

***CITY OF INDEPENDENCE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011***

CITY OF INDEPENDENCE
CITY OFFICIALS
JUNE 30, 2011

MAYOR

John McArdle
675 Monmouth Street
Independence, Oregon 97351

CITY COUNCIL MEMBERS

Jim Kirkendall
896 Cessna Street
Independence, Oregon 97351

Diana Linskog
111 S. Gun Club Road
Independence, Oregon 97351

Marilyn Morton
1312 B Street
Independence, Oregon 97351

Tom Takacs
386 Monmouth Street
Independence, Oregon 97351

Nancy Lodge
1220 D Street
Independence, Oregon 97351

Jerry Hoffman
1302 B Street
Independence, Oregon 97351

CITY ADMINISTRATION

David Clyne, City Manager

Vern Wells, Chief of Police

Karin Johnson, Administrative Services Director/
City Recorder

Mike Danko, Community Development Director/
Public Works Director

Robin Puccetti, Library Director

Ken Perkins, Public Works Supervisor

Shawn Irvine, Economic Development Director

Carolyn Connelly, City Attorney

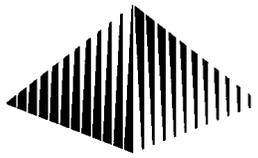
555 South Main
P.O. Box 7
Independence, Oregon 97351
503-838-1212

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Independence
P.O. Box 9
Independence, Oregon 97351

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Independence, Oregon, as of, and for the year then ended, June 30, 2011 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as noted below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

As described in the summary of significant accounting policies of the notes to the financial statements, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Oregon, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 fund information of the City of Independence, Oregon, as of June 30, 2011, and the respective changes in financial position – modified cash basis thereof for the year then ended, in conformity with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting the compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in the notes to the financial statements, during the year ended June 30, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and budgetary comparison information on pages 3 through 12 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information on pages 38 through 40 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund financial statements and schedules and other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
November 28, 2011

**CITY OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

As management of the City of Independence, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

	June 30,		Change
	2011	2010	
Net assets	\$ 14,850,032	\$ 17,196,749	\$ (2,346,717)
Change in net assets	(2,346,717)	(1,083,007)	(1,263,710)
Governmental activities net assets	6,547,918	8,669,311	(2,121,393)
Business-type activities net assets	8,302,114	8,527,438	(225,324)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City'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)*. The *statement of net assets (modified cash basis)* 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 (modified cash basis)* 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. All changes in net assets are reported as soon as funds are received or paid. Thus, receipts and disbursements are reported in this statement as cash flows occur.

In the government-wide financial statements, the City's activities are shown as governmental activities. All basic functions are shown here, such as police, fire, planning, court, parks, community development

and administration. These activities are primarily financed through property taxes and other intergovernmental revenues.

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 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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.

Proprietary Funds The City charges customers for the services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, 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* including combining statements, schedules of revenues, expenditures and changes in fund balance-budget and actual for all funds, and other schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets (Modified Cash Basis). The statement of net assets (modified cash basis) is provided on a comparative basis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14,850,032 as of June 30, 2011.

Current liabilities consist of deferred revenue. Long-term liabilities, specifically debt is in the notes to the financial statements.

Restricted net assets represent resources that are subject to external restrictions on their use, such as debt service payments or construction of capital assets.

Unrestricted net assets are available for general operations of the City.

Statement of Net Assets
As of June 30,

	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 644,750	\$ 7,774,575	\$ 1,623,633	\$ 1,853,245	\$ 2,268,383	\$ 9,627,820
Other assets	13,554,385	8,904,421	207,698	333,391	13,762,083	9,237,812
Capital assets	24,289,937	17,812,490	11,631,209	11,710,273	35,921,146	29,522,763
Total assets	38,489,072	34,491,486	13,462,540	13,896,909	51,951,612	48,388,395
Other liabilities	1,305,147	177,182	334,396	189,838	1,639,543	367,020
Long-term debt	30,636,007	25,644,993	4,826,030	5,179,633	35,462,037	30,824,626
Total liabilities	31,941,154	25,822,175	5,160,426	5,369,471	37,101,580	31,191,646
Net assets						
Investment in capital assets, net of debt	6,079,167	6,218,908	6,805,179	6,590,020	12,884,346	12,808,928
Restricted	944,830	955,436	963,630	1,306,144	1,908,460	2,261,580
Unrestricted	(476,079)	1,494,967	533,305	631,274	57,226	2,126,241
Total net assets	\$ 6,547,918	\$ 8,669,311	\$ 8,302,114	\$ 8,527,438	\$ 14,850,032	\$ 17,196,749

Statement of Activities The City's fund balances decreased by \$7,128,642 during the current fiscal year. The key elements of the change in the City's fund balances for the year ended June 30, 2011 are as follows:

- Operating grants and contributions were \$662,223 less than the previous year
- Other receipts (loan proceeds) were \$8,107,879 less than the previous year
- General government disbursements were \$2,680,002 less than the previous year
- Community development disbursements increased by \$4,011,105 over the previous year

Statement of Activities
For the years ended June 30,

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Receipts						
Program receipts						
Fines, fees, charges for services	\$ 529,436	\$ 721,902	\$ 2,565,267	\$ 2,338,768	\$ 3,094,703	\$ 3,060,670
Operating grants and contributions	950,218	1,612,441	-	-	950,218	1,612,441
Capital grants and contributions	3,373,147	273,905	61,567	45,764	3,434,714	319,669
General receipts						
Property tax	2,170,665	2,066,861	-	-	2,170,665	2,066,861
Franchise fees	469,913	442,816	-	-	469,913	442,816
Intergovernmental	215,008	189,789	-	-	215,008	189,789
Miscellaneous	1,037,160	198,585	40,663	26,235	1,077,823	224,820
Debt proceeds	7,995,000	16,009,252	-	93,627	7,995,000	16,102,879
	16,740,547	21,515,551	2,667,497	2,504,394	19,408,044	24,019,945
Disbursements						
General government	1,059,885	3,739,887	-	-	1,059,885	3,739,887
Community development	10,251,763	6,240,658	-	-	10,251,763	6,240,658
Public Safety	2,098,160	1,982,927	-	-	2,098,160	1,982,927
Culture and recreation	557,784	1,028,148	-	-	557,784	1,028,148
Interest on long-term debt	1,657,817	239,953	-	-	1,657,817	239,953
Debt proceeds remitted to MINET	7,995,000	-	-	-	7,995,000	-
Transportation	547,707	852,001	-	-	547,707	852,001
Water	-	-	1,416,399	1,394,073	1,416,399	1,394,073
Storm	-	-	924,803	483,483	924,803	483,483
Sewer	-	-	193,839	1,045,526	193,839	1,045,526
	24,168,116	14,083,574	2,535,041	2,923,082	26,703,157	17,006,656
Receipts over (under)						
disbursements	(7,427,569)	7,431,977	132,456	(418,688)	(7,295,113)	7,013,289
Transfers	298,927	(364,190)	(298,927)	364,190	-	-
	(7,128,642)	7,067,787	(166,471)	(54,498)	(7,295,113)	7,013,289
Change in fund balances						
Changes in:						
Long-term receivables	3,520,816	607,182	(333,391)	(271,467)	3,187,425	335,715
Capital assets	6,477,447	4,496,971	(79,065)	238,857	6,398,382	4,735,828
Long-term debt	(4,991,014)	(13,366,790)	353,603	198,951	(4,637,411)	(13,167,839)
	(2,121,393)	(1,194,850)	(225,324)	111,843	(2,346,717)	(1,083,007)
Change in net assets						
Net assets, beginning of year	8,669,311	9,864,161	8,527,438	8,415,595	17,196,749	18,279,756
	\$ 6,547,918	\$ 8,669,311	\$ 8,302,114	\$ 8,527,438	\$ 14,850,032	\$ 17,196,749

Governmental activities

The following information details the governmental activities by program expenditures. These are direct expenditures that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function.

City of Independence
Governmental Activities – Program Disbursements
For the year ended June 30, 2011

Programs	Amount	%
General government	\$ 1,059,885	7%
Public safety	2,098,160	13%
Community development	10,251,763	63%
Culture and recreation	557,784	3%
Transportation	547,707	3%
Interest on long-term debt	1,657,817	10%
Total disbursements	\$ 16,173,116	99%

The following information is presented to assist the reader in understanding the analysis, however it is not reflective of the organizational structure.

General government consists of administrative functions necessary to direct the work force, provide legal services, set policy, manage the City's financial resources, and deliver services to customers. The department within this category is Administration,

Public safety consists of primarily of personnel costs and operating supplies to provide police protection and court services.

Transportation consists of street improvements and maintenance.

Community development consists of the building inspection, economic development, public works, planning, and MINET.

Culture and recreation consists of the library, Heritage Museum, parks maintenance, and the City pool.

Business-type activities

As shown in the Statement of Activities, the City's net assets of the business-type activities decreased from \$8,527,438 to \$8,302,114 during the year.

Charges for services are revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues primarily consist of fees charged for water, sewer and storm drain utilities. Expenses for water increased dramatically due to professional services and significant maintenance costs.

Grants and contributions are revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Revenues primarily consist of federal and state grants, system development charges (e.g. water, sewer) and developer infrastructure contributions (e.g. fair market value of subdivisions' infrastructure such as water, sewer, storm drain and right-of-way/easements).

Transfers represent resources moved between the business-type activities and the governmental activities. Costs that are accumulated in several of the City's General Fund departments are beneficial to the water, sewer and storm drain utilities. The transfer recognizes the benefit that these utilities receive for the services received (accounts payable, billing, personnel, legal, etc.).

City of Independence
Business-type Activities - Program Disbursements
For the year ended June 30, 2011

Programs	Amount	%
Water	\$ 1,416,399	56%
Sewer	924,803	36%
Storm	193,839	8%
Total disbursements	\$ 2,535,041	100%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services on a fund basis. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

Governmental Fund Balances

Major Funds	Amount	%
General	\$ 887,353	189%
Economic Development	897,611	191%
HALO	(36,800)	-8%
Transportation SDC	-	0%
Urban Renewal Projects	(1,879,477)	-400%
Nonmajor funds	600,064	128%
	\$ 468,751	100%

The City's governmental funds reported combined fund balances of \$468,751 at June 30, 2011, a decrease off \$7,128,642 from the previous year. The decrease is primarily due to significant capital outlay during

the year in the Urban Renewal Projects Fund. The General Fund had a decrease of \$1,261,125 before transfers in, due mostly to disbursements for public safety and interest on long-term debt. The Economic Development Fund showed an increase of \$876,108 due to loan repayments received. The HALO Fund showed a small increase for the year.

As detailed in the notes to the financial statements, the City adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. Among the changes required is that Special Revenue Funds whose primary source of funding is transfers from the General Fund be reported as part of the General Fund. Therefore, in the Governmental Funds Statement of Assets and Liabilities and the Statement of Receipts, Disbursements and Changes in Fund Balances, the Grant Fund has been combined with the General Fund. Also, the Special Assessment Fund, previously reported as a special revenue fund, is reported as a capital projects fund.

General Fund. The General Fund accounts for all of the financial resources of the City, which are not accounted for in any other fund. Unassigned fund balance was \$887,353 at the end of the current fiscal year. As a measure of the fund's liquidity, it may be useful to compare the fund balance to the fund's expenditures. Unreserved fund balance represents 52% of the total General Fund expenditures.

Economic Development Loan Fund The Economic Development Loan Fund accounts for business-related loans the City makes to local businesses for the purpose of improving economic growth in the City. The primary source of income is from interest derived from the loans. The primary expenditures are new loans. The fund had almost \$1 million of loans repaid during the year, most of which was from MINET.

HALO Fund The HALO fund accounts for revenue and disbursements for the Help Achieving Lifelong Objectives program. The City requests reimbursement for all amounts paid from this fund.

Urban Renewal Projects Fund The Urban Renewal Projects fund is used to fund capital projects in the Independence Urban Renewal District. The primary source of revenue is transfers from the Urban Renewal Debt Service fund from debt issuances. In the current fiscal year, capital projects included continued work on the Highway 51 corridor project, and the City Center facility.

MINET Fund This fund accounts for receipts from Oregon Economic & Community Development (OEBB). Disbursements are pass-through loans made to MINET for infrastructure.

Proprietary Funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following table provides a comparison of total net assets for each major proprietary fund.

City of Independence Proprietary Funds
Fund Balances
As of June 30, 2011

Major Funds	Fund Balance	%
Water	\$ 1,329,278	16%
Sewer	1,567,383	19%
Water SDC	2,151,795	26%
Sewer SDC	2,420,280	29%
Nonmajor funds	833,378	10%
	\$ 8,302,114	100%

Water, Sewer, Storm Drain The Water and Water SDC, Sewer and Sewer SDC, and Storm Drain and Storm Drain SDC funds account for the operations, maintenance, debt service, and capital construction of the water, sewer collection and treatment service, and storm drain distribution for the City. The primary sources of revenues are user fees, system development charges, borrowings, and interest earnings.

The primary component of each proprietary fund net asset balance is investment in capital assets – net of related debt. The unrestricted (available for current expenditure) net assets for the Water Fund were \$370,452 at year end. The Water funds have been accumulating over several years to prepare for significant capital expansion and replacement projects.

