

***CITY OF INDEPENDENCE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012***

CITY OF INDEPENDENCE
CITY OFFICIALS
JUNE 30, 2012

MAYOR

John McArdle
675 Monmouth Street
Independence, Oregon 97351

CITY COUNCIL MEMBERS

Forrest Peck
727 Luscombe Street
Independence, Oregon 97351

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

Marilyn Morton
1312 B Street
Independence, Oregon 97351

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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

Gloria Butsch, Accounting Manager

Mike Danko, Community Development Director/
Public Works Director

Karin Johnson, Administrative Services Director/
City Recorder

Ken Perkins, Public Works Supervisor

Robin Puccetti, Library Director

Carolyn Connelly, City Attorney

Shawn Irvine, Economic Development Director

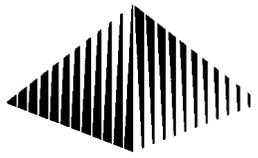
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Independence
P.O. Box 7
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 ended June 30, 2012, 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.

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. 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 the 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 remaining fund information of the City of Independence, Oregon, as June 30, 2012, and the respective changes in financial position 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.

The City has borrowed from OECDD and Key Bank on behalf of MINET. Funds borrowed have been passed through to MINET, and a receivable has been recorded which represents MINET's obligation to repay those loans. The amount borrowed and passed through to MINET at June 30, 2012 was \$12,298,002, which is also the amount of the receivable from MINET. The City considers the receivable to be fully collectible. MINET has incurred losses from operations since inception in 2006.

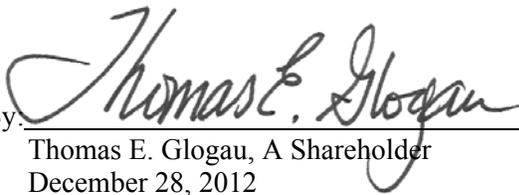
In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and budgetary comparison and reconciliation information on pages 3 through 9 and 35 through 37 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 statement 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 and reconciliation information on pages 35 through 37 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 budgetary 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 of Independence's financial statements as a whole. The combining and individual fund financial statements and schedules, and other 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 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. The other 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: 
Thomas E. Glogau, A Shareholder
December 28, 2012

**CITY OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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, 2012.

FINANCIAL HIGHLIGHTS

	June 30,		change
	2012	2011	
Net assets	\$ 13,992,158	\$ 14,850,032	\$ (857,874)
Change in net assets	(857,874)	(2,346,717)	1,488,843
Governmental net assets	6,480,964	6,547,918	(66,954)
Proprietary net assets	7,511,194	8,302,114	(790,920)
Change in governmental net assets	(66,954)	(2,121,393)	2,054,439
Change in proprietary net assets	(790,920)	(225,324)	(565,596)

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, planning, court, parks, community development and administration. These activities are primarily financed through property taxes and other intergovernmental receipts.

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 receipts, disbursements and changes in fund balance-budget and actual for all funds, and schedules for property tax transactions and debt requirements.

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 \$13,992,158 as of June 30, 2012.

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 (Modified Cash Basis)
June 30,

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 345,430	\$ 845,138	\$ 1,190,568	\$ 644,750	\$ 1,623,633	\$ 2,268,383
Other assets	13,513,410	207,698	13,721,108	13,554,385	207,698	13,762,083
Non-depreciable capital assets	1,448,870	201,804	1,650,674	945,496	201,804	1,147,300
Depreciable capital assets, net	22,766,434	11,506,847	34,273,281	23,344,441	11,429,405	34,773,846
Total assets	38,074,144	12,761,487	50,835,631	38,489,072	13,462,540	51,951,612
Liabilities	1,298,948	207,698	1,506,646	1,299,571	207,698	1,507,269
Deposits	3,698	141,106	144,804	5,576	126,698	132,274
Long-term liabilities						
Portion due within one year	851,116	292,847	1,143,963	683,488	309,405	992,893
Portion due in more than one year	29,439,418	4,608,642	34,048,060	29,952,519	4,516,625	34,469,144
Total liabilities	31,593,180	5,250,293	36,843,473	31,941,154	5,160,426	37,101,580
Net assets:						
Invested in capital assets, net of related debt	6,222,772	6,807,162	13,029,934	6,079,167	6,805,179	12,884,346
Restricted	386,098	75,755	461,853	944,830	963,630	1,908,460
Unrestricted	(127,906)	628,277	500,371	(476,079)	533,305	57,226
Total Net Assets	\$ 6,480,964	\$ 7,511,194	\$ 13,992,158	\$ 6,547,918	\$ 8,302,114	\$ 14,850,032

Statement of Activities The City's net assets decreased by \$857,874 during the current fiscal year. The key elements of the change in the City's net assets for the year ended June 30, 2012 are as follows:

- Capital grants were \$3,282,658 less than the previous year
- Operating grants increased by \$489,222 over the prior year
- Charges for services government-wide increased by \$677,555 over the previous year.
- Proceeds from the issuance of debt related to MINET were \$7,608,791 less
- Community development disbursements were \$8,147,202 less than the previous year
- Miscellaneous receipts were \$706,745 less than the previous year

	2012			2011		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Receipts						
Program receipts						
Charges for service	\$ 737,167	\$ 3,035,091	\$ 3,772,258	\$ 529,436	\$ 2,565,267	\$ 3,094,703
Operating grants	1,439,440	-	1,439,440	950,218	-	950,218
Capital grants	66,094	85,962	152,056	3,373,147	61,567	3,434,714
General receipts						
Property taxes	2,251,861	-	2,251,861	2,170,665	-	2,170,665
Lodging taxes	2,077	-	2,077	-	-	-
Franchise taxes	468,450	-	468,450	469,913	-	469,913
Intergovernmental	249,643	-	249,643	215,008	-	215,008
Proceeds from issuance of debt	-	386,209	386,209	7,995,000	-	7,995,000
Miscellaneous	233,808	47,270	281,078	1,037,160	40,663	1,077,823
<i>Total receipts</i>	<u>5,448,540</u>	<u>3,554,532</u>	<u>9,003,072</u>	<u>16,740,547</u>	<u>2,667,497</u>	<u>19,408,044</u>
Disbursements						
General government	1,432,755	-	1,432,755	1,059,885	-	1,059,885
Public safety	2,185,628	-	2,185,628	2,098,160	-	2,098,160
Transportation	916,075	-	916,075	547,707	-	547,707
Community development	2,104,561	-	2,104,561	10,251,763	-	10,251,763
Culture and recreation	585,293	-	585,293	557,784	-	557,784
Interest on long-term debt	724,145	-	724,145	1,657,817	-	1,657,817
Debt proceeds remitted to Minnet	-	-	-	7,995,000	-	7,995,000
Water	-	1,349,908	1,349,908	-	1,416,399	1,416,399
Sewer	-	539,307	539,307	-	924,803	924,803
Storm	-	168,862	168,862	-	193,839	193,839
<i>Total disbursements</i>	<u>7,948,457</u>	<u>2,058,077</u>	<u>10,006,534</u>	<u>24,168,116</u>	<u>2,535,041</u>	<u>26,703,157</u>
Transfers	<u>2,289,358</u>	<u>(2,289,358)</u>	<u>-</u>	<u>298,927</u>	<u>(298,927)</u>	<u>-</u>
Change in fund balances	(210,559)	(792,903)	(1,003,462)	(7,128,642)	(166,471)	(7,295,113)
Change in long-term receivables	(127,238)	-	(127,238)	3,520,816	(333,391)	3,187,425
Change in capital assets, net	(74,630)	77,443	2,813	6,477,447	(79,065)	6,398,382
Change in long-term debt	345,473	(75,460)	270,013	(4,991,014)	353,603	(4,637,411)
Change in net assets	<u>(66,954)</u>	<u>(790,920)</u>	<u>(857,874)</u>	<u>(2,121,393)</u>	<u>(225,324)</u>	<u>(2,346,717)</u>
Net assets, beginning of year	<u>6,547,918</u>	<u>8,302,114</u>	<u>14,850,032</u>	<u>8,669,311</u>	<u>8,527,438</u>	<u>17,196,749</u>
Net assets, end of year	<u>\$ 6,480,964</u>	<u>\$ 7,511,194</u>	<u>\$13,992,158</u>	<u>\$ 6,547,918</u>	<u>\$ 8,302,114</u>	<u>\$ 14,850,032</u>

Governmental activities

The cost for all governmental activities was \$7,948,457 for the year ended June 30, 2012. The amount that our taxpayers paid was \$2,251,861 through property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$737,167 or 9%.

