

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

CITY OF CORVALLIS, OREGON



***CITY OF CORVALLIS, OREGON***  
***Comprehensive Annual Financial Report***  
***Fiscal Year Ended June 30, 2011***



***Prepared by the City of Corvallis***  
***Department of Finance***

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# INTRODUCTORY SECTION

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- CERTIFICATE OF ACHIEVEMENT
- ORGANIZATION CHART
- ELECTED AND APPOINTED OFFICIALS





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November 15, 2011

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, 2011 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.

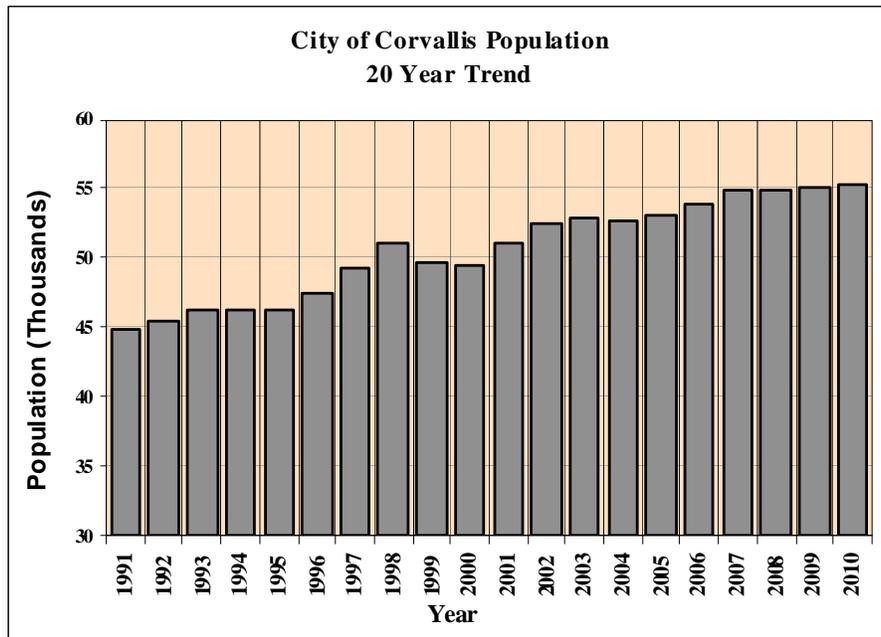
The City's financial statements were audited by Pauly Rogers and Co. PC, a firm of independent certified public accountants. The independent auditors have issued an unqualified opinion on the City of Corvallis' financial statements for the fiscal year ended June 30, 2011. The independent auditor's report 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 55,370) 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 22 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.

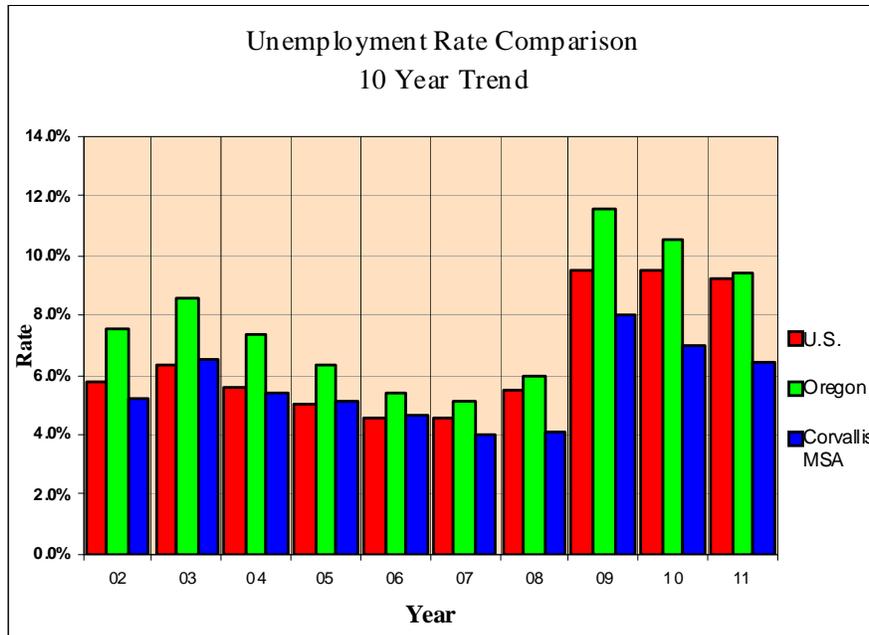
The Oregon Constitution and Oregon Revised Statutes require that the budget be balanced, adopted by July 1, and that the fiscal year for local governments is July 1 through June 30. The budget sets forth City Council's goals and objectives, and identifies the resources necessary to accomplish Council's goals and objectives. 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 2010-11 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 23,760 students and employs approximately 8,637 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 1,700 people at its Corvallis location. HP's presence has generated satellite businesses to supply its needs, among these satellite businesses is ATS Systems Oregon which employs approximately 200. CH<sub>2</sub>M Hill, an international consulting firm of engineers, planners, economists and scientists, was founded in Corvallis in 1946. CH<sub>2</sub>M Hill maintains a regional headquarters in Corvallis which employs approximately 400 people. Good Samaritan Regional Medical Center employs 2,305 people and the Corvallis Clinic

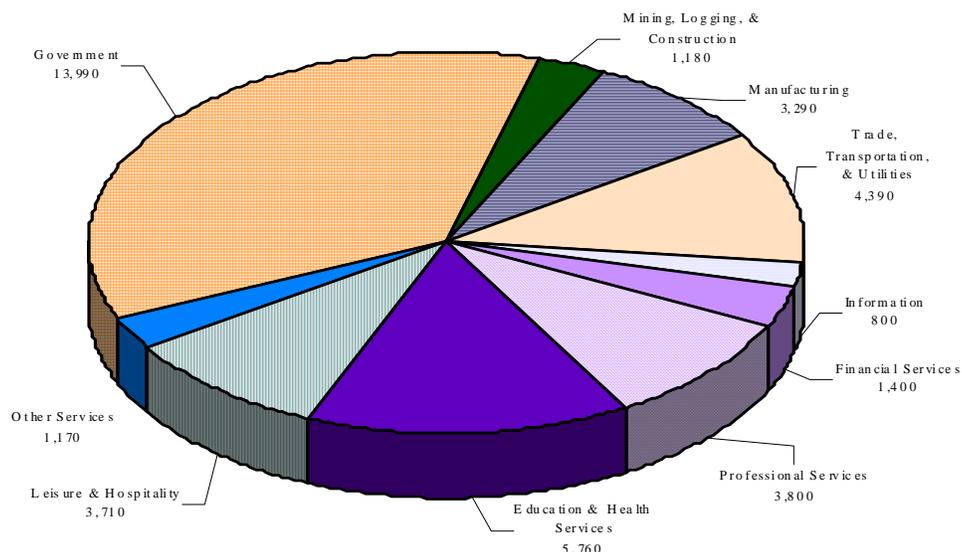
employs 543 people. Fiserv Corporation provides data processing systems created specifically for the credit union industry and employs 200 at its Corvallis location. The Oregon Nanoscience and Microtechnologies Institute (ONAMI) is a collaboration among Oregon universities, including OSU, and regional 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 2011 seasonally adjusted unemployment rate was 9.4%. The Corvallis MSA's (Benton County) seasonally adjusted unemployment rate for June 2011 was 6.4% or .60 percentage points lower than the June 2010 unemployment rate of 7.0%. The Corvallis' MSA seasonally adjusted unemployment rate is 2.80 percentage points below the national unemployment rate and 3.00 percentage points below Oregon's unemployment rate. Compared to June 2010 the Corvallis MSA gained 2,380 jobs. Manufacturing jobs increased by 190 and trade, transportation, utilities employment increased by 290, education and health services increased by 220, governmental employment increased by 810, and all other services increased by 870 jobs bringing total employment to 39,490. The Corvallis MSA unemployment rate is the lowest in the state.

Factors contributing to the Corvallis MSA's relatively low unemployment rate on a state-wide basis are a highly educated work force (47% hold a bachelor's degree or higher degree, 53% of those residing in Corvallis) and a high per capita personal income. The most recent reported Corvallis MSA per capita income of \$37,030 (2009) was the sixth highest of Oregon's 36 counties. 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 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 OSU and Good Samaritan Regional Health Center.

### Corvallis MSA Non farm Employment



## MAJOR INITIATIVES

Local governments throughout the Willamette Valley, the State of Oregon and the USA are experiencing budget reductions due to the continued deterioration of the economy and property tax growth which lags underlying expenditure increases. The City of Corvallis is no different in this experience. The City of Corvallis' fiscal challenges as an organization, similar to years past, are primarily in its property tax supported services. The structural challenges of a revenue stream that grows, at best, by 3% annually, while mandated expenditures grow at 5.5% or more annually result 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 over 68% of the total revenues available to fund the Police, Fire, Library, Parks & Recreation and Land-Use Planning functions, are projected to grow only 2.4% in total in FY 11-12.

For FY 10-11 the City's property tax revenue actually grew by about 4.55%, a surprising improvement on the 1.87% forecast that was premised on a 10-year average less an allowance for anticipated industrial property depreciation. However, a portion of that growth is associated with two property owners which have appealed their value; if they prevail, the City could experience significant reductions in FY 11-12 property tax revenue if refunds are made. Existing residential property in Corvallis has done better than national averages at holding its value, with median values dropping 4.3% in 2009 and 3.9% in 2010. As a result of the 41.6% difference between real market and assessed values, most existing residential and commercial property will see the constitutional 3% increase in assessed value in 2011. However, industrial property is again projected to decrease 10% in value. The general economic downturn that has led to the steep decline in new residential construction has meant that there is very little new assessed value added to the tax roles to offset the declines in value for industrial property. New non-residential development occurring in Corvallis has predominantly been tax exempt facilities at OSU or at Good Samaritan Regional Medical Center. Budget cuts in property tax supported programs are slated to occur for FY 11-12 and are likely to occur again in FY 12-13 and into the future.

The City Council elected for the 2011-2012 term adopted four new goals, and work on these goals has

already begun. City staff will also continue to work on the City Council's overarching values of cost efficiency, sustainability, citizen involvement, and diversity, incorporating these values in all work products.

The goals, and the specific FY 11-12 budget implications of the goals, include:

- 1) **By December 2011, the Council will provide direction on recommendations to strengthen access to and availability of locally produced food and community gardens via policy, ordinance and Land Development Code changes. By December 2012, the Council will enact code and policy changes corresponding with that direction.** Work on this goal is well underway. The Parks & Recreation Department is currently in the middle of a community-wide process to develop a community garden master plan with expected outcomes to include defining the types of gardens, establishing garden site selection criteria, and developing a user friendly guide on how and where to start a Community Garden on City of Corvallis park lands. The master plan is expected to be completed during FY 11-12 using current appropriations for the Parks & Recreation Department and a grant, with most of the work completed by staff and interested volunteers. Community Development staff are working with a group of Benton County staff on the Health Impact Assessment project that includes discussions of ordinance and Land Development Code issues associated with local food, with work expected to continue into FY 11-12.
- 2) **By December 2011, the Council will consider action on recommendations by the Economic Development Commission concerning strategic priorities and funding sources for Economic Development initiatives.** The Economic Development Commission (EDC) has been meeting twice monthly, has received orientation information, and is in the process of developing strategic initiatives for the City Council. In the coming fiscal year, the EDC will continue work on strategic planning and will also provide recommendations to the City Council regarding interim economic development services for the year.
- 3) **Working with OSU President and his staff, by December 2011, the Council will create a plan to seize opportunities on parking, code enforcement, infill design, rental code, traffic design and other important issues.** Leadership from the City and OSU met to develop a plan for prioritizing initiatives and moving forward. Respective staffs will meet in the second quarter with a check-in scheduled with joint leadership by the end of the second quarter. Once reviewed by leadership, a follow-up Council discussion will be scheduled regarding the plan, including priorities, timelines and resources necessary to be successful.
- 4) **The Council will create a financially sustainable City budget. Amend compensation policies to align total employee compensation with available City revenue. Develop new sources of revenue that align with the cost of desired City services.** The Budget Commission directed the City Manager to develop the FY 11-12 budget as a balanced budget, and subsequently adopted the budget as proposed. The Council policy on City compensation review will be completed by the end of October 2011, with the review of the Council's Financial Policies scheduled for completion in early February 2012. The City Council has scheduled a work session to discuss several preferred revenue alternatives as well as to develop more information on services currently provided. Additional work sessions will be scheduled to develop direction and process for the FY 12-13 budget. The Fire department is working with City of Albany Fire department and a consultant to study opportunities for joint operations, and the City's Management Information Services Division is working with Benton County Information Technology on whether a single joint operation could work. The Parks and Recreation Department is exploring creation of a Parks and Recreation District, and the 9-1-1 Users Board is also exploring creation of a 9-1-1 District. The Parks & Recreation Department is also working with a consultant to revise their cost recovery model which is expected to result in a different fee schedule, and ultimately revised language in the Council's Financial Policies about fees.

## **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 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.

The Government Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions has been implemented for fiscal year ending June 30, 2011. GASB Statement no. 54 applies to an organization's governmental funds – General, Special Revenue, Capital Construction, and Debt Service Funds; it does not apply to proprietary funds (Water, Wastewater, Storm Water, Airport and the Internal Service Funds). Financial policies were adjusted to reflect new fund balance definitions.

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 new fund balance classification definitions are provided in the Notes to the Basic Financial Statements under GASB Statement No. 54 – New Fund Balance.

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%.

The City's Property Tax Allocation Policy requires that an annual analysis be completed for all property tax funds, General, Fire & Rescue, Parks & Recreation, Transit, and Library. The analysis is reviewed by

City Council to ensure that the property tax allocations are sufficient to support Council approved operating costs.

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. During FY 10-11, the City entered into an agreement 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, 2010. This is the twenty-second 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 for its 2010/2011 annual budget document and the 2011/2012 annual budget document has been submitted. 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, Staci Voight 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

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



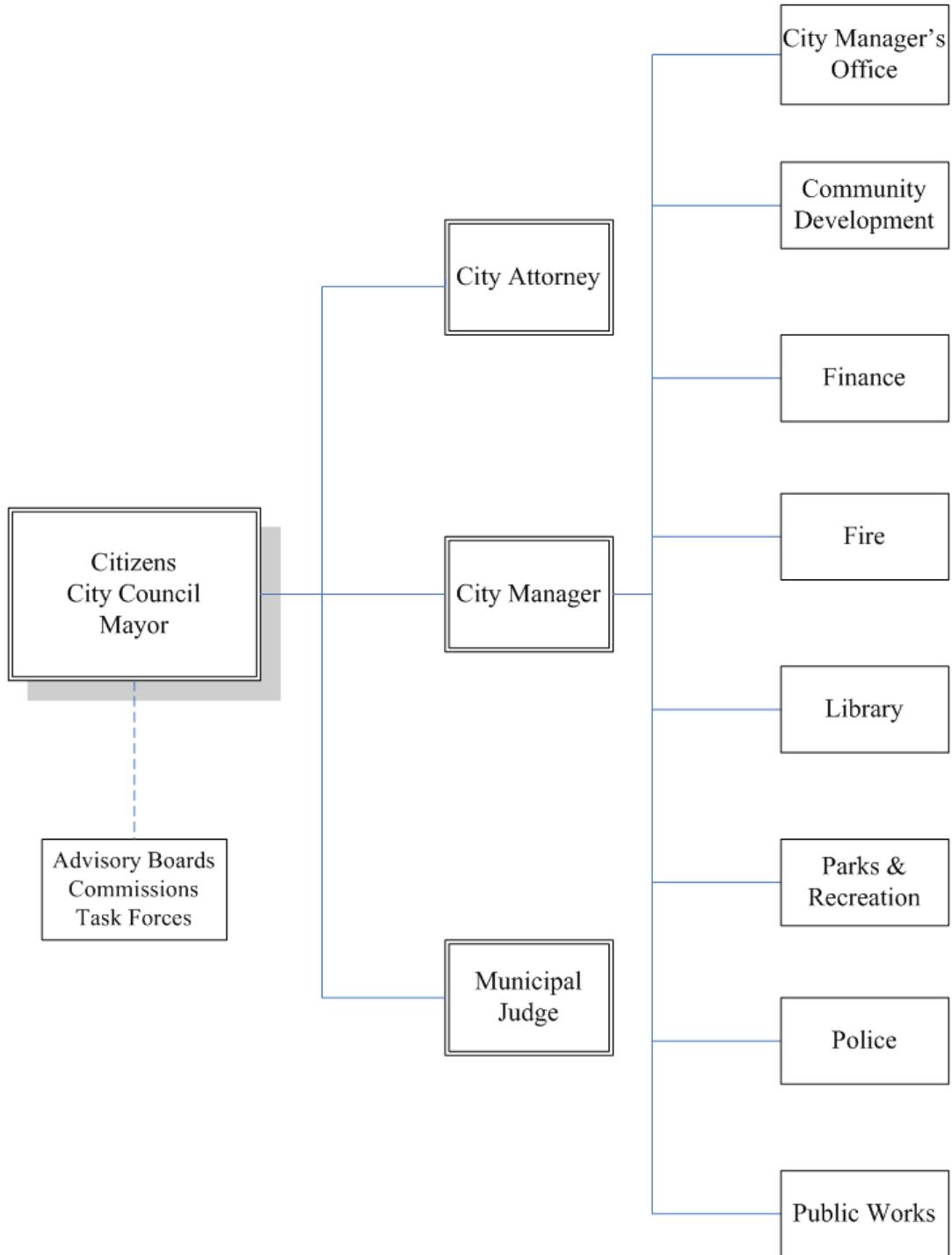
*Linda C. Davison*

President

*Jeffrey R. Enow*

Executive Director

CITY OF CORVALLIS  
ORGANIZATION CHART



**CITY OF CORVALLIS, OREGON**  
**ELECTED AND APPOINTED OFFICIALS OF THE CITY**  
**JUNE 30, 2011**

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***ELECTED***

***MAYOR***  
Julie Manning

Mark O'Brien	Ward 1
Roen Hogg	Ward 2
Richard Hervey	Ward 3
Dan Brown	Ward 4
Mike Beilstein	Ward 5
Joel Hirsch	Ward 6
Jeanne Raymond	Ward 7
Biff Traber	Ward 8
Hal Brauner	Ward 9

***APPOINTED***

***CITY MANAGER***  
Jon Nelson

***FINANCE DIRECTOR***  
Nancy Brewer

***FINANCIAL SERVICES MANAGER***  
Julian Contreras

***SENIOR ACCOUNTANT***  
Tina Stephens

500 SW Madison Avenue  
Corvallis, Oregon 97333

# FINANCIAL SECTION

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



**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

November 15, 2011

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

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Corvallis Oregon, as of and for the year ended June 30, 2011 which collectively comprise the basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the management. Our responsibility is to express opinions on these basic financial statements based on our audit. The financial statements as of June 30, 2010, were audited by other auditors whose report dated December 8, 2010, issued an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type-activities, each major fund and the aggregate remaining fund information of the City of Corvallis, Oregon, at June 30, 2011, the results of its operations and the cash flows, where applicable, and the respective budgetary comparison for the general fund, street fund, parks and recreation fund, fire and rescue fund, community development revolving fund, library fund, and capital construction fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated November 15, 2011, on our consideration of internal control over financial reporting and our tests of the compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the table of contents, 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 not a required part of the basic financial statements. The introductory section, supplementary information (including the combining financial statements, individual non-major fund budgetary comparison schedules and the other financial schedules, as listed in the table of contents) and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section, statistical section and pages 100 through 106 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS



## 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 for the fiscal year ended June 30, 2011 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 \$278,728,600 (net assets), an increase of \$182,357 from June 30, 2010. Of this amount (\$1,923,671) (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ Net assets decreased for governmental activities by \$1,765,398 or 1.19 percent from June 30, 2010, primarily the result of decreases in current assets and increases in liabilities. Net assets increased for business-type activities by \$1,947,755, an increase of 1.50 percent from June 30, 2010, based on increases in current assets and decreases in long-term liabilities.
- ❖ As of the close of FY 2011, the City of Corvallis' governmental funds reported combined ending fund balances of \$12,750,504, a decrease of \$374,847 from the prior year. Approximately 48.08 percent of the total amount, \$6,130,001, is available for spending at the City Council's discretion (unassigned and assigned fund balance).
- ❖ At the end of FY 2011, the total assigned and unassigned fund balance in the General Fund was (\$112,018) which was (0.78) percent of the total General Fund expenditures of \$14,340,917. This was a decrease of \$594,284 in the fund balance available for expenditures from June 30, 2010, based on revenues not meeting projections.
- ❖ Total governmental activities debt decreased by \$471,667 or 1.08 percent during FY 2011. Total business-type activities debt decreased by \$2,313,401 or 9.84 percent. The decrease for both governmental and business-type activities was the result of making all required payments. In August 2010, subsequent to the close of the 2010 fiscal year, the City issued a full faith and credit bank loan for \$2.1 million principal at 2.96 percent interest to implement several public safety related capital improvements, including the City Hall Seismic Upgrade, and construction of a new Fire Department Drill Tower.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Corvallis' 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 of Corvallis' finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 23-24 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 25-34 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 35-37 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 38-65 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 66 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 67-106 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$278,728,600 at the close of FY 2011. This represented a \$182,357 or 0.07 percent increase in net assets from the prior fiscal year.

<b>CITY OF CORVALLIS</b>
<b>Summary of Net Assets</b>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Current and other assets	\$ 46,366,483	\$ 45,307,498	\$ 22,556,438	\$ 23,432,886	\$ 68,922,921	\$ 68,740,384
Capital assets	156,776,284	157,032,026	133,750,711	132,589,164	290,526,995	289,621,190
Total assets	<u>203,142,767</u>	<u>202,339,524</u>	<u>156,307,149</u>	<u>156,022,050</u>	<u>359,449,916</u>	<u>358,361,574</u>
Current liabilities	2,812,151	3,208,876	1,345,685	1,148,451	4,157,836	4,357,327
Long-term liabilities	51,787,042	52,352,472	24,958,795	22,923,175	76,745,837	75,275,647
Total liabilities	<u>54,599,193</u>	<u>55,561,348</u>	<u>26,304,480</u>	<u>24,071,626</u>	<u>80,903,673</u>	<u>79,632,974</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	145,961,066	146,306,669	110,462,358	111,598,330	256,423,424	257,904,999
Restricted	3,980,184	7,343,850	13,990,821	15,403,422	17,971,005	22,747,272
Unrestricted	(1,397,676)	(6,872,343)	5,549,490	4,948,672	4,151,814	(1,923,671)
<b>Total Net Assets</b>	<u><b>\$ 148,543,574</b></u>	<u><b>\$ 146,778,176</b></u>	<u><b>\$ 130,002,669</b></u>	<u><b>\$ 131,950,424</b></u>	<u><b>\$ 278,546,243</b></u>	<u><b>\$ 278,728,600</b></u>

The largest portion of the City's net assets, \$257,904,999, 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 \$1,481,575 or 0.58 percent from June 30, 2010. 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.

Net assets totaling \$22,747,272 or 8.16 percent of the total represent resources that are subject to external restrictions on how they may be used. This represents an increase of \$4,776,267 in the City's restricted net assets from June 30, 2010. The remaining balance of unrestricted net assets, (\$1,923,671), may be used to meet the City's ongoing obligations to citizens and creditors. Ending the year with negative unrestricted net assets has required the City to modify the services it offers to balance the budget for FY 2012.

Unrestricted net assets for governmental activities totaled (\$6,872,343) or (4.68) percent of the total net assets for governmental activities. Business-type activities unrestricted net assets totaled \$4,948,672 or 3.75 percent of the total net assets for business-type activities. At the end of FY 2011, the City of Corvallis is able to report positive balances in two of three categories of net assets, with the total unrestricted net assets negative. The City has taken action during FY 2012 to bring the unrestricted net assets in governmental activities to a positive balance.

**CITY OF CORVALLIS**  
**Summary of Changes in Net Assets**

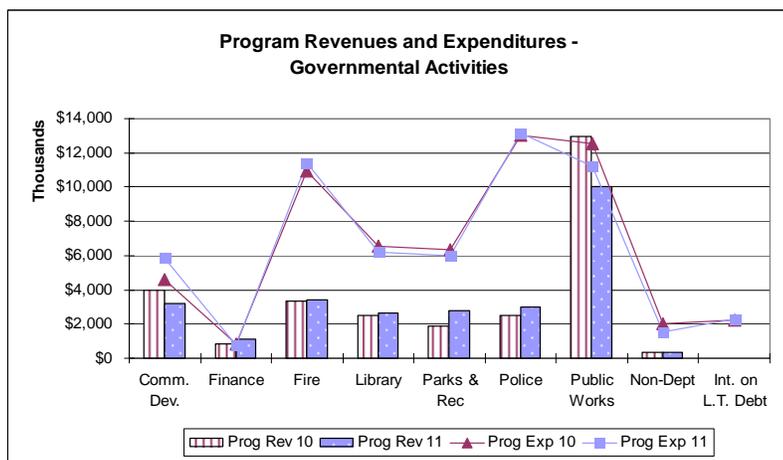
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>
<b>Revenue:</b>						
Program Revenue:						
Charges for Service	\$ 13,093,894	\$ 11,858,935	\$ 19,352,231	\$ 19,865,571	\$ 32,446,125	\$ 31,724,506
Operating grants and contributions	8,641,809	8,962,239	27,238	58,196	8,669,047	9,020,435
Capital grants and contributions	6,713,015	5,641,347	2,177,949	4,808,133	8,890,964	10,449,480
General Revenue:						
Property taxes levied for op. purposes	19,017,384	19,876,172	-	-	19,017,384	19,876,172
Property taxes levied for debt service	1,933,343	1,899,302	-	-	1,933,343	1,899,302
Transient room taxes	1,079,621	1,190,725	-	-	1,079,621	1,190,725
Franchise Fees	5,004,727	5,142,289	-	-	5,004,727	5,142,289
Interest and investment earnings	158,842	144,235	144,423	113,416	303,265	257,651
Miscellaneous	1,579,768	1,421,942	5,808	8,041	1,585,576	1,429,983
Gain on sale of capital assets	6,644	43,271	-	-	6,644	43,271
Total Revenues	<u>57,229,047</u>	<u>56,180,457</u>	<u>21,707,649</u>	<u>24,853,357</u>	<u>78,936,696</u>	<u>81,033,814</u>
<b>Expenses:</b>						
Community Development	4,622,690	5,854,253	-	-	4,622,690	5,854,253
Finance Department	807,226	782,197	-	-	807,226	782,197
Fire Department	10,963,048	11,426,793	-	-	10,963,048	11,426,793
Library	6,544,201	6,221,228	-	-	6,544,201	6,221,228
Parks & Recreation	6,323,593	6,020,914	-	-	6,323,593	6,020,914
Police Department	13,013,915	13,184,192	-	-	13,013,915	13,184,192
Public Works	12,515,686	11,245,957	-	-	12,515,686	11,245,957
Non-Departmental	1,986,064	1,511,814	-	-	1,986,064	1,511,814
Interest on long-term debt	2,254,830	2,292,797	-	-	2,254,830	2,292,797
Water	-	-	8,499,854	8,745,859	8,499,854	8,745,859
Wastewater	-	-	9,462,535	9,970,607	9,462,535	9,970,607
Storm Water	-	-	2,021,492	2,097,052	2,021,492	2,097,052
Airport	-	-	842,116	1,497,794	842,116	1,497,794
Total Expenses	<u>59,031,253</u>	<u>58,540,145</u>	<u>20,825,997</u>	<u>22,311,312</u>	<u>79,857,250</u>	<u>80,851,457</u>
Excess of revenues over expenditures						
before transfers	(1,802,206)	(2,359,688)	881,652	2,542,045	(920,554)	182,357
Transfers	523,680	594,290	(523,680)	(594,290)	-	-
Change in Net Assets	<u>(1,278,526)</u>	<u>(1,765,398)</u>	<u>357,972</u>	<u>1,947,755</u>	<u>(920,554)</u>	<u>182,357</u>
Net Assets - Beginning	149,822,100	148,543,574	129,644,697	130,002,669	279,466,797	278,546,243
Net Assets - Ending	<u>\$148,543,574</u>	<u>\$ 146,778,176</u>	<u>\$ 130,002,669</u>	<u>\$131,950,424</u>	<u>\$278,546,243</u>	<u>\$278,728,600</u>

- Governmental activities decreased the City’s net assets by \$1,765,398. This was primarily the result of decreased revenues from most major sources, including franchise fees, State Revenue Sharing, building permits and plan reviews for new construction and Systems Development Charge (SDC) revenue for Streets. The lower operating revenues led to mid-year budget reductions to bring expenditures in line with decreased revenue projections. SDC revenue is reserved for future capital projects; the result of the lower revenue may be the delay in implementing future year capital projects.
- Business-type activities increased the City’s net assets by \$1,947,755. Rate increases in the water and wastewater 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, unreserved fund balance 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, 2011, the City’s governmental funds reported combined ending fund balances of \$12,750,504, a decrease of \$374,847 in comparison with the prior year. Approximately \$6,130,001 or 48.08 percent constitutes assigned and unassigned fund balance which is available for spending at the City’s discretion. The remainder of the fund balance, \$6,620,503 is reserved or committed to indicate that it is not available for new spending because it has already been committed 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 2011, the unassigned and assigned fund balance of the General Fund was (\$112,018). Monies reserved and committed totaled \$516,098. 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 (0.78) percent of the total General Fund operating expenditures.

