

INTRODUCTORY SECTION

AUDITS MUNICIPALITIES

	Date	Initial
Rec'd	12/20/06	DIS
DIS	12/20/06	DK
Muni	1-4-07	smc
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Comments		

CITY OF LAKESIDE, OREGONOFFICERS AND MEMBERS OF THE GOVERNING BOARDJune 30, 2006

<u>Name and Address</u>	<u>Title</u>
Ed Gowan P.O. Box 658 Lakeside, OR 97449	Mayor
Clarence "Fed" Grisham 918 Hilltop Drive Lakeside, OR 97449	Council Member
Jim Brown P.O. Box 206 Lakeside, OR 97449	Council Member
Burt Guin 72329 Highway 101 Lakeside, OR 97449	Council Member
Julie Anderson 1010 N. 8 th Street Lakeside, OR 97449	Council Member
Don Lund 1655 Kristi Loop Lakeside, OR 97449	Council Member
Vacant	Council Member

NOTE - The elected officials of the City are the Mayor and Council, none of whom collect or receive payments on behalf of the City.

CITY OF LAKESIDE, OREGON

Annual Financial Report For the Year Ended June 30, 2006

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CITY OF LAKESIDE, OREGON

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FINANCIAL SECTION

SCOVILLE & REIBER, P.C.

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MEMBERSAMERICAN INSTITUTE OF C.P.A.
OREGON SOCIETY OF C.P.A.

December 6, 2006

INDEPENDENT AUDITORS' REPORT

City Council
City of Lakeside
Lakeside, OR 97449

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeside, Oregon as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakeside's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeside, Oregon as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's discussion and analysis (MD&A) and the combining and budgetary comparison information on pages 8 through 12 and 38 through 53 are not required parts of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lakeside's basic financial statements. The other supplementary

information on pages 55 and 60 is not required by the accounting principles generally accepted in the United States of America but is presented for purposes of additional analysis and is not a required part of the basic financial statements. Those schedules and information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express any opinion on them.

SCOVILLE & REIBER, P.C.

by *G. Kent Scoville, CPA*
G. Kent Scoville, C.P.A.

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City of Lakeside, Oregon
Management's Discussion and Analysis
For the Year Ended June 30, 2006

This part of the City of Lakeside, Oregon's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2006.

Financial Highlights

- The City's net assets increased by \$932,853. This includes the land (Airport property) the State of Oregon donated to the City which was valued at \$846,153. Cash balances at year-end increased \$157,978. \$293,181 was spent on capital assets
- During the 2005-06 fiscal year the City's expenditures for budgetary purposes increased approximately \$266,000 over the prior year. Much of this increase is attributed to Phase I of the sewer project, and increased watershed grant activity.
- Receipts for budgetary purposes also increased approximately \$316,000 over last year. There were general increases government-wide, but significant increases included roughly \$163,000 more received in watershed grants. Also, an interim loan was received for the sewer project in the amount of \$204,742.
- Receipts received this year were \$4,745,745 less than budgeted. The City anticipated receiving several large grants and a Federal loan that it did not receive during the 2005-06 fiscal year. Over \$4.8 million of budgeted revenue related to sewer construction grants and loans, clean lake, paving, and watershed grants that were not received during this fiscal year. Disbursements were \$5,747,362 less than the appropriated amounts. Most of this is also related to the anticipated grants and loans.

Overview of the Financial Statements

The City's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

- The Management's Discussion and Analysis section of the report provides financial highlights, overview and other factors affecting the City.
- The basic financial statements include the Statement of Net Assets, Statement of Activities, fund financial statements and the notes to the financial statements. The Statements of Net Assets and Activities focus on a government-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the City. The following is further discussion of these financial statements and notes:
 - The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

- The Statement of Activities focuses on gross and net costs of city programs and the extent to which those programs rely on general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
 - Fund financial statements focus separately on major government funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column. All remaining funds are combined into a column titled "Other Governmental Funds". Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenues, expenses, and changes in fund net assets, and cash flows.
 - The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
- Required supplementary information includes combining statements for nonmajor governmental funds and budgetary comparison statements presented for all of the funds. These, along with data contained in the other supplementary information section provide more clarification and support the information in the financial statements.

Financial Analysis of the City as a Whole

The City purchased capital assets in the governmental funds totaling \$4,111 during the current year, and added capital assets in the business-type funds totaling \$289,070. These expenditures are reflected in the budgetary schedules as capital outlay and are presented in the fund financial statements and the government-wide statements as an increase in capital assets. The City also acquired the Airport from the State, valued at \$846,153, for the bargain price of \$1. This amount is shown only on the government wide statement as an increase in capital assets and as a capital contribution. The amounts shown below for capital assets are presented net of accumulated depreciation.

A comparison of the government-wide financial statements with the current and prior year is presented as follows:

Net Assets at Fiscal Year-end

	Governmental Activities		Business-type Activities		Total Government
	2006	2005	2006	2005	2006
Cash and investments	\$ 343,953	\$240,561	\$ 663,134	\$ 608,548	\$1,007,087
Other assets	35,146	25,142	48,334	46,273	83,480
Capital assets	<u>1,227,999</u>	<u>398,369</u>	<u>1,556,704</u>	<u>1,461,804</u>	<u>2,784,703</u>
Total assets	<u>1,607,098</u>	<u>664,072</u>	<u>2,268,172</u>	<u>2,116,625</u>	<u>3,875,270</u>
Other liabilities	113,112	49,992	24,591	42,667	137,703
Long term debt outstanding	<u>-</u>	<u>-</u>	<u>612,358</u>	<u>495,682</u>	<u>612,358</u>
Total liabilities	<u>113,112</u>	<u>49,992</u>	<u>636,949</u>	<u>538,349</u>	<u>750,061</u>

Net Assets:

Invested in capital assets					
net of debt	1,227,999	398,369	944,346	966,122	2,172,345
Restricted	-	-	84,493	70,572	84,493
Unrestricted	<u>265,987</u>	<u>215,711</u>	<u>602,384</u>	<u>541,582</u>	<u>868,371</u>
 Total net assets	 <u>\$1,493,986</u>	 <u>\$614,080</u>	 <u>\$1,631,223</u>	 <u>\$1,578,276</u>	 <u>\$3,125,209</u>

Governmental and Proprietary Activities
For Fiscal Year Ending June 30, 2006 and 2005

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Government</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Revenues:					
Program revenues:					
Charges for services	\$ 155,048	\$135,960	\$ 584,578	\$ 505,021	\$ 739,626
Grants and contributions	1,385,125	380,570	-	-	1,385,125
General revenues:					
Taxes and unrestricted grants	120,138	185,937	108,760	107,345	228,898
Franchise fees	-	18,295	-	-	-
Interest and other	<u>10,553</u>	<u>5,477</u>	<u>22,971</u>	<u>12,481</u>	<u>33,524</u>
Total revenues	<u>1,670,864</u>	<u>726,239</u>	<u>716,309</u>	<u>624,847</u>	<u>2,387,173</u>
 Expenses:					
Governmental activities	790,958	702,226	-	-	790,958
Business-type activities	-	-	<u>663,362</u>	<u>589,151</u>	<u>663,362</u>
Total expenses	<u>790,958</u>	<u>702,226</u>	<u>663,362</u>	<u>589,151</u>	<u>1,454,320</u>
 Increase in net assets	 879,906	 24,013	 52,947	 35,696	 932,853
Beginning net assets	<u>614,080</u>	<u>590,067</u>	<u>1,578,276</u>	<u>1,542,580</u>	<u>2,192,356</u>
 Ending net assets	 <u>\$1,493,986</u>	 <u>\$614,080</u>	 <u>\$1,631,223</u>	 <u>\$1,578,276</u>	 <u>\$3,125,209</u>

The City's Overall Financial Position

• The City showed an increase in current assets of \$170,043, and an increase in current liabilities of \$45,044 this year. The increase in capital assets was \$924,530. The ending Net Asset balance is \$932,853 greater than last year's. Both revenue and expenditures were higher this year than last.

Governmental Activities

• Revenues increased this year by about \$945,000 including the value of the donated land of \$846,153. Watershed grants contributed almost \$147,500 to the increase. Because there was no paving project this year, there was an offsetting decrease of about \$59,000 in the SCA Paving Grant Fund. Expenses also increased by about \$89,000. Almost

\$117,000 more was spent on watershed grant activities. Decreases were also seen in the SCA Paving Grant Fund of almost \$57,000 because no paving activity took place this year.

Business-type Activities

- Revenues increased by over \$91,000. Expenses also increased by about \$74,000. These increases represent normal growth. The City did make some purchases of capital equipment for the existing sewer plant. Additionally, the City purchased equipment for the new sewer system, and is well on its way to completing the design phase of that project. Total cost of capital assets acquired this year was \$289,070.

Budget Variances

- There were only two minor changes in the original budget. The \$25,000 advanced to the Watershed Coordinator Fund last year was returned this year, and later the same amount was loaned back to the same fund. This money will be returned to the General fund as soon as the Watershed Coordinator Fund receives expected grant dollars from the Oregon Watershed Enhancement Board.

- There was one negative variance at the appropriations level. Debt service in the Bonded Debt fund was overexpended by \$1,462.

