

FYE 2009 MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of the financial position of the City of Aumsville (City). The analysis focuses on the financial activities of the City for the fiscal year ending (FYE) **June 30, 2009**.

Financial Highlights

- ☆ City Reserve Fund cash in the amount of \$1,110,215 was spent on the new City Hall/Police Complex and the city now has \$398,443 in outstanding debt for the project.
- ☆ Street tax revenue came in \$14,325 less than budgeted.
- ☆ Water Fund revenue came in \$9,147 less than budgeted.



OVERVIEW OF THE FINANCIAL STATEMENTS

I intend for this overview and analysis to explain the changes in the financial position of the City of Aumsville and why they occurred. The City's detailed information is provided in the *audited financial statements* provided by an independent auditor similar to a private-sector business.

Overview of the Financial Statements

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

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

The Statement of Net Assets (modified cash basis). This presents information on all of the assets and liabilities of the City as of the date on the statement. Net assets are what remain after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (modified cash basis). The *statement of activities* presents information showing how the net assets of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net assets.

The City reports on the modified cash basis of accounting.

Fund financial statements. The *fund financial statements* provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City of Aumsville as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Aumsville, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The City of Aumsville charges customers for the services it provides – whether to outside customers or to other units of the City and these services are generally reported in proprietary funds. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required and other supplementary information* related to the schedules of revenues, expenditures and changes in fund balance-budget and actual.

The combining statements for the non-major funds are presented following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of Aumsville, assets exceeded liabilities by \$6,983,403 at June 30, 2009.

By far the largest portion of the City's net assets (79 percent) reflects its investments in capital assets (e.g., land, buildings, roads, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending unless real estate is sold. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF AUMSVILLE STATEMENTS OF NET ASSETS

June 30,

	2009			2008		
	Governmental	Business-type	Total	Governmental	Business-type	Total
Cash and investments \$	932,363	\$ 570,572	\$ 1,502,935	\$ 1,767,949	\$ 395,511	\$ 2,163,460
Capital assets	2,917,255	4,660,618	7,577,873	1,608,765	5,301,974	6,910,739
Other assets	34,496	-	34,496	27,637	-	27,637
<i>Total Assets</i>	3,884,114	5,231,190	9,115,304	3,404,351	5,697,485	9,101,836
Noncurrent liabilities	398,443	1,658,271	2,056,714	-	1,606,112	1,606,112
Other liabilities	38,458	36,729	75,187	34,581	39,502	74,083
<i>Total Liabilities</i>	436,901	1,695,000	2,131,901	34,581	1,645,614	1,680,195
Net Assets:						
Invested in capital assets, net of related debt	2,518,812	3,002,347	5,521,159	1,608,765	3,695,862	5,304,627
Restricted	430,664	59,902	490,566	431,598	19,603	451,201
Unrestricted	497,737	473,941	971,678	1,329,407	336,406	1,665,813
<i>Total Net Assets</i>	\$ 3,447,213	\$ 3,536,190	\$ 6,983,403	\$ 3,369,770	\$ 4,051,871	\$ 7,421,641

The *Noncurrent Liabilities* is a \$286,070 water system loan balance and an initial \$1,372,201 sewer system loan.

The *Restricted Net Assets* are funds that are a requirement of the water/sewer bonds, capital projects and other restricted funds for specific purposes.

The *Unrestricted Assets* may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF AUMSVILLE
CHANGES IN NET ASSETS**

The City's total receipts were over \$2.12 million, of this an approximate 77% were from charges for services, fines, fees, permits, licenses and other non-tax sources; the remaining 23% came from property taxes.

The total cost of all programs and services was over \$3.2 million. \$833,745, or 26% were for utilities and the remainder is for general government, public safety, streets, highways and other governmental activities.