Net assets of the governmental-type activities decreased by \$66,954 during the fiscal year ended June 30, 2012.

Business-type activities

As shown in the Statement of Activities, the City's net assets of the business-type activities decreased from \$8,302,114 to \$7,511,194 during the year.

Charges for services are receipts 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. Receipts primarily consist of fees charged for water, sewer and storm drain utilities.

Grants and contributions are receipts arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Receipts 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 provided (accounts payable, billing, personnel, legal, etc.).

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, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

The City's governmental funds reported combined fund balances of \$258,192 at June 30, 2012, a decrease of \$210,559 from the previous year. The General Fund had a decrease of \$880,365 during the year.

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 \$6,988 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 disbursements. Unreserved fund balance represents 0.17% of the total General Fund disbursements.

Transportation SDC Fund The Transportation SDC fund is used to receive taxes and licenses and permits designated for upgrades to the transportation system. Disbursements in this fund are for capital projects related to transportation.

MINET Fund This fund accounts for receipts from MINET that pass through for servicing MINET debt obtained by the City for MINET infrastructure and capital projects.

Urban Renewal Debt Service Fund The Urban Renewal Debt Service fund is used to receive resources designated for debt service payments. Disbursements in this fund are for principal and interest on long-term debt.

Proprietary Funds The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

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 receipts 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 disbursements) net assets for the Water Fund were \$424,764 at year end.

The unrestricted net assets for Sewer were \$222,410 at year end. Like the water fund, the assets of this fund are being accumulated for significant sewer projects in upcoming years.

BUDGETARY HIGHLIGHTS

There was one supplemental budget which resulted in changes to the original budget for the General Fund.

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, 2012 amounts to \$35,923,955 (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:

- Purchase of property for the continued development of the North Riverview Park ball fields and new boat ramp facilities.
- Completion of new water reservoir

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,448,870	\$ 945,496	\$ 201,804	\$ 201,804	\$ 1,650,674	\$ 1,147,300
Buildings	15,562,899	15,525,792	917,071	917,071	16,479,970	16,442,863
Equipment	1,231,203	1,142,540	956,713	901,695	2,187,916	2,044,235
Infrastructure	17,039,918	16,841,801	-	-	17,039,918	16,841,801
Water and sewer system	-	-	17,356,199	16,911,648	17,356,199	16,911,648
	<u>35,282,890</u>	<u>34,455,629</u>	<u>19,431,787</u>	<u>18,932,218</u>	<u>54,714,677</u>	<u>53,387,847</u>
Less:						
Accumulated depreciation	(11,067,586)	(10,165,695)	(7,723,136)	(7,301,010)	(18,790,722)	(17,466,705)
	<u>\$ 24,215,304</u>	<u>\$ 24,289,934</u>	<u>\$ 11,708,651</u>	<u>\$ 11,631,208</u>	<u>\$ 35,923,955</u>	<u>\$ 35,921,142</u>

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 \$35,192,023 at the end of the current fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 645,000	\$ 935,000	\$ -	\$ -	\$ 645,000	\$ 935,000
Full Faith and Credit Obligations	21,405,000	21,405,000	-	-	21,405,000	21,405,000
Urban Renewal Bonds	2,510,000	2,710,000	-	-	2,510,000	2,710,000
Notes	5,684,800	5,523,061	340,633	382,709	6,025,433	5,905,770
Water Revenue Bonds	-	-	1,775,000	1,985,000	1,775,000	1,985,000
Sewer Revenue Bonds	-	-	2,740,122	2,395,374	2,740,122	2,395,374
Leases	45,734	62,946	45,734	62,946	91,468	125,892
	<u>\$ 30,290,534</u>	<u>\$ 30,636,007</u>	<u>\$ 4,901,489</u>	<u>\$ 4,826,029</u>	<u>\$ 35,192,023</u>	<u>\$ 35,462,036</u>

The City's total debt decreased by \$270,013 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 \$11,016,721.

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 2012-13 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, 2012

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 345,430	\$ 845,138	\$ 1,190,568
Taxes receivable	222,835	-	222,835
Other receivables	13,290,575	207,698	13,498,273
Non-depreciable capital assets	1,448,870	201,804	1,650,674
Depreciable capital assets, net	22,766,434	11,506,847	34,273,281
<i>Total Assets</i>	38,074,144	12,761,487	50,835,631
LIABILITIES			
Payroll withholdings	83,540	-	83,540
Deferred revenue	1,215,408	207,698	1,423,106
Deposits	3,698	141,106	144,804
Long-term liabilities			
Portion due within one year	851,116	292,847	1,143,963
Portion due in more than one year	29,439,418	4,608,642	34,048,060
<i>Total Liabilities</i>	31,593,180	5,250,293	36,843,473
NET ASSETS			
Invested in capital assets, net of related debt	6,222,772	6,807,162	13,029,934
Restricted for:			
Debt Service	101,264	51,780	153,044
Capital outlay	-	23,975	23,975
Streets	247,579	-	247,579
Community development	37,255	-	37,255
Unrestricted	(127,906)	628,277	500,371
<i>Total Net Assets</i>	<u>\$ 6,480,964</u>	<u>\$ 7,511,194</u>	<u>\$13,992,158</u>

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, 2012

FUNCTIONS/PROGRAMS	Disbursement	Program Receipts		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,432,755	\$ 474,083	\$ 3,062	\$ -
Public safety	2,185,628	167,566	29,580	-
Transportation	916,075	18,715	468,473	11,152
Community development	2,104,561	38,166	227,236	-
Culture and recreation	585,293	38,637	73,261	54,942
Interest on long-term debt	724,145	-	637,828	-
<i>Total Governmental activities</i>	<u>7,948,457</u>	<u>737,167</u>	<u>1,439,440</u>	<u>66,094</u>
Business-type activities:				
Water	1,349,908	1,594,084	-	70,276
Sewer	539,307	1,200,288	-	7,165
Storm	168,862	240,719	-	8,521
<i>Total Business-type activities</i>	<u>2,058,077</u>	<u>3,035,091</u>	<u>-</u>	<u>85,962</u>
<i>Total Activities</i>	<u>\$ 10,006,534</u>	<u>\$ 3,772,258</u>	<u>\$ 1,439,440</u>	<u>\$ 152,056</u>
General Receipts:				
Property taxes				
Franchise taxes				
Lodging taxes				
Intergovernmental				
Proceeds from issuance of debt				
Miscellaneous				
<i>Total General Receipts</i>				
Transfers				
Change in fund balances				
Change in long-term receivables				
Change in capital assets				
Change in long-term debt				
Change in net assets				
Net Assets - beginning of year				
Net Assets - end of year				

***Net (Disbursements) Receipts
and Changes in Net Assets***

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (955,610)	\$ -	\$ (955,610)
(1,988,482)	-	(1,988,482)
(417,735)	-	(417,735)
(1,839,159)	-	(1,839,159)
(418,453)	-	(418,453)
(86,317)	-	(86,317)
(5,705,756)	-	(5,705,756)
-	314,452	314,452
-	668,146	668,146
-	80,378	80,378
-	1,062,976	1,062,976
(5,705,756)	1,062,976	(4,642,780)
2,251,861	-	2,251,861
468,450	-	468,450
2,077	-	2,077
249,643	-	249,643
-	386,209	386,209
233,808	47,270	281,078
3,205,839	433,479	3,639,318
2,289,358	(2,289,358)	-
(210,559)	(792,903)	(1,003,462)
(127,238)	-	(127,238)
(74,630)	77,443	2,813
345,473	(75,460)	270,013
(66,954)	(790,920)	(857,874)
6,547,918	8,302,114	14,850,032
\$ 6,480,964	\$ 7,511,194	\$ 13,992,158