- Two funds had a negative fund balance at June 30, 2006. The Bonded Debt Fund had a deficit balance of (\$259,475). This fund always shows a deficit balance because the liability for the 1979 general obligation sewer bonds is recorded in this fund. Additionally, the Sewer Construction Fund had a deficit balance of (\$115,188). Once again, the reason for this is because the expenditures for the ongoing sewer construction is currently being financed by a loan from the Department of Environmental Quality.

Capital Assets and Debt

- The following summarizes the City’s capital assets net of accumulated depreciation:

	Capital Assets			
	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Land	\$ 869,091	\$ 22,938	\$ 141,057	\$ 141,057
Buildings	343,639	360,065	-	-
Plant	-	-	1,305,714	1,279,279
Machinery and equipment	15,269	15,366	109,933	41,468
	<u>\$1,227,999</u>	<u>\$ 398,369</u>	<u>\$1,556,704</u>	<u>\$1,461,804</u>

The following table reconciles the amount reported as capital assets on the June 30, 2005 financial statements to the amount reported as capital assets this year:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets at cost as of June 30, 2005	\$ 591,620	\$ 5,926,681
Prior accumulated depreciation	(193,251)	(4,464,877)
Retirements and dispositions (net of accumulated depreciation)	-	-
Current year additions	850,264	289,070
Current year depreciation	<u>(20,634)</u>	<u>(194,170)</u>
Net capital assets as of June 30, 2006	<u>\$ 1,227,999</u>	<u>\$ 1,556,704</u>

Long-term Debt

- At June 30, 2006, the City had General Obligation Bonds outstanding of \$343,968. This loan was incurred for the purpose of establishing the City's wastewater treatment plant. The general obligation bonds and related interest (5%) are payable from property tax levies, and pledge the full faith and credit of the City. During the year ended June 30, 2005, the City acquired additional financing in the form of interim loan from Department of Environmental Quality Clean Water State Revolving Fund. The amount authorized is \$2,111,150, with only \$63,648 outstanding at June 30, 2005. During the year ended June 30, 2006, an additional \$204,742 was borrowed bringing the balance to \$268,390. Interest will accrue at 1.18% until the City receives long-term financing from U.S. Rural Utilities Service upon completion of the sewer project. The estimated project completion date is June 1, 2007. At June 30, 2005, the City had another outstanding Clean Water State Revolving Fund loan from the Department of Environmental Quality that was paid off during the current year.

Facts, Decisions, or Conditions That are Expected to Impact the City

- During 2004-05 fiscal year, the City was awarded a large grant and loan from the Federal government for a sewer expansion project. The original grant was expected to be \$1,351,350, and the loan will be \$2,148,650 for a total of \$3.5 million. During the year the City was approved for an additional \$1.2 million, bringing the grant up to \$1,751,350 and the loan to \$2,948,650 for a total of \$4.7 million. The cost increase was due to economic situations outside of the City's control. The City will also be using the interim loan from the Department of Environmental Quality discussed above. The design phase of the project started January 2, 2005. Construction is expected to start in the fall of 2006. The expected completion date is June 1, 2007. The Project should be operational by July 1, 2007.

- Shortly after the year end, there was a recall election which removed the mayor and two council members from office. Within two months, another council member resigned. After the general election in November 2006, the vacancies were filled by some of the newly elected candidates. In January 2007, the remainder of the newly elected council will take office, leaving only one remaining councilor from the previous governing body.

BASIC FINANCIAL STATEMENTS

CITY OF LAKESIDE, OREGON

STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 343,953	\$ 663,134	\$ 1,007,087
Receivables:			
Taxes	-	9,221	9,221
Intergovernmental	18,944	-	18,944
Special assessments	6,131	-	6,131
Accounts	1,635	39,113	40,748
Prepaid expenses	8,436	-	8,436
Fixed assets (net of accumulated depreciation)	1,227,999	1,556,704	2,784,703
Total assets	1,607,098	2,268,172	3,875,270
LIABILITIES			
Accounts payable	9,308	10,244	19,552
Other accrued expenses	14,410	12,368	26,778
Accrued interest payable	-	1,979	1,979
Deferred revenues	89,394	-	89,394
Long-term debt:			
Due within one year	-	348,709	348,709
Due in more than one year	-	263,649	263,649
Total liabilities	113,112	636,949	750,061
NET ASSETS			
Invested in capital assets net of related debt	1,227,999	944,346	2,172,345
Restricted for:			
Debt Service	-	84,493	84,493
Unrestricted	265,987	602,384	868,371
	\$ 1,493,986	\$ 1,631,223	\$ 3,125,209

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contribu- tions	Capital Grants and Contribu- tions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 174,573	\$ 103,454	\$ 6,300	\$ 846,153	\$ 781,334	-	\$ 781,334
Highways and streets	93,338	43,710	68,941	-	19,313	-	19,313
Culture and recreation	502,413	7,884	463,731	-	(30,798)	-	(30,798)
Unallocated depreciation	20,634	-	-	-	(20,634)	-	(20,634)
Total governmental activities	790,958	155,048	538,972	846,153	749,215	-	749,215
Business-type activities:							
Sewer	663,362	584,578	-	-	-	\$ (78,784)	(78,784)
Total government	\$1,454,320	\$ 739,626	\$ 538,972	\$ 846,153	749,215	(78,784)	670,431
General revenues:							
Taxes							
Property taxes					-	108,760	108,760
Special Levy					53,115	-	53,115
Alcoholic and cigarette taxes					17,101	-	17,101
Transient taxes					36,166	-	36,166
Grants and contributions not restricted to specific program					13,756	-	13,756
Unrestricted investment earnings					10,553	22,971	33,524
Total general revenues and transfers					130,691	131,731	262,422
Change in net assets					879,906	52,947	932,853
Net assets - beginning					614,080	1,578,276	2,192,356
Net assets - ending					\$ 1,493,986	\$1,631,223	\$3,125,209

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

BALANCE SHEET
Governmental Funds
June 30, 2006

	General	State Tax Street Fund	Watershed Grant Fund	Watershed Coordinator	Other Governmental	Total Governmental
ASSETS						
Cash and investments	\$ 135,745	\$ 76,286	\$ 90,631	\$ 10,147	\$ 31,144	\$ 343,953
Receivables:						
Intergovernmental	1,205	-	-	17,739	-	18,944
Special assessments	6,131	-	-	-	-	6,131
Accounts	609	1,026	-	-	-	1,635
Due from other funds	25,000	-	-	-	-	25,000
Prepaid expenses	8,436	-	-	-	-	8,436
Total assets	\$ 177,126	\$ 77,312	\$ 90,631	\$ 27,886	\$ 31,144	\$ 404,099
LIABILITIES						
Accounts payable	\$ 5,770	\$ 1,324	\$ 1,212	\$ 436	\$ 566	\$ 9,308
Other accrued liabilities	1,692	4,014	25	2,450	6,229	14,410
Due to other funds	-	-	-	25,000	-	25,000
Deferred revenue	-	-	89,394	-	-	89,394
Total liabilities	7,462	5,338	90,631	27,886	6,795	138,112
FUND BALANCES						
Unreserved, reported in:						
General Fund	169,664	-	-	-	-	169,664
Other governmental funds	-	71,974	-	-	24,349	96,323
Total fund balances	169,664	71,974	-	-	24,349	265,987
Total liabilities and fund balances	\$ 177,126	\$ 77,312	\$ 90,631	\$ 27,886	\$ 31,144	\$ 404,099

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2006

Total fund balance - Governmental Funds (page 16)		\$ 265,987
Capital assets	\$ 1,441,884	
Less - Accumulated depreciation	<u>213,885</u>	<u>1,227,999</u>
Total net assets - Governmental Activities (page 14)		<u>\$ 1,493,986</u>

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the Year Ended June 30, 2006

	General	State Tax Street Fund	Watershed Grant Fund	Watershed Coordinator	Other Governmental	Total Governmental
REVENUES						
Intergovernmental	\$ 37,157	\$ 68,941	\$ 387,370	\$ 76,361	\$ 53,115	\$ 622,944
Charges for services	135,092	35,196	-	-	-	170,288
Interest and miscellaneous	10,883	11,206	5,784	-	3,606	31,479
Total revenues	183,132	115,343	393,154	76,361	56,721	824,711
EXPENDITURES						
Current operating:						
General government	178,684	-	-	-	-	178,684
Highways and streets	-	93,338	-	-	-	93,338
Culture and recreation	-	-	393,154	51,361	57,898	502,413
Total expenditures	178,684	93,338	393,154	51,361	57,898	774,435
Excess (deficiency) of revenues over (under) expenditures	4,448	22,005	-	25,000	(1,177)	50,276
OTHER FINANCING SOURCES (USES)						
Transfers in	34,676	-	-	-	-	34,676
Transfers out	-	-	-	(25,000)	(9,676)	(34,676)
Total other financing sources and (uses)	34,676	-	-	(25,000)	(9,676)	-
Net change in fund balances	39,124	22,005	-	-	(10,853)	50,276
Fund balance - beginning	130,540	49,969	-	-	35,202	215,711
Fund balance - ending	\$ 169,664	\$ 71,974	-	-	\$ 24,349	\$ 265,987

