

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED June 30, 2013

Prepared by the Finance Department of the City of Roseburg Cheryl Guyett, Finance Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDING June 30, 2013

Table of Contents

I. INTRODUCTORY SECTION Letter of Transmittal	i-iv
Certificate of Achievement	V V
City of Roseburg Organizational Chart	vi
List of Officials	vii
II. FINANCIAL SECTION	
A. REPORT OF THE INDEPENDENT ACCOUNTANTS	1-3
B. MANAGEMENT DISCUSSION AND ANALYSIS	4-11
C. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13-14
Fund Financial Statements	
Major Governmental Funds:	15
Balance Sheet	16-17
Reconciliation of the Balance Sheet to Statement of Net Positions	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
General Fund	22
Urban Renewal General Fund	23
Proprietary Fund Financial Statements:	24
Statement of Net Position	25-26
Statement of Revenues, Expenses, and Changes in Fund Net Position	27-28
Statement of Cash Flows	29-30
Notes to the Financial Statements	31-49
III. SUPPLEMENTAL SECTION	
A. COMBINING STATEMENTS - MAJOR GOVERNMENTAL FUNDS	50
Combining General Fund Balance Sheet	51
Combining General Fund Statement of Revenues, Expenditures	
and Changes in Fund Balances	52
B. COMBINING STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS	53
Combining Balance Sheet	33
Nonmajor Special Revenue Funds	54
Nonmajor Debt Service Funds and Capital Projects Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	
Nonmajor Special Revenue Funds	56
Nonmajor Debt Service Funds and Capital Projects Funds	57

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDING June 30, 2013

Table of Contents

C. Budgetary Comparisons	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances -	59
Budget and Actual	
Government Funds:	
Special Revenue	
Public Works	60
Grant	61
Hotel/Motel Tax	62
Streetlight/Sidewalk	63
Bike Trail Improvement	64
Housing Rehabilitation	65
Economic Development	66
Stewart Trust	67
Debt Service	
Debt Retirement	68
Urban Renewal Debt Service	69
Capital Projects	
Transportation	70
Parks Improvement	71
Equipment Replacement	72
Assessment Improvement	73
Facilities Replacement	74
Urban Renewal Capital Projects	75
Proprietary Funds:	76
Enterprise Funds	
Storm Drainage	77
Airport	78
Off Street Parking	79
Water Service Fund	80
Golf	81
Internal Service Fund	82
Workers Compensation	83
IV. STATISTICAL SECTION	
Statistical Section	84
Net Position by Component	85-86
Changes in Net Position	87-90
Fund Balances, Governmental Funds	91-92
Changes in Fund Balances, Governmental Funds	93-94
Assessed Value and Actual Value of Taxable Property	95
Property Tax Rates - All Direct and Overlapping Governments	96
Principal Property Taxpayers	97
Property Tax Levies and Collections	98
Ratios of Outstanding Debt by Type	99

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDING June 30, 2013

Table of Contents

	Ratios of General Bonded Debt Outstanding	100
	Legal Debt Margin	101
	Demographic and Economic Statistics	102
	Principal Employers	103
	Full-time Equivalent City Government Employees by Function/Program	104
	Operating Indicators by Function/Program	105-106
	Capital Asset Statistics by Function/Program	107-108
٧.	AUDIT COMMENTS	
	Audit Comments and Disclosures Required by State Regulation	109-110
VI.	SINGLE AUDIT SECTION	
	Report on Internal Control Over Financial Reporting and on Compliance and Other	
	Matters Based on an Audit of Financial Statements Performed in Accordance	
	with Government Auditing Standards	111-112
	Independent Auditor's Report on Compliance with Requirements that could have	
	a Direct and Material effect on each Major Program and Internal Control Over	
	Compliance in Accordance with OMB Circular A-133	113-114
	Schedule of Expenditures of Federal Awards and Notes	115-116
	Independent Auditors' Schedule of Findings and Questioned Costs	117

INTRODUCTORY SECTION

City of Roseburg

December 30, 2013

The Citizens of Roseburg Mayor Larry Rich Members of the City Council

The Comprehensive Annual Financial Report of the City of Roseburg, Oregon for fiscal year ended June 30, 2013 is hereby submitted.