The unrestricted net assets for Sewer were \$224,161 at year end. Like the water fund, the assets of this fund are being accumulated for significant sewer projects in upcoming years.

Finally, the unrestricted net assets of the Storm Drain fund were \$9,706 at year end. This fund is beginning to accumulate resources for future capital needs as determined by a master plan.

BUDGETARY HIGHLIGHTS

There was one supplemental budget which results in changes or variances from the original to the final budget for the General Fund. For more detailed information see budget to actual comparisons.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets The City of Independence’s investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$35,921,146 (net of accumulated depreciation). This investment in capital assets includes land, buildings, distribution systems (water, sanitary sewer, and storm drain), improvements, machinery and equipment, park facilities, roads and sidewalks. The City made significant capital outlays during the year.

Major capital events during the current fiscal year included the following:

- Continued construction of the Civic Center (new City Hall)
- Completion of work on the Willamette River Multi-purpose Trail

- Continued work on new water source wells
- Work began on a new water storage facility

**Capital Assets
As of June 30,**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 945,496	\$ 945,496	\$ 201,804	\$ 201,804	\$ 1,147,300	\$ 1,147,300
Buildings	15,525,792	8,481,376	917,071	917,071	16,442,863	9,398,447
Equipment	1,142,540	1,142,540	901,695	881,707	2,044,235	2,024,247
Infrastructure	16,841,804	16,510,093	-	-	16,841,804	16,510,093
Water and sewer system	-	-	16,911,649	16,587,140	16,911,649	16,587,140
	34,455,632	27,079,505	18,932,219	18,587,722	53,387,851	45,667,227
Less:						
Accumulated depreciation	(10,165,695)	(9,267,015)	(7,301,010)	(6,877,451)	(17,466,705)	(16,144,466)
Net capital assets	\$ 24,289,937	\$ 17,812,490	\$ 11,631,209	\$ 11,710,271	\$ 35,921,146	\$ 29,522,761

The following table is a summarized reconciliation of the change in capital assets:

City of Independence
Changes in Capital Assets
Year Ended June 30, 2011

	Governmental Activities	Business-type Activities	Totals
Beginning balance	\$ 17,812,490	\$ 11,710,271	\$ 29,522,761
Additions	7,376,127	344,497	7,720,624
Retirements	-	-	-
Depreciation	(898,680)	(423,559)	(1,322,239)
Ending balance	\$ 24,289,937	\$ 11,631,209	\$ 35,921,146

The City depreciates all its capital assets except for land and construction in progress.

Debt Administration

Long-term debt The City had total debt outstanding of \$35,462,037 at the end of the current fiscal year.

Outstanding Debt

As of June 30,

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 935,000	\$ 1,205,000	\$ -	\$ -	\$ 935,000	\$ 1,205,000
Full Faith and Credit Obligations	21,405,000	13,410,000	-	-	21,405,000	13,410,000
Urban Renewal Bonds	2,710,000	2,900,000	-	-	2,710,000	2,900,000
Notes	5,523,061	7,901,963	382,709	417,724	5,905,770	8,319,687
Water Revenue Bonds	-	-	1,985,000	2,190,000	1,985,000	2,190,000
Sewer Revenue Bonds	-	-	2,395,374	2,433,264	2,395,374	2,433,264
Leases	62,946	79,265	62,947	79,265	125,893	158,530
	<u>\$ 30,636,007</u>	<u>\$ 25,496,228</u>	<u>\$ 4,826,030</u>	<u>\$ 5,120,253</u>	<u>\$ 35,462,037</u>	<u>\$ 30,616,481</u>

The City's total debt increased by \$4,845,556 during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The assessed valuation of the City of Independence is \$367,224,026 therefore, the current general obligation debt limitation for the City of Independence is \$11,016,720.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and Next Year's Budget

The City's Budget Committee considered all the following factors while preparing the budget for the 2011-12 fiscal year.

- Expected rates and consumption for business-type funds
- Staffing requirements and the desired level of service
- Capital outlay

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Independence
Attn: Accounting Manager
555 Main St
PO Box 7
Independence, Oregon 97351

BASIC FINANCIAL STATEMENTS

CITY OF INDEPENDENCE, OREGON
STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2011

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash	\$ 644,750	\$ 1,623,633	\$ 2,268,383
Property taxes receivable	203,084	-	203,084
Other receivables	13,351,301	207,698	13,558,999
Nondepreciable capital assets	945,496	201,804	1,147,300
Other capital assets, net of depreciation	23,344,441	11,429,405	34,773,846
<i>Total Assets</i>	38,489,072	13,462,540	51,951,612
LIABILITIES			
Deposits	5,576	126,698	132,274
Payroll liabilities	170,423	-	170,423
Deferred revenue	1,129,148	207,698	1,336,846
Noncurrent liabilities:			
Due within one year:			
Bonds, notes, and capital leases payable	683,488	309,405	992,893
Due in more than one year:			
Bonds, notes, and capital leases payable	29,952,519	4,516,625	34,469,144
<i>Total Liabilities</i>	31,941,154	5,160,426	37,101,580
NET ASSETS			
Investment in capital assets (net of related debt)	6,079,167	6,805,179	12,884,346
Restricted for:			
Debt service	293,783	-	293,783
Construction	651,047	963,630	1,614,677
Unrestricted	(476,079)	533,305	57,226
<i>Total Net Assets</i>	\$ 6,547,918	\$ 8,302,114	\$ 14,850,032

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

CITY OF INDEPENDENCE, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2011

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Governmental activities:				
General government	\$ 1,059,885	\$ 47,719	\$ 10,000	\$ 37,679
Public safety	2,098,160	283,012	77,652	-
Community development	10,251,763	61,636	444,521	3,084,258
Culture and recreation	557,784	137,069	22,087	23,499
Transportation	547,707	-	395,958	227,711
Interest on long-term debt	1,657,817	-	-	-
<i>Total governmental activities</i>	16,173,116	529,436	950,218	3,373,147
Business-type activities:				
Water	1,416,399	1,347,672	-	19,417
Sewer	924,803	1,001,763	-	27,493
Storm	193,839	215,832	-	14,657
<i>Total business-type activities</i>	2,535,041	2,565,267	-	61,567
<i>Total activities</i>	<u>\$ 18,708,157</u>	<u>\$ 3,094,703</u>	<u>\$ 950,218</u>	<u>\$ 3,434,714</u>
General receipts:				
Property taxes				
Franchise fees				
Intergovernmental				
Miscellaneous				
Proceeds from issuance of debt				
Debt proceeds remitted to MINET				
<i>Total general receipts</i>				
Transfers				
Change in fund balances				
Changes in:				
<i>Long-term receivables</i>				
<i>Capital assets</i>				
<i>Long-term debt</i>				
Change in net assets				
Net assets, July 1				
Net assets, June 30				

Net changes in fund balances / net assets

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (964,487)	\$ -	\$ (964,487)
(1,737,496)	-	(1,737,496)
(6,661,348)	-	(6,661,348)
(375,129)	-	(375,129)
75,962	-	75,962
(1,657,817)	-	(1,657,817)
<hr/>	<hr/>	<hr/>
(11,320,315)	-	(11,320,315)
-	(49,310)	(49,310)
-	104,453	104,453
-	36,650	36,650
<hr/>	<hr/>	<hr/>
-	91,793	91,793
<hr/>	<hr/>	<hr/>
(11,320,315)	91,793	(11,228,522)
2,170,665	-	2,170,665
469,913	-	469,913
215,008	-	215,008
1,037,160	40,663	1,077,823
7,995,000	-	7,995,000
(7,995,000)	-	(7,995,000)
<hr/>	<hr/>	<hr/>
3,892,746	40,663	3,933,409
<hr/>	<hr/>	<hr/>
298,927	(298,927)	-
<hr/>	<hr/>	<hr/>
(7,128,642)	(166,471)	(7,295,113)
3,520,816	(333,391)	3,187,425
6,477,447	(79,065)	6,398,382
(4,991,014)	353,603	(4,637,411)
<hr/>	<hr/>	<hr/>
(2,121,393)	(225,324)	(2,346,717)
8,669,311	8,527,438	17,196,749
<hr/>	<hr/>	<hr/>
\$ 6,547,918	\$ 8,302,114	\$ 14,850,032

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

CITY OF INDEPENDENCE, OREGON**STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

JUNE 30, 2011

	<u>Special Revenue</u>		
	<u>General</u>	<u>Economic Development</u>	<u>HALO</u>
ASSETS			
Cash	\$ -	\$ -	\$ -
Property taxes receivable	143,873	-	-
Other receivables	-	289,516	-
Due from other funds	1,063,161	897,611	-
<i>Total Assets</i>	<u>\$ 1,207,034</u>	<u>\$ 1,187,127</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deposits	\$ 5,385	\$ -	\$ -
Payroll liabilities	170,423	-	-
Due to other funds	-	-	36,800
Deferred revenue	143,873	289,516	-
<i>Total Liabilities</i>	<u>319,681</u>	<u>289,516</u>	<u>36,800</u>
Fund Balances			
Restricted for:			
Construction	-	-	-
Debt service	-	-	-
Committed to:			
Community development	-	897,611	-
Unassigned	887,353	-	(36,800)
<i>Total Fund Balances</i>	<u>887,353</u>	<u>897,611</u>	<u>(36,800)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,207,034</u>	<u>\$ 1,187,127</u>	<u>\$ -</u>
Fund balances			
Long-term receivables			
Capital assets, net of depreciation			
Long-term debt			
Net assets			

<i>Capital Projects</i>		<i>Other Governmental Funds</i>		<i>Totals</i>
<i>Urban Renewal Projects</i>	<i>MINET</i>			
\$ -	\$ -	\$ 644,750		\$ 644,750
-	-	59,211		203,084
210,000	12,425,237	426,548		13,351,301
-	-	-		1,960,772
<u>\$ 210,000</u>	<u>\$ 12,425,237</u>	<u>\$ 1,523,817</u>		<u>\$ 16,553,215</u>
\$ -	\$ -	\$ 191		\$ 5,576
-	-	-		170,423
1,879,477	-	437,803		2,354,080
210,000	12,425,237	485,759		13,554,385
<u>2,089,477</u>	<u>12,425,237</u>	<u>923,753</u>		<u>16,084,464</u>
-	-	651,047		651,047
-	-	293,783		293,783
-	-	93,037		990,648
(1,879,477)	-	(437,803)		(1,466,727)
<u>(1,879,477)</u>	<u>-</u>	<u>600,064</u>		<u>468,751</u>
<u>\$ 210,000</u>	<u>\$ 12,425,237</u>	<u>\$ 1,523,817</u>		<u>\$ 16,553,215</u>
				\$ 468,751
				12,425,237
				24,289,937
				(30,636,007)
				<u>\$ 6,547,918</u>

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

CITY OF INDEPENDENCE, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u>		
	<u>General</u>	<u>Economic Development</u>	<u>HALO</u>
RECEIPTS			
Taxes and assessments	\$ 1,491,546	\$ -	\$ -
Licenses and permits	505,073	-	-
Charges for services	67,922	-	-
Intergovernmental	516,613	-	444,521
Fines and forfeitures	196,252	-	-
Miscellaneous	149,552	980,183	-
<i>Total Receipts</i>	<u>2,926,958</u>	<u>980,183</u>	<u>444,521</u>
DISBURSEMENTS			
General government	645,918	-	-
Public safety	2,098,160	-	-
Culture and recreation	546,658	-	-
Community development	-	99,075	360,724
Transportation	-	-	-
Capital outlay	157,534	-	-
Debt Service			
Principal	-	-	-
Interest	739,813	-	-
<i>Total Disbursements</i>	<u>4,188,083</u>	<u>99,075</u>	<u>360,724</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,261,125)	881,108	83,797
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	-	-	-
Proceeds remitted to MINET	-	-	-
Transfers in	353,826	-	-
Transfers out	(16,400)	(5,000)	(33,142)
<i>Total Other Financing Sources (Uses)</i>	<u>337,426</u>	<u>(5,000)</u>	<u>(33,142)</u>
NET CHANGE IN FUND BALANCES	(923,699)	876,108	50,655
FUND BALANCES (DEFICIT),			
<i>Beginning of year</i>	<u>1,811,052</u>	<u>21,503</u>	<u>(87,455)</u>
FUND BALANCES (DEFICIT), End of year	<u>\$ 887,353</u>	<u>\$ 897,611</u>	<u>\$ (36,800)</u>

Change in fund balances**Changes in:***Long-term receivables**Capital assets**Long-term debt***Change in net assets**

