- Systems Development Charges (SDCs) for water, wastewater, and storm water revenues combined were around $300,000 higher than anticipated in FY 2013, the result of construction at Oregon State University and multi-family housing. SDC revenue is used to fund infrastructure projects that occur as the result of increased demand.



Revenues by Source – Business-type Activities



General Fund Budgetary Highlights

There was a $146,970 increase between the adopted and final budget in the General Fund. During the course of the year the City Council accepted and appropriated two grants for the Police Department; one was a small State grant, the other was from the Oregon Department of Transportation for the City to implement an e-citation system. Significant variances between budget and actual activity can be summarized as follows:

- ❖ Revenues were below expectations in almost all categories.
- ❖ Property tax revenue was lower than expected due to less growth in total assessed value than was expected.

- Departments reduced planned expenditures by eliminating some programs and leaving some positions vacant to better manage the City's long-term financial situation. In addition, there was a stop to all discretionary spending for the last six weeks of the fiscal year to allow for increased resources to pay the refund for the Hewlett-Packard tax appeal decision.

Capital Asset and Debt Administration

Capital Assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to $285,827,102 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, machinery and equipment, office equipment, intangibles, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 0.60 percent. This total includes a 0.30 percent decrease in governmental activities and a 0.95 percent decrease in business-type activities.

Major capital asset events during FY 2013 included the following:

- Infrastructure maintenance projects capitalized for water, wastewater, storm water, streets, sidewalks, parks, and municipal buildings totaled $1,169,625.
- Recorded intangibles include assets for land easements and software development.
- The North Hills First Level Water Reservoir upgrade and seismic work was complete with FY 2013 expenditures totaling $102,803.
- The City participated with Benton County on Reservoir Road Improvements, funding $359,185 in Street System Development Charges for the project.
- Infrastructure development began for the replacement of the Fire Department Drill Tower, with development costs of $734,840.

The economic slow-down in Corvallis and the rest of the nation led to a lower than usual level of infrastructure assets constructed by private developers and donated to the City.

CITY OF CORVALLIS' CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Intangibles	$ 784,340	$ 1,226,031	$ 263,804	$ 359,433	$ 1,048,144	$ 1,585,464
Land	88,460,652	88,632,999	1,142,357	1,142,357	89,603,009	89,775,356
Buildings	17,347,868	17,010,825	1,676,654	1,604,367	19,024,522	18,615,192
Machinery and equipment	1,791,830	1,567,479	2,460,507	2,196,755	4,252,337	3,764,234
Vehicles	5,089,679	5,529,443	802,373	1,025,363	5,892,052	6,554,806
Infrastructure	39,180,533	37,161,682	125,329,321	125,706,438	164,509,854	162,868,120
Machinery work in Progress	-	79,744	-	-	-	79,744
Construction in Progress	1,087,264	2,066,004	2,148,861	518,182	3,236,125	2,584,186
Total	$ 153,742,166	$ 153,274,207	$ 133,823,877	$ 132,552,895	$ 287,566,043	$ 285,827,102

Additional information on the City of Corvallis' capital assets can be found on pages 54-55 of this report.

Long-Term Debt At the end of FY 2013 the City had total debt outstanding of $54,655,572 . Of this amount, $17,500,000 comprises debt backed by the full faith and credit of the government, $3,915,000 is revenue supported, backed by the revenue of the wastewater utility operation, and $31,382,594 is limited-tax debt supported by operating funds of the City. The City also had total notes outstanding of $1,857,978.

CITY OF CORVALLIS
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
General obligation bonds	$ 6,800,000	$ 6,015,000	$ -	$ -	$ 6,800,000	$ 6,015,000
Full Faith and Credit bonds	-	11,485,000	-	-	-	11,485,000
Pension obligation bonds	31,898,842	31,382,594	-	-	31,898,842	31,382,594
Revenue bonds	-	-	4,380,000	3,915,000	4,380,000	3,915,000
Total bonded debt	38,698,842	48,882,594	4,380,000	3,915,000	43,078,842	52,797,594
Notes payable	1,915,000	1,725,000	14,387,114	132,978	16,302,114	1,857,978
Total Debt Outstanding	$ 40,613,842	$ 50,607,594	$18,767,114	$ 4,047,978	$ 59,380,956	$54,655,572

The City's total debt decreased $4,725,384 or 7.96 percent during FY 2013. The decrease was the net result of paying scheduled debt payments and a refunding of notes payable from the Water and Wastewater Funds. The refunding replaced the notes with a full faith and credit obligation that has a General Fund pledge, though Water and Wastewater Fund monies will be used to make all of the debt payments. Net present value savings of the refunding totaled $170,320 in the Water Fund and $1,409,360 in the Wastewater Fund.

Moody's global rating system has established the City's debt ratings. The City's 2002 pension obligation bonds are rated Aa3; all other City issued debt is rated Aa2. In June 2011, Moody's placed the City on negative outlook and indicated that decreasing General Fund reserves were the major area of concern; the negative outlook was confirmed when the notes were refunded. The City Council has developed a goal to create a financially sustainable budget, and work on that goal is progressing.

Additional information on the City of Corvallis' long-term debt can be found on pages 56-60 of this report.

Economic Factors and Next Year's Budgets and Rates

- The seasonally adjusted unemployment rate for the Corvallis MSA in June 2013 was 6.1 percent, a decrease from last June's 6.7 percent seasonally adjusted rate. Benton County has continued to have one of the lowest unemployment rates in the State of Oregon, where the June seasonally adjusted statewide rate was 7.9 percent.
- Historically, property tax revenue has been relatively stable, with an average rate of growth of less than 3 percent annually over the last decade.
- The Oregon Court of Appeals issued their decision in the Hewlett-Packard valuation appeal dating to 2008 and 2009 in mid-May 2013; the finding was in favor of Hewlett-Packard. The refund for tax payments and accrued interest totaled more than $9 million county-wide; the City's direct share was estimated at just over $2 million with an additional $311,000 in refunds from the Corvallis Rural Fire Protection District and the Benton County Library Service District, both of which have contracts with the City to provide services. In addition to the refund, the reduced value was estimated to result in more than $600,000 in lost property tax revenue annually beginning in FY 2014. The City Manager put in place an immediate stop to all discretionary spending to increase the ending fund balance; over $987,000 of the General Fund Fund Balance Reserve will also be used. Finally, the City Council authorized an interfund loan to complete the refund. The on-going revenue reduction will be part of the planning for FY 2015. Subsequent to adoption of the FY 2014 budget the Oregon Department of Revenue appealed the Court of Appeals' decision to the Oregon Supreme Court. A final decision is not expected until 2015 at the earliest.
- Utility rates for the water, wastewater, and storm water funds are projected to increase in line with the City Council's policy guidelines of 2 to 3 percent on the average residential utility bill. The need for infrastructure maintenance and improvements is driving the annual rate increases.
- Commercial development has remained strong, and Oregon State University is continuing a series of significant construction projects. Oregon State University enrollment increased close to 4,000 students for the

12-13 school year; the same level of growth is anticipated in the 13-14 school year. Corvallis has a near-zero vacancy rate for rental units; a number of developers have initiated apartment construction projects.

All of these factors were considered when preparing the budget for the 2014 fiscal year.

During FY 2013, unassigned fund balances in the General Fund increased to $2,047,758. The City Council has affirmed their financial policy to build the General Fund reserve to three-months of payroll costs, or around $6.3 million and has developed a strategy to meet that goal. Significant work went into developing a new financial planning model for FY 2013 and that model was followed again in developing the FY 2014 budget. The model focuses on a sustainable financial operation; departmental budgets were cut to meet the Council's goal of recurring revenues matching or exceeding recurring expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Corvallis' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Corvallis, 500 SW Madison, Corvallis, Oregon 97333, 541-766-6990 or via e-mail at finance@corvallisoregon.gov.

BASIC FINANCIAL STATEMENTS

- GOVERNMENT-WIDE FINANCIAL STATEMENTS
- FUND FINANCIAL STATEMENTS
  - GOVERNMENTAL FUNDS
  - PROPRIETARY FUNDS
- NOTES TO THE BASIC FINANCIAL STATEMENTS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements, fund financial statements and the notes to the financial statements. An auditor opinion is expressed on the basic financial statements.

CITY OF CORVALLIS, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	$ 19,530,896	$ 21,259,329	$ 40,790,225
Receivables (net of allowances for uncollectibles)			
Property taxes	1,548,452	-	1,548,452
Accounts	1,668,664	2,236,176	3,904,840
Accrued interest	23,359	32,590	55,949
Assessments	129,121	175,131	304,252
Franchise fees	392,885	-	392,885
Grants	697,909	83,845	781,754
Revolving loans	2,724,752	-	2,724,752
Other receivables	637,553	122	637,675
Other assets	4	-	4
Prepaid pension obligation costs	19,877,506	-	19,877,506
Other restricted assets	-	2	2
Restricted cash and investments	-	47,891	47,891
Capital assets:			
Non-depreciable	91,694,343	2,019,972	93,714,315
Other (net of accumulated depreciation)	61,579,863	130,532,923	192,112,786
Total Assets	200,505,307	156,387,981	356,893,288
Deferred Outflows of Resources			
Deferred charges	406,753	177,013	583,766
Total Deferred Outflows of Resources	406,753	177,013	583,766
Total Assets and Deferred Outflows of Resources	$ 200,912,060	$ 156,564,994	$ 357,477,054
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Accounts payable	$ 1,582,106	$ 376,272	$ 1,958,378
Accrued interest	675,253	52,782	728,035
Other accrued liabilities	1,180,677	159,350	1,340,027
Unearned revenue	24,703	-	24,703
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences	3,536,717	639,895	4,176,612
Bonds payable	1,405,257	2,770,000	4,175,257
Notes payable	195,000	48,320	243,320
Due in more than one year:			
Accrued compensated absences	1,966,934	355,874	2,322,808
Net OPEB obligation	6,798,557	1,530,967	8,329,524
Bonds payable (net of unamortized premium and deferred amount on refunding)	35,906,699	13,102,245	49,008,944
Notes payable	1,530,000	84,658	1,614,658
Total Liabilities	54,801,903	19,120,363	73,922,266
Deferred Inflows of Resources			
Unearned revenue	37,862	-	37,862
Total Deferred Inflows of Resources	37,862	-	37,862
Net Position			
Investment in capital assets (net of related debt)	145,619,845	116,547,672	262,167,517
Restricted for:			
Streets and highways	2,939,559	-	2,939,559
Capital projects and construction	3,541,816	14,734,075	18,275,891
Debt service	13,627	47,891	61,518
Endowments - nonexpendable	5,000	-	5,000
Other purposes	3,038,130	-	3,038,130
Unrestricted	(9,085,682)	6,114,993	(2,970,689)
Total Net Position	146,072,295	137,444,631	283,516,926
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 200,912,060	$ 156,564,994	$ 357,477,054

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

CITY OF CORVALLIS, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Activities	***Expenses***	***Fees, Fines, and Charges for Services***	***Operating Grants and Contributions***	***Capital Grants and Contributions***	***Governmental Activities***	***Business-type Activities***	***Totals***
Governmental Activities:							
Community Development	$ 5,523,235	$ 3,203,687	$ 1,031,067	$ -	$ (1,288,481)	$ -	$ (1,288,481)
Finance	899,514	990,959	-	-	91,445	-	91,445
Fire	11,273,160	3,419,560	45,185	115,724	(7,692,691)	-	(7,692,691)
Library	6,525,123	208,361	2,418,896	-	(3,897,866)	-	(3,897,866)
Parks and Recreation	6,831,977	2,133,838	93,128	421,740	(4,183,271)	-	(4,183,271)
Police	13,271,326	1,357,873	1,188,263	-	(10,725,190)	-	(10,725,190)
Public Works	11,538,724	4,106,072	4,422,493	2,713,783	(296,376)	-	(296,376)
General Government	2,647,885	1,399,786	-	-	(1,248,099)	-	(1,248,099)
Interest on long-term debt	2,278,660	-	-	-	(2,278,660)	-	(2,278,660)
Total Govermental Activities	60,789,604	16,820,136	9,199,032	3,251,247	(31,519,189)	-	(31,519,189)
Business-type Activities:							
Water	8,286,092	9,944,486	291	1,127,160	-	2,785,845	2,785,845
Wastewater	9,550,971	9,421,748	89,173	1,185,341	-	1,145,291	1,145,291
Storm Water	2,436,998	2,098,547	36,743	369,427	-	67,719	67,719
Airport	808,105	507,062	52,882	-	-	(248,161)	(248,161)
Total Business-type Activities	21,082,166	21,971,843	179,089	2,681,928	-	3,750,694	3,750,694
Total Activities	$ 81,871,770	$ 38,791,979	$ 9,378,121	$ 5,933,175	(31,519,189)	3,750,694	(27,768,495)
		General Revenues:					
		Taxes					
		Property taxes, levied for general purposes			22,312,095	-	22,312,095
		Property taxes, levied for debt service			1,039,546	-	1,039,546
		Transient room taxes			1,396,192	-	1,396,192
		Franchise fees			5,186,269	-	5,186,269
		Interest and investment earnings			136,567	91,137	227,704
		Miscellaneous			1,707,759	13,165	1,720,924
		Gain on sale of capital assets			26,047	-	26,047
		Total General Revenues			31,804,475	104,302	31,908,777
		Transfers			358,250	(358,250)	-
		Change in Net Position			643,536	3,496,746	4,140,282
		Net Position, Beginning of Year			145,172,301	133,947,885	279,120,186
		Prior Year Adjustment			256,458	-	256,458
		Net Position, End of Year			$ 146,072,295	$ 137,444,631	$ 283,516,926

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

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND - Accounts for all of the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, licenses, permits and state shared revenues. Primary expenditures in the General Fund are for police, planning, municipal court, and facilities maintenance.

STREET FUND - Accounts for the engineering, maintenance and improvements of city streets. The major revenue sources are state gasoline tax proceeds, the transportation maintenance fee and system development charges.

PARKS AND RECREATION FUND - Accounts for the operation of the Parks and Recreation Department including park maintenance, the aquatic center and recreational programs for youth and adults. Major revenue sources include property taxes, fees for recreational programs, and system development charges.

FIRE AND RESCUE FUND - Accounts for revenues and expenditures associated with the operation of fire, emergency medical and transport ambulance services. Fund operations are financed by property taxes, ambulance fees, and Firemed revenue.

COMMUNITY DEVELOPMENT REVOLVING FUND - Accounts for housing and community improvement services funded by loan repayments from community development block grant activities and federal HOME grants. Major revenue sources include grants and loan repayments.

LIBRARY FUND - Accounts for the system operation and extension services of the Corvallis-Benton County Public Library. The major revenue sources are property taxes and intergovernmental monies from the Benton County Library Service District.

CAPITAL CONSTRUCTION FUND - Accounts for the construction and improvement of roads, parks, and facilities, and for the acquisition of park land. Major revenue sources are from interfund transfers and grants.

CITY OF CORVALLIS, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General	Street	Parks and Recreation	Fire & Rescue	Community Development Revolving	Library	Capital Construction	Other Governmental Funds	Total
ASSETS									
Cash and investments	$ 3,002,889	$ 2,824,301	$ 3,940,386	$ 1,303,633	$ 3,272	$ 1,323,724	$ 770,574	$ 4,701,626	$ 17,870,405
Receivables									
Property taxes	1,548,452	-	-	-	-	-	-	-	1,548,452
Accounts	378,081	58,693	97,843	756,821	216	6	-	372,405	1,664,065
Accrued interest	1,418	6,936	10,118	749	372	693	267	1,882	22,435
Assessments	28,061	32,539	68,521	-	-	-	-	-	129,121
Franchise fees	392,885	-	-	-	-	-	-	-	392,885
Grants	167,169	7,242	-	19,182	2,787	-	352,313	149,216	697,909
Revolving loans	54,705	-	-	-	2,670,047	-	-	-	2,724,752
Other receivables	217,002	264,333	-	8,398	-	15,000	-	132,820	637,553
Other assets	-	-	-	-	-	-	-	4	4
Total Assets	$ 5,790,662	$ 3,194,044	$ 4,116,868	$ 2,088,783	$ 2,676,694	$ 1,339,423	$ 1,123,154	$ 5,357,953	$ 25,687,581
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities									
Accounts payable	$ 357,262	$ 99,240	$ 363,719	$ 194,978	$ 3,687	$ 156,958	$ 50,333	$ 146,953	$ 1,373,130
Other accrued liabilities	1,017,345	122,706	1,088	66	2,716	-	2,445	-	1,146,366
Total Liabilities	1,374,607	221,946	364,807	195,044	6,403	156,958	52,778	146,953	2,519,496
Deferred Inflows of Resources									
Unavailable/unearned revenue	1,902,775	32,539	84,761	777,769	2,670,048	344	-	37,862	5,506,098
Total Deferred Inflows of Resources	1,902,775	32,539	84,761	777,769	2,670,048	344	-	37,862	5,506,098
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	5,000	5,000
Restricted	303,287	2,199,219	2,331,857	-	887,407	41,672	529,504	72,542	6,365,488
Committed	144,309	185,150	598,382	7,251	358,303	578,984	-	309,064	2,181,443
Assigned	17,926	555,190	737,061	1,108,719	-	561,465	540,872	4,786,532	8,307,765
Unassigned	2,047,758	-	-	-	(1,245,467)	-	-	-	802,291
Total Fund Balances	2,513,280	2,939,559	3,667,300	1,115,970	243	1,182,121	1,070,376	5,173,138	17,661,987
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,790,662	$ 3,194,044	$ 4,116,868	$ 2,088,783	$ 2,676,694	$ 1,339,423	$ 1,123,154	$ 5,357,953	$ 25,687,581

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

CITY OF CORVALLIS, OREGON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Amounts reported for governmental activities in the statement of net position (page 24) are different because:

Fund balance - total governmental funds (page 26)	$	17,661,987
Capital assets used in governmental activities are not financial resources and, therefore, are not included in the funds. Capital assets reported in internal service funds are included in the governmental capital assets reported on the statement of net position but are not included here.		152,561,759
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		406,753
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(50,416,029)
Internal service funds are used by management to charge the costs of fleet, facility, technology and communications, administrative services and risk management to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		536,786
In 2002 and 2005, the City made a payment to PERS for unfunded pension liabilities. The expenditures were reported in the funds when paid; however, the prepaid asset is not reported in the funds and must be amortized over the life of the debt. The unamortized balance is reported as a prepaid asset of governmental funds on the entity wide statement of net position.		19,877,506
Other revenues are earned but are deferred as they are not available in the current period to pay for current period expenditures; therefore, these revenues are not reported in the funds.		5,443,533
Net position of governmental activities (page 24)	$	146,072,295

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	General	*Street*	*Parks and Recreation*	*Fire & Rescue*	*Community Development Revolving*	*Library*	*Capital Construction*	*Other Governmental Funds*	*Total*
REVENUES									
Taxes	$ 8,028,506	$ -	$ 3,237,079	$ 8,164,770	$ -	$ 2,092,158	$ -	$ 2,854,015	$ 24,376,528
Licenses, fees, and permits	5,435,943	681,003	145,623	16,859	136,325	-	-	2,320,406	8,736,159
Charges for services	934,875	593,683	1,969,897	3,264,886	5,000	43,917	-	3,287,738	10,099,996
Intergovernmental	1,618,660	3,051,696	5,771	45,185	1,022,345	2,399,046	370,610	2,990,270	11,503,583
Fines and forfeitures	567,586	880	324	11,656	982	106,264	-	462,870	1,150,562
Miscellaneous	163,735	19,906	299,210	49,018	331,654	85,708	441,602	1,317,799	2,708,632
Total Revenues	16,749,305	4,347,168	5,657,904	11,552,374	1,496,306	4,727,093	812,212	13,233,098	58,575,460
EXPENDITURES									
Current									
City Manager's Office	231,272	-	-	-	-	-	-	-	231,272
Community Development	1,225,394	19,220	-	-	1,618,817	-	-	2,533,403	5,396,834
Finance	599,019	-	-	-	-	-	-	187,422	786,441
Fire	-	-	-	10,149,908	-	-	-	-	10,149,908
Library	-	-	-	-	-	5,810,755	-	482	5,811,237
Parks & Recreation	-	-	6,025,296	-	-	-	-	-	6,025,296
Police	9,967,842	-	-	-	-	-	-	2,434,722	12,402,564
Public Works	934,159	3,483,360	-	-	-	-	-	2,784,743	7,202,262
Nondepartmental	1,323,230	-	-	-	-	-	-	1,350	1,324,580
Debt service									
Principal	190,000	-	-	-	-	-	-	1,301,248	1,491,248
Interest	53,872	-	-	-	-	-	-	2,229,800	2,283,672
Capital outlay	235,295	135,003	40,561	25,262	-	-	2,441,480	884,956	3,762,557
Total Expenditures	14,760,083	3,637,583	6,065,857	10,175,170	1,618,817	5,810,755	2,441,480	12,358,126	56,867,871
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,989,222	709,585	(407,953)	1,377,204	(122,511)	(1,083,662)	(1,629,268)	874,972	1,707,589
OTHER FINANCING SOURCES (USES)									
Proceeds - issuance of debt	-	-	-	-	-	-	-	-	-
Premium - issuance of debt	-	-	-	-	-	-	-	-	-
Proceeds - sale of capital assets	-	4,650	1,511	14,921	-	-	-	4,965	26,047
Proceeds - Interfund loan	-	-	-	-	80,000	-	-	-	80,000
Payment - Interfund loan	-	-	-	-	-	-	-	(80,000)	(80,000)
Funds collected for other municipalities	786,694	-	-	-	-	-	-	-	786,694
Funds due to other municipalities	(784,828)	-	-	-	-	-	-	-	(784,828)
Transfers in	105,063	-	737,669	-	-	967,229	1,012,654	2,610,000	5,432,615
Transfers out	(857,560)	(738,869)	(323,635)	(955,440)	(21,040)	(192,190)	-	(1,985,630)	(5,074,364)
Total Other Financing Sources (Uses)	(750,631)	(734,219)	415,545	(940,519)	58,960	775,039	1,012,654	549,335	386,164
NET CHANGE IN FUND BALANCES	1,238,591	(24,634)	7,592	436,685	(63,551)	(308,623)	(616,614)	1,424,307	2,093,753
FUND BALANCE, Beginning of year	1,274,689	2,964,193	3,659,708	679,285	63,794	1,490,744	1,686,990	3,748,831	15,568,234
FUND BALANCE, End of year	$ 2,513,280	$ 2,939,559	$ 3,667,300	$ 1,115,970	$ 243	$ 1,182,121	$ 1,070,376	$ 5,173,138	$ 17,661,987

The accompanying notes to the basic financial statements are an integral part of the financial statements

CITY OF CORVALLIS, OREGON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Net change in fund balances - total governmental funds (page 28)	$	2,093,753
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and depreciation expense is recorded over the assets' useful lives. These are the amounts associated with the current period.		
Capital outlay (net)		4,052,983
Current period depreciation		(5,398,679)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(463,436)
Contributions of capital assets increase net position. These assets are not reported in the funds.		1,180,818
The issuance of long-term debt (i.e., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		139,648
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(1,276,659)
Some revenues are earned but are deferred as they are not available in the current period and, therefore, are not reported in the funds.		494,840
Internal service funds are used by management to charge the costs of fleet, facility, technology and communications, administrative services and risk management to the individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(179,732)
Change in net position of governmental activities (page 25)	$	643,536

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 8,502,100	$ 8,502,100	$ 8,028,506	$ (473,594)
Licenses, fees, and permits	5,548,670	5,548,670	5,435,943	(112,727)
Charges for services	808,710	808,710	934,875	126,165
Intergovernmental	1,658,630	1,805,600	1,618,660	(186,940)
Fines and forfeitures	716,110	716,110	567,586	(148,524)
Miscellaneous	255,470	255,470	163,735	(91,735)
Total Revenues	17,489,690	17,636,660	16,749,305	(887,355)
EXPENDITURES				
Current				
City Manager's Office	380,000	380,000	231,272	148,728
Community Development	1,311,410	1,311,410	1,225,394	86,016
Finance	629,740	629,740	599,019	30,721
Police	10,352,220	10,499,190	10,154,727	344,463
Public Works	1,218,900	1,218,900	982,569	236,331
Nondepartmental	1,362,100	1,362,100	1,323,230	38,870
Debt service				
Principal	190,000	190,000	190,000	-
Interest	53,880	53,880	53,872	8
Contingency	224,860	224,860	-	224,860
Total Expenditures	15,723,110	15,870,080	14,760,083	1,109,997
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,766,580	1,766,580	1,989,222	222,642
OTHER FINANCING SOURCES (USES)				
Funds collected for other municipalities	855,000	855,000	786,694	(68,306)
Funds due to other municipalities	(855,000)	(855,000)	(784,828)	70,172
Transfers in	106,840	106,840	105,063	(1,777)
Transfers out	(857,560)	(857,560)	(857,560)	-
Total Other Financing Sources (Uses)	(750,720)	(750,720)	(750,631)	89
NET CHANGE IN FUND BALANCE	1,015,860	1,015,860	1,238,591	222,731
FUND BALANCE, Beginning of year	814,380	814,380	1,274,689	460,309
FUND BALANCE, End of year	$ 1,830,240	$ 1,830,240	$ 2,513,280	$ 683,040

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – STREET FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 609,620	$ 609,620	$ 681,003	$ 71,383
Charges for services	774,680	774,680	593,683	(180,997)
Intergovernmental	3,412,070	3,412,070	3,051,696	(360,374)
Fines and forfeitures	1,000	1,000	880	(120)
Miscellaneous	8,560	8,560	19,906	11,346
Total Revenues	4,805,930	4,805,930	4,347,168	(458,762)
EXPENDITURES				
Current				
Community Development	21,020	21,020	19,220	1,800
Public Works	4,003,730	4,003,730	3,618,363	385,367
Contingency	85,520	85,520	-	85,520
Total Expenditures	4,110,270	4,110,270	3,637,583	472,687
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	695,660	695,660	709,585	13,925
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	-	-	4,650	4,650
Transfers out	(1,423,600)	(1,423,600)	(738,869)	684,731
Total Other Financing Sources (Uses)	(1,423,600)	(1,423,600)	(734,219)	689,381
NET CHANGE IN FUND BALANCE	(727,940)	(727,940)	(24,634)	703,306
FUND BALANCE, Beginning of year	2,389,990	2,389,990	2,964,193	574,203
FUND BALANCE, End of year	$ 1,662,050	$ 1,662,050	$ 2,939,559	$ 1,277,509