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 18)	\$ 50,276
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(16,523)
Donation of the Airport (Land) by the State of Oregon to the City of Lakeside did not provide current financial resources to governmental funds, and thus was not reported as revenue on the fund statement, but does represent revenue on the statement of activities	<u>846,153</u>
Change in net assets of governmental activities (page 15)	<u><u>\$ 879,906</u></u>

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2006

	Business-type Activities - Enterprise Funds				
	Wastewater Treatment Plant Fund	Sewer Construction Fund	Bonded Debt Fund	Enterprise Fund	Total Proprietary
ASSETS					-
Current Assets:					
Cash and investments	\$ 417,192	\$ 156,453	\$ 77,251	\$ 12,238	\$ 663,134
Receivables:					
Taxes	-	-	9,221	-	9,221
Accounts	39,113	-	-	-	39,113
Total current assets	456,305	156,453	86,472	12,238	711,468
Fixed Assets (net of accumulated depreciation)	1,556,704	-	-	-	1,556,704
Total assets	2,013,009	156,453	86,472	12,238	2,268,172
CURRENT LIABILITIES					
Accounts payable	6,993	3,251	-	-	10,244
Other accrued liabilities	12,368	-	-	-	12,368
Accrued interest payable	-	-	1,979	-	1,979
Current portion of long-term debt	-	268,390	80,319	-	348,709
Total current liabilities	19,361	271,641	82,298	-	373,300
LONG-TERM DEBT (net of current portion)					
Long-term debt	-	-	263,649	-	263,649
Total liabilities	19,361	271,641	345,947	-	636,949
NET ASSETS					
Invested in capital assets, net of contributed capital	780,778	-	-	-	780,778
Contributed capital	775,926	-	-	-	775,926
Restricted for Debt Service	-	-	84,493	-	84,493
Unrestricted	436,944	(115,188)	(343,968)	12,238	(9,974)
Total net assets	\$ 1,993,648	\$ (115,188)	\$ (259,475)	\$ 12,238	\$ 1,631,223

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 Proprietary Funds
 For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds				Total Proprietary
	Wastewater Treatment Plant Fund	Sewer Construction Fund	Bonded Debt Fund	Enterprise Fund	
<u>OPERATING REVENUES</u>					
Charges for services	\$ 508,348	\$ 76,230	-	-	\$ 584,578
<u>OPERATING EXPENSES</u>					
Personal services	300,710	-	-	-	300,710
Materials and services	148,866	709	-	-	149,575
Depreciation	194,170	-	-	-	194,170
Total operating expenses	643,746	709	-	-	644,455
Operating income (loss)	(135,398)	75,521	-	-	(59,877)
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Taxes	-	-	\$ 108,760	-	108,760
Interest income	16,611	2,937	2,911	\$ 512	22,971
Capital outlay	264,236	(244,094)	-	(20,142)	-
Interest expense	(160)	-	(18,747)	-	(18,907)
Principal payments	(9,063)	9,063	-	-	-
Total non-operating revenues (expenses)	271,624	(232,094)	92,924	(19,630)	112,824
Net income (loss) before operating transfers	136,226	(156,573)	92,924	(19,630)	52,947
Transfers In	-	20,000	-	-	20,000
Transfers Out	(20,000)	-	-	-	(20,000)
Change in net assets	116,226	(136,573)	92,924	(19,630)	52,947
Net assets - beginning	1,877,422	21,385	(352,399)	31,868	1,578,276
Net assets - ending	\$ 1,993,648	\$ (115,188)	\$ (259,475)	\$ 12,238	\$ 1,631,223

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds				
	Wastewater Treatment Plant Fund	Sewer Construction Fund	Bonded Debt Fund	Enterprise Fund	Total Proprietary
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from customers	\$ 506,059	\$ 76,230	-	-	\$ 582,289
Cash payments to suppliers for goods and services	(145,524)	(709)	-	-	(146,233)
Cash payments for employee services	(306,776)	-	-	-	(306,776)
Net cash provided by operating activities	53,759	75,521	-	-	129,280
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Property taxes received	-	-	\$ 108,988	-	108,988
Transfers - in	-	20,000	-	-	20,000
Transfers - out	(20,000)	-	-	-	(20,000)
Net cash provided (used) by noncapital financing activities	(20,000)	20,000	108,988	-	108,988
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Purchases of capital assets	(24,834)	(258,934)	-	\$ (20,142)	(303,910)
Proceeds from capital financing	-	204,742	-	-	204,742
Principal paid on long-term debt	(9,063)	-	(79,003)	-	(88,066)
Interest paid on long-term debt	(160)	-	(19,259)	-	(19,419)
Net cash used for capital and related financing activities	(34,057)	(54,192)	(98,262)	(20,142)	(206,653)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest on investments	16,611	2,937	2,911	512	22,971
Net increase (decrease) in cash and cash equivalents	16,313	44,266	13,637	(19,630)	54,586
Cash and cash equivalents - July 1	400,879	112,187	63,614	31,868	608,548
Cash and cash equivalents - June 30	\$ 417,192	\$ 156,453	\$ 77,251	\$ 12,238	\$ 663,134
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>					
Operating income (loss)	\$ (135,398)	\$ 75,521	-	-	\$ (59,877)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	194,170	-	-	-	194,170
Changes in assets and liabilities:					
(Increase) in accounts receivable and special assessments receivable	(2,289)	-	-	-	(2,289)
(Decrease) in accounts payable and other accrued expenses.	(2,724)	-	-	-	(2,724)
Total Adjustments	189,157	-	-	-	189,157
Net cash provided by operations	\$ 53,759	\$ 75,521	-	-	\$ 129,280

See accompanying notes to the financial statements.

CITY OF LAKESIDE, OREGON

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A) Reporting Entity**

The City of Lakeside, Oregon is organized under its own charter and the general laws pertaining to cities in the State of Oregon. The City is governed by a six-member Council and a Mayor, all of which are elected by the public.

The financial statements of the City of Lakeside have been prepared in conformity with standards set by the State of Oregon and with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. Based upon the application of the criteria established by GASB, there are no component units, which are required to be included in the reporting City.

B) Government-wide and Fund Financial Statements*Government-wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns, with composite columns for nonmajor funds.

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar

items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts become measurable and available when cash is received by the government and are recognized as revenues at that time. 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.

The government reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *State Tax Street Fund* accounts for the receipt of State gasoline taxes, street assessments and other miscellaneous sources. Expenditures are legally restricted to the maintenance and improvement of streets.
- The *Watershed Grant Fund* accounts for the receipts from the State and Federal Grant money. The proceeds are restricted to projects to enhance the watershed in the Tenmile Lake basin.
- The *Watershed Coordinator Fund* accounts for the receipts from the State and Federal Grant money. The proceeds are restricted to support services for projects to enhance the watershed in the Tenmile Lake basin.

Proprietary funds (enterprise funds) are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Proprietary funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The government considers all of its proprietary funds to be major funds, which consist of the following:

- The *Wastewater Treatment Plant Fund* is the operating account for the City's wastewater treatment system.
- The *Bonded Debt Fund* accounts for property tax collection and bonded debt payments.
- The *Sewer Construction Fund* and the *Enterprise Fund* both provide support services in connection to the Wastewater Treatment plant as needed.
- The *Enterprise Fund* is used to accumulate funds for capital expenditures.

D) Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents include cash on hand, demand deposits and investments in the Oregon State Treasury Local Government Investment Pool (LGIP). The Local Government Investment Pool is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. For the purpose of the Statement of Cash Flows, the City considers investments with original maturities of three months or less from date of acquisition to be cash equivalents.

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in LGIP and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations.

Investments are stated at cost which equals market value.

2. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets used in governmental fund type operations are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. On July 1, 2003, the City began computing depreciation on its capital assets as required by GASB 34. The capitalization and depreciation of infrastructure assets began on July 1, 2003. Depreciation on other capital assets was computed from the date acquired to June 30, 2006.

Property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives. The estimated useful lives are as follows:

Buildings	30 years
Plant system	30 years
Building and land improvements	10-30 years
Machinery and equipment	5-15 years

3. Compensated Absences

Vacation pay must be used in the year following the year in which it is earned and is not allowed to carry over without approval. By mutual agreement between the City and the employees, they have the option to accumulate overtime as compensatory pay which accrues at overtime rates. No more than 40 hours of compensatory pay may be carried forward into the fiscal year following the fiscal year in which the compensatory time is earned. Accumulated unused compensatory pay and vacation pay is recorded as an expense when incurred in both the governmental and proprietary fund types.

The City allows employees to accumulate sick pay from year to year. However, the sick pay must be used in order for employees to gain any benefits as no payment is made to employees for accumulated sick pay when employment is terminated. Accordingly, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits, and as such, sick pay is recorded as an expense when paid.

4. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities or business-type activities. At this time, the City's only long-term obligations are reported by the proprietary funds as business-type activities.

5. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) Budgetary Information

Annual appropriated budgets as prescribed by Oregon Local Budget Law are adopted for the general, special revenue, capital projects, and enterprise funds. All annual appropriations lapse at fiscal year end. The City does not utilize the encumbrance system of accounting for expenditures or expenses.