<i>Capital Projects</i>		<i>Other</i>	
<i>MINET</i>	<i>Urban Renewal</i>	<i>Governmental</i>	<i>Totals</i>
	<i>Projects</i>	<i>Funds</i>	
\$ -	\$ -	\$ 679,119	\$ 2,170,665
-	-	71,741	576,814
-	-	-	67,922
3,084,258	37,679	478,372	4,561,443
-	-	-	196,252
-	10,000	32,716	1,172,451
<u>3,084,258</u>	<u>47,679</u>	<u>1,261,948</u>	<u>8,745,547</u>
-	-	-	645,918
-	-	-	2,098,160
-	-	-	546,658
-	-	181,016	640,815
-	-	373,992	373,992
-	7,028,569	168,432	7,354,535
2,329,716	-	525,505	2,855,221
754,542	-	163,462	1,657,817
<u>3,084,258</u>	<u>7,028,569</u>	<u>1,412,407</u>	<u>16,173,116</u>
-	(6,980,890)	(150,459)	(7,427,569)
7,995,000	-	-	7,995,000
(7,995,000)	-	-	(7,995,000)
-	-	60,698	414,524
-	-	(61,055)	(115,597)
<u>-</u>	<u>-</u>	<u>(357)</u>	<u>298,927</u>
-	(6,980,890)	(150,816)	(7,128,642)
-	5,101,413	750,880	7,597,393
<u>\$ -</u>	<u>\$ (1,879,477)</u>	<u>\$ 600,064</u>	<u>\$ 468,751</u>
			\$ (7,128,642)
			3,520,816
			6,477,447
			(4,991,014)
			<u>\$ (2,121,393)</u>

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

CITY OF INDEPENDENCE, OREGON**STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

JUNE 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Water SDC</u>
ASSETS			
Cash	\$ 426,136	\$ 224,161	\$ 263,630
Other receivables	-	-	90,571
Nondepreciable capital assets	33,499	-	79,450
Other capital assets, net of depreciation	2,910,327	4,121,305	1,808,715
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	3,369,962	4,345,466	2,242,366
 LIABILITIES			
Deposits	126,698	-	-
Deferred revenue	-	-	90,571
Due to other funds	(71,014)	-	-
Noncurrent liabilities:			
Due within one year			
Capital leases payable	-	-	-
Loan payable	-	39,201	-
Bond payable	210,000	41,756	-
Due in more than one year			
Capital leases payable	-	-	-
Loan payable	-	343,508	-
Bond payable	1,775,000	2,353,618	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	2,040,684	2,778,083	90,571
 NET ASSETS			
Investment in capital assets (net of related debt)	958,826	1,343,222	1,888,165
Restricted for construction	-	-	263,630
Unrestricted	370,452	224,161	-
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	\$ 1,329,278	\$ 1,567,383	\$ 2,151,795
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Sewer SDC</i>	<i>Other Business-type Funds</i>	<i>Totals</i>
\$ 700,000	\$ 9,706	\$ 1,623,633
107,855	9,272	207,698
-	88,855	201,804
1,720,280	868,778	11,429,405
<hr/>	<hr/>	<hr/>
2,528,135	976,611	13,462,540
-	-	126,698
107,855	9,272	207,698
-	71,014	-
-	18,448	18,448
-	-	39,201
-	-	251,756
-	44,499	44,499
-	-	343,508
-	-	4,128,618
<hr/>	<hr/>	<hr/>
107,855	143,233	5,160,426
<hr/>	<hr/>	<hr/>
1,720,280	894,686	6,805,179
700,000	-	963,630
-	(61,308)	533,305
<hr/>	<hr/>	<hr/>
\$ 2,420,280	\$ 833,378	\$ 8,302,114
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The accompanying notes are an integral part of the financial statements.

CITY OF INDEPENDENCE, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS
(MODIFIED CASH BASIS) - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Water SDC</u>
OPERATING RECEIPTS			
Charges for services	\$ 1,345,455	\$ 1,000,862	\$ -
Miscellaneous	24,172	18,139	17
<i>Total Operating Receipts</i>	<u>1,369,627</u>	<u>1,019,001</u>	<u>17</u>
OPERATING DISBURSEMENTS			
Personal services	602,035	480,017	-
Materials and services	174,218	134,770	-
Capital outlay	39,690	9,022	288,497
<i>Total Operating Disbursements</i>	<u>815,943</u>	<u>623,809</u>	<u>288,497</u>
OPERATING RECEIPTS OVER(UNDER) OPERATING DISBURSEMENTS			
	553,684	395,192	(288,480)
NON OPERATING RECEIPTS (DISBURSEMENTS)			
Debt service			
Principal	(205,000)	(72,905)	-
Interest	(106,959)	(128,552)	-
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(311,959)</u>	<u>(201,457)</u>	<u>-</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS			
System development revenue	-	-	19,417
Transfers out	(94,989)	(170,816)	(933)
NET CHANGES IN RESTRICTED AND UNRESTRICTED NET ASSETS			
	146,736	22,919	(269,996)
RESTRICTED AND UNRESTRICTED NET ASSETS, Beginning of the year			
	<u>223,716</u>	<u>201,242</u>	<u>533,626</u>
RESTRICTED AND UNRESTRICTED NET ASSETS, End of year			
	370,452	224,161	263,630
<i>Capital assets, net of depreciation</i>	2,943,826	4,121,305	1,888,165
<i>Long-term liabilities</i>	(1,985,000)	(2,778,083)	-
NET ASSETS, End of year	<u>\$ 1,329,278</u>	<u>\$ 1,567,383</u>	<u>\$ 2,151,795</u>

<i>Sewer SDC</i>	<i>Other Business-type Funds</i>	<i>Totals</i>
\$ -	\$ 215,832	\$ 2,562,149
901	552	43,781
901	216,384	2,605,930
-	141,329	1,223,381
-	27,108	336,096
99,537	5,529	442,275
99,537	173,966	2,001,752
(98,636)	42,418	604,178
-	(16,318)	(294,223)
-	(3,555)	(239,066)
-	(19,873)	(533,289)
(98,636)	22,545	70,889
27,493	14,657	61,567
(1,375)	(30,814)	(298,927)
(72,518)	6,388	(166,471)
772,518	(67,696)	1,663,406
700,000	(61,308)	1,496,935
1,720,280	957,633	11,631,209
-	(62,947)	(4,826,030)
\$ 2,420,280	\$ 833,378	\$ 8,302,114

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Independence, Oregon (the City) is governed by an elected mayor and six council members who comprise the City Council. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

There are certain governmental agencies and various service entities which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Assets (Modified Cash Basis) presents all the assets and liabilities of the City, including capital assets and related debt. Net assets, representing assets less liabilities, is shown in two components. Restricted for special purposes represents amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities. When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted assets to be spent first.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general receipts*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general, special revenue, capital projects and debt service) and proprietary type funds. Major individual governmental funds, major individual special revenue funds, and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplementary information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

The reporting model sets forth minimum criteria (percentage of the assets liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for police protection, insurance and general administration.

Economic Development Fund

This fund accounts for disbursements related to economic development within the City.

HALO Fund

This fund accounts for revenue and disbursements for the Help Achieving Lifelong Objectives program.

Urban Renewal Project Fund

This fund accounts for disbursement related to urban renewal construction projects.

MINET Fund

This fund accounts for receipts from Oregon Economic & Community Development (OECD). Expenditures are pass-through loans made to MINET for infrastructure.

The City reports the following nonmajor governmental funds:

Street Fund

This fund accounts for street maintenance and improvements. Primary source of receipts are from motor vehicle fuel taxes and disbursements are for street maintenance and improvements.

Building Inspection Fund

This fund accounts for building inspections and related permits revenue.

Grants Programs Fund

This fund accounts for proceeds from and disbursements of special grants (combined with the General fund for reporting purposes).

Special Assessments Fund

This fund accounts for receipts from a local improvement district. Expenditures are earmarked for debt incurred for making improvements to the district.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Parks SDC Fund

This fund accounts for system development charges designated for parks.

Transportation SDC Fund

This fund accounts for system development charges designated for transportation projects.

General Obligation Debt Service Fund

This fund accounts for receipts from property taxes. Expenditures are earmarked for general obligation debt service.

Urban Renewal Debt Service Fund

This fund accounts for receipts from property taxes. Expenditures are earmarked for debt service incurred the City of Independence Urban Renewal Agency.

The City reports the following major proprietary funds:

Water Fund

The Water Fund is used to account for the operation of the City's water department. Primary receipts are sales of water to users, connection fees and interest on invested funds. Disbursements are for operating costs.

Sewer Fund

This fund is used to account for the operation of the City's sewer utility. Primary receipts are charges for sewer services and interest on invested funds. Disbursements are for operating costs.

Water SDC Fund

This fund is used to account for system development charges earmarked for the development and repair of the water system.

Sewer SDC Fund

This fund is used to account for system development charges earmarked for the development and repair of the sewer system.

The City reports the following nonmajor proprietary funds:

Storm Drain Fund

This fund accounts for storm drain operations, maintenance and system capital improvements.

Storm Drain SDC Fund

This fund is used to account for system development charges earmarked for the development and repair of the storm drain system.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

In the year ended June 30, 2011, the City adopted GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund. In addition, certain Special Revenue Funds are reported as part of the General Fund because their source of funds is primarily transfers from the General Fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types (Continued)

Among the changes required by GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions* is that Special Revenue Funds whose primary source of funding is transfers from the General Fund be reported as part of the General Fund. Therefore, in the Governmental Funds Statement of Assets and Liabilities and the Statement of Receipts, Disbursements and Changes in Fund Balances, the Grant Fund has been combined with the General Fund. Also, the Special Assessment Fund, previously reported as a special revenue fund, is reported as a capital projects fund.

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide and proprietary fund financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

The City's policy is to prepare its financial statements on the basis of modified cash receipts and disbursements. Consequently, certain receipts and the related assets are recognized when received rather than when earned, and certain disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Also, assets that are measurable but not yet collected are recorded on the City's statement of assets and liabilities as an asset and deferred revenue. Capital assets and the related debt obligations are not recorded. The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.445), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

Enterprise funds distinguish between operating receipts and disbursements and nonoperating items. Operating receipts and disbursements result from providing services to customers in connection with ongoing utility operations. The principal operating receipts are charges to customers for service. Operating disbursements include payroll and related costs, materials and supplies, and capital outlay. All receipts not considered operating are reported as nonoperating items.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, receipts and disbursements as of and for the year ended June 30, 2011. Actual results may differ from such estimates.

Cash and Investments

The City maintains cash and investments in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed in the financial statements as cash and investments.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments in the Local Governmental Investment Pool are stated at cost, which approximates fair value.

Receivables and Deferred Revenues

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current year are recorded as receivable at year-end. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

The City makes economic development loans to various entities within the City which are payable to the City in monthly installments. Uncollected balances on the economic development loans are recorded as receivables.

Property tax receivables and economic development loans receivable are offset by deferred revenue and, accordingly, have not been recorded as revenues.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements.

Accrued Compensated Absences

Accumulated unpaid vacation and sick pay is recorded as a disbursement when paid.

Budgets and Budgetary Accounting

The City adopts the budget by department for the general fund and by object for other funds. Therefore, cash disbursements of a fund may not legally exceed that fund's appropriations for specific departments or objects. The City Council may amend the budget to expend unforeseen receipts by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

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

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2011:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Cash on hand and in checking account	\$ 1,326,528	\$ 1,326,528
Investments		
Local Government Investment Pool	941,855	941,855
	<u>\$ 2,268,383</u>	<u>\$ 2,268,383</u>

Deposits

The City's deposits with various financial institutions had a bank balance of \$1,452,007 and a book balance of \$1,326,528 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides unlimited insurance for the City's deposits with financial institutions for the aggregate of all non-interest bearing accounts and up to \$250,000 for the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2011, \$1,101,025 of the City's bank balances were collateralized by the PFCP.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2011, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

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

CASH AND INVESTMENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

LOANS RECEIVABLE

The City makes loans for several purposes, including financing of system development charges, economic development loans to local businesses and has loaned MINET funds for infrastructure received from Oregon Economic and Community Development Special Public Works Fund.

System Development Charges

The City offers financing of system development charges to customers. All loans carry an interest rate of 7% per annum over 10 years. Monthly repayments are required

Economic Development Loans

The City operates a loan program through its Economic Development Loan Fund. Twenty year loans are made to local businesses at below-market rates for the purpose of stimulating economic growth. The screening and approval process is contracted through the Mid-Willamette Valley Council of Governments. As of June 30, 2011 there were five loans outstanding totaling \$289,516 with interest rates ranging between 3-5%. Monthly repayments are required.

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

LOANS RECEIVABLE (Continued)

MINET

The City has obtained funds from the Oregon Economic and Community Development Loan Fund for the purpose of providing MINET the necessary capital it needs to provide services to the community. The terms of the loans to MINET equal that charged by the State of Oregon. As of June 30, 2011, \$12,425,237 had been drawn/loaned.