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – PARKS AND RECREATION FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 3,303,940	$ 3,303,940	$ 3,237,079	$ (66,861)
Licenses, fees, and permits	141,300	141,300	145,623	4,323
Charges for services	1,831,140	1,831,140	1,969,897	138,757
Intergovernmental	7,400	9,400	5,771	(3,629)
Fines and forfeitures	250	250	324	74
Miscellaneous	83,830	234,010	299,210	65,200
Total Revenues	5,367,860	5,520,040	5,657,904	137,864
EXPENDITURES				
Current				
Parks & Recreation	5,928,130	6,080,310	6,065,857	14,453
Contingency	67,390	67,390	-	67,390
Total Expenditures	5,995,520	6,147,700	6,065,857	81,843
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(627,660)	(627,660)	(407,953)	219,707
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	-	-	1,511	1,511
Transfers in	749,150	749,150	737,669	(11,481)
Transfers out	(1,214,423)	(1,214,423)	(323,635)	890,788
Total Other Financing Sources (Uses)	(465,273)	(465,273)	415,545	880,818
NET CHANGE IN FUND BALANCE	(1,092,933)	(1,092,933)	7,592	1,100,525
FUND BALANCE, Beginning of year	2,989,390	2,989,390	3,659,708	670,318
FUND BALANCE, End of year	$ 1,896,457	$ 1,896,457	$ 3,667,300	$ 1,770,843

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – FIRE AND RESCUE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 8,332,270	$ 8,332,270	$ 8,164,770	$ (167,500)
Licenses, fees, and permits	18,640	18,640	16,859	(1,781)
Charges for services	3,473,230	3,473,230	3,264,886	(208,344)
Intergovernmental	37,700	43,200	45,185	1,985
Fines and forfeitures	8,950	8,950	11,656	2,706
Miscellaneous	13,130	13,130	49,018	35,888
Total Revenues	11,883,920	11,889,420	11,552,374	(337,046)
EXPENDITURES				
Current				
Fire	10,449,720	10,455,220	10,175,170	280,050
Contingency	157,240	157,240	-	157,240
Total Expenditures	10,606,960	10,612,460	10,175,170	437,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,276,960	1,276,960	1,377,204	100,244
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	-	-	14,921	14,921
Transfers out	(955,440)	(955,440)	(955,440)	-
Total Other Financing Sources (Uses)	(955,440)	(955,440)	(940,519)	14,921
NET CHANGE IN FUND BALANCE	321,520	321,520	436,685	115,165
FUND BALANCE, Beginning of year	352,476	352,476	679,285	326,809
FUND BALANCE, End of year	$ 673,996	$ 673,996	$ 1,115,970	$ 441,974

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – COMMUNITY DEVELOPMENT REVOLVING FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 131,670	$ 131,670	$ 136,325	$ 4,655
Charges for services	5,000	5,000	5,000	-
Intergovernmental	2,967,410	2,967,410	1,022,345	(1,945,065)
Fines and forfeitures	2,300	2,300	982	(1,318)
Miscellaneous	359,420	359,420	331,654	(27,766)
Total Revenues	3,465,800	3,465,800	1,496,306	(1,969,494)
EXPENDITURES				
Current				
Community Development	3,305,250	3,305,250	1,618,817	1,686,433
Contingency	31,950	31,950	-	31,950
Total Expenditures	3,337,200	3,337,200	1,618,817	1,718,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	128,600	128,600	(122,511)	(251,111)
OTHER FINANCING SOURCES (USES)				
Proceeds - Interfund loan	-	-	80,000	80,000
Transfers out	(21,040)	(21,040)	(21,040)	-
Total Other Financing Sources (Uses)	(21,040)	(21,040)	58,960	80,000
NET CHANGE IN FUND BALANCE	107,560	107,560	(63,551)	(171,111)
FUND BALANCE, Beginning of year	(27,343)	(27,343)	63,794	91,137
FUND BALANCE, End of year	$ 80,217	$ 80,217	$ 243	$ (79,974)

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – LIBRARY FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 2,134,980	$ 2,134,980	$ 2,092,158	$ (42,822)
Charges for services	43,420	43,420	43,917	497
Intergovernmental	2,451,370	2,451,370	2,399,046	(52,324)
Fines and forfeitures	104,800	104,800	106,264	1,464
Miscellaneous	78,570	78,570	85,708	7,138
Total Revenues	4,813,140	4,813,140	4,727,093	(86,047)
EXPENDITURES				
Current				
Library	6,053,510	6,053,510	5,810,755	242,755
Contingency	63,360	63,360	-	63,360
Total Expenditures	6,116,870	6,116,870	5,810,755	306,115
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,303,730)	(1,303,730)	(1,083,662)	220,068
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	30,000	30,000	-	(30,000)
Transfers in	1,009,360	1,009,360	967,229	(42,131)
Transfers out	(192,690)	(192,690)	(192,190)	500
Total Other Financing Sources (Uses)	846,670	846,670	775,039	(71,631)
NET CHANGE IN FUND BALANCE	(457,060)	(457,060)	(308,623)	148,437
FUND BALANCE, Beginning of year	1,115,333	1,115,333	1,490,744	375,411
FUND BALANCE, End of year	$ 658,273	$ 658,273	$ 1,182,121	$ 523,848

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

FUND FINANCIAL STATEMENTS

PROPRIETARY FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

PROPRIETARY FUNDS

ENTERPRISE FUNDS:

These funds account for activities and services performed primarily for external users. Charges are based on the cost of services.

- **WATER, WASTEWATER AND STORM WATER FUNDS -** Account for the operation, maintenance, department services, and capital improvements of the water, wastewater, and storm water systems of the City. The primary source of revenue is user service charges.

- **AIRPORT FUND -** Accounts for the operation, maintenance, debt service, and capital improvements of the City's airport facilities. Revenues are derived primarily from hangar and building rental revenue, seed crop revenue, and capital improvement grants.

INTERNAL SERVICE FUNDS:

These funds account for activities and services performed primarily for other organizational units within the City. Charges are based on recovering costs from the benefited City units.

CITY OF CORVALLIS, OREGON
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets						
Cash and investments	$ 7,271,017	$ 11,879,721	$ 1,392,336	$ 716,255	$ 21,259,329	$ 1,660,491
Receivables						
Accounts	1,025,432	914,802	215,522	80,420	2,236,176	4,599
Accrued interest	8,010	23,300	1,034	246	32,590	924
Grants	-	49,675	34,170	-	83,845	-
Other receivables	-	122	-	-	122	-
Total Current Assets	8,304,459	12,867,620	1,643,062	796,921	23,612,062	1,666,014
Noncurrent Assets						
Assessments receivable	42,713	130,742	1,676	-	175,131	-
Other restricted assets	-	2	-	-	2	-
Restricted cash and investments	-	47,891	-	-	47,891	-
Capital assets						
Non-depreciable	680,114	716,578	503,816	119,463	2,019,971	500,663
Other (net of accumulated depreciation)	44,963,071	63,434,990	16,398,118	5,736,745	130,532,924	211,784
Total Noncurrent Assets	45,685,898	64,330,203	16,903,610	5,856,208	132,775,919	712,447
Total Assets	53,990,357	77,197,823	18,546,672	6,653,129	156,387,981	2,378,461
Deferred Outflows of Resources						
Deferred issuance costs	25,349	151,664	-	-	177,013	-
Total Assets and Deferred Outflows of Resources	$ 54,015,706	$ 77,349,487	$ 18,546,672	$ 6,653,129	$ 156,564,994	$ 2,378,461
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	$ 201,167	$ 132,473	$ 15,275	$ 27,357	$ 376,272	$ 208,976
Accrued compensated absences	247,968	291,456	93,112	7,359	639,895	467,793
Accrued interest	3,629	45,686	-	3,467	52,782	-
Other accrued liabilities	110,795	26,032	22,523	-	159,350	34,311
Bonds payable, current portion	930,000	1,840,000	-	-	2,770,000	-
Notes payable, current portion	-	23,934	-	24,386	48,320	-
Total Current Liabilities	1,493,559	2,359,581	130,910	62,569	4,046,619	711,080
Long-Term Liabilities						
Accrued compensated absences	137,906	162,092	51,784	4,092	355,874	260,161
Net OPEB obligations	608,055	635,543	244,055	43,314	1,530,967	870,434
Bonds payable (net of unamortized premium and deferred amount on refunding)	1,324,709	11,777,536	-	-	13,102,245	-
Notes payable	-	-	-	84,658	84,658	-
Total Long-Term Liabilities	2,070,670	12,575,171	295,839	132,064	15,073,744	1,130,595
Total Liabilities	3,564,229	14,934,752	426,749	194,633	19,120,363	1,841,675
Net Position						
Investment in capital assets, net of related debt	43,388,476	50,510,098	16,901,934	5,747,164	116,547,672	712,447
Restricted						
Capital projects and construction	5,025,337	9,551,444	155,300	1,994	14,734,075	-
Debt service	-	47,891	-	-	47,891	-
Unrestricted	2,037,664	2,305,302	1,062,689	709,338	6,114,993	(175,661)
Total Net Position	50,451,477	62,414,735	18,119,923	6,458,496	137,444,631	536,786
Total Liabilities and Net Position	$ 54,015,706	$ 77,349,487	$ 18,546,672	$ 6,653,129	$ 156,564,994	$ 2,378,461

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

CITY OF CORVALLIS, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
OPERATING REVENUES						
Licenses, fees, and permits	$ -	$ -	$ -	$ 4,727	$ 4,727	$ -
Charges for services	9,782,616	10,401,066	2,125,198	489,680	22,798,560	8,160,351
Intergovernmental	292	89,173	36,743	52,882	179,090	-
Fines and forfeitures	50	349	60	-	459	-
Miscellaneous	601,569	30,345	3,031	12,655	647,600	59,803
Total Operating Revenues	10,384,527	10,520,933	2,165,032	559,944	23,630,436	8,220,154
OPERATING EXPENSES						
Personnel services	3,395,973	3,501,936	1,265,260	172,380	8,335,549	4,658,456
Materials and supplies	718,426	392,212	58,689	18,100	1,187,427	645,715
Services	639,433	796,815	169,403	188,051	1,793,702	1,228,510
Utility and overhead	1,966,925	2,053,707	506,909	69,794	4,597,335	1,758,476
Training and conference	13,151	22,532	5,952	59	41,694	49,586
Depreciation and amortization	1,539,011	2,428,850	383,986	353,171	4,705,018	69,738
Total Operating Expenses	8,272,919	9,196,052	2,390,199	801,555	20,660,725	8,410,481
OPERATING INCOME (LOSS)	2,111,608	1,324,881	(225,167)	(241,611)	2,969,712	(190,327)
NON-OPERATING INCOME (EXPENSE)						
Interest income	31,462	50,489	6,370	2,815	91,136	11,031
Interest expense	(64,323)	(329,857)	-	(6,550)	(400,730)	-
Gain (loss) on disposal of capital assets	51,150	(25,062)	(46,799)	-	(20,711)	-
Total Non-Operating Income (Expense)	18,289	(304,430)	(40,429)	(3,735)	(330,305)	11,031
INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS	2,129,897	1,020,451	(265,596)	(245,346)	2,639,407	(179,296)
CAPITAL CONTRIBUTIONS						
Capital assets	690,674	185,110	310,083	-	1,185,866	-
Capital grants	-	-	29,724	-	29,724	-
Total Capital Contributions	690,674	185,110	339,807	-	1,215,590	-
TRANSFERS						
Transfers out	(128,650)	(116,700)	(108,450)	(4,450)	(358,250)	-
CHANGE IN NET POSITION	2,691,921	1,088,860	(34,239)	(249,796)	3,496,746	(179,296)
NET POSITION, Beginning of year	47,759,556	61,325,875	18,154,162	6,708,292	133,947,885	716,082
NET POSITION, End of year	$ 50,451,477	$ 62,414,735	$ 18,119,923	$ 6,458,496	$ 137,444,631	$ 536,786

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

CITY OF CORVALLIS, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 10,367,961	$ 10,488,819	$ 2,293,370	$ 682,844	$ 23,832,994	$ 129,513
Receipts from interfund services provided	570	2,091	4,523	-	7,184	7,723,878
Payments to suppliers	(2,289,992)	(1,972,472)	(421,289)	(206,074)	(4,889,827)	(3,435,497)
Payments to employees	(3,309,842)	(3,518,410)	(1,293,737)	(161,617)	(8,283,606)	(4,343,863)
Payments for interfund services used	(1,584,484)	(1,560,934)	(459,484)	(81,273)	(3,686,175)	(206,134)
Net Cash Provided (Used) by Operating Activities	3,184,213	3,439,094	123,383	233,880	6,980,570	(132,103)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out	(128,650)	(116,700)	(108,450)	(4,450)	(358,250)	-
Net Cash Used In Noncapital Financing Activities	(128,650)	(116,700)	(108,450)	(4,450)	(358,250)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(1,053,554)	(578,320)	(280,772)	(506)	(1,913,152)	-
Capital contributions	-	-	29,724	-	29,724	-
Interest paid	(24,936)	(317,246)	-	(7,326)	(349,508)	-
Payments on bond principal	-	(465,000)	-	-	(465,000)	-
Payments on notes payable	-	(46,829)	-	(24,157)	(70,986)	-
Proceeds - issuance of debt	2,210,000	9,275,000	-	-	11,485,000	-
Premium on debt issued	69,597	734,438	-	-	804,035	-
Payment for future debt service	(3,195,423)	(11,329,135)	-	-	(14,524,558)	-
Payment of debt issuance costs	(27,343)	(114,754)	-	-	(142,097)	-
Proceeds - sale of capital assets	51,150	-	-	-	51,150	-
Net Cash Used In Capital and Related Financing Activities	(1,970,509)	(2,841,846)	(251,048)	(31,989)	(5,095,392)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	31,482	51,031	6,756	2,807	92,076	11,242
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,116,536	531,579	(229,359)	200,248	1,619,004	(120,861)
CASH AND INVESTMENTS, Beginning of year	6,154,481	11,396,033	1,621,695	516,007	19,688,216	1,781,352
CASH AND INVESTMENTS, End of year	$ 7,271,017	$ 11,927,612	$ 1,392,336	$ 716,255	$ 21,307,220	$ 1,660,491

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Wastewater	Storm Water	Airport	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 2,111,608	$ 1,324,881	$ (225,167)	$ (241,611)	$ 2,969,711	$ (190,327)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	1,539,011	2,428,850	383,986	353,171	4,705,018	69,738
Change in assets and liabilities						
Receivables						
Accounts receivable	(123,734)	45,976	(21,475)	6,055	(93,178)	2,869
Assessments	3,527	(7,276)	49	-	(3,700)	-
Grants	4,722	(49,675)	170,859	68,243	194,149	-
Other	-	1	-	48,601	48,602	-
Other Assets	(37,809)	(37,819)	(19,999)	-	(95,627)	-
Accounts payable	(193,529)	(188,798)	(62,492)	(8,718)	(453,537)	(135,347)
Accrued compensated absences	(10,629)	(51,537)	10,567	(1,446)	(53,045)	(57,202)
Net OPEB obligations	103,446	104,480	64,829	9,585	282,340	154,855
Other accrued liabilities	(212,400)	(129,989)	(177,774)	-	(520,163)	23,311
Net Cash Provided (Used) by Operating Activities	$ 3,184,213	$ 3,439,094	$ 123,383	$ 233,880	$ 6,980,570	$ (132,103)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
The City disposed of various assets during the year which resulted in gains (losses)	$ 51,150	$ (25,062)	$ (46,799)	$ -	$ (20,711)	$ -
Contributions of capital assets	690,674	185,110	310,083	-	1,185,866	-

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Corvallis, Oregon ("the City") is a municipal corporation governed by an elected mayor and nine-member Council. The Council appoints a City Manager to act as the administrative head of operations. As required by accounting principles generally accepted in the United States of America (GAAP) all significant activities of the City have been included in the basic financial statements. The City qualifies as a primary government since the City has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services within the City's boundaries. The City is not financially accountable for any of these entities; therefore, none of them are considered component units nor are they included in these basic financial statements.

Government-wide and fund financial statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the City's activities. For the most part, the effect of interfund activity has been removed from the government-wide statements. An exception to this is services or goods provided by an activity and used by another activity. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are segregated from business-type activities, which are primarily supported by charges for services and fees.

The Statement of Activities demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific activity. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular activity. Indirect expenses are recovered through internal service fund charges. These indirect expenses are allocated based on a full-cost approach, thereby allocating indirect expenses among functions with the objective of allocating all expenses. Taxes and other revenues that are not properly included among program revenues are reported as general revenues. When both restricted and unrestricted resources are available for use, the City's policy is to utilize the restricted resources first; unrestricted resources are then utilized as needed.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The City's government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash inflows and outflows. Property taxes are recognized as revenues in the year for which they are assessed. Grants and similar items are recognized as revenue when all eligibility requirements 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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

collected within 30 days of June 30 for the year being reported. Expenditures other than debt service, compensated absences, and claims and judgments are recorded when a liability is incurred, as under accrual accounting. Debt service, compensated absences, and claims and judgments are recorded when payment is due.

Property taxes, franchise fees, transient room taxes, and state shared revenues associated with the current period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period when collected within 30 days following year end. Investment interest earned but not received as of June 30 is also accrued and recorded as revenue of the current fiscal year. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City. The General Fund accounts for all financial resources of the City excluding those required to be accounted for in another fund. Principal sources of revenue are taxes, fees, licenses, permits, and intergovernmental revenues. Primary expenditures in the General Fund are made for police, community development, public works, and finance.

Street Fund

The Street Fund accounts for the engineering, operations, maintenance and improvements of city streets. The major revenue sources for the Street Fund are intergovernmental revenue, the transportation maintenance fee and charges for services.

Parks and Recreation Fund

The Parks and Recreation Fund accounts for the operations of the Parks and Recreation Department including park maintenance, the aquatic center, and recreation programs for youth and adults. Major revenue sources include taxes and charges for services.

Fire and Rescue Fund

The Fire and Rescue Fund accounts for the revenues and expenditures associated with the operation of fire, emergency medical, and transport ambulance services. Primary sources of revenue are taxes and charges for services.

Community Development Revolving Fund

The Community Development Revolving Fund accounts for community improvement services funded by loan repayments from community development block grant activities. The fund also accounts for housing improvement activities funded by grants and loan repayments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Library Fund

The Library Fund accounts for the operation and extension services of the Corvallis-Benton County Public Library. Major revenue sources include taxes and intergovernmental revenues.

Capital Construction Fund

The Capital Construction Fund accounts for the construction and improvements of roads, park acquisition, park improvements, facility improvements, and facility construction. Primary sources of funds are grants and transfers-in of system development charges or operating fund monies.

The City reports the following major enterprise funds:

Water Fund

The Water Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's water acquisition, treatment and distribution system. Primary revenues are charges for services.

Wastewater Fund

The Wastewater Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's sanitary sewer collection and treatment system. Primary revenues are charges for services.

Storm Water Fund

The Storm Water Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's storm water drainage system which includes both closed pipe and open urban streams. Primary revenues are charges for services.

Airport Fund

The Airport Fund accounts for the operation, maintenance, capital improvements and related debt service of the City's airport facilities. Primary revenues are from charges for services and intergovernmental revenues.

Additionally the City reports the following:

Internal Service Funds

Internal service funds account for services provided for departmental units within the City. Services provided by the internal service funds include facility maintenance, fleet maintenance, technology and communications, administrative services, and risk management. The cost of the services provided is recovered by charges to the department receiving the service.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Non-major Funds

The City also reports on non-major special revenue funds, debt service funds, and permanent funds. Non-major special revenue funds include the 9-1-1 Fund, Development Services Fund, Parking Fund, Transit Fund, and 2011 Operating Levy Fund. The City's non-major debt service funds are the General Obligation Debt Service Fund and the Pension Obligation Debt Service Fund. The City's permanent fund is the Davidson Library Fund. Budgetary statements for these funds are included as part of supplementary information.

The City's government-wide and proprietary statements are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 to the extent that those standards do not conflict or contradict guidance issued by GASB. Governments also have the option of following subsequent private sector guidance for business-type activities and enterprise funds subject to this same limitation. The City has elected not to implement FASB pronouncements issued after November 30, 1989.

Interfund transfers, interfund services provided and used, interfund reimbursements and interfund payables and receivables are all interfund activities. The effect of interfund activities and administrative charges are eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated from the government-wide statements since elimination would distort the program revenues and direct costs of the City's functions.

Amounts reported as program revenues in the government-wide statement of activities include: fines, fees, and charges to users for services provided, goods produced or privileges provided; operating grants and contributions; and capital grants and contributions. Taxes, grants and contributions that are not restricted are reported as general revenues. Franchise fees are based on gross receipts and are reported as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. The primary operating revenues of the Water Fund, Wastewater Fund, Storm Water Fund, Airport Fund, and internal service funds are charges to customers for sales and services. The Water Fund, Wastewater Fund, and Storm Water Fund also receive fees which are intended to recover the cost of connecting new customers to the utility systems. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments. Cash and cash equivalents, with the exception of investments, are recorded at cost, which approximates fair value. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale. The City investments are reported using full accrual accounting, as it is a best practice for the industry. Investments are booked at par value, rather than cost, and interest income is accrued on a monthly basis, with the premium or discount paid up front on an investment being amortized or accreted respectively over the life of the investment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Cash and Investments (Continued)

State Statutes authorize the City to invest in obligations of the U.S. Treasury, certificates of deposit, U.S. Government Agency Securities, instrumentalities of U.S. Government-sponsored corporations, commercial paper, bankers' acceptances, repurchase agreements and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City has an investment policy which is more restrictive than State law. The investment policy is reviewed annually by the City's Investment Council, as well as the City's Investment Advisor. The City uses the services of Davidson Fixed Income Management, Inc. as Investment Advisor to assist with managing the City's investment portfolio. The Investment Council meets quarterly and its membership includes the City Council President, City Manager, City Attorney, Finance Director, and a qualified citizen. Additionally, Oregon Revised Statutes require that deposits be made with approved depository banks. Local Government Investment Pool balances are backed by the full faith and credit of the State of Oregon.

The City maintains a cash and investment pool for all of the City's funds. Monies within the cash and investment pool are identified by fund and by type. Interest earned on the cash and investment pool is allocated by management policy to various funds and reserves based on average cash balances for the period in which the interest was earned. For the Statement of Cash Flow purposes, the City considers "cash" to include the pooled cash and investments. The cash and investment pool has the general characteristics of a demand deposit account since the cash and investment pool has sufficient liquidity so that any fund may deposit or withdraw cash at any time without notice or penalty.

Receivables

Trade receivables are reported in total, except for ambulance receivables, which are shown net of an allowance for uncollectibles.

Property taxes receivable that are collected within 30 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance the operations of the current period. Property taxes are levied and become a lien on the property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. All property taxes are billed and collected by Benton County, Oregon and then turned over to the City. No allowance for uncollectible property taxes is considered necessary by management as property taxes are collectible as a lien.

The City administers housing rehabilitation and acquisition assistance loan programs under Title 1 of the Housing and Community Development Act of 1974 as codified under federal regulations at 24 CFR Part 570, as well as under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as codified at 24 CFR Part 92. Loans from these programs are secured by the assisted property and collectible as a lien.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Receivables (Continued)

Grant proceeds for costs of managing the rehabilitation loan program are recorded as revenue when operating costs are incurred. Three types of programmatic approaches are used to deliver loans. The first provides loans to low income owner/occupants for single family housing rehabilitation and may be a no-interest deferred payment or fully amortized loan. The second type consists of loans to low income purchasers of Corvallis homes which typically combine an initial period of loan deferral followed by a period of amortization with monthly payments. The final type consists of both interest and non-interest bearing loans to investor/developer/owner borrowers who own rental housing property occupied primarily by low income tenants, or who are building new owner or renter housing for purchase/occupancy by low income households. All three loan types are extended to qualified borrowers for rehabilitation or acquisition or construction of eligible properties and are collateralized by real property. All three types are recorded as revolving loans receivable and deferred revenue when the loan is extended to the borrower.

Although terms may vary, most loans are due upon sale or transfer of the real property is no longer used as an owner's primary residence, or when a rental property ceases to meet the federal requirements tied to the City's investment. Non-deferred loans require monthly payments which are amortized over a period of years. When loan payments or payoffs of loans originally underwritten with federal funds are received, such amounts are recognized as program income (revenue) and utilized to continue to provide the benefits the programs are required to deliver under federal rules.

Prepaid Pension Obligation Costs

The City issued debt in 2002 and 2005 to fund the City's Public Employees Retirement System (PERS) unfunded actuarial liability. The amounts that were paid to PERS were recorded as prepaid pension obligation costs in the year of debt issuance and are amortized on a straight-line basis over the life of each debt issue.

Capital Assets

Capital assets are classified as land, buildings, office equipment, machinery and equipment, vehicles, utility plants and systems, infrastructure, and construction in progress. Capital assets have an initial, individual cost of $10,000 or more and a useful life greater than a single reporting year. Capital assets, excluding governmental activity, and infrastructure acquired prior to June 30, 1980, have been capitalized in the government-wide and proprietary fund financial statements. Capital assets are recorded at historical cost or estimated historical cost when no historical cost records are available. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Capital Assets (Continued)

Property, utility plants, and equipment in the proprietary funds are recorded at cost. Donated capital assets of the proprietary fund types are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the assets constructed, net of interest earned on the investment proceeds over the same period.

Depreciation on capital assets is calculated on a straight line basis over their estimated useful lives. Depreciation is calculated on capital assets acquired during the fiscal year from the beginning of the month of acquisition to the end of the fiscal year. Retired or sold capital assets are depreciated through the end of the month in the month of retirement.

Intangible Assets

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 51, the City has recorded identifiable intangible assets as part of capital assets in the government-wide and proprietary fund Statements of Net Position; the assets are reflected in these Notes to the Basic Financial Statements.

Intangible assets are classified as computer software, land easements, patents, and trademarks, as well as water, sewer and timber rights. Intangible assets lack physical substance, are not financial in nature and have a useful life extending beyond a single reporting period. The City has established a capitalization threshold for all intangible assets of $100,000, with the exception of land. Land easements are treated like all other land acquisitions, and have no established threshold. Major outlays for intangible assets and significant improvements are capitalized as acquired. As such, computer software is added as a non-depreciable work in progress addition for each year of development. The work in progress is then disposed of and reacquired as a depreciable addition once software is put into service or implemented. All intangible assets are reported in the government-wide Statement of Net Position.