Budgets for the general fund are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that vacation pay and compensatory pay is recognized as an expenditure when paid. Budgets for the special revenue funds are adopted on a GAAP basis except that the intergovernmental revenues are recognized when received and vacation pay and compensatory pay are recognized when paid. Budgets for the capital projects funds are adopted on a GAAP basis except that intergovernmental revenues are recognized when received. Budgets for enterprise funds are adopted on a non GAAP basis in that property taxes and special assessment revenues are recognized as revenues when received, bond proceeds are treated as revenues, capital outlay and debt principal payments are recognized as expenditures, bond interest payments and vacation and compensatory pay are recognized as expenditures when paid, and no provision is made for depreciation expense.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Budget Committee submits to the City Council an approved operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is then held to obtain comments from taxpayers and other interested parties.
3. Prior to July 1, the budget is legally adopted and expenditures are appropriated and taxes levied by a resolution. The City Council does have the authority to make certain limited changes in the budget figures approved by the Budget Committee when it adopts the budget. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control for each fund is by personal services, materials and services, capital outlay, debt service, transfers and contingencies.
4. All revisions of appropriations, whether within a fund or between funds, require Council approval in the form of a resolution. Supplemental budgets are prepared and adopted in a similar manner as the regular budget in order to have the authority to make expenditures from unanticipated revenues.

B) Excess of Expenditures Over Appropriations

During the year ended June 30, 2006, there was one over expenditure in debt service of \$1,462 in the bonded debt fund.

C) Deficit Fund Equity

The following individual funds had a deficit fund/retained earnings balance at June 30, 2006:

Enterprise Funds - Bonded Debt Fund	\$(259,475)
Sewer Construction Fund	<u>(115,188)</u>
	<u><u>\$(374,663)</u></u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**A) Deposits and Investments**

The City maintains a cash management pool for its cash and investments in which each fund participates. Deposits at financial institutions are comprised of bank deposits and investments in the State of Oregon Local Government Investment Pool (LGIP). At June 30, 2006, the City had the following types of deposit:

Petty cash	\$ 450
Demand deposits with a local bank	83,729
Investments in LGIP	<u>922,908</u>
	<u><u>\$1,007,087</u></u>

Cash and investments by fund are reflected in the government-wide Statement of Net Assets as follows:

Governmental Activities	\$ 343,953
Business-type Activities	<u>663,134</u>
	<u><u>\$1,007,087</u></u>

Custodial Credit Risk

This is the risk that in the event of bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, FDIC, Oregon Revised States require the depository institution to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager. At June 30, 2006 the District's deposits at a financial institution had a bank value of \$214,150. Of this amount, \$39,150 was exposed to custodial credit risk because it was uninsured and under-collateralized as follows:

Bank balances	\$ 214,150
Less: FDIC coverage	\$ 100,000
Face value of pledged securities (certificate of participation)	\$ 300,000
Required securities pledged	<u>X 25%</u> <u>75,000</u> <u>175,000</u>
Balance – custodial credit risk	<u><u>\$ 39,150</u></u>

Credit Risk

State statutes authorize the City to invest in obligations of the US government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's investment pool, among others. The City's policy is to invest most of its funds in the State of Oregon Local Government Investment Pool (LGIP).

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill, and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2006 was unqualified.

Concentration of Credit Risk

The City has concentrations in the Local Governmental Investment Pool in which 100% of its investments are held.

B) Receivables

Accounts Receivable. Accounts receivable at June 30, 2006 consisted of \$39,113 due to the enterprise funds for sewer use fees and \$1,635 due from citizens and others mostly for reimbursements of expenses incurred by the City on their behalf.

Taxes Receivable. Property taxes are an enforceable lien on real and personal property. Taxes are levied on July 1 and payable in full on November 15, although three installments, on November 15, February 15, and May 15, are allowed. The County bills, collects and remits the property taxes to the City. For the year ended June 30, 2006, the City levied a net tax of \$108,237. The total taxes receivable at June 30, 2006 amounted to \$9,221 of which \$5,208 was for the year ended June 30, 2006.

Property tax revenues of the governmental funds are recognized as revenues when received. Revenues from uncollected taxes, which are not currently available, are deferred until received. Property tax revenues of the proprietary funds are recognized when levied.

The City is permitted by the Constitution of Oregon to levy taxes in an amount subject to the limitations of Measure 5 and Measure 50 in sufficient amounts for the payment of principal and interest on general obligation bonds. The tax rate to finance this obligation for the year ended June 30, 2006, was \$1.3086 per \$1,000 of assessed valuation.

Intergovernmental Receivable. Intergovernmental receivable at June 30, 2006 consisted of Alcohol tax due to the general fund of \$1,205 and grant receivable due to the watershed coordinator fund of \$17,739.

Special Assessments. During the year ended June 30, 2005, the City formed a Local Improvement District to collect a portion of road improvement costs from citizens owning property on the street. The City gave the citizens the option of paying their share over a 10 year period at 9% interest. \$6,131 represents the principal amount due from citizens at June 30, 2006.

C) Prepaid Expenses

This consists of employee health insurance premiums paid prior to the due date.

D) Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Non-depreciable:				
Land	\$ 22,938	\$ 846,153	\$ -	\$ 869,091
Depreciable:				
Buildings	488,696	-	-	488,696
Machinery & equipment	79,986	4,111	-	84,097
Total depreciable	568,682	4,111	-	572,793
Accumulated Depreciation:				
Buildings	(128,631)	(16,426)	-	(145,057)
Machinery & equipment	(64,620)	(4,208)	-	(68,828)
Total accumulated depreciation	(193,251)	(20,634)	-	(213,885)
Governmental activities Capital assets, net	\$ 398,369	\$ 829,630	-	\$ 1,227,999
Business-type activities				
Non-depreciable:				
Land	\$ 141,057	-	-	\$ 141,057
Depreciable:				
Wastewater Treatment Plant	5,635,979	212,761	-	5,848,740
Machinery & equipment	149,645	76,309	-	225,954
Total depreciable	5,785,624	289,070	-	6,074,694

Accumulated Depreciation:				
Buildings	(4,356,700)	(186,326)	-	(4,543,026)
Machinery & equipment	<u>(108,177)</u>	<u>(7,844)</u>	<u>-</u>	<u>(116,021)</u>
Total accumulated depreciation	<u>(4,464,877)</u>	<u>(194,170)</u>	<u>-</u>	<u>(4,659,047)</u>
Business-type activities				
Capital assets, net	<u>\$ 1,461,804</u>	<u>\$ 94,900</u>	<u>-</u>	<u>\$ 1,556,704</u>

Depreciation is charged to functions of the government as follows:

Governmental activities:	
General government	\$ 20,634
Business-type activities:	
Wastewater treatment plant	\$ 194,170

E) Interfund Receivables, Payables, and Transfers

The interfund balances as of June 30, 2006 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 25,000	-
Watershed Coordinator Fund	<u>-</u>	<u>\$ 25,000</u>
	<u>\$ 25,000</u>	<u>\$ 25,000</u>

The interfund balances represent a loan from the General Fund to the Watershed Coordinator Fund to cover grant expenses until grant funds are received. The loan bears no interest and is scheduled to be repaid during the next fiscal year.

The interfund transfer activity for fiscal year ended June 30, 2006 is as follows:

	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental Funds:		
General Fund	\$ 34,676	-
Watershed Coordinator Grant Fund	-	\$ 25,000
SCA Paving Grant Fund	-	9,676
Proprietary Funds:		
Wastewater Treatment Plant Fund	-	20,000
Sewer Construction Fund	<u>20,000</u>	<u>-</u>
	<u>\$ 54,676</u>	<u>\$ 54,676</u>

Interfund transfers are used to contribute toward the cost of capital projects, to return unused fund balance to the General Fund and to repay advances made for operational purposes.

F) Long-term Obligations

The following is a summary of the current year changes in long-term obligations, all of which relate to business-type activities:

Business-type Activities.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due in Current Year</u>
General Obligation Bonds	\$ 422,971	-	\$ 79,003	\$ 343,968	\$ 80,319
Notes Payable:					
Department of Environmental Quality	9,063	-	9,063	-	-
Department of Environmental Quality	<u>63,648</u>	<u>\$ 204,742</u>	<u>-</u>	<u>268,390</u>	<u>268,390</u>
Total Business-type Notes and Bonds	<u>\$ 495,682</u>	<u>\$ 204,742</u>	<u>\$ 88,066</u>	<u>\$ 612,358</u>	<u>\$ 348,709</u>

General Obligation Bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligation bonds and related interest are payable from property tax levies. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Waste water treatment plant	5%	\$343,968

General obligation bond debt service requirements to maturity, including \$34,931 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 80,319	\$ 15,015
2008	85,500	11,045
2009	89,775	6,663
2010	<u>88,374</u>	<u>2,208</u>
Total	<u>\$ 343,968</u>	<u>\$ 34,931</u>

DEQ-Clean Water State Revolving Fund. The City has entered into an agreement with Department of Environmental Quality to receive a Clean Water State Revolving Fund Loan for a wastewater treatment system project. The loan is authorized for \$114,716 but only \$77,600 was received. The loan agreement requires the City to fund a loan reserve of \$16,792. The annual interest rate is 2.54% with a 5 year term. The City made its final payment on this loan during the year ending June 30, 2006.