The summarized financial data for MINET is as follows:

	<u>2011</u>	<u>2010</u>
Assets:		
Current and other assets	\$ 3,671,679	\$ 145,425
Capital assets (net of depreciation)	17,661,818	15,564,692
Total Assets	<u>21,333,497</u>	<u>15,710,117</u>
Liabilities and net assets:		
Current liabilities	983,316	1,879,638
Long-term debt	27,428,377	18,384,312
Total liabilities	<u>28,411,693</u>	<u>20,263,950</u>
Net assets:		
Investment in capital, net of related debt	(679,099)	89,973
Unrestricted	(6,399,097)	(4,643,806)
Total net assets	<u>\$ (7,078,196)</u>	<u>\$ (4,553,833)</u>

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

CAPITAL ASSETS

The changes in capital assets for the business-type activities for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
NON-DEPRECIABLE				
Land	\$ 201,804	\$ -	\$ -	\$ 201,804
DEPRECIABLE				
Buildings	917,071	-	-	917,071
Distribution systems	16,587,140	324,509	-	16,911,649
Equipment	881,707	19,988	-	901,695
<i>Total Depreciable</i>	<u>18,385,918</u>	<u>344,497</u>	<u>-</u>	<u>18,730,415</u>
ACCUMULATED DEPRECIATION				
Buildings	(160,958)	(22,564)	-	(183,522)
Distribution systems	(6,207,042)	(353,039)	-	(6,560,081)
Equipment	(509,451)	(47,956)	-	(557,407)
<i>Total accumulated depreciation</i>	<u>(6,877,451)</u>	<u>(423,559)</u>	<u>-</u>	<u>(7,301,010)</u>
<i>Depreciable capital assets, net</i>	<u>11,508,467</u>	<u>(79,062)</u>	<u>-</u>	<u>11,429,405</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 11,710,271</u>	<u>\$ (79,062)</u>	<u>\$ -</u>	<u>\$ 11,631,209</u>

The changes in capital assets of governmental activities for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
NON-DEPRECIABLE				
Land	\$ 945,496	\$ -	\$ -	\$ 945,496
DEPRECIABLE				
Buildings	8,481,376	7,044,416	-	15,525,792
Equipment	430,779	-	-	430,779
Vehicles	711,761	-	-	711,761
Infrastructure	16,510,093	331,711	-	16,841,804
<i>Total Depreciable</i>	<u>26,134,009</u>	<u>7,376,127</u>	<u>-</u>	<u>33,510,136</u>
ACCUMULATED DEPRECIATION				
Buildings	(849,106)	(403,044)	-	(1,252,150)
Equipment	(258,445)	(32,412)	-	(290,857)
Vehicles	(544,326)	(43,120)	-	(587,446)
Infrastructure	(7,615,138)	(420,104)	-	(8,035,242)
<i>Total accumulated depreciation</i>	<u>(9,267,015)</u>	<u>(898,680)</u>	<u>-</u>	<u>(10,165,695)</u>
<i>Depreciable capital assets, net</i>	<u>11,651,340</u>	<u>6,477,447</u>	<u>-</u>	<u>18,128,787</u>
<i>Governmental activities capital assets</i>	<u>\$ 17,812,490</u>	<u>\$ 6,477,447</u>	<u>\$ -</u>	<u>\$ 24,289,937</u>

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

LONG TERM-DEBT

Governmental long-term transactions for the year ending June 30, 2011 were as follows:

	<i>Outstanding July 1, 2010</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2011</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
2003 Refunding Bonds	\$ 1,205,000	\$ -	\$ 270,000	\$ 935,000	\$ 290,000
SPWF Loan - Hoffman	700,158	-	29,785	670,373	29,989
SPWF Loan - Library	401,852	-	19,401	382,451	17,776
OECD MINET Loan #1	4,551,170	-	120,933	4,430,237	127,235
OECD MINET Loan #2	768,783	-	768,783	-	-
OECD MINET Loan #3	1,440,000	-	1,440,000	-	-
2010 Full Faith & Credit Series A&B (Minet)	-	7,995,000	-	7,995,000	-
CIP Incentive Fund – Cinema	40,000	-	-	40,000	-
2007 Urban Renewal Bonds	2,900,000	-	190,000	2,710,000	200,000
2010 Civic Center Bond	13,410,000	-	-	13,410,000	-
	<u>25,416,963</u>	<u>7,995,000</u>	<u>2,838,902</u>	<u>30,573,061</u>	<u>665,000</u>
Capital leases payable	79,265	-	16,319	62,946	18,448
	<u>\$ 25,496,228</u>	<u>\$ 7,995,000</u>	<u>\$ 2,855,221</u>	<u>\$ 30,636,007</u>	<u>\$ 683,448</u>

Enterprise long-term transactions for the year ending June 30, 2011 were as follows:

	<i>Outstanding July 1, 2010</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2011</i>	<i>Due Within One Year</i>
<i>Business-type Activities</i>					
2000 Sewer Revenue Bonds	\$ 2,433,264	\$ -	\$ 37,890	\$ 2,395,374	\$ 41,756
2000 Sewer DEQ Loan	417,724	-	35,015	382,709	39,201
1998 Water Revenue Bonds	870,000	-	140,000	730,000	145,000
2004 Water Revenue Bonds	1,320,000	-	65,000	1,255,000	65,000
	<u>5,040,988</u>	<u>-</u>	<u>277,905</u>	<u>4,763,083</u>	<u>290,957</u>
Capital lease payable	79,265	-	16,318	62,947	18,448
	<u>\$ 5,040,988</u>	<u>\$ -</u>	<u>\$ 294,223</u>	<u>\$ 4,826,030</u>	<u>\$ 309,405</u>

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

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Governmental activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 683,448	\$ 1,522,944	\$ 2,206,391
2013	891,116	1,435,815	2,326,931
2014	1,203,945	1,401,457	2,605,402
2015	895,286	1,353,033	2,248,319
2016	932,710	1,316,099	2,248,809
2017-2021	5,169,073	5,930,830	11,099,903
2022-2026	5,116,862	4,714,330	9,831,192
2027-2031	5,761,353	3,346,107	9,107,460
2032-2036	5,707,214	1,879,832	7,587,046
2037-2040	4,275,000	462,157	4,737,157
	\$ 30,636,007	\$ 23,362,604	\$ 53,998,611

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 309,405	\$ 213,894	\$ 523,299
2013	278,582	203,952	482,534
2014	287,937	191,476	479,413
2015	285,791	177,610	463,401
2016	294,708	166,168	460,876
2017-2021	1,037,336	660,929	1,698,265
2022-2026	804,749	442,773	1,247,522
2027-2031	442,084	305,720	747,804
2032-2036	550,916	196,888	747,804
2037-2040	534,522	56,413	590,935
	\$ 4,826,030	\$ 2,615,823	\$ 7,441,853

The City's business-type activity loans require financial statements to be prepared in accordance with GAAP. The City prepares its financial statements on the modified cash basis.

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

LONG-TERM DEBT *(Continued)*

The City is obligated to the State of Oregon Economic Development Department to repay two Special Public Works Fund (SPWF) loans, both dated January 23, 2002. One loan, in the original amount of \$892,775 (“Hoffman”), was used to finance street and industrial park improvements. The second loan, in the original amount of \$500,000 (“Library”) was used for construction of Independence Public Library. The loans carry interest rates that vary between 3.00% and 5.00%.

On December 13, 2004, the City was awarded a \$3,600,000 interim bond financing loan from Oregon Economic Development Department – Special Public Works Fund, to complete a Fiber-To-The-Home build out in Independence. On April 11, 2006, the amount of the award was increased to \$4,835,264. The interest rate on the interim loan is 1.66% over two years, with repayment made by MInet. The City was subsequently awarded a second and third loan in the amount of \$769,050 and \$930,960, with interest at 6%. During the current fiscal year the second and third loans were paid off from the proceeds of additional borrowing by MInet. The new loan was in the amount of \$7,995,000 and bears interest at the rate of 4.19% to 5.84%.

On October 24, 2006 the City borrowed \$40,000 for a CIP Incentive loan for the Cinema property. The loan bears interest at 3%, and is due in full in 5 years. Interest is payable annually.

The 2007 Urban renewal bonds were issued in the amount of \$3,200,000. Proceeds were used to pay off interim financing on the Highway 51 project and for continued construction. Interest is 4.75%. The bond principal is payable annually, and interest is payable semiannually. The final bonds mature in 2022.

In the year ended June 30, 2000, the City issued sewer revenue bonds in the amount of \$2,751,800, payable to USDA Rural Development. The interest rate on the issuance is 4.5%, and requires a reserve balance of \$149,561. The Sewer fund is also obligated for a note payable to the State of Oregon Department of Environmental Quality. This note carries interest at the rate of 3.43%, matures in 2019, and requires a reserve balance of \$51,790. The City is in compliance with reserve balance requirements as of June 30, 2011.

The 1998 Water Revenue Refunding Bonds were issued in 1998 in the amount of \$1,890,000. Proceeds were used to refund portions of the 1992-A, 1992-B, and 1994 Water Revenue Bonds. Interest rates range from 3.70% to 5.10%. On July 7, 2004, the City sold Water Revenue Bonds, Series 2004, in the amount of \$1,600,000. The bonds were authorized by Ordinance No.1252, as amended by Ordinance No.1253, as amended by Ordinance No.914 (collectively “the Master Ordinance”) and Ordinance No.1430 enacted by the City Council on February 24, 2004. Proceeds of the issuance were used to fund construction of a new 1.5 million gallon water reservoir facility and related water telemetry system

In April 2010, the City issued \$13,410,000 Full Faith and Credit Obligations. Proceeds were used for the constructions and equipping of a new City Hall (Civic Center). Interest rates range from 3.00% to 5.00%. The bonds mature in 2040.

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

LONG-TERM DEBT (Continued)

Capital Lease

Fiscal Year			
Ending			
June 30,	Principal	Interest	Total
2012	\$ 36,896	\$ 5,320	\$ 42,216
2013	38,779	3,437	42,216
2014	40,758	1,458	42,216
2015	9,460	44	9,504
	<u>\$ 125,893</u>	<u>\$ 10,259</u>	<u>\$ 136,152</u>

The City entered into a lease purchase agreement July 7, 2009 with National City Commercial Capital Company, LLC for the purpose of purchasing an Elgin Street Sweeper. The lease purchase agreement was in the amount of \$187,253. Monthly schedule payments are \$3,518. The lease purchase has a term of 60 months.

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

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

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

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

PENSION PLAN (Continued)

Funding Status (Continued)

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. For rate changes implemented July 1, 2005 the PERB voted to phase in the rate changes for PERS (for most employers a rate increase).

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. Beginning July 1, 2009, PERS rates were set at 5.59 percent for Tier1/Tier 2 and OPSRP rates were set at 4.37 percent for police and fire and 1.66 percent for general service employees.

Annual Pension Cost

The City's contribution to PERS for the fiscal years ending June 30, 2009, 2010, and 2011 were \$382,754, \$354,175, and \$324,358 respectively, which equaled the required contributions for the years.

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 353,826	\$ 16,400
Economic Development Fund	-	5,000
Halo	-	33,142
Bldg Inspection Fund	-	10,050
Street Fund	-	10,500
Special Assessment Fund	44,298	-
Parks SDC Fund	16,400	490
Transportation SDC Fund	-	20,015
Urban Renewal Debt Service Fund	-	20,000
Water Fund	-	94,989
Sewer Fund	-	170,816
Storm Drain Fund	-	20,176
Water SDC Fund	-	933
Sewer SDC Fund	-	1,375
Storm Drain SDC Fund	-	10,638
	<u>\$ 414,524</u>	<u>\$ 414,524</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The Proprietary funds paid fees to the General Fund for fiscal year ended June 30, 2011 as follows:

	<u><i>In lieu of taxes</i></u>	<u><i>Franchise Fees</i></u>	<u><i>Total</i></u>
Sewer	\$ 35,000	\$ 170,816	\$ 205,816
Water	35,000	94,989	129,989
Storm	15,000	15,176	30,176
	<u>\$ 85,000</u>	<u>\$ 280,981</u>	<u>\$ 365,981</u>

The City's System Development Funds pay overhead to the City's General Fund. These payments are recorded as disbursements (administration fees) in the SDC funds and receipts (transfers in) in the General Fund. Payments during the fiscal year ended June 30, 2011 are as follows:

	<u><i>Transfers</i></u>	<u><i>Materials and services</i></u>	<u><i>Total</i></u>
Sewer SDC Fund	\$ 1,375	\$ -	\$ 1,375
Transportation SDC Fund	1,218	-	1,218
Parks SDC Fund	490	500	990
Water SDC Fund	933	-	933
Storm SDC Fund	638	1,902	2,540
	<u>\$ 4,654</u>	<u>\$ 2,402</u>	<u>\$ 7,056</u>

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

CONCENTRATION OF CREDIT RISK

The City is exposed to risk of loss through loans made to legally separate entities. As such, the City has incurred a concentration of credit risk for capital loans made to MInet. The total amount loaned to MInet as of June 30, 2011 is shown below:

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

CONCENTRATION OF CREDIT RISK (Continued)

<u>Loaned to MINET</u>	<u>Purpose of Loan</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Repayment Terms</u>
Pass-through from OECDD	Capital/Infrastructure	\$ 4,430,237	1.66%	20 years
2010 Revenue Bond	Capital/Infrastructure	7,995,000	4.19-5.84%	30 years

The OECDD loan was to mature in December 2007, with the amount drawn plus any capitalized interest being refunded through a State of Oregon Special Public Works Fund (SPWF) bond issuance. The bond issuance has been delayed. The OECDD loan is secured by 1) full faith and credit of the City, 2) refunding proceeds of long-term bond issuance, and 3) net revenues from water system. The term of the long-term bond issuance will be 25 years at an interest rate to be determined.