Depreciation on intangible assets is calculated on a straight line basis over the asset's estimated useful life. Depreciation is calculated on intangible assets acquired during the fiscal year from the beginning of the month of acquisition to the end of the fiscal year. Retired intangibles are depreciated through the end of the month in the month of retirement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Capital and Intangible Assets (Continued)

The estimated useful lives of depreciable capital and intangible asset classifications are as follows:

Assets	Years
Infrastructure	20-75
Utility plants and system	40-80
Buildings	50
Vehicles	4-25
Machinery and equipment	5-10
Office equipment	3-5
Intangible Assets	
Computer Software	3

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation within limits set by collective bargaining agreements. All employees with accrued vacation leave are paid the outstanding vacation accrual balance at separation. Employees with sick leave accruals and meeting longevity requirements are paid, within limits, for their sick leave accruals. All vacation and sick pay is accrued when incurred in the government-wide and proprietary statements. Compensated absences are paid by the individual funds when they become due. The General Fund, Fire and Rescue Fund, and the Library Fund are the governmental funds that have been primarily used in prior years to pay for compensated absences.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond issuance costs, prepaid assets, and deferred amounts on refunding, if significant, are deferred and amortized over the life of the bond using straight-line amortization. Bond premiums and discounts are amortized using the bonds outstanding method. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for City reporting in this category are: the deferred charges on refunding reported in the government-wide Statement of Net Position. The deferred charges on refunding reporting results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has *unavailable and unearned revenues* that qualifies for reporting in this category. The *unavailable revenue* is reported only in the governmental funds balance sheet and the *unearned revenue* is reported in both the governmental balance sheet and the government-wide Statement of Net Position.

Fund Balance

For governmental funds, assets in excess of liabilities are reported as fund balances. These balances are classified according to the constraints imposed upon them:

1) *Nonspendable*: Amounts inherently nonspendable or that must remain intact due to third party imposed legal or contractual restrictions.
2) *Restricted:* Amounts constrained to specific purposes by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, through constitutional provisions, or by enabling legislation.
3) *Committed*: Amounts are those constrained by City Council through resolution or ordinance before the end of the fiscal year. The State of Oregon recognizes resolutions and ordinances as being equally binding and the process for establishing, modifying, and rescinding resolutions and ordinances are substantively the same. Therefore, the City uses both to commit funds.
4) *Assigned*: Amounts the City intends to use for a specific purpose.
   The authority to assign resources lies with the City's Finance Director.
5) *Unassigned*: Amounts that are not categorized into one of the aforementioned classifications; these resources may be used for any purpose. Only the General Fund should show a positive unassigned fund balance. For all funds, a negative unassigned fund balance should be reported if more resources are used than are available in the fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Fund Balance (Continued)

The City will use funds in the following order: restricted, committed, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenditures/expenses. Actual results may differ from such estimates.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City adopts an annual budget in accordance with Oregon Revised Statutes (ORS) 294.305 through 294.565. The adopted budget is on a modified accrual basis for all funds. Minor reclassifications are made between the budgetary and the GAAP statements. The Oregon Constitution and ORS require that the budget must be balanced and that the fiscal year for local governments is from July 1 through June 30.

The Budget Commission, consisting of nine citizen representatives and the nine City Councilors, is required by ORS as part of the budget process. Through a process of public hearings and deliberations, the Budget Commission develops, and then recommends a budget to City Council for approval. The budget sets forth City Council's goals and objectives, and identifies the resources necessary to accomplish the goals and objectives. The City's budget is legally adopted by Council resolution before July 1.

The City maintains budgetary controls to ensure compliance with legal provisions of the City's annual appropriations resolution adopted by the City Council as part of the budget process. The legal level of budgetary control, by Council Resolution, is by department within each fund. The City cannot legally exceed appropriations at this level. Departments may transfer appropriations within a fund and department. All such transfers are reviewed by Finance Department staff for appropriateness. Appropriations lapse at fiscal year end; projects not completed in the current fiscal year must be re-appropriated in the next fiscal year as part of the adoption of the annual budget.

City Council may change the budget throughout the fiscal year by transferring appropriations between levels of legal compliance. Unexpected additional resources may be budgeted by adopting supplemental budgets as authorized by ORS. A supplemental budget requires newspaper publications, and City Council approval at a minimum, and may require public comments or hearings, over a certain dollar threshold. There were three supplemental budgets adopted during the fiscal year, none of which required republication of the budget or public hearings, but were adopted via resolution through regular City Council meetings. No contingency transfers were required in FY 12-13. City Council also approved nine resolutions accepting and appropriating grant funds that had not been anticipated at the time that the budget had been adopted.

Expenditures of the various funds were within authorized appropriations.

CASH AND INVESTMENTS

Pooled Deposits and Investments

The City maintains a cash management pool for its deposits and investments in which each fund participates. Interest earnings are allocated monthly based on average daily balances of each fund. Cash and investments are reflected in the government-wide Statement of Net Position as follows:

	Governmental Activities	*Business-type Activities*	*Total*
Cash and investments	$ 19,530,896	$ 21,259,329	$ 40,790,225
Restricted cash and investments	-	47,891	47,891
Total Cash and Investments	$ 19,530,896	$ 21,307,220	$ 40,838,116

Deposits

As of June 30, the City's bank deposits had a book balance of $950,224 and a bank balance of $2,418,556. The difference is due to transactions in process.

Custodial Risk - Deposits

Oregon statutes for public funds collateralization provide for a shared liability structure for depository banks, but does not guarantee that public funds are 100% protected. ORS requires depository banks to pledge collateral against public funds in excess of federal depository insurance (FDIC) amounts and sets the value and type of collateral needed. The Public Funds Collateralization Program (PFCP) was created by the Oregon Office of the State Treasurer to facilitate depository bank, custodian, and public official compliance with ORS.

Depository banks are required to report quarterly to the Office of the State Treasurer information on public funds in excess of FDIC insurance limits, the bank's net worth, and FDIC capitalization information. Based on this information the PFCP calculates the amount of collateral required for the following quarter. The City is required to verify that amounts in excess of FDIC insurance limits are deposited only in qualified depository banks or credit unions listed by the Office of the State Treasurer. The City must also report, at least annually, the financial institutions with which the City does business, and public official contact information. The FDIC insures $500,000 of the City's cash and investment balance. The remaining balance has been placed in qualified depository banks and credit unions in compliance with Oregon Revised Statutes. The shared liability structure does not provide that all public funds are 100% protected.

CASH AND INVESTMENTS (Continued)

Investments

As of June 30, 2013 the City had the following investments:

Investment Type	*Fair Value*	*Less than 18 months*	*18-60 months*
Investments in the State of Oregon			
Local Government Investment Pool (LGIP)	$ 26,368,235	$ 26,368,235	$ -
Certificates of Deposit	1,000,000	1,000,000	
US Agencies	12,014,490	3,010,620	9,003,870
Municipal Bonds	495,520	-	495,520
Total Investments	$ 39,878,245	$ 30,378,855	$ 9,499,390

Fifty percent of the LGIP portfolio must mature within 93 days. A maximum of 25 percent of the LGIP portfolio may have maturities greater than one year. No investments may have maturities greater than three years. The Investments are valued at fair value as required by GASB 31. At June 30, 2013, the fair value of the City's position in the State Treasurer's Local Governmental Investment Pool was approximate to the fair value of the pool share.

The City's holdings in United States Government Agency securities and municipal bonds with maturities greater than one-year since purchase date had a net unrealized fair value gain of $27,447 over cost as of June 30, 2013.

Custodial Credit Risk - Investments

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not rated or registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The Board has established portfolio diversification percentages based on the types and maturities of investments. LGIP must manage and invest its funds as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. A copy of the State's Comprehensive Annual Financial Report may be obtained at http://www.oregon.gov/DAS/CFO/SARS/Pages/index.aspx .

CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The City's investment policy limits the maximum weighted average maturity of investments to one and one-half years, with a minimum of 10% of the investment portfolio maturing under 30 days and 25% maturing in under one year. The City defines long-term as having a maturity of greater than 18 months to a maximum of 60 months. As of June 30, 2013, 23.3% of the City's investment portfolio was classified as long-term.

Credit Risk

The City's investment policy limits investments in commercial paper to a rating by nationally recognized credit rating organizations that is higher than specified by State Law, and is therefore more restrictive than what is allowed by state law. As of June 30, 2013 the City did not hold any commercial paper. State and local government securities are required by the City's investment policy to have an AA credit rating or better. As of June 30, 2013 the City held $500,000 par value of municipal obligations.

The City's investment policy also limits credit risk by restricting the amount invested in any class of security. The maximum percentage amount of the total investment portfolio that can be invested in US treasuries is 100%; US government agency securities 100%; LGIP 100% (subject to the ORS imposed maximum dollar amount); certificates of deposit 25%; banker acceptances, commercial paper, and State of Oregon and local government securities are limited to 10% of the total portfolio.

Concentration of Credit Risk

The City's investment policy limits the amount that may be invested with any one issuer or institution. Commercial paper may have no more than 5% of the total portfolio from a single issuer. Certificates of deposit may have no more than 15% of the total portfolio invested with any one institution. No more than 5% of the total portfolio may be invested in one entity's state or local government security. Individual US Government agency securities may be no more than 40% of the total portfolio. There is no limit on the percent of the portfolio that may be invested in US treasuries.

RECEIVABLES

Receivables include balances that are not expected to be collected within a year. The City anticipates that 52.20% of the property tax receivables will be collected after the subsequent year; 97% of assessments, housing and notes receivable are scheduled to be collected after the subsequent year.

DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

DEFERRED INFLOWS OF RESOURCES (Continued)

At June 30, 2013, the various components of unavailable revenue and unearned revenues reported in the governmental funds are as follows:

	Unavailable	*Unearned*	*Total*
Delinquent property taxes receivable (General Fund)	$ 1,548,452	$ -	$ 1,548,452
Assessments not yet due:			
General Fund	11,407	-	11,407
Street Fund	32,539	-	32,539
Parks and Recreation Fund	68,521	1,286	69,807
Grants	-	15,299	15,299
Housing loans not yet due (Community Development Revolving Fund)	2,724,752	-	2,724,752
Receivables to be collected in future years	1,057,862	-	1,057,862
Operating revenue received but unearned (Fire and Rescue Fund)	-	45,980	45,980
Total Unavailable and Unearned Revenue	$ 5,443,533	$ 62,565	$ 5,506,098

ENDOWMENT

The City's Permanent Fund includes amounts that are restricted for use. The non-expendable portion of the fund is segregated as a restriction for endowments on the Statement of Net Position. The expendable portion of the fund is included as restricted net position. The spending of investment income for these funds is budgeted in compliance with the related agreements; state law does not limit the ability to spend the investment income.

The following are the amounts available:

Davidson Library Fund:	***Permanently Restricted for Endowment***	***Amount Available for Specific Expenditure***	***Total***
Total Net Position	$ 5,000	$ 506	$ 5,506

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:

	Balances June 30, 2012	***Increases***	***Decreases***	***Balances June 30, 2013***
Non-depreciable capital assets				
Intangible	$ 590,966	$ 324,631	$ -	$ 915,597
Land	88,460,652	172,347	-	88,632,999
Machinery work in progress	-	79,743	-	79,743
Construction in progress	1,087,264	1,980,232	(1,001,492)	2,066,004
Total non-depreciable capital assets	90,138,882	2,556,953	(1,001,492)	91,694,343
Depreciable capital assets				
Intangible	236,092	427,045	(263,241)	399,896
Buildings	26,328,546	305,599	-	26,634,145
Machinery and equipment	4,964,487	165,909	(321,068)	4,809,328
Vehicles	11,037,962	1,306,618	* (444,816)	11,899,764
Infrastructure	107,925,958	1,565,954	-	109,491,912
Total depreciable capital assets	150,493,045	3,771,125	(1,029,125)	153,235,045
Less Accumulated Depreciation				
Intangible	(42,718)	(46,744)	-	(89,462)
Buildings	(8,980,678)	(642,642)	-	(9,623,320)
Machinery and equipment	(3,172,657)	(376,071)	306,879	(3,241,849)
Vehicles	(5,948,283)	(844,519)	422,481	(6,370,321)
Infrastructure	(68,745,425)	(3,584,805)	-	(72,330,230)
Total accumulated depreciation	(86,889,761)	(5,494,781)	729,360	(91,655,182)
Total depreciable capital assets, net of accumulated depreciation	63,603,284	(1,723,656)	(299,765)	61,579,863
Governmental activities capital assets, net of accumulated depreciation	$ 153,742,166	$ 833,297	$ (1,301,257)	$ 153,274,206

Depreciation expense was charged to the functions of governmental activities as follows:

Finance	$ 71,034
Community Development	32,220
Public Works	3,925,390
Library	224,174
Parks and Recreation	428,807
Police	270,493
Fire	516,298
Total depreciation expense, governmental activities	$ 5,468,416

* Adjustment for prior year disposal error. Capital asset 861 (2009 Gillig Transit Bus) was disposed of in error. The prior year disposal value of $256,458 is included as an adjustment in the vehicle depreciable category above, as the bus was added back into the asset system as of the beginning of FY 2013. Depreciation for the bus has been recorded in FY 2013 and is current through June 30, 2013.

CAPITAL ASSETS *(Continued)*

Business-Type Activities:

	Balances June 30, 2012	***Increases***	***Decreases***	***Balances June 30, 2013***
Non-depreciable capital assets				
Land	$ 1,142,357	$ -	$ -	$ 1,142,357
Construction in progress	2,148,861	1,381,694	(3,012,373)	518,182
Intangible in progress	263,804	95,629	-	359,433
Total non-depreciable capital assets	3,555,022	1,477,323	(3,012,373)	2,019,972
Depreciable capital assets				
Buildings	2,429,956	-	-	2,429,956
Machinery and equipment	4,809,407	126,875	(39,625)	4,896,657
Vehicles	2,816,001	404,582	(250,817)	2,969,766
Infrastructure	195,719,091	4,126,377	-	199,845,468
Total depreciable capital assets	205,774,455	4,657,834	(290,442)	210,141,847
Less Accumulated Depreciation				
Buildings	(753,302)	(72,287)	-	(825,589)
Machinery and equipment	(2,348,900)	(390,627)	39,625	(2,699,902)
Vehicles	(2,013,628)	(181,592)	250,817	(1,944,403)
Infrastructure	(70,389,770)	(3,749,260)	-	(74,139,030)
Total accumulated depreciation	(75,505,600)	(4,393,766)	290,442	(79,608,924)
Total depreciable capital assets, net of accumulated depreciation	130,268,855	264,068	-	130,532,923
Business-type activities capital assets, net of accumulated depreciation	$ 133,823,877	$ 1,741,391	$ (3,012,373)	$ 132,552,895

Depreciation expense was charged to the functions of business-type activities as follows:

Water	$ 1,379,928
Wastewater	2,276,682
Storm Water	383,985
Airport	353,171
Total depreciation expense, business-type activities	$ 4,393,766

LONG-TERM OBLIGATIONS

Bonds Payable

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital construction. General obligation bonds are direct obligations and are backed by the full faith and credit of the City. The City has outstanding general obligation bonds for governmental activities. Principal and interest on the outstanding debt is paid by the debt service funds.

General obligation bonds outstanding are as follows:

Governmental Activities:	***Amount of Original Issue***	***Interest Rates on Outstanding Balances***	***Balances June 30, 2013***	***Due within One Year***
Advance Refunding 2009	$ 10,190,000	3.00 - 4.00	6,015,000	$ 835,000

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30	***Governmental Activities***	
	Principal	***Interest***
2014	$ 835,000	$ 232,250
2015	895,000	207,200
2016	965,000	171,400
2017	1,035,000	132,800
2018	1,115,000	91,400
2019	1,170,000	46,800
Total	$ 6,015,000	$ 881,850

In the year ended June 30, 2009, the City issued $10,190,000 of general obligation bonds to advance refund the Riverfront Park, Series 1999A general obligation bonds and a partial advance refunding of the Open Space, Series 2001A general obligation bonds. As of June 30, 2013 there is no outstanding defeased debt associated with these bonds.

LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (Continued)

Revenue Bonds

The City issues revenue bonds to finance major capital construction projects for business-type activities. Income derived from the acquired or constructed assets is pledged to pay debt service. The City has committed to establish utility user charges sufficient to pay principal and interest when due. If user charges are not sufficient, the City is required by covenant to raise utility rates sufficient to pay maturing principal and interest. The City Council financial policy is to hold rate increases to 2 - 3 % of the total utility charge, with a maximum allowed rate of 7%, to meet operating costs and debt service requirements of the utilities. To date, utility rates have not been increased beyond the limits of the Council policy. Principal and interest on the revenue bonds are payable solely from user fees.

Revenue bonds outstanding are as follows:

Business-type Activities:	***Amount of Original Issue***	***Interest Rates on Outstanding Balances***	***Balances June 30, 2013***	***Due within One Year***
Series 2006A	$ 5,410,000	3.00 - 5.00 %	$ 3,915,000	$ 485,000

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30	***Business-type Activities***	
	Principal	***Interest***
2014	$ 485,000	$ 159,950
2015	510,000	135,700
2016	535,000	110,200
2017	565,000	83,450
2018	590,000	60,850
2019-2020	1,230,000	68,150
Total	$ 3,915,000	$ 618,300

LONG-TERM OBLIGATIONS *(Continued)*

Bonds Payable (Continued)

Limited Tax Bonds

The City issued $23,913,017 of limited tax Pension Obligation Bonds (Series 2002A) in fiscal year 2003 to finance a portion of the City's unfunded actuarial liability with the Oregon Public Employees Retirement System. The City issued another $9,980,000 of limited tax obligation bonds in fiscal year 2006 (Series 2005A) to retire the City's transition liability with PERS. Payment source is transfers from operating funds.

In 2012, the City issued $11,485,000 in Full Faith and Credit Refunding Obligations to prepay three utility loans that were revenue backed.

Limited tax obligation bonds outstanding are as follows:

	Amount of Original Issue	Interest Rates on Outstanding Balances	Balances June 30, 2013	Due within One Year
Governmental Activities:				
Series 2002A	$ 23,913,017	6.61 - 7.06 %	$ 22,222,594	$ 320,257
Series 2005A	9,980,000	4.613 - 5.50	9,160,000	250,000
Total Limited Tax Bonds, Governmental	$ 33,893,017		$ 31,382,594	$ 570,257
Business-type Activities:				
Series 2012	$ 11,485,000	2.00 - 4.00 %	$ 11,485,000	$ 2,285,000

Annual debt service requirements to maturity for the pension obligation bonds are as follows:

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2014	$ 570,257	$ 2,030,073	$ 2,285,000	$ 265,900
2015	627,139	2,091,529	2,340,000	219,650
2016	684,519	2,160,057	1,560,000	180,650
2017	744,957	2,228,342	1,240,000	146,450
2018	805,252	2,304,341	1,115,000	111,125
2019-2023	4,990,470	12,758,269	2,945,000	131,300
2024-2028	16,125,000	5,340,691	-	-
2029-2030	6,835,000	673,400	-	-
Total	$ 31,382,594	$ 29,586,702	$ 11,485,000	$ 1,055,075

LONG-TERM OBLIGATIONS *(Continued)*

Notes Payable

The City issues notes payable to finance major acquisitions or construction projects in governmental and business-type activities. In 1992, the City borrowed $700,000 from the State of Oregon Department of Environmental Quality (DEQ) to complete a project to replace/rehabilitate a portion of the sewers in the older part of the community that had exceeded their service life.

In 1994, the City began expansion of its water treatment capacity at the Taylor treatment plant. The City borrowed $9,703,408 in 1994 and $2,107,000 in 1996 to complete the project. Both Taylor treatment plant loans were from the Oregon Business Development Department, formally known as the Oregon Economic Development Department. The 1994 loan was refunded in 1998 in order to take advantage of lower interest rates. In 2012, these two loans were paid off through the Series 2012 Full Faith and Credit Limited Obligation Refunding.

In 1996, the City borrowed $332,240 from the Oregon Business Development Department to develop water and sewer utilities for land in the Airport Industrial Park, and in 1997, the City borrowed $21,263,693 from the DEQ to finance construction of a combined sewer overflow project. The latter loan was included for prepayment by the 2012 Full Faith and Credit Refunding Obligations issuance described above.

In 2010, the City entered into a loan agreement with Bank of America (BOA) for $2,100,000 to finance several capital improvement projects.

Outstanding notes payable are as follows:

Governmental Activities:	***Amount of Original Issue***	***Interest Rates on Outstanding Balances***	***Balances June 30, 2013***	***Due within One Year***
BOA 2010 CIP Loan	$ 2,100,000	2.9600 %	$ 1,725,000	$ 195,000
Business-type Activities:				
DEQ sewer rehabilitation	700,000	3.0000	23,934	23,934
OBDD Loan B96002	332,240	5.4687	109,044	24,386
Total Notes Payable, Business-Type Activities	$ 1,032,240		$ 132,978	$ 48,320

Annual debt service requirements to maturity for the notes are as follows:

Year Ending	***Governmental Activities***		***Business-type Activities***	
June 30	***Principal***	***Interest***	***Principal***	***Interest***
2014	$ 195,000	$ 48,174	$ 48,320	$ 6,357
2015	200,000	42,328	24,627	4,656
2016	205,000	36,334	29,881	3,302
2017	210,000	30,192	30,150	1,659
2018	220,000	23,828	-	-
2019-2021	695,000	31,302	-	-
Total	$ 1,725,000	$ 212,158	$ 132,978	$ 15,974

LONG-TERM OBLIGATIONS *(Continued)*

Notes Payable (Continued)

The above notes contain various restrictive covenants which include, among other conditions, requirements to maintain net operating revenues, create a loan reserve account and deposit from the fund's net operating revenues or other available funds into the loan reserve account, an amount equal to the average loan payments, and restrictions on certain additional indebtedness. As of June 30, 2013 $47,889 was held in a loan reserve account. All of the covenants were met at June 30, 2013.

Changes in Long-Term Obligations

Governmental Activities:	***Balances June 30, 2012***	***Additions***	***Reductions***	***Balances June 30, 2013***	***Due within One Year***
Bonds Payable					
General Obligation Bonds	$ 6,800,000	$ -	$ 785,000	$ 6,015,000	$ 835,000
Limited Tax Bonds	31,898,842	11,485,000	516,248	42,867,594	2,855,257
Less deferred amounts:					
For issuance premium	229,460	804,035	221,803	811,691	-
On refunding	(314,565)	-	(53,166)	(261,399)	-
Total Bonds Payable	38,613,737	12,289,035	1,469,885	49,432,887	3,690,257
Notes Payable	1,915,000	-	190,000	1,725,000	195,000
Compensated Absences	5,508,964	3,358,183	3,363,496	5,503,651	3,536,717
Net OPEB obligation	5,364,864	1,433,693	-	6,798,557	-
Total Long-Term Obligations, Governmental Activities	$ 51,402,565	$ 17,080,911	$ 5,023,381	$ 63,460,095	$ 7,421,974

Business-type Activities:	***Balances June 30, 2012***	***Additions***	***Reductions***	***Balances June 30, 2013***	***Due within One Year***
Bonds Payable					
Revenue Bonds	$ 4,380,000	$ -	$ 465,000	$ 3,915,000	$ 485,000
Less deferred amounts:					
For issuance premium	58,644	-	12,402	46,242	-
On refunding	(240,649)	-	(30,721)	(209,928)	-
Total Bonds Payable	4,197,995	-	446,681	3,751,314	485,000
Notes Payable	14,387,115	-	14,254,137	132,978	243,320
Compensated Absences	1,048,814	587,144	640,189	995,769	639,895
Net OPEB obligation	1,248,627	282,340	-	1,530,967	-
Total Long-Term Obligations, Business-Type Activities	$ 20,882,551	$ 869,484	$ 15,341,007	$ 6,411,028	$ 1,368,215

INTERFUND TRANSFERS

Interfund transfers between governmental and business-type activities are reported as net transfers in the Statement of Activities. Details of the transfers between governmental and business-type activities are as follows:

	Transfers In				
Transfers Out:	***General Fund***	***Capital Construction***	***Other Governmental Funds***	***Business-Type Funds***	***Total***
General Fund	$ -	$ -	$ 857,560	$ -	$ 857,560
Street Fund	-	657,769	81,100	-	738,869
Parks & Recreation Fund	-	207,425	116,210	-	323,635
Fire and Rescue Fund	-	-	955,440	-	955,440
Community Development Revolving Fund	-	9,000	12,040	-	21,040
Library Fund	-	76,000	116,190	-	192,190
Non-Major Governmental Funds	105,063	32,760	1,847,808	-	1,985,631
Water Fund	-	15,660	112,990	-	128,650
Wastewater Fund	-	7,020	109,680	-	116,700
Storm Water Fund	-	7,020	101,430	-	108,450
Airport Fund	-	-	4,450	-	4,450
Total Transfers	$ 105,063	$ 1,012,654	$ 4,314,898	$ -	$ 5,432,615

The City routinely transfers monies to the Capital Construction Fund to finance the acquisition and construction of capital assets; all funds, excluding the permanent fund, transfer funds to the Pension Obligation Fund for annual debt service payments; and the Storm Water Fund supports the erosion and sediment control program in the Development Services Fund. The Street Fund, Parks and Recreation Fund, Water Fund, Wastewater Fund, and Storm Water Fund support the system development charge and site engineering program in the Development Services Fund.

FUND BALANCE

Below is a schedule of ending fund balance, based on GASB Statement No. 54:

Fund Balances:	**General**	**Street**	**Parks and Recreation**	**Fire & Rescue**	**Community Development Revolving**	**Library**	**Capital Construction**	**Other Governmental Funds**	**Total**
Nonspendable:									
Endowment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,000	$ 5,000
Restricted:									
Streets and highways	-	-	-	-	-	-	41,833	-	41,833
Capital projects and construction	241,085	2,199,219	1,805,199	-	-	-	487,671	-	4,733,174
Debt service	-	-	-	-	-	-	-	2,988	2,988
Other									
Housing Loans					887,407			-	887,407
Senior Center reserve	-	-	186,903	-	-	-	-	-	186,903
Open Space	-	-	94,549	-	-	-	-	-	94,549
Other purposes	62,202		245,206	-	-	41,672	-	69,554	418,634
Total - Restricted	303,287	2,199,219	2,331,857	-	887,407	41,672	529,504	72,542	6,365,488
Committed:									
Streets and highways	-	183,310	-	-	-	-	-	-	183,310
Other									
Public access television	144,298	-	-	-	-	-	-	-	144,298
Reserves	-	-	545,916	-	-	407,341	-	-	953,257
Housing loans	-	-	-	-	358,303	-	-	-	358,303
Sustainability initiative fees	-	-	52,466	-	-	-	-	-	52,466
Other purposes	11	1,840	-	7,251	-	171,643	-	309,064	489,809
Total - Committed	144,309	185,150	598,382	7,251	358,303	578,984	-	309,064	2,181,443
Assigned:									
Vehicle reserves	17,926	224,666	74,987	531,898	-	8,219	-	268,574	1,126,270
Other purposes	-	330,524	662,074	576,821	-	553,246	540,872	4,517,958	7,181,495
Total - Assigned	17,926	555,190	737,061	1,108,719	-	561,465	540,872	4,786,532	8,307,765
Unassigned:	2,047,758	-	-	-	(1,245,467)	-	-	-	802,291
Total Fund Balances:	$ 2,513,280	$ 2,939,559	$ 3,667,300	$ 1,115,970	$ 243	$ 1,182,121	$ 1,070,376	$ 5,173,138	$ 17,661,987

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance policies from commercial suppliers and annual premiums are paid for the following coverage: real and personal property of $189,368,847; earthquake of $100,000,000; water damage of $25,000,000; computer data and media / extra expense of $1,000,000; fine art of $1,000,000; tort liability of $5,000,000; airport liability of $5,000,000; honesty blanket bond of $400,000; public official bonds of $500,000; various real, personal and inland marine property coverage for replacement costs; and various flood coverage for city buildings. The City also carries commercial insurance for workers' compensation and employee health, life and disability coverage. No insurance claims settled in each of the past three years have exceeded policy coverage.