DEQ-Clean Water State Revolving Fund. The City has entered into an agreement with Department of Environmental Quality to receive a Clean Water State Revolving Fund Loan as interim financing for the Wastewater System Improvement Project. The authorized amount of the loan is \$2,111,150 to be repaid with interest from proceeds of long-term financing obtained from U.S. Rural Utilities Service, upon the earlier of the completion of the project or June 1, 2007. As of June 30, 2006, the City had received \$268,390.

Maturities of this debt are estimated as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	<u>\$ 268,390</u>	<u>\$ 3,390</u>

F) Other Accrued Expenses

Other accrued expenses at June 30, 2006 consisted of accrued vacation and compensatory pay and other payroll costs.

G) Contributed Capital

Contributed capital at June 30, 2006, consists of capital grants received from the Federal Government which were used to construct the City's wastewater treatment plant facility less accumulated depreciation applicable to assets acquired from these grants as follows:

Capital grants	\$3,615,791
Less: Accumulated depreciation	<u>2,839,865</u>
Total	<u>\$ 775,926</u>

H) Reserved Retained Earnings and Restricted Asset Accounts

The City's bond covenants require certain reservations of the enterprise fund type retained earnings. The reserved portion is as follows:

Reserved for general obligation bond debt service	<u>\$ 84,493</u>
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When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

IV. OTHER INFORMATION

A) Segment Information - Enterprise Fund:

The City maintains four enterprise funds which together provide sewer treatment services. Segment information for the year ended June 30, 2006 is as follows:

	Wastewater Treatment Plant Fund	Sewer Construction Fund	Bonded Debt Fund	Enterprise Fund	Total Enterprise Fund
Operating revenues	\$ 508,348	\$ 76,230	-	-	\$ 584,578
Depreciation	194,170	-	-	-	194,170
Operating income (loss)	(135,398)	75,521	-	-	(59,877)
Operating interfund transfers:					
In	-	20,000	-	-	20,000
(Out)	(20,000)	-	-	-	(20,000)
Tax revenue	-	-	\$ 108,760	-	108,760
Net income (loss)	136,226	(156,573)	92,924	\$ (19,630)	52,947
Property, plant and equipment:					
Additions	289,070	-	-	-	289,070
Deletions	-	-	-	-	-
Net working capital	436,944	(115,188)	4,174	12,238	338,168
Total assets	2,013,009	156,453	86,472	12,238	2,268,172
Long-term debt payable from operating revenues	-	268,390	343,968	-	612,358
Total equity	1,993,648	(115,188)	(259,475)	12,238	1,631,223

B) 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; and natural disasters for which the City carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year. There has been no instance, in the past three years, in which the settlement costs have exceeded the insurance coverage.

C) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D) Employee Retirement System

The City of Lakeside is a participating employer in the Oregon Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system, established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

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

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

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

PERS members are required to contribute 6% of their annual covered salary. The City has elected to "pick up" employee contributions at a rate of 6% as allowed under ORS 237.075. The contribution requirement of plan members and the City are established and may be amended by the PERS Retirement Board. The current contribution rate for Tier I and Tier II employees (those hired prior to August 29, 2003) is 7.23%. This rate includes a reduction of 4.33% which represents the City's actuarial surplus. The contribution rate for OPSRP participants (hired after August 29, 2003) is 8.04% of their annual covered salary. Beginning in March 2006, this percentage was reduced by 4.33%, for the City's actuarial surplus. The actuarial surplus, the amount determined to be overpaid by the city in the past, is being amortized over up to 22 years from January 1, 2006.

For the year ended June 30, 2006, the City's annual pension cost totaled \$51,354 as detailed in the following table:

	<u>6.00%</u>	<u>7.23%</u>	<u>8.04%</u>	<u>3.71%</u>	<u>Total</u>
Tier I & II	17,546	21,103	-	-	38,649
OPSRP	6,253	-	4,802	1,650	12,705
Total	<u>23,799</u>	<u>21,103</u>	<u>4,802</u>	<u>1,650</u>	<u>51,354</u>

The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and services, and (c) 3.5% per year cost-of-living adjustments. Because all PERS employers are required by law to submit the contributions adopted by the PERS Retirement Board, and employer

contributions are calculated in conformance with the Standards of GASB Statement No. 27, there is no Net Pension Benefit Obligation. The contributions actually made are equivalent to the Annual Pension Cost.

The December 31, 2005 Actuarial Valuation Report was not available at the time of this report, however, future contribution percentages (beginning July 1, 2007) will be determined with a new actuarial method and different assumptions from those listed above.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	27,892	100%	-
6/30/05	33,931	100%	-
6/30/06	51,354	100%	-

Schedule of Funding Progress

<u>Valuation Date</u>	<u>AVA</u>	<u>AAL</u>	<u>UAAL</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAAL Payroll</u>
12/31/95	\$ 420,995	\$ 363,245	\$ (57,750)	116%	\$127,094	-45%
12/31/97	\$ 657,968	\$ 514,703	\$(143,265)	128%	\$169,308	-85%
12/31/99	\$ 971,256	\$ 717,974	\$(253,282)	135%	\$304,357	-83%
12/31/01	\$1,979,539	\$1,519,355	\$(460,184)	130%	\$322,733	-143%
12/31/03	\$1,774,361	\$1,676,293	\$ (98,068)	106%	\$300,403	-33%

AVA: Actual Value of Assets

AAL: Actuarial Accrued Liability

UAAL: Unfunded Actuarial Accrued Liability

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKESIDE, OREGONCOMBINING BALANCE SHEET
Nonmajor Governmental Funds
June 30, 2006

	County Special Levy Library Operations Fund	SCA Paving Grant Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and investments	\$ 31,144	-	\$ 31,144
	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES</u>			
Accounts payable	\$ 566	-	\$ 566
Other accrued liabilities	6,229	-	6,229
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	6,795	-	6,795
	<u> </u>	<u> </u>	<u> </u>
<u>FUND BALANCES</u>			
Unreserved	24,349	-	24,349
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 31,144	-	\$ 31,144
	<u> </u>	<u> </u>	<u> </u>

See auditors' report.

CITY OF LAKESIDE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2006

	County Special Levy Library Operations Fund	SCA Paving Grant Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 53,115	-	\$ 53,115
Interest and miscellaneous	3,606	-	3,606
Total revenues	56,721	-	56,721
EXPENDITURES			
Current operating:			
Culture and recreation	57,898	-	57,898
Total expenditures	57,898	-	57,898
Excess (deficiency) of revenues over (under) expenditures	(1,177)	-	(1,177)
OTHER FINANCING SOURCES (USES)			
Transfers in			-
Transfers out	-	\$ (9,676)	(9,676)
Total other financing sources and uses	-	(9,676)	(9,676)
Net change in fund balances	(1,177)	(9,676)	(10,853)
Fund balance - beginning	25,526	9,676	35,202
Fund balance - ending	\$ 24,349	-	\$ 24,349

See auditors' report.

CITY OF LAKESIDE, OREGON
General Fund (#1)

Summary Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>REVENUES -Page 39</u>	\$ 175,600	\$ 175,600	\$ 186,677	\$ 11,077
<u>EXPENDITURES - Page 40</u>				
Personal Services	91,500	91,500	54,517	36,983
Materials and Services	205,000	205,000	119,435	85,565
Capital Outlay	22,100	22,100	4,111	17,989
Total expenditures	318,600	318,600	178,063	140,537
Excess (deficiency) of revenues over (under) expenditures	(143,000)	(143,000)	8,614	151,614
<u>OTHER FINANCING SOURCES (USES)</u>				
Loan repayment from Watershed Coordinator Fund	-	25,000	25,000	-
Transfer to State Tax Street Fund	(7,000)	(7,000)	-	7,000
Loan to Watershed Coordinator Grant Fund	-	(25,000)	(25,000)	-
Total other financing sources and uses	(7,000)	(7,000)	-	7,000
Net change in fund balances	(150,000)	(150,000)	8,614	158,614
Fund balances - beginning	150,000	150,000	131,611	(18,389)
Fund balances - ending	-	-	\$ 140,225	\$ 140,225
<u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</u>				
Accrued vacation and compensatory pay				\$ (1,692)
Local Improvement District receivables				6,131
Interfund receivable				25,000
Fund balances - ending				140,225
Fund balance, June 30, 2006 (GAAP basis)				\$ 169,664

See auditors' report.