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, 2012

		<u>Capital Projects</u>	<u>Debt Service</u>
	<u>General</u>	<u>Transportation SDC</u>	<u>Minet Debt</u>
ASSETS			
Cash and investments	\$ 92,541	\$ -	\$ -
Due from other funds	-	-	-
Taxes receivable	155,702	-	-
Other receivables	-	203,109	12,298,002
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 248,243	\$ 203,109	\$ 12,298,002
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 83,540	\$ -	\$ -
Deferred revenue	155,702	203,109	12,298,002
Deposits	2,013	-	-
Due to other funds	-	31,389	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	241,255	234,498	12,298,002
 Fund Balance:			
Restricted for:			
Debt service	-	-	-
Community development	-	-	-
Streets	-	-	-
Committed to:			
Community development	-	-	-
Assigned	-	-	-
Unassigned	6,988	(31,389)	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	6,988	(31,389)	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balance</i>	\$ 248,243	\$ 203,109	\$ 12,298,002
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Fund balance</i>			
<i>Long-term receivables</i>			
<i>Capital assets, net of depreciation</i>			
<i>Long-term debt</i>			
 <i>Total net assets</i>			

<i>Debt Service</i>		
<i>Urban Renewal Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 101,264	\$ 151,625	\$ 345,430
-	1,017,356	1,017,356
36,800	30,333	222,835
-	789,464	13,290,575
<hr/>	<hr/>	<hr/>
\$ 138,064	\$ 1,988,778	\$ 14,876,196
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 83,540
36,800	819,797	13,513,410
-	1,685	3,698
-	985,967	1,017,356
<hr/>	<hr/>	<hr/>
36,800	1,807,449	14,618,004
<hr/>	<hr/>	<hr/>
101,264	104,804	206,068
-	3,879	3,879
-	142,775	142,775
-	882,462	882,462
-	33,376	33,376
-	(985,967)	(1,010,368)
<hr/>	<hr/>	<hr/>
101,264	181,329	258,192
<hr/>	<hr/>	<hr/>
\$ 138,064	\$ 1,988,778	\$ 14,876,196
<hr/>	<hr/>	<hr/>
		\$ 258,192
		12,298,002
		24,215,304
		(30,290,534)
		<hr/>
		\$ 6,480,964
		<hr/>

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, 2012**

	<u>General Fund</u>	<u>Capital Projects</u> <u>Transportation</u> <u>SDC</u>	<u>Debt Service</u> <u>Minet Debt</u>
RECEIPTS			
Taxes and assessments	\$ 1,500,415	\$ -	\$ -
Licenses and permits	495,923	35,106	-
Charges for services	88,734	-	-
Intergovernmental	395,316	-	765,064
Fines and forfeitures	180,294	-	-
Miscellaneous	257,574	-	-
<i>Total Receipts</i>	<u>2,918,256</u>	<u>35,106</u>	<u>765,064</u>
DISBURSEMENTS			
Current			
General government	1,071,165	-	-
Public safety	2,185,628	-	-
Transportation	-	-	-
Community development	542,748	-	-
Culture and recreation	386,358	-	-
Debt Service			
Principal	-	-	127,235
Interest	-	-	637,829
Capital outlay	-	701,489	-
<i>Total Disbursements</i>	<u>4,185,899</u>	<u>701,489</u>	<u>765,064</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,267,643)	(666,383)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	1,444,369	-	-
Transfers out	(1,057,091)	(16,053)	-
<i>Total Other Financing Sources (Uses)</i>	<u>387,278</u>	<u>(16,053)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(880,365)	(682,436)	-
FUND BALANCE, beginning of year	887,353	651,047	-
FUND BALANCE, end of year	<u>\$ 6,988</u>	<u>\$ (31,389)</u>	<u>\$ -</u>
<i>Change in fund balance</i>			
<i>Change in long-term receivables</i>			
<i>Change in capital assets, net</i>			
<i>Change in long-term debt</i>			
<i>Change in net assets</i>			

<i>Debt Service</i>		
<i>Urban Renewal Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 372,708	\$ 403,044	\$ 2,276,167
-	33,270	564,299
-	-	88,734
-	876,626	2,037,006
-	-	180,294
46	44,420	302,040
<hr/>	<hr/>	<hr/>
372,754	1,357,360	5,448,540
-	-	1,071,165
-	-	2,185,628
-	193,479	193,479
-	421,363	964,111
-	-	386,358
239,802	467,562	834,599
797,029	88,790	1,523,648
-	87,980	789,469
<hr/>	<hr/>	<hr/>
1,036,831	1,259,174	7,948,457
<hr/>	<hr/>	<hr/>
(664,077)	98,186	(2,499,917)
622,400	1,412,015	3,478,784
(62,472)	(53,810)	(1,189,426)
<hr/>	<hr/>	<hr/>
559,928	1,358,205	2,289,358
<hr/>	<hr/>	<hr/>
(104,149)	1,456,391	(210,559)
205,413	(1,275,062)	468,751
<hr/>	<hr/>	<hr/>
\$ 101,264	\$ 181,329	\$ 258,192
<hr/>	<hr/>	<hr/>
		\$ (210,559)
		(127,238)
		(74,630)
		345,473
		<hr/>
		\$ (66,954)
		<hr/>

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, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Other Business- type Funds</u>
ASSETS			
Current assets:			
Cash and investments	\$ 565,066	\$ 256,049	\$ 24,023
Other receivables	-	-	207,698
Due from other funds	804	18,141	-
Capital assets:			
Non-depreciable capital assets	112,949	-	88,855
Depreciable capital assets, net	5,030,805	5,632,798	843,243
<i>Total Assets</i>	5,709,624	5,906,988	1,163,819
LIABILITIES			
Current liabilities:			
Deposits	141,106	-	-
Deferred revenue	-	-	207,698
Due to other funds	-	-	18,945
Long-term liabilities			
Portion due within one year	189,265	84,192	19,390
Portion due in more than one year	1,971,944	2,610,354	26,344
<i>Total Liabilities</i>	2,302,315	2,694,546	272,377
NET ASSETS:			
Invested in capital assets, net of related debt	2,982,545	2,938,252	886,364
Restricted for:			
Debt service	-	51,780	-
Construction	-	-	23,975
Unrestricted	424,764	222,410	(18,897)
<i>Total Net Assets</i>	\$ 3,407,309	\$ 3,212,442	\$ 891,442

<i>Total</i>	
\$	845,138
	207,698
	18,945
	201,804
	11,506,846
<hr/>	
	12,780,431
	141,106
	207,698
	18,945
	292,847
	4,608,642
<hr/>	
	5,269,238
<hr/>	
	6,807,161
	51,780
	23,975
	628,277
<hr/>	
\$	7,511,193
<hr/> <hr/>	

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, 2012**

	<u>Water</u>	<u>Sewer</u>	<u>Other Business- type Funds</u>
OPERATING RECEIPTS			
Charges for services	\$ 1,594,084	\$ 1,200,288	\$ 240,719
Miscellaneous	35,889	9,466	1,583
<i>Total Operating Receipts</i>	1,629,973	1,209,754	242,302
OPERATING DISBURSEMENTS			
Personal services	303,913	197,988	87,728
Materials and services	228,584	139,862	60,026
Capital outlay	490,355	-	21,079
<i>Total Operating Disbursements</i>	1,022,852	337,850	168,833
OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	607,121	871,904	73,469
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Investment earnings	-	-	332
Proceeds from issuance of debt	386,209	-	-
Debt service:			
Principal	(210,000)	(80,957)	(16,875)
Interest	(97,736)	(120,500)	(2,474)
<i>Total Nonoperating Receipts (Disbursements)</i>	78,473	(201,457)	(19,017)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	685,594	670,447	54,452
Transfers in	-	-	117,273
Transfers out	(696,657)	(620,418)	(1,089,556)
Capital contributions	65,375	-	20,587
CHANGE IN FUND NET ASSETS	54,312	50,029	(897,244)
FUND NET ASSETS, Beginning of year	370,452	224,161	902,322
FUND NET ASSETS, End of year	\$ 424,764	\$ 274,190	\$ 5,078
<i>Capital assets, net</i>			
<i>Long-term debt</i>			
<i>Net assets, end of year</i>			
<i>Change in fund net assets</i>			
<i>Change in capital assets, net of depreciation</i>			
<i>Change in long-term debt</i>			
<i>Change in net assets</i>			

<i>Total</i>	
\$	3,035,091
	46,938
	<hr/> 3,082,029
	589,629
	428,472
	511,434
	<hr/> 1,529,535
	1,552,494
	332
	386,209
	(307,832)
	(220,710)
	<hr/> (142,001)
	1,410,493
	117,273
	(2,406,631)
	85,962
	<hr/> (792,903)
	1,496,935
	<hr/> 704,032
	11,708,651
	(4,901,489)
\$	<hr/> 7,511,194
\$	(792,903)
	77,443
	(75,460)
\$	<hr/> (790,920)

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 receipts, are reported separately from business-type activities which rely, to a significant extent, on fees and user 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 receipts 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 receipts are property taxes, licenses and permits, franchise fees and State shared revenues. Primary disbursements are for police protection, insurance and general administration.