The City's Risk Management Fund, an Internal Service Fund, accounts for and finances the City's risks of loss. All funds of the City participate in the Risk Management Fund. Amounts payable to the Risk Management Fund are based on cost estimates necessary to pay premiums and if applicable, prior and current year claims and to establish a reserve of $500,000 for catastrophic losses.

OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit healthcare plan as established through negotiations between the City and collective bargaining units. The healthcare plan provides post-retirement medical, dental, and vision coverage for eligible retirees, spouses, domestic partners, and dependents. Eligible retirees are those who were hired prior to July 1, 1992 (January 7, 1992 for firefighters) and retired from active service at age 55 and over, age 50 for sworn police and fire retirees. Retirees are eligible even if they delay receiving Oregon PERS retirement payments. The City pays the single party premiums for eligible retirees. Retirees must pay for spouse and dependent coverage. The level of benefits provided by the plans are the same as those afforded to active employees. Coverage is provided to retirees and dependents until the retiree becomes eligible for Medicare, typically age 65.

The City's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including active employees and retirees. The difference between retiree claims costs, which because of the effect of age, is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the City's implicit employer contribution.

The City also provides post-employment life insurance benefits to retirees. The City purchases life insurance ($2,500 face value) for general service, fire, and police retirees until age 65. After age 65 the City pays for life insurance with a face value of $1,500. The City pays life insurance for exempt employees with a face value equal to the employee's final annual salary until age 65. After age 65 the City pays for life insurance with a face value of $1,500 for exempt employees.

The City has not established an irrevocable trust (or equivalent arrangement) to account for the plan. The plan does not issue a separate report.

OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy

The City has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. Since the City's healthcare plan is self-insured, the annual required contributions can fluctuate. For the fiscal year ending June 30, 2013, the City's plan contributions were $1,676,439. The General Fund, Fire and Rescue Fund, and the Library Fund are the governmental funds that have been primarily used in prior years to liquidate the net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City amortizes unfunded actuarial liabilities over an open period of ten years.

The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2013, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	$ 3,577,379
Interest on net OPEB obligation	264,540
Adjustment to the Annual Required Contribution	(449,447)
Annual OPEB cost (expense)	3,392,472
Contribution made	1,676,439
Increase in net OPEB obligation	1,716,033
Net OPEB obligation, beginning of year	6,613,491
Net OPEB obligation, end of year	$ 8,329,524

The City's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the past three years were as follows:

Fiscal year ended June 30,	***Annual OPEB Cost***	***Contribution***	***Percentage of Annual OPEB Cost Contributed***	***Net OPEB Obligation***
2011	$ 3,055,956	$ 1,529,265	50.04%	$ 4,948,940
2012	3,322,964	1,658,413	49.91%	6,613,491
2013	3,392,472	1,676,439	49.42%	8,329,524

OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

As of August 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $35,308,616, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $35,308,616 . The covered payroll (annual payroll of active employees covered by the plan) was $ 28,816,495, and the ratio of the UAAL to the covered payroll was 122.53%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to the evaluation date. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The August 1, 2012 actuarial valuations for the OPEB plan is based on the projected unit credit actuarial cost method. The actuarial assumptions include an investment return of 3.5%, and healthcare cost inflation trend rates that start at 7.25% for the 1st year, August 1, 2012 to August 1, 2013, 6.5% in the 2nd year, 6.0% in the third year, 5.75% in the 4thyear, and then a generally declining rate ranging from 6.75% down to 5.5% for the ensuing 28+ years for an average long-term annual rate increase of 5.82%. Annual payroll increases are compounded at 3.5% annually. The unfunded actuarially accrued liability and the gain or loss is amortized as a level percentage of projected payroll over an open period of 10 years.

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement

PENSION PLAN (Continued)

Plan Description (Continued)

plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

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

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund. During fiscal year 2012-13, employees of the City of Corvallis who are in the American Federation of State, County and Municipal Employees bargaining unit contributed the 6.0 percent share from their salary. The City Manager, exempt employees and the members of the International Association of Fire Fighters, the Corvallis Police Officers Association, and the Corvallis Regional Communications Center Association have their 6.0 percent contribution paid by the City based upon their respective contracts.

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer.

For PERS, the City is a participant in the State and Local Government Rate Pool, which includes the State, Oregon Community Colleges, and most local governmental entities. Employer rates can be set as a single rate, weighted for police and fire participants, or the government can choose to have separate rates for police and fire participants and general service participants; the City has elected to have separate rates. For FY 2012-2013 the City's contribution rates for each participant type were as follows:

Rate Category	Contractually Required Contribution Rate	Retirement Health Insurance Allocation	Normal Cost Rate Percentage	Combined UAL Rate Percentage	Net Rate Percentage
PERS General Service	7.31%	0.19%	7.50%	0.40%	7.90%
PERS Police & Fire	15.44%	0.19%	15.63%		16.03%
OPSRP General Service	6.03%	0.10%	6.13%		6.53%
OPSRP Police & Fire	8.74%	0.10%	8.84%		9.24%

PENSION PLAN (Continued)

Annual Pension Cost

The City's employer contributions to PERS for the fiscal years ending June 30, 2011, 2012, and 2013 were $2,433,785, $3,767,706, and $3,699,224 respectively, which equaled the required contribution for the year. In March 2002 the City issued $23,913,017 in Pension Obligation Bonds to pay the City's unfunded actuarial liability as identified by OPERS based on the December 31, 2000 system valuation brought forward to the March 2002 pay-off date. In September 2005 the City issued $9,980,000 in Pension Obligation Bonds to retire the City's transition liability with PERS.

CONTINGENCIES

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

PRIOR PERIOD ADJUSTMENT

The City has noted a prior period adjustment on the Statement of Activities in the amount of $256,458. The adjustment is a result of a 2009 Gillig Transit Bus (capital asset 861) being disposed of in error at the end of FY 2012. The bus was added back into the capital asset system and the general ledger at the previously disposed of value ($256,458 loss) as of the beginning of FY 2013. Accumulated depreciation has been recorded and is current through June 30, 2013.

SUBSEQUENT EVENT

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through November 22, 2013, the date on which the financial statements were available to be issued. On July 15, 2013, the City paid $1,380,387 to Benton County for property tax refund to Hewlett-Packard (HP). This payment was due to Oregon Court of Appeals decision on HP's valuation appeal dating back to 2008 and 2009 on HP's favor. The refund for tax payments and accrued interest totaled more than $9 million county-wide; the City's direct share was estimated at just over $2 million with an additional $311,000 in refunds from the Corvallis Rural Fire Protection District and the Benton County Library Service District, both of which have contracts with the City to provide services. In addition to the refund, the reduced value was estimated to result in more than $600,000 in lost property tax revenue annually beginning in FY 2014. Subsequent to adoption of the FY 2014 budget the Oregon Department of Revenue appealed the Court of Appeals' decision to the Oregon Supreme Court. A final decision is not expected until 2015 at the earliest. Management is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

NEW PRONOUNCEMENT

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

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

GASB Statement No. 67 "Financial Reporting for Pension Plans", issued June 2012 will be effective for financial statements for periods beginning after June 15, 2013. This Statement revises existing standards of financial reporting for Pension Plans.

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions", issued June 2012 will be effective for financial statements for periods beginning after June 15, 2014. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions.

REQUIRED SUPPLEMENTARY INFORMATION

- OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2013

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Asset	AAL Unit Credit	UAAL	Ratio Funded	Actual Covered Payroll	UAAL as a % of Covered Payroll
2008	August 1, 2006	$ -	$ 25,132,913	$ 25,132,913	- %	$ 26,385,989	95.25 %
2009	August 1, 2008	-	28,083,082	28,083,082	-	27,612,464	101.70
2010	August 1, 2008	-	28,083,082	28,083,082	-	29,258,781	95.98
2011	August 1, 2010	-	34,469,170	34,469,170	-	29,865,298	115.42
2012	August 1, 2010	-	34,469,170	34,469,170	-	29,178,937	118.13
2013	August 1, 2012	-	35,308,616	35,308,616	-	28,816,495	122.53

SUPPLEMENTARY INFORMATION

- NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS

- NON-MAJOR SPECIAL REVENUE, CAPITAL PROJECTS, DEBT SERVICE, PERMANENT, AND PROPRIETARY FUND STATEMENTS AND SCHEDULES
  - NON-MAJOR SPECIAL REVENUE FUNDS
  - CAPITAL PROJECTS FUND
  - DEBT SERVICE FUNDS
  - PERMANENT FUNDS
  - ENTERPRISE FUNDS
  - INTERNAL SERVICE FUNDS

- OTHER FINANCIAL SCHEDULES

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue	*Debt Service*	*Permanent*	*Total*
ASSETS				
Cash and investments	$ 4,682,430	$ 13,444	$ 5,752	$ 4,701,626
Receivables				
Accounts	372,405	-	-	372,405
Accrued interest	1,701	179	2	1,882
Grants	149,216	-	-	149,216
Other receivables	132,820	-	-	132,820
Other assets	-	4	-	4
Total Assets	$ 5,338,572	$ 13,627	$ 5,754	$ 5,357,953
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 146,705	$ -	$ 248	$ 146,953
Total Liabilities	146,705	-	248	146,953
Deferred Inflows of Resources				
Deferred revenue	37,862	-	-	37,862
Fund Balances				
Nonspendable	-	-	5,000	5,000
Restricted	69,048	2,988	506	72,542
Committed	309,064	-	-	309,064
Assigned	4,775,893	10,639	-	4,786,532
Total Fund Balances	5,154,005	13,627	5,506	5,173,138
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,338,572	$ 13,627	$ 5,754	$ 5,357,953

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	Special Revenue	***Debt Service***	***Permanent***	***Total***
REVENUES				
Taxes	$ 1,814,469	$ 1,039,546	$ -	$ 2,854,015
Licenses, fees, and permits	2,320,406	-	-	2,320,406
Charges for services	3,287,738	-	-	3,287,738
Intergovernmental	2,990,270	-	-	2,990,270
Fines and forfeitures	462,870	-	-	462,870
Miscellaneous	1,315,121	2,652	26	1,317,799
Total Revenues	12,190,874	1,042,198	26	13,233,098
EXPENDITURES				
Current				
Community Development	2,533,403	-	-	2,533,403
Finance	187,422	-	-	187,422
Library	-	-	482	482
Police	2,434,722	-	-	2,434,722
Public Works	2,784,743	-	-	2,784,743
Nondepartmental	-	1,350	-	1,350
Debt service				
Principal	-	1,301,248	-	1,301,248
Interest	-	2,229,800	-	2,229,800
Capital outlay	884,956	-	-	884,956
Total Expenditures	8,825,246	3,532,398	482	12,358,126
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,365,628	(2,490,200)	(456)	874,972
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	4,965	-	-	4,965
Transfers in	118,390	2,491,610	-	2,610,000
Transfers out	(1,985,630)	-	-	(1,985,630)
Payment - Interfund Loan	(80,000)	-	-	(80,000)
Total Other Financing Sources (Uses)	(1,942,275)	2,491,610	-	549,335
NET CHANGE IN FUND BALANCES	1,423,353	1,410	(456)	1,424,307
FUND BALANCE, Beginning of year	3,730,652	12,217	5,962	3,748,831
FUND BALANCE, End of year	$ 5,154,005	$ 13,627	$ 5,506	$ 5,173,138

NON-MAJOR SPECIAL REVENUE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

NON-MAJOR SPECIAL REVENUE FUNDS

These funds account for proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

9-1-1 FUND - Accounts for the regional emergency 9-1-1 system activities. Major revenues include state revenues from 9-1-1 tax, and charges for services from regional and local agencies.

DEVELOPMENT SERVICES FUND - Accounts for the plan review and inspection services provided by the Development Services Division. The primary revenue source is fees paid by developers for these services.

PARKING FUND - Accounts for revenues and expenditures associated with the operation, enforcement, maintenance, and capital improvements for downtown parking. Major revenue sources include charges for services, parking meters, and fines.

TRANSIT FUND - Accounts for revenues and expenditures associated with the operation of the City's transit system. Major revenue sources include property taxes, grant monies, transit operations fee and charges for services (rider fees).

2011 OPERATING LEVY FUND - Accounts for local option tax levy revenues received and the transfer out of that revenue to other funds for specific City operations.

CITY OF CORVALLIS, OREGON

COMBINING BALANCE SHEET – NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2013

	9-1-1	*Development Services*	*Parking*	*Transit*	*2011 Operating Levy*	*Total*
ASSETS						
Cash and investments	$ 380,904	$ 1,567,615	$ 1,019,318	$ 1,645,545	$ 69,048	$ 4,682,430
Receivables						
Accounts	-	216,649	38,350	117,406	-	372,405
Accrued interest	209	431	390	671	-	1,701
Grants	-	-	-	149,216	-	149,216
Other receivables	132,820	-	-	-	-	132,820
Total Assets	$ 513,933	$ 1,784,695	$ 1,058,058	$ 1,912,838	$ 69,048	$ 5,338,572
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 7,316	$ 48,589	$ 1,702	$ 89,098	$ -	$ 146,705
Total Liabilities	7,316	48,589	1,702	89,098	-	146,705
Deferred Inflows of Resources						
Unavailable revenue	-	-	37,862	-	-	37,862
Fund Balances						
Restricted	-	-	-	-	69,048	69,048
Committed	-	243,173	37,323	28,568	-	309,064
Assigned	506,617	1,492,933	981,171	1,795,172	-	4,775,893
Total Fund Balances	506,617	1,736,106	1,018,494	1,823,740	69,048	5,154,005
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 513,933	$ 1,784,695	$ 1,058,058	$ 1,912,838	$ 69,048	$ 5,338,572

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2013

	9-1-1	*Development Services*	*Parking*	*Transit*	*2011 Operating Levy*	*Total*
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ 1,814,469	$ 1,814,469
Licenses, fees, and permits	-	1,083,207	18,428	1,218,771	-	2,320,406
Charges for services	979,152	1,901,417	174,699	232,470	-	3,287,738
Intergovernmental	1,153,611	-	-	1,836,659	-	2,990,270
Fines and forfeitures	-	-	462,792	78	-	462,870
Miscellaneous	3,311	5,991	4,816	1,301,003	-	1,315,121
Total Revenues	2,136,074	2,990,615	660,735	4,588,981	1,814,469	12,190,874
EXPENDITURES						
Current						
Community Development	-	2,529,361	4,042	-	-	2,533,403
Finance	-	-	187,422	-	-	187,422
Police	2,140,181	-	294,541	-	-	2,434,722
Public Works	-	-	125,969	2,658,774	-	2,784,743
Capital outlay	-	48,012	69,268	767,676	-	884,956
Total Expenditures	2,140,181	2,577,373	681,242	3,426,450	-	8,825,246
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,107)	413,242	(20,507)	1,162,531	1,814,469	3,365,628
OTHER FINANCING SOURCES (USES)						
Proceeds - sale of capital assets	-	1,424	-	3,541	-	4,965
Transfers in	-	118,390	-	-	-	118,390
Transfers out	(62,240)	(88,800)	(12,490)	(12,140)	(1,809,960)	(1,985,630)
Interfund Loan	-	(80,000)	-	-	-	(80,000)
Total Other Financing Sources (Uses)	(62,240)	(48,986)	(12,490)	(8,599)	(1,809,960)	(1,942,275)
NET CHANGE IN FUND BALANCE	(66,347)	364,256	(32,997)	1,153,932	4,509	1,423,353
FUND BALANCE, Beginning of year	572,964	1,371,850	1,051,491	669,808	64,539	3,730,652
FUND BALANCE, End of year	$ 506,617	$ 1,736,106	$ 1,018,494	$ 1,823,740	$ 69,048	$ 5,154,005

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – 9-1-1 FUND

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 982,280	$ 982,280	$ 979,152	$ (3,128)
Intergovernmental	1,172,850	1,172,850	1,153,611	(19,239)
Miscellaneous	3,430	3,430	3,311	(119)
Total Revenues	2,158,560	2,158,560	2,136,074	(22,486)
EXPENDITURES				
Current				
Police	2,177,200	2,177,200	2,140,181	37,019
Contingency	43,450	43,450	-	43,450
Total Expenditures	2,220,650	2,220,650	2,140,181	80,469
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(62,090)	(62,090)	(4,107)	57,983
OTHER FINANCING SOURCES (USES)				
Transfers out	(62,240)	(62,240)	(62,240)	-
NET CHANGE IN FUND BALANCE	(124,330)	(124,330)	(66,347)	57,983
FUND BALANCE, Beginning of year	561,617	561,617	572,964	11,347
FUND BALANCE, End of year	$ 437,287	$ 437,287	$ 506,617	$ 69,330

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – DEVELOPMENT SERVICES FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 1,086,350	$ 1,086,350	$ 1,083,207	$ (3,143)
Charges for services	1,153,370	1,153,370	1,901,417	748,047
Miscellaneous	7,670	7,670	5,991	(1,679)
Total Revenues	2,247,390	2,247,390	2,990,615	743,225
EXPENDITURES				
Current				
Community Development	2,822,700	2,702,700	2,577,373	125,327
Contingency	50,000	50,000	-	50,000
Total Expenditures	2,872,700	2,752,700	2,577,373	175,327
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(625,310)	(505,310)	413,242	918,552
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	-	-	1,424	1,424
Transfers in	118,390	118,390	118,390	-
Transfers out	(88,800)	(88,800)	(88,800)	-
Interfund Loan	-	(120,000)	(80,000)	40,000
Total Other Financing Sources (Uses)	29,590	(90,410)	(48,986)	41,424
NET CHANGE IN FUND BALANCE	(595,720)	(595,720)	364,256	959,976
FUND BALANCE, Beginning of year	766,426	766,426	1,371,850	605,424
FUND BALANCE, End of year	$ 170,706	$ 170,706	$ 1,736,106	$ 1,565,400

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – PARKING FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Licenses, fees, and permits	$ 25,000	$ 25,000	$ 18,428	$ (6,572)
Charges for services	187,170	187,170	174,699	(12,471)
Fines and forfeitures	450,000	450,000	462,792	12,792
Miscellaneous	3,910	3,910	4,816	906
Total Revenues	666,080	666,080	660,735	(5,345)
EXPENDITURES				
Current				
Community Development	4,050	4,050	4,042	8
Finance	215,420	215,420	187,422	27,998
Police	355,580	355,580	342,874	12,706
Public Works	184,280	184,280	146,904	37,376
Contingency	13,320	13,320	-	13,320
Total Expenditures	772,650	772,650	681,242	91,408
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(106,570)	(106,570)	(20,507)	86,063
OTHER FINANCING SOURCES (USES)				
Transfers out	(299,060)	(299,060)	(12,490)	286,570
NET CHANGE IN FUND BALANCE	(405,630)	(405,630)	(32,997)	372,633
FUND BALANCE, Beginning of year	995,918	995,918	1,051,491	55,573
FUND BALANCE, End of year	$ 590,288	$ 590,288	$ 1,018,494	$ 428,206

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – TRANSIT FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Licenses, fees, and permits	$ 1,173,900	$ 1,173,900	$ 1,218,771	$ 44,871
Charges for services	223,610	223,610	232,470	8,860
Intergovernmental	2,352,950	2,361,920	1,836,659	(525,261)
Fines and forfeitures	-	-	78	78
Miscellaneous	772,500	772,500	1,301,003	528,503
Total Revenues	4,522,960	4,531,930	4,588,981	57,051
EXPENDITURES				
Current				
Public Works	4,080,490	4,089,460	3,426,450	663,010
Contingency	77,130	77,130	-	77,130
Total Expenditures	4,157,620	4,166,590	3,426,450	740,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	365,340	365,340	1,162,531	797,191
OTHER FINANCING SOURCES (USES)				
Proceeds - sale of capital assets	-	-	3,541	3,541
Transfers out	(12,140)	(12,140)	(12,140)	-
Total Other Financing Sources (Uses)	(12,140)	(12,140)	(8,599)	3,541
NET CHANGE IN FUND BALANCE	353,200	353,200	1,153,932	800,732
FUND BALANCE, Beginning of year	532,323	532,323	669,808	137,485
FUND BALANCE, End of year	$ 885,523	$ 885,523	$ 1,823,740	$ 938,217

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – 2011 OPERATING LEVY FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	$ 1,861,240	$ 1,861,240	$ 1,814,469	$ (46,771)
EXPENDITURES				
Current				
Nondepartmental	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,861,240	1,861,240	1,814,469	(46,771)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,865,350)	(1,865,350)	(1,809,960)	55,390
NET CHANGE IN FUND BALANCE	(4,110)	(4,110)	4,509	8,619
FUND BALANCE, Beginning of year	27,430	27,430	64,539	37,109
FUND BALANCE, End of year	$ 23,320	$ 23,320	$ 69,048	$ 45,728

CAPITAL PROJECTS FUND

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed solely by Proprietary Funds. Included is:

CAPITAL CONSTRUCTION FUND - Accounts for the construction and improvement of roads, parks, and facilities, and for acquisition of park land. Major revenues are from interfund transfers and grants.

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – CAPITAL CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Intergovernmental	$ 2,355,790	$ 2,549,701	$ 370,610	$ (2,179,091)
Miscellaneous	468,840	468,840	441,602	(27,238)
Total Revenues	2,824,630	3,018,541	812,212	(2,206,329)
EXPENDITURES				
Capital outlay	6,698,818	6,892,729	2,441,480	4,451,249
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,874,188)	(3,874,188)	(1,629,268)	2,244,920
OTHER FINANCING SOURCES (USES)				
Transfers in	2,875,243	2,875,243	1,012,654	(1,862,589)
NET CHANGE IN FUND BALANCE	(998,945)	(998,945)	(616,614)	382,331
FUND BALANCE, Beginning of year	2,401,849	2,401,849	1,686,990	(714,859)
FUND BALANCE, End of year	$ 1,402,904	$ 1,402,904	$ 1,070,376	$ (332,528)

DEBT SERVICE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of resources for the payment of general obligation and special assessment debt including principal, interest and related costs. Included are:

NON-MAJOR FUNDS:

GENERAL OBLIGATION DEBT SERVICE FUND - Accounts for the accumulation of resources for, and the payment of, general obligation bond principal and interest. The principal source of revenue is property taxes.

PENSION OBLIGATION DEBT SERVICE FUND - Accounts for the accumulation of resources for, and the payment of, pension obligation bond principal and interest. The principal source of revenue is payments from operating funds for their portion of annual debt service.

CITY OF CORVALLIS, OREGON

COMBINING BALANCE SHEET – DEBT SERVICE FUNDS

JUNE 30, 2013

	General Obligation Debt Service	***Pension Obligation Debt Service***	***Total***
ASSETS			
Cash and investments	$ 12,977	$ 467	$ 13,444
Receivables			
Accrued interest	179	-	179
Other assets	-	4	4
Total Assets	$ 13,156	$ 471	$ 13,627
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ -	$ -	$ -
Total Liabilities	-	-	-
Fund Balances			
Restricted	2,553	435	2,988
Assigned	10,603	36	10,639
Total Fund Balances	13,156	471	13,627
Total Liabilities and Fund Balances	$ 13,156	$ 471	$ 13,627

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	General Obligation Debt Service	Pension Obligation Debt Service	Total
REVENUES			
Taxes	$ 1,039,546	$ -	$ 1,039,546
Miscellaneous	2,647	5	2,652
Total Revenues	1,042,193	5	1,042,198
EXPENDITURES			
Current			
Nondepartmental	-	1,350	1,350
Debt service			
Principal	785,000	516,248	1,301,248
Interest	255,800	1,974,000	2,229,800
Total Expenditures	1,040,800	2,491,598	3,532,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,393	(2,491,593)	(2,490,200)
OTHER FINANCING SOURCES			
Transfers in	-	2,491,610	2,491,610
NET CHANGE IN FUND BALANCES	1,393	17	1,410
FUND BALANCE, Beginning of year	11,763	454	12,217
FUND BALANCE, End of year	$ 13,156	$ 471	$ 13,627

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL OBLIGATION DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,040,800	$ 1,040,800	$ 1,039,546	$ (1,254)
Miscellaneous	3,910	3,910	2,647	(1,263)
Total Revenues	1,044,710	1,044,710	1,042,193	(2,517)
EXPENDITURES				
Current				
Principal	785,000	785,000	785,000	-
Interest	255,800	255,800	255,800	-
Total Expenditures	1,040,800	1,040,800	1,040,800	-
NET CHANGE IN FUND BALANCE	3,910	3,910	1,393	(2,517)
FUND BALANCE, Beginning of year	7,807	7,807	11,763	3,956
FUND BALANCE, End of year	$ 11,717	$ 11,717	$ 13,156	$ 1,439

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – PENSION OBLIGATION DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Miscellaneous	$ -	$ -	$ 5	$ 5
EXPENDITURES				
Current				
Nondepartmental	1,350	1,350	1,350	-
Debt service				
Principal	516,250	516,250	516,248	2
Interest	1,974,010	1,974,010	1,974,000	10
Total Expenditures	2,491,610	2,491,610	2,491,598	12
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,491,610)	(2,491,610)	(2,491,593)	17
OTHER FINANCING SOURCES (USES)				
Transfers in	2,491,610	2,491,610	2,491,610	-
NET CHANGE IN FUND BALANCE	-	-	17	17
FUND BALANCE, Beginning of year	448	448	454	6
FUND BALANCE, End of year	$ 448	$ 448	$ 471	$ 23

NON-MAJOR PERMANENT FUND

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

NON-MAJOR PERMANENT FUND

The Permanent Fund accounts for resources that are legally restricted to the extent that earnings, not principal, are used to support the City's programs.

DAVIDSON LIBRARY FUND - Accounts for Library resources restricted for book purchases. The major revenue source derives from interest earnings.