The total fund balance (reserved, committed, unassigned, and assigned) of the General Fund decreased by \$266,323 during FY 2011. Key factors in this decrease are:

- ❖ Transient room tax, franchise fees, plan review, and interest earnings were all lower than expected in FY 10-11. Most of these decreases were the result of the general economic downturn facing all cities in the US and in other countries.
- ❖ Pending appeals of the assessed value for two of the largest property tax payers have resulted in the County withholding a portion of the City’s property tax revenue to be used to re-pay the appellants if they are successful at tax court.
- ❖ Fine revenue was lower than expected due to a number of vacancies in the Police Department and a commensurate decrease in the number of citations issued. However, collections activity was initiated at Municipal Court, with certain delinquent accounts turned over to a collection agency, and past due

amounts are being collected. Future year revenues are expected to improve due to this action, and an increase in Police Department staffing levels.

In the Street Fund, the fund balance increased by \$333,276. State Highway Tax revenue was lower than budgeted by around \$250,000, however, the City received American Recovery and Reinvestment Act (ARRA) monies as part of the federal stimulus program for street projects which in part offset the lower than expected Highway Tax revenue.

In the Parks and Recreation Fund, the ending fund balance was \$1,094,525 higher than the prior year. Systems Development Charge revenue was significantly over budget due to the construction of a new residential facility at the Oregon State University campus, and apartment construction elsewhere in the City.

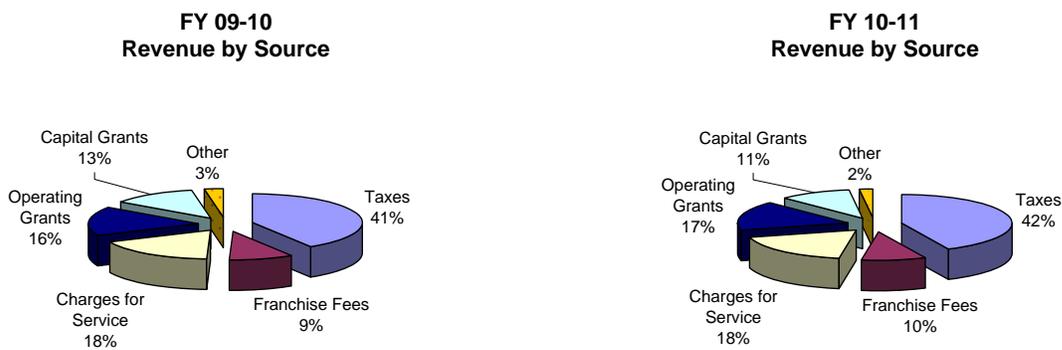
The Fire and Rescue Fund ending fund balance was \$655,733 lower than June 30, 2010. As with other funds, the decreases in non-dedicated revenue, combined with the purchase of replacement vehicles, served to lower the fund balance.

The Community Development Revolving Fund ending fund balance was \$923,363 lower than the prior year due to loan and grant allocations for affordable housing.

The Library Fund ended FY 2011 with a fund balance \$417,965 higher than the prior year. This was the result of holding a number of positions vacant while the local option tax levy campaign was underway, pending the outcome of funding for FY 2012.

The Capital Construction Fund ending fund balance for June 30, 2011 was \$984,970 higher than the prior year. The increase was the result of balances being held for several projects in progress at the end of the fiscal year.

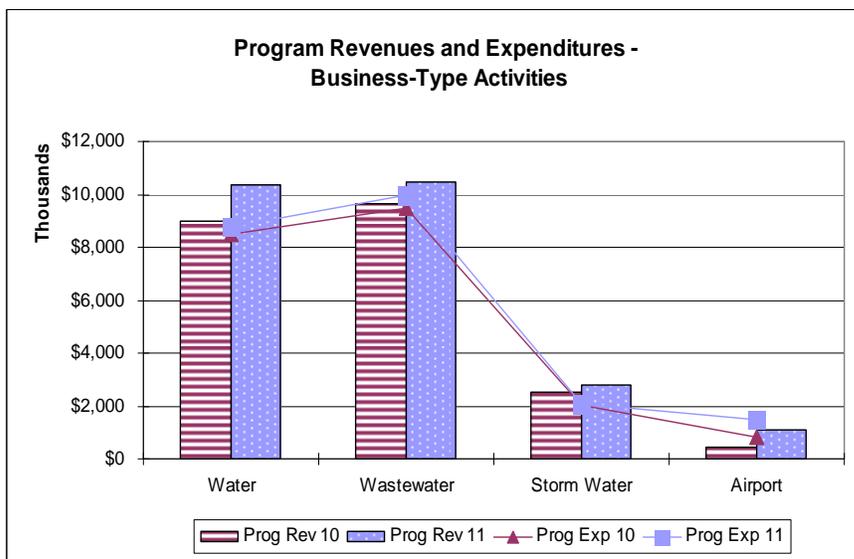
**Revenue by Source – Governmental Funds**



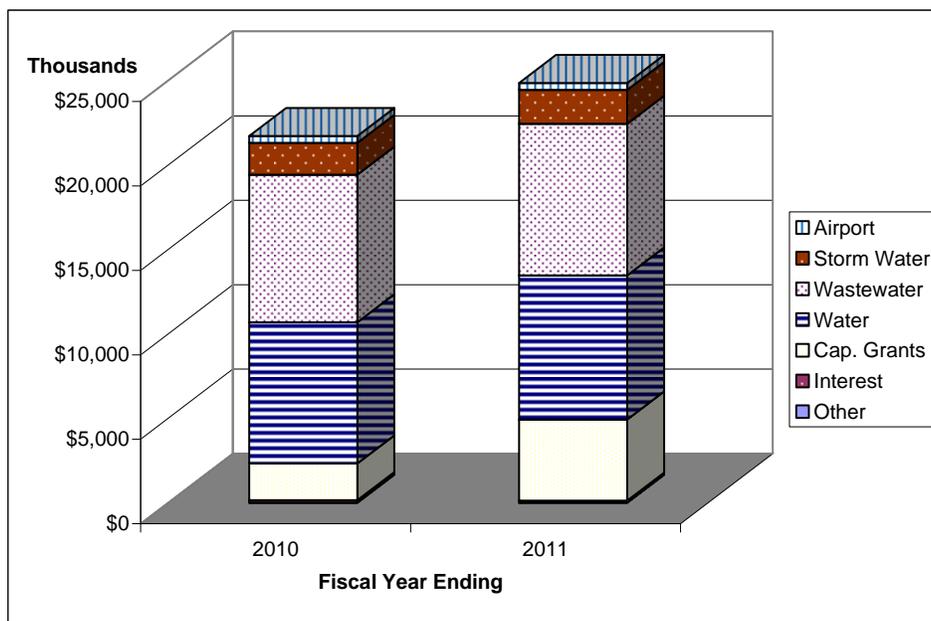
**Proprietary Funds** The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary funds increased the City’s net assets by \$1,947,755. Key elements of this increase are as follows:

- The Water and Wastewater funds accounted for a significant portion of this increase, which resulted in part from the approval of a 3.7 percent rate increase for water and 2.0 percent increase for wastewater rates to provide additional monies for operations and maintenance and future capital projects.

- Storm Water fees were increased ten percent in FY 09-10, and held steady in FY 10-11. This has primarily been to develop capacity within rates to implement new infrastructure projects that are the result of the storm water master plan.
- Systems Development Charges (SDCs) for water, wastewater, and storm water revenues combined were more than \$973,000 higher than anticipated in FY 2011, the result of significant new construction at Oregon State University. 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 \$611,246 increase between the adopted and final budget in the General Fund. During the course of the year the City Council accepted and appropriated Department of Justice Grants for the Police Department and an Environmental Protection Agency grant for a climate change related project. Significant variances between budget and actual activity can be summarized as follows:

- ❖ Revenues were lower than expected from transient room taxes, franchise fees, development review fees, and interest earnings due to the economic slow down.
- ❖ Property tax revenue was higher than expected, built on new statewide assessment of Comcast that included property taxes on intangibles and increases to a higher 2010 base for industrial property. Comcast has

appealed its valuation, and subsequent to fiscal year end won its appeal; the State Department of Revenue, which performed the assessment, has not yet decided whether it will appeal this decision. The base for the higher industrial property values is on appeal from 2008; the outcome of that appeal could have impacts on the 2011 revenue as well as future year projections.

- ❖ Franchise fees were lower than expected due to both a decrease in the number of land line phones in use and general conservation measures put into place by Corvallis homeowners as part of the community sustainability efforts.

## 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, 2011, amounts to \$289,621,190 (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 0.31 percent. This total includes a 0.16 percent increase in governmental activities and a 0.87 percent decrease in business-type activities.

Major capital asset events during FY 2011 included the following:

- ❖ Infrastructure maintenance projects capitalized for water, wastewater, storm water, streets, sidewalks, parks, and municipal buildings totaled \$1,818,241.
- ❖ FY 2011 marks the first year the City is reporting the acquisition of intangible assets in its business-type activities. Recorded intangibles include assets for land easements and software development.
- ❖ Airport Facility Improvements completed during the year included reconstruction and widening of Hout Street in the industrial park and the first phase of off-site wetland mitigation work.
- ❖ City Hall projects, including seismic improvements funded by a FEMA grant, window and HVAC replacement/upgrade, and the Moose Lodge demolition and parking lot & restroom construction were all completed.
- ❖ The third phase of the Majestic Theatre Seismic Upgrade was completed.

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.

<b>CITY OF CORVALLIS’ CAPITAL ASSETS</b> <b>(net of depreciation)</b>
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	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Intangibles	\$ 106,023	\$ 433,150	\$ -	\$ 148,617	\$ 106,023	\$ 581,767
Land	87,240,451	88,117,613	1,142,357	1,142,357	88,382,808	89,259,970
Buildings	16,706,974	17,306,742	1,574,303	1,508,791	18,281,277	18,815,533
Machinery and equipment	1,961,823	2,189,028	1,825,941	1,790,231	3,787,764	3,979,259
Vehicles	6,301,978	5,619,606	1,197,953	961,344	7,499,931	6,580,950
Infrastructure	42,586,423	40,755,216	126,467,494	126,259,987	169,053,917	167,015,203
Construction in Progress	1,872,612	2,610,671	1,542,663	777,837	3,415,275	3,388,508
<b>Total</b>	<u>\$ 156,776,284</u>	<u>\$ 157,032,026</u>	<u>\$ 133,750,711</u>	<u>\$ 132,589,164</u>	<u>\$ 290,526,995</u>	<u>\$ 289,621,190</u>

Additional information on the City of Corvallis’ capital assets can be found on pages 51-52 of this report.

**Long-Term Debt** At the end of FY 2011 the City had total debt outstanding of \$64,345,517 . Of this amount, \$8,695,000 comprises debt backed by the full faith and credit of the government, \$4,820,000 is revenue supported,

backed by the revenue of the wastewater utility operation, and \$32,360,610 is limited-tax debt supported by operating funds of the City. The City also had total notes outstanding of \$18,469,907 .

**CITY OF CORVALLIS**  
**Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>
General obligation bonds	\$ 10,860,000	\$ 8,695,000	\$ -	\$ -	\$ 10,860,000	\$ 8,695,000
Revenue bonds	-	-	5,240,000	4,820,000	5,240,000	4,820,000
Pension obligation bonds	32,767,277	32,360,610	-	-	32,767,277	32,360,610
Total bonded debt	43,627,277	41,055,610	5,240,000	4,820,000	48,867,277	45,875,610
Notes payable	-	2,100,000	18,263,308	16,369,907	18,263,308	18,469,907
<b>Total Debt Outstanding</b>	<u>\$ 43,627,277</u>	<u>\$ 43,155,610</u>	<u>\$23,503,308</u>	<u>\$21,189,907</u>	<u>\$ 67,130,585</u>	<u>\$64,345,517</u>

The City’s total debt decreased \$2,785,068 or 4.15 percent during FY 2011. The decrease was the net result of paying scheduled debt payments and completing a full faith and credit bank loan for \$2.1 million in August 2010.

Moody’s change to a global rating system has changed 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 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 53-57 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

- The seasonally adjusted unemployment rate for the Corvallis MSA in June 2011 was 6.4 percent, a decrease from last June’s 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 9.4 percent.
- Property tax revenue has remained relatively stable. Oregon’s property tax system, where assessed values for tax purposes are not tied to real market values, has allowed revenue to remain stable even as real market value has declined by 2 to 4 percent. In Corvallis, the average residential property assessed value is forty percent lower than real market value. However, valuation appeals by large industrial properties have led to a lower than expected level of revenue.
- 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.
- Single family residential construction has essentially stopped in Corvallis, although commercial projects have remained strong, and Oregon State University is in the middle of several major building projects. Oregon State University enrollment increased close to 4,000 students for the 11-12 school year, and with a near zero vacancy rate for rental units a number of developers are looking at apartment construction projects. At this point, it is difficult to predict when the single family residential market will return to its previous level.

All of these factors were considered when preparing the budget for the 2012 fiscal year.

During FY 2011, unassigned fund balances in the General Fund decreased to \$(112,018). The City of Corvallis has appropriated some of its committed balances for planned projects for which these balances were set aside. The planned draw on fund balances continues a trend over the last six years where operating expenses are higher than operating revenue. For FY 2012, the City cut the budget by \$1.8 million to obtain a balanced budget; this was following a mid-year FY 2011 cut of \$2.3 million.

## **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@ci.corvallis.or.us](mailto:finance@ci.corvallis.or.us).

# BASIC FINANCIAL STATEMENTS

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



## 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's opinion is expressed on the basic financial statements.*

**CITY OF CORVALLIS, OREGON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
<b>ASSETS</b>			
Cash and investments	\$ 13,723,025	\$ 19,157,725	\$ 32,880,750
Receivables (net of allowances for uncollectibles)			
Property taxes	1,199,656	-	1,199,656
Accounts	1,243,077	1,885,920	3,128,997
Accrued interest	17,296	23,644	40,940
Assessments	80,262	43,078	123,340
Franchise fees	429,107	-	429,107
Grants	1,297,291	123,580	1,420,871
Revolving loans	2,719,809	-	2,719,809
Other receivables	719,326	182	719,508
Other assets	14	-	14
Deferred charges	469,015	420,520	889,535
Property held for resale	1,040,083	-	1,040,083
Prepaid pension obligation costs	22,369,537	-	22,369,537
Other restricted assets	-	151,078	151,078
Restricted cash and investments	-	1,627,159	1,627,159
Capital assets:			
Non-depreciable	91,046,424	2,068,811	93,115,235
Other (net of accumulated depreciation)	65,985,602	130,520,353	196,505,955
<i>Total Assets</i>	<u>\$ 202,339,524</u>	<u>\$ 156,022,050</u>	<u>\$ 358,361,574</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,499,980	\$ 848,260	\$ 2,348,240
Accrued interest	687,763	228,600	916,363
Other accrued liabilities	943,613	71,591	1,015,204
Unearned revenue	77,520	-	77,520
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences	3,449,638	643,550	4,093,188
Bonds payable	2,356,767	440,000	2,796,767
Notes payable	185,000	1,982,793	2,167,793
Due in more than one year:			
Accrued compensated absences	1,817,629	339,089	2,156,718
Net OPEB obligation	3,999,238	949,702	4,948,940
Bonds payable (net of unamortized premium and deferred amount on refunding)	38,629,200	4,180,926	42,810,126
Notes payable	1,915,000	14,387,115	16,302,115
<i>Total Liabilities</i>	<u>55,561,348</u>	<u>24,071,626</u>	<u>79,632,974</u>
<b>Net Assets</b>			
Investment in capital assets (net of related debt)	146,306,669	111,598,330	257,904,999
Restricted for:			
Streets and highways	2,323,260	-	2,323,260
Capital projects and construction	3,377,276	13,625,196	17,002,472
Debt service	82,505	1,778,226	1,860,731
Endowments - nonexpendable	5,000	-	5,000
Other purposes	1,555,809	-	1,555,809
Unrestricted	(6,872,343)	4,948,672	(1,923,671)
<i>Total Net Assets</i>	<u>146,778,176</u>	<u>131,950,424</u>	<u>278,728,600</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 202,339,524</u>	<u>\$ 156,022,050</u>	<u>\$ 358,361,574</u>

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

**CITY OF CORVALLIS, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

<i>Activities</i>	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines, and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<b>Governmental Activities:</b>				
Community Development	\$ 5,854,253	\$ 2,157,595	\$ 1,024,105	\$ -
Finance	782,197	1,094,015	-	-
Fire	11,426,793	3,318,101	37,562	58,012
Library	6,221,228	211,198	2,407,275	36,999
Parks and Recreation	6,020,914	1,512,646	46,806	1,209,457
Police	13,184,192	1,293,267	1,276,987	398,897
Public Works	11,245,957	1,901,110	4,169,504	3,937,982
General Government	1,511,814	371,003	-	-
Interest on long-term debt	2,292,797	-	-	-
<i>Total Governmental Activities</i>	<i>58,540,145</i>	<i>11,858,935</i>	<i>8,962,239</i>	<i>5,641,347</i>
<b>Business-type Activities:</b>				
Water	8,745,859	8,482,624	46,544	1,846,713
Wastewater	9,970,607	8,969,074	8,525	1,479,547
Storm Water	2,097,052	2,005,560	3,127	811,322
Airport	1,497,794	408,313	-	670,551
<i>Total Business-type Activities</i>	<i>22,311,312</i>	<i>19,865,571</i>	<i>58,196</i>	<i>4,808,133</i>
<i>Total Activities</i>	<i>\$ 80,851,457</i>	<i>\$ 31,724,506</i>	<i>\$ 9,020,435</i>	<i>\$ 10,449,480</i>

**General Revenues:**

Taxes  
Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Transient room taxes  
Franchise fees  
Interest and investment earnings  
Miscellaneous  
Gain on sale of capital assets

*Total General Revenues*

**Transfers**

*Change in Net Assets*

*Net Assets, Beginning of Year*

*Net Assets, End of Year*

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

<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Totals</i></b>
\$ (2,672,553)	\$ -	\$ (2,672,553)
311,818	-	311,818
(8,013,118)	-	(8,013,118)
(3,565,756)	-	(3,565,756)
(3,252,005)	-	(3,252,005)
(10,215,041)	-	(10,215,041)
(1,237,361)	-	(1,237,361)
(1,140,811)	-	(1,140,811)
(2,292,797)	-	(2,292,797)
(32,077,624)	-	(32,077,624)
-	1,630,022	1,630,022
-	486,539	486,539
-	722,957	722,957
-	(418,930)	(418,930)
-	2,420,588	2,420,588
(32,077,624)	2,420,588	(29,657,036)
19,876,172	-	19,876,172
1,899,302	-	1,899,302
1,190,725	-	1,190,725
5,142,289	-	5,142,289
144,235	113,416	257,651
1,421,942	8,041	1,429,983
43,271	-	43,271
29,717,936	121,457	29,839,393
594,290	(594,290)	-
(1,765,398)	1,947,755	182,357
148,543,574	130,002,669	278,546,243
\$ 146,778,176	\$ 131,950,424	\$ 278,728,600

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

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# FUND FINANCIAL STATEMENTS

## MAJOR GOVERNMENTAL FUNDS



## 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.

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**CITY OF CORVALLIS, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<u>General</u>	<u>Street</u>	<u>Parks and Recreation</u>
<b>ASSETS</b>			
Cash and investments	\$ 607,739	\$ 2,159,034	\$ 2,612,526
Receivables			
Property taxes	1,199,656	-	-
Accounts	355,189	71,925	98,269
Accrued interest	623	4,089	4,629
Assessments	61,069	9,564	9,629
Franchise fees	429,107	-	-
Grants	80,345	180,721	-
Revolving loans	-	-	-
Other receivables	181,648	257,934	-
Property held for resale	1,040,083	-	-
Other assets	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Total Assets</i>	<u>\$ 3,955,459</u>	<u>\$ 2,683,267</u>	<u>\$ 2,725,053</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 128,447	\$ 322,314	\$ 182,975
Other accrued liabilities	843,534	28,129	1,296
Deferred/unearned revenue	2,579,398	9,564	25,902
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Total Liabilities</i>	<u>3,551,379</u>	<u>360,007</u>	<u>210,173</u>
 <b>Fund Balances</b>			
Nonspendable	-	-	-
Restricted	263,683	1,874,768	1,612,951
Committed	252,415	91,625	572,523
Assigned	-	356,867	329,406
Unassigned	(112,018)	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Total Fund Balance</i>	<u>404,080</u>	<u>2,323,260</u>	<u>2,514,880</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,955,459</u>	<u>\$ 2,683,267</u>	<u>\$ 2,725,053</u>

<i>Fire &amp; Rescue</i>	<i>Community Development Revolving</i>	<i>Library</i>	<i>Capital Construction</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 1,240,100	\$ 17,983	\$ 1,185,348	\$ 1,143,930	\$ 3,019,159	\$ 11,985,819
-	-	-	-	-	1,199,656
427,614	30	4	-	277,714	1,230,745
1,363	410	1,063	808	2,659	15,644
-	-	-	-	-	80,262
-	-	-	-	-	429,107
28,848	51,532	-	874,793	81,052	1,297,291
-	2,719,809	-	-	-	2,719,809
11,589	-	131,247	-	136,908	719,326
-	-	-	-	-	1,040,083
-	-	-	-	14	14
<u>\$ 1,709,514</u>	<u>\$ 2,789,764</u>	<u>\$ 1,317,662</u>	<u>\$ 2,019,531</u>	<u>\$ 3,517,506</u>	<u>\$ 20,717,756</u>
\$ 74,896	\$ 6,016	\$ 82,545	\$ 196,218	\$ 194,601	\$ 1,188,012
-	9,471	48	5,621	46,682	934,781
469,472	2,719,810	4,096	-	36,217	5,844,459
<u>544,368</u>	<u>2,735,297</u>	<u>86,689</u>	<u>201,839</u>	<u>277,500</u>	<u>7,967,252</u>
-	-	-	-	5,000	5,000
-	-	6,086	1,133,541	81,557	4,972,586
3,408	240,706	444,917	-	37,323	1,642,917
1,161,738	-	779,970	684,151	3,116,126	6,428,258
-	(186,239)	-	-	-	(298,257)
<u>1,165,146</u>	<u>54,467</u>	<u>1,230,973</u>	<u>1,817,692</u>	<u>3,240,006</u>	<u>12,750,504</u>
<u>\$ 1,709,514</u>	<u>\$ 2,789,764</u>	<u>\$ 1,317,662</u>	<u>\$ 2,019,531</u>	<u>\$ 3,517,506</u>	<u>\$ 20,717,756</u>

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

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**CITY OF CORVALLIS, OREGON**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

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Amounts reported for governmental activities in the statement of net assets (page 23) are different because:

Fund balance - total governmental funds (page 25)	\$ 12,750,504
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 assets but are not included here.	156,221,515
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	469,015
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(51,801,237)
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 assets.	1,001,903
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 assets.	22,369,537
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.	5,766,939
Net assets of governmental activities (page 23)	<u>\$ 146,778,176</u>

*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, 2011**

	<u>General</u>	<u>Street</u>	<u>Parks and Recreation</u>
<b>REVENUES</b>			
Taxes	\$ 6,169,798	\$ -	\$ 3,971,633
Licenses, fees, and permits	5,375,369	566,660	85,200
Charges for services	675,033	852,727	2,569,529
Intergovernmental	1,367,991	3,244,275	7,400
Fines and forfeitures	697,994	4,717	228
Miscellaneous	138,017	16,221	101,742
	<u>14,424,202</u>	<u>4,684,600</u>	<u>6,735,732</u>
<i>Total Revenues</i>			
<b>EXPENDITURES</b>			
Current			
Community Development	1,450,222	18,106	-
Finance	576,402	-	-
Fire	-	-	-
Library	-	-	-
Parks & Recreation	-	-	5,420,677
Police	9,894,021	-	-
Public Works	887,312	3,602,705	-
Nondepartmental	1,424,041	-	-
Debt service			
Principal	-	-	-
Interest	30,389	-	-
Capital outlay	78,530	130,464	20,590
	<u>14,340,917</u>	<u>3,751,275</u>	<u>5,441,267</u>
<i>Total Expenditures</i>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>83,285</u>	<u>933,325</u>	<u>1,294,465</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds - issuance of debt	-	-	-
Proceeds - sale of capital assets	4,002	-	-
Transfers in	345,450	-	-
Transfers out	(699,060)	(600,049)	(199,940)
	<u>(349,608)</u>	<u>(600,049)</u>	<u>(199,940)</u>
<i>Total Other Financing Sources (Uses)</i>			
<b>NET CHANGE IN FUND BALANCES</b>	(266,323)	333,276	1,094,525
<b>FUND BALANCE, Beginning of year</b>	<u>670,403</u>	<u>1,989,984</u>	<u>1,420,355</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 404,080</u>	<u>\$ 2,323,260</u>	<u>\$ 2,514,880</u>

<i>Fire &amp; Rescue</i>	<i>Community Development Revolving</i>	<i>Library</i>	<i>Capital Construction</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 6,842,357	\$ -	\$ 3,937,789	\$ -	\$ 1,976,944	\$ 22,898,521
21,162	116,220	-	-	1,425,862	7,590,473
3,271,140	5,000	43,340	-	2,339,999	9,756,768
37,562	1,015,560	2,407,275	868,706	2,164,417	11,113,186
17,223	476	94,207	-	412,269	1,227,114
72,221	244,918	78,641	31,037	209,679	892,476
<u>10,261,665</u>	<u>1,382,174</u>	<u>6,561,252</u>	<u>899,743</u>	<u>8,529,170</u>	<u>53,478,538</u>
-	2,216,117	-	-	1,949,082	5,633,527
-	-	-	-	112,029	688,431
9,240,854	-	-	-	-	9,240,854
-	-	5,993,041	-	147	5,993,188
-	-	-	-	-	5,420,677
-	-	-	-	2,295,681	12,189,702
-	-	-	-	2,583,173	7,073,190
-	-	-	-	1,350	1,425,391
-	-	-	-	2,571,667	2,571,667
-	-	-	-	2,255,229	2,285,618
1,172,299	-	(85,604)	2,752,422	-	4,068,701
<u>10,413,153</u>	<u>2,216,117</u>	<u>5,907,437</u>	<u>2,752,422</u>	<u>11,768,358</u>	<u>56,590,946</u>
<u>(151,488)</u>	<u>(833,943)</u>	<u>653,815</u>	<u>(1,852,679)</u>	<u>(3,239,188)</u>	<u>(3,112,408)</u>
-	-	-	2,100,000	-	2,100,000
17,505	-	-	-	21,764	43,271
-	-	-	812,649	2,501,680	3,659,779
(521,750)	(89,420)	(235,850)	(75,000)	(644,420)	(3,065,489)
<u>(504,245)</u>	<u>(89,420)</u>	<u>(235,850)</u>	<u>2,837,649</u>	<u>1,879,024</u>	<u>2,737,561</u>
<u>(655,733)</u>	<u>(923,363)</u>	<u>417,965</u>	<u>984,970</u>	<u>(1,360,164)</u>	<u>(374,847)</u>
<u>1,820,879</u>	<u>977,830</u>	<u>813,008</u>	<u>832,722</u>	<u>4,600,170</u>	<u>13,125,351</u>
<u>\$ 1,165,146</u>	<u>\$ 54,467</u>	<u>\$ 1,230,973</u>	<u>\$ 1,817,692</u>	<u>\$ 3,240,006</u>	<u>\$ 12,750,504</u>