Transportation SDC Fund

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

MINET Debt Fund

This fund accounts for receipts from MINET that pass through for the servicing of MINET-related debt incurred by the City for MINET infrastructure and capital projects.

Urban Renewal Debt Service Fund

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

The City reports the following nonmajor governmental funds:

Urban Renewal Projects Fund

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

HALO Fund

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

Economic Development Fund

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

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 permit receipts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Grants Programs Fund

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

Special Assessment Fund

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

Parks SDC Fund

This fund accounts for system development charges designated for parks.

General Obligation Debt Service Fund

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

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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. Governmental Fund type fund balances are reported in the following classifications.

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 Administrator 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 disbursements 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.

Debt Service Funds are utilized to account for the accumulation of resources for, and payment of, long-term debt principal and interest.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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. 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 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.

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.

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, 2012. 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 on the statement of assets and liabilities 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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 receipts.

Capital Assets

Capital assets (items costing more than \$5,000 and lasting more than one year) are reported in the applicable governmental or business-type activities of the government-wide financial statements. In the fund statements, capital assets are charged as disbursements as they are purchased. Capital assets are recorded at cost or estimated historical cost where records are available. Donated assets are recorded at estimated market value at the date of the donation. Maintenance and repair disbursements are recorded as incurred. Replacements which improve or extend the lives of property are capitalized.

Long-Term Debt

In the government-wide and enterprise financial statements, long-term debt is presented as a liability. Payments of principal and interest are charged to disbursements when paid.

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, 2012

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2012:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Cash on hand and in checking account	\$ 334,732	\$ 334,732
Investments		
Local Government Investment Pool	855,836	855,836
	<u>\$ 1,190,568</u>	<u>\$ 1,190,568</u>

Deposits

The book balance of the City's bank deposits (checking accounts) was \$334,732 and the bank balance was \$421,178 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 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 with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. 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, 2012, none of the City's bank balances were exposed to custodial credit risk as the balances were under FDIC insurance limits.

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, 2012, 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 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, 2012

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, 2012 there were five loans outstanding totaling \$378,135 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, 2012

LOANS RECEIVABLE (Continued)

MINET

The City has obtained funds from the Oregon Economic and Community Development Loan Fund and Key Bank 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, 2012, \$12,298,002 had been drawn/loaned.

The summarized financial data for MINET is as follows:

	<u>2012</u>	<u>2011</u>
ASSETS		
Current and other assets	\$ 1,431,297	\$ 3,671,679
Capital assets (net of depreciation)	17,284,350	17,661,818
<i>Total Assets</i>	<u>18,715,647</u>	<u>21,333,497</u>
LIABILITIES		
Current liabilities	1,194,515	983,316
Long-term debt	26,814,378	27,428,377
<i>Total liabilities</i>	<u>28,008,893</u>	<u>28,411,693</u>
NET ASSETS		
Investment in capital, net of related debt	(1,553,585)	(679,099)
Unrestricted	(7,739,661)	(6,399,097)
<i>Total Net Assets</i>	<u>\$ (9,293,246)</u>	<u>\$ (7,078,196)</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

CAPITAL ASSETS

The changes in capital assets for the business-type activities for the year ended June 30, 2012 were as follows:

	<u><i>Beginning Balance</i></u>	<u><i>Increases</i></u>	<u><i>Decreases</i></u>	<u><i>Ending Balance</i></u>
NON-DEPRECIABLE				
Land	\$ 201,804	\$ -	\$ -	\$ 201,804
DEPRECIABLE				
Buildings	917,071	-	-	917,071
Distribution systems	16,911,648	444,551	-	17,356,199
Equipment	901,695	55,018	-	956,713
<i>Total Depreciable</i>	<u>18,730,414</u>	<u>499,569</u>	<u>-</u>	<u>19,229,983</u>
ACCUMULATED DEPRECIATION				
Buildings	(183,522)	(22,564)	-	(206,086)
Distribution systems	(6,560,081)	(356,607)	-	(6,916,688)
Equipment	(557,407)	(42,955)	-	(600,362)
<i>Total accumulated depreciation</i>	<u>(7,301,010)</u>	<u>(422,126)</u>	<u>-</u>	<u>(7,723,136)</u>
<i>Depreciable capital assets, net</i>	<u>11,429,404</u>	<u>77,443</u>	<u>-</u>	<u>11,506,847</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 11,631,208</u>	<u>\$ 77,443</u>	<u>\$ -</u>	<u>\$ 11,708,651</u>

The changes in capital assets of governmental activities for the year ended June 30, 2012 were as follows:

	<u><i>Beginning Balance</i></u>	<u><i>Increases</i></u>	<u><i>Decreases</i></u>	<u><i>Ending Balance</i></u>
NON-DEPRECIABLE				
Land	\$ 945,496	\$ 503,374	\$ -	\$ 1,448,870
DEPRECIABLE				
Buildings	15,525,792	37,107	-	15,562,899
Equipment	430,779	72,663	-	503,442
Vehicles	711,761	16,000	-	727,761
Infrastructure	16,841,801	198,117	-	17,039,918
<i>Total Depreciable</i>	<u>33,510,133</u>	<u>323,887</u>	<u>-</u>	<u>33,834,020</u>
ACCUMULATED DEPRECIATION				
Buildings	(1,252,150)	(403,972)	-	(1,656,122)
Equipment	(290,857)	(33,802)	-	(324,659)
Vehicles	(587,446)	(39,060)	-	(626,506)
Infrastructure	(8,035,242)	(425,057)	-	(8,460,299)
<i>Total accumulated depreciation</i>	<u>(10,165,695)</u>	<u>(901,891)</u>	<u>-</u>	<u>(11,067,586)</u>
<i>Depreciable capital assets, net</i>	<u>23,344,438</u>	<u>(578,004)</u>	<u>-</u>	<u>22,766,434</u>
<i>Governmental activities capital assets</i>	<u>\$ 24,289,934</u>	<u>\$ (74,630)</u>	<u>\$ -</u>	<u>\$ 24,215,304</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

LONG TERM-DEBT

Governmental long-term transactions for the year ending June 30, 2012 were as follows:

	<i>Outstanding July 1, 2011</i>	<i>Issued</i>	<i>Payments</i>	<i>Adjustments</i>	<i>Outstanding June 30, 2012</i>	<i>Due Within One Year</i>
Governmental Activities						
2003 Refunding Bonds	\$ 935,000	\$ -	\$ 290,000	\$ -	\$ 645,000	\$ 310,000
SPWF Loan - Hoffman	670,373	-	29,989	-	640,384	30,206
SPWF Loan - Library	382,451	-	17,776	1,739	366,414	17,896
OECD MINET Loan #1	4,430,237	-	127,235	-	4,303,002	138,624
2010 Full Faith & Credit Series A&B (Minet)	7,995,000	-	-	-	7,995,000	130,000
CIP Incentive Fund – Cinema	40,000	-	39,802	(198)	-	-
2007 Urban Renewal Bonds	2,710,000	-	200,000	-	2,510,000	205,000
2010 Civic Center Bond	13,410,000	-	-	-	13,410,000	-
Olsen-Ballfield Property	-	375,000	-	-	375,000	-
Capital lease payable	62,946	-	16,875	(337)	45,734	19,390
	<u>\$ 30,636,007</u>	<u>\$ 375,000</u>	<u>\$ 721,677</u>	<u>\$ 1,204</u>	<u>\$ 30,290,534</u>	<u>\$ 851,116</u>

Enterprise long-term transactions for the year ending June 30, 2012 were as follows:

	<i>Outstanding July 1, 2011</i>	<i>Issued</i>	<i>Payments</i>	<i>Adjustments</i>	<i>Outstanding June 30, 2012</i>	<i>Due Within One Year</i>
Business-type Activities						
2000 Sewer Revenue Bonds	\$ 2,395,374	\$ -	\$ 41,756	\$ 295	\$ 2,353,913	\$ 43,635
2000 Sewer DEQ Loan	382,709	-	39,201	(2,875)	340,633	40,557
1998 Water Revenue Bonds	730,000	-	145,000	-	585,000	105,000
2004 Water Revenue Bonds	1,255,000	-	65,000	-	1,190,000	70,000
2011 SDWRLF	-	386,209	-	-	386,209	14,265
Capital lease payable	62,946	-	16,875	(337)	45,734	19,390
	<u>\$ 4,826,029</u>	<u>\$ 386,209</u>	<u>\$ 307,832</u>	<u>\$ (2,917)</u>	<u>\$ 4,901,489</u>	<u>\$ 292,847</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Governmental activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 851,116	\$ 1,480,498	\$ 2,331,614
2014	1,203,945	1,427,860	2,631,805
2015	896,522	1,379,622	2,276,144
2016	932,710	1,342,502	2,275,212
2017	970,005	1,301,999	2,272,004
2018-2022	5,744,258	5,700,006	11,444,264
2023-2027	5,065,601	4,462,062	9,527,663
2028-2032	5,956,377	3,049,965	9,006,342
2033-2037	5,635,000	1,598,594	7,233,594
2038-2040	3,035,000	252,939	3,287,939
	<u>\$ 30,290,534</u>	<u>\$ 21,996,047</u>	<u>\$ 52,286,581</u>

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 292,847	\$ 218,006	\$ 510,853
2014	302,646	202,895	505,541
2015	302,187	188,763	490,950
2016	310,334	174,241	484,575
2017	324,608	158,039	482,647
2018-2022	984,059	656,802	1,640,861
2023-2027	818,373	433,421	1,251,794
2028-2032	581,405	297,047	878,452
2033-2037	575,707	172,097	747,804
2038-2040	409,323	32,346	441,669
	<u>\$ 4,901,489</u>	<u>\$ 2,533,657</u>	<u>\$ 7,435,146</u>

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, 2012

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%.

During the 2010-11 fiscal year, the City borrowed money from Key Bank to assist refinancing 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 bore interest at 3%, and was due in full in 2011-12.

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 \$51,780. The City is in compliance with reserve balance requirements as of June 30, 2012.

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.

During the current year the City acquired the Olsen-Ballfield property. The debt related to this property includes interest only payments of 7% until 2018 when the principal balance of \$375,000 is due.

Also during the current year, the City borrowed funds from the Safe Drinking Water Revolving Loan Fund (SDWRFL) in the amount of \$451,584 related to the completion of the Water Storage Reservoir. The loan bore interest at 3.07% and is due in full in 2031-32. \$65,375 of the loan was forgiven upon successful completion of the project.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

LONG-TERM DEBT (Continued)

Capital Lease

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 38,779	\$ 3,437	\$ 42,216
2014	40,758	1,458	42,216
2015	11,931	415	12,346
	<u>\$ 91,468</u>	<u>\$ 5,310</u>	<u>\$ 96,778</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 contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City participates in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

PENSION PLAN (Continued)

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2012 were 12.72%, 9.03%, and 11.74%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

The City's contribution to PERS for the fiscal years ending June 30, 2010, 2011, and 2012 were \$354,175, \$324,358, and \$351,647, respectively, which equaled the required contributions for the years.

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers are used to (1) move receipts 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 receipts collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 1,438,918	\$ 1,057,091
Grants	5,451	-
Economic Development	-	20,000
Halo	36,800	23,310
Urban Renewal Projects	1,012,472	-
Street	216,844	10,500
Building Inspection	26,526	-
Transportation SDC	-	16,053
Special Assessment	40,500	-
Park SDC	78,873	-
Urban Renewal Debt Service	622,400	62,472
Water	-	696,657
Water SDC	-	250,147
Sewer	-	620,418
Sewer SDC	-	700,215
Storm Drain	20,550	128,938
Storm Drain SDC	96,723	10,256
	<u>\$ 3,596,057</u>	<u>\$ 3,596,057</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The Proprietary funds paid fees to the General Fund for fiscal year ended June 30, 2012 as follows:

Sewer	\$ 86,249
Water	123,353
Storm	18,888
	<hr/>
	\$ 228,490
	<hr/> <hr/>

The City’s System Development Funds pay overhead to the City’s General Fund. These payments are recorded as disbursements (transfers out) in the SDC funds and receipts (transfers in) in the General Fund. Payments during the fiscal year ended June 30, 2012 are as follows:

Sewer SDC Fund	\$ 215
Transportation SDC Fund	1,053
Water SDC Fund	147
Storm SDC Fund	256
	<hr/>
	\$ 1,671
	<hr/> <hr/>

COMMITMENTS AND 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, 2012 is shown below:

<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	\$ 4,303,002	1.66%	20 years
2010 Revenue Bond	Capital/Infrastructure	7,995,000	4.19-5.84%	30 years

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

CONCENTRATION OF CREDIT RISK (Continued)

Terms of the debt are described in the Long-Term Debt footnote. The terms of the loans to MInet mirror the terms of the debt.

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, 2012, the following funds had deficit fund balances.

Halo	\$	34,659
Urban Renewal Projects		951,308
Transportation SDC		31,389
Water SDC		804
Sewer SDC		18,141

OVEREXPENDITURES OF APPROPRIATIONS

Oregon law prohibits disbursements of a fund in excess of Council approved appropriations. The City Council approves appropriations by department for the general funds and by major object class (personal services, materials and services, capital outlay and debt service) for all other funds.

Disbursements in excess of appropriations in individual funds for the year ended June 30, 2012 occurred as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Administration	\$ 1,037,502	\$ 1,071,165	\$ (33,663)
Court	85,605	85,821	(216)
Parks	148,268	168,011	(19,743)
Economic development	169,024	169,880	(856)
Halo			
Personal services	262,700	268,915	(6,215)
Urban Renewal Projects			
Materials and services	-	3,067	(3,067)
Capital outlay	-	86,221	(86,221)
Street			
Materials and services	121,576	125,485	(3,909)
Water			
Capital outlay	81,350	490,355	(409,005)
Sewer SDC			
Materials and services	23,000	25,290	(2,290)

OVEREXPENDITURES OF APPROPRIATIONS (Continued)

The overexpenditure for the General fund Administration was due to costs associated with flooding. The City Council duly approved emergency authorization to expend the funds. The Water Capital outlay and the General fund Economic Development overexpenditures were due to unbudgeted grants that were received. Council duly authorized the expenditure of these funds. These overexpenditures do not constitute violations of Oregon law.

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 December 28, 2012, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

NEW PRONOUNCEMENTS

The City will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34." This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement is effective for fiscal years beginning after June 15, 2012.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement is effective for fiscal years beginning after December 15, 2011.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement is effective for fiscal years beginning after December 15, 2011.