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS – DAVIDSON LIBRARY FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Miscellaneous	$ -	$ -	$ 26	$ 26
EXPENDITURES				
Current				
Library	500	500	482	18
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(500)	(500)	(456)	44
FUND BALANCE, Beginning of year	5,927	5,927	5,962	35
FUND BALANCE, End of year	$ 5,427	$ 5,427	$ 5,506	$ 79

ENTERPRISE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation, maintenance, and debt service of governmental facilities and services which are entirely or predominantly self-supporting by user charges. Enterprise funds use the economic resources measurement focus and accrual accounting to report the results of operation.

WATER, WASTEWATER AND STORM WATER FUNDS - Accounts for the operation, maintenance, debt service, and capital improvements of the water, wastewater, and storm water systems of the City. The primary source of revenue is user service charges.

AIRPORT FUND - Accounts for the operation, maintenance, debt service, and capital improvements of the City's airport facilities. Revenues are derived primarily from hangar and building rental revenue, seed crop revenue, and capital improvement grants.

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - WATER FUND

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 8,971,370	$ 8,971,370	$ 9,782,616	$ 811,246
Intergovernmental	-	-	292	292
Fines and forfeitures	-	-	50	50
Miscellaneous	416,800	416,800	633,031	216,231
Total Revenues	9,388,170	9,388,170	10,415,989	1,027,819
EXPENDITURES				
Community Development	55,770	55,770	55,091	679
Public Works	7,840,490	7,840,490	7,123,266	717,224
Nondepartmental	-	29,174	27,343	1,831
Capital Projects	1,118,180	1,118,180	554,097	564,083
Debt service				
Principal	860,300	-	-	-
Interest	160,860	76,160	24,936	51,224
Contingency	194,060	194,060	-	194,060
Total Expenditures	10,229,660	9,313,834	7,784,733	1,529,101
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(841,490)	74,336	2,631,256	2,556,920
OTHER FINANCING SOURCES (USES)				
Proceeds - issuance of debt	-	2,210,000	2,210,000	-
Proceeds - sale of capital assets	-	-	51,150	51,150
Payment for future debt service	-	(3,195,423)	(3,195,423)	0
Premium - issuance of debt	-	69,597	69,597	-
Transfers in	1,670,510	1,670,510	-	(1,670,510)
Transfers out	(1,799,160)	(1,799,160)	(128,650)	1,670,510
Total Other Financing Sources (Uses)	(128,650)	(1,044,476)	(993,326)	51,150
NET CHANGE IN FUND BALANCE	(970,140)	(970,140)	1,637,930	2,608,070
FUND BALANCE, Beginning of year	4,725,209	4,725,209	6,397,279	1,672,070
FUND BALANCE, End of year	$ 3,755,069	$ 3,755,069	$ 8,035,209	$ 4,280,140

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - WASTEWATER FUND

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 10,130,890	$ 10,130,890	$ 10,401,066	$ 270,176
Intergovernmental	-	38,632	89,173	50,541
Fines and forfeitures	-	-	349	349
Miscellaneous	61,500	61,500	80,834	19,334
Total Revenues	10,192,390	10,231,022	10,571,422	340,400
EXPENDITURES				
Community Development	52,770	52,770	52,228	542
Public Works	7,608,910	7,647,542	6,731,852	915,690
Nondepartmental	-	120,303	114,754	5,549
Capital Projects	905,360	905,360	546,320	359,040
Debt service				
Principal	1,650,140	511,830	511,829	1
Interest	641,410	339,720	317,246	22,474
Contingency	187,580	187,580	-	187,580
Total Expenditures	11,046,170	9,765,105	8,274,229	1,490,876
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(853,780)	465,917	2,297,193	1,831,276
OTHER FINANCING SOURCES (USES)				
Proceeds - issuance of debt	-	9,275,000	9,275,000	-
Payment for future debt service	-	(11,329,135)	(11,329,135)	-
Premium - issuance of debt	-	734,438	734,438	-
Transfers in	1,239,520	1,239,520	-	(1,239,520)
Transfers out	(1,356,220)	(1,356,220)	(116,700)	1,239,520
Total Other Financing Sources (Uses)	(116,700)	(1,436,397)	(1,436,397)	-
NET CHANGE IN FUND BALANCE	(970,480)	(970,480)	860,796	1,831,276
FUND BALANCE, Beginning of year	10,056,400	10,056,400	12,026,953	1,970,553
FUND BALANCE, End of year	$ 9,085,920	$ 9,085,920	$ 12,887,749	$ 3,801,829

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – STORM WATER FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 2,134,370	$ 2,134,370	$ 2,125,198	$ (9,172)
Intergovernmental	230,360	275,980	66,467	(209,513)
Fines and forfeitures	-	-	60	60
Miscellaneous	8,770	8,770	9,401	631
Total Revenues	2,373,500	2,419,120	2,201,126	(217,994)
EXPENDITURES				
Community Development	53,670	53,670	53,100	570
Public Works	2,216,440	2,262,060	1,897,719	364,341
Capital Projects	721,510	721,510	280,772	440,738
Contingency	42,140	42,140	-	42,140
Total Expenditures	3,033,760	3,079,380	2,231,591	847,789
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(660,260)	(660,260)	(30,465)	629,795
OTHER FINANCING SOURCES (USES)				
Transfers in	491,150	491,150	-	(491,150)
Transfers out	(599,600)	(599,600)	(108,450)	491,150
Total Other Financing Sources (Uses)	(108,450)	(108,450)	(108,450)	-
NET CHANGE IN FUND BALANCE	(768,710)	(768,710)	(138,915)	629,795
FUND BALANCE, Beginning of year	1,177,701	1,177,701	1,745,853	568,152
FUND BALANCE, End of year	$ 408,991	$ 408,991	$ 1,606,938	$ 1,197,947

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - AIRPORT FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Licenses, fees, and permits	$ 5,000	$ 5,000	$ 4,727	$ (273)
Charges for services	398,500	398,500	489,680	91,180
Intergovernmental	247,500	247,500	52,882	(194,618)
Miscellaneous	9,570	9,570	15,470	5,900
Total Revenues	660,570	660,570	562,759	(97,811)
EXPENDITURES				
Public Works	664,940	664,940	440,245	224,695
Capital Projects	50,000	50,000	506	49,494
Debt service				
Principal	24,160	24,160	24,157	3
Interest	7,330	7,330	7,326	4
Contingency	12,260	12,260	-	12,260
Total Expenditures	758,690	758,690	472,234	286,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(98,120)	(98,120)	90,525	188,645
OTHER FINANCING SOURCES (USES)				
Transfers in	2,500	2,500	-	(2,500)
Transfers out	(6,950)	(6,950)	(4,450)	2,500
Total Other Financing Sources (Uses)	(4,450)	(4,450)	(4,450)	-
NET CHANGE IN FUND BALANCE	(102,570)	(102,570)	86,075	188,645
FUND BALANCE, Beginning of year	610,421	610,421	683,490	73,069
FUND BALANCE, End of year	$ 507,851	$ 507,851	$ 769,565	$ 261,714

INTERNAL SERVICE FUNDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

INTERNAL SERVICE FUNDS

These funds account for activities and services performed primarily for other organizational units within the City. Charges are based on recovering costs from the benefited City units.

FLEET MANAGEMENT FUND - Accounts for the activities to operate the City's fleet of vehicles and equipment.

FACILITY MAINTENANCE FUND - Accounts for the operation of the City's central shop facility.

TECHNOLOGY AND COMMUNICATIONS FUND - Accounts for the activities related to centralized information and management systems, and operations.

ADMINISTRATIVE SERVICES FUND - Accounts for the activities to provide administrative services to the City departments.

RISK MANAGEMENT FUND - Accounts for the activities associated with providing risk management services to the organization.

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF NET POSITION – ALL INTERNAL SERVICE FUNDS

JUNE 30, 2013

	Fleet Services	*Facility Maintenance*	*Technology and Communications*	*Administrative Services*	*Risk Management*	*Total*
ASSETS						
Current assets						
Cash and investments	$ 63,644	$ 163,884	$ 420,416	$ 107,954	$ 904,593	$ 1,660,491
Receivables						
Accounts	4,593	-	-	6	-	4,599
Accrued interest	27	95	244	204	354	924
Total Current Assets	68,264	163,979	420,660	108,164	904,947	1,666,014
Capital Assets						
Land	-	-	-	500,663	-	500,663
Buildings	-	47,786	-	86,849	-	134,635
Vehicles	24,969	17,993	22,506	15,647	15,465	96,580
Machinery and equipment	-	67,529	712,153	18,489	8,454	806,625
Total Capital Assets	24,969	133,308	734,659	621,648	23,919	1,538,503
Less accumulated depreciation	(8,443)	(51,720)	(644,230)	(107,033)	(14,630)	(826,056)
Capital Assets (net of accumulated depreciation)	16,526	81,588	90,429	514,615	9,289	712,447
Total Assets	$ 84,790	$ 245,567	$ 511,089	$ 622,779	$ 914,236	$ 2,378,461
LIABILITIES AND NET POSITION						
Current liabilities						
Accounts payable	$ 46,306	$ 79,028	$ 8,627	$ 30,705	$ 44,310	$ 208,976
Accrued compensated absences	10,517	49,414	81,132	326,730	-	467,793
Other accrued liabilities	-	-	-	34,311	-	34,311
Total Current Liabilities	56,823	128,442	89,759	391,746	44,310	711,080
Noncurrent liabilities						
Accrued compensated absences	5,849	27,481	45,121	181,710	-	260,161
Net OPEB Obligations	44,146	84,128	186,581	555,579	-	870,434
Total Liabilities	106,818	240,051	321,461	1,129,035	44,310	1,841,675
Net Position						
Investment in capital assets	16,526	81,588	90,429	514,615	9,289	712,447
Unrestricted	(38,554)	(76,072)	99,199	(1,020,871)	860,637	(175,661)
Total Net Position	(22,028)	5,516	189,628	(506,256)	869,926	536,786
Total Liabilities and Net Position	$ 84,790	$ 245,567	$ 511,089	$ 622,779	$ 914,236	$ 2,378,461

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2013

	Fleet Services	*Facility Maintenance*	*Technology and Communications*	*Administrative Services*	*Risk Management*	*Total*
OPERATING REVENUES						
Charges for services	$ 748,296	$ 763,140	$ 1,511,045	$ 4,148,620	$ 989,250	$ 8,160,351
Miscellaneous	1,131	1,424	1,944	21,238	34,066	59,803
Total Operating Revenues	749,427	764,564	1,512,989	4,169,858	1,023,316	8,220,154
OPERATING EXPENSES						
Personnel services	216,820	466,575	1,065,594	2,909,467	-	4,658,456
Materials and supplies	499,356	71,538	42,052	29,347	3,422	645,715
Services	24,779	148,131	369,141	630,904	55,555	1,228,510
Utility and overhead	44,897	117,203	69,244	632,586	894,546	1,758,476
Training and conference	90	299	20,566	28,170	461	49,586
Depreciation and amortization	2,497	7,291	55,289	1,565	3,096	69,738
Total Operating Expenses	788,439	811,037	1,621,886	4,232,039	957,080	8,410,481
OPERATING INCOME (LOSS)	(39,012)	(46,473)	(108,897)	(62,181)	66,236	(190,327)
NONOPERATING INCOME (EXPENSE)						
Interest income	309	991	2,834	2,181	4,716	11,031
Total Non-Operating Income (Expense)	309	991	2,834	2,181	4,716	11,031
CHANGE IN NET POSITION	(38,703)	(45,482)	(106,063)	(60,000)	70,952	(179,296)
NET POSITION, Beginning of year	16,675	50,998	295,691	(446,256)	798,974	716,082
NET POSITION, End of year	$ (22,028)	$ 5,516	$ 189,628	$ (506,256)	$ 869,926	$ 536,786

CITY OF CORVALLIS, OREGON

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2013

	Fleet Services	*Facility Maintenance*	*Technology and Communications*	*Administrative Services*	*Risk Management*	*Total*
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 66,994	$ 6,123	$ -	$ 21,699	$ 34,697	$ 129,513
Receipts from interfund services provided	323,071	758,868	1,504,069	4,148,620	989,250	7,723,878
Payments to suppliers	(514,880)	(290,326)	(584,619)	(1,077,845)	(967,827)	(3,435,497)
Payments to employees	(188,303)	(403,355)	(1,062,209)	(2,689,996)	-	(4,343,863)
Payments for interfund services used	316,921	(54,809)	(32,042)	(436,204)	-	(206,134)
Net Cash Provided by (Used In) Operating Activities	3,803	16,501	(174,801)	(33,726)	56,120	(132,103)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	309	1,020	2,924	2,239	4,750	11,242
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	4,112	17,521	(171,877)	(31,487)	60,870	(120,861)
CASH AND INVESTMENTS, Beginning of year	59,532	146,363	592,293	139,441	843,723	1,781,352
CASH AND INVESTMENTS, End of year	$ 63,644	$ 163,884	$ 420,416	$ 107,954	$ 904,593	$ 1,660,491
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ (39,012)	$ (46,473)	$ (108,897)	$ (62,181)	$ 66,236	$ (190,327)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	2,497	7,291	55,289	1,565	3,096	69,738
Change in assets and liabilities						
Receivables						
Accounts receivable	1,839	400	-	(2)	632	2,869
Accounts payable	28,739	13,521	(123,187)	(40,576)	(13,844)	(135,347)
Accrued compensated absences	(16)	6,574	(14,621)	(49,139)	-	(57,202)
Net OPEB obligations	9,756	35,188	16,615	93,296	-	154,855
Other accrued liabilities	-	-	-	23,311	-	23,311
Net Cash Provided by (Used In) Operating Activities	$ 3,803	$ 16,501	$ (174,801)	$ (33,726)	$ 56,120	$ (132,103)

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – FLEET MAINTENANCE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 825,910	$ 825,910	$ 748,296	$ (77,614)
Miscellaneous	1,340	1,340	1,440	100
Total Revenues	827,250	827,250	749,736	(77,514)
EXPENDITURES				
Public Works	823,610	823,610	776,202	47,408
Contingency	16,000	16,000	-	16,000
Total Expenditures	839,610	839,610	776,202	63,408
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,360)	(12,360)	(26,466)	(14,106)
FUND BALANCE, Beginning of year	43,802	43,802	48,424	4,622
FUND BALANCE, End of year	$ 31,442	$ 31,442	$ 21,958	$ (9,484)

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – FACILITY MAINTENANCE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 804,490	$ 804,490	$ 763,140	$ (41,350)
Miscellaneous	2,710	2,710	2,415	(295)
Total Revenues	807,200	807,200	765,555	(41,645)
EXPENDITURES				
Public Works	799,160	799,160	761,984	37,176
Contingency	10,000	10,000	-	10,000
Total Expenditures	809,160	809,160	761,984	47,176
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,960)	(1,960)	3,571	5,531
FUND BALANCE, Beginning of year	82,333	82,333	81,380	(953)
FUND BALANCE, End of year	$ 80,373	$ 80,373	$ 84,951	$ 4,578

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – TECHNOLOGY AND COMMUNICATIONS FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 1,583,240	$ 1,583,240	$ 1,511,045	$ (72,195)
Miscellaneous	3,420	3,420	4,778	1,358
Total Revenues	1,586,660	1,586,660	1,515,823	(70,837)
EXPENDITURES				
Finance	1,443,300	1,443,300	1,435,315	7,985
Public Works	210,750	210,750	129,288	81,462
Contingency	30,000	30,000	-	30,000
Total Expenditures	1,684,050	1,684,050	1,564,603	119,447
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,390)	(97,390)	(48,780)	48,610
NET CHANGE IN FUND BALANCE	(97,390)	(97,390)	(48,780)	48,610
FUND BALANCE, Beginning of year	463,438	463,438	460,814	(2,624)
FUND BALANCE, End of year	$ 366,048	$ 366,048	$ 412,034	$ 45,986

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – ADMINISTRATIVE SERVICES FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 4,407,520	$ 4,407,520	$ 4,148,620	$ (258,900)
Miscellaneous	17,570	17,570	23,419	5,849
Total Revenues	4,425,090	4,425,090	4,172,039	(253,051)
EXPENDITURES				
City Manager's Office	1,920,720	1,920,720	1,733,781	186,939
Finance	2,501,750	2,501,750	2,452,537	49,213
Contingency	30,000	30,000	-	30,000
Total Expenditures	4,452,470	4,452,470	4,186,318	266,152
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(27,380)	(27,380)	(14,279)	13,101
FUND BALANCE, Beginning of year	58,234	58,234	57,427	(807)
FUND BALANCE, End of year	$ 30,854	$ 30,854	$ 43,148	$ 12,294

CITY OF CORVALLIS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS – RISK MANAGEMENT FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	$ 989,250	$ 989,250	$ 989,250	$ -
Miscellaneous	36,750	36,750	38,782	2,032
Total Revenues	1,026,000	1,026,000	1,028,032	2,032
EXPENDITURES				
City Manager's Office	1,001,950	1,001,950	953,984	47,966
Contingency	275,000	275,000	-	275,000
Total Expenditures	1,276,950	1,276,950	953,984	322,966
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(250,950)	(250,950)	74,048	324,998
FUND BALANCE, Beginning of year	791,008	791,008	786,589	(4,419)
FUND BALANCE, End of year	$ 540,058	$ 540,058	$ 860,637	$ 320,579

OTHER FINANCIAL SCHEDULES

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
YEAR ENDED JUNE 30, 2013

Fiscal Year	*Property Taxes Receivable June 30, 2012*	*Extended by Assessor*	*(Deduct) Collections (1)*	*Add (Deduct) Discounts and Adjustments*	*Property Taxes Receivable June 30, 2013*
2013	$ -	$ 24,106,808	$ (22,631,374)	$ (660,686)	$ 814,748
2012	566,884		(195,256)	(37,670)	333,958
2011	196,640	-	(57,942)	(32,554)	106,144
2010	314,561	-	(42,970)	(21,157)	250,434
2009	46,363	-	(34,178)	(824)	11,361
2008	13,080	-	(7,426)	(329)	5,325
2007 and prior	39,618	-	(11,190)	(1,946)	26,482
	$ 1,177,146	$ 24,106,808	$ (22,980,336)	$ (755,166)	$ 1,548,452

Notes:

(1) A total of $22,980,336 in property tax receipts were received by the City in FY 2012/13. The City also received an additional $42,604 from Benton County for property tax related interest.

CITY OF CORVALLIS, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2013

Series	*Date of Issue*	*Final Maturity Date*	*Amount of Original Issue*	*Outstanding July 1, 2012*	*Bonds Issued*	*Bonds Called and Matured*	*Outstanding June 30, 2013*
BONDS PAYABLE							
General Obligation Bonds							
Series 2009	05/27/09	06/01/19	$ 10,190,000	$ 6,800,000	$ -	$ 785,000	$ 6,015,000
Total General Obligation Bonds				6,800,000	-	785,000	6,015,000
Debt Secured by the General Fund							
Series 2002 A	03/01/02	01/01/30	23,913,017	22,523,842	-	301,248	22,222,594
Series 2005 A	09/23/05	06/01/28	9,980,000	9,375,000	-	215,000	9,160,000
Total Pension Obligation Bonds				31,898,842	-	516,248	31,382,594
FFC Ref. Oblig. Series 2012	11/15/12	12/01/20	11,485,000	-	11,485,000	-	11,485,000
Total Debt Secured by the General Fund				31,898,842	11,485,000	516,248	42,867,594
Revenue Bonds							
Series 2006 A	03/01/06	05/01/20	5,410,000	4,380,000	-	465,000	3,915,000
Total Revenue Bonds				4,380,000	-	465,000	3,915,000
Total All Bonds				43,078,842	11,485,000	1,766,248	52,797,594
NOTES PAYABLE							
BOA 2010 CIP Loan	08/05/10	08/01/20	2,100,000	1,915,000	-	190,000	1,725,000
OBDD Loan G95003	11/13/98	12/01/14	9,703,048	2,281,645	-	2,281,645	-
OBDD Loan B97001	09/06/96	12/01/16	2,107,000	759,960	-	759,960	-
SRF/DEQ Sewer Rehab	01/20/92	07/01/13	700,000	70,763	-	46,829	23,934
SRF/DEQ CSO	09/01/97	12/01/20	21,263,693	11,141,546	-	11,141,546	-
OBDD Loan B96002	09/06/96	12/01/16	332,240	133,201	-	24,157	109,044
Total All Notes				16,302,115	-	14,444,137	1,857,978
Total Long-term Debt Transactions				$ 59,380,957	$ 11,485,000	$ 16,210,385	$ 54,655,572

Notes: The 2002A issue consists of two separate bond structures: the Capital Appreciation Bonds with par value of $5,353,017 are dated 3/12/02; the Current Interest Bond with par value of $18,560,000 are dated 3/1/02.

The following notes were fully refunded on 11/15/12 by the Full Faith and Credit Refunding Obligations, Series 2012: OBDD Loan G95003, OBDD Loan B97001, & SRF/DEQ CSO.

CITY OF CORVALLIS, OREGON
SCHEDULE OF LONG-TERM DEBT INTEREST TRANSACTIONS
YEAR ENDED JUNE 30, 2013

Series	*Interest Rates on Outstanding Balances*	*Unmatured and Outstanding July 1, 2012*	*Bonds Issued*	*Coupons Called and Matured*	*Unmatured and Outstanding June 30, 2013*
BONDS PAYABLE					
General Obligation Bonds					
Series 2009	3.00 - 4.00 %	$ 1,137,650	$ -	$ 255,800	$ 881,850
Total General Obligation Bonds		1,137,650	-	255,800	881,850
Debt Secured by the General Fund					
Series 2002 A	6.61 - 7.06 %	26,730,883	-	1,510,152	25,220,731
Series 2005 A	4.613 - 5.50 %	4,829,819	-	463,848	4,365,971
Total Pension Obligation Bonds		31,560,702	-	1,974,000	29,586,702
FFC Ref. Oblig. Series 2012	2.00 - 4.00 %	-	1,212,283	157,208	1,055,075
Total Debt Secured by the General Fund		31,560,702	1,212,283	2,131,208	30,641,777
Revenue Bonds					
Series 2006 A	3.00 - 5.00 %	801,500	-	183,200	618,300
Total Revenue Bonds		801,500	-	183,200	618,300
Total All Bonds		33,499,852	1,212,283	2,570,208	32,141,927
NOTES PAYABLE					
BOA 2010 CIP Loan	2.9600%	266,030	-	53,872	212,158
OBDD Loan G95003	4.5407%	243,098	-	243,098	-
OBDD Loan B97001	5.4442%	129,706	-	129,706	-
SRF/DEQ Sewer Rehab	3.0000%	2,132	-	1,773	359
SRF/DEQ CSO	3.6900%	2,217,738	-	2,217,738	-
OBDD Loan B96002	5.4687%	22,941	-	7,326	15,615
Total All Notes		2,881,645	-	2,653,513	228,132
Total Long-term Debt Interest Transactions		$ 36,381,497	$ 1,212,283	$ 5,223,721	$ 32,370,059

Notes: The following notes were fully refunded on 11/15/12 by the Full Faith and Credit Refunding Obligations, Series 2012: OBDD Loan G95003, OBDD Loan B97001, & SRF/DEQ CSO.

CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF GENERAL OBLIGATION BONDS

JUNE 30, 2013

Year of Maturity	*Total Requirements*			*Series 2009*	
	Principal	*Interest*	*Total*	*Principal*	*Interest*
2013-2014	$ 835,000	$ 232,250	$ 1,067,250	$ 835,000	$ 232,250
2014-2015	895,000	207,200	1,102,200	895,000	207,200
2015-2016	965,000	171,400	1,136,400	965,000	171,400
2016-2017	1,035,000	132,800	1,167,800	1,035,000	132,800
2017-2018	1,115,000	91,400	1,206,400	1,115,000	91,400
2018-2019	1,170,000	46,800	1,216,800	1,170,000	46,800
Total	$ 6,015,000	$ 881,850	$ 6,896,850	$ 6,015,000	$ 881,850

CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF PENSION OBLIGATION BONDS

JUNE 30, 2013

Year of	*Total Requirements*			*Series 2002 A*		*Series 2005 A*	
Maturity	*Principal*	*Interest*	*Total*	*Principal*	*Interest*	*Principal*	*Interest*
2013-2014	$ 570,257	$ 2,030,073	$ 2,600,330	$ 320,257	$ 1,576,143	$ 250,000	$ 453,930
2014-2015	627,139	2,091,529	2,718,668	337,139	1,649,261	290,000	442,268
2015-2016	684,519	2,160,057	2,844,576	349,519	1,731,881	335,000	428,176
2016-2017	744,957	2,228,342	2,973,299	359,957	1,816,443	385,000	411,899
2017-2018	805,252	2,304,341	3,109,593	370,252	1,911,149	435,000	393,192
2018-2019	861,833	2,381,622	3,243,455	376,833	2,009,567	485,000	372,055
2019-2020	926,608	2,463,281	3,389,889	381,608	2,114,792	545,000	348,489
2020-2021	996,024	2,547,383	3,543,407	386,024	2,225,376	610,000	322,007
2021-2022	1,065,211	2,637,672	3,702,883	390,211	2,346,189	675,000	291,483
2022-2023	1,140,794	2,728,311	3,869,105	390,794	2,470,605	750,000	257,706
2023-2024	2,615,000	1,426,576	4,041,576	1,790,000	1,206,400	825,000	220,176
2024-2025	2,955,000	1,268,943	4,223,943	2,045,000	1,090,050	910,000	178,893
2025-2026	3,315,000	1,090,482	4,405,482	2,320,000	957,125	995,000	133,357
2026-2027	3,715,000	889,892	4,604,892	2,620,000	806,325	1,095,000	83,567
2027-2028	3,525,000	664,798	4,189,798	2,950,000	636,025	575,000	28,773
2028-2029	3,310,000	444,275	3,754,275	3,310,000	444,275	-	-
2029-2030	3,525,000	229,125	3,754,125	3,525,000	229,125	-	-
Total	$ 31,382,594	$ 29,586,702	$ 60,969,296	$ 22,222,594	$ 25,220,731	$ 9,160,000	$ 4,365,971

CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF NOTES

JUNE 30, 2013

NOTES

				Business Type Activities				*Governmental*	
Year of	*Total Requirements*			*SRF/DEQ Sewer Rehab*		*OBDD Loan B96002*		*BOA 2010 CIP Loan*	
Maturity	*Principal*	*Interest*	*Total*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
2013-2014	$ 243,320	$ 54,531	$ 297,851	$ 23,934	$ 359	$ 24,386	$ 5,998	$ 195,000	$ 48,174
2014-2015	224,627	46,984	271,611	-	-	24,627	4,656	200,000	42,328
2015-2016	234,881	39,636	274,517	-	-	29,881	3,302	205,000	36,334
2016-2017	240,150	31,851	272,001	-	-	30,150	1,659	210,000	30,192
2017-2018	220,000	23,828	243,828	-	-	-	-	220,000	23,828
2018-2019	225,000	17,242	242,242	-	-	-	-	225,000	17,242
2019-2020	230,000	10,508	240,508	-	-	-	-	230,000	10,508
2020-2021	240,000	3,552	243,552	-	-	-	-	240,000	3,552
Total	$ 1,857,978	$ 228,132	$ 2,086,110	$ 23,934	$ 359	$ 109,044	$ 15,615	$ 1,725,000	$ 212,158

CITY OF CORVALLIS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF SENIOR AND SUBORDINATE DEBT
IN WASTEWATER FUND
JUNE 30, 2013

SENIOR DEBT

Year of	*Total Requirements*			*Series 2006A*	
Maturity	*Principal*	*Interest*	*Total*	*Principal*	*Interest*
2013-2014	$ 485,000	$ 159,950	$ 644,950	$ 485,000	$ 159,950
2014-2015	510,000	135,700	645,700	510,000	135,700
2015-2016	535,000	110,200	645,200	535,000	110,200
2016-2017	565,000	83,450	648,450	565,000	83,450
2017-2018	590,000	60,850	650,850	590,000	60,850
2018-2019	605,000	43,150	648,150	605,000	43,150
2019-2020	625,000	25,000	650,000	625,000	25,000
Total	$ 3,915,000	$ 618,300	$ 4,533,300	$ 3,915,000	$ 618,300

SUBORDINATE DEBT

Year of	*Total Requirements*			*SRF-DEQ #R24480*		*Series 2012*	
Maturity	*Principal*	*Interest*	*Total*	*Principal*	*Interest*	*Principal*	*Interest*
2013-2014	$ 1,378,934	$ 229,759	$ 1,608,693	$ 23,934	$ 359	$ 1,355,000	$ 229,400
2014-2015	1,380,000	202,050	1,582,050			1,380,000	202,050
2015-2016	1,400,000	174,250	1,574,250	-	-	1,400,000	174,250
2016-2017	1,080,000	144,050	1,224,050	-	-	1,080,000	144,050
2017-2018	1,115,000	111,125	1,226,125	-	-	1,115,000	111,125
2018-2019	1,150,000	77,150	1,227,150	-	-	1,150,000	77,150
2019-2020	1,190,000	42,050	1,232,050	-	-	1,190,000	42,050
2020-2021	605,000	12,100	617,100	-	-	605,000	12,100
Total	$ 9,298,934	$ 992,534	$ 10,291,468	$ 23,934	$ 359	$ 9,275,000	$ 992,175

OTHER INFORMATION SECTION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – PROPERTY TAX COLLECTION RECORD
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year Ended June 30,	*Assessed Value of Real Estate (1)*	*Percent Change in Assessed Value*	*Total Levy (2)*	*Percent Change in Levy*	*Tax Rate per $1,000 Assessed Value*	*Percent Collected at June 30, 2013 (1)*
2004	$ 3,113,328,235	2.86 %	$ 17,710,636	2.22 %	$ 5.6812	99.99 %
2005	3,292,880,209	5.77	18,451,963	4.19	5.5988	99.99
2006	3,433,620,092	4.27	19,458,295	5.45	5.6485	99.98
2007	3,467,065,775	0.97	19,611,621	0.79	5.6406	99.98
2008	3,613,016,933	4.21	20,352,962	3.78	5.6219	99.97
2009	3,745,146,887	3.66	21,162,976	3.98	5.6448	99.94
2010	3,825,053,618	2.13	21,544,022	1.80	5.6251	98.80
2011	3,999,075,433	4.55	22,383,029	3.89	5.5939	99.51
2012	4,118,580,206	2.99	25,112,165	12.19	6.0871	98.63
2013	4,139,865,134	0.52	24,106,808	-4.00	5.8145	96.53

(1) Source: Benton County Assessor's Office
(2) The total levy includes taxes levied for operations and debt.