This report presents the financial position of the City as of June 30, 2013 and consists of management's representations concerning the finances of the City at this date. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the City administrative staff. To provide a reasonable basis for making these financial representations, management has established an internal control structure designed to safeguard City assets against loss, theft or misappropriation, and to ensure the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes the cost of the control structure should not exceed the benefits likely to be derived. We believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is presented accurately, in all material respects, along with disclosures necessary to provide the reader with a reasonable understanding of the City's financial activities.

State law requires an annual independent audit of the City's financial records. Neuner, Davidson, & Cooley, LLC, a firm of licensed public accountants, conducted the audit in accordance with generally accepted auditing standards. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013 are free of material misstatement. The independent auditor concluded there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2013, are fairly presented, in all material respects, in conformity with GAAP. The Report of Independent Accountants is included at the beginning of the Financial Section of this report.

In addition to the requirements presented above, the independent audit was designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget Circular A-133. These standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The independent auditor's reports related to the Single Audit and OMB Circular A-133 are included in the Single Audit Section.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City Overview

The City of Roseburg, timber capital of the nation, was incorporated in 1872. From its founding to present day, the area's greatest wealth has been its forests. Douglas County contains the largest stand of old growth timber in the world. Roseburg is situated at the heart of the Hundred Valleys of the Umpqua in scenic Southwestern Oregon. Adjacent to Interstate 5, it is 123 miles north of the California state line and approximately 70 miles south of Eugene, the state's second largest city. Roseburg is approximately 80 miles inland from the Pacific Ocean and 80 miles west of Diamond Lake at the summit of the Oregon Cascades. It is less than 100 miles from Crater Lake National Park.

As of June 30, 2013, 21,920 people resided in Roseburg, making it the largest city in Douglas County and the 23rd largest city in Oregon. City boundaries cover nearly 9.5 square miles. The South Umpqua River runs through the City and is within close proximity to the downtown business district.

The City of Roseburg, the county seat of Douglas County, is the center of government and commerce for the county. The City provides a full range of municipal services. These services include police, fire, emergency medical services, municipal court, community development, parks, recreational and cultural activities, airport, storm water management, general public works, central services, administration and other services associated with a full-service city. These services are provided primarily to citizens who live within the corporate limits. However, many of the services and facilities operated by the City are provided for and financed by regional service areas larger than the City. Additionally, services like the airport and the Roseburg business district serve broader regional markets.

The City operates under the Council-Manager form of government. The City Council has eight members elected by ward to four-year terms, with one Council position in each ward elected every two years. The Mayor, who presides at the Council meetings, is elected for a two-year term. Council adopts legislation and policies to direct the City and appoints a City Manager to administer all City operations and personnel except the Municipal Judge. The City, empowered by state statute, levies a property tax on real properties located within its boundaries.

For financial reporting purposes, the City includes all funds of the City subject to appropriation by the City Council. In addition, the City includes all governmental organizations and activities for which the City Council is financially accountable. Therefore, the financial statements of the Urban Renewal Agency of the City of Roseburg, although legally separate, are, in substance, part of the primary government's operations and have been blended with those of the City by including them in the appropriate statements and schedules in this report.

The City prepares and adopts an annual budget which is the basis for financial planning and control. The budget is developed and administered in accordance with Oregon Local Budget Law. The legally adopted budget is appropriated by department for those funds with personnel expenditures and at the object level for all other funds. Budget and actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. The General Fund and the Urban Renewal General Fund budget and actual comparison are presented as part of the basic financial statements for the governmental funds. For all other funds, this comparison is presented in the supplemental section of this report.

Economic Condition

Roseburg is the largest city in Douglas County and the 23rd largest city in Oregon. The City and its businesses serve the entire population of the greater Douglas County region and an estimated 65,000 people daily. Portland State University's Population Research Center shows a total Douglas County population of 108,195, with the City of Roseburg accounting for approximately 20% of the total county population.

A weakened global economy continues into 2013; however the US economy has been improving. Efforts to solve the economic challenges have proven difficult and uncertainty remains as to when recovery will occur in much of rural America. Although economists suggest the recession is over, they caution the recovery will be slow. Significant job recovery is expected to take several years, and continues to be slower in rural parts of Oregon than in the metropolitan regions.