CITY OF LAKESIDE, OREGON
 General Fund (#1)
 Schedule of Revenues - Budget and Actual
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest on investments	\$ 2,000	\$ 2,000	\$ 6,355	\$ 4,355
Alcohol tax	12,000	12,000	14,740	2,740
Cigarette tax	2,500	2,500	2,361	(139)
Cable franchise tax	12,000	12,000	16,913	4,913
Assessment income	8,000	8,000	3,545	(4,455)
Garbage franchise tax	6,000	6,000	7,452	1,452
State revenue sharing	7,500	7,500	9,256	1,756
Miscellaneous	9,000	9,000	2,325	(6,675)
Sale of equipment	100	100	-	(100)
Rent	3,000	3,000	2,048	(952)
Licenses, fees and permits	5,000	5,000	9,750	4,750
Coastal management grant	-	-	4,500	4,500
Grant revenue	20,000	20,000	6,454	(13,546)
Transient tax	38,500	38,500	36,167	(2,333)
Electrical and building permits	50,000	50,000	64,811	14,811
Total revenues	<u>\$ 175,600</u>	<u>\$ 175,600</u>	<u>\$ 186,677</u>	<u>\$ 11,077</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
 General Fund (#1)
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
Personal Services:				
City recorder	\$ 31,500	\$ 31,500	\$ 17,831	\$ 13,669
Public works supervisor	5,000	5,000	3,707	1,293
Administrative assistant	26,000	26,000	15,142	10,858
Janitorial	3,000	3,000	1,949	1,051
Payroll taxes and insurance	26,000	26,000	15,888	10,112
	<u>91,500</u>	<u>91,500</u>	<u>54,517</u>	<u>36,983</u>
Materials and Services:				
Advertising and elections	2,000	2,000	1,195	805
Audit and filing fee	10,000	10,000	6,015	3,985
Dues, travel and conferences	3,000	3,000	1,663	1,337
Electrical and building permit fees	45,000	45,000	36,775	8,225
Insurance	4,000	4,000	7,319	(3,319)
Legal fees	12,000	12,000	6,363	5,637
Repair and maintenance	13,000	13,000	330	12,670
Postage	2,500	2,500	737	1,763
Operating supplies	7,000	7,000	3,213	3,787
Purchased services	41,000	41,000	22,782	18,218
Chamber of Commerce	2,000	2,000	2,000	-
Fireworks donation	1,000	1,000	1,000	-
Telephone	7,000	7,000	3,012	3,988
Electricity	10,500	10,500	9,827	673
Licenses, fees and permits	1,000	1,000	164	836
Miscellaneous grant expenses	5,000	5,000	482	4,518
Building maintenance	19,000	19,000	1,997	17,003
Youth activities grant expenses	15,000	15,000	14,316	684
Miscellaneous	5,000	5,000	245	4,755
	<u>205,000</u>	<u>205,000</u>	<u>119,435</u>	<u>85,565</u>
Capital outlay	<u>22,100</u>	<u>22,100</u>	<u>4,111</u>	<u>17,989</u>
Total expenditures	<u>\$ 318,600</u>	<u>\$ 318,600</u>	<u>\$ 178,063</u>	<u>\$ 140,537</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
State Tax Street Fund (#3)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State Highway Apportionment	\$ 65,000	\$ 65,000	\$ 68,941	\$ 3,941
Miscellaneous revenue	2,000	2,000	8,514	6,514
Central Lincoln PUD Franchise	30,000	30,000	35,196	5,196
Sale of fixed assets	100	100	-	(100)
Interest on investments	300	300	2,692	2,392
Total revenues	<u>97,400</u>	<u>97,400</u>	<u>115,343</u>	<u>17,943</u>
EXPENDITURES				
Personal Services:				
City Recorder	6,000	6,000	2,547	3,453
Janitorial	1,400	1,400	975	425
Public works supervisor	41,000	41,000	33,362	7,638
Payroll taxes and insurance	32,500	32,500	26,422	6,078
	<u>80,900</u>	<u>80,900</u>	<u>63,306</u>	<u>17,594</u>
Materials and Services:				
Purchased services	25,000	25,000	9,006	15,994
Operating supplies	9,000	9,000	2,775	6,225
Insurance	2,000	2,000	1,346	654
Repair and maintenance	1,000	1,000	46	954
Fuel	2,000	2,000	1,208	792
Dues, travel and conferences	500	500	-	500
Audit and filing fee	2,500	2,500	873	1,627
Street light expense	11,000	11,000	12,751	(1,751)
Street work maintenance	2,000	2,000	1,491	509
Legal fees	1,000	1,000	12	988
Engineering fees	2,500	2,500	645	1,855
	<u>58,500</u>	<u>58,500</u>	<u>30,153</u>	<u>28,347</u>
Capital Outlay:				
General	1,000	1,000	-	1,000
Bike path	1,000	1,000	-	1,000
Equipment	1,000	1,000	-	1,000
	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>142,400</u>	<u>142,400</u>	<u>93,459</u>	<u>48,941</u>
Excess (deficiency) of revenues over (under) expenditures	(45,000)	(45,000)	21,884	66,884
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	7,000	7,000	-	(7,000)
Net change in fund balances	(38,000)	(38,000)	21,884	59,884
Fund balances - beginning	38,000	38,000	54,104	16,104
Fund balances - ending	<u>-</u>	<u>-</u>	<u>\$ 75,988</u>	<u>\$ 75,988</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Accrued vacation and compensatory pay				\$ (4,014)
Fund balances - ending				<u>75,988</u>
Fund balance, June 30, 2006 (GAAP basis)				<u>\$ 71,974</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
Watershed Grant Fund (#34)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Watershed grants	\$ 581,014	\$ 581,014	\$ 462,851	\$ (118,163)
Miscellaneous	-	-	5,784	5,784
Total revenues	581,014	581,014	468,635	(112,379)
EXPENDITURES				
Personal Services:				
Watershed laborers	101,840	101,840	80,243	21,597
Watershed manager	60,000	60,000	30,852	29,148
Payroll taxes and insurance	49,500	49,500	31,604	17,896
	211,340	211,340	142,699	68,641
Materials and Services:				
Dues, travel and conferences	8,500	8,500	6,692	1,808
Purchased services	233,063	233,063	158,025	75,038
Telephone	-	-	1,809	(1,809)
Operating supplies	101,805	101,805	83,904	17,901
Administrative costs	46,306	46,306	-	46,306
	389,674	389,674	250,430	139,244
Total expenditures	601,014	601,014	393,129	207,885
Excess (deficiency) of revenues over (under) expenditures	(20,000)	(20,000)	75,506	95,506
Fund balances - beginning	20,000	20,000	13,913	(6,087)
Fund balances - ending	-	-	\$ 89,419	\$ 89,419
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Deferred revenue				\$ (89,394)
Accrued vacation and compensatory pay				(25)
Fund balances - ending				89,419
Fund balance, June 30, 2006 (GAAP basis)				-

See auditors' report.

CITY OF LAKESIDE, OREGON
Watershed Coordinator Fund (#35)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Watershed Coordinator Grant	\$ 75,400	\$ 75,400	\$ 39,973	\$(35,427)
Miscellaneous	2,000	2,000	-	(2,000)
Total revenues	<u>77,400</u>	<u>77,400</u>	<u>39,973</u>	<u>(37,427)</u>
<u>EXPENDITURES</u>				
Personal Services:				
Watershed coordinator	45,200	45,200	34,909	10,291
Payroll taxes and insurance	22,500	22,500	13,655	8,845
	<u>67,700</u>	<u>67,700</u>	<u>48,564</u>	<u>19,136</u>
Materials and Services:				
Miscellaneous expense	5,000	5,000	347	4,653
Purchased services	3,000	3,000	-	3,000
Operating supplies	2,800	2,800	-	2,800
Administrative costs	7,400	7,400	-	7,400
Dues, travel and conferences	1,500	1,500	-	-
	<u>19,700</u>	<u>19,700</u>	<u>347</u>	<u>17,853</u>
Total expenditures	<u>87,400</u>	<u>87,400</u>	<u>48,911</u>	<u>36,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>(8,938)</u>	<u>(438)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Loan repayment to General Fund	-	(25,000)	(25,000)	-
Loan from General Fund	-	25,000	25,000	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(10,000)	(10,000)	(8,938)	1,062
Fund balances - beginning	10,000	10,000	18,649	8,649
Fund balances - ending	<u>-</u>	<u>-</u>	<u>\$ 9,711</u>	<u>\$ 9,711</u>
<u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</u>				
Grant receivable				\$ 17,739
Accrued vacation and compensatory pay				(2,450)
Interfund payable				(25,000)
Fund balances - ending				<u>9,711</u>
Fund balance, June 30, 2006 (GAAP basis)				<u>-</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
 County Special Levy Library Operations Fund (#21)
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
County serial levy	\$ 51,000	\$ 51,000	\$ 53,115	\$ 2,115
Miscellaneous	1,700	1,700	2,100	400
Interest on investments	300	300	1,506	1,206
Total revenues	<u>53,000</u>	<u>53,000</u>	<u>56,721</u>	<u>3,721</u>
EXPENDITURES				
Personal Services:				
Librarian	18,500	18,500	15,623	2,877
Library aide	11,000	11,000	11,464	(464)
Payroll taxes and insurance	22,500	22,500	10,200	12,300
	<u>52,000</u>	<u>52,000</u>	<u>37,287</u>	<u>14,713</u>
Materials and Services:				
Materials and subscriptions	6,500	6,500	6,018	482
Postage	1,500	1,500	715	785
Telephone	2,000	2,000	1,453	547
Dues, travel and conferences	200	200	23	177
Operating supplies	2,000	2,000	2,308	(308)
Computer materials and services	3,000	3,000	3,403	(403)
Purchased services	3,400	3,400	3,337	63
Repairs and maintenance	1,000	1,000	-	1,000
Licenses, fees and permits	50	50	-	50
Miscellaneous expense-emergency	5,350	5,350	-	5,350
	<u>25,000</u>	<u>25,000</u>	<u>17,257</u>	<u>7,743</u>
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total expenditures	<u>78,000</u>	<u>78,000</u>	<u>54,544</u>	<u>23,456</u>
Net change in fund balances	(25,000)	(25,000)	2,177	27,177
Fund balances - beginning	<u>25,000</u>	<u>25,000</u>	<u>28,401</u>	<u>3,401</u>
Fund balances - ending	<u>-</u>	<u>-</u>	<u>\$ 30,578</u>	<u>\$ 30,578</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Accrued vacation and compensatory pay				\$ (6,229)
Fund balances - ending				<u>30,578</u>
Fund balance, June 30, 2006 (GAAP basis)				<u>\$ 24,349</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
Clean Lake Fund (#28)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Grant Revenue	\$ 1,402,060	\$ 1,402,060	-	\$ (1,402,060)
EXPENDITURES				
Personal Services:				
Clean Lake Administration	48,000	48,000	-	48,000
Payroll taxes and insurance	21,000	21,000	-	21,000
	69,000	69,000	-	69,000
Materials and Services:				
Purchased services	814,200	814,200	-	814,200
Operating supplies	276,400	276,400	-	276,400
Administrative costs	127,460	127,460	-	127,460
Telephone	5,000	5,000	-	5,000
Dues, travel and conferences	5,000	5,000	-	5,000
Postage	5,000	5,000	-	5,000
Licenses, fees and permits	5,000	5,000	-	5,000
	1,238,060	1,238,060	-	1,238,060
Capital Outlay	95,000	95,000	-	95,000
Total expenditures	1,402,060	1,402,060	-	1,402,060
Net Change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	-	-	-	-