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – STATE REVOLVING FUND AND REVENUE BOND RATE COVENANT CALCULATIONS – WASTEWATER FUND
YEAR ENDED JUNE 30, 2013- UNAUDITED

REVENUES		
Gross operating revenues *(1)*	$	9,522,353
SDC revenues		1,049,070
Transfers from (to) Rate Stabilization Account (RSA)		-
Total Gross Revenues		10,571,423
OPERATING EXPENSES *(2)*		(6,752,079)
NET REVENUES *(3)*	$	3,819,344
NET OPERATING REVENUES *(4)*	$	2,770,274
ANNUAL DEBT SERVICE (Principal & Interest)		
Senior Debt		
CSO Revenue Bond (2006A)	$	648,200
Total Senior Debt Service		648,200
Subordinate Debt		
State Revolving Fund / DEQ Loan (1992) #R24480		48,602
FFC 2012 Refunding Obligation		132,273
Total Subordinated Debt Service		180,875
Total Annual Debt Service	$	829,075
NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.20 times senior debt)		5.89
NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.05 times subordinate debt)		21.12
NET OPERATING REVENUE DEBT SERVICE COVERAGE (Requirement is 1.05 times total debt service)		3.34
RATE STABILIZATION ACCOUNT (RSA) BALANCE - JUNE 30, 2013	$	300,000

The Wastewater Fund Retained Earnings Reserved for Debt Service and Construction include $47,889 reserved for the state revolving fund loan #R24480. The 2006A Revenue Bonds are backed, and the reserve amount requirement has been met, by insurance from Syncora Guarantee in respect of future scheduled principal and interest payments.

Principal and interest have rate covenant requirements according to the above coverage ratios. The annual debt service for subordinate debt will decrease in future years and should not exceed $1.6 million per year based on debt commitments as of June 30, 2013.

(1) Gross operating revenues include charges for service, intergovernmental and miscellaneous income. SDC revenues are not included in gross operating revenues.
(2) Operating expenses do not include debt service, depreciation, amortization or capital outlay.
(3) Gross revenue less operating expenses.
(4) Net revenues less SDC revenues.

HISTORICAL SYSTEM STATISTICS

Fiscal Year Ended June 30,	*Net Revenues (less SDCs)*	*Number of Sewer Customers*	*Average Monthly Residential Sewer Bill*
2009	$ 3,233,122	14,769	$ 32.73
2010	3,159,322	14,835	33.40
2011	3,686,625	14,840	33.99
2012	4,342,909	14,898	35.11
2013	3,819,344	15,029	36.14

LARGEST SEWER SYSTEM CUSTOMERS

Customer	*2013 System Usage in Units (1)*	*2013 Annual Revenue*	*Percent of Total System Gross Revenue (2)*
Oregon State University	212,125	$ 762,914	7.22 %
Hewlett-Packard	196,788	615,537	5.82
Samaritan Health Services	29,299	106,249	1.01
Witham Hill Oaks Apts, LLC	20,409	65,201	0.62
Mtn View at Rivergreen	12,009	41,360	0.39
Foster Poultry Farms	11,300	48,638	0.46
Corvallis Schools 509J	13,593	44,793	0.42
Conifer Place / Bird LLC	12,664	41,658	0.39
Evanite	11,993	43,984	0.42
Safeway	10,439	46,663	0.44
The Gem	9,946	36,420	0.34
Julantru Limited Partnership	9,083	28,690	0.27
Korda Group	8,363	28,320	0.27
Meadow Park Mobile Est	7,364	23,155	0.22
Kaady Care Washes	7,142	26,295	0.25
Total	572,517	$ 1,959,877	18.54 %

(1) One unit = 1 hcf - 748 gallons
(2) Total system gross revenues for fiscal year 2013 were $10,571,422

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF DIRECT AND OVERLAPPING DEBT TO PROPERTY VALUE RATIOS

JUNE 30, 2013 - UNAUDITED

	Values	*Per Capita*	*Percent of Real Market Value*	*Percent of Assessed Value*
2013 population	55,055	-	-	-
2012-13 real market value	$ 5,496,249,969	$ 99,832	100.00 %	-
2012-13 assessed value	4,139,865,134	75,195	75.32	100.00 %
Long-term gross bonded debt	41,312,594	750	0.75	1.00
Long-term net direct debt	6,001,845	109	0.11	0.14
Overlapping debt	39,500,396	717	0.72	0.95
Long-term net direct and overlapping debt	45,502,241	826	0.83	1.10

The purpose of this schedule is to provide disclosures required by debt covenants.

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF OUTSTANDING DEBT OBLIGATIONS
JUNE 30, 2013 - UNAUDITED

Series	*Issuance Date*	*Maturity Date*	*Bond CUSIP or Loan No.*	*Original Issuance Amount*	*Principal Balance June 30, 2013*
UNLIMITED TAX GENERAL OBLIGATION BONDS					
Tax Supported					
Series 2009	05/27/09	06/01/19	2208855	$ 10,190,000	$ 6,015,000
DEBT PAID AND/OR SECURED BY THE GENERAL FUND					
Limited Tax Obligation Bonds					
Pension Obligation - Series 2002 A	3/1/2002 & 03/12/02	01/01/30	2208854Z-5T	23,913,017	22,222,594
Pension Obligation - Series 2005 A	09/23/05	06/01/28	68608D	9,980,000	9,160,000
Full Faith and Credit Obligations					
FFC Ref. Oblig. - Series 2012	11/15/12	12/01/20	2208855	11,485,000	11,485,000
Loan					
BOA 2010 CIP Loan	08/05/10	08/01/20	Series 2010	2,100,000	1,725,000
REVENUE BONDS					
Combined Sewer Overflow - Series 2006 A	03/01/06	05/01/20	221004	5,410,000	3,915,000
Total Unlimited Tax General Obligation Bonds, Debt Paid and/or Secured by the General Fund, and Revenue Bonds				76,358,017	54,522,594
OTHER REVENUE SUPPORTED LOANS					
Sewer Rehabilitation - SRF/DEQ 1992	01/20/92	07/01/13	R24480	700,000	23,934
Taylor Treatment Plant - OBDD 1994 (Refunded 1998)	11/02/94	12/01/14	G95003	9,703,048	0
Taylor Treatment Plant - OBDD 1996	09/06/96	12/01/16	B97001	2,107,000	0
Airport - OBDD 1996	09/06/96	12/01/16	B96002	332,240	109,044
Combined Sewer Overflow - SRF/DEQ 1997	10/01/97	12/01/20	R24481	21,263,693	0
Total Other Revenue Supported Loans				34,105,981	132,978
Total Outstanding Debt Obligations				$ 110,463,998	$ 54,655,572

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – SUMMARY OF ADOPTED BUDGET – ALL FUNDS
LAST TWO FISCAL YEARS - UNAUDITED

	2011-12	2012-13
RESOURCES		
Fund Balance, Beginning of Year	$ 33,298,392	$ 30,942,517
Revenues		
Property taxes	24,194,090	23,904,680
Other taxes	1,151,190	1,270,650
Licenses, fees, and permits	8,025,850	8,740,150
Charges for services	38,363,030	39,728,150
Intergovernmental	17,184,361	16,894,030
Fines and forfeitures	1,385,740	1,283,410
Miscellaneous	3,206,010	2,617,670
Other financing sources	14,173,968	11,734,273
Total Revenues	107,684,239	106,173,013
Total Resources	$ 140,982,631	$ 137,115,530
REQUIREMENTS		
Operating Expense		
Personnel services	$ 47,181,480	$ 46,224,880
Supplies and services	35,699,330	33,192,610
Capital outlay	2,599,650	2,634,040
Total Operating Expense	85,480,460	82,051,530
Nonoperating Expense		
Capital projects	11,819,633	9,493,868
Debt service	8,182,690	7,119,140
Transfers	14,049,368	10,849,273
Other Non-Op Uses	-	855,000
Contingencies	1,419,840	1,611,260
Total Nonoperating Expense	35,471,531	29,928,541
Total Expenditures	$ 120,951,991	$ 111,980,071

CITY OF CORVALLIS, OREGON

ANNUAL DISCLOSURE INFORMATION – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGETARY BASIS – GENERAL FUND
LAST FIVE FISCAL YEARS - UNAUDITED

	2008-09	2009-10	2010-11	2011-12	2012-13
REVENUES					
Taxes	$ 4,149,749	$ 5,978,510	$ 6,169,798	$ 7,379,950	$ 8,028,506
Licenses, fees, and permits	5,396,443	5,227,722	5,375,369	5,547,778	5,435,943
Charges for services	531,606	585,995	675,033	828,770	934,875
Intergovernmental	1,288,467	1,347,433	1,367,991	1,633,284	1,618,660
Fines and forfeitures	646,667	573,806	697,994	693,434	567,586
Miscellaneous	144,828	95,575	138,017	273,175	163,735
Total Revenues	12,157,760	13,809,041	14,424,202	16,356,391	16,749,305
EXPENDITURES					
Current					
City Manager's Office	-	-	-	-	231,272
Community Development	1,390,460	1,453,556	1,450,222	1,256,557	1,225,394
Finance	565,953	614,534	576,402	659,181	599,019
Police	9,315,498	9,978,567	9,914,796	10,188,973	10,154,728
Public Works	794,684	878,851	945,067	1,172,385	982,569
Nondepartmental	1,435,348	1,487,599	1,424,041	1,258,694	1,323,230
Debt service					
Principal	-	-	-	185,000	190,000
Interest	-	-	30,389	59,422	53,872
Total Expenditures	13,501,943	14,413,107	14,340,917	14,780,212	14,760,083
EXCESS OF REVENUES OVER EXPENDITURES	(1,344,183)	(604,066)	83,285	1,576,179	1,989,222
OTHER FINANCING SOURCES (USES)					
Proceeds - sale of capital assets	13,437	6,396	4,002	1,000	-
Funds collected for other municipalities	-	-	-	-	786,694
Funds due to other municipalities	-	-	-	-	(784,828)
Transfers in	-	-	345,450	112,870	105,063
Transfers out	(524,137)	(641,910)	(699,060)	(819,440)	(857,560)
Total Other Financing Sources (Uses)	(510,700)	(635,514)	(349,608)	(705,570)	(750,631)
NET CHANGE IN FUND BALANCE	(1,854,883)	(1,239,580)	(266,323)	870,609	1,238,591
FUND BALANCE, Beginning of year	3,764,866	1,909,983	670,403	404,080	1,274,689
FUND BALANCE, End of year	$ 1,909,983	$ 670,403	$ 404,080	$ 1,274,689	$ 2,513,280

STATISTICAL SECTION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

STATISTICAL SECTION

The Statistical Section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City of Corvallis.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's capacity to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATISTICAL SECTION

FINANCIAL TRENDS

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2004 [(a)]	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Governmental Activities										
Invested in capital assets, net of related debt	$ 134,302,482	$ 135,631,050	$ 137,331,672	$ 140,587,954	$ 141,455,487	$ 142,337,802	$ 145,961,066	$ 146,306,669	$ 145,112,271	$ 145,619,845
Restricted for special purposes	6,028,650	3,978,206	3,647,503	4,311,449	3,579,434	4,289,737	3,980,184	7,343,850	9,136,247	9,538,132
Unrestricted	13,598,184	16,632,858	14,946,146	13,398,537	11,885,844	3,194,561	(1,397,676)	(6,872,343)	(9,076,217)	(9,085,682)
Total Governmental Activities Net Position	$ 153,929,316	$ 156,242,114	$ 155,925,321	$ 158,297,940	$ 156,920,765	$ 149,822,100	$ 148,543,574	$ 146,778,176	$ 145,172,301	$ 146,072,295
Business-type Activities										
Invested in capital assets, net of related debt	$ 90,265,015	$ 96,337,907	$ 104,168,328	$ 106,978,116	$ 108,814,471	$ 109,369,298	$ 110,462,358	$ 111,598,330	$ 115,238,767	$ 116,547,672
Restricted for special purposes	9,951,921	11,583,667	12,421,513	13,472,647	13,145,730	13,469,355	13,990,821	15,403,422	14,757,490	14,781,966
Unrestricted	10,144,280	7,995,633	5,181,976	6,302,255	6,630,423	6,806,044	5,549,490	4,948,672	3,951,628	6,114,993
Total Business-type Activities Net Position	$ 110,361,216	$ 115,917,207	$ 121,771,817	$ 126,753,018	$ 128,590,624	$ 129,644,697	$ 130,002,669	$ 131,950,424	$ 133,947,885	$ 137,444,631
Primary Government										
Invested in capital assets, net of related debt	$ 224,567,497	$ 231,968,957	$ 241,500,000	$ 247,566,070	$ 250,269,958	$ 251,707,100	$ 256,423,424	$ 257,904,999	$ 260,351,038	$ 262,167,517
Restricted for special purposes	15,980,571	15,561,873	16,069,016	17,784,096	16,725,164	17,759,092	17,971,005	22,747,272	23,893,737	24,320,098
Unrestricted	23,742,464	24,628,491	20,128,122	19,700,792	18,516,267	10,000,605	4,151,814	(1,923,671)	(5,124,589)	(2,970,689)
Total Primary Government Activities Net Position	$ 264,290,532	$ 272,159,321	$ 277,697,138	$ 285,050,958	$ 285,511,389	$ 279,466,797	$ 278,546,243	$ 278,728,600	$ 279,120,186	$ 283,516,926

(a) The beginning balance of invested in capital assets, net of related debt was restated in fiscal year 2003/04 due to a change in accounting for the Pension Obligation Bonds (POB).

Financial trend schedule: Net position by component is intended to provide the user with summary data to analyze changes in the components of net position.

Accompanying schedule: Changes in net position provides user with additional detail for analytical purposes.

CITY OF CORVALLIS, OREGON

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS - UNAUDITED

(accrual basis of accounting)

	Fiscal Year									
	2004	***2005***	***2006***	***2007***	***2008***	***2009***	***2010***	***2011***	***2012***	***2013***
Expenses										
Governmental Activities:										
General Government	$ 1,341,051	$ 1,504,824	$ 1,687,447	$ 1,652,481	$ 1,796,330	$ 1,620,536	$ 1,986,064	$ 1,511,814	$ 1,407,376	$ 2,647,885
Community Development	4,429,195	4,120,924	4,284,073	5,168,425	4,721,202	5,232,238	4,622,690	5,854,253	5,439,231	5,523,235
Finance	636,148	643,858	676,305	723,744	723,139	807,497	807,226	782,197	901,288	899,514
Fire	6,895,286	7,662,260	8,656,311	9,200,110	9,582,929	10,575,015	10,963,048	11,426,793	11,829,749	11,273,160
Library	4,987,063	5,194,096	5,591,093	5,716,184	5,956,494	6,664,627	6,544,201	6,221,228	6,417,292	6,525,123
Parks and Recreation	4,543,507	4,719,536	5,098,047	5,396,528	5,495,996	6,166,056	6,323,593	6,020,914	6,444,932	6,831,977
Police	9,502,172	9,245,375	10,344,246	10,744,348	10,949,777	12,002,325	13,013,915	13,184,192	13,879,967	13,271,326
Public Works	9,009,275	9,826,111	9,811,124	9,975,656	10,416,224	11,810,710	12,515,686	11,245,957	12,241,185	11,538,724
Interest on long-term debt	2,086,022	2,038,212	2,373,330	2,452,755	2,423,186	2,367,064	2,254,830	2,292,797	2,287,956	2,278,660
Total Governmental Activities	43,429,719	44,955,196	48,521,976	51,030,231	52,065,277	57,246,068	59,031,253	58,540,145	60,848,976	60,789,604
Business-type Activities:										
Water	7,067,877	7,376,890	7,318,210	7,641,213	8,063,852	8,342,283	8,499,854	8,745,859	8,879,814	8,286,092
Wastewater	7,954,165	8,244,864	8,025,574	8,492,767	8,732,200	9,170,904	9,462,535	9,970,607	9,735,989	9,550,971
Storm Water	1,543,130	1,630,566	1,710,288	1,707,827	2,670,369	2,298,342	2,021,492	2,097,052	2,558,029	2,436,998
Airport	517,965	495,144	545,676	597,816	594,875	680,639	842,116	1,497,794	979,303	808,105
Total Business-type Activities	17,083,137	17,747,464	17,599,748	18,439,623	20,061,296	20,492,168	20,825,997	22,311,312	22,153,135	21,082,166
Total Primary Government	$ 60,512,856	$ 62,702,660	$ 66,121,724	$ 69,469,854	$ 72,126,573	$ 77,738,236	$ 79,857,250	$ 80,851,457	$ 83,002,111	$ 81,871,770
Program Revenues										
Governmental Activities:										
Charges for services										
General Government	$ 228,250	$ 183,146	$ 258,355	$ 256,786	$ 285,301	$ 251,920	$ 318,131	$ 371,003	$ 566,293	$ 1,399,786
Community Development	2,296,253	3,114,476	1,576,158	2,441,356	914,830	1,634,006	3,275,953	2,157,595	1,569,182	3,203,687
Finance	835,772	1,024,993	1,045,316	1,192,579	1,122,641	956,815	861,040	1,094,015	1,108,034	990,959
Fire	2,474,002	2,401,259	2,656,598	2,948,347	3,256,362	3,074,246	3,296,688	3,318,101	3,559,002	3,419,560
Library	152,048	138,361	173,497	168,862	216,866	196,913	182,153	211,198	202,737	208,361
Parks and Recreation	1,649,349	1,538,150	1,368,525	1,398,611	1,423,883	1,528,078	1,708,603	1,512,646	1,693,632	2,133,838
Police	756,240	791,786	726,802	1,008,405	1,094,862	913,453	1,320,249	1,293,267	1,279,862	1,357,873
Public Works	835,541	957,000	1,475,280	1,909,003	2,366,278	1,655,549	2,131,077	1,901,110	3,235,735	4,106,072
Operating grants and contributions	7,927,343	7,015,894	7,442,569	7,854,696	7,542,838	7,650,047	8,641,809	8,962,239	9,792,384	9,199,032
Capital grants and contributions	5,134,923	4,719,933	4,076,091	5,754,056	3,256,066	3,013,921	6,713,015	5,641,347	3,212,701	3,251,247
Total Governmental Activities	22,289,721	21,884,998	20,799,191	24,932,701	21,479,927	20,874,948	28,448,718	26,462,521	26,219,562	29,270,415
Business-type Activities:										
Charges for services										
Water	6,838,575	6,790,271	7,004,077	7,779,966	8,126,619	8,538,420	8,328,087	8,482,624	8,944,214	9,944,486
Wastewater	7,963,496	7,840,994	7,922,298	8,702,620	9,028,522	8,838,806	8,739,964	8,969,074	9,077,154	9,421,748
Storm Water	1,757,383	1,768,116	1,811,365	1,866,500	1,859,065	1,829,778	1,883,720	2,005,560	2,083,142	2,098,547
Airport	309,419	371,093	290,869	330,477	382,523	452,297	400,460	408,313	467,018	507,062
Operating grants and contributions	90,478	4,993	54,624	1,773	-	43,463	27,238	58,196	188,774	179,089
Capital grants and contributions	6,551,941	6,167,665	5,995,971	4,311,390	2,057,705	1,840,821	2,177,949	4,808,133	3,379,269	2,681,928
Total Business-type Activities	23,511,292	22,943,132	23,079,204	22,992,726	21,454,434	21,543,585	21,557,418	24,731,900	24,139,571	24,832,860
Total Primary Government	$ 45,801,013	$ 44,828,130	$ 43,878,395	$ 47,925,427	$ 42,934,361	$ 42,418,533	$ 50,006,136	$ 51,194,421	$ 50,359,133	$ 54,103,275

CITY OF CORVALLIS, OREGON

CHANGES IN NET POSITION (Continued)
LAST TEN FISCAL YEARS - UNAUDITED
(accrual basis of accounting)

	Fiscal Year									
	2004	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Net (Expense) / Revenue										
Governmental activities	$ (21,139,998)	$ (23,070,198)	$ (27,722,785)	$ (26,097,530)	$ (30,585,350)	$ (36,371,120)	$ (30,582,535)	$ (32,077,624)	$ (34,629,414)	$ (31,519,189)
Business-type activities	6,428,155	5,195,668	5,479,456	4,553,103	1,393,138	1,051,417	731,421	2,420,588	1,986,436	3,750,694
Total Primary Government	$ (14,711,843)	$ (17,874,530)	$ (22,243,329)	$ (21,544,427)	$ (29,192,212)	$ (35,319,703)	$ (29,851,114)	$ (29,657,036)	$ (32,642,978)	$ (27,768,495)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	$ 17,221,001	$ 17,945,723	$ 18,860,943	$ 19,100,501	$ 19,797,404	$ 20,620,144	$ 20,950,727	$ 21,775,474	$ 24,425,374	$ 23,351,641
Other taxes	938,601	946,925	1,002,657	1,113,828	1,147,595	1,076,629	1,079,621	1,190,725	1,239,155	1,396,192
Franchise fees	4,017,391	4,142,251	4,423,025	4,827,108	4,988,241	5,178,552	5,004,727	5,142,289	5,306,529	5,186,269
Interest and investment earnings	340,073	562,460	1,054,506	1,332,488	1,098,958	491,698	158,842	144,235	200,061	136,567
Miscellaneous	1,348,363	1,514,561	1,542,147	1,451,951	1,641,909	1,453,065	1,579,768	1,421,942	1,518,054	1,707,759
Gain on sale of capital assets	4,935	53,061	45,207	58,082	30,768	5,451	6,644	43,271	7,606	26,047
Transfers	203,150	218,015	477,507	586,191	503,300	446,916	523,680	594,290	326,760	358,250
Total Governmental Activities	24,073,514	25,382,996	27,405,992	28,470,149	29,208,175	29,272,455	29,304,009	30,312,226	33,023,539	32,162,725
Business-type activities										
Interest and investment earnings	272,976	446,418	770,821	1,001,448	931,722	436,941	144,423	113,416	149,489	91,137
Miscellaneous	452,923	129,329	81,840	12,841	16,046	12,631	5,808	8,041	188,296	13,165
Gain on sale of capital assets	18,000	2,591	-	-	-	-	-	-	-	-
Transfers	(203,150)	(218,015)	(477,507)	(586,191)	(503,300)	(446,916)	(523,680)	(594,290)	(326,760)	(358,250)
Total Business-type Activities	540,749	360,323	375,154	428,098	444,468	2,656	(373,449)	(472,833)	11,025	(253,948)
Total Primary Government	$ 24,614,263	$ 25,743,319	$ 27,781,146	$ 28,898,247	$ 29,652,643	$ 29,275,111	$ 28,930,560	$ 29,839,393	$ 33,034,564	$ 31,908,777
Change in Net Position										
Governmental activities	$ 2,933,516	$ 2,312,798	$ (316,793)	$ 2,372,619	$ (1,377,175)	$ (7,098,665)	$ (1,278,526)	$ (1,765,398)	$ (1,605,875)	$ 643,536
Business-type activities	6,968,904	5,555,991	3,854,610	4,981,201	1,837,606	1,054,073	357,972	1,947,755	1,997,461	3,496,746
Total Primary Government	$ 9,902,420	$ 7,868,789	$ 3,537,817	$ 7,353,820	$ 460,431	$ (6,044,592)	$ (920,554)	$ 182,357	$ 391,586	$ 4,140,282

Financial trend schedule: Changes in net position is intended to provide the user with summary data to analyze changes in the activities and changes in those activities.