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, 2011**

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

Net change in fund balances - total governmental funds (page 27)	\$ (374,847)
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)	3,344,729
Current period depreciation	(5,496,712)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(147,907)
Contributions of capital assets increase net assets. These assets are not reported in the funds.	2,566,998
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 assets. 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.	(780,746)
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.	(951,589)
Some revenues are earned but are deferred as they are not available in the current period and, therefore, are not reported in the funds.	78,979
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.	(4,303)
Change in net assets of governmental activities (page 24)	<u>\$ (1,765,398)</u>

*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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes	\$ 5,893,340	\$ 5,893,340	\$ 6,169,798	\$ 276,458
Licenses, fees, and permits	5,383,940	5,383,940	5,375,369	(8,571)
Charges for services	713,370	713,370	675,033	(38,337)
Intergovernmental	1,881,100	2,476,979	1,367,991	(1,108,988)
Fines and forfeitures	866,700	866,700	697,994	(168,706)
Miscellaneous	113,290	113,290	138,017	24,727
<i>Total Revenues</i>	<u>14,851,740</u>	<u>15,447,619</u>	<u>14,424,202</u>	<u>(1,023,417)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	1,618,220	1,618,220	1,450,222	167,998
Finance	618,920	618,920	576,402	42,518
Police	9,940,990	10,060,474	9,914,796	145,678
Public Works	1,325,090	1,816,852	945,067	871,785
Nondepartmental	1,497,910	1,537,910	1,424,041	113,869
Contingency	143,640	103,640	-	103,640
<i>Total Expenditures</i>	<u>15,194,690</u>	<u>15,805,936</u>	<u>14,340,917</u>	<u>1,465,019</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(342,950)	(358,317)	83,285	441,602
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - issuance of debt	25,000	25,000	-	(25,000)
Proceeds - sale of capital assets	-	-	4,002	4,002
Transfers in	345,450	345,450	345,450	-
Transfers out	(700,760)	(700,760)	(699,060)	1,700
<b>NET CHANGE IN FUND BALANCE</b>	(673,260)	(688,627)	(266,323)	422,304
<b>FUND BALANCE, Beginning of year</b>	<u>1,268,343</u>	<u>1,268,343</u>	<u>670,403</u>	<u>(597,940)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 595,083</u>	<u>\$ 579,716</u>	<u>\$ 404,080</u>	<u>\$ (175,636)</u>

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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 452,390	\$ 452,390	\$ 566,660	\$ 114,270
Charges for services	505,860	505,860	852,727	346,867
Intergovernmental	3,667,260	3,797,260	3,244,275	(552,985)
Fines and forfeitures	500	500	4,717	4,217
Miscellaneous	15,650	15,650	16,221	571
<i>Total Revenues</i>	<u>4,641,660</u>	<u>4,771,660</u>	<u>4,684,600</u>	<u>(87,060)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	19,750	19,750	18,106	1,644
Public Works	4,299,360	4,429,360	3,733,169	696,191
Contingency	73,920	73,920	-	73,920
<i>Total Expenditures</i>	<u>4,393,030</u>	<u>4,523,030</u>	<u>3,751,275</u>	<u>771,755</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	248,630	248,630	933,325	684,695
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,606,520)	(1,606,520)	(600,049)	1,006,471
<b>NET CHANGE IN FUND BALANCE</b>	(1,357,890)	(1,357,890)	333,276	1,691,166
<b>FUND BALANCE, Beginning of year</b>	<u>1,607,329</u>	<u>1,607,329</u>	<u>1,989,984</u>	<u>382,655</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 249,439</u>	<u>\$ 249,439</u>	<u>\$ 2,323,260</u>	<u>\$ 2,073,821</u>

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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes	\$ 3,870,450	\$ 3,870,450	\$ 3,971,633	\$ 101,183
Licenses, fees, and permits	47,800	47,800	85,200	37,400
Charges for services	1,552,430	1,552,430	2,569,529	1,017,099
Intergovernmental	29,900	29,900	7,400	(22,500)
Fines and forfeitures	100	100	228	128
Miscellaneous	79,790	79,790	101,742	21,952
<i>Total Revenues</i>	<u>5,580,470</u>	<u>5,580,470</u>	<u>6,735,732</u>	<u>1,155,262</u>
<b>EXPENDITURES</b>				
Current				
Parks & Recreation	5,795,480	5,795,480	5,441,267	354,213
Contingency	54,900	54,900	-	54,900
<i>Total Expenditures</i>	<u>5,850,380</u>	<u>5,850,380</u>	<u>5,441,267</u>	<u>409,113</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(269,910)	(269,910)	1,294,465	1,564,375
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(403,452)	(403,452)	(199,940)	203,512
<b>NET CHANGE IN FUND BALANCE</b>	(673,362)	(673,362)	1,094,525	1,767,887
<b>FUND BALANCE, Beginning of year</b>	<u>1,689,366</u>	<u>1,689,366</u>	<u>1,420,355</u>	<u>(269,011)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 1,016,004</u>	<u>\$ 1,016,004</u>	<u>\$ 2,514,880</u>	<u>\$ 1,498,876</u>

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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes	\$ 6,667,370	\$ 6,667,370	\$ 6,842,357	\$ 174,987
Licenses, fees, and permits	17,950	17,950	21,162	3,212
Charges for services	3,146,270	3,146,270	3,271,140	124,870
Intergovernmental	32,800	32,800	37,562	4,762
Fines and forfeitures	15,340	15,340	17,223	1,883
Miscellaneous	70,180	70,180	72,221	2,041
<i>Total Revenues</i>	<u>9,949,910</u>	<u>9,949,910</u>	<u>10,261,665</u>	<u>311,755</u>
<b>EXPENDITURES</b>				
Current				
Fire	10,626,930	10,626,930	10,413,153	213,777
Contingency	101,230	101,230	-	101,230
<i>Total Expenditures</i>	<u>10,728,160</u>	<u>10,728,160</u>	<u>10,413,153</u>	<u>315,007</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(778,250)	(778,250)	(151,488)	626,762
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	-	-	17,505	17,505
Transfers out	(521,750)	(521,750)	(521,750)	-
<b>NET CHANGE IN FUND BALANCE</b>	(1,300,000)	(1,300,000)	(655,733)	644,267
<b>FUND BALANCE, Beginning of year</b>	<u>1,855,656</u>	<u>1,855,656</u>	<u>1,820,879</u>	<u>(34,777)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 555,656</u>	<u>\$ 555,656</u>	<u>\$ 1,165,146</u>	<u>\$ 609,490</u>

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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 118,000	\$ 118,000	\$ 116,220	\$ (1,780)
Charges for services	5,000	5,000	5,000	-
Intergovernmental	3,626,190	3,626,190	1,015,560	(2,610,630)
Fines and forfeitures	2,500	2,500	476	(2,024)
Miscellaneous	477,430	477,430	244,918	(232,512)
<i>Total Revenues</i>	<u>4,229,120</u>	<u>4,229,120</u>	<u>1,382,174</u>	<u>(2,846,946)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	4,262,670	4,262,670	2,216,117	2,046,553
Contingency	35,720	35,720	-	35,720
<i>Total Expenditures</i>	<u>4,298,390</u>	<u>4,298,390</u>	<u>2,216,117</u>	<u>2,082,273</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(69,270)	(69,270)	(833,943)	(764,673)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(89,420)	(89,420)	(89,420)	-
<b>NET CHANGE IN FUND BALANCE</b>	(158,690)	(158,690)	(923,363)	(764,673)
<b>FUND BALANCE, Beginning of year</b>	<u>880,361</u>	<u>880,361</u>	<u>977,830</u>	<u>97,469</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 721,671</u>	<u>\$ 721,671</u>	<u>\$ 54,467</u>	<u>\$ (667,204)</u>

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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes	\$ 3,838,270	\$ 3,838,270	\$ 3,937,789	\$ 99,519
Charges for services	45,400	45,400	43,340	(2,060)
Intergovernmental	2,460,620	2,510,620	2,407,275	(103,345)
Fines and forfeitures	75,500	75,500	94,207	18,707
Miscellaneous	86,330	86,330	78,641	(7,689)
<i>Total Revenues</i>	<u>6,506,120</u>	<u>6,556,120</u>	<u>6,561,252</u>	<u>5,132</u>
<b>EXPENDITURES</b>				
Current				
Library	6,384,110	6,434,110	5,907,437	526,673
Contingency	55,480	55,480	-	55,480
<i>Total Expenditures</i>	<u>6,439,590</u>	<u>6,489,590</u>	<u>5,907,437</u>	<u>582,153</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	66,530	66,530	653,815	587,285
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	60,000	60,000	-	(60,000)
Transfers out	(295,850)	(295,850)	(235,850)	60,000
<b>NET CHANGE IN FUND BALANCE</b>	(169,320)	(169,320)	417,965	587,285
<b>FUND BALANCE, Beginning of year</b>	<u>674,953</u>	<u>674,953</u>	<u>813,008</u>	<u>138,055</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 505,633</u>	<u>\$ 505,633</u>	<u>\$ 1,230,973</u>	<u>\$ 725,340</u>

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

# FUND FINANCIAL STATEMENTS

## PROPRIETARY FUNDS



## 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 ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Storm Water</b>	<b>Airport</b>	<b>Total</b>	<b>Activities Internal Service Funds</b>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and investments	\$ 6,485,057	\$ 10,424,490	\$ 1,665,515	\$ 582,663	\$ 19,157,725	\$ 1,737,206
Receivables						
Accounts	763,878	863,750	186,673	71,619	1,885,920	12,332
Accrued interest	6,217	15,490	1,570	367	23,644	1,652
Grants	25,170	10,171	-	88,239	123,580	-
Other receivables	-	182	-	-	182	-
<b>Total Current Assets</b>	<b>7,280,322</b>	<b>11,314,083</b>	<b>1,853,758</b>	<b>742,888</b>	<b>21,191,051</b>	<b>1,751,190</b>
<b>Noncurrent Assets</b>						
Assessments receivable	20,418	21,551	1,109	-	43,078	-
Deferred issuance costs	207,645	212,875	-	-	420,520	-
Other restricted assets	151,067	11	-	-	151,078	-
Restricted cash and investments	-	1,627,159	-	-	1,627,159	-
Capital assets						
Non-depreciable	507,225	980,078	393,208	188,299	2,068,810	500,663
Other (net of accumulated depreciation)	43,543,967	64,233,352	16,370,879	6,372,156	130,520,354	309,848
<b>Total Noncurrent Assets</b>	<b>44,430,322</b>	<b>67,075,026</b>	<b>16,765,196</b>	<b>6,560,455</b>	<b>134,830,999</b>	<b>810,511</b>
<b>Total Assets</b>	<b>\$ 51,710,644</b>	<b>\$ 78,389,109</b>	<b>\$ 18,618,954</b>	<b>\$ 7,303,343</b>	<b>\$ 156,022,050</b>	<b>\$ 2,561,701</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 300,032	\$ 428,755	\$ 34,340	\$ 85,133	\$ 848,260	\$ 311,968
Accrued compensated absences	259,142	290,930	81,826	11,652	643,550	454,592
Accrued interest	117,254	106,350	-	4,996	228,600	-
Other accrued liabilities	62,588	950	4,737	3,316	71,591	8,832
Bonds payable, current portion	-	440,000	-	-	440,000	-
Notes payable, current portion	815,965	1,142,888	-	23,940	1,982,793	-
<b>Total Current Liabilities</b>	<b>1,554,981</b>	<b>2,409,873</b>	<b>120,903</b>	<b>129,037</b>	<b>4,214,794</b>	<b>775,392</b>
<b>Long-Term Liabilities</b>						
Accrued compensated absences	136,543	153,292	43,115	6,139	339,089	239,527
Net OPEB obligations	388,987	392,946	142,529	25,240	949,702	544,879
Bonds payable (net of unamortized premium and deferred amount on refunding)	-	4,180,926	-	-	4,180,926	-
Notes payable	3,041,605	11,212,309	-	133,201	14,387,115	-
<b>Total Long-Term Liabilities</b>	<b>3,567,135</b>	<b>15,939,473</b>	<b>185,644</b>	<b>164,580</b>	<b>19,856,832</b>	<b>784,406</b>
<b>Total Liabilities</b>	<b>5,122,116</b>	<b>18,349,346</b>	<b>306,547</b>	<b>293,617</b>	<b>24,071,626</b>	<b>1,559,798</b>
<b>Net Assets</b>						
Investment in capital assets, net of related debt	40,193,622	48,237,307	16,764,087	6,403,314	111,598,330	810,511
Restricted						
Capital projects and construction	5,093,417	8,430,550	75,137	26,092	13,625,196	-
Debt service	151,067	1,627,159	-	-	1,778,226	-
Unrestricted	1,150,422	1,744,747	1,473,183	580,320	4,948,672	191,392
<b>Total Net Assets</b>	<b>46,588,528</b>	<b>60,039,763</b>	<b>18,312,407</b>	<b>7,009,726</b>	<b>131,950,424</b>	<b>1,001,903</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 51,710,644</b>	<b>\$ 78,389,109</b>	<b>\$ 18,618,954</b>	<b>\$ 7,303,343</b>	<b>\$ 156,022,050</b>	<b>\$ 2,561,701</b>

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 ASSETS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011**

	<i>Business-type Activities - Enterprise Funds</i>					<i>Governmental</i>
	<i>Water</i>	<i>Wastewater</i>	<i>Storm Water</i>	<i>Airport</i>	<i>Total</i>	<i>Activities Internal Service Funds</i>
<b>OPERATING REVENUES</b>						
Licenses, fees, and permits	\$ -	\$ -	\$ -	\$ 4,450	\$ 4,450	\$ -
Charges for services	8,646,978	10,064,001	2,052,097	394,784	21,157,860	8,680,965
Intergovernmental	46,544	8,525	3,127	-	58,196	-
Fines and forfeitures	3,149	-	-	-	3,149	32
Miscellaneous	421,611	23,036	3,241	9,079	456,967	57,702
<i>Total Operating Revenues</i>	<u>9,118,282</u>	<u>10,095,562</u>	<u>2,058,465</u>	<u>408,313</u>	<u>21,680,622</u>	<u>8,738,699</u>
<b>OPERATING EXPENSES</b>						
Personal services	3,430,144	3,366,935	1,109,602	152,290	8,058,971	5,080,830
Materials and supplies	955,359	473,091	60,836	11,208	1,500,494	595,275
Services	488,888	604,504	46,451	115,809	1,255,652	1,099,726
Utility and overhead	1,917,113	2,024,696	503,653	65,203	4,510,665	1,847,257
Training and conference	20,420	31,338	1,323	1,581	54,662	38,635
Depreciation and amortization	1,716,800	2,267,516	374,003	351,959	4,710,278	93,950
<i>Total Operating Expenses</i>	<u>8,528,724</u>	<u>8,768,080</u>	<u>2,095,868</u>	<u>698,050</u>	<u>20,090,722</u>	<u>8,755,673</u>
<b>OPERATING INCOME (LOSS)</b>	<u>589,558</u>	<u>1,327,482</u>	<u>(37,403)</u>	<u>(289,737)</u>	<u>1,589,900</u>	<u>(16,974)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>						
Interest income	35,258	66,043	9,346	2,769	113,416	12,671
Interest expense	(219,235)	(783,803)	-	(9,183)	(1,012,221)	-
Gain (loss) on disposal of capital assets	2,100	(418,724)	(1,184)	(790,561)	(1,208,369)	-
<i>Total Non-Operating Income (Expense)</i>	<u>(181,877)</u>	<u>(1,136,484)</u>	<u>8,162</u>	<u>(796,975)</u>	<u>(2,107,174)</u>	<u>12,671</u>
<b>INCOME (EXPENSE) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>407,681</u>	<u>190,998</u>	<u>(29,241)</u>	<u>(1,086,712)</u>	<u>(517,274)</u>	<u>(4,303)</u>
<b>CAPITAL CONTRIBUTIONS</b>						
Capital assets	1,260,329	366,810	761,629	-	2,388,768	-
Capital grants	-	-	-	670,551	670,551	-
<i>Total Capital Contributions</i>	<u>1,260,329</u>	<u>366,810</u>	<u>761,629</u>	<u>670,551</u>	<u>3,059,319</u>	<u>-</u>
<b>TRANSFERS</b>						
Transfers in	-	-	5,000	144,160	149,160	-
Transfers out	(297,820)	(237,990)	(174,460)	(33,180)	(743,450)	-
<i>Total Transfers</i>	<u>(297,820)</u>	<u>(237,990)</u>	<u>(169,460)</u>	<u>110,980</u>	<u>(594,290)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,370,190</u>	<u>319,818</u>	<u>562,928</u>	<u>(305,181)</u>	<u>1,947,755</u>	<u>(4,303)</u>
<b>NET ASSETS, Beginning of year</b>	<u>45,218,338</u>	<u>59,719,945</u>	<u>17,749,479</u>	<u>7,314,907</u>	<u>130,002,669</u>	<u>1,006,206</u>
<b>NET ASSETS, End of year</b>	<u>\$ 46,588,528</u>	<u>\$ 60,039,763</u>	<u>\$ 18,312,407</u>	<u>\$ 7,009,726</u>	<u>\$ 131,950,424</u>	<u>\$ 1,001,903</u>

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

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**CITY OF CORVALLIS, OREGON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Storm Water</b>	<b>Airport</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 9,120,614	\$ 10,045,027	\$ 2,030,467	\$ 328,608	\$ 21,524,716	\$ 172,651
Receipts from interfund services provided	4,767	3,380	5,641	498	14,286	1,049,854
Payments to suppliers	(1,964,206)	(1,439,080)	(174,658)	(46,767)	(3,624,711)	(3,229,916)
Payments to employees	(3,254,993)	(3,340,307)	(1,121,475)	(181,861)	(7,898,636)	(4,712,840)
Payments for interfund services used	(1,591,155)	(1,592,493)	(454,162)	(66,251)	(3,704,061)	6,951,667
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>2,315,027</u>	<u>3,676,527</u>	<u>285,813</u>	<u>34,227</u>	<u>6,311,594</u>	<u>231,416</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	-	-	5,000	144,160	149,160	-
Transfers out	(297,820)	(237,990)	(174,460)	(33,180)	(743,450)	-
<i>Net Cash Used In Noncapital Financing Activities</i>	<u>(297,820)</u>	<u>(237,990)</u>	<u>(169,460)</u>	<u>110,980</u>	<u>(594,290)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(326,160)	(876,819)	(178,764)	(770,605)	(2,152,348)	(82,585)
Capital contributions	-	-	-	670,551	670,551	-
Interest paid	(241,708)	(778,153)	-	(9,924)	(1,029,785)	-
Payments on bond principal	-	(420,000)	-	-	(420,000)	-
Payments on notes payable	(767,510)	(1,102,152)	-	(23,739)	(1,893,401)	-
Proceeds - sale of capital assets	2,100	2,391	-	2,500	6,991	-
<i>Net Cash Used In Capital and Related Financing Activities</i>	<u>(1,333,278)</u>	<u>(3,174,733)</u>	<u>(178,764)</u>	<u>(131,217)</u>	<u>(4,817,992)</u>	<u>(82,585)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	35,650	67,659	9,615	2,981	115,905	12,753
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	719,579	331,463	(52,796)	16,971	1,015,217	161,584
<b>CASH AND INVESTMENTS, Beginning of year</b>	<u>5,765,478</u>	<u>11,720,186</u>	<u>1,718,311</u>	<u>565,692</u>	<u>19,769,667</u>	<u>1,575,622</u>
<b>CASH AND INVESTMENTS, End of year</b>	<u>\$ 6,485,057</u>	<u>\$ 12,051,649</u>	<u>\$ 1,665,515</u>	<u>\$ 582,663</u>	<u>\$ 20,784,884</u>	<u>\$ 1,737,206</u>

	<i>Business-type Activities - Enterprise Funds</i>					<i>Governmental Activities Internal Service Funds</i>
	<i>Water</i>	<i>Wastewater</i>	<i>Storm Water</i>	<i>Airport</i>	<i>Total</i>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)</b>						
<b>OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 589,558	\$ 1,327,482	\$ (37,403)	\$ (289,737)	\$ 1,589,900	\$ (16,974)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	1,716,800	2,267,516	374,003	351,959	4,710,278	93,950
Change in assets and liabilities						
Receivables						
Accounts receivable	(50,877)	(7,222)	8,640	(9,929)	(59,388)	785
Assessments	2,766	(3,350)	2	-	(582)	-
Grants	(1,946)	(8,526)	-	(69,278)	(79,750)	-
Other	38,635	3	-	-	38,638	-
Other Assets	(49,080)	(49,080)	(50,456)	-	(148,616)	-
Accounts payable	15,395	80,848	(24,517)	33,869	105,595	74,353
Accrued compensated absences	(3,614)	(50,692)	(17,915)	4,872	(67,349)	(49,509)
Net OPEB obligations	133,345	133,882	52,866	9,155	329,248	159,876
Other accrued liabilities	(75,955)	(14,334)	(19,407)	3,316	(106,380)	(31,065)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 2,315,027</u>	<u>\$ 3,676,527</u>	<u>\$ 285,813</u>	<u>\$ 34,227</u>	<u>\$ 6,311,594</u>	<u>\$ 231,416</u>

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

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# NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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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 Assets 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

**CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**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, 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.

**CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**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, and Transit 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 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. As of June 30, full accrual accounting on investments was implemented, 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.

**CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities and Equity (Continued)*

*Cash and Investments (Continued)*

The impact related to investments held from prior fiscal years has been recognized in FY 10-11 due to the immateriality of the amortized/accreted amounts, and will not require restated financial statements.

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. In March 2011, the City acquired 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 to the individual funds based on the individual fund's average cash balance 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 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 programs 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 or fully amortized payment 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 interest bearing loans to investor/owner borrowers who own rental housing property occupied primarily by low income tenants. All three loan types are extended to qualified buyers for rehabilitation or acquisition 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.

The owner/occupants deferred payment loans are due upon sale or transfer of the real property or at such time as the property is no longer the owner's primary residence. Interest bearing loans require monthly payments which are amortized over a period of years. When loan payments or payoffs are received, such amounts are recognized as program income (revenue) and utilized to continue or benefit the program.

*Property Held for Resale*

Foreclosed land held for resale includes assessments receivable that have been foreclosed by the City. The properties are recorded at the lower of the cost of the assessment or the estimated net realizable value. Such amounts are fully offset by deferred revenue in the fund financial statements.

*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 \$5,000 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.

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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities and Equity (Continued)*

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*

The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, which established accounting and financial reporting requirements for intangible assets. In accordance with 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 Assets; 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 one. 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 Assets.

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.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20-75
Utility plants and system	40-80
Buildings	50
Vehicles	4-25
Machinery and equipment	5-10
Office equipment	3-5
 <u>Intangible Assets</u> 	
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,

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities and Equity (Continued)*

*Compensated Absences (Continued)*

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 Assets. 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.

*Fund Equity*

In the fund financial statements, restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose by an outside third party. Committed are segregated for a specific purpose by City Council through resolution or ordinance. Assignments of fund balance represent tentative management plans that are subject to change.

*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.

**CITY OF CORVALLIS, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2011

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

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. City Council adopted two supplemental budgets for increased fuel prices and to expend Criminal Asset Forfeiture revenues for law enforcement operations. City Council also approved four appropriation transfers for use of budgeted contingencies and several resolutions authorizing interfund transfers or 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 Assets as follows:

	<i><b>Governmental Activities</b></i>	<i><b>Business-type Activities</b></i>	<i><b>Total</b></i>
Cash and investments	\$ 13,723,025	\$ 19,157,725	\$ 32,880,750
Restricted cash and investments	-	1,627,159	1,627,159
<i>Total Cash and Investments</i>	<u>\$ 13,723,025</u>	<u>\$ 20,784,884</u>	<u>\$ 34,507,909</u>

*Deposits*

As of June 30, the City's bank deposits had a book balance of \$4,407,485 and a bank balance of \$5,040,083. The difference is due to transactions in process.

*Custodial Risk - Deposits*

The Oregon legislature revised public funds collateralization statutes effective July 1, 2008. The new legislation creates 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

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

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**CASH AND INVESTMENTS (Continued)**

*Custodial Risk - Deposits (Continued)*

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 listed by the Office of the State Treasurer. The City must also report, at least annually, the depository banks the City does business with 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 in compliance with Oregon Revised Statutes. The shared liability structure does not provide that all public funds are 100% protected.

*Investments*

As of June 30, 2011 the City had the following investments:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Less than 18 months</i>	<i>18-60 months</i>
Investments in the State of Oregon			
Local Government Investment Pool (LGIP)	\$ 22,554,345	\$ 22,554,345	\$ -
US Agencies	7,535,070	3,018,460	4,516,610
<i>Total Investments</i>	<u>\$ 30,089,415</u>	<u>\$ 25,572,805</u>	<u>\$ 4,516,610</u>

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, 2011, 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 with maturities greater than one-year since purchase date had an unrealized fair value gain of \$31,562 over cost as of June 30, 2011.

*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.ost.state.or.us/>.

**CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**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, 2011, 13% 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, 2011 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, 2011 the City did not hold any state or local government securities.

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 50% of the property tax receivables will be collected after the subsequent year; 96% of assessments, housing and notes receivable are scheduled to be collected after the subsequent year.