See auditors' report.

CITY OF LAKESIDE, OREGON
Waste Water Treatment Plant (#7)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Sewer use fees	\$ 500,000	\$ 500,000	\$ 501,349	\$ 1,349
Miscellaneous	1,000	1,000	6,999	5,999
Sale of fixed assets	100	100		(100)
Interest on investments	5,000	5,000	16,611	11,611
Total revenues	506,100	506,100	524,959	18,859
EXPENDITURES				
Personal Services:				
City Recorder	16,500	16,500	30,567	(14,067)
Administrative Assistant	26,000	26,000	15,142	10,858
Janitorial	3,000	3,000	1,949	1,051
Public works supervisor	10,000	10,000	-	10,000
Superintendent	59,000	59,000	31,013	27,987
Operator	33,000	33,000	39,478	(6,478)
Assistant Operator	31,000	31,000	51,440	(20,440)
Operator 3	50,000	50,000	-	50,000
Clerical Assistant	25,000	25,000	23,759	1,241
Payroll taxes and insurance	127,000	127,000	113,428	13,572
	380,500	380,500	306,776	73,724
Materials and Services:				
Advertising and elections	1,000	1,000	558	442
Audit and filing fee	15,000	15,000	10,322	4,678
Engineering fees	41,000	41,000	3,698	37,302
Fuel	4,000	4,000	4,321	(321)
Insurance	15,000	15,000	12,347	2,653
Legal fees	10,000	10,000	3,884	6,116
Licenses, fees and permits	3,000	3,000	1,352	1,648
Repair and maintenance	20,000	20,000	26,183	(6,183)
Postage	4,000	4,000	3,133	867
Operating supplies	25,000	25,000	31,346	(6,346)
Purchased services	67,000	67,000	24,668	42,332
Telephone	4,000	4,000	2,550	1,450
Dues, travel and conferences	5,000	5,000	1,099	3,901
Electricity	25,000	25,000	23,405	1,595
	239,000	239,000	148,866	90,134
Capital Outlay:				
General	189,500	189,500	24,834	164,666
Equipment	20,000	20,000		20,000
Pumps	10,000	10,000	-	10,000
	219,500	219,500	24,834	194,666
Debt Service:				
Principal	24,500	24,500	9,063	15,437
Interest	5,000	5,000	160	4,840
Loan payment first phase	17,600	17,600	-	17,600
	47,100	47,100	9,223	37,877
Total expenditures	886,100	886,100	489,699	396,401
Excess (deficiency) of revenues over (under) expenditures (Carried forward)	(380,000)	(380,000)	35,260	415,260

See auditors' report.

CITY OF LAKESIDE, OREGON
Waste Water Treatment Plant (#7)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures (Brought forward)	(380,000)	(380,000)	35,260	415,260
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer To Sewer Construction Fund	(20,000)	(20,000)	(20,000)	-
Net change in fund balances	(400,000)	(400,000)	15,260	415,260
Fund balances - beginning	400,000	400,000	434,052	34,052
Fund balances - ending	-	-	<u>\$ 449,312</u>	<u>\$ 449,312</u>
<u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</u>				
Fixed assets (net of accumulated depreciation)				\$ 1,556,704
Accrued vacation and compensatory pay				(12,368)
Fund balances - ending				<u>449,312</u>
Net assets, June 30, 2006 (GAAP basis)				<u>\$ 1,993,648</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
 Bonded Debt Fund (#6)
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property taxes:				
Current year's taxes	\$ 93,300	\$ 93,300	\$ 100,154	\$ 6,854
Prior years' taxes	6,000	6,000	8,834	2,834
Interest on investments	1,500	1,500	2,912	1,412
Total revenues	<u>100,800</u>	<u>100,800</u>	<u>111,900</u>	<u>11,100</u>
<u>EXPENDITURES</u>				
Debt service:				
Bond principal	77,500	77,500	79,003	(1,503)
Bond interest	19,300	19,300	19,259	41
Total expenditures	<u>96,800</u>	<u>96,800</u>	<u>98,262</u>	<u>(1,462)</u>
Net change in fund balances	4,000	4,000	13,638	9,638
Fund balances - beginning	77,500	77,500	63,613	(13,887)
Fund balances - ending	<u>\$ 81,500</u>	<u>\$ 81,500</u>	<u>\$ 77,251</u>	<u>\$ (4,249)</u>
<u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</u>				
Taxes receivable				\$ 9,221
Accrued interest payable				(1,979)
Long-term debt				(343,968)
Fund balances - ending				<u>77,251</u>
Net assets, June 30, 2006 (GAAP basis)				<u>\$ (259,475)</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
Sewer Construction Fund (#10)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Loan and grant proceeds	\$3,500,000	\$3,500,000	\$ 204,742	\$ (3,295,258)
Sewer hookup permit revenue	3,000	3,000	15,498	12,498
System development charges	10,000	10,000	60,732	50,732
Interest on investments	2,000	2,000	2,937	937
Total revenues	<u>3,515,000</u>	<u>3,515,000</u>	<u>283,909</u>	<u>(3,231,091)</u>
EXPENDITURES				
Materials and Services:				
Purchased services	<u>250,000</u>	<u>250,000</u>	<u>709</u>	<u>249,291</u>
Capital Outlay	<u>3,382,000</u>	<u>3,382,000</u>	<u>244,094</u>	<u>3,137,906</u>
Debt Service:				
Loan principal payment	25,000	25,000	-	25,000
Loan interest payment	3,000	3,000	-	3,000
	<u>28,000</u>	<u>28,000</u>	<u>-</u>	<u>28,000</u>
Total expenditures	<u>3,660,000</u>	<u>3,660,000</u>	<u>244,803</u>	<u>3,415,197</u>
Excess (deficiency) of revenues over (under) expenditures	(145,000)	(145,000)	39,106	184,106
OTHER FINANCING SOURCES (USES)				
Transfer from Waste Water Treatment Plant Fund	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	(125,000)	(125,000)	59,106	184,106
Fund balances - beginning	<u>125,000</u>	<u>125,000</u>	<u>94,096</u>	<u>(30,904)</u>
Fund balances - ending	<u>-</u>	<u>-</u>	<u>\$ 153,202</u>	<u>\$ 153,202</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Long-term debt			\$	(268,390)
Fund balances - ending				<u>153,202</u>
Net assets, June 30, 2006 (GAAP basis)			\$	<u>(115,188)</u>

See auditors' report.

CITY OF LAKESIDE, OREGON
Enterprise Fund (#24)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest on investments	\$ 1,000	\$ 1,000	\$ 512	\$ (488)
<u>EXPENDITURES</u>				
Materials and Services:				
Repair and maintenance	11,000	11,000	-	11,000
Capital Outlay	60,000	60,000	20,142	39,858
Total expenditures	71,000	71,000	20,142	50,858
Net change in fund balances	(70,000)	(70,000)	(19,630)	50,370
Fund balances - beginning	70,000	70,000	31,868	(38,132)
Fund balances - ending	-	-	\$ 12,238	\$ 12,238

See auditors' report.