Douglas County is the second largest timber producing county in Oregon. According to the Oregon Employment Department approximately 7 percent of total employment is in the lumber and wood products manufacturing industry compared to a little more than 1 percent statewide. Significant declines in the manufacturing and construction sectors have led to employment losses in retail trade and services.

Douglas County's seasonally adjusted unemployment rate for June 2013 was 11.0 percent, a decrease from the June 2012 rate of 12.1 percent. The local fiscal year end unemployment rate peaked in June 2009 at 15.5 percent. Job creation has been very slow, but steady, as the rate has dropped from 15.5 percent in 2009 to the current 11.0 percent. Douglas County's unemployment rate continues to exceed both the state and national rate of 7.9 percent and 7.6 percent respectively. Oregon's unemployment rates have also consistently exceeded the national rate, primarily as a result of high unemployment rates in rural Oregon counties.

Current Activities

The Roseburg Regional Airport was the recipient of a Federal Aviation Administration grant totaling about \$6 million to provide for the relocation of the existing taxiway. The project removed the existing taxiway and reconstructed a new taxiway to the west of the existing improvements. The project was necessary to meet current FAA safety standards and to provide for long-term safety at the airport. In addition to the taxiway work, fish passage improvements were made to Newton Creek which runs east to west under the existing taxiway and runway. The grant funded 90% of the cost of the new improvements and the local match was provided through the City's Urban Renewal Agency. The project was nearing completion at the end of fiscal 2013.

The taxiway relocation followed closely on the heels of the runway extension project completed early in the fiscal year which was funded through a *Connect*Oregon grant. The *Connect*Oregon III program was dedicated to improving the state's multimodal connections by funding non-highway projects. The project extended the north end of the existing airport runway and taxiway. The runway was extended an additional 400 feet and better serves business size jets that currently utilize the airport. Douglas County, through its Industrial Development Board, provided \$150,000 towards the project's required match and the balance was provided through the City of Roseburg Urban Renewal Agency.

The City also completed one phase of our water transmission line from the Winchester water treatment plant into our primary storage facilities and initiated the second phase of the project. These two phases will ultimately cost over \$4 million and will provide for upgraded transmission and distribution within the City's water system. The projects are being paid for through the water utility. In addition to the transmission main project, we also received a grant from the FEMA to replace a waterline that was damaged during a storm event in 2011-12. The waterline broke within the banks of the South Umpqua river and the replacement was required to be "bored" under the river for environmental reasons. The FEMA grant paid for 75% of the improvement.

The Police Department formed a new K-9 unit within the department in Fiscal 2012. Two German Shepherds were added to the department ranks. The community made this addition possible through fundraising efforts that not only provided for purchase of the two K-9s, but also for training and supplies. The addition of the K-9 unit would not have happened without the dedication of the department and officers involved and the commitment made by the community. In 2013 a third K-9 was added to the City's force and our public safety partner Douglas County added its first K-9 unit. Through intergovernmental cooperation, there will now be a K-9 unit available almost 24 hours every day.

The City received significant community and regional support for projects in our parks during fiscal 2013. A local non-profit, Guardians of Heroes, completed its fundraising efforts and provided the City with enough resources to allow for the completion of a new parking area and multi-modal trail that supports our Fir Grove park system as well as the Roseburg National Cemetery, the primary purpose of the fund raising. The City also received grants and donations to complete a neighborhood park project at Parrott Creek Park and a state grant to construct a multi-modal trail between Micelli Park and Templin Beach Park.

Long-Term Financial Planning

Council Goal Setting

In February Council concluded a goal setting process and adopted a resolution outlining goals for our organization for the next few years. The purpose of goal setting was, and is, to provide a priority framework for financial and human resource allocation to meet the needs of our community as outlined by our elected governing body. Resolution 2013-2 included five goals:

 Identify and Implement Long-Term Infrastructure Funding Mechanisms to Ensure the City can meet Long-term Infrastructure Sustainability

- 2. Develop Strategies to Provide Long-Term Operational Stability and Sustainability
- 3. Update and Implement the Urban Renewal Financial and Project Plan: Evaluate Establishment of Additional Urban Renewal Plan Area
- 4. Citywide Beautification
- 5. Define and Establish Business Friendly and Improved City Image.