**DEFERRED / UNEARNED REVENUE**

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

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

**DEFERRED / UNEARNED REVENUE (Continued)**

At June 30, 2011, the various components of deferred revenue and unearned revenues reported in the governmental funds are as follows:

	<u>Deferred</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 1,199,656	\$ -	\$ 1,199,656
Assessments not yet due:			
General Fund	47,574	-	47,574
Street Fund	9,564	-	9,564
Parks and Recreation Fund	9,629	561	10,190
Grants	-	19,809	19,809
Property held for resale (General Fund)	1,040,083	-	1,040,083
Housing loans not yet due (Community Development Revolving Fund)	2,719,809	-	2,719,809
Receivables to be collected in future years	740,624	-	740,624
Operating revenue received but unearned (Fire and Rescue Fund)	-	57,150	57,150
	<u>\$ 5,766,939</u>	<u>\$ 77,520</u>	<u>\$ 5,844,459</u>
<i>Total Deferred and Unearned Revenue</i>			

**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 Assets. The expendable portion of the fund is included as restricted net assets. 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:

<u>Davidson Library Fund:</u>	<u>Permanently Restricted for Endowment</u>	<u>Amount Available for Specific Expenditure</u>	<u>Total</u>
<i>Total Net Assets</i>	\$ 5,000	\$ 917	\$ 5,917

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

*Governmental Activities:*

	<i>Balances June 30, 2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2011</i>
<i>Non-depreciable capital assets</i>				
Intangible	\$ 106,023	\$ 291,517	\$ (79,400)	\$ 318,140
Land	87,240,451	877,162	-	88,117,613
Construction in progress	1,872,612	2,419,741	(1,681,682)	2,610,671
<i>Total non-depreciable capital assets</i>	<u>89,219,086</u>	<u>3,588,420</u>	<u>(1,761,082)</u>	<u>91,046,424</u>
<i>Depreciable capital assets</i>				
Intangible	-	118,296	-	118,296
Buildings	24,564,691	1,164,253	-	25,728,944
Machinery and equipment	5,356,061	697,254	(287,622)	5,765,693
Vehicles	11,422,449	264,803	(556,529)	11,130,723
Infrastructure	104,045,365	1,844,115	-	105,889,480
<i>Total depreciable capital assets</i>	<u>145,388,566</u>	<u>4,088,721</u>	<u>(844,151)</u>	<u>148,633,136</u>
<i>Less Accumulated Depreciation</i>				
Intangible	-	(3,286)	-	(3,286)
Buildings	(7,857,717)	(564,485)	-	(8,422,202)
Machinery and equipment	(3,394,238)	(470,048)	287,621	(3,576,665)
Vehicles	(5,120,471)	(877,521)	486,875	(5,511,117)
Infrastructure	(61,458,942)	(3,675,322)	-	(65,134,264)
<i>Total accumulated depreciation</i>	<u>(77,831,368)</u>	<u>(5,590,662)</u>	<u>774,496</u>	<u>(82,647,534)</u>
<i>Total depreciable capital assets, net of accumulated depreciation</i>	<u>67,557,198</u>	<u>(1,501,941)</u>	<u>(69,655)</u>	<u>65,985,602</u>
<i>Governmental activities capital assets, net of accumulated depreciation</i>	<u>\$ 156,776,284</u>	<u>\$ 2,086,479</u>	<u>\$ (1,830,737)</u>	<u>\$ 157,032,026</u>

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

Finance	\$ 90,193
Community Development	22,409
Public Works	4,041,443
Library	233,972
Parks and Recreation	445,668
Police	304,663
Fire	452,314
<b>Total depreciation expense, governmental activities</b>	<u>\$ 5,590,662</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSETS (Continued)**

*Business-Type Activities:*

	<i>Balances June 30, 2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2011</i>
<i>Non-depreciable capital assets</i>				
Land	\$ 1,142,357	\$ -	\$ -	\$ 1,142,357
Construction in progress	1,542,663	1,963,484	(2,728,310)	777,837
Intangible in progress	-	148,617	-	148,617
<i>Total non-depreciable capital assets</i>	<u>2,685,020</u>	<u>2,112,101</u>	<u>(2,728,310)</u>	<u>2,068,811</u>
<i>Depreciable capital assets</i>				
Buildings	2,196,016	-	-	2,196,016
Machinery and equipment	4,118,448	210,765	(17,498)	4,311,715
Vehicles	2,823,140	-	(10,430)	2,812,710
Infrastructure	188,637,526	3,882,442	-	192,519,968
<i>Total depreciable capital assets</i>	<u>197,775,130</u>	<u>4,093,207</u>	<u>(27,928)</u>	<u>201,840,409</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(621,713)	(65,512)	-	(687,225)
Machinery and equipment	(2,292,507)	(246,475)	17,498	(2,521,484)
Vehicles	(1,625,187)	(233,986)	7,807	(1,851,366)
Infrastructure	(62,170,032)	(4,089,949)	-	(66,259,981)
<i>Total accumulated depreciation</i>	<u>(66,709,439)</u>	<u>(4,635,922)</u>	<u>25,305</u>	<u>(71,320,056)</u>
<i>Total depreciable capital assets, net of accumulated depreciation</i>	<u>131,065,691</u>	<u>(542,715)</u>	<u>(2,623)</u>	<u>130,520,353</u>
<i>Business-type activities capital assets, net of accumulated depreciation</i>	<u>\$ 133,750,711</u>	<u>\$ 1,569,386</u>	<u>\$ (2,730,933)</u>	<u>\$ 132,589,164</u>

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

Water	\$ 1,666,244
Wastewater	2,243,718
Storm Water	374,002
Airport	351,959
<b>Total depreciation expense, business-type activities</b>	<u><u>\$ 4,635,922</u></u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

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**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:

<u>Governmental Activities:</u>	<u>Amount of Original Issue</u>	<u>Interest Rates on Outstanding Balances</u>	<u>Balances June 30, 2011</u>	<u>Due within One Year</u>
Advance Refunding 2009	\$ 10,190,000	3.00 - 4.00	8,695,000	\$ 1,895,000

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,895,000	\$ 312,650
2013	785,000	255,800
2014	835,000	232,250
2015	895,000	207,200
2016	965,000	171,400
2017-2019	3,320,000	271,000
<i>Total</i>	<u>\$ 8,695,000</u>	<u>\$ 1,450,300</u>

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. The outstanding balance of the defeased debt at June 30, 2011 is \$4,790,000.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

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**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:

<u><i>Business-type Activities:</i></u>	<u><i>Amount of Original Issue</i></u>	<u><i>Interest Rates on Outstanding Balances</i></u>	<u><i>Balances June 30, 2011</i></u>	<u><i>Due within One Year</i></u>
Series 2006A	\$ 5,410,000	3.00 - 5.00 %	\$ 4,820,000	\$ 440,000

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

<u><i>Year Ending June 30</i></u>	<u><i>Business-type Activities</i></u>	
	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2012	\$ 440,000	\$ 205,200
2013	465,000	183,200
2014	485,000	159,950
2015	510,000	135,700
2016	535,000	110,200
2017-2020	2,385,000	212,450
<i>Total</i>	<u>\$ 4,820,000</u>	<u>\$ 1,006,700</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

**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.

Limited tax obligation bonds outstanding are as follows:

<u>Governmental Activities:</u>	<u>Amount of Original Issue</u>	<u>Interest Rates on Outstanding Balances</u>	<u>Balances June 30, 2011</u>	<u>Due within One Year</u>
Series 2002A	\$ 23,913,017	6.35 - 7.06 %	\$ 22,805,610	\$ 281,767
Series 2005A	9,980,000	4.52 - 5.50	9,555,000	180,000
<i>Total</i>	<u>\$ 33,893,017</u>		<u>\$ 32,360,610</u>	<u>\$ 461,767</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 461,767	\$ 1,923,380
2013	516,249	1,974,000
2014	570,257	2,030,073
2015	627,139	2,091,529
2016	684,519	2,160,057
2017-2021	4,334,673	11,924,969
2022-2026	11,091,006	9,151,984
2027-2030	14,075,000	2,228,090
<i>Total</i>	<u>\$ 32,360,610</u>	<u>\$ 33,484,082</u>

*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.

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

**LONG-TERM OBLIGATIONS (Continued)**

*Notes Payable (Continued)*

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 are 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 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.

In 2009, the City entered into a loan agreement with the Oregon Business Development Department to develop the Corvallis Airport Industrial Park. The loan proceeds will be disbursed to the City on a reimbursement basis. As of June 30, 2011, no proceeds had been requested or disbursed.

On August 5, 2010, the City entered into a loan agreement with Bank of America (BOA) for \$2,100,000. The loan proceeds will be used to finance several capital improvement projects.

Outstanding notes payable are as follows:

	<i>Amount of Original Issue</i>	<i>Interest Rates on Outstanding Balances</i>	<i>Balances June 30, 2011</i>	<i>Due within One Year</i>
<b><u>Governmental Activities:</u></b>				
BOA 2010 CIP Loan	\$ 2,100,000	2.9600 %	\$ 2,100,000	\$ 185,000
<b><u>Business-type Activities:</u></b>				
OEDD Loan G95003	9,703,048	4.5407	2,966,387	684,743
OEDD Loan B97001	2,107,000	5.4442	891,182	131,222
DEQ sewer rehabilitation	700,000	3.0000	116,218	45,455
DEQ CSO	21,263,693	3.6900	12,238,979	1,097,433
OEDD Loan B96002	332,240	5.4687	157,141	23,940
<i>Total Notes Payable, Business-Type Activities</i>	<u>\$ 34,105,981</u>		<u>\$ 16,369,907</u>	<u>\$ 1,982,793</u>

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

<i>Year Ending June 30</i>	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2012	\$ 185,000	\$ 59,422	\$ 1,982,793	\$ 717,404
2013	190,000	53,872	2,069,583	626,378
2014	195,000	48,174	2,129,548	530,758
2015	200,000	42,328	2,201,033	431,699
2016	205,000	36,334	1,461,441	328,139
2017-2021	1,125,000	85,322	6,525,509	698,641
<i>Total</i>	<u>\$ 2,100,000</u>	<u>\$ 325,452</u>	<u>\$ 16,369,907</u>	<u>\$ 3,333,019</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

**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, 2011 \$1,627,159 was held in a loan reserve account. All of the covenants were met at June 30, 2011.

*Changes in Long-Term Obligations*

<i>Governmental Activities:</i>	<i>Balances June 30, 2010</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balances June 30, 2011</i>	<i>Due within One Year</i>
Bonds Payable					
General Obligation Bonds	\$ 10,860,000	\$ -	\$ 2,165,000	\$ 8,695,000	\$ 1,895,000
Limited Tax Bonds	32,767,277	-	406,667	32,360,610	461,767
Less deferred amounts:					
For issuance premium	376,115	-	78,026	298,089	-
On refunding	(420,897)	-	(53,166)	(367,731)	-
<i>Total Bonds Payable</i>	43,582,495	-	2,596,527	40,985,968	2,356,767
Notes Payable	-	2,100,000	-	2,100,000	185,000
Compensated Absences	5,402,753	3,484,144	3,619,630	5,267,267	3,449,638
Net OPEB obligation	2,801,795	1,197,443	-	3,999,238	-
<i>Total Long-Term Obligations,   Governmental Activities</i>	\$ 51,787,043	\$ 6,781,587	\$ 6,216,157	\$ 52,352,473	\$ 5,991,405
<i>Business-type Activities:</i>	<i>Balances June 30, 2010</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balances June 30, 2011</i>	<i>Due within One Year</i>
Bonds Payable					
Revenue Bonds	\$ 5,240,000	\$ -	\$ 420,000	\$ 4,820,000	\$ 440,000
Less deferred amounts:					
For issuance premium	87,136	-	14,840	72,296	-
On refunding	(302,092)	-	(30,721)	(271,371)	-
<i>Total Bonds Payable</i>	5,025,044	-	404,119	4,620,925	440,000
Notes Payable	18,263,308	-	1,893,401	16,369,907	1,982,793
Compensated Absences	1,049,988	636,000	703,349	982,639	643,550
Net OPEB obligation	620,454	329,248	-	949,702	-
<i>Total Long-Term Obligations,   Business-Type Activities</i>	\$ 24,958,794	\$ 965,248	\$ 3,000,869	\$ 22,923,174	\$ 3,066,343

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

**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:

<u>Transfers Out:</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Construction</u>	<u>Other Governmental Funds</u>	<u>Business-Type Funds</u>	
General Fund	\$ -	\$ 18,300	\$ 680,760	\$ -	\$ 699,060
Street Fund	-	348,989	132,650	118,410	600,049
Parks & Recreation Fund	-	10,000	189,940	-	199,940
Fire and Rescue Fund	-	-	521,750	-	521,750
Community Development Revolving Fund	-	61,890	27,530	-	89,420
Library Fund	-	-	235,850	-	235,850
Capital Construction Fund	75,000	-	-	-	75,000
Non-Major Governmental Funds	250,450	194,990	198,980	-	644,420
Water Fund	-	81,940	190,130	25,750	297,820
Wastewater Fund	-	48,270	189,720	-	237,990
Storm Water Fund	-	48,270	126,190	-	174,460
Airport Fund	20,000	-	8,180	5,000	33,180
<i>Total Transfers</i>	<u>\$ 345,450</u>	<u>\$ 812,649</u>	<u>\$ 2,501,680</u>	<u>\$ 149,160</u>	<u>\$ 3,808,939</u>

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. The General Fund supports the Land Use Senior Planner position in the Development Services Fund.

**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 \$184,163,730; 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 \$300,000; 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.

**CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**RISK MANAGEMENT (Continued)**

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.

*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, 2011, the City's plan contributions were \$1,529,265.

**CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**OTHER POST EMPLOYMENT BENEFITS (Continued)**

*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 fifteen years.

The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2011, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 3,143,520
Interest on net OPEB obligation	154,001
Adjustment to the Annual Required Contribution	<u>(241,565)</u>
Annual OPEB cost (expense)	3,055,956
Contribution made	<u>1,529,265</u>
Increase in net OPEB obligation	1,526,691
Net OPEB obligation, beginning of year	<u>3,422,249</u>
Net OPEB obligation, end of year	<u><u>\$ 4,948,940</u></u>

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:

<u>Fiscal year</u> <u>ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$ 2,938,483	\$ 1,178,470	40.10%	\$ 1,760,013
2010	2,980,618	1,318,382	44.23%	3,422,249
2011	3,055,956	1,529,265	50.04%	4,948,940

*Funded Status and Funding Progress*

As of August 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$34,469,170, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,469,170. The covered payroll (annual payroll of active employees covered by the plan) was \$29,865,298, and the ratio of the UAAL to the covered payroll was 115.42%.

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.

## **CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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### **OTHER POST EMPLOYMENT BENEFITS (Continued)**

#### *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, 2010 actuarial valuations for the OPEB plan is based on the projected unit credit actuarial cost method. The actuarial assumptions include an investment return of 4.0%, a healthcare cost inflation trend rate of 8.5% for the 1st year, August 1, 2010 to August 1, 2011, 7.5% in the 2nd year, 6.5% in the third year, 6.0% for the 4<sup>th</sup> through 23<sup>rd</sup> year, 5.5% for the 24<sup>th</sup> through 47<sup>th</sup> year, and 5.0% thereafter. Annual payroll increases are compounded at 3.75% 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 15 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 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 2010-11, 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.

## **CITY OF CORVALLIS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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### **PENSION PLAN (Continued)**

#### *Funding Status (Continued)*

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

For 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 2010-2011 the City's contribution rates were 2.05 percent of payroll for general service participants and 10.33 percent for police and fire participants. For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. For FY 2010-2011 the City's contribution rates were 3.09 percent for general service participants and 5.80 percent for police and fire participants.

#### *Annual Pension Cost*

The City's employer contributions to PERS for the fiscal years ending June 30, 2009, 2010, and 2011 were \$2,663,525, \$1,933,734, and \$2,433,785 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.

### **GASB STATEMENT NO. 54 – NEW FUND BALANCE**

The City implemented GASB Statement No. 54 – New Fund Balance for fiscal year ending June 30, 2011. GASB Statement No. 54 requires presentation of fund balances in five classifications. The new fund balance classifications are:

- *Nonspendable*: Amounts inherently nonspendable or that must remain intact due to third party imposed legal or contractual restrictions.
- *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.
- *Committed*: Amounts constrained by City Council through resolution or ordinance.
- *Assigned*: Amounts the City intends to use for a specific purpose. The authority to assign resources lies with the City's Finance Director.
- *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.

**CITY OF CORVALLIS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2011**

**GASB STATEMENT NO. 54 – NEW FUND BALANCE (continued)**

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

<b>Fund Balances:</b>	<b>General</b>	<b>Street</b>	<b>Parks and Recreation</b>	<b>Fire &amp; Rescue</b>	<b>Community Development Revolving</b>	<b>Library</b>	<b>Capital Construction</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Nonspendable:</b>									
Endowment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
<b>Restricted:</b>									
Streets and highways	-	-	-	-	-	-	11,567	-	11,567
Capital projects and construction	198,483	1,874,478	1,326,876	-	-	-	1,121,974	-	4,521,811
Debt service	-	-	-	-	-	-	-	80,640	80,640
Other									
Senior Center reserve	-	-	186,903	-	-	-	-	-	186,903
Open Space	-	-	93,324	-	-	-	-	-	93,324
Other purposes	65,200	290	5,848	-	-	6,086	-	917	78,341
	<u>263,683</u>	<u>1,874,768</u>	<u>1,612,951</u>	<u>-</u>	<u>-</u>	<u>6,086</u>	<u>1,133,541</u>	<u>81,557</u>	<u>4,972,586</u>
<b>Committed:</b>									
Streets and highways	-	52,383	-	-	-	-	-	-	52,383
Other									
Public access television	249,829	-	-	-	-	-	-	-	249,829
Reserves	-	-	543,577	-	-	432,101	-	-	975,678
Housing loans	-	-	-	-	240,706	-	-	-	240,706
Sustainability initiative fees	-	39,242	28,946	-	-	-	-	-	68,188
Other purposes	2,586	-	-	3,408	-	12,816	-	37,323	56,133
	<u>252,415</u>	<u>91,625</u>	<u>572,523</u>	<u>3,408</u>	<u>240,706</u>	<u>444,917</u>	<u>-</u>	<u>37,323</u>	<u>1,642,917</u>
<b>Assigned:</b>									
Vehicle reserves	-	271,666	43,007	554,564	-	(9,781)	-	-	859,456
Other purposes	-	85,201	286,399	607,174	-	789,751	684,151	3,116,126	5,568,802
	<u>-</u>	<u>356,867</u>	<u>329,406</u>	<u>1,161,738</u>	<u>-</u>	<u>779,970</u>	<u>684,151</u>	<u>3,116,126</u>	<u>6,428,258</u>
<b>Unassigned:</b>	<u>(112,018)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(186,239)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,257)</u>
<b>Total Fund Balances:</b>	<u>\$ 404,080</u>	<u>\$2,323,260</u>	<u>\$2,514,880</u>	<u>\$1,165,146</u>	<u>\$ 54,467</u>	<u>\$1,230,973</u>	<u>\$ 1,817,692</u>	<u>\$ 3,240,006</u>	<u>\$ 12,750,504</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

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**GASB STATEMENT NO. 54 – NEW FUND BALANCE (continued)**

On February 7, 2011, the City Council authorized, through approval of the Financial Policies document, the Finance Director to assign fund balance. Assignments of fund balance can be done at any time, including after the fiscal year end date.

Commitments of fund balance should occur prior to the end of the reporting period, but the amount subject to the constraint may be determined in the subsequent period.

Finally, GASB 54 requires a spending policy, as it relates to ending fund balance. The following order applies to all governmental funds:

1. Restricted Fund Balance
2. Committed Fund Balance
3. Assigned Fund Balance
4. Unassigned Fund Balance

**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.

**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 2011, the date on which the financial statements were available to be issued. The City Council approved the sale of 3.46 acres of the City-owned ~30 acres of surplus property at Seavey Meadows to Willamette Neighborhood Housing Services for an affordable housing development project. The property will be sold for \$150,000 with a series of three installment payments to be received during FY 11-12. The sale was completed on October 5, 2011. The balance of the property will have a conservation easement placed on it and will be used as open space; the value of the remaining asset will be treated as undeveloped park land. Management requested the Oregon Business Development Department (OBDD) cancel the loan for Airport Wetlands development related to the Corvallis Airport Industrial Park. Approval was received from OBDD on July 14, 2011. 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.

***CITY OF CORVALLIS, OREGON***  
***NOTES TO BASIC FINANCIAL STATEMENTS (Continued)***  
***YEAR ENDED JUNE 30, 2011***

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***NEW PRONOUNCEMENT (Continued)***

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

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, issued June 2011 will be effective for financial statements for periods beginning after December 15, 2011. The requirements of this Statement improves financial reporting by standardizing the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government’s net position.

# REQUIRED SUPPLEMENTARY INFORMATION

- OTHER POSTEMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS



**CITY OF CORVALLIS, OREGON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2011**

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<b>Fiscal Year</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Asset</b>	<b>AAL Unit Credit</b>	<b>UAAL</b>	<b>Ratio Funded</b>	<b>Actual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
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

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# 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



**CITY OF CORVALLIS, OREGON**  
**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 2,931,334	\$ 81,911	\$ 5,914	\$ 3,019,159
Receivables				
Accounts	277,714	-	-	277,714
Accrued interest	2,076	580	3	2,659
Grants	81,052	-	-	81,052
Other receivables	136,908	-	-	136,908
Other assets	-	14	-	14
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Assets</i>	<u>\$ 3,429,084</u>	<u>\$ 82,505</u>	<u>\$ 5,917</u>	<u>\$ 3,517,506</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 194,601	\$ -	\$ -	\$ 194,601
Other accrued liabilities	46,682	-	-	46,682
Deferred revenue	36,217	-	-	36,217
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities</i>	277,500	-	-	277,500
 <b>Fund Balances</b>				
Nonspendable	-	-	5,000	5,000
Restricted	-	80,640	917	81,557
Committed	37,323	-	-	37,323
Assigned	3,114,261	1,865	-	3,116,126
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Fund Balances</i>	<u>3,151,584</u>	<u>82,505</u>	<u>5,917</u>	<u>3,240,006</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,429,084</u>	<u>\$ 82,505</u>	<u>\$ 5,917</u>	<u>\$ 3,517,506</u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ 77,641	\$ 1,899,303	\$ -	\$ 1,976,944
Licenses, fees, and permits	1,425,862	-	-	1,425,862
Charges for services	2,339,999	-	-	2,339,999
Intergovernmental	2,164,417	-	-	2,164,417
Fines and forfeitures	412,269	-	-	412,269
Miscellaneous	205,981	3,665	33	209,679
	<u>6,626,169</u>	<u>1,902,968</u>	<u>33</u>	<u>8,529,170</u>
<i>Total Revenues</i>				
<b>EXPENDITURES</b>				
Current				
Community Development	1,949,082	-	-	1,949,082
Finance	112,029	-	-	112,029
Library	-	-	147	147
Police	2,295,681	-	-	2,295,681
Public Works	2,583,173	-	-	2,583,173
Nondepartmental	-	1,350	-	1,350
Debt service				
Principal	-	2,571,667	-	2,571,667
Interest	-	2,255,229	-	2,255,229
	<u>6,939,965</u>	<u>4,828,246</u>	<u>147</u>	<u>11,768,358</u>
<i>Total Expenditures</i>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(313,796)</u>	<u>(2,925,278)</u>	<u>(114)</u>	<u>(3,239,188)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	21,764	-	-	21,764
Transfers in	218,390	2,283,290	-	2,501,680
Transfers out	(644,420)	-	-	(644,420)
	<u>(404,266)</u>	<u>2,283,290</u>	<u>-</u>	<u>1,879,024</u>
<i>Total Other Financing Sources (Uses)</i>				
<b>NET CHANGE IN FUND BALANCES</b>	(718,062)	(641,988)	(114)	(1,360,164)
<b>FUND BALANCE, Beginning of year</b>	<u>3,869,646</u>	<u>724,493</u>	<u>6,031</u>	<u>4,600,170</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 3,151,584</u>	<u>\$ 82,505</u>	<u>\$ 5,917</u>	<u>\$ 3,240,006</u>

# NON-MAJOR SPECIAL REVENUE FUNDS



## 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, and charges for services (rider fees).

**CITY OF CORVALLIS, OREGON**  
**COMBINING BALANCE SHEET – NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	<u>9-1-1</u>	<u>Development Services</u>	<u>Parking</u>	<u>Transit</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 508,759	\$ 1,447,500	\$ 951,022	\$ 24,053	\$ 2,931,334
Receivables					
Accounts	-	112,160	36,475	129,079	277,714
Accrued interest	436	1,043	593	4	2,076
Grants	-	-	-	81,052	81,052
Other receivables	136,908	-	-	-	136,908
	<u>646,103</u>	<u>1,560,703</u>	<u>988,090</u>	<u>234,188</u>	<u>3,429,084</u>
<i>Total Assets</i>	<u>\$ 646,103</u>	<u>\$ 1,560,703</u>	<u>\$ 988,090</u>	<u>\$ 234,188</u>	<u>\$ 3,429,084</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 5,516	\$ 18,742	\$ 6,575	\$ 163,768	\$ 194,601
Other accrued liabilities	-	46,675	-	7	46,682
Deferred revenue	-	-	36,217	-	36,217
	<u>5,516</u>	<u>65,417</u>	<u>42,792</u>	<u>163,775</u>	<u>277,500</u>
<i>Total Liabilities</i>	<u>5,516</u>	<u>65,417</u>	<u>42,792</u>	<u>163,775</u>	<u>277,500</u>
<b>Fund Balances</b>					
Committed	-	-	37,323	-	37,323
Assigned	640,587	1,495,286	907,975	70,413	3,114,261
	<u>640,587</u>	<u>1,495,286</u>	<u>907,975</u>	<u>70,413</u>	<u>3,114,261</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 646,103</u>	<u>\$ 1,560,703</u>	<u>\$ 988,090</u>	<u>\$ 234,188</u>	<u>\$ 3,429,084</u>

**CITY OF CORVALLIS, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2011**

	<b>9-1-1</b>	<b>Development Services</b>	<b>Parking</b>	<b>Transit</b>	<b>Total</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 77,641	\$ 77,641
Licenses, fees, and permits	-	1,019,673	17,758	388,431	1,425,862
Charges for services	939,405	897,620	167,438	335,536	2,339,999
Intergovernmental	1,183,433	-	-	980,984	2,164,417
Fines and forfeitures	-	-	411,983	286	412,269
Miscellaneous	4,123	10,230	5,012	186,616	205,981
<i>Total Revenues</i>	<u>2,126,961</u>	<u>1,927,523</u>	<u>602,191</u>	<u>1,969,494</u>	<u>6,626,169</u>
<b>EXPENDITURES</b>					
Current					
Community Development	-	1,945,554	3,528	-	1,949,082
Finance	-	-	112,029	-	112,029
Police	2,026,176	-	269,505	-	2,295,681
Public Works	-	-	134,100	2,449,073	2,583,173
<i>Total Expenditures</i>	<u>2,026,176</u>	<u>1,945,554</u>	<u>519,162</u>	<u>2,449,073</u>	<u>6,939,965</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	100,785	(18,031)	83,029	(479,579)	(313,796)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds - sale of capital assets	-	-	-	21,764	21,764
Transfers in	-	218,390	-	-	218,390
Transfers out	(77,940)	(274,330)	(23,230)	(268,920)	(644,420)
<b>NET CHANGE IN FUND BALANCE</b>	22,845	(73,971)	59,799	(726,735)	(718,062)
<b>FUND BALANCE, Beginning of year</b>	<u>617,742</u>	<u>1,569,257</u>	<u>885,499</u>	<u>797,148</u>	<u>3,869,646</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 640,587</u>	<u>\$ 1,495,286</u>	<u>\$ 945,298</u>	<u>\$ 70,413</u>	<u>\$ 3,151,584</u>

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 936,420	\$ 936,420	\$ 939,405	\$ 2,985
Intergovernmental	1,174,150	1,174,150	1,183,433	9,283
Miscellaneous	2,210	2,210	4,123	1,913
<i>Total Revenues</i>	<u>2,112,780</u>	<u>2,112,780</u>	<u>2,126,961</u>	<u>14,181</u>
<b>EXPENDITURES</b>				
Current				
Police	2,180,630	2,180,630	2,026,176	154,454
Contingency	44,120	44,120	-	44,120
<i>Total Expenditures</i>	<u>2,224,750</u>	<u>2,224,750</u>	<u>2,026,176</u>	<u>198,574</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(111,970)	(111,970)	100,785	212,755
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(77,940)	(77,940)	(77,940)	-
<b>NET CHANGE IN FUND BALANCE</b>	(189,910)	(189,910)	22,845	212,755
<b>FUND BALANCE, Beginning of year</b>	<u>617,433</u>	<u>617,433</u>	<u>617,742</u>	<u>309</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 427,523</u>	<u>\$ 427,523</u>	<u>\$ 640,587</u>	<u>\$ 213,064</u>

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 799,500	\$ 799,500	\$ 1,019,673	\$ 220,173
Charges for services	892,260	892,260	897,620	5,360
Miscellaneous	7,010	7,010	10,230	3,220
<i>Total Revenues</i>	<u>1,698,770</u>	<u>1,698,770</u>	<u>1,927,523</u>	<u>228,753</u>
<b>EXPENDITURES</b>				
Current				
Community Development	<u>2,221,550</u>	<u>2,221,550</u>	<u>1,945,554</u>	<u>275,996</u>
<i>Total Expenditures</i>	<u>2,221,550</u>	<u>2,221,550</u>	<u>1,945,554</u>	<u>275,996</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(522,780)	(522,780)	(18,031)	504,749
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	218,390	218,390	218,390	-
Transfers out	<u>(274,330)</u>	<u>(274,330)</u>	<u>(274,330)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(578,720)	(578,720)	(73,971)	504,749
<b>FUND BALANCE, Beginning of year</b>	<u>391,551</u>	<u>391,551</u>	<u>1,569,257</u>	<u>1,177,706</u>
<b>FUND BALANCE, End of year</b>	<u>\$ (187,169)</u>	<u>\$ (187,169)</u>	<u>\$ 1,495,286</u>	<u>\$ 1,682,455</u>