In the prior fiscal year, the City loaned to MINET \$294,134 from the Economic Development fund for the purpose of paying annual debt service. The money was repaid with the proceeds of the 2010 Full Faith and Credit borrowing in September 2010.

Audited annual financial statements of MInet may be obtained by writing to MInet, 405 N. Hogan Road, Monmouth, OR 97361, or by calling (503) 837-0700.

DEFICIT FUND BALANCES

At June 30, 2011, the following funds had deficit fund balances.

Street Fund	\$ 359,418
Parks SDC	78,385
HALO	36,800
Urban Renewal Projects	1,879,477
Storm Drain SDC	71,014
Grant	5,451

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

OVEREXPENDITURE OF APPROPRIATIONS

The City had the following over expenditures during the current year.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Public safety	\$ 2,093,074	\$ 2,098,160	\$ (5,086)
Capital outlay	25,220	157,534	(132,314)
Debt service	-	739,813	(739,813)
MINET			
Debt principal	-	2,329,716	(2,329,716)
Debt interest	-	754,542	(754,542)
Proceeds remitted to MINET	-	7,995,000	(7,995,000)
Halo			
Personal services	253,000	253,199	(199)
Materials and service	74,000	107,525	(33,525)
Transfers out	-	33,142	(33,142)
Urban Renewal Debt			
Materials and service	-	750	(750)
Street			
Debt service	-	19,875	(19,875)
Transfers out	-	(10,500)	(10,500)
Parks SDC			
Transfers out	-	(490)	(490)
Transportation SDC			
Capital outlay	-	82,373	(82,373)
Transfers out	-	(20,015)	(20,015)
Storm Drain			
Debt service	-	19,873	(19,873)
Transfers out	-	20,176	(20,176)
Storm Drain SDC			
Materials and Services	550	1,902	(1,352)
Transfers out	-	10,638	(10,638)
Sewer			
Transfers out	38,250	170,816	(132,566)
Water			
Debt service	311,659	311,959	(300)
Transfers out	38,250	94,989	(56,739)
Water SDC			
Capital outlay	231,626	288,497	(56,871)
Transfers out	-	(933)	(933)
Sewer SDC			
Capital outlay	-	99,537	(99,537)
Transfers out	-	(1,375)	(1,375)

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

SUBSEQUENT EVENTS

The City follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through November 28, 2011, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 1,453,764	\$ 1,453,764	\$ 1,491,546	\$ 37,782
Licenses and permits	669,817	669,817	505,073	(164,744)
Charges for services	93,640	93,640	67,922	(25,718)
Intergovernmental	290,000	290,000	516,613	226,613
Fines and forfeitures	180,000	180,000	196,252	16,252
Miscellaneous	502,000	502,000	149,552	(352,448)
<i>Total Receipts</i>	<u>3,189,221</u>	<u>3,189,221</u>	<u>2,926,958</u>	<u>(262,263)</u>
DISBURSEMENTS				
General government	317,579	1,300,000	645,918	654,082
Public safety	2,093,074	2,093,074	2,098,160	(5,086)
Culture and recreation	579,879	699,573	546,658	152,915
Capital outlay	25,220	25,220	157,534	(132,314)
Debt service	-	-	739,813	(739,813)
Contingency	22,019	726,407	-	726,407
<i>Total Disbursements</i>	<u>3,037,771</u>	<u>4,844,274</u>	<u>4,188,083</u>	<u>656,191</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	151,450	(1,655,053)	(1,261,125)	393,928
OTHER FINANCING SOURCES (USES)				
Transfers in	126,550	126,550	353,826	227,276
Transfers out	(16,400)	(16,400)	(16,400)	-
<i>Total Other Financing Sources (Uses)</i>	<u>110,150</u>	<u>110,150</u>	<u>337,426</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>261,600</u>	<u>(1,544,903)</u>	<u>(923,699)</u>	<u>621,204</u>
FUND BALANCE, Beginning of year	<u>10,000</u>	<u>1,816,503</u>	<u>1,816,503</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ 271,600</u>	<u>\$ 271,600</u>	<u>\$ 892,804</u>	<u>\$ 621,204</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – ECONOMIC DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 400,962	\$ 939,860	\$ 980,183	\$ 40,323
DISBURSEMENTS				
Materials and services	-	102,260	99,075	3,185
Contingency	-	436,638	-	436,638
<i>Total Disbursements</i>	-	538,898	99,075	439,823
RECEIPTS OVER (UNDER) DISBURSEMENTS	400,962	400,962	881,108	480,146
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE	395,962	395,962	876,108	480,146
FUND BALANCE, Beginning of year	31,067	31,067	21,503	(9,564)
FUND BALANCE, End of year	\$ 427,029	\$ 427,029	\$ 897,611	\$ 470,582

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – HALO FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 327,000	\$ 327,000	\$ 444,521	\$ 117,521
DISBURSEMENTS				
Personal services	253,000	253,000	253,199	(199)
Materials and services	74,000	74,000	107,525	(33,525)
<i>Total Disbursements</i>	<u>327,000</u>	<u>327,000</u>	<u>360,724</u>	<u>(33,724)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	83,797	83,797
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(33,142)	(33,142)
NET CHANGE IN FUND BALANCE	-	-	50,655	50,655
FUND BALANCE (DEFICIT), Beginning of year	-	-	(87,455)	(87,455)
FUND BALANCE (DEFICIT), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,800)</u>	<u>\$ (36,800)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE, OREGON
RECONCILIATION OF BUDGETARY TO REPORTING FUNDS
STATEMENT OF ASSETS AND LIABILITIES GENERAL FUND
JUNE 30, 2011

	Budgetary Funds		Total (reported as General Fund)
	General	Grant	
ASSETS			
Property taxes receivable	\$ 143,873	\$ -	\$ 143,873
Due from other funds	1,068,612	(5,451)	1,063,161
<i>Total Assets</i>	<u>\$ 1,212,485</u>	<u>\$ (5,451)</u>	<u>\$ 1,207,034</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued liabilities	\$ 170,423	\$ -	\$ 170,423
Deposits	5,385	-	5,385
Deferred revenue	143,873	-	143,873
<i>Total Liabilities</i>	<u>319,681</u>	<u>-</u>	<u>319,681</u>
Fund Balances			
Unassigned	892,804	(5,451)	887,353
<i>Total Fund Balances</i>	<u>892,804</u>	<u>(5,451)</u>	<u>887,353</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,212,485</u>	<u>\$ (5,451)</u>	<u>\$ 1,207,034</u>

CITY OF INDEPENDENCE, OREGON**RECONCILIATION OF BUDGETRY TO REPORTING FUNDS****STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – GENERAL FUND****YEAR ENDED JUNE 30, 2011**

	Budgetary Funds		Total
	General	Grant	(reported as General Fund)
RECEIPTS			
Taxes and assessments	\$ 1,491,546	\$ -	\$ 1,491,546
Licenses and permits	505,073	-	505,073
Charges for services	67,922	-	67,922
Intergovernmental	516,613	-	516,613
Fines and forfeitures	196,252	-	196,252
Miscellaneous	149,552	-	149,552
<i>Total Receipts</i>	<u>2,926,958</u>	<u>-</u>	<u>2,926,958</u>
DISBURSEMENTS			
General government	645,918	-	645,918
Public safety	2,098,160	-	2,098,160
Culture and recreation	546,658	-	546,658
Capital outlay	157,534	-	157,534
Debt Service			
Interest	<u>739,813</u>	<u>-</u>	<u>739,813</u>
<i>Total Disbursements</i>	<u>4,188,083</u>	<u>-</u>	<u>4,188,083</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,261,125)	-	(1,261,125)
OTHER FINANCING SOURCES (USES)			
Transfers in	353,826	-	353,826
Transfers out	(16,400)	-	(16,400)
<i>Total Other Financing Sources (Uses)</i>	<u>337,426</u>	<u>-</u>	<u>337,426</u>
NET CHANGE IN FUND BALANCES	(923,699)	-	(923,699)
FUND BALANCES (DEFICIT), Beginning of year			
	<u>1,816,503</u>	<u>(5,451)</u>	<u>1,811,052</u>
FUND BALANCES (DEFICIT), End of year	<u>\$ 892,804</u>	<u>\$ (5,451)</u>	<u>\$ 887,353</u>

CITY OF INDEPENDENCE, OREGON**COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) –
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2011

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Street</u>	<u>Building Inspection</u>	<u>Transportation SDC</u>	<u>Special Assessments</u>
ASSETS				
Cash and investments	\$ -	\$ 93,228	\$ 257,739	\$ 16,953
Property taxes receivable	-	-	-	-
Other receivables	-	-	203,109	204,010
<i>Total Assets</i>	<u>\$ -</u>	<u>\$ 93,228</u>	<u>\$ 854,156</u>	<u>\$ 220,963</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deposits	\$ -	\$ 191	\$ -	\$ -
Due to other funds	359,418	-	-	-
Deferred Revenue	-	-	203,109	204,010
<i>Total Liabilities</i>	<u>359,418</u>	<u>191</u>	<u>203,109</u>	<u>204,010</u>
Fund Balances				
Restricted for:				
Construction	-	-	651,047	-
Debt service	-	-	-	16,953
Committed to:				
Community development	-	93,037	-	-
Unassigned	(359,418)	-	-	-
<i>Total Fund Balances</i>	<u>(359,418)</u>	<u>93,037</u>	<u>651,047</u>	<u>16,953</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ -</u>	<u>\$ 93,228</u>	<u>\$ 854,156</u>	<u>\$ 220,963</u>

<i>Debt Service</i>				
<i>Parks</i>	<i>General Obligation</i>	<i>Urban Renewal</i>		
<i>SDC</i>	<i>Debt Service</i>	<i>Debt Service</i>	<i>Totals</i>	
\$ -	\$ 71,417	\$ 205,413	\$ 644,750	
-	25,390	33,821	59,211	
19,429	-	-	426,548	
<u>\$ 19,429</u>	<u>\$ 96,807</u>	<u>\$ 239,234</u>	<u>\$ 1,523,817</u>	
\$ -	\$ -	\$ -	\$ 191	
78,385	-	-	437,803	
19,429	25,390	33,821	485,759	
<u>97,814</u>	<u>25,390</u>	<u>33,821</u>	<u>923,753</u>	
-	-	-	651,047	
-	71,417	205,413	293,783	
-	-	-	93,037	
(78,385)	-	-	(437,803)	
<u>(78,385)</u>	<u>71,417</u>	<u>205,413</u>	<u>600,064</u>	
<u>\$ 19,429</u>	<u>\$ 96,807</u>	<u>\$ 239,234</u>	<u>\$ 1,523,817</u>	

CITY OF INDEPENDENCE, OREGON**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Street</u>	<u>Building Inspection</u>	<u>Transportation SDC</u>	<u>Special Assessment</u>
RECEIPTS				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	34,746	27,191	-
Intergovernmental	478,372	-	-	-
Miscellaneous	1,700	-	4,775	24,619
Total Receipts	480,072	34,746	31,966	24,619
DISBURSEMENTS				
Community development	-	180,266	-	-
Transportation	373,992	-	-	-
Capital outlay	74,933	-	82,373	-
Debt service				
Principal	16,319	-	-	29,785
Interest	3,556	-	-	33,860
Total Disbursements	468,800	180,266	82,373	63,645
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	11,272	(145,520)	(50,407)	(39,026)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	44,298
Transfers out	(10,500)	(10,050)	(20,015)	-
Total Other Financing Sources (Uses)	(10,500)	(10,050)	(20,015)	44,298
NET CHANGE IN FUND BALANCES				
	772	(155,570)	(70,422)	5,272
FUND BALANCES (Deficit), Beginning of year				
	(360,190)	248,607	721,469	11,681
FUND BALANCES (Deficit), End of year				
	\$ (359,418)	\$ 93,037	\$ 651,047	\$ 16,953

<i>Debt Service</i>			
<i>Parks SDC</i>	<i>General Obligation Debt Service</i>	<i>Urban Renewal Debt Service</i>	<i>Totals</i>
\$ -	\$ 349,508	\$ 329,611	\$ 679,119
9,804	-	-	71,741
-	-	-	478,372
-	-	1,622	32,716
9,804	349,508	331,233	1,261,948
-	-	750	181,016
-	-	-	373,992
11,126	-	-	168,432
-	289,401	190,000	525,505
-	62,183	63,863	163,462
11,126	351,584	254,613	1,412,407
(1,322)	(2,076)	76,620	(150,459)
16,400	-	-	60,698
(490)	-	(20,000)	(61,055)
15,910	-	(20,000)	(357)
14,588	(2,076)	56,620	(150,816)
(92,973)	73,493	148,793	750,880
\$ (78,385)	\$ 71,417	\$ 205,413	\$ 600,064