GASB Statement No. 68 "Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27." The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2012**

	<i>Budgetary funds</i>		<i>Total (reported as General Fund)</i>
	<i>General</i>	<i>Grant Programs</i>	
RECEIPTS			
Taxes and assessments	\$ 1,500,415	\$ -	\$ 1,500,415
Licenses and permits	495,923	-	495,923
Charges for services	88,734	-	88,734
Intergovernmental	395,316	-	395,316
Fines and forfeitures	180,294	-	180,294
Miscellaneous	257,574	-	257,574
<i>Total Receipts</i>	2,918,256	-	2,918,256
DISBURSEMENTS			
Current			
General government	1,071,165	-	1,071,165
Public safety	2,185,628	-	2,185,628
Community development	542,748	-	542,748
Culture and recreation	386,358	-	386,358
<i>Total Disbursements</i>	4,185,899	-	4,185,899
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,267,643)	-	(1,267,643)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,438,918	5,451	1,444,369
Transfers out	(1,057,091)	-	(1,057,091)
<i>Total Other Financing Sources and Uses</i>	381,827	5,451	387,278
NET CHANGE IN FUND BALANCE	(885,816)	5,451	(880,365)
FUND BALANCE (DEFICIT), beginning of year	892,804	(5,451)	887,353
FUND BALANCE (DEFICIT), end of year	\$ 6,988	\$ -	\$ 6,988

CITY OF INDEPENDENCE**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 1,672,800	\$ 1,674,800	\$ 1,500,415	\$ (174,385)
Licenses and permits	1,092,613	673,467	495,923	(177,544)
Charges for services	16,680	95,080	88,734	(6,346)
Intergovernmental	353,778	305,778	395,316	89,538
Fines and forfeitures	-	191,500	180,294	(11,206)
Miscellaneous	249,150	236,100	257,574	21,474
<i>Total Receipts</i>	<u>3,385,021</u>	<u>3,176,725</u>	<u>2,918,256</u>	<u>(258,469)</u>
DISBURSEMENTS				
Current				
Administration	801,501	1,037,502	1,071,165	(33,663)
Court	85,605	85,605	85,821	(216)
Community services	387,809	367,409	351,039	16,370
Parks	201,118	148,268	168,011	(19,743)
Police	2,161,895	2,111,895	2,099,807	12,088
Pool	33,300	51,300	48,467	2,833
Economic development	119,974	169,024	169,880	(856)
Community development	231,398	198,397	191,709	6,688
Debt service				
Principal	307,000	307,000	-	307,000
Interest	666,896	666,896	-	666,896
Contingency	130,896	896	-	896
<i>Total Disbursements</i>	<u>5,127,392</u>	<u>5,144,192</u>	<u>4,185,899</u>	<u>958,293</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,742,371)</u>	<u>(1,967,467)</u>	<u>(1,267,643)</u>	<u>699,824</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,291,306	1,499,602	1,438,918	(60,684)
Transfers out	(392,440)	(392,440)	(1,057,091)	(664,651)
<i>Total Other Financing Sources and Uses</i>	<u>898,866</u>	<u>1,107,162</u>	<u>381,827</u>	<u>(725,335)</u>
NET CHANGE IN FUND BALANCE	<u>(843,505)</u>	<u>(860,305)</u>	<u>(885,816)</u>	<u>(25,511)</u>
FUND BALANCE, beginning of year	<u>843,505</u>	<u>860,305</u>	<u>892,804</u>	<u>32,499</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,988</u>	<u>\$ 6,988</u>

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – GRANT FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,451	5,451
NET CHANGE IN FUND BALANCE	-	-	5,451	5,451
FUND BALANCE (DEFICIT), beginning of year	-	-	(5,451)	(5,451)
FUND BALANCE (DEFICIT), end of year	\$ -	\$ -	\$ -	\$ -

OTHER SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE, OREGON

COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) –

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue		
	Street	Building Inspection	Economic Development
ASSETS			
Cash and investments	\$ 7,881	\$ 35,061	\$ -
Due from other funds	134,894	-	882,462
Taxes receivable	-	-	-
Other receivables	-	-	378,135
<i>Total Assets</i>	<u>\$ 142,775</u>	<u>\$ 35,061</u>	<u>\$ 1,260,597</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ -	\$ 1,685	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	378,135
<i>Total Liabilities</i>	-	1,685	378,135
Fund Balance:			
Restricted for:			
Debt service	-	-	-
Community development	-	-	-
Streets	142,775	-	-
Committed to:			
Community development	-	-	882,462
Assigned	-	33,376	-
Unassigned	-	-	-
<i>Total Fund Balance</i>	<u>142,775</u>	<u>33,376</u>	<u>882,462</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 142,775</u>	<u>\$ 35,061</u>	<u>\$ 1,260,597</u>

<i>Special Revenue</i>	<i>Capital Projects</i>			<i>Debt Service</i>	
<i>Halo</i>	<i>Urban Renewal Projects</i>	<i>Special Assessment</i>	<i>Park SDC</i>	<i>General Obligation Debt Service</i>	<i>Total</i>
\$ -	\$ -	\$ 14,071	\$ 3,879	\$ 90,733	\$ 151,625
-	-	-	-	-	1,017,356
-	-	-	-	30,333	30,333
-	196,971	194,928	19,430	-	789,464
<u>\$ -</u>	<u>\$ 196,971</u>	<u>\$ 208,999</u>	<u>\$ 23,309</u>	<u>\$ 121,066</u>	<u>\$ 1,988,778</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,685
34,659	951,308	-	-	-	985,967
-	196,971	194,928	19,430	30,333	819,797
<u>34,659</u>	<u>1,148,279</u>	<u>194,928</u>	<u>19,430</u>	<u>30,333</u>	<u>1,807,449</u>
-	-	14,071	-	90,733	104,804
-	-	-	3,879	-	3,879
-	-	-	-	-	142,775
-	-	-	-	-	882,462
-	-	-	-	-	33,376
(34,659)	(951,308)	-	-	-	(985,967)
<u>(34,659)</u>	<u>(951,308)</u>	<u>14,071</u>	<u>3,879</u>	<u>90,733</u>	<u>181,329</u>
<u>\$ -</u>	<u>\$ 196,971</u>	<u>\$ 208,999</u>	<u>\$ 23,309</u>	<u>\$ 121,066</u>	<u>\$ 1,988,778</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, 2012**

	<i>Special Revenue</i>		
	<i>Street</i>	<i>Building Inspection</i>	<i>Economic Development</i>
RECEIPTS			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	29,879	-
Intergovernmental	506,138	-	-
Miscellaneous	4,298	-	38,166
<i>Total Receipts</i>	510,436	29,879	38,166
DISBURSEMENTS			
Current			
Transportation	193,479	-	-
Community development	-	116,066	33,315
Debt Service			
Principal	16,875	-	-
Interest	2,474	-	-
Capital outlay	1,759	-	-
<i>Total Disbursements</i>	214,587	116,066	33,315
RECEIPTS OVER (UNDER) DISBURSEMENTS	295,849	(86,187)	4,851
OTHER FINANCING SOURCES (USES)			
Transfers in	216,844	26,526	-
Transfers out	(10,500)	-	(20,000)
<i>Total Other Financing Sources and Uses</i>	206,344	26,526	(20,000)
NET CHANGE IN FUND BALANCE	502,193	(59,661)	(15,149)
FUND BALANCE (DEFICIT), beginning of year	(359,418)	93,037	897,611
FUND BALANCE (DEFICIT), end of year	\$ 142,775	\$ 33,376	\$ 882,462

<i>Special Revenue</i>	<i>Capital Projects</i>			<i>Debt Service</i>	
<i>Halo</i>	<i>Urban Renewal Projects</i>	<i>Special Assessment</i>	<i>Park SDC</i>	<i>General Obligation Debt Service</i>	<i>Total</i>
\$ -	\$ 3,029	\$ 19,201	\$ -	\$ 380,814	\$ 403,044
-	-	-	3,391	-	33,270
370,488	-	-	-	-	876,626
-	1,956	-	-	-	44,420
370,488	4,985	19,201	3,391	380,814	1,357,360
-	-	-	-	-	193,479
268,915	3,067	-	-	-	421,363
112,922	-	29,989	-	307,776	467,562
-	-	32,594	-	53,722	88,790
-	86,221	-	-	-	87,980
381,837	89,288	62,583	-	361,498	1,259,174
(11,349)	(84,303)	(43,382)	3,391	19,316	98,186
36,800	1,012,472	40,500	78,873	-	1,412,015
(23,310)	-	-	-	-	(53,810)
13,490	1,012,472	40,500	78,873	-	1,358,205
2,141	928,169	(2,882)	82,264	19,316	1,456,391
(36,800)	(1,879,477)	16,953	(78,385)	71,417	(1,275,062)
\$ (34,659)	\$ (951,308)	\$ 14,071	\$ 3,879	\$ 90,733	\$ 181,329