**CITY OF CORVALLIS, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET  
AND ACTUAL – BUDGETARY BASIS – PARKING FUND  
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 20,000	\$ 20,000	\$ 17,758	\$ (2,242)
Charges for services	164,450	164,450	167,438	2,988
Fines and forfeitures	404,930	404,930	411,983	7,053
Miscellaneous	3,200	3,200	5,012	1,812
<i>Total Revenues</i>	<u>592,580</u>	<u>592,580</u>	<u>602,191</u>	<u>9,611</u>
<b>EXPENDITURES</b>				
Current				
Community Development	4,010	4,010	3,528	482
Finance	132,180	132,180	112,029	20,151
Police	344,320	344,320	269,505	74,815
Public Works	162,590	190,590	134,100	56,490
Contingency	12,030	12,030	-	12,030
<i>Total Expenditures</i>	<u>655,130</u>	<u>683,130</u>	<u>519,162</u>	<u>163,969</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(62,550)	(90,550)	83,029	173,579
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(223,230)	(195,230)	(23,230)	172,000
<b>NET CHANGE IN FUND BALANCE</b>	(285,780)	(285,780)	59,799	345,579
<b>FUND BALANCE, Beginning of year</b>	<u>849,663</u>	<u>849,663</u>	<u>885,499</u>	<u>35,836</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 563,883</u>	<u>\$ 563,883</u>	<u>\$ 945,298</u>	<u>\$ 381,415</u>

**CITY OF CORVALLIS, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET  
AND ACTUAL – BUDGETARY BASIS – TRANSIT FUND  
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes	\$ 75,000	\$ 75,000	\$ 77,641	\$ 2,641
Charges for services	502,410	502,410	335,536	(166,874)
Intergovernmental	1,618,340	1,618,340	980,984	(637,356)
Fines and forfeitures	-	-	286	286
Miscellaneous	811,680	811,680	186,616	(625,064)
<i>Total Revenues</i>	<u>3,007,430</u>	<u>3,007,430</u>	<u>1,969,494</u>	<u>(1,037,936)</u>
<b>EXPENDITURES</b>				
Current				
Public Works	3,442,830	3,442,830	2,449,073	993,757
Contingency	29,940	29,940	-	29,940
<i>Total Expenditures</i>	<u>3,472,770</u>	<u>3,472,770</u>	<u>2,449,073</u>	<u>1,023,697</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(465,340)	(465,340)	(479,579)	(14,239)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	-	-	21,764	21,764
Transfers out	(268,920)	(268,920)	(268,920)	-
<b>NET CHANGE IN FUND BALANCE</b>	(734,260)	(734,260)	(726,735)	7,525
<b>FUND BALANCE, Beginning of year</b>	<u>1,254,696</u>	<u>1,254,696</u>	<u>797,148</u>	<u>(457,548)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 520,436</u>	<u>\$ 520,436</u>	<u>\$ 70,413</u>	<u>\$ (450,023)</u>

# CAPITAL PROJECTS FUND



## 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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 2,148,260	\$ 2,148,260	\$ 868,706	\$ (1,279,554)
Miscellaneous	398,800	398,800	31,037	(367,763)
<i>Total Revenues</i>	<u>2,547,060</u>	<u>2,547,060</u>	<u>899,743</u>	<u>(1,647,317)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>6,221,457</u>	<u>6,221,457</u>	<u>2,752,422</u>	<u>3,469,035</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(3,674,397)	(3,674,397)	(1,852,679)	1,821,718
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - issuance of debt	2,354,470	2,354,470	2,100,000	(254,470)
Transfers in	2,330,292	2,284,332	812,649	(1,471,683)
Transfers out	(75,000)	(75,000)	(75,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>4,609,762</u>	<u>4,563,802</u>	<u>2,837,649</u>	<u>(1,726,153)</u>
<b>NET CHANGE IN FUND BALANCE</b>	935,365	889,405	984,970	95,565
<b>FUND BALANCE, Beginning of year</b>	<u>519,272</u>	<u>519,272</u>	<u>832,722</u>	<u>313,450</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 1,454,637</u>	<u>\$ 1,408,677</u>	<u>\$ 1,817,692</u>	<u>\$ 409,015</u>

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# DEBT SERVICE FUNDS



## 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, 2011**

	<b>General Obligation Debt Service</b>	<b>Pension Obligation Debt Service</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 81,477	\$ 434	\$ 81,911
Receivables			
Accrued interest	580	-	580
Other assets	-	14	14
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Assets</i>	<u><u>\$ 82,057</u></u>	<u><u>\$ 448</u></u>	<u><u>\$ 82,505</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>			
Restricted	80,219	421	80,640
Assigned	1,838	27	1,865
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Fund Balances</i>	<u>82,057</u>	<u>448</u>	<u>82,505</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 82,057</u></u>	<u><u>\$ 448</u></u>	<u><u>\$ 82,505</u></u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<b>General Obligation Debt Service</b>	<b>Pension Obligation Debt Service</b>	<b>Total</b>
<b>REVENUES</b>			
Taxes	\$ 1,899,303	\$ -	\$ 1,899,303
Miscellaneous	3,638	27	3,665
<i>Total Revenues</i>	<u>1,902,941</u>	<u>27</u>	<u>1,902,968</u>
<b>EXPENDITURES</b>			
Current			
Nondepartmental	-	1,350	1,350
Debt service			
Principal	2,165,000	406,667	2,571,667
Interest	379,974	1,875,255	2,255,229
<i>Total Expenditures</i>	<u>2,544,974</u>	<u>2,283,272</u>	<u>4,828,246</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(642,033)	(2,283,245)	(2,925,278)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	2,283,290	2,283,290
<b>NET CHANGE IN FUND BALANCES</b>	(642,033)	45	(641,988)
<b>FUND BALANCE, Beginning of year</b>	<u>724,090</u>	<u>403</u>	<u>724,493</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 82,057</u>	<u>\$ 448</u>	<u>\$ 82,505</u>

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,899,303	\$ (697)
Miscellaneous	2,710	2,710	3,638	928
<i>Total Revenues</i>	<u>1,902,710</u>	<u>1,902,710</u>	<u>1,902,941</u>	<u>231</u>
<b>EXPENDITURES</b>				
Current				
Principal	2,165,000	2,165,000	2,165,000	-
Interest	379,980	379,980	379,974	6
<i>Total Expenditures</i>	<u>2,544,980</u>	<u>2,544,980</u>	<u>2,544,974</u>	<u>6</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(642,270)	(642,270)	(642,033)	237
<b>FUND BALANCE, Beginning of year</b>	<u>721,532</u>	<u>721,532</u>	<u>724,090</u>	<u>2,558</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 79,262</u>	<u>\$ 79,262</u>	<u>\$ 82,057</u>	<u>\$ 2,795</u>

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 27	\$ 27
<i>Total Revenues</i>	-	-	27	27
<b>EXPENDITURES</b>				
Current				
Nondepartmental	1,350	1,350	1,350	-
Debt service				
Principal	406,670	406,670	406,667	3
Interest	1,875,280	1,875,280	1,875,255	25
<i>Total Expenditures</i>	2,283,300	2,283,300	2,283,272	28
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,283,300)	(2,283,300)	(2,283,245)	55
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,283,290	2,283,290	2,283,290	-
<b>NET CHANGE IN FUND BALANCE</b>	(10)	(10)	45	55
<b>FUND BALANCE, Beginning of year</b>	1,580	1,580	403	(1,177)
<b>FUND BALANCE, End of year</b>	\$ 1,570	\$ 1,570	\$ 448	\$ (1,122)

# NON-MAJOR PERMANENT FUND



## 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, 2011**

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	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 140	\$ 140	\$ 33	\$ (107)
<b>EXPENDITURES</b>				
Current				
Library	500	500	147	353
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(360)	(360)	(114)	246
<b>FUND BALANCE, Beginning of year</b>	5,907	5,907	6,031	124
<b>FUND BALANCE, End of year</b>	<u>\$ 5,547</u>	<u>\$ 5,547</u>	<u>\$ 5,917</u>	<u>\$ 370</u>

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# ENTERPRISE FUNDS



## 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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 8,805,430	\$ 8,805,430	\$ 8,646,978	\$ (158,452)
Intergovernmental	108,670	108,670	46,544	(62,126)
Fines and forfeitures	-	-	3,149	3,149
Miscellaneous	449,740	449,740	456,870	7,130
<i>Total Revenues</i>	<u>9,363,840</u>	<u>9,363,840</u>	<u>9,153,541</u>	<u>(210,299)</u>
<b>EXPENDITURES</b>				
Community Development	50,740	50,740	48,327	2,413
Public Works	8,054,750	8,054,750	6,806,636	1,248,114
Capital Projects	2,951,950	2,951,950	202,470	2,749,480
Debt service				
Principal	767,520	767,520	767,510	10
Interest	241,720	241,720	241,708	12
Contingency	178,150	178,150	-	178,150
<i>Total Expenditures</i>	<u>12,244,830</u>	<u>12,244,830</u>	<u>8,066,651</u>	<u>4,178,179</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,880,990)</u>	<u>(2,880,990)</u>	<u>1,086,890</u>	<u>3,967,880</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	-	-	2,100	2,100
Transfers in	3,674,420	3,674,420	-	(3,674,420)
Transfers out	(3,972,240)	(3,972,240)	(297,820)	3,674,420
<i>Total Other Financing Sources (Uses)</i>	<u>(297,820)</u>	<u>(297,820)</u>	<u>(295,720)</u>	<u>2,100</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,178,810)</u>	<u>(3,178,810)</u>	<u>791,170</u>	<u>3,969,980</u>
<b>FUND BALANCE, Beginning of year</b>	<u>5,647,023</u>	<u>5,647,023</u>	<u>6,146,949</u>	<u>499,926</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 2,468,213</u>	<u>\$ 2,468,213</u>	<u>\$ 6,938,119</u>	<u>\$ 4,469,906</u>

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WASTEWATER FUND**  
**YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 9,551,530	\$ 9,551,530	\$ 10,064,001	\$ 512,471
Miscellaneous	55,740	55,740	89,079	33,339
<i>Total Revenues</i>	<u>9,607,270</u>	<u>9,607,270</u>	<u>10,161,605</u>	<u>554,335</u>
<b>EXPENDITURES</b>				
Community Development	49,540	49,540	47,237	2,303
Public Works	7,034,410	6,967,920	6,467,622	500,298
Capital Projects	3,417,040	3,417,040	828,415	2,588,625
Debt service				
Principal	1,522,170	1,522,170	1,522,152	18
Interest	711,680	778,170	778,155	15
Contingency	181,140	181,140	-	181,140
<i>Total Expenditures</i>	<u>12,915,980</u>	<u>12,915,980</u>	<u>9,643,581</u>	<u>3,272,399</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,308,710)</u>	<u>(3,308,710)</u>	<u>518,024</u>	<u>3,826,734</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - sale of capital assets	-	-	2,391	2,391
Transfers in	3,515,260	3,515,260	-	(3,515,260)
Transfers out	(3,753,250)	(3,753,250)	(237,990)	3,515,260
<i>Total Other Financing Sources (Uses)</i>	<u>(237,990)</u>	<u>(237,990)</u>	<u>(235,599)</u>	<u>2,391</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,546,700)</u>	<u>(3,546,700)</u>	<u>282,425</u>	<u>3,829,125</u>
<b>FUND BALANCE, Beginning of year</b>	<u>12,207,574</u>	<u>12,207,574</u>	<u>12,250,675</u>	<u>43,101</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 8,660,874</u>	<u>\$ 8,660,874</u>	<u>\$ 12,533,100</u>	<u>\$ 3,872,226</u>

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – STORM WATER FUND**  
**YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 2,113,970	\$ 2,113,970	\$ 2,052,098	\$ (61,872)
Intergovernmental	-	139,337	3,127	(136,210)
Miscellaneous	9,280	9,280	12,587	3,307
<i>Total Revenues</i>	<u>2,123,250</u>	<u>2,262,587</u>	<u>2,067,812</u>	<u>(194,775)</u>
<b>EXPENDITURES</b>				
Community Development	50,480	50,480	47,825	2,655
Public Works	2,109,020	2,123,757	1,706,316	417,441
Capital Projects	602,200	726,800	161,994	564,806
Contingency	41,860	41,860	-	41,860
<i>Total Expenditures</i>	<u>2,803,560</u>	<u>2,942,897</u>	<u>1,916,135</u>	<u>1,026,762</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(680,310)</u>	<u>(680,310)</u>	<u>151,677</u>	<u>831,987</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	602,200	602,200	5,000	(597,200)
Transfers out	(756,660)	(756,660)	(174,460)	582,200
<i>Total Other Financing Sources (Uses)</i>	<u>(154,460)</u>	<u>(154,460)</u>	<u>(169,460)</u>	<u>(15,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(834,770)</u>	<u>(834,770)</u>	<u>(17,783)</u>	<u>816,987</u>
<b>FUND BALANCE, Beginning of year</b>	<u>1,363,334</u>	<u>1,363,334</u>	<u>1,833,574</u>	<u>470,240</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 528,564</u>	<u>\$ 528,564</u>	<u>\$ 1,815,791</u>	<u>\$ 1,287,227</u>

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - AIRPORT FUND**  
**YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses, fees, and permits	\$ 5,000	\$ 5,000	\$ 4,450	\$ (550)
Charges for services	365,000	365,000	394,785	29,785
Intergovernmental	817,150	876,411	670,551	(205,860)
Miscellaneous	9,630	9,630	11,848	2,218
<i>Total Revenues</i>	<u>1,196,780</u>	<u>1,256,041</u>	<u>1,081,634</u>	<u>(174,407)</u>
<b>EXPENDITURES</b>				
Public Works	445,350	504,611	332,065	172,546
Capital Projects	965,200	965,200	770,605	194,595
Debt service				
Principal	23,740	23,740	23,739	1
Interest	18,430	18,430	9,924	8,506
Contingency	9,390	9,390	-	9,390
<i>Total Expenditures</i>	<u>1,462,110</u>	<u>1,521,371</u>	<u>1,136,332</u>	<u>385,039</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(265,330)</u>	<u>(265,330)</u>	<u>(54,698)</u>	<u>210,632</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds - issuance of debt	90,000	90,000	-	(90,000)
Proceeds - sale of capital assets	-	-	2,500	2,500
Transfers in	148,050	194,010	144,160	(49,850)
Transfers out	(98,030)	(98,030)	(33,180)	64,850
<i>Total Other Financing Sources (Uses)</i>	<u>140,020</u>	<u>185,980</u>	<u>113,480</u>	<u>(72,500)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(125,310)</u>	<u>(79,350)</u>	<u>58,782</u>	<u>138,132</u>
<b>FUND BALANCE, Beginning of year</b>	<u>836,862</u>	<u>836,862</u>	<u>595,659</u>	<u>(241,203)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 711,552</u>	<u>\$ 757,512</u>	<u>\$ 654,441</u>	<u>\$ (103,071)</u>

# INTERNAL SERVICE FUNDS



## 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 ASSETS – ALL INTERNAL SERVICE FUNDS**  
**JUNE 30, 2011**

	<u>Fleet Services</u>	<u>Facility Maintenance</u>	<u>Technology and Communications</u>	<u>Administrative Services</u>	<u>Risk Management</u>	<u>Total</u>
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and investments	\$ 62,852	\$ 127,800	\$ 580,402	\$ 177,306	\$ 788,846	\$ 1,737,206
Receivables						
Accounts	11,928	400	-	4	-	12,332
Accrued interest	71	177	519	355	530	1,652
<b>Total Current Assets</b>	<b>74,851</b>	<b>128,377</b>	<b>580,921</b>	<b>177,665</b>	<b>789,376</b>	<b>1,751,190</b>
<b>Capital Assets</b>						
Land	-	-	-	500,663	-	500,663
Buildings	-	47,786	-	86,849	-	134,635
Vehicles	24,969	17,993	22,506	-	15,465	80,933
Machinery and equipment	9,850	67,529	803,117	25,857	15,464	921,817
<b>Total Capital Assets</b>	<b>34,819</b>	<b>133,308</b>	<b>825,623</b>	<b>613,369</b>	<b>30,929</b>	<b>1,638,048</b>
Less accumulated depreciation	(5,173)	(35,489)	(658,864)	(112,705)	(15,306)	(827,537)
<b>Capital Assets (net of accumulated depreciation)</b>	<b>29,646</b>	<b>97,819</b>	<b>166,759</b>	<b>500,664</b>	<b>15,623</b>	<b>810,511</b>
<b>Total Assets</b>	<b>\$ 104,497</b>	<b>\$ 226,196</b>	<b>\$ 747,680</b>	<b>\$ 678,329</b>	<b>\$ 804,999</b>	<b>\$ 2,561,701</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 34,988	\$ 55,804	\$ 75,914	\$ 57,224	\$ 88,038	\$ 311,968
Accrued compensated absences	9,536	46,957	77,486	320,613	-	454,592
Other accrued liabilities	-	-	-	8,832	-	8,832
<b>Total Current Liabilities</b>	<b>44,524</b>	<b>102,761</b>	<b>153,400</b>	<b>386,669</b>	<b>88,038</b>	<b>775,392</b>
<b>Noncurrent liabilities</b>						
Accrued compensated absences	5,025	24,742	40,828	168,932	-	239,527
Net OPEB Obligations	25,240	37,117	120,754	361,768	-	544,879
<b>Total Liabilities</b>	<b>74,789</b>	<b>164,620</b>	<b>314,982</b>	<b>917,369</b>	<b>88,038</b>	<b>1,559,798</b>
<b>Net Assets</b>						
Investment in capital assets	29,646	97,819	166,759	500,664	15,623	810,511
Unrestricted	62	(36,243)	265,939	(739,704)	701,338	191,392
<b>Total Net Assets</b>	<b>29,708</b>	<b>61,576</b>	<b>432,698</b>	<b>(239,040)</b>	<b>716,961</b>	<b>1,001,903</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 104,497</b>	<b>\$ 226,196</b>	<b>\$ 747,680</b>	<b>\$ 678,329</b>	<b>\$ 804,999</b>	<b>\$ 2,561,701</b>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET ASSETS - INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Fleet Services</u>	<u>Facility Maintenance</u>	<u>Technology and Communications</u>	<u>Administrative Services</u>	<u>Risk Management</u>	<u>Total</u>
<b>OPERATING REVENUES</b>						
Charges for services	\$ 740,062	\$ 691,910	\$ 1,549,293	\$ 4,685,490	\$ 1,014,210	\$ 8,680,965
Fines and forfeitures	32	-	-	-	-	32
Miscellaneous	1,345	926	561	5,784	49,086	57,702
<i>Total Operating Revenues</i>	<u>741,439</u>	<u>692,836</u>	<u>1,549,854</u>	<u>4,691,274</u>	<u>1,063,296</u>	<u>8,738,699</u>
<b>OPERATING EXPENSES</b>						
Personal services	197,513	386,360	1,204,691	3,292,266	-	5,080,830
Materials and supplies	447,987	56,952	27,507	43,361	19,468	595,275
Services	40,599	128,518	240,054	690,477	78	1,099,726
Utility and overhead	43,246	124,571	78,693	665,575	935,172	1,847,257
Training and conference	367	300	8,501	28,594	873	38,635
Depreciation and amortization	3,436	9,090	78,187	-	3,237	93,950
<i>Total Operating Expenses</i>	<u>733,148</u>	<u>705,791</u>	<u>1,637,633</u>	<u>4,720,273</u>	<u>958,828</u>	<u>8,755,673</u>
<b>OPERATING INCOME (LOSS)</b>	8,291	(12,955)	(87,779)	(28,999)	104,468	(16,974)
<b>NONOPERATING INCOME (EXPENSE)</b>						
Interest income	399	1,137	4,061	2,688	4,386	12,671
<b>CHANGE IN NET ASSETS</b>	8,690	(11,818)	(83,718)	(26,311)	108,854	(4,303)
<b>NET ASSETS, Beginning of year</b>	<u>21,018</u>	<u>73,394</u>	<u>516,416</u>	<u>(212,729)</u>	<u>608,107</u>	<u>1,006,206</u>
<b>NET ASSETS, End of year</b>	<u>\$ 29,708</u>	<u>\$ 61,576</u>	<u>\$ 432,698</u>	<u>\$ (239,040)</u>	<u>\$ 716,961</u>	<u>\$ 1,001,903</u>

**CITY OF CORVALLIS, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<i>Fleet Services</i>	<i>Facility Maintenance</i>	<i>Technology and Comm</i>	<i>Administrative Services</i>	<i>Risk Management</i>	<i>Total</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 107,729	\$ 6,116	\$ 1,283	\$ 6,769	\$ 50,754	\$ 172,651
Receipts from interfund services provided	315,388	(129,880)	(149,864)	-	1,014,210	1,049,854
Payments to suppliers	(517,022)	(263,415)	(303,329)	(1,215,016)	(931,134)	(3,229,916)
Payments to employees	(168,720)	(358,301)	(1,171,871)	(3,013,948)	-	(4,712,840)
Payments for interfund services used	275,958	757,535	1,660,116	4,261,216	(3,158)	6,951,667
<i>Net Cash Provided by (Used In) Operating Activities</i>	13,333	12,055	36,335	39,021	130,672	231,416
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(5,505)	-	(77,080)	-	-	(82,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	378	1,120	4,116	2,749	4,390	12,753
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	8,206	13,175	(36,629)	41,770	135,062	161,584
<b>CASH AND INVESTMENTS, Beginning of year</b>	54,646	114,625	617,031	135,536	653,784	1,575,622
<b>CASH AND INVESTMENTS, End of year</b>	\$ 62,852	\$ 127,800	\$ 580,402	\$ 177,306	\$ 788,846	\$ 1,737,206
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 8,291	\$ (12,955)	\$ (87,779)	\$ (28,999)	\$ 104,468	\$ (16,974)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	3,436	9,090	78,187	-	3,237	93,950
Change in assets and liabilities						
Receivables						
Accounts receivable	1,141	(400)	44	-	-	785
Accounts payable	(2,953)	6,881	13,449	34,009	22,967	74,353
Accrued compensated absences	(5,053)	(3,380)	1,685	(42,761)	-	(49,509)
Net OPEB obligations	8,471	12,819	30,749	107,837	-	159,876
Other accrued liabilities	-	-	-	(31,065)	-	(31,065)
<i>Net Cash Provided by (Used In) Operating Activities</i>	\$ 13,333	\$ 12,055	\$ 36,335	\$ 39,021	\$ 130,672	\$ 231,416

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 691,630	\$ 760,630	\$ 740,062	\$ (20,568)
Fines and forfeitures	-	-	32	32
Miscellaneous	1,200	1,200	1,744	544
<i>Total Revenues</i>	<u>692,830</u>	<u>761,830</u>	<u>741,838</u>	<u>(19,992)</u>
<b>EXPENDITURES</b>				
Public Works	692,270	761,270	731,799	29,471
Contingency	16,000	16,000	-	16,000
<i>Total Expenditures</i>	<u>708,270</u>	<u>777,270</u>	<u>731,799</u>	<u>45,471</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(15,440)	(15,440)	10,039	25,479
<b>FUND BALANCE, Beginning of year</b>	<u>37,298</u>	<u>37,298</u>	<u>29,823</u>	<u>(7,475)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 21,858</u>	<u>\$ 21,858</u>	<u>\$ 39,862</u>	<u>\$ 18,004</u>

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 816,200	\$ 816,200	\$ 691,910	\$ (124,290)
Miscellaneous	3,070	3,070	2,063	(1,007)
<i>Total Revenues</i>	<u>819,270</u>	<u>819,270</u>	<u>693,973</u>	<u>(125,297)</u>
<b>EXPENDITURES</b>				
Public Works	819,660	819,660	687,262	132,398
Contingency	10,000	10,000	-	10,000
<i>Total Expenditures</i>	<u>829,660</u>	<u>829,660</u>	<u>687,262</u>	<u>142,398</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(10,390)	(10,390)	6,711	17,101
<b>FUND BALANCE, Beginning of year</b>	<u>66,491</u>	<u>66,491</u>	<u>65,862</u>	<u>(629)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 56,101</u>	<u>\$ 56,101</u>	<u>\$ 72,573</u>	<u>\$ 16,472</u>

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,699,180	\$ 1,699,180	\$ 1,549,293	\$ (149,887)
Miscellaneous	3,040	3,040	4,622	1,582
<i>Total Revenues</i>	<u>1,702,220</u>	<u>1,702,220</u>	<u>1,553,915</u>	<u>(148,305)</u>
<b>EXPENDITURES</b>				
Finance	1,577,000	1,577,000	1,426,463	150,537
Public Works	219,070	219,070	177,629	41,441
Contingency	30,000	30,000	-	30,000
<i>Total Expenditures</i>	<u>1,826,070</u>	<u>1,826,070</u>	<u>1,604,092</u>	<u>221,978</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(123,850)	(123,850)	(50,177)	73,673
<b>FUND BALANCE, Beginning of year</b>	<u>530,867</u>	<u>530,867</u>	<u>555,185</u>	<u>24,318</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 407,017</u>	<u>\$ 407,017</u>	<u>\$ 505,008</u>	<u>\$ 97,991</u>

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 4,785,490	\$ 4,785,490	\$ 4,685,490	\$ (100,000)
Miscellaneous	8,000	8,000	8,472	472
<i>Total Revenues</i>	<u>4,793,490</u>	<u>4,793,490</u>	<u>4,693,962</u>	<u>(99,528)</u>
<b>EXPENDITURES</b>				
City Manager's Office	2,114,260	2,144,260	2,122,104	22,156
Finance	2,667,300	2,667,300	2,533,092	134,208
Contingency	30,000	-	-	-
<i>Total Expenditures</i>	<u>4,811,560</u>	<u>4,811,560</u>	<u>4,655,197</u>	<u>156,363</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(18,070)	(18,070)	38,765	56,835
<b>FUND BALANCE, Beginning of year</b>	<u>52,066</u>	<u>52,066</u>	<u>72,844</u>	<u>20,778</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 33,996</u>	<u>\$ 33,996</u>	<u>\$ 111,609</u>	<u>\$ 77,613</u>

**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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,014,210	\$ 1,014,210	\$ 1,014,210	\$ -
Miscellaneous	40,620	40,620	53,472	12,852
<i>Total Revenues</i>	<u>1,054,830</u>	<u>1,054,830</u>	<u>1,067,682</u>	<u>12,852</u>
<b>EXPENDITURES</b>				
City Manager's Office	970,010	1,005,010	955,591	49,419
Contingency	275,000	240,000	-	240,000
<i>Total Expenditures</i>	<u>1,245,010</u>	<u>1,245,010</u>	<u>955,591</u>	<u>289,419</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(190,180)	(190,180)	112,091	302,271
<b>FUND BALANCE, Beginning of year</b>	<u>631,819</u>	<u>631,819</u>	<u>589,247</u>	<u>(42,572)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 441,639</u>	<u>\$ 441,639</u>	<u>\$ 701,338</u>	<u>\$ 259,699</u>

# OTHER FINANCIAL SCHEDULES



**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**YEAR ENDED JUNE 30, 2011**

<i>Fiscal Year</i>	<i>Property Taxes Receivable June 30, 2010</i>	<i>Extended by Assessor</i>	<i>(Deduct) Collections (1)</i>	<i>Add (Deduct) Discounts and Adjustments</i>	<i>Property Taxes Receivable June 30, 2011</i>
2011	\$ -	\$ 22,383,029	\$ (21,261,945)	\$ (575,792)	\$ 545,292
2010	717,125	-	(269,017)	(15,543)	432,565
2009	227,559	-	(96,096)	(9,680)	121,783
2008	92,930	-	(47,083)	(1,245)	44,602
2007	42,783	-	(27,015)	(1,509)	14,259
2006	12,211	-	(2,702)	(1,223)	8,286
2005 and prior	39,369	-	(3,940)	(2,562)	32,867
	<u>\$ 1,131,977</u>	<u>\$ 22,383,029</u>	<u>\$ (21,707,798)</u>	<u>\$ (607,554)</u>	<u>\$ 1,199,654</u>

Notes:

- (1) The records from Benton County include collection adjustments for the 2003 fiscal year's levy as well as prior fiscal years. A total of \$21,707,798 in property tax receipts were received by the City in FY 2010/11. The City also received an additional \$61,379 from Benton County for property tax related interest.