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – MINET FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 3,084,258	\$ 3,084,258
DISBURSEMENTS				
Debt service				
Principal	-	-	2,329,716	(2,329,716)
Interest	-	-	754,542	(754,542)
<i>Total Disbursements</i>	<u>-</u>	<u>-</u>	<u>3,084,258</u>	<u>(3,084,258)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	7,995,000	7,995,000
Proceeds remitted to MINET	-	-	(7,995,000)	(7,995,000)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – URBAN RENEWAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 37,679	\$ 37,679
Miscellaneous	-	-	10,000	10,000
<i>Total Receipts</i>	-	-	47,679	47,679
DISBURSEMENTS				
Capital outlay	7,188,599	7,188,599	7,028,569	160,030
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,188,599)	(7,188,599)	(6,980,890)	207,709
FUND BALANCE , Beginning of year	7,188,599	7,188,599	5,101,413	(2,087,186)
FUND BALANCE (DEFICIT) , End of year	\$ -	\$ -	\$ (1,879,477)	\$ (1,879,477)

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – STREET FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Intergovernmental	491,730	491,730	478,372	(13,358)
Miscellaneous	200	200	1,700	1,500
<i>Total Receipts</i>	<u>501,930</u>	<u>501,930</u>	<u>480,072</u>	<u>(21,858)</u>
DISBURSEMENTS				
Personal services	283,841	274,549	244,267	30,282
Materials and services	171,625	130,000	129,725	275
Capital outlay	26,083	77,000	74,933	2,067
Debt service	-	-	19,875	(19,875)
<i>Total Disbursements</i>	<u>481,549</u>	<u>481,549</u>	<u>468,800</u>	<u>12,749</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	20,381	20,381	11,272	(9,109)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(10,500)	(10,500)
NET CHANGE IN FUND BALANCE	<u>20,381</u>	<u>20,381</u>	<u>772</u>	<u>(19,609)</u>
FUND BALANCE (DEFICIT), Beginning of year				
	<u>-</u>	<u>-</u>	<u>(360,190)</u>	<u>(360,190)</u>
FUND BALANCE (DEFICIT), End of year				
	<u>\$ 20,381</u>	<u>\$ 20,381</u>	<u>\$ (359,418)</u>	<u>\$ (379,799)</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - BUILDING INSPECTION FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Licenses and permits	\$ 35,000	\$ 35,000	\$ 34,746	\$ (254)
DISBURSEMENTS				
Personal services	176,633	176,633	168,777	7,856
Materials and services	20,000	20,000	11,489	8,511
Contingency	10,000	10,000	-	10,000
<i>Total Disbursements</i>	<u>206,633</u>	<u>206,633</u>	<u>180,266</u>	<u>26,367</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(171,633)	(171,633)	(145,520)	26,113
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(10,050)</u>	<u>(10,050)</u>	<u>(10,050)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(181,683)	(181,683)	(155,570)	26,113
FUND BALANCE, Beginning of year	<u>240,000</u>	<u>240,000</u>	<u>248,607</u>	<u>8,607</u>
FUND BALANCE, End of year	<u>\$ 58,317</u>	<u>\$ 58,317</u>	<u>\$ 93,037</u>	<u>\$ 34,720</u>

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – GRANTS PROGRAMS FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 77,995	\$ 77,995	\$ -	\$ (77,995)
DISBURSEMENTS				
Personal services	77,471	77,471	-	77,471
Materials and services	524	524	-	524
<i>Total Disbursements</i>	<u>77,995</u>	<u>77,995</u>	<u>-</u>	<u>77,995</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
FUND BALANCE (DEFICIT), Beginning of year	-	-	(5,451)	(5,451)
FUND BALANCE (DEFICIT), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,451)</u>	<u>\$ (5,451)</u>

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL –SPECIAL ASSESSMENT FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$ 63,645	\$ 63,645	\$ 24,619	\$ (39,026)
DISBURSEMENTS				
Debt service	63,645	63,645	63,645	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(39,026)	(39,026)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	44,298	44,298
NET CHANGE IN FUND BALANCE	-	-	5,272	5,272
FUND BALANCE, Beginning of year	-	-	11,681	11,681
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,953</u>	<u>\$ 16,953</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – PARKS SDC FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Licenses and permits	\$ 14,000	\$ 14,000	\$ 9,804	\$ (4,196)
Miscellaneous	100	100	-	(100)
<i>Total Receipts</i>	14,100	14,100	9,804	(4,296)
DISBURSEMENTS				
Materials and services	500	500	-	500
Capital outlay	30,000	30,000	11,126	18,874
<i>Total Disbursements</i>	30,500	30,500	11,126	19,374
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(16,400)	(16,400)	(1,322)	15,078
OTHER FINANCING SOURCES (USES)				
Transfers in	16,400	16,400	16,400	-
Transfers out	-	-	(490)	(490)
NET CHANGE IN FUND BALANCE	-	-	14,588	14,588
FUND BALANCE (DEFICIT), Beginning of year				
	-	-	(92,973)	(92,973)
FUND BALANCE (DEFICIT), End of year				
	\$ -	\$ -	\$ (78,385)	\$ (78,385)

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – TRANSPORTATION SDC FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 68,000	\$ 68,000	\$ 27,191	\$ (40,809)
Miscellaneous	100	100	4,775	4,675
<i>Total Receipts</i>	<u>68,100</u>	<u>68,100</u>	<u>31,966</u>	<u>(36,134)</u>
DISBURSEMENTS				
Materials and services	17,250	17,250	-	17,250
Capital outlay	-	-	82,373	(82,373)
<i>Total Disbursements</i>	<u>17,250</u>	<u>17,250</u>	<u>82,373</u>	<u>(65,123)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>50,850</u>	<u>50,850</u>	<u>(50,407)</u>	<u>(101,257)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(20,015)	(20,015)
NET CHANGE IN FUND BALANCE	<u>50,850</u>	<u>50,850</u>	<u>(70,422)</u>	<u>(121,272)</u>
FUND BALANCE, Beginning of year	<u>-</u>	<u>-</u>	<u>721,469</u>	<u>721,469</u>
FUND BALANCE, End of year	<u>\$ 50,850</u>	<u>\$ 50,850</u>	<u>\$ 651,047</u>	<u>\$ 600,197</u>

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – GENERAL OBLIGATION DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 351,584	\$ 351,584	\$ 349,508	\$ (2,076)
DISBURSEMENTS				
Debt service	351,584	351,584	351,584	-
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	-	-	(2,076)	(2,076)
FUND BALANCE, Beginning of year	10,000	10,000	73,493	63,493
FUND BALANCE, End of year	\$ 10,000	\$ 10,000	\$ 71,417	\$ 61,417

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – URBAN RENEWAL DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 389,070	\$ 389,070	\$ 329,611	\$ (59,459)
Miscellaneous	1,925	1,925	1,622	(303)
<i>Total Receipts</i>	390,995	390,995	331,233	(59,762)
DISBURSEMENTS				
Materials and services	-	-	750	(750)
Debt service	312,725	312,725	253,863	58,862
<i>Total Disbursements</i>	312,725	312,725	254,613	58,112
RECEIPTS OVER (UNDER) DISBURSEMENTS	78,270	78,270	76,620	(1,650)
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCE	58,270	58,270	56,620	(1,650)
FUND BALANCE, Beginning of year	1,523,678	1,523,678	148,793	(1,374,885)
FUND BALANCE, End of year	\$ 1,581,948	\$ 1,581,948	\$ 205,413	\$ (1,376,535)

CITY OF INDEPENDENCE, OREGON**COMBINING STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2011**

	<u>Storm Drain</u>	<u>Storm Drain SDC</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 9,706	\$ -	\$ 9,706
Other receivables	-	9,272	9,272
Nondepreciable capital assets	46,395	42,460	88,855
Other capital assets, net of depreciation	224,490	644,288	868,778
<i>Total Assets</i>	<u>280,591</u>	<u>696,020</u>	<u>976,611</u>
LIABILITIES			
Due to other funds	-	71,014	71,014
Deferred revenue	-	9,272	9,272
Noncurrent liabilities:			
Due within one year			
Capital leases payable	18,448	-	18,448
Due in more than one year			
Capital leases payable	44,499	-	44,499
<i>Total Liabilities</i>	<u>62,947</u>	<u>80,286</u>	<u>143,233</u>
NET ASSETS			
Investment in capital assets (net of related debt)	207,938	686,748	894,686
Unrestricted	9,706	(71,014)	(61,308)
<i>Total Net Assets</i>	<u>\$ 217,644</u>	<u>\$ 615,734</u>	<u>\$ 833,378</u>

CITY OF INDEPENDENCE, OREGON
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS
(MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Storm Drain</u>	<u>Storm Drain SDC</u>	<u>Totals</u>
OPERATING RECEIPTS			
Charges for services	\$ 215,832	\$ -	\$ 215,832
Miscellaneous	510	42	552
<i>Total Operating Receipts</i>	216,342	42	216,384
OPERATING DISBURSEMENTS			
Personal services	141,329	-	141,329
Materials and services	25,206	1,902	27,108
Capital outlay	5,529	-	5,529
<i>Total Operating Disbursements</i>	172,064	1,902	173,966
OPERATING RECEIPTS OVER(UNDER) OPERATING DISBURSEMENTS	44,278	(1,860)	42,418
NON OPERATING RECEIPTS (DISBURSEMENTS)			
Debt service			
Principal	(16,318)	-	(16,318)
Interest	(3,555)	-	(3,555)
<i>Total Non Operating Receipts (Disbursements)</i>	(19,873)	-	(19,873)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS			
System development revenue	-	14,657	14,657
Transfers out	(20,176)	(10,638)	(30,814)
NET CHANGE IN RESTRICTED AND UNRESTRICTED NET ASSETS			
RESTRICTED AND UNRESTRICTED NET ASSETS, Beginning of the year	4,229	2,159	6,388
RESTRICTED AND UNRESTRICTED NET ASSETS, End of year	9,706	(71,014)	(61,308)
<i>Capital assets, net of depreciation</i>	270,885	686,748	957,633
<i>Long-term liabilities</i>	(62,947)	-	(62,947)
NET ASSETS, End of year	\$ 217,644	\$ 615,734	\$ 833,378

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – STORM DRAIN FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 215,000	\$ 215,000	\$ 215,832	\$ 832
Miscellaneous	500	500	510	10
<i>Total Receipts</i>	<u>215,500</u>	<u>215,500</u>	<u>216,342</u>	<u>842</u>
DISBURSEMENTS				
Personal services	154,257	154,257	141,329	12,928
Materials and services	52,881	52,881	25,206	27,675
Capital outlay	21,320	21,320	5,529	15,791
Debt service	-	-	19,873	(19,873)
Contingency	7,288	7,288	-	7,288
<i>Total Disbursements</i>	<u>235,746</u>	<u>235,746</u>	<u>191,937</u>	<u>43,809</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,246)	(20,246)	24,405	44,651
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(20,176)	(20,176)
NET CHANGE IN FUND BALANCE	<u>(20,246)</u>	<u>(20,246)</u>	<u>4,229</u>	<u>24,475</u>
FUND BALANCE, Beginning of the year	<u>20,246</u>	<u>20,246</u>	<u>5,477</u>	<u>(14,769)</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,706</u>	<u>\$ 9,706</u>

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – STORM DRAIN SDC FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 11,000	\$ 11,000	\$ 14,657	\$ 3,657
Miscellaneous	-	-	42	42
<i>Total Receipts</i>	11,000	11,000	14,699	3,699
DISBURSEMENTS				
Materials and services	550	550	1,902	(1,352)
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	10,450	10,450	12,797	2,347
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(10,638)	(10,638)
NET CHANGE IN FUND BALANCE	10,450	10,450	2,159	(8,291)
FUND BALANCE (DEFICIT), Beginning of year				
	-	-	(73,173)	(73,173)
FUND BALANCE (DEFICIT), End of year				
	\$ 10,450	\$ 10,450	\$ (71,014)	\$ (81,464)

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,053,300	\$ 1,053,300	\$ 1,000,862	\$ (52,438)
Miscellaneous	2,230	2,230	18,139	15,909
<i>Total Receipts</i>	1,055,530	1,055,530	1,019,001	(36,529)
DISBURSEMENTS				
Personal services	487,695	487,695	480,017	7,678
Materials and services	172,256	172,256	134,770	37,486
Capital outlay	14,350	14,350	9,022	5,328
Debt service	201,457	301,457	201,457	100,000
Contingency	-	41,306	-	41,306
<i>Total Disbursements</i>	875,758	1,017,064	825,266	191,798
RECEIPTS OVER (UNDER) DISBURSEMENTS	179,772	38,466	193,735	155,269
OTHER FINANCING SOURCES (USES)				
Transfers out	(38,250)	(38,250)	(170,816)	(132,566)
NET CHANGE IN FUND BALANCE	141,522	216	22,919	22,703
FUND BALANCE, Beginning of the year	59,935	201,241	201,242	1
FUND BALANCE, End of year	\$ 201,457	\$ 201,457	\$ 224,161	\$ 22,704