CITY OF LAKESIDE, OREGON
 SCA Paving Grant Fund (#31)
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Paving Grant	\$ 25,000	\$ 25,000	-	\$(25,000)
<u>EXPENDITURES</u>				
Materials and Services:				
Purchased services	25,000	25,000	-	25,000
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	-	-	-	-

See auditors' report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAKESIDE, OREGONSchedule of Cash and Cash on Hand
June 30, 2006CASH ON DEPOSIT

Umpqua Bank:

Checking account	\$ 83,729
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LOCAL GOVERNMENT INVESTMENT POOL

922,908

CASH ON HAND

450

Total

\$ 1,007,087OWNERSHIP OF CASH

General Fund	\$ 135,745
State Tax Street Fund	76,286
Watershed Grant Fund	90,631
Watershed Coordinator Fund	10,147
County Special Levy Library Operations Fund	31,144
Wastewater Treatment Plant Fund	417,192
Sewer Construction Fund	156,453
Bonded Debt Fund	77,251
Enterprise Fund	12,238

\$ 1,007,087

NOTE - At June 30, 2006, Umpqua Bank had secured deposits with a Certificate of Participation of \$300,000. F.D.I.C. also provides security for checking accounts up to \$100,000.

CITY OF LAKESIDE

Schedule of Property Tax Transactions
For the Fiscal Year Ended June 30, 2006

<u>Year of Levy</u>	<u>Adjusted Levy 2005-06</u>	<u>Taxes Receiv- able 7/1/05</u>	<u>Collec- tions</u>	<u>Offsets, Rebates and Adjust- ments</u>	<u>Taxes Receiv- able 6/30/06</u>
2005-06	\$ 108,237		\$ 100,077	\$ (2,952)	\$ 5,208
2004-05		\$ 5,405	3,838	874	2,441
2003-04		2,003	978	(21)	1,004
2002-03		1,235	671	(137)	427
2001-02		662	739	182	105
2000-01		82	102	56	36
	<u>\$ 108,237</u>	<u>\$ 9,387</u>	106,405	<u>\$ (1,998)</u>	<u>\$ 9,221</u>
Prior years' taxes and interest			875		
Tax offsets and other taxes			<u>1,708</u>		
Total			<u>\$ 108,988</u>		

SUMMARY OF COLLECTIONS AND TAXES RECEIVABLE

<u>Fund</u>	<u>Current Year</u>	<u>Prior Years' and Interest</u>	<u>Total</u>	<u>Taxes Receiv- able</u>
Bonded Debt	<u>\$ 100,154</u>	<u>\$ 8,834</u>	<u>\$ 108,988</u>	<u>\$ 9,221</u>

See auditors' report.

CITY OF LAKESIDE, OREGONSchedule of Long-Term Debt Transactions
For the Fiscal Year Ended June 30, 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>BALANCE PAYABLE, JULY 1, 2005</u>	\$ 495,682	\$ 55,384	\$ 551,066
Add - Interest adjustment	-	200	200
Add -New financing	<u>204,742</u>	<u>2,156</u>	<u>206,898</u>
	700,424	57,740	758,164
Less - Payment of principal and interest maturing in the year ended June 30, 2006	<u>(88,066)</u>	<u>(19,419)</u>	<u>(107,485)</u>
<u>BALANCE PAYABLE, JUNE 30, 2006</u>	<u>\$ 612,358</u>	<u>\$ 38,321</u>	<u>\$ 650,679</u>

See auditors' report.

CITY OF LAKESIDE, OREGON

Schedule of December 19, 1979 General Obligation Sewer Bonds Outstanding
at June 30, 2006, and Subsequent Maturities of Principal and Interest

<u>Maturities by Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-07	\$ 80,319	\$ 15,015	\$ 95,334
2007-08	85,500	11,045	96,545
2008-09	89,775	6,663	96,438
2009-10	88,374	2,208	90,582
<u>TOTAL OUTSTANDING AT JUNE 30, 2006</u>	<u>\$ 343,968</u>	<u>\$ 34,931</u>	<u>\$ 378,899</u>
<u>ORIGINAL ISSUE</u>	<u>\$ 1,470,000</u>		
<u>BONDS RETIRED AND INTEREST PAID DURING YEAR ENDED JUNE 30, 2006</u>	<u>\$ 79,003</u>	<u>\$ 19,259</u>	<u>\$ 98,262</u>
<u>PAYMENT DATES:</u>			
Principal	December 19		
Interest	December 19 and June 19		
<u>INTEREST RATE</u>	5% computed on a daily basis		

CITY OF LAKESIDE, OREGON

Schedule of DEQ-Clean Water State Revolving Fund Loan
at June 30, 2006, and Subsequent Maturities of Principal and Interest

<u>Maturities by Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>TOTAL OUTSTANDING AT JUNE 30, 2006</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>ORIGINAL ISSUE</u>	<u>\$ 77,600</u>		
<u>PRINCIPAL AND INTEREST PAID DURING YEAR ENDED JUNE 30, 2006</u>	<u>\$ 9,063</u>	<u>\$ 160</u>	<u>\$ 9,223</u>
<u>PAYMENT DATES</u> Principal and interest	May 1 and November 1		
<u>INTEREST RATE</u>	2.54% computed on a daily basis plus fees		

CITY OF LAKESIDE, OREGON

Schedule of DEQ-Clean Water State Revolving Fund Interim Loan
at June 30, 2006, and Subsequent Maturities of Principal and Interest

<u>Maturities by Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-07	\$ 268,390	\$ 3,390	\$ 271,780
<u>TOTAL OUTSTANDING AT JUNE 30, 2006</u>	<u>\$ 268,390</u>	<u>\$ 3,390</u>	<u>\$ 271,780</u>
<u>ORIGINAL ISSUE</u>	<u>\$ 268,390</u>		
<u>PAYMENT DATES</u>			
Principal and interest			Estimated project completion - June 1, 2007
<u>INTEREST RATE</u>			1.18% per anum

ACCOMPANYING INFORMATION

CITY OF LAKESIDE, OREGONAuditors' Comments
June 30, 2006

The *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required comments and disclosures not included in the preceding section of this report are furnished below.

(1)

Our comments concerning the City's accounting system and internal controls are as follows:

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the City, for the year ended June 30, 2006, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted no matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters that we consider to be a material weakness.

Our consideration of the internal structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We have, however, reported to City's management in a separate letter dated December 6, 2006, certain observations concerning accounting matters that we made during our audit engagement.

(2)

During the year ended June 30, 2006, collateral pledged by financial institutions and coverage provided by a governmental agency was adequate to meet the provisions of ORS 295.015.

(3)

The City has complied with provision of ORS Chapter 294 relating to investment of public moneys.

(4)

Compliance with and provisions of ORS Chapter 279 were tested to the extent deemed necessary. Nothing came to our attention that the City had not generally complied with the legal requirements for awarding public contracts and constructing public improvements.

(5)

The City has complied with legal debt limitations.

(6)

Legal provisions were complied with in the preparation, adoption and execution of the annual budget for the year ended June 30, 2006 and the preparation and adoption of the annual budget for the year ended June 30, 2007.

The City makes its appropriations for each fund in accordance with the provisions of ORS 294.435(3) as disclosed in Footnote II A-3.

Oregon's Local Budget Law requires that estimates of the ending fund balances are to be included as resources in the subsequent year's budget. The amount of fund balances included as budget resources and designated for the next year's expenditures are as follows:

<u>Fund</u>	<u>Balance</u> <u>6/30/06</u>	<u>2006-2007</u> <u>Budget</u> <u>Resource</u>	<u>Difference</u>
General Fund	\$ 140,225	\$ 136,000	\$ 4,225
State Tax Street Fund	75,988	52,000	23,988
Watershed Grant Fund	89,419	32,000	57,419
Watershed Coordinator Fund	9,711	100	9,611
County Special Levy Library Operations Fund	30,578	23,000	7,578
Wastewater Treatment Plant Fund	449,312	400,000	49,312
Bonded Debt Fund	77,251	84,500	(7,249)
Sewer Construction Fund	153,202	95,000	58,202
Enterprise Fund	<u>12,238</u>	<u>12,000</u>	<u>238</u>
	<u>\$1,037,924</u>	<u>\$ 834,600</u>	<u>\$ 203,324</u>

(7)

We reviewed compliance with legal requirements relating to insurance and fidelity bond coverage. During our audit, we found no instances for noncompliance with these legal requirements pertaining to insurance and fidelity bond coverage. We are not competent by training to state whether insurance policies covering city owned property in force at June 30, 2006 are adequate.

(8)

State motor vehicle fuel tax revenues are accounted for in the State Tax Street Fund. The City has complied with legal requirements, as provided for in Article 1X, section 3a of the Oregon Constitution, pertaining to the use of such funds.

(9)

During the year ended June 30, 2006, the City participated in several governmental grant programs. Transactions for these grants were examined and tested to the extent deemed necessary. During the course of our audit, nothing came to our attention to indicate that the City had not generally administered, accounted for and reported its grant programs in accordance with applicable laws and regulations.

Since the City expended less than \$500,000 of Federal Financial Assistance, it is not subject to the requirements of the Single Audit Act (OMB Circular A-133).

(10)

An inquiry of the City Attorney indicated that there was no material litigation of a financial nature pending for or against the City at June 30, 2006.