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2011**

<i>Series</i>	<i>Date of Issue</i>	<i>Final Maturity Date</i>	<i>Amount of Original Issue</i>	<i>Outstanding July 1, 2010</i>	<i>Bonds Issued</i>	<i>Bonds Called and Matured</i>	<i>Outstanding June 30, 2011</i>
<b>BONDS PAYABLE</b>							
<i>General Obligation Bonds</i>							
Advance Refunding 1994	01/01/94	08/01/10	\$ 5,380,000	\$ 605,000	\$ -	\$ 605,000	\$ -
Series 2001 A	05/01/01	05/01/21	7,900,000	370,000	-	370,000	-
Series 2009	05/27/09	06/01/19	10,190,000	9,885,000	-	1,190,000	8,695,000
<i>Total General Obligation Bonds</i>				10,860,000	-	2,165,000	8,695,000
<i>Pension Obligation Bonds</i>							
Series 2002 A	03/01/02	01/01/30	23,913,017	23,062,277	-	256,667	22,805,610
Series 2005 A	09/23/05	06/01/28	9,980,000	9,705,000	-	150,000	9,555,000
<i>Total Pension Obligation Bonds</i>				32,767,277	-	406,667	32,360,610
<i>Revenue Bonds</i>							
Series 2006 A	03/01/06	05/01/20	5,410,000	5,240,000	-	420,000	4,820,000
<i>Total Revenue Bonds</i>				5,240,000	-	420,000	4,820,000
<i>Total all Bonds</i>				48,867,277	-	2,991,667	45,875,610
<b>NOTES PAYABLE</b>							
BOA 2010 CIP Loan	08/05/10	08/01/20	2,100,000	-	2,100,000	-	2,100,000
OEDD Loan G95003	11/13/98	12/01/14	9,703,048	3,613,763	-	647,376	2,966,387
OEDD Loan B97001	09/06/96	12/01/16	2,107,000	1,011,316	-	120,134	891,182
SRF/DEQ Sewer Rehab	01/20/92	07/01/13	700,000	160,339	-	44,121	116,218
SRF/DEQ CSO	09/01/97	12/01/20	21,263,693	13,297,010	-	1,058,031	12,238,979
OEDD Loan B96002	09/06/96	12/01/16	332,240	180,880	-	23,739	157,141
<i>Total all Notes</i>				18,263,308	2,100,000	1,893,401	18,469,907
<i>Total Long-term Debt Transactions</i>				\$ 67,130,585	\$ 2,100,000	\$ 4,885,068	\$ 64,345,517

Note: 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.

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF LONG-TERM DEBT INTEREST TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2011**

<i>Series</i>	<i>Interest Rates on Outstanding Balances</i>	<i>Unmatured and Outstanding July 1, 2010</i>	<i>Bonds Issued</i>	<i>Coupons Called and Matured</i>	<i>Unmatured and Outstanding June 30, 2011</i>
<b>BONDS PAYABLE</b>					
<b>General Obligation Bonds</b>					
Advance Refunding 1994	4.95%	\$ 14,974	\$ -	\$ 14,974	\$ -
Series 2001 A	4.50%	16,650	-	16,650	-
Series 2009	3.00 - 4.00 %	1,798,650	-	348,350	1,450,300
<i>Total General Obligation Bonds</i>		<u>1,830,274</u>	<u>-</u>	<u>379,974</u>	<u>1,450,300</u>
<b>Pension Obligation Bonds</b>					
Series 2002 A	6.35 - 7.06 %	29,575,248	-	1,394,733	28,180,515
Series 2005 A	4.516 - 5.50 %	5,784,089	-	480,522	5,303,567
<i>Total Pension Obligation Bonds</i>		<u>35,359,337</u>	<u>-</u>	<u>1,875,255</u>	<u>33,484,082</u>
<b>Revenue Bonds</b>					
Series 2006 A	3.00 - 5.00 %	1,232,900	-	226,200	1,006,700
<i>Total Revenue Bonds</i>		<u>1,232,900</u>	<u>-</u>	<u>226,200</u>	<u>1,006,700</u>
<i>Total All Bonds</i>		<u>38,422,511</u>	<u>-</u>	<u>2,481,429</u>	<u>35,941,082</u>
<b>NOTES PAYABLE</b>					
BOA 2010 CIP Loan	2.9600%	-	355,841	30,389	325,452
OEDD Loan G95003	4.5407%	583,117	-	186,203	396,914
OEDD Loan B97001	5.4442%	234,228	-	55,505	178,723
SRF/DEQ Sewer Rehab	3.0000%	9,760	-	4,481	5,279
SRF/DEQ CSO	3.6900%	3,267,994	-	547,474	2,720,520
OEDD Loan B96002	5.4687%	41,507	-	9,924	31,583
<i>Total All Notes</i>		<u>4,136,606</u>	<u>355,841</u>	<u>833,976</u>	<u>3,658,471</u>
<i>Total Long-term Debt Interest Transactions</i>		<u>\$ 42,559,117</u>	<u>\$ 355,841</u>	<u>\$ 3,315,405</u>	<u>\$ 39,599,553</u>

**CITY OF CORVALLIS, OREGON**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF GENERAL OBLIGATION BONDS**

**JUNE 30, 2011**

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<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>Series 2009</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>
2011-2012	\$ 1,895,000	\$ 312,650	\$ 2,207,650	\$ 1,895,000	\$ 312,650
2012-2013	785,000	255,800	1,040,800	785,000	255,800
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	<u>\$ 8,695,000</u>	<u>\$ 1,450,300</u>	<u>\$ 10,145,300</u>	<u>\$ 8,695,000</u>	<u>\$ 1,450,300</u>

**CITY OF CORVALLIS, OREGON**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF PENSION OBLIGATION BONDS**

**JUNE 30, 2011**

<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>Series 2002 A</i>		<i>Series 2005 A</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2011-2012	\$ 461,767	\$ 1,923,380	\$ 2,385,147	\$ 281,767	\$ 1,449,632	\$ 180,000	\$ 473,748
2012-2013	516,249	1,974,000	2,490,249	301,249	1,510,152	215,000	463,848
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	805,251	2,304,341	3,109,592	370,251	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	1,140,795	2,728,311	3,869,106	390,795	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	-	-
<b>Total</b>	<b>\$ 32,360,610</b>	<b>\$ 33,484,082</b>	<b>\$ 65,844,692</b>	<b>\$ 22,805,610</b>	<b>\$ 28,180,515</b>	<b>\$ 9,555,000</b>	<b>\$ 5,303,567</b>

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF NOTES**  
**JUNE 30, 2011**

<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>OEDD Loan G95003</i>		<i>OEDD Loan B97001</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2011-2012	\$ 2,167,793	\$ 776,826	\$ 2,944,619	\$ 684,743	\$ 153,816	\$ 131,222	\$ 49,017
2012-2013	2,259,583	680,250	2,939,833	722,906	119,053	137,390	41,799
2013-2014	2,324,548	578,932	2,903,480	756,914	81,815	143,622	34,242
2014-2015	2,401,033	474,027	2,875,060	801,824	42,230	149,920	26,342
2015-2016	1,666,441	364,473	2,030,914	-	-	161,291	18,097
2016-2017	1,725,461	294,161	2,019,622	-	-	167,737	9,226
2017-2018	1,586,642	221,256	1,807,898	-	-	-	-
2018-2019	1,642,535	156,944	1,799,479	-	-	-	-
2019-2020	1,700,325	90,332	1,790,657	-	-	-	-
2020-2021	995,546	21,270	1,016,816	-	-	-	-
<b>Total</b>	<b>\$ 18,469,907</b>	<b>\$ 3,658,471</b>	<b>\$ 22,128,378</b>	<b>\$ 2,966,387</b>	<b>\$ 396,914</b>	<b>\$ 891,182</b>	<b>\$ 178,723</b>

<i>SRF/DEQ Sewer Rehab</i>		<i>SRF/DEQ CSO</i>		<i>OEDD Loan B96002</i>		<i>BOA 2010 CIP Loan</i>	
<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
\$ 45,455	\$ 3,147	\$ 1,097,433	\$ 502,782	\$ 23,940	\$ 8,642	\$ 185,000	\$ 59,422
46,829	1,773	1,138,301	456,427	24,157	7,326	190,000	53,872
23,934	359	1,180,692	408,344	24,386	5,998	195,000	48,174
-	-	1,224,662	358,471	24,627	4,656	200,000	42,328
-	-	1,270,269	306,740	29,881	3,302	205,000	36,334
-	-	1,317,574	253,084	30,150	1,659	210,000	30,192
-	-	1,366,642	197,428	-	-	220,000	23,828
-	-	1,417,535	139,702	-	-	225,000	17,242
-	-	1,470,325	79,824	-	-	230,000	10,508
-	-	755,546	17,718	-	-	240,000	3,552
<u>\$ 116,218</u>	<u>\$ 5,279</u>	<u>\$ 12,238,979</u>	<u>\$ 2,720,520</u>	<u>\$ 157,141</u>	<u>\$ 31,583</u>	<u>\$ 2,100,000</u>	<u>\$ 325,452</u>

**CITY OF CORVALLIS, OREGON**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF SENIOR AND SUBORDINATE DEBT  
IN WASTEWATER FUND**

**JUNE 30, 2011**

**SENIOR DEBT**

<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>Series 2006 A</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>
2011-2012	\$ 440,000	\$ 205,200	\$ 645,200	\$ 440,000	\$ 205,200
2012-2013	465,000	183,200	648,200	465,000	183,200
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
<b>Total</b>	<b>\$ 4,820,000</b>	<b>\$ 1,006,700</b>	<b>\$ 5,826,700</b>	<b>\$ 4,820,000</b>	<b>\$ 1,006,700</b>

**SUBORDINATE DEBT**

<i>Year of Maturity</i>	<i>Total Requirements</i>			<i>SRF-DEQ #R24480</i>		<i>SRF-DEQ #R24481</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2011-2012	\$ 1,142,888	\$ 505,929	\$ 1,648,817	\$ 45,455	\$ 3,147	\$ 1,097,433	\$ 502,782
2012-2013	1,185,130	458,200	1,643,330	46,829	1,773	1,138,301	456,427
2013-2014	1,204,626	408,703	1,613,329	23,934	359	1,180,692	408,344
2014-2015	1,224,662	358,471	1,583,133	-	-	1,224,662	358,471
2015-2016	1,270,269	306,740	1,577,009	-	-	1,270,269	306,740
2016-2017	1,317,574	253,084	1,570,658	-	-	1,317,574	253,084
2017-2018	1,366,642	197,428	1,564,070	-	-	1,366,642	197,428
2018-2019	1,417,535	139,702	1,557,237	-	-	1,417,535	139,702
2019-2020	1,470,325	79,824	1,550,149	-	-	1,470,325	79,824
2020-2021	755,546	17,718	773,264	-	-	755,546	17,718
<b>Total</b>	<b>\$ 12,355,197</b>	<b>\$ 2,725,799</b>	<b>\$ 15,080,996</b>	<b>\$ 116,218</b>	<b>\$ 5,279</b>	<b>\$ 12,238,979</b>	<b>\$ 2,720,520</b>

**CITY OF CORVALLIS, OREGON**  
**ANNUAL DISCLOSURE INFORMATION – PROPERTY TAX COLLECTION RECORD**  
**LAST TEN FISCAL YEARS - UNAUDITED**

<b><i>Fiscal Year Ended June 30,</i></b>	<b><i>Assessed Value of Real Estate (1)</i></b>	<b><i>Percent Change in Assessed Value</i></b>	<b><i>Total Levy (2)</i></b>	<b><i>Percent Change in Levy</i></b>	<b><i>Tax Rate per \$1,000 Assessed Value</i></b>	<b><i>Percent Collected at June 30, 2011 (1)</i></b>
2002	\$ 2,922,822,672	1.52 %	\$ 16,689,552	5.55 %	\$ 5.7030	99.99 %
2003	3,026,702,455	3.55	17,325,984	3.81	5.7197	99.99
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	99.98
2006	3,433,620,092	4.27	19,458,295	5.45	5.6485	99.96
2007	3,467,065,775	0.97	19,611,621	0.79	5.6406	99.93
2008	3,613,016,933	4.21	20,352,962	3.78	5.6219	99.78
2009	3,745,146,887	3.66	21,162,976	3.98	5.6448	99.41
2010	3,825,053,618	2.13	21,544,022	1.80	5.6251	97.94
2011	3,999,075,433	4.55	22,383,029	3.89	5.5939	97.50

- (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, 2011- UNAUDITED**

<b>REVENUES</b>	
Gross operating revenues (1)	\$ 8,992,474
SDC revenues	1,160,607
Transfers from (to) Rate Stabilization Account (RSA)	-
<i>Total Gross Revenues</i>	<u>10,153,081</u>
<b>OPERATING EXPENSES (2)</b>	<u>(6,466,456)</u>
<b>NET REVENUES (3)</b>	<u>\$ 3,686,625</u>
<b>NET OPERATING REVENUES (4)</b>	<u>\$ 2,526,018</u>
<b>ANNUAL DEBT SERVICE (Principal &amp; Interest)</b>	
Senior Debt	
CSO Revenue Bond (2006A)	<u>\$ 646,200</u>
<i>Total Senior Debt Service</i>	<u>646,200</u>
Subordinate Debt	
State Revolving Fund / DEQ Loan (1992) #R24480	48,602
State Revolving Fund / DEQ Loan (1998) #R24481	<u>1,605,505</u>
<i>Total Subordinated Debt Service</i>	<u>1,654,107</u>
<i>Total Annual Debt Service</i>	<u>\$ 2,300,307</u>
<b>NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.20 times senior debt)</b>	<u>5.71</u>
<b>NET REVENUE DEBT SERVICE COVERAGE (Requirement is 1.05 times subordinate debt)</b>	<u>2.23</u>
<b>NET OPERATING REVENUE DEBT SERVICE COVERAGE</b> (Requirement is 1.05 times total debt service)	<u>1.10</u>
<b>RATE STABILIZATION ACCOUNT (RSA) BALANCE - JUNE 30, 2011</b>	<u>\$ 300,000</u>

The Wastewater Fund Retained Earnings Reserved for Debt Service and Construction include \$1,627,159 reserved for the two state revolving fund loans. The 2006A reserve is backed by a surety bond that guarantees future schedules principal and interest payments. In addition, the 2006A issue is supported by financial guarantee insurance policies through XL Capital Assurance.

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 \$1.7 million per year based on debt commitments as of June 30, 2011.

- (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.

**CITY OF CORVALLIS, OREGON**

**ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF WASTEWATER FUND STATISTICS**

**HISTORICAL SYSTEM STATISTICS AND LARGEST SEWER SYSTEM CUSTOMERS**

**YEAR ENDED JUNE 30, 2011 - UNAUDITED**

**HISTORICAL SYSTEM STATISTICS**

<i>Fiscal Year Ended June 30,</i>	<i>Net Revenues (less SDCs)</i>	<i>Number of Sewer Customers</i>	<i>Average Monthly Residential Sewer Bill</i>
2007	\$ 3,548,543	14,593	\$ 30.43
2008	3,638,196	14,698	31.49
2009	3,233,122	14,769	32.39
2010	3,159,322	14,835	33.01
2011	3,686,625	14,840	33.65

**LARGEST SEWER SYSTEM CUSTOMERS**

<i>Customer</i>	<i>2011 System Usage in Units (1)</i>	<i>2011 Annual Revenue</i>	<i>Percent of Total System Gross Revenue (2)</i>
Oregon State University	219,624	\$ 771,912	7.60 %
Hewlett-Packard	180,662	535,050	5.27
Samaritan Health Services	31,027	106,108	1.04
Witham Hill Oaks Apts, LLC	20,973	63,411	0.62
Mtn View at Rivergreen	14,934	47,811	0.47
Foster Poultry Farms	13,496	46,753	0.46
Corvallis Schools 509J	13,067	40,534	0.40
David Huarte	13,056	38,217	0.38
Safeway	12,251	50,050	0.49
Evanite	11,146	38,823	0.38
Conifer Place / Bird LLC	9,779	30,864	0.30
Julantru Limited Partnership	9,742	29,103	0.29
Korda Group	8,102	26,022	0.26
Fred Haruda	7,737	24,014	0.24
Meadow Park Mobile Est	7,428	22,107	0.22
	<u>573,024</u>	<u>\$ 1,870,779</u>	<u>18.42 %</u>

(1) One unit = 1 hcf - 748 gallons

(2) Total system gross revenues for fiscal year 2011 were \$10,161,605

**CITY OF CORVALLIS, OREGON**

**ANNUAL DISCLOSURE INFORMATION – SCHEDULE OF DIRECT AND OVERLAPPING DEBT  
TO PROPERTY VALUE RATIOS  
JUNE 30, 2011 - UNAUDITED**

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	<u>Values</u>	<u>Per Capita</u>	<u>Percent of Real Market Value</u>	<u>Percent of Assessed Value</u>
2011 population	55,370	-	-	-
2010-11 real market value	\$ 5,664,529,057	\$ 102,303	100.00 %	-
2010-11 assessed value	3,999,075,433	72,225	70.60	100.00 %
Long-term gross bonded debt	45,875,610	829	0.81	1.15
Long-term net direct debt	8,612,943	156	0.15	0.22
Overlapping debt	49,987,453	903	0.88	1.25
Long-term net direct and overlapping debt	58,600,396	1,058	1.03	1.47

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, 2011 - UNAUDITED**

<i>Series</i>	<i>Issuance Date</i>	<i>Maturity Date</i>	<i>Bond CUSIP or Loan No.</i>	<i>Original Issuance Amount</i>	<i>Principal Balance June 30, 2011</i>
<b>UNLIMITED TAX GENERAL OBLIGATION BONDS</b>					
<i>Tax Supported</i>					
Series 2009	05/27/09	06/01/19	2208855	\$ 10,190,000	\$ 8,695,000
<b>DEBT PAID AND/OR SECURED BY THE GENERAL FUND</b>					
<i>Limited Tax Obligation Bonds</i>					
Pension Obligation - Series 2002 A	3/1/2002 &				
	03/12/02	01/01/30	2208854Z-5T	23,913,017	22,805,610
Pension Obligation - Series 2005 A	09/23/05	06/01/28	68608D	9,980,000	9,555,000
<i>Loan</i>					
BOA 2010 CIP Loan	08/05/10	08/01/20	Series 2010	2,100,000	2,100,000
<b>REVENUE BONDS</b>					
Combined Sewer Overflow - Series 2006 A	03/01/06	05/01/20	221004	5,410,000	4,820,000
<i>Total Unlimited Tax General Obligation Bonds, Debt Paid and/or Secured by the General Fund, and Revenue Bonds</i>				<u>64,873,017</u>	<u>47,975,610</u>
<b>OTHER REVENUE SUPPORTED LOANS</b>					
Sewer Rehabilitation - SRF/DEQ 1992	01/20/92	07/01/13	R24480	700,000	116,218
Taylor Treatment Plant - OEDD 1994 (Refunded 1998)	11/02/94	12/01/14	G95003	9,703,048	2,966,387
Taylor Treatment Plant - OEDD 1996	09/06/96	12/01/16	B97001	2,107,000	891,182
Airport - OEDD 1996	09/06/96	12/01/16	B96002	332,240	157,141
Combined Sewer Overflow - SRF/DEQ 1997	10/01/97	12/01/20	R24481	21,263,693	12,238,979
<i>Total Other Revenue Supported Loans</i>				<u>34,105,981</u>	<u>16,369,907</u>
<i>Total Outstanding Debt Obligations</i>				<u>\$ 98,978,998</u>	<u>\$ 64,345,517</u>

**CITY OF CORVALLIS, OREGON****ANNUAL DISCLOSURE INFORMATION – SUMMARY OF ADOPTED BUDGET – ALL FUNDS  
LAST TWO FISCAL YEARS - UNAUDITED**

	<u>2009-10</u>	<u>2010-11</u>
<b>RESOURCES</b>		
Fund Balance, Beginning of Year	\$ 38,223,492	\$ 33,950,070
Revenues		
Property taxes	20,961,130	21,208,240
Other taxes	1,194,350	1,036,190
Licenses, fees, and permits	6,886,740	6,844,580
Charges for services	38,215,330	38,306,510
Intergovernmental	16,031,320	17,564,440
Fines and forfeitures	1,413,310	1,365,570
Miscellaneous	3,095,810	2,648,600
Other financing sources	13,769,335	15,646,822
<i>Total Revenues</i>	<u>101,567,325</u>	<u>104,620,952</u>
<i>Total Resources</i>	<u>\$ 139,790,817</u>	<u>\$ 138,571,022</u>
<b>REQUIREMENTS</b>		
Operating Expense		
Personal services	\$ 43,109,280	\$ 45,326,660
Supplies and services	36,562,130	34,397,430
Capital outlay	3,826,780	2,009,160
<i>Total Operating Expense</i>	<u>83,498,190</u>	<u>81,733,250</u>
Nonoperating Expense		
Capital projects	11,866,610	14,157,847
Transfers	13,880,335	8,162,110
Debt service	7,214,200	13,117,352
Contingencies	1,710,740	1,322,520
<i>Total Nonoperating Expense</i>	<u>34,671,885</u>	<u>36,759,829</u>
<i>Total Expenditures</i>	<u>\$ 118,170,075</u>	<u>\$ 118,493,079</u>

**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**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<b>REVENUES</b>					
Taxes	\$ 5,319,213	\$ 4,784,086	\$ 4,149,749	\$ 5,978,510	\$ 6,169,798
Licenses, fees, and permits	5,071,181	5,228,281	5,396,443	5,227,722	5,375,369
Charges for services	554,627	723,496	531,606	585,995	675,033
Intergovernmental	1,180,864	1,009,226	1,288,467	1,347,433	1,367,991
Fines and forfeitures	796,101	739,487	646,667	573,806	697,994
Miscellaneous	343,816	251,502	144,828	95,575	138,017
<i>Total Revenues</i>	<u>13,265,802</u>	<u>12,736,078</u>	<u>12,157,760</u>	<u>13,809,041</u>	<u>14,424,202</u>
<b>EXPENDITURES</b>					
Current					
City Manager's Office	-	-	-	-	-
Community Development	1,149,683	1,277,252	1,390,460	1,453,556	1,450,222
Finance	496,410	515,175	565,953	614,534	576,402
Police	8,353,027	8,605,967	9,315,498	9,978,567	9,914,796
Public Works	693,063	783,384	794,684	878,851	945,067
Nondepartmental	1,354,701	1,367,740	1,435,348	1,487,599	1,424,041
Capital outlay	-	-	-	-	30,389
<i>Total Expenditures</i>	<u>12,046,884</u>	<u>12,549,518</u>	<u>13,501,943</u>	<u>14,413,107</u>	<u>14,340,917</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,218,918</u>	<u>186,560</u>	<u>(1,344,183)</u>	<u>(604,066)</u>	<u>83,285</u>
<b>OTHER FINANCING</b>					
<b>SOURCES (USES)</b>					
Proceeds - sale of capital assets	5,661	24,136	13,437	6,396	4,002
Transfers in	-	-	-	-	345,450
Transfers out	(893,127)	(531,293)	(524,137)	(641,910)	(699,060)
<i>Total Other Financing Sources (Uses)</i>	<u>(887,466)</u>	<u>(507,157)</u>	<u>(510,700)</u>	<u>(635,514)</u>	<u>(349,608)</u>
<b>NET CHANGE IN FUND BALANCE</b>	331,452	(320,597)	(1,854,883)	(1,239,580)	(266,323)
<b>FUND BALANCE, Beginning of year</b>	<u>3,754,011</u>	<u>4,085,463</u>	<u>3,764,866</u>	<u>1,909,983</u>	<u>670,403</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 4,085,463</u>	<u>\$ 3,764,866</u>	<u>\$ 1,909,983</u>	<u>\$ 670,403</u>	<u>\$ 404,080</u>

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# STATISTICAL SECTION



## 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.

# STATISTICAL SECTION

## FINANCIAL TRENDS



**CITY OF CORVALLIS, OREGON**  
**NET ASSETS BY COMPONENT**  
**LAST NINE FISCAL YEARS**  
*(accrual basis of accounting)*

	<i>Fiscal Year</i>								
	<u>2003</u>	<u>2004<sup>(a)</sup></u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities</b>									
Invested in capital assets, net of related debt	\$ 129,736,676	\$ 134,302,482	\$ 135,631,050	\$ 137,331,672	\$ 140,587,954	\$ 141,455,487	\$ 142,337,802	\$ 145,961,066	\$ 146,306,669
Restricted for special purposes	5,677,732	6,028,650	3,978,206	3,647,503	4,311,449	3,579,434	4,289,737	3,980,184	7,343,850
Unrestricted	15,581,392	13,598,184	16,632,858	14,946,146	13,398,537	11,885,844	3,194,561	(1,397,676)	(6,872,343)
<i>Total Governmental Activities Net Assets</i>	<u>\$ 150,995,800</u>	<u>\$ 153,929,316</u>	<u>\$ 156,242,114</u>	<u>\$ 155,925,321</u>	<u>\$ 158,297,940</u>	<u>\$ 156,920,765</u>	<u>\$ 149,822,100</u>	<u>\$ 148,543,574</u>	<u>\$ 146,778,176</u>
<b>Business-type Activities</b>									
Invested in capital assets, net of related debt	\$ 79,151,163	\$ 90,265,015	\$ 96,337,907	\$ 104,168,328	\$ 106,978,116	\$ 108,814,471	\$ 109,369,298	\$ 110,462,358	\$ 111,598,330
Restricted for special purposes	10,636,632	9,951,921	11,583,667	12,421,513	13,472,647	13,145,730	13,469,355	13,990,821	15,403,422
Unrestricted	13,604,517	10,144,280	7,995,633	5,181,976	6,302,255	6,630,423	6,806,044	5,549,490	4,948,672
<i>Total Business-type Activities Net Assets</i>	<u>\$ 103,392,312</u>	<u>\$ 110,361,216</u>	<u>\$ 115,917,207</u>	<u>\$ 121,771,817</u>	<u>\$ 126,753,018</u>	<u>\$ 128,590,624</u>	<u>\$ 129,644,697</u>	<u>\$ 130,002,669</u>	<u>\$ 131,950,424</u>
<b>Primary Government</b>									
Invested in capital assets, net of related debt	\$ 208,887,839	\$ 224,567,497	\$ 231,968,957	\$ 241,500,000	\$ 247,566,070	\$ 250,269,958	\$ 251,707,100	\$ 256,423,424	\$ 257,904,999
Restricted for special purposes	16,314,364	15,980,571	15,561,873	16,069,016	17,784,096	16,725,164	17,759,092	17,971,005	22,747,272
Unrestricted	29,185,909	23,742,464	24,628,491	20,128,122	19,700,792	18,516,267	10,000,605	4,151,814	(1,923,671)
<i>Total Primary Government Activities Net Assets</i>	<u>\$ 254,388,112</u>	<u>\$ 264,290,532</u>	<u>\$ 272,159,321</u>	<u>\$ 277,697,138</u>	<u>\$ 285,050,958</u>	<u>\$ 285,511,389</u>	<u>\$ 279,466,797</u>	<u>\$ 278,546,243</u>	<u>\$ 278,728,600</u>

(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 assets by component is intended to provide the user with summary data to analyze changes in the components of net assets.