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,259,886	\$ 1,259,886	\$ 1,345,455	\$ 85,569
Miscellaneous	10,000	10,000	24,172	14,172
<i>Total Receipts</i>	1,269,886	1,269,886	1,369,627	99,741
DISBURSEMENTS				
Personal services	617,499	617,499	602,035	15,464
Materials and services	268,290	268,290	174,218	94,072
Capital outlay	58,350	58,350	39,690	18,660
Debt service	311,659	311,659	311,959	(300)
<i>Total Disbursements</i>	1,255,798	1,255,798	1,127,902	127,896
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	14,088	14,088	241,725	255,813
OTHER FINANCING SOURCES (USES)				
Transfers out	(38,250)	(38,250)	(94,989)	(56,739)
NET CHANGE IN FUND BALANCE	(24,162)	(24,162)	146,736	199,074
FUND BALANCE, Beginning of year	381,000	381,000	223,716	157,284
FUND BALANCE, End of year	\$ 356,838	\$ 356,838	\$ 370,452	\$ (13,614)

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – WATER SDC FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 40,000	\$ 40,000	\$ 19,417	\$ (20,583)
Miscellaneous	-	-	17	17
<i>Total Receipts</i>	<u>40,000</u>	<u>40,000</u>	<u>19,434</u>	<u>(20,566)</u>
DISBURSEMENTS				
Materials and services	2,000	2,000	-	2,000
Capital outlay	35,000	231,626	288,497	(56,871)
<i>Total Disbursements</i>	<u>37,000</u>	<u>233,626</u>	<u>288,497</u>	<u>(54,871)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	3,000	(193,626)	(269,063)	(75,437)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(933)	(933)
NET CHANGE IN FUND BALANCE	<u>3,000</u>	<u>(193,626)</u>	<u>(269,996)</u>	<u>(76,370)</u>
FUND BALANCE, Beginning of year	<u>302,000</u>	<u>231,626</u>	<u>533,626</u>	<u>731,327</u>
FUND BALANCE, End of year	<u>\$ 305,000</u>	<u>\$ 38,000</u>	<u>\$ 263,630</u>	<u>\$ 654,957</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – SEWER SDC FUND
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 50,000	\$ 50,000	\$ 27,493	\$ (22,507)
Miscellaneous	-	-	901	901
<i>Total Receipts</i>	<u>50,000</u>	<u>50,000</u>	<u>28,394</u>	<u>(21,606)</u>
DISBURSEMENTS				
Materials and services	2,500	2,500	-	2,500
Capital outlay	-	-	99,537	(99,537)
<i>Total Disbursements</i>	<u>2,500</u>	<u>2,500</u>	<u>99,537</u>	<u>(97,037)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	47,500	47,500	(71,143)	(118,643)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(1,375)	(1,375)
NET CHANGE IN FUND BALANCE	<u>47,500</u>	<u>47,500</u>	<u>(72,518)</u>	<u>(120,018)</u>
FUND BALANCE, Beginning of the year	<u>700,375</u>	<u>700,375</u>	<u>772,518</u>	<u>72,143</u>
FUND BALANCE, End of year	<u>\$ 747,875</u>	<u>\$ 747,875</u>	<u>\$ 700,000</u>	<u>\$ (47,875)</u>

OTHER SCHEDULES

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2011

<u>Tax Year</u>	<u>2010-2011 Levy</u>	<u>Uncollected Balance July 1, 2010</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ 2,250,035	\$ -	\$ (58,282)	\$ (2,089,150)	\$ 102,603
2009-2010	-	97,171	(514)	(43,505)	53,152
2008-2009	-	56,843	(351)	(20,530)	35,962
2007-2008	-	18,502	(296)	(10,115)	8,091
2006-2007	-	5,682	(290)	(4,407)	985
2005-2006	-	873	(106)	(417)	350
Prior	-	2,154	(62)	(151)	1,941
Total	<u>\$ 2,250,035</u>	<u>\$ 181,225</u>	<u>\$ (59,901)</u>	<u>\$ (2,168,275)</u>	<u>\$ 203,084</u>

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

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
PRINCIPAL TRANSACTIONS			
Governmental Obligations			
2003 GO Refunding Bonds	1.05 - 3.9%	2003	2013-14
SPWF Loan - Hoffman	3.0-5.0%	2003	2027-28
SPWF Loan - Library	3.0-5.0%	2003	2027-28
Oregon Economic Development Loan #1	1.66%	2005	2027-28
Oregon Economic Development Loan #2	6.00%	2008	Unspecified
Oregon Economic Development Loan #3	6.00%	2008	Unspecified
2010 Full Faith & Credit Series A&B (Minet)	4.19-5.84%	2010	2040
Community Incentive Fund Loan - Cinema	3.00%	2007	2010-11
2007 Urban Renewal Bonds	4.75%	2007	2021-22
2010 Civic Center Bond	3%-5%	2010	2040
Capital Lease		2010	2015
Enterprise Obligations			
2000 Sewer Revenue Bonds	4.50%	2000	2039-40
2000 Sewer DEQ Loan	3.43%	2000	2018-19
1998 Water Refunding Bonds	3.7-5.1%	1998	2017-18
2004 Water Revenue Bonds	1.8-5.375%	2004	2024-25
Capital Lease		2010	2015

<i>Outstanding July 1, 2010</i>	<i>Issued</i>	<i>Paid</i>	<i>Outstanding June 30, 2011</i>
\$ 1,205,000	\$ -	\$ 270,000	\$ 935,000
700,158	-	29,785	670,373
401,852	-	19,401	382,451
4,551,170	-	120,933	4,430,237
768,783	-	768,783	-
1,440,000	-	1,440,000	-
-	7,995,000	-	7,995,000
40,000	-	-	40,000
2,900,000	-	190,000	2,710,000
13,410,000	-	-	13,410,000
79,265	-	16,319	62,946
2,433,264	-	37,890	2,395,374
417,724	-	35,015	382,709
870,000	-	140,000	730,000
1,320,000	-	65,000	1,255,000
79,265	-	16,318	62,947
<u>\$ 30,616,481</u>	<u>\$ 7,995,000</u>	<u>\$ 3,149,444</u>	<u>\$ 35,462,037</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)
YEAR ENDED JUNE 30, 2011

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Unmatured Interest July 1, 2010</u>
INTEREST TRANSACTIONS			
Governmental Obligations			
2003 GO Refunding Bonds	1.05 - 3.9%	2003	\$ 117,129
SPWF Loan - Hoffman	3.0-5.0%	2003	349,191
SPWF Loan - Library	3.0-5.0%	2003	200,188
Oregon Economic Development Loan #1	1.66%	2005	3,446,724
Oregon Economic Development Loan #2	6.00%	2008	675,269
2010 Full Faith & Credit Series A&B (Minet)	4.19-5.84%	2010	-
Community Incentive Fund Loan - Cinema	3.00%	2007	3,600
2007 Urban Renewal Bonds	4.75%	2007	831,391
2010 Civic Center Bond	3.0-5.0%	2010	12,312,525
Capital Lease		2010	8,685
Enterprise Obligations			
2000 Sewer Revenue Bonds	4.50%	2000	2,049,127
2000 Sewer DEQ Loan	3.43%	2000	75,290
1998 Water Refunding Bonds	3.7-5.1%	1998	149,518
2004 Water Revenue Bonds	1.8-5.375%	2004	572,270
Capital Lease		2010	8,685
			<u>\$ 20,799,592</u>

<i>New Issues</i>	<i>Interest Paid/Refunded</i>	<i>Unmatured Interest June 30, 2011</i>
\$ -	\$ 44,496	\$ 72,633
-	33,860	315,331
-	19,426	180,762
-	253,740	3,192,984
-	675,269	-
7,410,966	276,455	7,134,512
-	1,200	2,400
-	62,663	768,728
-	622,400	11,690,125
-	3,556	5,129
-	114,546	1,934,581
-	14,006	61,284
-	43,035	106,483
-	63,924	508,346
-	3,556	5,129
<u>\$ 7,410,966</u>	<u>\$ 2,232,132</u>	<u>\$ 25,978,427</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2011

Fiscal Year Ending June 30,	2003 Refunding Bonds			SPWF Loan - Hoffman Road		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 290,000	\$ 35,046	\$ 325,046	\$ 29,989	\$ 32,594	\$ 62,583
2013	310,000	24,606	334,606	30,206	31,289	61,495
2014	335,000	12,981	347,981	30,437	29,945	60,382
2015	-	-	-	30,685	28,560	59,245
2016	-	-	-	35,949	27,134	63,083
2017	-	-	-	36,232	25,426	61,658
2018	-	-	-	36,528	23,705	60,233
2019	-	-	-	41,844	21,933	63,777
2020	-	-	-	42,180	19,883	62,063
2021	-	-	-	42,532	17,816	60,348
2022	-	-	-	47,908	15,690	63,598
2023	-	-	-	48,304	13,294	61,598
2024	-	-	-	48,719	10,879	59,598
2025	-	-	-	54,155	8,443	62,598
2026	-	-	-	54,612	5,735	60,347
2027	-	-	-	60,093	3,005	63,098
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 935,000</u>	<u>\$ 72,633</u>	<u>\$ 1,007,633</u>	<u>\$ 670,373</u>	<u>\$ 315,331</u>	<u>\$ 985,704</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2011

Fiscal Year Ending June 30,	2007 Urban Renewal Bonds			OECCD MINet Loan		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 200,000	\$ 172,538	\$ 372,538	\$ 127,235	\$ 247,541	\$ 374,776
2013	205,000	105,423	310,423	138,624	240,988	379,612
2014	215,000	96,759	311,759	145,104	233,849	378,953
2015	225,000	87,573	312,573	156,709	226,231	382,940
2016	235,000	77,854	312,854	168,451	217,808	386,259
2017	245,000	67,593	312,593	175,306	208,754	384,060
2018	255,000	56,588	311,588	156,612	199,331	355,943
2019	265,000	44,888	309,888	163,036	190,952	353,988
2020	275,000	32,738	307,738	174,543	182,189	356,732
2021	290,000	20,025	310,025	181,168	172,589	353,757
2022	300,000	6,749	306,749	192,882	162,625	355,507
2023	-	-	-	204,690	152,017	356,707
2024	-	-	-	216,650	140,452	357,102
2025	-	-	-	228,721	128,211	356,932
2026	-	-	-	240,909	115,288	356,197
2027	-	-	-	253,220	101,677	354,897
2028	-	-	-	265,662	87,370	353,032
2029	-	-	-	283,311	71,961	355,272
2030	-	-	-	301,113	55,529	356,642
2031	-	-	-	319,077	38,065	357,142
2032	-	-	-	337,214	19,557	356,771
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 2,710,000</u>	<u>\$ 768,728</u>	<u>\$ 3,478,728</u>	<u>\$ 4,430,237</u>	<u>\$ 3,192,984</u>	<u>\$ 7,623,221</u>

Minet 2010 Revenue Bond			2010 Civic Center Bond		
Principal	Interest	Total	Principal	Interest	Total
\$ -	\$ 390,288	\$ 390,288	\$ -	\$ 622,400	\$ 622,400
130,000	390,288	520,288	-	622,400	622,400
145,000	387,688	532,688	295,000	622,400	917,400
155,000	380,812	535,812	305,000	613,550	918,550
160,000	373,462	533,462	315,000	604,400	919,400
170,000	365,875	535,875	325,000	593,375	918,375
175,000	357,814	532,814	335,000	582,000	917,000
185,000	349,515	534,515	350,000	568,600	918,600
195,000	340,743	535,743	365,000	554,600	919,600
200,000	331,496	531,496	375,000	540,000	915,000
215,000	319,808	534,808	390,000	525,000	915,000
225,000	307,243	532,243	410,000	509,400	919,400
240,000	294,094	534,094	425,000	493,000	918,000
255,000	280,068	535,068	440,000	476,000	916,000
270,000	265,166	535,166	465,000	454,000	919,000
285,000	249,387	534,387	485,000	430,750	915,750
300,000	232,732	532,732	510,000	406,500	916,500
310,000	215,200	525,200	535,000	381,000	916,000
325,000	202,250	527,250	565,000	354,250	919,250
340,000	188,650	528,650	590,000	326,000	916,000
355,000	174,400	529,400	620,000	296,500	916,500
370,000	159,500	529,500	650,000	265,500	915,500
385,000	141,906	526,906	685,000	233,000	918,000
405,000	123,594	528,594	720,000	198,750	918,750
425,000	104,375	529,375	755,000	162,750	917,750
445,000	84,219	529,219	795,000	125,000	920,000
465,000	63,156	528,156	830,000	85,250	915,250
455,000	41,188	496,188	875,000	43,750	918,750
410,000	19,595	429,595	-	-	-
<u>\$ 7,995,000</u>	<u>\$ 7,134,512</u>	<u>\$ 15,129,512</u>	<u>\$ 13,410,000</u>	<u>\$ 11,690,125</u>	<u>\$ 25,100,125</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2011