CITY OF INDEPENDENCE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – MINET DEBT FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 765,064	\$ 765,064	\$ 765,064	\$ -
DISBURSEMENTS				
Debt service				
Principal	127,235	127,235	127,235	-
Interest	637,829	637,829	637,829	-
<i>Total Disbursements</i>	<u>765,064</u>	<u>765,064</u>	<u>765,064</u>	<u>-</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
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 – TRANSPORTATION SDC FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 43,000	\$ 43,000	\$ -	\$ (43,000)
Licenses and permits	25,000	25,000	35,106	10,106
Miscellaneous	100	100	-	(100)
<i>Total Receipts</i>	68,100	68,100	35,106	(32,994)
DISBURSEMENTS				
Capital outlay	725,203	725,203	701,489	23,714
Contingency	70,000	67,511	-	67,511
<i>Total Disbursements</i>	795,203	792,714	701,489	91,225
RECEIPTS OVER (UNDER) DISBURSEMENTS	(727,103)	(724,614)	(666,383)	58,231
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(17,489)	(16,053)	1,436
NET CHANGE IN FUND BALANCE	(742,103)	(742,103)	(682,436)	59,667
FUND BALANCE, beginning of year	742,103	742,103	651,047	(91,056)
FUND BALANCE (DEFICIT), end of year	\$ -	\$ -	\$ (31,389)	\$ (31,389)

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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 389,459	\$ 389,459	\$ 372,708	\$ (16,751)
Miscellaneous	1,925	1,925	46	(1,879)
<i>Total Receipts</i>	391,384	391,384	372,754	(18,630)
DISBURSEMENTS				
Debt service				
Principal	239,802	239,802	239,802	-
Interest	799,932	799,932	797,029	2,903
<i>Total Disbursements</i>	1,039,734	1,039,734	1,036,831	2,903
RECEIPTS OVER (UNDER) DISBURSEMENTS	(648,350)	(648,350)	(664,077)	(15,727)
OTHER FINANCING SOURCES (USES)				
Transfers in	622,400	622,400	622,400	-
Transfers out	(62,472)	(62,472)	(62,472)	-
<i>Total Other Financing Sources and Uses</i>	559,928	559,928	559,928	-
NET CHANGE IN FUND BALANCE	(88,422)	(88,422)	(104,149)	(15,727)
FUND BALANCE, beginning of year	88,422	88,422	205,413	116,991
FUND BALANCE, end of year	\$ -	\$ -	\$ 101,264	\$ 101,264

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – STREET FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 511,453	\$ 511,453	\$ 506,138	\$ (5,315)
Miscellaneous	200	200	4,298	4,098
<i>Total Receipts</i>	511,653	511,653	510,436	(1,217)
DISBURSEMENTS				
Current				
Personal services	186,261	154,466	67,994	86,472
Materials and services	98,576	121,576	125,485	(3,909)
Debt service				
Principal	12,313	17,755	16,875	880
Interest	-	3,353	2,474	879
Capital outlay	85,000	85,000	1,759	83,241
<i>Total Disbursements</i>	382,150	382,150	214,587	167,563
RECEIPTS OVER (UNDER) DISBURSEMENTS	129,503	129,503	295,849	166,346
OTHER FINANCING SOURCES (USES)				
Transfers in	216,844	216,844	216,844	-
Transfers out	(10,500)	(10,500)	(10,500)	-
<i>Total Other Financing Sources and Uses</i>	206,344	206,344	206,344	-
NET CHANGE IN FUND BALANCE	335,847	335,847	502,193	166,346
FUND BALANCE (DEFICIT), beginning of year	(335,847)	(335,847)	(359,418)	(23,571)
FUND BALANCE, end of year	\$ -	\$ -	\$ 142,775	\$ 142,775

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, 2012**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Licenses and permits	\$ 63,950	\$ 63,950	\$ 29,879	\$ (34,071)
DISBURSEMENTS				
Current				
Personal services	94,619	94,619	94,122	497
Materials and services	7,045	27,045	21,944	5,101
Contingency	72,510	52,510	-	52,510
<i>Total Disbursements</i>	<u>174,174</u>	<u>174,174</u>	<u>116,066</u>	<u>58,108</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(110,224)	(110,224)	(86,187)	24,037
OTHER FINANCING SOURCES (USES)				
Transfers in	26,525	26,525	26,526	1
Transfers out	(13,709)	(13,709)	-	13,709
<i>Total Other Financing Sources and Uses</i>	<u>12,816</u>	<u>12,816</u>	<u>26,526</u>	<u>13,710</u>
NET CHANGE IN FUND BALANCE	(97,408)	(97,408)	(59,661)	37,747
FUND BALANCE, beginning of year	<u>97,408</u>	<u>97,408</u>	<u>93,037</u>	<u>(4,371)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,376</u>	<u>\$ 33,376</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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 143,934	\$ 143,934	\$ 38,166	\$ (105,768)
DISBURSEMENTS				
Current				
Materials and services	605,000	605,000	33,315	571,685
Contingency	462,168	462,168	-	462,168
<i>Total Disbursements</i>	<u>1,067,168</u>	<u>1,067,168</u>	<u>33,315</u>	<u>1,033,853</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(923,234)	(923,234)	4,851	928,085
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(943,234)	(943,234)	(15,149)	928,085
FUND BALANCE, beginning of year	<u>943,234</u>	<u>943,234</u>	<u>897,611</u>	<u>(45,623)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 882,462</u>	<u>\$ 882,462</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL – HALO FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 442,769	\$ 409,326	\$ 370,488	\$ (38,838)
DISBURSEMENTS				
Current				
Personal services	242,565	262,700	268,915	(6,215)
Materials and services	163,204	122,724	112,922	9,802
<i>Total Disbursements</i>	<u>405,769</u>	<u>385,424</u>	<u>381,837</u>	<u>3,587</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	37,000	23,902	(11,349)	(35,251)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	36,800	36,800
Transfers out	(37,000)	(23,902)	(23,310)	592
<i>Total Other Financing Sources and Uses</i>	<u>(37,000)</u>	<u>(23,902)</u>	<u>13,490</u>	<u>37,392</u>
NET CHANGE IN FUND BALANCE	-	-	2,141	2,141
FUND BALANCE (DEFICIT), beginning of year	-	-	(36,800)	(36,800)
FUND BALANCE (DEFICIT), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,659)</u>	<u>\$ (34,659)</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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ -	\$ -	\$ 3,029	\$ 3,029
Miscellaneous	-	-	1,956	1,956
<i>Total Receipts</i>	-	-	4,985	4,985
DISBURSEMENTS				
Current				
Materials and services	-	-	3,067	(3,067)
Capital outlay	-	-	86,221	(86,221)
<i>Total Disbursements</i>	-	-	89,288	(89,288)
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	-	-	(84,303)	(84,303)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,262,472	1,262,472	1,012,472	(250,000)
NET CHANGE IN FUND BALANCE	1,262,472	1,262,472	928,169	(334,303)
FUND BALANCE (DEFICIT), beginning of year	(1,262,472)	(1,262,472)	(1,879,477)	(617,005)
FUND BALANCE (DEFICIT), end of year	\$ -	\$ -	\$ (951,308)	\$ (951,308)

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, 2012**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes and assessments	\$ 20,000	\$ 20,000	\$ 19,201	\$ (799)
DISBURSEMENTS				
Debt service				
Principal	29,989	29,989	29,989	-
Interest	32,594	32,594	32,594	-
Contingency	9,598	9,598	-	9,598
<i>Total Disbursements</i>	<u>72,181</u>	<u>72,181</u>	<u>62,583</u>	<u>9,598</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(52,181)	(52,181)	(43,382)	8,799
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>40,500</u>	<u>40,500</u>	<u>40,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(11,681)	(11,681)	(2,882)	8,799
FUND BALANCE, beginning of year	<u>11,681</u>	<u>11,681</u>	<u>16,953</u>	<u>5,272</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,071</u>	<u>\$ 14,071</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – PARK SDC FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 3,391	\$ (6,609)
Miscellaneous	100	100	-	(100)
<i>Total Receipts</i>	10,100	10,100	3,391	(6,709)
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,100	10,100	3,391	(6,709)
OTHER FINANCING SOURCES (USES)				
Transfers in	78,873	78,873	78,873	-
Proceeds from issuance of debt	4,000	4,000	-	(4,000)
<i>Total Other Financing Sources and Uses</i>	82,873	82,873	78,873	(4,000)
NET CHANGE IN FUND BALANCE	92,973	92,973	82,264	(10,709)
FUND BALANCE (DEFICIT), beginning of year	(92,973)	(92,973)	(78,385)	14,588
FUND BALANCE, end of year	\$ -	\$ -	\$ 3,879	\$ 3,879