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

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

**CITY OF CORVALLIS, OREGON**  
**CHANGES IN NET ASSETS**  
**LAST NINE FISCAL YEARS - UNAUDITED**  
*(accrual basis of accounting)*

	<i>Fiscal Year</i>								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>									
Governmental Activities:									
General Government	\$ 3,401,774	\$ 1,341,051	\$ 1,504,824	\$ 1,687,447	\$ 1,652,481	\$ 1,796,330	\$ 1,620,536	\$ 1,986,064	\$ 1,511,814
Community Development	3,337,680	4,429,195	4,120,924	4,284,073	5,168,425	4,721,202	5,232,238	4,622,690	5,854,253
Finance	496,896	636,148	643,858	676,305	723,744	723,139	807,497	807,226	782,197
Fire	6,707,388	6,895,286	7,662,260	8,656,311	9,200,110	9,582,929	10,575,015	10,963,048	11,426,793
Library	4,866,842	4,987,063	5,194,096	5,591,093	5,716,184	5,956,494	6,664,627	6,544,201	6,221,228
Parks and Recreation	4,103,637	4,543,507	4,719,536	5,098,047	5,396,528	5,495,996	6,166,056	6,323,593	6,020,914
Police	8,306,310	9,502,172	9,245,375	10,344,246	10,744,348	10,949,777	12,002,325	13,013,915	13,184,192
Public Works	8,379,298	9,009,275	9,826,111	9,811,124	9,975,656	10,416,224	11,810,710	12,515,686	11,245,957
Interest on long-term debt	2,100,736	2,086,022	2,038,212	2,373,330	2,452,755	2,423,186	2,367,064	2,254,830	2,292,797
<i>Total Governmental Activities</i>	<u>41,700,561</u>	<u>43,429,719</u>	<u>44,955,196</u>	<u>48,521,976</u>	<u>51,030,231</u>	<u>52,065,277</u>	<u>57,246,068</u>	<u>59,031,253</u>	<u>58,540,145</u>
Business-type Activities:									
Water	7,411,746	7,067,877	7,376,890	7,318,210	7,641,213	8,063,852	8,342,283	8,499,854	8,745,859
Wastewater	8,077,938	7,954,165	8,244,864	8,025,574	8,492,767	8,732,200	9,170,904	9,462,535	9,970,607
Storm Water	1,426,681	1,543,130	1,630,566	1,710,288	1,707,827	2,670,369	2,298,342	2,021,492	2,097,052
Airport	409,125	517,965	495,144	545,676	597,816	594,875	680,639	842,116	1,497,794
<i>Total Business-type Activities</i>	<u>17,325,490</u>	<u>17,083,137</u>	<u>17,747,464</u>	<u>17,599,748</u>	<u>18,439,623</u>	<u>20,061,296</u>	<u>20,492,168</u>	<u>20,825,997</u>	<u>22,311,312</u>
<i>Total Primary Government</i>	<u>\$ 59,026,051</u>	<u>\$ 60,512,856</u>	<u>\$ 62,702,660</u>	<u>\$ 66,121,724</u>	<u>\$ 69,469,854</u>	<u>\$ 72,126,573</u>	<u>\$ 77,738,236</u>	<u>\$ 79,857,250</u>	<u>\$ 80,851,457</u>
<b>Program Revenues</b>									
Governmental Activities:									
Charges for services									
General Government	\$ 181,896	\$ 228,250	\$ 183,146	\$ 258,355	\$ 256,786	\$ 285,301	\$ 251,920	\$ 318,131	\$ 371,003
Community Development	1,671,224	2,296,253	3,114,476	1,576,158	2,441,356	914,830	1,634,006	3,275,953	2,157,595
Finance	787,346	835,772	1,024,993	1,045,316	1,192,579	1,122,641	956,815	861,040	1,094,015
Fire	2,406,835	2,474,002	2,401,259	2,656,598	2,948,347	3,256,362	3,074,246	3,296,688	3,318,101
Library	126,463	152,048	138,361	173,497	168,862	216,866	196,913	182,153	211,198
Parks and Recreation	1,238,048	1,649,349	1,538,150	1,368,525	1,398,611	1,423,883	1,528,078	1,708,603	1,512,646
Police	746,912	756,240	791,786	726,802	1,008,405	1,094,862	913,453	1,320,249	1,293,267
Public Works	1,365,254	835,541	957,000	1,475,280	1,909,003	2,366,278	1,655,549	2,131,077	1,901,110
Operating grants and contributions	5,375,432	7,927,343	7,015,894	7,442,569	7,854,696	7,542,838	7,650,047	8,641,809	8,962,239
Capital grants and contributions	8,922,267	5,134,923	4,719,933	4,076,091	5,754,056	3,256,066	3,013,921	6,713,015	5,641,347
<i>Total Governmental Activities</i>	<u>22,821,677</u>	<u>22,289,721</u>	<u>21,884,998</u>	<u>20,799,191</u>	<u>24,932,701</u>	<u>21,479,927</u>	<u>20,874,948</u>	<u>28,448,718</u>	<u>26,462,521</u>
Business-type Activities:									
Charges for services									
Water	6,459,161	6,838,575	6,790,271	7,004,077	7,779,966	8,126,619	8,538,420	8,328,087	8,482,624
Waste water	7,434,553	7,963,496	7,840,994	7,922,298	8,702,620	9,028,522	8,838,806	8,739,964	8,969,074
Storm Water	1,719,255	1,757,383	1,768,116	1,811,365	1,866,500	1,859,065	1,829,778	1,883,720	2,005,560
Airport	243,554	309,419	371,093	290,869	330,477	382,523	452,297	400,460	408,313
Operating grants and contributions	-	90,478	4,993	54,624	1,773	-	43,463	27,238	58,196
Capital grants and contributions	7,556,656	6,551,941	6,167,665	5,995,971	4,311,390	2,057,705	1,840,821	2,177,949	4,808,133
<i>Total Business-type Activities</i>	<u>23,413,179</u>	<u>23,511,292</u>	<u>22,943,132</u>	<u>23,079,204</u>	<u>22,992,726</u>	<u>21,454,434</u>	<u>21,543,585</u>	<u>21,557,418</u>	<u>24,731,900</u>
<i>Total Primary Government</i>	<u>\$ 46,234,856</u>	<u>\$ 45,801,013</u>	<u>\$ 44,828,130</u>	<u>\$ 43,878,395</u>	<u>\$ 47,925,427</u>	<u>\$ 42,934,361</u>	<u>\$ 42,418,533</u>	<u>\$ 50,006,136</u>	<u>\$ 51,194,421</u>

**CITY OF CORVALLIS, OREGON**  
**CHANGES IN NET ASSETS (Continued)**  
**LAST NINE FISCAL YEARS - UNAUDITED**  
*(accrual basis of accounting)*

	<i>Fiscal Year</i>								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Net (Expense) / Revenue</b>									
Governmental activities	\$ (18,878,884)	\$ (21,139,998)	\$ (23,070,198)	\$ (27,722,785)	\$ (26,097,530)	\$ (30,585,350)	\$ (36,371,120)	\$ (30,582,535)	\$ (32,077,624)
Business-type activities	6,087,689	6,428,155	5,195,668	5,479,456	4,553,103	1,393,138	1,051,417	731,421	2,420,588
<b>Total Primary Government</b>	<b>\$ (12,791,195)</b>	<b>\$ (14,711,843)</b>	<b>\$ (17,874,530)</b>	<b>\$ (22,243,329)</b>	<b>\$ (21,544,427)</b>	<b>\$ (29,192,212)</b>	<b>\$ (35,319,703)</b>	<b>\$ (29,851,114)</b>	<b>\$ (29,657,036)</b>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities									
Taxes									
Property taxes	\$ 16,726,032	\$ 17,221,001	\$ 17,945,723	\$ 18,860,943	\$ 19,100,501	\$ 19,797,404	\$ 20,620,144	\$ 20,950,727	\$ 21,775,474
Other taxes	692,399	938,601	946,925	1,002,657	1,113,828	1,147,595	1,076,629	1,079,621	1,190,725
Franchise fees	3,996,138	4,017,391	4,142,251	4,423,025	4,827,108	4,988,241	5,178,552	5,004,727	5,142,289
Interest and investment earnings	602,457	340,073	562,460	1,054,506	1,332,488	1,098,958	491,698	158,842	144,235
Miscellaneous	1,380,820	1,348,363	1,514,561	1,542,147	1,451,951	1,641,909	1,453,065	1,579,768	1,421,942
Gain on sale of capital assets	4,617	4,935	53,061	45,207	58,082	30,768	5,451	6,644	43,271
Transfers	431,906	203,150	218,015	477,507	586,191	503,300	446,916	523,680	594,290
<b>Total Governmental Activities</b>	<b>23,834,369</b>	<b>24,073,514</b>	<b>25,382,996</b>	<b>27,405,992</b>	<b>28,470,149</b>	<b>29,208,175</b>	<b>29,272,455</b>	<b>29,304,009</b>	<b>30,312,226</b>
Business-type activities									
Interest and investment earnings	531,114	272,976	446,418	770,821	1,001,448	931,722	436,941	144,423	113,416
Miscellaneous	199,864	452,923	129,329	81,840	12,841	16,046	12,631	5,808	8,041
Gain on sale of capital assets	958	18,000	2,591	-	-	-	-	-	-
Transfers	(431,906)	(203,150)	(218,015)	(477,507)	(586,191)	(503,300)	(446,916)	(523,680)	(594,290)
<b>Total Business-type Activities</b>	<b>300,030</b>	<b>540,749</b>	<b>360,323</b>	<b>375,154</b>	<b>428,098</b>	<b>444,468</b>	<b>2,656</b>	<b>(373,449)</b>	<b>(472,833)</b>
<b>Total Primary Government</b>	<b>\$ 24,134,399</b>	<b>\$ 24,614,263</b>	<b>\$ 25,743,319</b>	<b>\$ 27,781,146</b>	<b>\$ 28,898,247</b>	<b>\$ 29,652,643</b>	<b>\$ 29,275,111</b>	<b>\$ 28,930,560</b>	<b>\$ 29,839,393</b>
<b>Change in Net Assets</b>									
Governmental activities	\$ 4,955,485	\$ 2,933,516	\$ 2,312,798	\$ (316,793)	\$ 2,372,619	\$ (1,377,175)	\$ (7,098,665)	\$ (1,278,526)	\$ (1,765,398)
Business-type activities	6,387,719	6,968,904	5,555,991	3,854,610	4,981,201	1,837,606	1,054,073	357,972	1,947,755
<b>Total Primary Government</b>	<b>\$ 11,343,204</b>	<b>\$ 9,902,420</b>	<b>\$ 7,868,789</b>	<b>\$ 3,537,817</b>	<b>\$ 7,353,820</b>	<b>\$ 460,431</b>	<b>\$ (6,044,592)</b>	<b>\$ (920,554)</b>	<b>\$ 182,357</b>

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

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011(a)</u>
<b>General Fund</b>										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,683
Committed	-	-	-	-	-	-	-	-	-	252,415
Unassigned	3,597,137	1,959,353	2,599,727	3,468,723	3,754,011	4,085,463	3,764,866	1,909,983	670,403	(112,018)
<b>Total General Fund</b>	<b>3,597,137</b>	<b>1,959,353</b>	<b>2,599,727</b>	<b>3,468,723</b>	<b>3,754,011</b>	<b>4,085,463</b>	<b>3,764,866</b>	<b>1,909,983</b>	<b>670,403</b>	<b>404,080</b>
<b>Street</b>										
Restricted	-	-	-	-	-	-	-	-	-	1,874,768
Committed	-	-	-	-	-	-	-	-	-	91,625
Assigned	3,636,836	3,624,244	3,474,944	3,716,975	3,297,908	3,899,117	3,728,781	2,756,739	1,989,984	356,867
<b>Total Street Fund</b>	<b>3,636,836</b>	<b>3,624,244</b>	<b>3,474,944</b>	<b>3,716,975</b>	<b>3,297,908</b>	<b>3,899,117</b>	<b>3,728,781</b>	<b>2,756,739</b>	<b>1,989,984</b>	<b>2,323,260</b>
<b>Parks and Recreation</b>										
Restricted	-	-	-	-	-	-	-	-	-	1,612,951
Committed	-	-	-	-	-	-	-	-	-	572,523
Assigned	2,632,741	2,280,178	2,288,822	2,920,667	3,091,823	2,798,345	2,502,095	1,920,186	1,420,355	329,406
<b>Total Parks and Recreation Fund</b>	<b>2,632,741</b>	<b>2,280,178</b>	<b>2,288,822</b>	<b>2,920,667</b>	<b>3,091,823</b>	<b>2,798,345</b>	<b>2,502,095</b>	<b>1,920,186</b>	<b>1,420,355</b>	<b>2,514,880</b>
<b>Fire &amp; Rescue</b>										
Committed	-	-	-	-	-	-	-	-	-	3,408
Assigned	3,010,962	3,323,059	2,224,438	2,785,121	3,056,427	2,519,585	2,690,180	3,219,696	1,820,879	1,161,738
<b>Total Fire &amp; Rescue Fund</b>	<b>3,010,962</b>	<b>3,323,059</b>	<b>2,224,438</b>	<b>2,785,121</b>	<b>3,056,427</b>	<b>2,519,585</b>	<b>2,690,180</b>	<b>3,219,696</b>	<b>1,820,879</b>	<b>1,165,146</b>
<b>Community Development Revolving</b>										
Committed	-	-	-	-	-	-	-	-	-	240,706
Assigned	732,449	937,361	618,850	573,717	685,127	964,169	1,294,100	883,911	977,830	-
Unassigned	-	-	-	-	-	-	-	-	-	(186,239)
<b>Total Community Development Fund</b>	<b>732,449</b>	<b>937,361</b>	<b>618,850</b>	<b>573,717</b>	<b>685,127</b>	<b>964,169</b>	<b>1,294,100</b>	<b>883,911</b>	<b>977,830</b>	<b>54,467</b>
<b>Library</b>										
Restricted	-	-	-	-	-	-	-	-	-	6,086
Committed	-	-	-	-	-	-	-	-	-	444,917
Assigned	1,678,485	1,382,455	1,779,807	1,867,472	1,984,385	2,030,479	2,093,977	1,652,433	813,008	779,970
<b>Total Library Fund</b>	<b>1,678,485</b>	<b>1,382,455</b>	<b>1,779,807</b>	<b>1,867,472</b>	<b>1,984,385</b>	<b>2,030,479</b>	<b>2,093,977</b>	<b>1,652,433</b>	<b>813,008</b>	<b>1,230,973</b>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011(a)</u>
<b>Capital Construction</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	1,133,541
Assigned	1,635,337	972,238	641,457	655,597	568,641	1,006,689	1,191,342	670,242	832,722	684,151
<b>Total Capital Construction Fund</b>	<u>1,635,337</u>	<u>972,238</u>	<u>641,457</u>	<u>655,597</u>	<u>568,641</u>	<u>1,006,689</u>	<u>1,191,342</u>	<u>670,242</u>	<u>832,722</u>	<u>1,817,692</u>
<b>Pension Obligation Debt Service</b>										
Assigned	-	-	-	-	10,104	-	-	-	-	-
<b>Total Pension Obligation Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Governmental Funds</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	5,000
Restricted	-	-	-	-	-	-	-	-	-	81,557
Committed	-	-	-	-	-	-	-	-	-	37,323
Assigned	6,517,193	6,629,474	6,198,540	5,318,339	4,734,444	4,117,646	4,145,818	3,008,046	4,600,170	3,116,126
<b>Total Other Governmental Funds</b>	<u>6,517,193</u>	<u>6,629,474</u>	<u>6,198,540</u>	<u>5,318,339</u>	<u>4,734,444</u>	<u>4,117,646</u>	<u>4,145,818</u>	<u>3,008,046</u>	<u>4,600,170</u>	<u>3,240,006</u>
<b>Total All Funds</b>	<u>\$ 23,441,140</u>	<u>\$ 21,108,362</u>	<u>\$ 19,826,585</u>	<u>\$ 21,306,611</u>	<u>\$ 21,182,870</u>	<u>\$ 21,421,493</u>	<u>\$ 21,411,159</u>	<u>\$ 16,021,236</u>	<u>\$ 13,125,351</u>	<u>\$ 12,750,504</u>

(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)*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes	\$ 17,012,593	\$ 17,420,385	\$ 18,293,641	\$ 18,946,837	\$ 19,847,086	\$ 20,135,770	\$ 20,945,820	\$ 21,515,848	\$ 21,772,894	22,898,521
Licenses, fees and permits	4,788,266	5,181,690	5,514,902	5,677,958	5,761,430	6,724,385	6,903,922	6,628,905	7,059,886	7,590,473
Charges for services	7,271,344	6,795,631	7,423,696	7,891,789	7,155,204	8,383,481	9,251,853	7,790,799	9,649,331	9,756,768
Intergovernmental	8,027,466	7,891,967	10,312,917	8,770,198	9,054,686	9,912,764	9,065,501	9,401,237	12,278,283	11,113,186
Fines and forfeitures	848,122	882,524	914,559	1,070,391	1,115,954	1,297,790	1,213,369	1,119,762	1,032,005	1,227,114
Miscellaneous	2,029,990	1,793,147	1,382,863	1,566,146	2,400,275	2,436,752	2,753,223	1,109,738	1,791,816	892,476
<b>Total Revenues</b>	<b>39,977,781</b>	<b>39,965,344</b>	<b>43,842,578</b>	<b>43,923,319</b>	<b>45,334,635</b>	<b>48,890,942</b>	<b>50,133,688</b>	<b>47,566,289</b>	<b>53,584,215</b>	<b>53,478,538</b>
<b>Expenditures</b>										
Community Development	3,360,221	3,276,799	4,397,863	4,020,308	4,099,543	4,999,714	4,607,964	4,949,678	4,400,049	5,633,527
Finance	458,642	458,027	556,484	560,701	569,606	595,666	623,352	676,358	691,409	688,431
Fire	5,934,332	6,266,441	6,481,451	7,142,795	7,859,065	8,499,495	8,793,931	9,393,963	9,868,475	9,240,854
Library	4,664,106	4,597,949	4,763,415	4,868,998	5,221,912	5,336,415	5,669,909	6,014,385	6,011,301	5,993,188
Parks and Recreation	4,030,623	3,957,010	4,349,882	4,453,344	4,687,642	4,981,924	5,114,752	5,515,991	5,631,708	5,420,677
Police	8,022,106	7,969,757	9,386,130	8,707,851	9,611,397	9,984,726	10,445,595	11,025,495	11,957,750	12,189,702
Public Works	4,126,952	4,211,882	5,023,348	5,005,155	5,080,103	5,432,133	5,911,169	6,538,914	8,582,020	7,073,190
Miscellaneous nondepartmental	3,355,332	3,320,995	1,142,365	1,295,660	1,490,786	1,357,376	1,539,101	1,529,669	1,781,334	1,425,391
Payment of unfunded pension liability	23,124,956	-	-	-	9,795,521	-	-	-	-	-
Capital outlay	14,009,824	5,503,767	5,908,448	3,287,815	3,812,503	4,282,594	3,994,551	3,792,751	4,231,632	4,068,701
Debt Service										
Principal	1,333,000	1,244,000	1,224,000	1,319,582	1,416,893	1,392,863	1,540,618	1,671,192	1,589,592	2,571,667
Interest	999,796	1,912,108	2,099,054	2,052,365	2,349,139	2,464,856	2,437,148	2,410,504	2,270,909	2,285,618
<b>Total Expenditures</b>	<b>73,419,890</b>	<b>42,718,735</b>	<b>45,332,440</b>	<b>42,714,574</b>	<b>55,944,110</b>	<b>49,327,762</b>	<b>50,678,090</b>	<b>53,518,900</b>	<b>57,016,179</b>	<b>56,590,946</b>
<b>Excess of Revenues Over (Under)</b>										
<b>Expenditures</b>	<b>(33,442,109)</b>	<b>(2,753,391)</b>	<b>(1,489,862)</b>	<b>1,208,745</b>	<b>(10,609,475)</b>	<b>(436,820)</b>	<b>(544,402)</b>	<b>(5,952,611)</b>	<b>(3,431,964)</b>	<b>(3,112,408)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds - issuance of debt	23,913,017	-	-	-	9,980,000	-	-	10,190,000	-	2,100,000
Premium - issuance of debt	-	-	-	-	-	-	-	537,000	-	-
Proceeds - sale of capital assets	-	4,617	4,935	53,265	45,207	58,082	30,768	20,737	12,399	43,271
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(10,631,965)	-	-
Operating transfers in	6,849,191	4,624,865	4,741,726	2,405,139	3,611,267	4,793,019	4,687,961	3,648,623	3,612,002	3,659,779
Operating transfers out	(6,039,533)	(4,208,869)	(4,538,576)	(2,187,123)	(3,150,740)	(4,175,658)	(4,184,661)	(3,201,707)	(3,088,322)	(3,065,489)
<b>Total Other Financing Sources (Uses)</b>	<b>24,722,675</b>	<b>420,613</b>	<b>208,085</b>	<b>271,281</b>	<b>10,485,734</b>	<b>675,443</b>	<b>534,068</b>	<b>562,688</b>	<b>536,079</b>	<b>2,737,561</b>
<b>Net Residual Transfers In (Out)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (8,719,434)</b>	<b>\$ (2,332,778)</b>	<b>\$ (1,281,777)</b>	<b>\$ 1,480,026</b>	<b>\$ (123,741)</b>	<b>\$ 238,623</b>	<b>\$ (10,334)</b>	<b>\$ (5,389,923)</b>	<b>\$ (2,895,885)</b>	<b>(374,847)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>3.9%</b>	<b>8.5%</b>	<b>8.4%</b>	<b>8.6%</b>	<b>7.2%</b>	<b>8.6%</b>	<b>8.5%</b>	<b>8.2%</b>	<b>7.3%</b>	<b>9.2%</b>

Notes:

Proceeds from the issuance of debt are as follows: Riverfront Bonds (Series 1999), Moose Building (Series 2001), OpenSpace Bonds (Series 2001), Pension Obligation Bonds (Series 2002 and Series 2005)

**CITY OF CORVALLIS, OREGON**  
**PROGRAM REVENUES BY FUNCTION/PROGRAM**  
**LAST NINE FISCAL YEARS – UNAUDITED**  
*(accrual basis of accounting)*

	<i>Fiscal Year</i>								
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
<b>Governmental Activities:</b>									
General government	\$ 181,896	\$ 228,250	\$ 183,146	\$ 258,355	\$ 256,786	\$ 285,301	\$ 251,920	\$ 325,170	\$ 371,003
Community Development	2,254,942	3,283,781	4,094,210	2,396,155	4,118,817	1,668,613	2,614,190	3,995,021	3,181,700
Finance	787,346	835,772	1,024,993	1,045,316	1,192,579	1,122,641	956,815	861,040	1,094,015
Fire	2,460,757	2,483,143	2,401,259	2,876,287	3,041,540	3,276,979	3,132,325	3,373,068	3,413,675
Library	1,829,770	2,138,745	1,999,770	2,166,175	2,279,942	2,479,887	2,418,289	2,504,178	2,655,472
Parks and Recreation	2,243,851	2,147,398	2,228,539	1,761,995	2,665,317	1,724,669	1,914,115	1,892,964	2,768,909
Police	1,461,214	2,627,353	1,858,178	1,975,730	1,732,885	2,363,212	2,296,508	2,527,227	2,969,151
Public Works	11,601,901	8,545,279	8,094,903	8,319,178	9,644,835	8,558,625	7,290,786	12,970,050	10,008,596
<i>Total Governmental Activities</i>									
	<u>22,821,677</u>	<u>22,289,721</u>	<u>21,884,998</u>	<u>20,799,191</u>	<u>24,932,701</u>	<u>21,479,927</u>	<u>20,874,948</u>	<u>28,448,718</u>	<u>26,462,521</u>
<b>Business-type Activities</b>									
Water	8,844,231	9,040,689	8,641,773	8,355,687	9,221,365	8,873,854	9,146,138	8,992,731	10,375,881
Wastewater	10,023,638	10,508,490	11,262,803	10,105,792	10,574,818	9,960,251	9,539,259	9,623,586	10,457,146
Storm Water	3,744,530	2,639,044	2,468,198	2,495,285	2,865,142	2,210,661	2,023,609	2,521,680	2,820,009
Airport	800,780	1,323,069	570,358	2,122,440	331,401	409,668	834,579	419,421	1,078,864
<i>Total Business-type Activities</i>									
	<u>23,413,179</u>	<u>23,511,292</u>	<u>22,943,132</u>	<u>23,079,204</u>	<u>22,992,726</u>	<u>21,454,434</u>	<u>21,543,585</u>	<u>21,557,418</u>	<u>24,731,900</u>
<i>Total Primary Government</i>									
	<u>\$ 46,234,856</u>	<u>\$ 45,801,013</u>	<u>\$ 44,828,130</u>	<u>\$ 43,878,395</u>	<u>\$ 47,925,427</u>	<u>\$ 42,934,361</u>	<u>\$ 42,418,533</u>	<u>\$ 50,006,136</u>	<u>\$ 51,194,421</u>

**CITY OF CORVALLIS, OREGON**  
**TAX AND FRANCHISE FEE REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS - UNAUDITED**  
*(modified accrual basis of accounting)*

<i>Fiscal Year Ended June 30,</i>	<i>General Property Taxes (1)</i>	<i>% Change From Prior Year</i>	<i>Franchise Fees</i>	<i>% Change From Prior Year</i>	<i>Transient Room Taxes</i>	<i>% Change From Prior Year</i>	<i>Total Taxes and Fees</i>	<i>% Change From Prior Year</i>
2002	\$ 16,271,088	7.39 %	\$ 3,731,397	9.86 %	\$ 741,505	(1.66) %	\$ 20,743,990	7.47 %
2003	16,727,986	2.81	3,996,138	7.09	692,399	(6.62)	21,416,523	3.24
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
Change 2002-2011	33.41%		37.81%		60.58%		35.18%	

(1) Balances do not include taxes that are collected for the Corvallis Arts Center until 2004. Effective July 1, 2004 the Corvallis Arts Center property tax collections and allocations are accounted for in the General Fund as a General Fund property tax revenue and General Fund City allocation expenditure, respectively.

# STATISTICAL SECTION

## REVENUE CAPACITY



**CITY OF CORVALLIS, OREGON**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS – UNAUDITED**  
*(in thousands of dollars)*

<i>Fiscal Year Ended June 30,</i>	<i>Real Property</i>	<i>Personal Property</i>	<i>Manufactured Property</i>	<i>Utility Property</i>	<i>Less Tax Exempt Property</i>	<i>Total Taxable Assessed Value</i>	<i>Total Direct Tax Rate</i>	<i>Real Market Value (RMV)</i>	<i>Assessed Value as a % of Real Market Value (RMV)</i>
2002	\$ 2,694,923	\$ 154,904	18,476	\$ 54,519	\$ -	\$ 2,922,822	5.7030	\$ 3,523,137	82.961 %
2003	2,805,447	144,169	16,430	60,656	-	3,026,702	5.7197	3,580,388	84.536
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

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)*

<i>Fiscal Year Ended June 30,</i>	<i>City of Corvallis Direct Rates</i>			<i>Overlapping Rates *</i>						<i>Total Rate</i>
	<i>Permanent Rate</i>	<i>General Obligation Debt Service</i>	<i>Total Direct</i>	<i>School District No. 509J</i>	<i>Linn-Benton ESD</i>	<i>Linn-Benton Community College (LBCC)</i>	<i>Benton County Soil and Water District</i>	<i>Benton County Library</i>	<i>Benton County</i>	<i>Total Direct and Overlapping</i>
2002	\$ 5.1067	\$ 0.5963	\$ 5.7030	\$ 5.4900	\$ 0.3049	\$ 0.7200	\$ -	\$ 0.3947	\$ 2.8700	\$ 15.4826
2003	5.1067	0.6130	5.7197	5.4500	0.3049	0.6900	-	0.3947	2.8700	15.4293
2004	5.1067	0.5745	5.6812	7.1300	0.3049	0.6800	-	0.3947	2.8700	17.0608
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

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.