Fiscal Year Ending June 30,	Capital Lease			Total Governmental		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 18,448	\$ 2,660	\$ 21,108	\$ 683,448	\$ 1,522,943	\$ 2,206,391
2013	19,390	1,719	21,109	891,116	1,435,815	2,326,931
2014	20,379	729	21,108	1,203,945	1,401,457	2,605,402
2015	4,729	21	4,750	895,286	1,353,033	2,248,319
2016	-	-	-	932,710	1,316,099	2,248,809
2017	-	-	-	970,005	1,275,595	2,245,600
2018	-	-	-	981,772	1,233,132	2,214,904
2019	-	-	-	1,028,688	1,188,436	2,217,124
2020	-	-	-	1,075,718	1,141,535	2,217,253
2021	-	-	-	1,112,890	1,092,132	2,205,022
2022	-	-	-	1,170,190	1,038,868	2,209,058
2023	-	-	-	917,614	989,730	1,907,344
2024	-	-	-	960,220	944,720	1,904,940
2025	-	-	-	1,007,969	897,525	1,905,494
2026	-	-	-	1,060,869	843,487	1,904,356
2027	-	-	-	1,117,190	786,600	1,903,790
2028	-	-	-	1,075,662	726,602	1,802,264
2029	-	-	-	1,128,311	668,161	1,796,472
2030	-	-	-	1,191,113	612,029	1,803,142
2031	-	-	-	1,249,077	552,715	1,801,792
2032	-	-	-	1,312,214	490,457	1,802,671
2033	-	-	-	1,020,000	425,000	1,445,000
2034	-	-	-	1,070,000	374,906	1,444,906
2035	-	-	-	1,125,000	322,344	1,447,344
2036	-	-	-	1,180,000	267,125	1,447,125
2037	-	-	-	1,240,000	209,219	1,449,219
2038	-	-	-	1,295,000	148,406	1,443,406
2039	-	-	-	1,330,000	84,938	1,414,938
2040	-	-	-	410,000	19,595	429,595
	<u>\$ 62,946</u>	<u>\$ 5,129</u>	<u>\$ 68,075</u>	<u>\$ 30,636,007</u>	<u>\$ 23,362,604</u>	<u>\$ 53,998,611</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2011

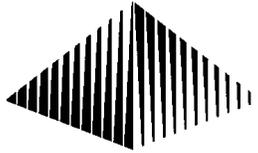
Fiscal Year Ending June 30,	2000 Sewer Revenue Bonds			Sewer DEQ Loan		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 41,756	\$ 107,805	\$ 149,561	\$ 39,201	\$ 12,695	\$ 51,896
2013	43,635	105,926	149,561	40,557	11,339	51,896
2014	45,598	103,963	149,561	41,960	9,936	51,896
2015	47,650	101,911	149,561	43,411	8,485	51,896
2016	49,794	99,766	149,560	44,914	6,982	51,896
2017	52,035	97,526	149,561	46,467	5,429	51,896
2018	54,377	95,184	149,561	48,075	3,821	51,896
2019	56,824	92,737	149,561	49,737	2,159	51,896
2020	59,381	90,180	149,561	28,387	438	28,825
2021	62,053	87,508	149,561	-	-	-
2022	64,845	84,715	149,560	-	-	-
2023	67,763	81,797	149,560	-	-	-
2024	70,813	78,748	149,561	-	-	-
2025	73,999	75,562	149,561	-	-	-
2026	77,329	72,232	149,561	-	-	-
2027	80,809	68,752	149,561	-	-	-
2028	84,446	65,115	149,561	-	-	-
2029	88,246	61,315	149,561	-	-	-
2030	92,217	57,344	149,561	-	-	-
2031	96,366	53,194	149,560	-	-	-
2032	100,703	48,858	149,561	-	-	-
2033	105,234	44,326	149,560	-	-	-
2034	109,970	39,591	149,561	-	-	-
2035	114,919	34,642	149,561	-	-	-
2036	120,090	29,471	149,561	-	-	-
2037	125,494	24,067	149,561	-	-	-
2038	131,141	18,420	149,561	-	-	-
2039	137,043	12,518	149,561	-	-	-
2040	140,844	1,408	142,252	-	-	-
	<u>\$ 2,395,374</u>	<u>\$ 1,934,581</u>	<u>\$ 4,329,955</u>	<u>\$ 382,709</u>	<u>\$ 61,284</u>	<u>\$ 443,993</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)**

JUNE 30, 2011

Fiscal Year Ending June 30,	Capital Lease			Total Business-Type		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 18,448	\$ 2,660	\$ 21,108	\$ 309,405	\$ 213,894	\$ 523,299
2013	19,390	1,719	21,109	278,582	203,952	482,534
2014	20,379	729	21,108	287,937	191,476	479,413
2015	4,730	21	4,751	285,791	177,610	463,401
2016	-	-	-	294,708	166,168	460,876
2017	-	-	-	308,502	152,591	461,093
2018	-	-	-	187,452	139,942	327,394
2019	-	-	-	196,561	131,458	328,019
2020	-	-	-	182,768	122,555	305,323
2021	-	-	-	162,053	114,383	276,436
2022	-	-	-	169,845	106,081	275,926
2023	-	-	-	177,763	97,385	275,148
2024	-	-	-	185,813	88,289	274,102
2025	-	-	-	193,999	78,786	272,785
2026	-	-	-	77,329	72,232	149,561
2027	-	-	-	80,809	68,752	149,561
2028	-	-	-	84,446	65,115	149,561
2029	-	-	-	88,246	61,315	149,561
2030	-	-	-	92,217	57,344	149,561
2031	-	-	-	96,366	53,194	149,560
2032	-	-	-	100,703	48,858	149,561
2033	-	-	-	105,234	44,326	149,560
2034	-	-	-	109,970	39,591	149,561
2035	-	-	-	114,919	34,642	149,561
2036	-	-	-	120,090	29,471	149,561
2037	-	-	-	125,494	24,067	149,561
2038	-	-	-	131,141	18,420	149,561
2039	-	-	-	137,043	12,518	149,561
2040	-	-	-	140,844	1,408	142,252
	<u>\$ 62,947</u>	<u>\$ 5,129</u>	<u>\$ 68,076</u>	<u>\$ 4,826,030</u>	<u>\$ 2,615,823</u>	<u>\$ 7,441,853</u>

REGULATORY SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Mayor and City Council
City of Independence, Oregon
P. O. Box 9
Independence, Oregon 97351

We have audited the basic financial statements of the City of Independence, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Independence, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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

1. Overexpenditures of appropriations as noted in the notes to the financial statements.
2. The City had deficit fund balances as noted in the notes to the financial statements.

OAR 162-10-0230 Internal Control

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Our findings are contained in the schedule of findings which accompanies our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

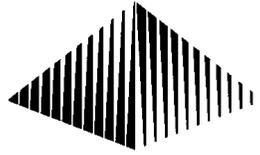
We also issued a separate letter dated November 28, 2011 on other control deficiencies in internal control.

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder
November 28, 2011



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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

Mayor and City Council
City of Independence, Oregon
P. O. Box 9
Independence, Oregon 97351

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Independence as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. And we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. Our findings are contained in the accompanying schedule of findings. We also noted certain other matters that we reported to management of the City in a separate letter dated November 28, 2011.

Compliance and Other Matters

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

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City of Independence's response and, accordingly, we express no opinion on it.

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


CERTIFIED PUBLIC ACCOUNTANTS
November 28, 2011

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

CURRENT YEAR FINDINGS

Material weakness

2011-1 Proper accounting under the modified cash basis of accounting

Criteria:

Checks written after year end should not be included as expenditures and outstanding checks at year end.

Condition:

There were checks in the amount of approximately \$315,700 that were dated subsequent to June 30, 2011 which were included as disbursements for the year ended June 30, 2011. The result was an understatement of cash balances and overstatement of disbursements at June 30, 2011.

Cause:

The City was significantly understaffed near year end and therefore the final check run of the year was delayed until after June 30, 2011.

Recommendation:

Checks should be recorded when written.

Management Response:

The situation was unique, and was done in an attempt to more accurately match receipts with related disbursements. It was not an attempt to misstate the financial statements. The City has adjusted their accounting records for this error and will record checks when written.

Significant deficiency

2011-2: Bank Reconciliations

Criteria:

Bank reconciliations should be performed on a timely basis

Condition:

Some bank reconciliations were not performed on a timely basis.

Cause:

The City has had significant turnover in the finance department, and therefore has fallen behind in bank reconciliations.

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
JUNE 30, 2011

CURRENT YEAR FINDINGS (Continued)

Recommendation:

Bank reconciliations should be performed within a reasonable time frame after statements are received from the bank.

Management Response:

The City concurs and will implement procedures to ensure that bank reconciliations are performed on a timely basis.

PRIOR YEAR FINDINGS

Significant deficiencies

2010-1: Lack of Review of Employee Timesheets

Criteria:

Employee timesheets should be reviewed by an appropriate supervisor.

Condition:

City employees complete timesheets to record time worked and compensated absences used; however, these timesheets were not always reviewed and approved by an appropriate supervisor prior to payroll checks being prepared and issued. This may result in payroll checks being issued for time not actually worked, or use of compensated absences not being appropriately recorded.

Cause:

City procedures requiring supervisor review of timesheets have not been enforced.

Recommendation:

Timesheets for all City employees should be reviewed and approved by an appropriate supervisor prior to payroll checks being prepared.

Management Response:

The City concurs and has implemented procedures to ensure that all timesheets are approved.

Current year update:

Timesheets are now being properly approved

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
JUNE 30, 2011

PRIOR YEAR FINDINGS (Continued)

2010-2: Timeliness of Audit Filing

Criteria:

The City's financial report should be filed with the Secretary of State by December 31st of each calendar year, unless an extension has been obtained.

Condition:

The City's financial report for the year ended June 30, 2010 was not filed timely.

Cause:

Due to late filing in prior years, the City's audit schedule fell behind to the point that the audit for the year ended June 30, 2010 could not be completed and filed on a timely basis.

Recommendation:

We recommend that the City maintain the audit schedule so as to ensure timely filing.

Management Response:

The City concurs and is now up-to-date with audit completions.

2010-3: Electronic Check Signing

Criteria:

The ability to perform electronic check signing should be regulated via IT control.

Condition:

The Accounts Payable Technician has the ability to change the dollar threshold in the system which designates which checks receive electronic signature.

Cause:

The electronic check signing function in the system has not been protected.

Recommendation:

We recommend that IT controls be implemented in the system to remove this ability.

Management Response:

The City concurs and will implement this recommendation.

PRIOR YEAR FINDINGS (Continued)

Current year update:

Adequate controls are now in place.

2010-4: Utility Billing Account Reconciliation

Criteria:

The UB system should be reconciled to the GL on a regular basis.

Condition:

Reconciliations between the UB system and the GL are performed on a monthly basis; however, discrepancies identified during this process were not always investigated and resolved. Failure to do so could result in a greater risk of fraud or misstatement of the financial statements.

Cause:

The City has not previously had reconciliation procedures in place for all necessary accounts.

Recommendation:

The UB system should be reconciled to the general ledger on a monthly basis, and any discrepancies identified during this process should be investigated and resolved in a timely manner.

Management Response:

The City concurs and will update its procedures to ensure that all material accounts are reconciled at year end.

Current year update:

The situation continues

2010-5: Lack of Cross-Training for Finance Department Duties

Criteria:

A second member of personnel should be cross-trained to perform all necessary duties.

Condition:

There are a number of duties within the City's Finance Department for which there is not currently adequate cross-training. This could result in an instance where such a duty may not be processed in a timely manner due to the absence of a given individual.

Cause:

Cross-training procedures have not been implemented.

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
JUNE 30, 2011

PRIOR YEAR FINDINGS (Continued)

Recommendation:

We recommend that a second member of personnel be cross-trained to perform all necessary duties.

Management Response:

The City concurs with this recommendation and is in the process of reorganizing Finance Department responsibilities. Such cross-training will be implemented during this process.

Current year update:

Turnover in the Finance Department has hindered cross-training efforts.

2010-6: Lack of Review of Check Registers

Criteria:

Check registers should be reviewed for reasonableness prior to checks being printed.

Condition:

There is currently no supervisor review of check registers prior to checks being printed and issued.

Cause:

City processes have not implemented such a procedure.

Recommendation:

We recommend that all check registers be reviewed for reasonableness prior to checks being issued.

Management Response:

The City concurs and has implemented this recommendation.

Current year update:

Beginning in December 2010, the Finance Director now reviews all check registers prior to check issuance.

2010-7: Lack of Review of Journal Entries

Criteria:

All journal entries should be reviewed by a second member of personnel.

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
JUNE 30, 2011

PRIOR YEAR FINDINGS (Continued)

Condition:

All journal entries are not being reviewed by a second member of personnel. In some instances, the same person will prepare and post an entry without any additional review.

Cause:

City procedures have not been enforced to ensure that such review is taking place.

Recommendation:

We recommend that all journal entries be reviewed by a second member of personnel.

Management Response:

The City concurs and will implement this recommendation.

Current year update:

Beginning in February 2011, only one member of personnel will be authorized to prepare and post journal entries; additionally, all journal entries will be reviewed by the Finance Director.

2010-8: Communication between Employees

Criteria:

Employees should be able to share information about the City's operations with each other. Such sharing is useful in building rapport and solving problems. It is also useful for avoiding actions in one department that adversely affect another department. This is especially true with software issues and changes.

Condition:

Employees are not always able to provide input to other employees when decisions are being made.

Effect:

The quality of decisions is diminished, and morale suffers.

Recommendation:

We recommend the City explore ways to solicit input from all affected employees when a decision is being considered.

Response:

Management concurs with the recommendation.

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
JUNE 30, 2011

PRIOR YEAR FINDINGS (Continued)

Current year update:

Efforts at improved communication continue.