CITY OF CORVALLIS, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011(a)	2012(a)	2013(a)
General Fund										
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 263,683	$ 307,435	$ 303,287
Committed	-	-	-	-	-	-	-	252,415	192,715	144,309
Assigned	-	-	-	-	-	-	-	-	107,906	17,926
Unassigned	2,599,727	3,468,723	3,754,011	4,085,463	3,764,866	1,909,983	670,403	(112,018)	666,633	2,047,758
Total General Fund	2,599,727	3,468,723	3,754,011	4,085,463	3,764,866	1,909,983	670,403	404,080	1,274,689	2,513,280
Street										
Restricted	-	-	-	-	-	-	-	1,874,768	2,537,842	2,199,219
Committed	-	-	-	-	-	-	-	91,625	93,993	185,150
Assigned	3,474,944	3,716,975	3,297,908	3,899,117	3,728,781	2,756,739	1,989,984	356,867	332,358	555,190
Total Street Fund	3,474,944	3,716,975	3,297,908	3,899,117	3,728,781	2,756,739	1,989,984	2,323,260	2,964,193	2,939,559
Parks and Recreation										
Restricted	-	-	-	-	-	-	-	1,612,951	2,100,350	2,331,857
Committed	-	-	-	-	-	-	-	572,523	603,049	598,382
Assigned	2,288,822	2,920,667	3,091,823	2,798,345	2,502,095	1,920,186	1,420,355	329,406	956,309	737,061
Total Parks and Recreation Fund	2,288,822	2,920,667	3,091,823	2,798,345	2,502,095	1,920,186	1,420,355	2,514,880	3,659,708	3,667,300
Fire & Rescue										
Committed	-	-	-	-	-	-	-	3,408	3,719	7,251
Assigned	2,224,438	2,785,121	3,056,427	2,519,585	2,690,180	3,219,696	1,820,879	1,161,738	675,566	1,108,719
Total Fire & Rescue Fund	2,224,438	2,785,121	3,056,427	2,519,585	2,690,180	3,219,696	1,820,879	1,165,146	679,285	1,115,970
Community Development Revolving										
Restricted								-	-	887,407
Committed	-	-	-	-	-	-	-	240,706	364,077	358,303
Assigned	618,850	573,717	685,127	964,169	1,294,100	883,911	977,830	-	-	-
Unassigned	-	-	-	-	-	-	-	(186,239)	(300,283)	(1,245,467)
Total Community Development Fund	618,850	573,717	685,127	964,169	1,294,100	883,911	977,830	54,467	63,794	243
Library										
Restricted	-	-	-	-	-	-	-	6,086	5,241	41,672
Committed	-	-	-	-	-	-	-	444,917	581,970	578,984
Assigned	1,779,807	1,867,472	1,984,385	2,030,479	2,093,977	1,652,433	813,008	779,970	903,533	561,465
Total Library Fund	1,779,807	1,867,472	1,984,385	2,030,479	2,093,977	1,652,433	813,008	1,230,973	1,490,744	1,182,121

CITY OF CORVALLIS, OREGON

FUND BALANCES, GOVERNMENTAL FUNDS (Continued)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011(a)	2012(a)	2013(a)
Capital Construction										
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,133,541	$ 1,098,746	$ 529,504
Assigned	641,457	655,597	568,641	1,006,689	1,191,342	670,242	832,722	684,151	588,244	540,872
Total Capital Construction Fund	641,457	655,597	568,641	1,006,689	1,191,342	670,242	832,722	1,817,692	1,686,990	1,070,376
Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	5,000	5,000	5,000
Restricted	-	-	-	-	-	-	-	81,557	69,731	72,542
Committed	-	-	-	-	-	-	-	37,323	37,323	309,064
Assigned	6,198,540	5,318,339	4,744,548	4,117,646	4,145,818	3,008,046	4,600,170	3,116,126	3,636,777	4,786,532
Total Other Governmental Funds	6,198,540	5,318,339	4,744,548	4,117,646	4,145,818	3,008,046	4,600,170	3,240,006	3,748,831	5,173,138
Total All Funds	$ 19,826,585	$ 21,306,611	$ 21,182,870	$ 21,421,493	$ 21,411,159	$ 16,021,236	$ 13,125,351	$ 12,750,504	$ 15,568,234	$ 17,661,987

(a) GASB 54 implemented in 2011 - requiring new fund balance categories. Over time, all fund balance will be reported under new GASB 54 fund balance categories.

CITY OF CORVALLIS, OREGON

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS - UNAUDITED
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 18,293,641	$ 18,946,837	$ 19,847,086	$ 20,135,770	$ 20,945,820	$ 21,515,848	$ 21,772,894	$ 22,898,521	$ 25,687,038	$ 24,376,528
Licenses, fees and permits	5,514,902	5,677,958	5,761,430	6,724,385	6,903,922	6,628,905	7,059,886	7,590,473	8,594,467	8,736,159
Charges for services	7,423,696	7,891,789	7,155,204	8,383,481	9,251,853	7,790,799	9,649,331	9,756,768	9,813,866	10,099,996
Intergovernmental	10,312,917	8,770,198	9,054,686	9,912,764	9,065,501	9,401,237	12,278,283	11,113,186	11,908,300	11,503,583
Fines and forfeitures	914,559	1,070,391	1,115,954	1,297,790	1,213,369	1,119,762	1,032,005	1,227,114	1,231,281	1,150,562
Miscellaneous	1,382,863	1,566,146	2,400,275	2,436,752	2,753,223	1,109,738	1,791,816	892,476	1,754,719	2,708,632
Total Revenues	43,842,578	43,923,319	45,334,635	48,890,942	50,133,688	47,566,289	53,584,215	53,478,538	58,989,671	58,575,460
Expenditures										
City Manager's Office	-	-	-	-	-	-	-	-	-	231,272
Community Development	4,397,863	4,020,308	4,099,543	4,999,714	4,607,964	4,949,678	4,400,049	5,633,527	5,326,295	5,396,834
Finance	556,484	560,701	569,606	595,666	623,352	676,358	691,409	688,431	787,360	786,441
Fire	6,481,451	7,142,795	7,859,065	8,499,495	8,793,931	9,393,963	9,868,475	9,240,854	10,462,480	10,149,908
Library	4,763,415	4,868,998	5,221,912	5,336,415	5,669,909	6,014,385	6,011,301	5,993,188	5,935,014	5,811,237
Parks and Recreation	4,349,882	4,453,344	4,687,642	4,981,924	5,114,752	5,515,991	5,631,708	5,420,677	5,672,465	6,025,296
Police	9,386,130	8,707,851	9,611,397	9,984,726	10,445,595	11,025,495	11,957,750	12,189,702	12,514,029	12,402,564
Public Works	5,023,348	5,005,155	5,030,103	5,432,133	5,911,169	6,538,914	8,582,020	7,073,190	7,555,667	8,737,614
Miscellaneous nondepartmental	1,142,365	1,295,660	1,490,786	1,357,376	1,539,101	1,529,669	1,781,334	1,425,391	1,260,044	1,324,580
Payment of unfunded pension liability	-	-	9,795,521	-	-	-	-	-	-	-
Capital outlay	5,908,448	3,287,815	3,812,503	4,282,594	3,994,551	3,792,751	4,231,632	4,068,701	2,189,628	2,227,205
Debt Service										
Principal	1,224,000	1,319,582	1,416,893	1,392,863	1,540,618	1,671,192	1,589,592	2,571,667	2,541,767	1,491,248
Interest	2,099,054	2,052,365	2,349,139	2,464,856	2,437,148	2,410,504	2,270,909	2,285,618	2,295,453	2,283,672
Total Expenditures	45,332,440	42,714,574	55,944,110	49,327,762	50,678,090	53,518,900	57,016,179	56,590,946	56,540,202	56,867,871
Excess of Revenues Over (Under) Expenditures	(1,489,862)	1,208,745	(10,609,475)	(436,820)	(544,402)	(5,952,611)	(3,431,964)	(3,112,408)	2,449,469	1,707,589
Other Financing Sources (Uses)										
Proceeds - issuance of debt	-	-	9,980,000	-	-	10,190,000	-	2,100,000	-	-
Premium - issuance of debt	-	-	-	-	-	537,000	-	-	-	-
Proceeds - sale of capital assets	4,935	53,265	45,207	58,082	30,768	20,737	12,399	43,271	41,500	26,047
Proceeds - Interfund Loan	-	-	-	-	-	-	-	-	-	80,000
Payment - Interfund Loan	-	-	-	-	-	-	-	-	-	(80,000)
Payment to refunded bond escrow agent	-	-	-	-	-	(10,631,965)	-	-	-	-
Funds collected for other municipalities	-	-	-	-	-	-	-	-	-	786,694
Funds paid to other municipalities	-	-	-	-	-	-	-	-	-	(784,828)
Operating transfers in	4,741,726	2,405,139	3,611,267	4,793,019	4,687,961	3,648,623	3,612,002	3,659,779	4,586,755	5,432,615
Operating transfers out	(4,538,576)	(2,187,123)	(3,150,740)	(4,175,658)	(4,184,661)	(3,201,707)	(3,088,322)	(3,065,489)	(4,259,995)	(5,074,364)
Total Other Financing Sources (Uses)	208,085	271,281	10,485,734	675,443	534,068	562,688	536,079	2,737,561	368,260	386,164
Net Residual Transfers In (Out)	-	-	-	-	-	-	-	-	-	-
Net Changes in Fund Balances	$ (1,281,777)	$ 1,480,026	$ (123,741)	$ 238,623	$ (10,334)	$ (5,389,923)	$ (2,895,885)	$ (374,847)	$ 2,817,729	$ 2,093,752
Debt Service as a Percentage of Noncapital Expenditures	8.4%	8.6%	7.2%	8.6%	8.5%	8.2%	7.3%	9.2%	8.9%	6.9%

Notes:

Proceeds from the issuance of debt are as follows: Pension Obligation Bonds (Series 2005), GO '09 Adv. Refunding (refunding Series 1999 and 2001), CIP Bank Loan.

CITY OF CORVALLIS, OREGON

PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS – UNAUDITED
(accrual basis of accounting)

	Fiscal Year									
	2004	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Governmental Activities:										
General government	$ 228,250	$ 183,146	$ 258,355	$ 256,786	$ 285,301	$ 251,920	$ 325,170	$ 371,003	$ 566,293	$ 1,399,786
Community Development	3,283,781	4,094,210	2,396,155	4,118,817	1,668,613	2,614,190	3,995,021	3,181,700	2,881,873	4,234,754
Finance	835,772	1,024,993	1,045,316	1,192,579	1,122,641	956,815	861,040	1,094,015	1,108,034	990,959
Fire	2,483,143	2,401,259	2,876,287	3,041,540	3,276,979	3,132,325	3,373,068	3,413,675	3,644,865	3,580,469
Library	2,138,745	1,999,770	2,166,175	2,279,942	2,479,887	2,418,289	2,504,178	2,655,472	2,702,506	2,627,257
Parks and Recreation	2,147,398	2,228,539	1,761,995	2,665,317	1,724,669	1,914,115	1,892,964	2,768,909	2,641,980	2,648,706
Police	2,627,353	1,858,178	1,975,730	1,732,885	2,363,212	2,296,508	2,527,227	2,969,151	2,570,378	2,546,136
Public Works	8,545,279	8,094,903	8,319,178	9,644,835	8,558,625	7,290,786	12,970,050	10,008,596	10,103,633	11,242,348
Total Governmental Activities	22,289,721	21,884,998	20,799,191	24,932,701	21,479,927	20,874,948	28,448,718	26,462,521	26,219,562	29,270,415
Business-type Activities										
Water	9,040,689	8,641,773	8,355,687	9,221,365	8,873,854	9,146,138	8,992,731	10,375,881	10,063,420	11,071,937
Wastewater	10,508,490	11,262,803	10,105,792	10,574,818	9,960,251	9,539,259	9,623,586	10,457,146	10,902,066	10,696,262
Storm Water	2,639,044	2,468,198	2,495,285	2,865,142	2,210,661	2,023,609	2,521,680	2,820,009	2,486,388	2,504,717
Airport	1,323,069	570,358	2,122,440	331,401	409,668	834,579	419,421	1,078,864	687,697	559,944
Total Business-type Activities	23,511,292	22,943,132	23,079,204	22,992,726	21,454,434	21,543,585	21,557,418	24,731,900	24,139,571	24,832,860
Total Primary Government	$ 45,801,013	$ 44,828,130	$ 43,878,395	$ 47,925,427	$ 42,934,361	$ 42,418,533	$ 50,006,136	$ 51,194,421	$ 50,359,133	$ 54,103,275

CITY OF CORVALLIS, OREGON

TAX AND FRANCHISE FEE REVENUES BY SOURCE

LAST TEN FISCAL YEARS - UNAUDITED

(modified accrual basis of accounting)

Fiscal Year Ended June 30,	***General Property Taxes***	***% Change From Prior Year***	***Franchise Fees***	***% Change From Prior Year***	***Transient Room Taxes***	***% Change From Prior Year***	***Total Taxes and Fees***	***% Change From Prior Year***
2004	$ 17,355,040	3.75 %	$ 4,017,391	0.53 %	$ 938,601	35.56 %	$ 22,311,032	4.18 %
2005	17,999,911	3.72	4,142,251	3.11	946,925	0.89	23,089,087	3.49
2006	18,844,428	4.69	4,423,025	6.78	1,002,657	5.89	24,270,110	5.12
2007	19,021,943	0.94	4,827,108	9.14	1,113,828	11.09	24,962,879	2.85
2008	19,798,225	4.08	4,988,241	3.34	1,147,595	3.03	25,934,061	3.89
2009	20,439,220	3.24	5,178,552	3.82	1,076,629	(6.18)	26,694,401	2.93
2010	20,693,274	1.24	5,004,727	(3.36)	1,079,621	0.28	26,777,622	0.31
2011	21,707,796	4.90	5,142,289	2.75	1,190,725	10.29	28,040,810	4.72
2012	24,447,883	12.62	5,306,529	3.19	1,239,155	4.07	30,993,566	10.53
2013	22,980,336	(6.00)	5,186,269	(2.27)	1,396,192	12.67	29,562,797	(4.62)
Change 2004-2013	37.38%		29.78%		101.65%		38.04%	

STATISTICAL SECTION

REVENUE CAPACITY

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS – UNAUDITED
(in thousands of dollars)

Fiscal Year Ended June 30,	Real Property	Personal Property	Manufactured Property	Utility Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Real Market Value (RMV)	Assessed Value as a % of Real Market Value (RMV)
2004	$ 2,902,281	$ 141,153	$ 15,040	$ 54,854	$ -	$ 3,113,328	5.6812	$ 3,717,868	83.740 %
2005	3,078,680	132,536	15,079	66,585	-	3,292,880	5.5988	4,299,629	76.585
2006	3,209,956	156,544	13,579	53,541	-	3,433,620	5.6485	4,522,703	75.920
2007	3,255,651	154,425	12,590	53,400	-	3,476,066	5.6406	5,088,443	68.313
2008	3,390,920	144,925	12,660	64,511	-	3,613,016	5.6219	5,565,083	64.923
2009	3,517,710	159,318	13,661	54,458	-	3,745,147	5.6448	5,946,532	62.980
2010	3,566,440	156,153	14,667	87,793	-	3,825,053	5.6251	5,825,692	65.658
2011	3,752,236	140,303	15,463	91,075	-	3,999,077	5.5939	5,664,529	70.599
2012	3,867,365	144,084	13,735	93,397	-	4,118,581	6.0871	5,672,461	72.607
2013	3,927,299	121,439	14,196	76,931	-	4,139,865	5.8145	5,496,250	75.322

Source: Benton County Assessor

Note: The City's permanent tax rate is $5.1067 per $1,000 of assessed value.
The debt service levy is set annually in the amount required to fulfill debt obligations and is the difference between the total direct tax rate and the permanent rate.

CITY OF CORVALLIS, OREGON

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS - UNAUDITED
(rate per $1,000 of assessed value)

	City of Corvallis Direct Rates				Overlapping Rates (2)						Total Rate
Fiscal Year Ended June 30,	Permanent Rate	General Obligation Debt Service	(1) Local Option	Total Direct	School District No. 509J	Linn-Benton ESD	Linn-Benton Community College (LBCC)	Benton County Soil and Water District	Benton County Library	Benton County	Total Direct and Overlapping
2004	$ 5.1067	$ 0.5745	$ -	$ 5.7197	$ 7.1300	$ 0.3049	$ 0.6800	$ -	$ 0.3947	$ 2.8700	$ 17.0993
2005	5.1067	0.4921	-	5.5988	7.1489	0.3049	0.6805	-	0.3947	2.4952	16.6230
2006	5.1067	0.5418	-	5.6485	6.2375	0.3049	0.6858	0.0500	0.3947	2.4952	15.8166
2007	5.1067	0.5339	-	5.6406	6.1644	0.3049	0.6805	0.0500	0.3947	2.4652	15.7003
2008	5.1067	0.5152	-	5.6219	7.2494	0.3049	0.6733	0.0500	0.3947	2.4652	16.7594
2009	5.1067	0.5381	-	5.6448	7.2183	0.3049	0.6767	0.0500	0.3947	3.1052	17.3946
2010	5.1067	0.5184	-	5.6251	7.6710	0.3049	0.6822	0.0500	0.3947	2.7952	17.5231
2011	5.1067	0.4872	-	5.5939	7.6546	0.3049	0.6736	0.0500	0.3947	2.8452	17.5169
2012	5.1067	0.5304	0.4500	6.0871	7.6457	0.3049	0.6814	0.0500	0.3947	2.2052	17.3690
2013	5.1067	0.2578	0.4500	5.8145	7.6102	0.3049	0.6754	0.0500	0.3947	2.9665	17.8162

Source: Benton County

Notes: The debt service levy is set annually in the amount required to fulfill debt obligations and is the difference between the total direct tax rate and the permanent rate.

(1) In May 2011, voters approved a local option levy to support operations of the Library, Osborn Aquatic Center and the Chintimini Senior Center. The local option levy lasts for three years beginning July 1, 2011.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City of Corvallis. All overlapping rates apply to Corvallis.

CITY OF CORVALLIS, OREGON
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

	2013			2004		
Taxpayer	***Taxable Assessed Value***	***Rank***	***Percentage of Total City Taxable Assessed Value (b)***	***Taxable Assessed Value***	***Rank***	***Percentage of Total City Taxable Assessed Value (b)***
Hewlett-Packard Co. (a)	$ 328,485,796	1	7.93 %	$ 467,880,104	1	15.03 %
Comcast Corporation	41,229,000	2	1.00	5,644,149		-
Pacificorp	35,923,000	3	0.87	9,346,000	8	0.30
Evanite Fiber Inc	23,274,797	4	0.56	24,069,224	3	0.77
Avery Investments LLC	19,074,656	5	0.46	14,460,341	4	0.46
Northwest Natural Gas Co	23,868,000	6	0.58	9,078,600	9	0.29
Starker Forests Inc	23,407,088	7	0.57	-		0.00
Witham Hill Oaks Apartments, LLC	15,100,042	8	0.36	11,572,926	5	-
Suncor Partners LLC	11,797,364	9	0.28	-		-
Bender Equities, Inc	11,558,753	10	0.28	-		0.00
Accu Fab Systems, Inc.	-		-	10,423,205	6	0.33
Wilson, Robert C	-		-	9,735,990	7	0.31
Financial Pacific, Inc.	-		-	8,872,209	10	0.28
Qwest Communication	-		-	31,273,404	2	1.00
Total	$ 533,718,496		12.89 %	$ 602,356,152		18.77 %
City Assessed Value	$ 4,139,865,134			$ 3,113,328,235		

Source: Benton County Finance and Assessment Department

(a) Transfer of substantial manufacturing operations overseas, property tax appeals, and depreciation have reduced Hewlett-Packard's taxable assessed value over the last 10 years.

(b) Percentage of Total City Assessed Value = Taxpayer Assessed Value/Total City Assessed Value

Purpose: Property taxes are the City's most significant own source revenue. This schedule provides the user with basic information about the City's most significant revenue payers and the degree of dependence on a small number of payers.

CITY OF CORVALLIS, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year Ended June 30,	Original Tax Levy for the Year	To Date Levy Adjustments (1)			Collected within the Fiscal Year of the Levy		Collected in subsequent years	Total Collections to Date	
		Amount	Percentage of Levy	Adjusted Levy	Amount	Percentage of Levy (2)		Amount	Percentage of Adjusted Levy
2004	$ 17,710,636	$ (470,240)	2.66 %	$ 17,240,396	$ 16,924,276	95.56 %	$ 314,189	$ 17,238,465	99.99 %
2005	18,451,963	(498,816)	2.70	17,953,147	17,658,023	95.70	292,136	17,950,159	99.98
2006	19,458,295	(549,293)	2.82	18,909,002	18,577,677	95.47	325,527	18,903,204	99.97
2007	19,611,621	(522,298)	2.66	19,089,323	18,707,158	95.39	372,873	19,080,031	99.95
2008	20,352,962	(522,601)	2.57	19,830,361	19,439,277	95.51	378,004	19,817,281	99.93
2009	21,162,976	(557,768)	2.64	20,605,208	20,104,983	95.00	453,861	20,558,844	99.77
2010	21,544,022	(585,298)	2.72	20,958,724	20,261,342	94.05	382,822	20,644,164	98.50
2011	22,383,029	(590,200)	2.64	21,792,829	21,261,945	94.99	334,244	21,596,189	99.10
2012	25,112,165	(653,316)	2.60	24,458,849	23,891,965	95.14	-	23,891,965	97.68
2013	24,106,808	(660,687)	2.74	23,446,121	22,631,373	93.88	-	22,631,373	96.53

Source: Benton County Finance and Assessment Department

(1) Property tax levy adjustments include discounts taken plus or minus roll adjustments. Property taxpayers are granted a statutory 3% discount when taxes are paid in full by the November 15th due date.

(2) Calculated as a percentage of the original levy.

Purpose: Property taxes are the City's most significant own source revenue. This schedule provides the user with basic information concerning property tax levy and collection ratios over time.

STATISTICAL SECTION

DEBT CAPACITY

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS - UNAUDITED
(in thousands of dollars, except per capita)

	General Bonded Debt					Other Governmental Activities Debt			
Fiscal Year Ended June 30,	General Obligation Bonds	Amount Restricted to Paying Debt Principal	Net General Obligation Bonds (1)	Percentage of Actual Property Value	Per Capita (2)	Bancroft Improvement Bonds	Limited Tax Obligation Bonds	Notes Payable	Capital Leases
2004	$ 18,470	$ 1,262	$ 17,208	0.46 %	$ 324.99	$ -	$ 23,913	$ 245	$ -
2005	17,310	882	16,428	0.38	312.39	-	23,873	125	-
2006	16,105	753	15,352	0.34	288.75	-	33,767	-	-
2007	14,840	614	14,226	0.28	263.93	-	33,639	-	-
2008	13,530	479	13,051	0.23	237.76	-	33,408	-	-
2009	12,100	463	11,637	0.20	212.04	-	33,117	-	-
2010	10,860	724	10,136	0.17	183.87	-	32,767	-	-
2011	8,695	82	8,613	0.15	155.55	-	32,361	2,100	-
2012	6,800	12	6,788	0.12	124.51	-	31,899	1,915	-
2013	6,015	13	6,002	0.14	109.02	-	31,383	1,725	-

	Business-Type Activities								
Fiscal Year Ended June 30,	Water Bonds	Wastewater Bonds	Storm Water Bonds	Airport Bonds	Capital Leases	Notes Payable	Total City Government Debt	Percentage of Personal Income (3)	Per Capita (2)
2004	$ -	$ 7,055	$ -	$ -	$ -	$ 28,157	$ 76,578	2.87 %	$ 1,446.24
2005	-	6,760	-	-	-	26,671	73,857	2.61	1,404.40
2006	-	6,735	-	-	-	25,122	80,976	2.67	1,523.10
2007	-	6,390	-	-	-	23,509	77,764	2.56	1,442.75
2008	-	6,025	-	-	-	21,831	74,315	2.44	1,353.89
2009	-	5,640	-	-	-	20,084	70,478	2.30	1,284.22
2010	-	5,240	-	-	-	18,263	66,406	2.08	1,204.65
2011	-	4,820	-	-	-	16,370	64,264	1.93	1,160.63
2012	-	4,380	-	-	-	14,387	59,369	N/A	1,088.94
2013	-	15,400	-	-	-	133	54,643	N/A	992.51

Notes: n/a = Personal Income is not available.

Details regarding the City's outstanding debt can be found in the Management Discussion and Analysis, in the Notes to the Financial Statements and in Other Financial Schedules.
Population and personal income data can be found in the Schedule of Demographic and Economic Statistics.

(1) Bonded debt is net of accumulated funds for repayment of bond principal.

(2) Due to restatement of population data based on Portland State University (Population Research Center), the per capita ratios are slightly different than reported in previous years.

(3) N/A means data for 2012 and 2013 is not available as of 10/23/2013. The Bureau of Economic Analysis does not have updated information at this time.

CITY OF CORVALLIS, OREGON
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2013 - UNAUDITED

Governmental Unit	*Debt Outstanding(1)*	*Assessed Property Value*	*Estimated Percentage Applicable*	*Estimated Share of Overlapping Debt*
Debt repaid with property taxes				
School District No. 509J	$ 46,674,928	$ 5,163,547,544	80.17 %	$ 37,419,289
Benton County	-	6,912,440,481	59.89	-
Linn-Benton Community College	3,412,771	6,788,740,258	60.98	2,081,107
Subtotal Overlapping Debt				39,500,396
City direct debt				6,015,000
Total direct and overlapping debt				$ 45,515,396

Source: Assessed value data used to estimate applicable percentages provided by Benton County.
Outstanding debt data provided by governmental unit.