\* 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**

<i>Taxpayer</i>	<i>2011</i>			<i>2002</i>		
	<i>Taxable Assessed Value</i>	<i>Rank</i>	<i>Percentage of Total City Taxable Assessed Value (e)</i>	<i>Taxable Assessed Value</i>	<i>Rank</i>	<i>Percentage of Total City Taxable Assessed Value</i>
Hewlett-Packard Co. (a)	\$ 400,801,347	1	10.05 %	\$ 520,303,432	1	17.80 %
Comcast Corporation (b)	32,771,000	2	0.82	-		-
Evanite Fiber Inc	23,157,766	3	0.58	24,936,496	3	0.85
Avery Investments LLC	17,454,857	4	0.44	13,235,911	4	0.45
Qwest Corporation (c)	16,413,400	5	0.41	29,764,315	2	1.02
Witham Hill Oaks Apartments, LLC	14,233,238	6	0.36	10,908,592	5	0.37
Northwest Natural Gas Co	13,444,200	7	0.34	8,101,026	10	0.28
Pacificorp (d)	13,328,000	8	0.33	-		-
Suncor Partners LLC	11,120,148	9	0.28	-		-
Bender Equities Inc	10,899,027	10	0.27	8,369,821	8	0.29
Accu Fab Systems Inc	-		-	11,103,474	6	0.38
Creekside Group LLC	-		-	8,505,809	7	0.29
Research Way Investments	-		-	6,971,926	9	0.24
<b>Total</b>	<b>\$ 553,622,983</b>		<b>13.88 %</b>	<b>\$ 642,200,802</b>		<b>21.97 %</b>
<b>City Assessed Value</b>	<b>\$ 3,988,175,433</b>			<b>\$ 2,922,822,672</b>		

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) Comcast is new on this list due to a change in the way the State values cable companies. This has been appealed statewide by Comcast.
- (c) U. S West Communication became Qwest Communications in FY 2002.
- (d) Pacific Power and Light prior to 2002.
- (e) 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**

<i>Fiscal Year Ended June 30,</i>	<i>Original Tax Levy for the Year</i>	<i>To Date Levy Adjustments (1)</i>			<i>Collected within the Fiscal Year of the Levy</i>		<i>Collected in subsequent years</i>	<i>Total Collections to Date</i>	
		<i>Amount</i>	<i>Percentage of Levy</i>	<i>Adjusted Levy</i>	<i>Amount</i>	<i>Percentage of Levy (2)</i>		<i>Amount</i>	<i>Percentage of Adjusted Levy</i>
2002	\$ 16,689,552	\$ (409,002)	2.45 %	\$ 16,280,550	\$ 15,790,901	94.62 %	\$ 487,901	\$ 16,278,802	99.99 %
2003	17,325,984	(565,967)	3.27	16,760,017	16,361,270	94.43	396,610	16,757,880	99.99
2004	17,710,636	(470,209)	2.65	17,240,427	16,924,276	95.56	313,770	17,238,046	99.99
2005	18,451,963	(498,786)	2.70	17,953,177	17,658,023	95.70	290,868	17,948,891	99.98
2006	19,458,295	(548,115)	2.82	18,910,180	18,577,677	95.47	324,217	18,901,894	99.96
2007	19,611,621	(519,255)	2.65	19,092,366	18,707,158	95.39	370,950	19,078,108	99.93
2008	20,352,962	(520,635)	2.56	19,832,327	19,439,277	95.51	348,448	19,787,725	99.78
2009	21,162,976	(549,627)	2.60	20,613,349	20,104,983	95.00	386,583	20,491,566	99.41
2010	21,544,022	(581,098)	2.70	20,962,924	20,261,342	94.05	269,017	20,530,359	97.94
2011	22,383,029	(575,792)	2.57	21,807,237	21,261,945	94.99	-	21,261,945	97.50

Source: Benton County Finance and Assessment Department  
Working File can be found at: \\corvallis\departments\Finance\Function\Accounting\Audit\FY 10-11\Statistical Section\Revenue Capacity Schedules\Last Ten Fiscal Years.xls

- (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



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

<i>Fiscal Year Ended June 30,</i>	<i>General Bonded Debt</i>					<i>Other Governmental Activities Debt</i>				
	<i>General Obligation Bonds</i>	<i>Amount Restricted to Paying Debt Principal</i>	<i>Net General Obligation Bonds (1)</i>	<i>Percentage of Actual Property Value</i>	<i>Per Capita (2)</i>	<i>Bancroft Improvement Bonds</i>	<i>Limited Tax Obligation Bonds</i>	<i>Notes Payable</i>	<i>Capital Leases</i>	
2002	\$ 20,655	\$ 1,345	\$ 19,310	0.55 %	\$ 378.33	\$ 60	\$ 23,913	\$ 468	\$ -	
2003	19,580	1,255	18,325	0.51	349.39	-	23,913	359	-	
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	-	

<i>Fiscal Year Ended June 30,</i>	<i>Business-Type Activities</i>						<i>Total City Government Debt</i>	<i>Percentage of Personal Income (3)</i>	<i>Per Capita (2)</i>
	<i>Water Bonds</i>	<i>Wastewater Bonds</i>	<i>Storm Water Bonds</i>	<i>Airport Bonds</i>	<i>Capital Leases</i>	<i>Notes Payable</i>			
2002	\$ -	\$ 8,325	\$ 85	\$ -	\$ -	\$ 30,946	\$ 83,107	3.50 %	\$ 1,628.27
2003	-	8,525	70	-	-	29,583	80,775	3.35	1,540.05
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	N/A	1,204.65
2011	-	4,820	-	-	-	16,370	64,264	N/A	1,160.62

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 2010 and 2011 is not available as of 9/21/2011. 2010 Data would normally be available by this time; however, Bureau of Economic Analysis and the Advance Metropolitan Statistical Area Income Summary (AMSA04 table) does not have updated information at this time.

**CITY OF CORVALLIS, OREGON**  
**DIRECT AND OVERLAPPING DEBT**  
**AS OF JUNE 30, 2011 - UNAUDITED**

<i>Governmental Unit</i>	<i>Debt Outstanding(1)</i>	<i>Assessed Property Value</i>	<i>Estimated Percentage Applicable</i>	<i>Estimated Share of Overlapping Debt</i>
<b>Debt repaid with property taxes</b>				
School District No. 509J	\$ 58,017,480	\$ 4,960,008,378	80.63 %	\$ 46,779,494
Benton County	-	6,610,232,210	60.50	-
Linn-Benton Community College	5,208,571	6,493,330,617	61.59	3,207,959
Subtotal Overlapping Debt				49,987,453
<b>City direct debt</b>				8,695,000
<b>Total direct and overlapping debt</b>				\$ 58,682,453

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 outstanding 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**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 101,709,316	\$ 110,834,773	\$ 110,978,724	\$ 128,415,787	\$ 135,681,077	\$ 152,653,305	\$ 166,952,486	\$ 178,395,974	\$ 174,770,778	\$ 169,935,872
Total net debt applicable to limit	19,309,719	18,990,483	17,208,404	16,428,471	15,351,558	14,226,030	13,050,837	11,636,138	10,135,910	8,612,943
Legal debt margin	82,399,597	91,844,290	93,770,320	111,987,316	120,329,519	138,427,275	153,901,649	166,759,836	164,634,868	161,322,929
Total net debt applicable to the limit as a percentage of debt limit	18.99%	17.31%	15.51%	12.79%	11.31%	9.32%	7.82%	6.52%	5.80%	5.07%

**LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2011**

TOTAL REAL MARKET VALUE OF REAL ESTATE WITHIN THE CITY	\$ 5,664,529,057
Debt Limitation - 3% of total real market value (1)	<u>0.03</u>
<b>DEBT LIMIT</b>	<b><u>\$ 169,935,872</u></b>
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT	
Total General Obligation Bonded Debt (2)	
Governmental Activities	\$ 8,695,000
Business-type Activities	<u>-</u>
Total General Obligation Bonded Debt	8,695,000
Less: Amount held for repayment of principal	<u>(82,057)</u>
<b>TOTAL AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT</b>	<b><u>\$ 8,612,943</u></b>
<b>LEGAL DEBT MARGIN</b>	<b><u>\$ 161,322,929</u></b>

(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 Statutes (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)*

<i>Fiscal Year Ended June 30,</i>	<i>Gross Revenues (1)</i>	<i>Less Direct Operating Expenses (2)</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
<b>WASTEWATER (3)</b>							
2002	\$ 8,479,736	\$ 4,267,537	\$ 4,212,199	\$ 1,222,547	\$ 1,370,611	\$ 2,593,158	1.62 %
2003	8,779,193	4,789,553	3,989,640	1,219,659	1,315,806	2,535,465	1.57
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

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.

# STATISTICAL SECTION

## DEMOGRAPHIC AND ECONOMIC INFORMATION



**CITY OF CORVALLIS, OREGON**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS - UNAUDITED**

<i>Year</i>	<i>City of Corvallis Population (1)</i>	<i>Corvallis Metropolitan Statistical Area (MSA) Population (2)</i>	<i>Total Personal Income (MSA) (Thousands of dollars) (2)</i>	<i>Per Capita Personal Income (MSA) (2)</i>	<i>Unemployment Rate (MSA) (3)</i>	<i>Corvallis Public School Enrollment (4)</i>
2002	51,040	79,029	\$ 2,373,827	\$ 30,037	5.2 %	6,875
2003	52,450	79,201	2,410,599	30,436	6.5	6,821
2004	52,950	78,383	2,664,113	33,988	5.4	6,624
2005	52,590	78,640	2,826,102	35,937	5.1	6,492
2006	53,165	79,061	3,030,585	38,332	4.7	6,470
2007	53,900	81,428	3,040,634	37,341	4.0	6,642
2008	54,890	81,859	3,046,063	37,211	4.1	6,631
2009	54,880	82,605	3,058,827	37,030	8.0	6,568
2010	55,125	n/a	n/a	n/a	7.0	6,461
2011	55,370	n/a	n/a	n/a	6.4	6,541

Sources:

- (1) Portland State University, Population Research Center as reported in December of each year as of July of that year. Since population for current fiscal year is reported in December (after CAFR is published), population data will be used as of the prior year. Prior years were adjusted to reflect the correct numbers as reported by PSU.
- (2) U.S. Bureau of Economic Analysis, AMSA04 report - Advanced Metropolitan Statistical Area.
- (3) Seasonally adjusted unemployment rate as reported in the Oregon Employment Department, Oregon Labor Market Information System. Unemployment rates prior to FY 2009 have been adjusted to reflect the seasonally adjusted unemployment rate.
- (4) Corvallis School District 509J.

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. Prior to 2009, Public school enrollment data from the Corvallis School District are figures reported in September of each year. 2009 data (and forward) is as of June.

(n/a) = Data for 2010 and 2011 is not available as of 9/21/2011. 2010 Data would normally be available by this time, however Bureau of Economic Analysis and the Advance Metropolitan Statistical Area Income Summary (AMSA04 table) does not have updated information at this time.

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

<b>Employer</b>	<b>2011</b>			<b>2002</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment*</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment*</b>
Oregon State Univerity (1)	8,637	1	21.87 %	8,836	1	23.75 %
Samaritan Health Services (2)	2,305	2	5.84	-	-	
Hewlett Packard (3)	1,700	3	4.30	3,400	2	9.14
Benton County (6)	585	4	1.48	514	5	1.38
Corvallis School District 509J (4)	580	5	1.47	434	7	1.17
Corvallis Clinic (5)	543	6	1.38	890	4	2.39
City of Corvallis (7)	419	7	1.06	408	8	1.10
CH2M Hill (8)	400	8	1.01	375	9	1.01
ATS Systems Oregon (9)	200	9	0.51	361	10	0.97
Fiserv (formerly Summit Information Systems) (3)	200	10	0.51	-	-	
Good Samaritan Hospital (a)	-	-	-	1,100	3	2.96
Siuslaw National Forest	-	-	-	463	6	1.24
<b>Total</b>	<b>15,569</b>		<b>39.43 %</b>	<b>16,781</b>		<b>45.11 %</b>

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 2011 Employment Report.
- (2) Samaritan Health Services
- (3) Estimate based on trends from previous estimates
- (4) Corvallis School District 509J (FTE)
- (5) Corvallis Clinic
- (6) Benton County
- (7) City of Corvallis 4th Quarter Vacancy Summary (FTE)
- (8) 12/09 Gazette-Times Newspaper
- (9) ATS website

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:	39,490
Nine years ago:	37,200

# STATISTICAL SECTION

## OPERATING INFORMATION



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

*Full-Time Equivalent Employees as of June 30*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>ACTIVITIES</b>										
City Manager's Office	9.50	9.50	9.50	9.50	9.50	9.00	10.00	10.00	9.80	9.75
Community Development	31.00	30.90	29.80	32.00	34.70	34.55	36.05	34.55	33.80	33.80
Finance	36.00	34.75	34.75	36.25	34.25	35.25	36.75	37.75	36.00	36.75
Fire	59.00	59.00	60.00	67.72	69.72	66.72	66.72	69.00	65.00	65.00
Library	42.77	45.27	43.76	45.77	45.14	45.77	45.77	46.39	43.39	41.39
Parks and Recreation	28.13	27.88	27.43	27.43	27.43	34.46	31.79	37.64	35.97	31.56
Police	84.25	80.25	82.25	76.25	77.25	78.75	77.25	81.75	84.25	85.50
Public Works	32.77	34.72	35.02	33.52	30.82	34.27	35.14	35.40	35.23	34.64
Water	32.66	34.61	34.91	33.41	31.53	33.48	31.93	33.23	31.67	33.69
Wastewater	31.65	33.54	33.83	32.38	32.38	32.00	31.42	33.93	32.54	33.98
Storm Water	10.86	11.51	11.61	11.11	11.20	11.21	10.47	11.54	10.61	11.11
Airport	1.06	1.12	1.13	1.08	1.08	1.04	1.04	1.08	1.58	1.70
Total Full-Time Equivalent Employees	<u>399.65</u>	<u>403.05</u>	<u>403.99</u>	<u>406.42</u>	<u>405.00</u>	<u>416.50</u>	<u>414.33</u>	<u>432.26</u>	<u>419.84</u>	<u>418.87</u>

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**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>FUNCTION <sup>(1)</sup></b>										
<b>Community Development</b>										
Building permits - single family <sup>(2)</sup>	250	184	195	210	190	89	34	34	34	n/a
Building permits - total <sup>(2)</sup>	843	741	756	743	727	645	588	557	557	n/a
Inspections	19,760	18,145	17,433	19,215	23,260	18,755	16,537	14,329	14,686	n/a
Residential plan reviews	431	377	426	429	403	423	284	248	256	271
<b>Public Works</b>										
Street resurfacing (miles) <sup>(2)</sup>	0.54	1.51	0.16	1.67	1.70	2.26	4.32	4.32	7	n/a
<b>Library</b>										
Volumes	297,051	311,281	318,010	328,381	347,616	358,130	363,398	344,557	347,465	345,279
Average monthly circulation	130,065	127,108	125,484	119,177	121,844	128,215	124,817	132,914	139,530	137,811
Registrations	39,323	46,847	46,008	46,130	49,576	46,586	50,122	50,111	49,942	50,557
Patrons using library	733,963	1,035,340	1,085,505	1,223,400	1,301,299	1,420,633	1,632,114	1,748,618	1,884,890	1,901,807
<b>Parks and Recreation</b>										
Sports teams	554	568	495	505	470	446	502	449	432	395
Recreation programs, classes, events	1,669	2,144	1,395	1,188	1,052	1,194	1,055	1,021	1,020	909
Recreation program registrations	19,844	22,476	20,180	21,630	21,832	25,534	29,799	34,086	25,504	19,980
<b>Police <sup>(2)</sup></b>										
Public safety dispatches	34,426	34,204	34,348	33,059	35,034	36,190	35,174	36,813	36,926	n/a
Total 911 center calls	146,049	167,380	157,932	166,345	164,057	152,642	146,319	142,872	134,565	n/a
Major felonies	2,293	2,574	2,323	2,308	2,307	1,824	1,690	2,055	1,757	n/a
Incidents investigated	21,183	20,378	21,199	20,531	22,038	23,278	22,886	24,405	23,650	n/a
<b>Fire</b>										
All fire responses	205	220	270	134	202	187	174	177	131	155
All non-fire responses	1,647	1,815	2,155	1,987	2,256	2,450	2,812	2,966	3,092	3,276
Fire safety inspections	1,356	1,455	1,317	1,911	1,950	1,993	2,711	2,155	2,752	2,665
Patient contacts	2,937	2,798	3,048	3,181	3,203	3,767	4,295	4,094	4,104	4,139
<b>Transportation</b>										
Bus ridership	525,021	502,420	511,830	530,287	566,670	551,906	613,166	681,456	700,791	884,687

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Water</b>										
Number of consumers	14,333	14,631	14,398	14,635	15,061	15,348	15,498	15,911	15,609	16,033
Average daily use (1,000 gal)	7,650	7,900	8,090	7,900	7,900	7,751	7,564	7,328	6,933	6,910
Annual water production (MG)	2,792	2,870	2,953	2,742	2,781	2,791	2,750	2,666	2,497	2,434
<b>Wastewater <sup>(3)</sup></b>										
Number of consumers	13,852	13,858	13,874	14,212	14,341	14,593	14,698	15,097	14,835	14,840
Average daily use (1,000 gal) <sup>(5)</sup>	7,120	7,320	7,750	8,861	9,717	8,947	10,178	9,156	4,042	3,999
Annual wastewater treated (MG)	3,799	3,901	3,833	3,233	3,547	3,547	3,715	3,342	3,726	3,872
Bio-solids recycled (MG)	3.9	4.3	3.0	2.6	1.1	1.1	1.2	4.1	3.8	3.0
<b>Storm Water</b>										
Number of consumers	13,951	13,958	13,974	14,210	14,444	14,650	14,764	15,107	14,892	14,900
<b>Airport <sup>(4)</sup></b>										
Estimated aircraft movements	56,300	70,340	91,000	91,000	93,000	103,000	103,000	103,000	103,000	103,000
Permanently based aircraft	141	148	152	152	152	157	157	157	167	167

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.

*n/a = information not available*

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>ACTIVITIES <sup>(1)</sup></b>										
<b>Public Works</b>										
Streets (miles)	172	175	175	177	177	178	180	180	n/a	n/a
Traffic signals	79	79	80	80	80	82	83	83	86	90
<b>Library</b>										
Branch libraries	3	4	4	4	4	4	4	4	4	4
<b>Parks and Recreation</b>										
Parks	46	47	47	47	47	43	43	43	43	43
Acreage devoted to parks	1,684	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685
Beautification areas <sup>(2)</sup>	37	40	40	40	40	45	45	45	45	45
Playgrounds (excluding schools)	17	17	22	24	24	28	28	28	28	28
Sports fields / courts	49	46	47	60	60	59	59	58	59	59
Swimming pools <sup>(3)</sup>	1	1	1	1	1	1	1	1	1	1
<b>Police</b>										
Stations <sup>(4)</sup>	1	1	1	1	1	1	1	1	1	1
Patrol vehicles, motorcycles	20	20	20	18	18	19	19	19	20	20
<b>Fire</b>										
Stations - city	4	4	4	5	5	5	5	5	5	5
Stations - rural <sup>(5)</sup>	1	1	1	1	1	1	1	1	1	1
Emergency vehicles <sup>(6)</sup>	32	30	30	30	30	29	31	33	34	34
<b>Transportation</b>										
Bike paths (miles) <sup>(7)</sup>	12.74	12.74	13.46	13.69	13.89	13.89	21	21	21	n/a
Bike lanes (miles) <sup>(7)</sup>	60.04	60.45	61.23	61.23	61.23	63.29	105	111	113	n/a
City buses	11	11	10	10	10	10	10	12	15	12

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Water</b>										
Lineal miles of system	227	239	244	246	249	244	245	245	247	n/a
Treatment capacity (1,000 gal)	24,000	24,000	24,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
<b>Wastewater</b>										
Lineal miles of system	206	209	211	214	216	215	216	216	216	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
<b>Storm Water</b>										
Lineal miles of system	147	154	136	158	162	166	168	168	168	n/a
<b>Airport</b>										
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*

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# COMPLIANCE SECTION





# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 15, 2011

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, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2011. 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

**OAR 162-10-0230 Internal Control**

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

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

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



**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

November 15, 2011

To the City Council  
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 the financial statements of City of Corvallis, Oregon, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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.

## Compliance and Other Matters

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 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*.

This report is intended solely for the information and use of Council, management of the City of Corvallis, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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



**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

November 15, 2011

To the City Council  
City of Corvallis, Oregon

**Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

**Compliance**

We have audited the compliance of City of Corvallis, Oregon with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. City of Corvallis, Oregon's major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

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

In our opinion, City of Corvallis, Oregon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Council, management of the City of Corvallis, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

<b><i>Federal Grantor/Pass-Through Grantor/Program Title</i></b>	<b><i>Federal CFDA Number</i></b>	<b><i>Grant Number</i></b>
<b>U.S. DEPARTMENT OF AGRICULTURE FOREST SERVICE</b>		
<i>Passed through Cascade Pacific Resource</i>		
<i>Conservation and Development</i>		
CPRCD - Corvallis Forest Habitat Enhancement	10.678	WY-M2-05
ARRA CPRCD - Reed Canary Grass Meadow Restoration	10.687	STIM1-01
ARRA CPRCD - Old Peak Down Wood & Meadow Restoration	10.687	STIM1-07
ARRA CPRCD - Corvallis Forest Down Wood & Tree Topping	10.687	STIM1-08
<i>Total U.S. Department of Agriculture Forest Service</i>		
<b>U.S. DEPARTMENT OF ENERGY</b>		
<i>Direct Program</i>		
ARRA Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002467
<i>Total U.S. Department of Energy</i>		
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
<i>Direct Program</i>		
<i>CDBG - Entitlement Grants Cluster</i>		
Community Development Block Grant Program	14.218	B-10-MC-41-0009
ARRA Community Development Block Grant Program - FY 09/10	14.218	B-09-MY-41-0009
<i>Total CDBG - Entitlement Grants Cluster</i>		
HOME Grant Program	14.239	M10-MC410205
<i>Total U.S. Department of Housing and Urban Development</i>		
<b>U.S. DEPARTMENT OF THE INTERIOR</b>		
<i>Passed through the State of Oregon Historic</i>		
<i>Preservation Office</i>		
Basic Certified Local Govt.	15.904	HPF OR-09-07
Basic Certified Local Govt.	15.904	HPF OR-11-01
<i>Total U.S. Department of Interior</i>		

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

<i>Program Award Amount</i>	<i>Receivable/ (Deferred Revenue) July 1, 2010</i>	<i>Total Receipts</i>	<i>Total Expenditures</i>	<i>Receivable/ (Deferred Revenue) June 30, 2011</i>
\$ 33,600	\$ 6,805	\$ 6,805	\$ -	\$ -
4,490	-	3,157	3,157	-
5,580	-	5,580	5,580	-
48,550	12,403	29,056	32,883	16,230
	19,208	44,598	41,620	16,230
511,600	63,120	105,464	83,129	40,785
	63,120	105,464	83,129	40,785
587,479	11,114	498,787	515,255	27,582
145,487	-	4,130	4,130	-
	11,114	502,917	519,385	27,582
446,537	-	472,224	496,174	23,950
	11,114	975,141	1,015,559	51,532
15,000	6,750	6,750	-	-
14,500	-	-	8,546	8,546
	6,750	6,750	8,546	8,546

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Grant Number</i>
<b>U.S. DEPARTMENT OF JUSTICE</b>		
<i>Bureau of Justice</i>		
Bulletproof Vest Program (2009)	16.607	--
Bulletproof Vest Program (2010)	16.607	--
2008 Byrne JAG Grant (Year 2)	16.738	07-006
2010-2012 Byrne JAG Grant (Year 1)	16.738	LE06-10 JAG
2010 Byrne JAG Grant: Death Investigator Services	16.738	2010-DJ-BX-0024
ARRA 2009 Byrne JAG Grant	16.804	2009-SB-B9-1773
<i>Total U.S. Department of Justice</i>		
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>		
<i>Direct Program</i>		
FAA: Airport Facility Improvement - Fencing	20.106	3-41-0014-015
FTA: Transit Operations Center	20.500	OR-03-0101-00
FTA: Transit Operating Grant (2010)	20.507	OR-90-X148-03
FTA: Transit Operating Grant (2011)	20.507	OR-90-X148-04
ARRA 09 5307 Buses, Facilities & Equipment	20.507	OR-96-X002-00
<i>Total Federal Transit Cluster</i>		
<i>Passed through the State of Oregon</i>		
<i>Department of Transportation</i>		
<i>Highway Planning and Construction Cluster</i>		
Transportation Demand Management Program (2010)	20.205	25848
Transportation Demand Management Program (2011)	20.205	26790
ARRA FHWA Grind/Inlay (Corvallis)	20.205	1580(031) / 25540
ARRA Springhill Drive (County)	20.205	C003(037) / 25789-01
ARRA NW 29th Street: Circle to Walnut Blvd	20.205	1580(041) / 27039
FHWA: Corvallis (509J) Safe Routes to School	20.205	1580(038) / 26651
FHWA: Benton County Safe Routes to School	20.205	C003(039) / 26732
FHWA: Airport Industrial Park Improvements - Hout Street	20.205	1580(035) / 26287
<i>Total Highway Planning and Construction Cluster</i>		

<i>Program Award Amount</i>	<i>Receivable/ (Deferred Revenue) July 1, 2010</i>	<i>Total Receipts</i>	<i>Total Expenditures</i>	<i>Receivable/ (Deferred Revenue) June 30, 2011</i>
\$ 6,800	\$ 662	\$ 4,810	\$ 4,148	\$ -
5,228	-	613	1,717	1,104
77,778	8,134	31,799	23,665	-
85,411	-	18,401	25,715	7,314
13,478	-	13,478	13,478	-
80,052	9,427	29,008	19,581	-
	18,223	98,109	88,304	8,418
80,000	-	380	62,721	62,341
257,482	20,625	72,817	61,100	8,908
794,332	181,687	181,687	-	-
791,689	-	749,567	791,689	42,122
1,053,488	304	14,535	18,358	4,127
	202,616	1,018,986	933,868	117,498
40,379	15,300	15,300	-	-
43,070	-	22,482	36,250	13,768
1,246,491	374,039	409,468	35,429	-
146,149	5,878	135,672	129,794	-
136,000	-	-	111,639	111,639
243,214	21,814	206,500	184,686	0
200,000	-	-	55,314	55,314
732,518	18,961	600,892	604,528	22,597
	435,992	1,390,314	1,157,640	203,318

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

<b><i>Federal Grantor/Pass-Through Grantor/Program Title</i></b>	<b><i>Federal CFDA Number</i></b>	<b><i>Grant Number</i></b>
<i>Transit Services Cluster</i>		
Rural Transit Assistance Program	20.509	-----
Job Access and Reverse Commute Program (2010)	20.516	25887
New Freedom/ADA Ramp & Sidewalk Improvements	20.521	25868
<i>Total Transit Services Cluster</i>		
<i>Total U.S. Department of Transportation</i>		
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>		
<i>Passed through the Oregon Arts Commission</i>		
Cultural Tourism Grant: Artists in the Parks	45.025	FY11-CTG-10235
<i>Total National Endowment for the Arts</i>		
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		
<i>Passed through the State of Oregon Library</i>		
Library Services and Technology Act	45.310	09-14-2P
<i>Total Institute of Museum and Library Services</i>		
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>		
<i>Direct Program</i>		
Climate Showcase Communities Grant	66.041	AF-83495501-0
Community Stream Stewards Program	66.951	NE-00J14001-0
<i>Passed through the State of Oregon Business Development</i>		
Corvallis Willamette Watershed Pharmaceutical Cleanup	66.468	U10003
<i>Total U.S. Environmental Protection Agency</i>		
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>		
<i>Passed through the State of Oregon</i>		
<i>Emergency Management</i>		
City Hall Seismic Retrofit	97.047	EMS-2009-PC-0001
Emergency Management Performance Program - 2010	97.402	-----
<i>Total Federal Emergency Management Agency</i>		
<i>Total Federal Assistance</i>		

<i>Program Award Amount</i>	<i>Receivable/ (Deferred Revenue) July 1, 2010</i>	<i>Total Receipts</i>	<i>Total Expenditures</i>	<i>Receivable/ (Deferred Revenue) June 30, 2011</i>
\$ 1,033	\$ -	\$ 1,033	\$ 1,033	\$ -
328,040	46,521	181,622	169,904	34,803
121,440	45,200	61,921	71,648	54,927
	<u>91,721</u>	<u>244,576</u>	<u>242,585</u>	<u>89,730</u>
	730,329	2,653,876	2,334,093	410,546
4,400	-	4,400	-	(4,400)
	-	4,400	-	(4,400)
150,000	-	64,982	64,982	-
	-	64,982	64,982	-
491,762	-	3,947	26,543	22,596
14,737	-	3,127	3,127	-
20,000	-	-	7,327	7,327
	-	7,074	36,997	29,923
842,924	-	-	634,035	634,035
varies	-	8,714	37,562	28,848
	-	8,714	671,597	662,883
	<u>\$ 848,744</u>	<u>\$ 3,969,108</u>	<u>\$ 4,344,827</u>	<u>\$ 1,224,463</u>

**CITY OF CORVALLIS, OREGON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

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*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, 2011.

*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.

**CITY OF CORVALLIS, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2011**

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**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's opinion issued: Unqualified  
 Internal control reporting:  
     • Material weakness(es) identified? No  
     • Significant deficiency(ies) identified? None reported  
 Noncompliance material to financial statements noted? No  
 Any audit findings disclosed relating to the financial statements which are required to be reported in accordance with GAGAS, A-133 S505(d)(2) No

**Federal Awards**

Internal control over major programs:  
     • Material weakness(es) identified? No  
     • Significant deficiency(ies) identified? None reported  
 Type of auditors' report issued on compliance for major programs: Unqualified  
 Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction Cluster
97.047	Pre-Disaster Mitigation

Dollar threshold used to distinguish between type A and type B programs: \$300,000  
 Auditee qualified as low-risk auditee? Yes

**FINANCIAL STATEMENT FINDINGS**

None reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.