While the goals are in no particular order, each speaks to important issues in our community and each will be dependent on strong leadership and sound financial planning.

Capital Improvement Plan

The City's first comprehensive Capital Improvement Plan (CIP) was adopted in April 2011. The five year CIP is a financing and construction plan for projects that require significant capital investment. Longrange capital projects are identified and developed in coordination with the annual budget to maintain full utilization of available resources. The CIP will be updated every two years insuring that we continue to evaluate and monitor our progress towards completing projects in the plan and providing for needed flexibility to meet challenges and opportunities as they arise.

Waterfront Development Plan

The Waterfront Development Plan was adopted in November 2010. The plan outlines options to utilize natural resource areas along the South Umpqua River from Deer Creek south to the Douglas County Fairgrounds. The Plan identifies opportunities to complement the natural environment, connect downtown and the waterfront, and promote economic development. Portions of the waterfront project planning will be included in the remaining years of the Urban Renewal planning that are being done in conjunction with Goal 3 above.

Storm Drainage Master Plan

The Storm Drainage Master Plan was adopted in June 2011. The goal of the plan is to proactively manage storm water runoff to protect water quality and aquatic habitat. The plan identifies infrastructure and natural resource improvements for the collection, conveyance, and treatment of storm water runoff generated within the city. The plan prioritizes storm drain improvements within the urban growth boundary and provides a five year implementation schedule for the construction of the highest priority projects. Council adopted new rates in fiscal 2013 that will allow the City to better meet the project financial demands over the next five year period.

Other Information

Awards

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

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

Acknowledgements

We wish to express our appreciation to the staff of the Finance Department and all other departments that assisted and contributed to the preparation of this report. We would also like to thank the Mayor and members of the City Council for their continued support and leadership.

Sincerely,

C. Lance Colley

City Manager

Cheryl K. Guyett Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

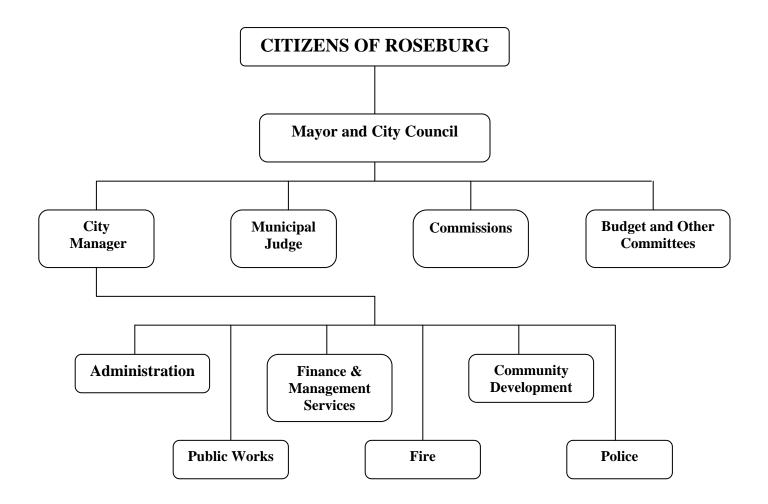
City of Roseburg Oregon

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF ROSEBURG, OREGON ORGANIZATIONAL CHART



June 30, 2013

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	Term Expires
Larry Rich	Mayor	December 31, 2014
Ken Averett	Councilor, Ward I	December 31, 2016
Mike Hilton	Councilor, Ward I	December 31, 2014
Marty Katz	Councilor, Ward II	December 31, 2016
Tom Ryan	Councilor, Ward II	December 31, 2014
Rick Coen	Councilor, Ward III	December 31, 2016
Bob Cotterell	Councilor, Ward III	December 31, 2014
Steve Kaser	Councilor, Ward IV	December 31, 2014
Lew Marks	Councilor, Ward IV	December 31, 2016

APPOINTED OFFICIALS

<u>Name</u> <u>Position</u>

C. Lance Colley City Manager

Brian R. Davis Community Development Director

Nicole A. Messenger Public Works Director

G. Michael Lane Fire Chief

Sheila R. Cox City Recorder

John D. VanWinkle Human Resources Director

Cheryl K. Guyett Finance Director
Kenneth W. Madison Municipal Judge
James A. Burge, Jr. Police Chief
Michael G. Danielle Airport Director