Note: (1) The debt outstanding is the portion of debt that is applicable to Benton County only.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the oustanding debt of those overlapping governments that is borne by the residents and businesses of Corvallis. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF CORVALLIS, OREGON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS - UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	$ 110,978,724	$ 128,415,787	$ 135,681,077	$ 152,653,305	$ 166,952,486	$ 178,395,974	$ 174,770,778	$ 169,935,872	$ 170,173,852	$ 164,887,499
Total net debt applicable to limit	17,208,404	16,428,471	15,351,558	14,226,030	13,050,837	11,636,138	10,135,910	8,612,943	6,788,237	6,001,845
Legal debt margin	93,770,320	111,987,316	120,329,519	138,427,275	153,901,649	166,759,836	164,634,868	161,322,929	163,385,615	158,885,654
Total net debt applicable to the limit as a percentage of debt limit	15.51%	12.79%	11.31%	9.32%	7.82%	6.52%	5.80%	5.07%	3.99%	3.64%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2013

TOTAL REAL MARKET VALUE OF REAL ESTATE WITHIN THE CITY		$ 5,496,249,969
Debt Limitation - 3% of total real market value (1)		0.03
DEBT LIMIT		$ 164,887,499
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
Total General Obligation Bonded Debt (2)		
Governmental Activities	$ 6,015,000	
Business-type Activities	-	
Total General Obligation Bonded Debt		6,015,000
Less: Amount held for repayment of principal		(13,155)
TOTAL AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		$ 6,001,845
LEGAL DEBT MARGIN		$ 158,885,654

(1) Oregon Revised Statutes (ORS) 287A.050 states: "Unless a lesser limitation upon the issuance of bonds has otherwise been provided by law or charter, no city shall issue or have outstanding at any one time bonds in excess of three percent of real market value of all taxable property within its boundaries, computed in accordance with ORS 308.207, after deducting for outstanding bonds such cash funds and sinking funds as are applicable to the payment of principal thereof."

(2) Oregon Revised Status (ORS) 287A.001(3) states: "Bonds" means (a) a contractual undertaking or instrument of a public body to repay borrowed moneys; (b) does not mean a credit enhancement device.

CITY OF CORVALLIS, OREGON

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS - UNAUDITED
(accrual basis of accounting)

Fiscal Year Ended June 30,	*Gross Revenues (1)*	*Less Direct Operating Expenses (2)*	*Net Revenue Available for Debt Service*	*Debt Service Requirements*			*Coverage*
				Principal	*Interest*	*Total*	
WASTEWATER (3)							
2004	$ 9,731,868	$ 4,761,007	$ 4,970,861	$ 1,729,574	$ 1,294,807	$ 3,024,381	1.64 %
2005	9,911,357	5,018,829	4,892,528	1,181,517	1,171,243	2,352,760	2.08
2006	9,596,476	4,937,112	4,659,364	1,304,272	1,021,310	2,325,582	2.00
2007	9,952,942	5,357,269	4,595,673	1,298,240	1,353,465	2,651,705	1.73
2008	9,710,972	5,526,010	4,184,962	1,353,465	964,255	2,317,720	1.81
2009	9,297,433	5,947,932	3,349,501	1,409,991	904,880	2,314,871	1.45
2010	9,287,911	6,341,198	2,946,713	1,463,071	252,225	1,715,296	1.72
2011	10,095,562	6,500,564	3,594,998	1,522,152	821,242	2,343,394	1.53
2012	10,789,259	6,702,778	4,086,481	1,582,888	711,129 (4)	2,294,017	1.78
2013	10,520,933	6,767,202	3,753,731	1,650,130	773,673	2,423,803	1.55

Notes: The purpose of this schedule is to provide information on economic condition, and does not fulfill legal compliance. State Revolving Fund and Revenue Bond Rate Covenant Calculations - Wastewater Fund is located in the Other Financial Schedules section.

(1) Gross Revenues consist primarily of charges for services.
(2) Direct Operating Expenses do not include interest or depreciation.
(3) The Wastewater fund debt service requirement includes the following debt: 2006A Adv Ref CSO Bonds, DEQ Loan R24480, DEQ Loan R24481.
(4) Corrected interest requirement from that reflected in 2011-12 CAFR.

STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC INFORMATION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS - UNAUDITED

Year	*City of Corvallis Population (1)*	*Corvallis Metropolitan Statistical Area (MSA) Population (2)*	*Total Personal Income (MSA) (Thousands of dollars) (2)*	*Per Capita Personal Income (MSA) (2)*	*Unemployment Rate (MSA) (3)*	*Corvallis Public School Enrollment (4)*
2004	52,950	80,149	2,785,012	34,748	5.4	6,933
2005	52,590	80,943	2,707,034	33,444	4.9	6,835
2006	53,165	81,957	2,863,698	34,941	4.7	6,781
2007	53,900	83,718	3,012,941	35,989	4.1	6,757
2008	54,890	84,150	3,231,877	38,406	4.7	6,729
2009	54,880	85,390	3,120,550	36,545	7.8	6,663
2010	55,125	85,527	3,193,015	37,333	7.4	6,553
2011	55,370	85,928	3,323,437	38,677	6.7	6,448
2012	54,520	n/a	n/a	n/a	6.1	6278[5]
2013	55,055	n/a	n/a	n/a	n/a	6,286

Sources:

(1) Portland State University, Population Research Center as generally reported in December of each year as of July of that year. Since the population for the current fiscal year is reported after the CAFR is published, population data will be used as of the prior year.

(2) U.S. Bureau of Economic Analysis, CA1-3 Personal Income Summary (previously the Advanced Metropolitan Statistical / Adjusted to reflect revised estimates for 2004-2009.

(3) Seasonally adjusted unemployment rate as reported in the Oregon Employment Department, Oregon Labor Market Information System. Unemployment rates prior to FY 2011 have been adjusted to reflect the seasonally adjusted unemployment rate.

(4) Corvallis School District 509J.

(5) Corvallis public school enrollment corrected for 2012.

Notes: The Corvallis Metropolitan Statistical Area (MSA) is defined as Benton County by the Bureau of Economic Analysis, U.S. Department of Commerce. The seasonally adjusted unemployment rate is for Benton County and is the rate for June of each year.
Public school entrollment data from the Corvallis School District (CSD) are figures reported in September of each year. Prior years have been adjusted to match enrollment statistics as reported in CSD's CAFR.

(n/a) = Data for 2012 and 2013 is not available as of 10/18/13. Data for 2012 would normally be available by this time; however, the Bureau of Economic Analysis and the CA1-3 Personal Income Summary does not have updated information at this time.

CITY OF CORVALLIS, OREGON
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

	2013			2004		
Employer	***Employees***	***Rank***	***Percentage of Total Employment****	***Employees***	***Rank***	***Percentage of Total Employment****
Oregon State University (1)	9,453	1	23.49 %	9,091	1	24.08 %
Samaritan Health Services (2)	2,632	2	6.54	-	-	0.00
Hewlett Packard (3)	1,550	3	3.85	4,200	2	11.13
Corvallis School District 509J (4)	550	4	1.37	734	4	1.94
Corvallis Clinic (5)	535	5	1.33	570	5	1.51
CH2M Hill (3)	400	6	0.99	420	7	1.11
City of Corvallis (6)	397	7	0.99	420	8	1.11
Benton County (7)	381	8	0.95	385	9	1.02
Fiserv (formerly Summit Information Systems) (8)	247	9	0.61	460	6	1.22
ATS Systems Oregon (3)	190	10	0.47	220	10	0.58
Good Samaritan Hospital (a)	-	-	-	1,400	3	3.71
Total	16,335		40.59 %	17,900		47.41 %

Sources:

Nine years ago employer / employee information is from the City of Corvallis annual buget document.
Current year information:

(1) Estimate based on OSU Office of Institutional Research June 2013 Employment Report.
(2) Samaritan Health Services
(3) Estimate based on trends from previous estimates
(4) Corvallis School District 509J (FTE)
(5) Corvallis Clinic (FTE)
(6) City of Corvallis 4th Quarter Vacancy Summary (FTE)
(7) Benton County (FTE); From Vision 2020 Budget Document
(8) Manta.com/data provided by Dun & Bradstreet

Notes:

(a) Good Samaritan Hospital is now included in Samaritan Health Services.
* Total employment is for the Corvallis Metropolitan Statistical Area (MSA) which is Benton County.
The MSA information is from the Oregon Employment Department (OED) - Oregon Labor Market Information System.

Total non-farm MSA employment:

Current year:	40,240
Nine years ago:	37,750

STATISTICAL SECTION

OPERATING INFORMATION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

CITY OF CORVALLIS, OREGON
FULL-TIME EQUIVALENT EMPLOYEES BY ACTIVITY
LAST TEN FISCAL YEARS - UNAUDITED

	2004	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
ACTIVITIES										
City Manager's Office	9.50	9.50	9.50	9.00	10.00	10.00	9.80	9.75	8.75	9.80
Community Development	29.80	32.00	34.70	34.55	36.05	34.55	33.80	33.80	31.00	32.00
Finance	34.75	36.25	34.25	35.25	36.75	37.75	36.00	36.75	34.00	31.00
Fire	60.00	67.72	69.72	66.72	66.72	69.00	65.00	65.00	66.00	63.00
Library	43.76	45.77	45.14	45.77	45.77	46.39	43.39	41.39	40.00	42.12
Parks and Recreation	27.43	27.43	27.43	34.46	31.79	37.64	35.97	31.56	29.80	31.06
Police	82.25	76.25	77.25	78.75	77.25	81.75	84.25	85.50	84.25	81.25
Public Works	35.02	33.52	30.82	34.27	35.14	35.40	35.23	34.64	31.98	31.57
Water	34.91	33.41	31.53	33.48	31.93	33.23	31.67	33.69	31.24	30.23
Wastewater	33.83	32.38	32.38	32.00	31.42	33.93	32.54	33.98	32.50	31.63
Storm Water	11.61	11.11	11.20	11.21	10.47	11.54	10.61	11.11	10.81	11.37
Airport	1.13	1.08	1.08	1.04	1.04	1.08	1.58	1.70	1.60	1.70
Total Full-Time Equivalent Employees	403.99	406.42	405.00	416.50	414.33	432.26	419.84	418.87	401.93	396.73

Source: City of Corvallis Fourth Quarter Operating Report - Vacancy Report - Filled Positions

Notes:

1 Full-Time Equivalent (FTE) = 2,080 hours

Amounts do not include casual or temporary employees.

CITY OF CORVALLIS, OREGON
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FUNCTION [1]										
Community Development										
Building permits - single family [2]	195	210	190	89	34	34	34	30	54	n/a
Building permits - total [2]	756	743	727	645	588	557	557	595	529	n/a
Inspections [8]	17,433	19,215	23,260	18,755	16,537	14,329	14,265	14,686	15,001	13,658
Residential plan reviews [8]	426	429	403	423	284	248	256	271	301	401
Public Works										
Street resurfacing (miles) [2]	0.16	1.67	1.70	2.26	4.32	4.32	7.00	3	2	n/a
Library										
Volumes	318,010	328,381	347,616	358,130	363,398	344,557	347,465	345,279	357,917	362,200
Average monthly circulation	125,484	119,177	121,844	128,215	124,817	132,914	139,530	137,811	140,174	142,246
Registrations	46,008	46,130	49,576	46,586	50,122	50,111	49,942	50,557	50,550	49,529
Patrons using library [6]	1,085,505	1,223,400	1,301,299	1,420,633	1,632,114	1,748,618	1,884,890	1,901,807	1,512,697	1,557,901
Parks and Recreation										
Sports teams	495	505	470	446	502	449	432	395	351	358
Recreation programs, classes, events [7]	1,395	1,188	1,052	1,194	1,055	1,021	1,020	909	2,859	2,041
Recreation program registrations [7]	20,180	21,630	21,832	25,534	29,799	34,086	25,504	19,980	96,917	86,650
Police [2]										
Public safety dispatches	34,348	33,059	35,034	36,190	35,174	36,813	36,926	39,734	40,743	n/a
Total 911 center calls	157,932	166,345	164,057	152,642	146,319	142,872	134,565	136,992	137,573	n/a
Major felonies	2,323	2,308	2,307	1,824	1,690	2,055	1,757	2,108	2,165	n/a
Incidents investigated	21,199	20,531	22,038	23,278	22,886	24,405	23,650	26,170	26,998	n/a
Fire										
All fire responses	270	134	202	187	174	177	131	155	122	203
All non-fire responses	2,155	1,987	2,256	2,450	2,812	2,966	3,092	3,276	3,982	3,483
Fire safety inspections	1,317	1,911	1,950	1,993	2,711	2,155	2,752	2,665	1,801	1,977
Patient contacts	3,048	3,181	3,203	3,767	4,295	4,094	4,104	4,139	4,477	4,683
Transportation										
Bus ridership	511,830	530,287	566,670	551,906	613,166	681,456	700,791	884,687	1,131,842	1,152,665

CITY OF CORVALLIS, OREGON
OPERATING INDICATORS BY FUNCTION (Continued)
LAST TEN FISCAL YEARS - UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water										
Number of consumers	14,398	14,635	15,061	15,348	15,498	15,911	15,609	16,033	15,812	15,973
Average daily use (1,000 gal)	8,090	7,900	7,900	7,751	7,564	7,328	6,933	6,910	6,958	6,830
Annual water production (MG)	2,953	2,742	2,781	2,791	2,750	2,666	2,497	2,434	2,524	2,731
Wastewater [3]										
Number of consumers	13,874	14,212	14,341	14,593	14,698	15,097	14,835	14,840	14,898	15,029
Average daily use (1,000 gal)[5]	7,750	8,861	9,717	8,947	10,178	9,156	4,042	3,999	3,365	3,393
Annual wastewater treated (MG)	3,833	3,233	3,547	3,547	3,715	3,342	3,726	3,872	3,772	3,615
Bio-solids recycled (MG)	3.0	2.6	1.1	1.1	1.2	4.1	3.8	3.0	4.0	4.0
Storm Water										
Number of consumers	13,974	14,210	14,444	14,650	14,764	15,107	14,892	14,900	14,964	15,093
Airport [4]										
Estimated aircraft movements	91,000	91,000	93,000	103,000	103,000	103,000	103,000	103,000	103,000	57,420
Permanently based aircraft	152	152	152	157	157	157	167	167	167	164

Sources: Data has been supplied by various City departments.

Notes:
(1) Operating indicators are not available for Finance or the City Manager's Office.
(2) Data reported is on calendar year basis.
(3) Wastewater daily usage is reported for dry weather flow for the months of May through December.
(4) Considered the busiest non-towered / non-controlled airport in Oregon based on the 2004 state report of take offs and landings.
(5) Restated Average daily use for 2010, based on new methodology using Utility Billing data.
(6) In August 2011, the Library started using different software (Google Analytics) to provide a more reliable count of remote users.
(7) FY 2012 includes Osborn Aquatic Center activities for the first time.
(8) Data reported for fiscal year rather than calendar year starting in 2011.

n/a = information not available

CITY OF CORVALLIS, OREGON
CAPITAL ASSET STATISTICS BY ACTIVITY
LAST TEN FISCAL YEARS – UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	#	2012	2013
ACTIVITIES [1]											
Public Works											
Streets (miles)	175	177	177	178	180	180	180	181		181	n/a
Traffic signals	80	80	80	82	83	83	86	90		90	90
Library											
Branch libraries	4	4	4	4	4	4	4	4		4	4
Parks and Recreation											
Parks	47	47	47	43	43	43	43	43		43	44
Acreage devoted to parks	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685		1,685	1,686
Beautification areas [2]	40	40	40	45	45	45	45	45		45	45
Playgrounds (excluding schools)	22	24	24	28	28	28	28	28		28	28
Sports fields / courts	47	60	60	59	59	58	59	59	#	59	59
Swimming pools [3]	1	1	1	1	1	1	1	1	1	1	1
Police											
Stations [4]	1	1	1	1	1	1	1	1		1	1
Patrol vehicles, motorcycles	20	18	18	19	19	19	20	20		22	24
Fire											
Stations - city	4	5	5	5	5	5	5	5		4	4
Stations - rural [5]	1	1	1	1	1	1	1	1		1	1
Emergency vehicles [6]	30	30	30	29	31	33	34	34		34	29
Transportation											
Bike paths (miles) [7]	13.46	13.69	13.89	13.89	21.00	21	21	21		21	n/a
Bike lanes (miles) [7]	61.23	61.23	61.23	63.29	105.00	111	113	113		114	n/a
City buses	10	10	10	10	10	12	15	12		12	13

CITY OF CORVALLIS, OREGON
CAPITAL ASSET STATISTICS BY ACTIVITY (Continued)
LAST TEN FISCAL YEARS - UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011 #	2012	2013
Water										
Lineal miles of system	244	246	249	244	245	245	247	247	249	n/a
Treatment capacity (1,000 gal)	24,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Wastewater										
Lineal miles of system	211	214	216	215	216	216	216	217	217	n/a
Treatment capacity (1,000 gal)	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Storm Water										
Lineal miles of system	136	158	162	166	168	168	168	170	169	n/a
Airport										
Runways	2	2	2	2	2	2	2	2	2	2

Sources: Data has been supplied by various City departments.

Notes:

(1) Capital asset indicators are not available for Finance or the City Manager's Office.
(2) Beautification areas were not identified until FY 2001 when the Parks Facilities Plan was published.
(3) The City assumed operation and maintenance responsibility for Osborn Aquatic Center in the fall of 2000. The pool is owned by the Corvallis School District 509J.
(4) The police station is owned by Benton County but is staffed and maintained by both the City of Corvallis and Benton County.
(5) The rural fire station is owned by the Corvallis Rural Fire District but is staffed by the City of Corvallis per agreement with the Rural Fire District.
(6) Includes fire apparatus, tankers, ambulances and passenger vehicles.
(7) Data reported is on a calendar year basis. In 2008, the bike lane calculation was standardized to include lanes in both directions on a single street ("bike travel lanes").

n/a = information not available

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS SECTION

CORVALLIS
ENHANCING COMMUNITY LIVABILITY

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November 22, 2013

To the Honorable Mayor, Members of
the City Council, and City Manager
City of Corvallis, Oregon

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Corvallis as of and for the year ended June 30, 2013, and have issued our report thereon dated November 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic 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 Statues as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Corvallis 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.

OAR 162-10-0230 Internal Control

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

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

Roy R Rogers

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November 22, 2013

To the Honorable Mayor, Member of
The City Council and City Manager
City of Corvallis, Oregon

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corvallis as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of internal control.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ROY R. ROGERS, CPA
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November 22, 2013

To the Honorable Mayor, Member of
The City Council and City Manager
City of Corvallis, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the City of Corvallis' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Corvallis, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Roy R Rogers

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.

CITY OF CORVALLIS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Grant Number*	*Program Award Amount*	*Receivable/ (Deferred Revenue) July 1, 2012*	*Total Receipts*	*Total Expenditures*	*Receivable/ (Deferred Revenue) June 30, 2013*
U.S. DEPARTMENT OF AGRICULTURE FOREST SERVICE							
Passed through Cascade Pacific Resource Conservation and Development							
Capital Improvement and Maintenance - Roadside & Meadow Enhancement	10.687	WY-M4-09	$ 6,400	$ 4,722	$ 5,013	$ 291	$ -
					-		-
Total U.S. Department of Agriculture Forest Service				4,722	5,013	291	-
U.S. DEPARTMENT OF ENERGY							
Direct Program							
ARRA Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002467	511,600	157,039	210,621	53,582	-
Total U.S. Department of Energy				157,039	210,621	53,582	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Direct Program							
CDBG - Entitlement Grants Cluster							
Community Development Block Grant Program	14.218	B-11-MY-41-0009	490,269	20,863	20,863	-	-
Community Development Block Grant Program	14.218	B-12-MY-41-0009	460,528	-	403,973	403,973	-
Total CDBG - Entitlement Grants Cluster				20,863	424,836	403,973	-
HOME Investment Partnerships Program	14.239	M11-MC410205	392,184	9,810	9,810	-	-
HOME Investment Partnerships Program	14.239	M12-MC410205	298,492	-	615,586	618,373	2,787
Total U.S. Department of Housing and Urban Development				30,673	1,050,232	1,022,346	2,787
U.S. DEPARTMENT OF THE INTERIOR							
Passed through the State of Oregon Historic Preservation Office							
Basic Certified Local Govt.	15.904	HPF OR-11-01	14,500	9,500	9,500	-	-
Basic Certified Local Govt.	15.904	HPF OR-13-03	13,000			8,722	8,722
Passed through the State Parks and Recreation Department							
Central Park Plaza Rehabilitation	15.916	NPS 41-01574	50,000	29,625	-	20,375	50,000
Total U.S. Department of Interior				39,125	9,500	29,097	58,722

The accounting policies applied in the preparation of this schedule are the same as those documented in the Notes to the Basic Financial Statements.

CITY OF CORVALLIS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Grant Number*	*Program Award Amount*	*Receivable/ (Deferred Revenue) July 1, 2012*	*Total Receipts*	*Total Expenditures*	*Receivable/ (Deferred Revenue) June 30, 2013*
U.S. DEPARTMENT OF JUSTICE							
Bureau of Justice							
Federal Equitable Sharing Program	16.000	OR0020100	$ 6,129	$ (6,129)	$ -	$ 6,129	$ -
Bulletproof Vest Partnership Program (2011)	16.607	---	1,734	1,734	1,734	-	-
Edward Byrne Memorial Justice Assistance Grant Program (Year 2)	16.738	LE06-11 JAG	85,411	4,684	16,903	21,233	9,014
Total U.S. Department of Justice				289	18,637	27,362	9,014
U. S. DEPARTMENT OF TRANSPORTATION							
Direct Program							
Airport Improvement Program - Airport Master Plan	20.106	3-41-0014-016	237,500	63,547	116,429	52,882	-
Direct Program							
Federal Transit - Capital Investment Grants: Transit Sys Radio Replacement	20.500	OR-04-0034-00	64,000	-	9,006	9,006	-
Federal Transit - Capital Investment Grants: Bus Purchase IC755	20.500	OR-04-0001-00	281,004	-	28,452	28,452	-
Federal Transit - Capital Investment Grants: Bus Purchase IC755	20.500	OR-04-0010-00	296,183	-	576	576	-
Federal Transit - Capital Investment Grants: Bus Purchase IC755	20.500	OR-04-0028-00	320,865	-	577	577	-
Federal Transit - Capital Investment Grants: Bus Purchases IC754 & IC755	20.500	OR-04-0028-01	933,206	-	586,979	586,979	-
Federal Transit - Formula Grants: Operating Grant (2012)	20.507	OR-90-X148-05	1,052,964	204,143	204,143	-	-
Federal Transit - Formula Grants: Operating Grant (2013)	20.507	OR-90-X162-00	1,058,474	-	993,359	1,055,174	61,815
Federal Transit - Formula Grants: Vehicle Information System Replacement	20.507	OR-95-X032-00	448,650	-	-	71,835	71,835
ARRA 09 5307 Buses, Facilities & Equipment	20.507	OR-96-X002-00	1,053,488	5,933	5,933	8,097	8,097
Total Federal Transit Cluster				210,076	1,829,025	1,760,696	141,747
Passed through the State of Oregon							
Department of Transportation							
Highway Planning and Construction Cluster							
Highway Planning and Construction: Oak Creek (SW Morris Avenue) Bridge	20.205	1580(046) / 29254	1,079,452	-	-	7,236	7,236
Highway Planning and Construction: TDM Program (2012)	20.205	27827	88,606	11,285	56,955	52,912	7,242
Highway Planning and Construction: Circle Blvd-Manchester St Multi-Use Path	20.205	1580(042,044) / 27090	581,000	42,828	42,828	70,524	70,524
Total Highway Planning and Construction Cluster				54,113	99,783	130,672	85,002
Passed through the State Parks and Recreation Department							
Recreational Trails Program: Shooting Star Restoration	20.219	RT11-009	50,450	2,528	50,450	47,922	-
Passed through the Bicycle Transportation Alliance							
State and Community Highway Safety: Pedestrian Safety Mini-Grant	20.600	-------	4,367	1,837	4,367	2,530	-

CITY OF CORVALLIS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Grant Number*	*Program Award Amount*	*Receivable/ (Deferred Revenue) July 1, 2012*	*Total Receipts*	*Total Expenditures*	*Receivable/ (Deferred Revenue) June 30, 2013*
U. S. DEPARTMENT OF TRANSPORTATION (continued)							
Transit Services Cluster							
Formula Grants for Other Than Urbanized Areas: RTAP	20.509	-------	1,396	$ -	$ 1,396	$ 1,396	$ -
Job Access and Reverse Commute Program (2011)	20.516	27641	183,871	6,500	74,069	75,038	7,469
New Freedom Program	20.521	27629	237,603	21,443	21,443	123,651	123,651
Total Transit Services Cluster				27,943	96,908	200,085	131,120
Total U.S. Department of Transportation				360,044	2,196,962	2,194,787	357,869
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Direct Program							
Climate Showcase Communities Grant	66.041	AF-83495501-0	491,762	47,358	97,003	199,078	149,433
Urban Waters Small Grants: Green Streets Project	66.440	UW-00J54301-0	45,620	-	30,632	35,078	4,446
Environmental Education Grants: Community Stream Stewards Program	66.951	NE-00J14001-0	14,737	7,275	8,941	1,666	-
Passed through the State of Oregon Business Development							
Total U.S. Environmental Protection Agency				54,633	136,576	235,822	153,879
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Passed through the State of Oregon							
Emergency Management							
Hazard Mitigation Grant: January 2012 Winter Storm Damage	97.039	FEMA-4055-DR-OR	21,472	21,472	22,338	50,541	49,675
Hazard Mitigation Grant: Marys River Natural Area Boardwalk Repair	97.039	FEMA-4055-DR-OR/PW-373	193,911	-	-	7,050	7,050
Assistance to Firefighters Grant: Prevention and Safety (2011)	97.044	EMW-2011-FP-00348	1,000	-	1,000	1,000	-
Assistance to Firefighters Grant: Prevention and Safety (2011)	97.044	EMW-2011-FP-00950	4,504	-	4,504	4,504	-
State Homeland Security Grant Program: Regional US & R Exercise-Phase 2	97.073	10-226	6,442	5,015	5,313	298	-
Emergency Management Performance Program	97.402	-------	varies	9,742	29,942	39,383	19,183
Total Federal Emergency Management Agency				36,229	63,097	102,776	75,908
Total Federal Assistance				$ 682,754	$ 3,690,638	$ 3,666,063	$ 658,179

NOTES:
(1) Accrual should equal reimbursements.

Purpose of the Schedule

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the City of Corvallis' financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the City of Corvallis, it is not intended to and does not present either the financial position, changes in fund balances, or the operating funds' revenues and expenditures for the City of Corvallis.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendment of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act Amendment of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City of Corvallis are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in the notes to the financial statements. Additionally, the Schedule includes all federal programs administered by the City of Corvallis for the year ended June 30, 2013.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	☐ yes	☒ no
Significant deficiency(s) identified that are not considered to be material weaknesses?	☐ yes	☒ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no
Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133?	☐ yes	☒ no

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	☐ yes	☒ no
Significant deficiency(s) identified that are not considered to be material weaknesses?	☐ yes	☒ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)?	☐ yes	☒ no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER	NAME OF FEDERAL PROGRAM CLUSTER
20.500, 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	☒ yes	☐ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES

1. BASIS OF PRESENTATION

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