CITY OF AUMSVILLE STATEMENTS OF ACTIVITIES

June 30,

	2009			2008		
	Governmental	Business-type	Total	Governmental	Business-type	Total
RECEIPTS						
Program receipts	\$ 277,771	\$ 922,792	\$ 1,200,563	\$ 472,687	\$ 1,083,761	\$ 1,556,448
General receipts	889,148	33,513	922,661	843,358	44,364	887,722
Loan proceeds	400,000	59,274	459,274	-	1,402,927	1,402,927
<i>Total Receipts</i>	1,566,919	1,015,579	2,582,498	1,316,045	2,531,052	3,847,097
DISBURSEMENTS						
General government	1,430,846	-	1,430,846	541,205	-	541,205
Public safety	659,401	-	659,401	566,677	-	566,677
Transportation	164,184	-	164,184	137,314	-	137,314
Community development	149,092	-	149,092	226,541	-	226,541
Interest on long-term debt	-	-	-	-	-	-
Water	-	369,055	369,055	-	612,965	612,965
Sewer	-	464,690	464,690	-	2,220,393	2,220,393
<i>Total Disbursements</i>	2,403,523	833,745	3,237,268	1,471,737	2,833,358	4,305,095
<i>Receipts Over (Under)</i>						
<i>Disbursements</i>	(836,604)	181,834	(654,770)	(155,692)	(302,306)	(457,998)
<i>Transfers</i>	4,000	(4,000)	-	97,652	(97,652)	-
<i>Change in Fund Net Assets</i>	(832,604)	177,834	(654,770)	(58,040)	(399,958)	(457,998)
<i>Fund Net Assets - Beginning</i>	1,761,005	356,009	2,117,014	1,819,045	755,967	2,575,012
<i>Fund Net Assets - Ending</i>	928,401	533,843	1,462,244	1,761,005	356,009	2,117,014
<i>Capital Assets</i>	2,917,255	4,660,618	7,577,873	1,608,765	5,301,974	6,910,739
<i>Long-term Debt</i>	(398,443)	(1,658,271)	(2,056,714)	-	(1,606,112)	(1,606,112)
	<u>\$ 3,447,213</u>	<u>\$ 3,536,190</u>	<u>\$ 6,983,403</u>	<u>\$ 3,369,770</u>	<u>\$ 4,051,871</u>	<u>\$ 7,421,641</u>

GOVERNMENTAL ACTIVITIES

The cost for all *governmental* activities this year was \$2,403,523. However, the amount that our taxpayers paid for these activities through property taxes was only \$496,687. Those who directly benefited from the programs (fines, fees and charges for services) paid \$117,924 or 5%.

Governmental-type activities decreased the City's fund net assets by \$832,604. The primary element for the decrease is capital outlay disbursements of \$1.1 million from the City Reserve Fund for the new city hall/police complex.

BUSINESS-TYPE ACTIVITIES

The cost for all *business-type* activities this year was \$833,745. These City utility costs are paid by utility service fees, system development charges, and other utility related income. Business-type activities increased the City's fund net assets by \$177,834.

FINANCIAL ANALYSIS OF THE CITY OF AUMSVILLE FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City. Proprietary funds are the City's business-type enterprise funds, such as water and sewer.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$928,401, of which \$497,737 is unrestricted. The City's proprietary business-type funds reported combined ending fund balances were \$533,843, of which \$473,941 is unrestricted.

BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for all funds. The Aumsville City Council passed three resolutions revising the budget by transfer of appropriations. We provide budgetary comparison statements for all funds, to demonstrate compliance with the budget.

Actual General Fund expenditures were only 40% of the amount budgeted; due to an important positive cushion in the county building permits and contingency line items. Resources came in at 77% of the budget estimate, due to an almost \$277,000 budget variance for building permit revenue cushion. Newsletter ad revenue doubled bringing in over \$4,000 and court revenue was down by about one-third.

FUTURE ECONOMIC FACTORS FOR THE CITY OF AUMSVILLE

We have been informed that Public Employees Retirement System (PERS) employer rates will increase an estimated 3% to 6% in July of 2011 to deal with current shortfalls. The city is forecasting the possible over \$50,000 budget impact of the PERS increase, in an effort to hedge against it and be proactive.

Water rates have been increased to cover rising operating costs and fund upcoming major repairs to the water reservoirs.

Sewer rates and a loan from the Oregon Economic Community Development Department will provide funding to complete the major sewer system improvements that have been underway.

The \$388,550 Park System Development Charge Fund cash on hand to pay growth's share of park improvement projects will be reduced by an estimated over \$238,000 for Highberger Park and Greenway development.

The City's cash reserves for vehicles, public works equipment, and major office equipment will provide funding for replacement, major repairs and new acquisitions, as they become necessary.

Economic Factors and Fiscal Year 2009-10 Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, we examine the long-term impacts of the local economy in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FYE 2010 budget:

- Water rate increases will go into effect in June and December 2009 and then raise three percent each December thereafter.
- The City's tax rate remains \$3.6327 per \$1,000 of property valuation, which is the City's permanent levy rate.
- Assessed values, the basis of property tax revenues, may grow only by the standard 3% increase in property valuation.
- General Fund revenue will continue to come in at, or better than, the 2009 Financial Forecast.
- Interest rates on investments may only average 1.5%.
- Employee retirement-contribution-rates will not increase in FY 2010-11.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

It is my desire to provide you with factual, succinct, information on the genuine financial stability of Aumsville in this financial analysis. It was designed to provide City of Aumsville citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this analysis or need more detailed financial information, please contact me, Maryann N. Hills, City Administrator at (503) 749-2030 ext:301, 595 Main Street, Aumsville, Oregon, 97325, or maryann@aumsville.us.