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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 361,498	\$ 361,498	\$ 380,814	\$ 19,316
DISBURSEMENTS				
Debt service				
Principal	307,776	307,776	307,776	-
Interest	53,722	53,722	53,722	-
<i>Total Disbursements</i>	<u>361,498</u>	<u>361,498</u>	<u>361,498</u>	<u>-</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	19,316	19,316
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>71,417</u>	<u>71,417</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,733</u>	<u>\$ 90,733</u>

CITY OF INDEPENDENCE, OREGON**COMBINING STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2012**

	<u>Water SDC</u>	<u>Sewer SDC</u>
ASSETS		
Current assets:		
Cash and investments	\$ -	\$ -
Other receivables	90,571	107,855
Capital assets:		
Non-depreciable capital assets	-	-
Depreciable capital assets, net	-	-
	<hr/>	<hr/>
<i>Total Assets</i>	90,571	107,855
LIABILITIES		
Current liabilities:		
Deferred revenue	90,571	107,855
Due to other funds	804	18,141
Long-term liabilities		
Portion due within one year	19,390	-
Portion due in more than one year	26,344	-
	<hr/>	<hr/>
<i>Total Liabilities</i>	137,109	125,996
NET ASSETS:		
Invested in capital assets, net of related debt	(45,734)	-
Restricted for:		
Construction	-	-
Unrestricted	(804)	(18,141)
	<hr/>	<hr/>
<i>Total Net Assets</i>	\$ (46,538)	\$ (18,141)
	<hr/> <hr/>	<hr/> <hr/>

<i>Storm Drain</i>	<i>Storm Drain SDC</i>	<i>Total</i>
\$ 48	\$ 23,975	\$ 24,023
-	9,272	207,698
88,855	-	88,855
843,243	-	843,243
932,146	33,247	1,163,819
-	9,272	207,698
-	-	18,945
-	-	19,390
-	-	26,344
-	9,272	272,377
932,098	-	886,364
-	23,975	23,975
48	-	(18,897)
\$ 932,146	\$ 23,975	\$ 891,442

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, 2012**

	<u>Water SDC</u>	<u>Sewer SDC</u>
OPERATING RECEIPTS		
Charges for services	\$ -	\$ -
Miscellaneous	-	-
<i>Total Operating Receipts</i>	-	-
OPERATING DISBURSEMENTS		
Personal services	-	-
Materials and services	-	25,290
Capital outlay	19,320	-
<i>Total Disbursements</i>	19,320	25,290
OPERATING RECEIPTS OVER (UNDER) OPERATING OPERATING DISBURSEMENTS	(19,320)	(25,290)
NONOPERATING RECEIPTS (DISBURSEMENTS)		
Investment earnings	133	199
Debt service:		
Principal	-	-
Interest	-	-
<i>Total Nonoperating Receipts (Disbursements)</i>	133	199
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(19,187)	(25,091)
Transfers in	-	-
Transfers out	(250,147)	(700,215)
Capital contributions	4,900	7,165
CHANGE IN FUND NET ASSETS	(264,434)	(718,141)
FUND NET ASSETS (DEFICIT), Beginning of year	263,630	700,000
FUND NET ASSETS (DEFICIT), end of year	\$ (804)	\$ (18,141)

<i>Storm Drain</i>	<i>Storm Drain SDC</i>	<i>Total</i>
\$ 240,719	\$ -	\$ 240,719
1,583	-	1,583
242,302	-	242,302
87,728	-	87,728
34,736	-	60,026
1,759	-	21,079
124,223	-	168,833
118,079	-	73,469
-	-	332
(16,875)	-	(16,875)
(2,474)	-	(2,474)
(19,349)	-	(19,349)
98,730	-	54,120
20,550	96,723	117,273
(128,938)	(10,256)	(1,089,556)
-	8,522	20,587
(9,658)	94,989	(897,244)
9,706	(71,014)	902,322
\$ 48	\$ 23,975	\$ 5,078

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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 40,000	\$ 40,000	\$ 4,900	\$ (35,100)
Investment earnings	-	-	133	133
<i>Total Receipts</i>	40,000	40,000	5,033	(34,967)
DISBURSEMENTS				
Capital outlay	70,000	70,000	19,320	50,680
Contingency	71,626	70,497	-	70,497
<i>Total Disbursements</i>	141,626	140,497	19,320	121,177
RECEIPTS OVER (UNDER) DISBURSEMENTS	(101,626)	(100,497)	(14,287)	86,210
OTHER FINANCING SOURCES (USES)				
Transfers out	(400,000)	(401,129)	(250,147)	150,982
NET CHANGE IN FUND BALANCE	(501,626)	(501,626)	(264,434)	237,192
FUND BALANCE, beginning of year	501,626	501,626	263,630	(237,996)
FUND BALANCE (DEFICIT), end of year	\$ -	\$ -	\$ (804)	\$ (804)

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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 50,000	\$ 50,000	\$ 7,165	\$ (42,835)
Investment earnings	-	-	199	199
<i>Total Receipts</i>	50,000	50,000	7,364	(42,636)
DISBURSEMENTS				
Current				
Materials and services	-	23,000	25,290	(2,290)
Contingency	70,018	45,529	-	45,529
<i>Total Disbursements</i>	70,018	68,529	25,290	43,239
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,018)	(18,529)	(17,926)	603
OTHER FINANCING SOURCES (USES)				
Transfers out	(800,000)	(801,489)	(700,215)	101,274
NET CHANGE IN FUND BALANCE	(820,018)	(820,018)	(718,141)	101,877
FUND BALANCE, beginning of year	820,018	820,018	700,000	(120,018)
FUND BALANCE (DEFICIT), end of year	\$ -	\$ -	\$ (18,141)	\$ (18,141)

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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 310,000	\$ 310,000	\$ 240,719	\$ (69,281)
Miscellaneous	500	500	1,583	1,083
<i>Total Receipts</i>	<u>310,500</u>	<u>310,500</u>	<u>242,302</u>	<u>(68,198)</u>
DISBURSEMENTS				
Current				
Personal services	127,029	99,059	87,728	11,331
Materials and services	36,775	38,935	34,736	4,199
Debt service				
Principal	14,072	18,514	16,875	1,639
Interest	-	2,608	2,474	134
Capital outlay	-	1,760	1,759	1
Contingency	48,704	48,704	-	48,704
<i>Total Disbursements</i>	<u>226,580</u>	<u>209,580</u>	<u>143,572</u>	<u>66,008</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>83,920</u>	<u>100,920</u>	<u>98,730</u>	<u>(2,190)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	20,550	20,550
Transfers out	(110,050)	(127,050)	(128,938)	(1,888)
<i>Total Other Financing Sources and Uses</i>	<u>(110,050)</u>	<u>(127,050)</u>	<u>(108,388)</u>	<u>18,662</u>
NET CHANGE IN FUND BALANCE	<u>(26,130)</u>	<u>(26,130)</u>	<u>(9,658)</u>	<u>16,472</u>
FUND BALANCE, beginning of year	<u>26,130</u>	<u>26,130</u>	<u>9,706</u>	<u>(16,424)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 48</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, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 11,000	\$ 11,000	\$ 8,522	\$ (2,478)
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,000	11,000	8,522	(2,478)
OTHER FINANCING SOURCES (USES)				
Transfers in	96,723	96,723	96,723	-
Transfers out	(10,000)	(10,303)	(10,256)	47
<i>Total Other Financing Sources and Uses</i>	<u>86,723</u>	<u>86,420</u>	<u>86,467</u>	<u>47</u>
NET CHANGE IN FUND BALANCE	97,723	97,420	94,989	(2,431)
FUND BALANCE, beginning of year	<u>(97,723)</u>	<u>(97,420)</u>	<u>(71,014)</u>	<u>26,406</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,975</u>	<u>\$ 23,975</u>

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,158,360	\$ 1,158,360	\$ 1,200,288	\$ 41,928
Miscellaneous	2,230	2,230	9,466	7,236
<i>Total Receipts</i>	1,160,590	1,160,590	1,209,754	49,164
DISBURSEMENTS				
Current				
Personal services	257,058	234,058	197,988	36,070
Materials and services	128,811	151,812	139,862	11,950
Debt service				
Principal	301,457	79,646	80,957	(1,311)
Interest	-	121,811	120,500	1,311
Capital outlay	14,350	14,350	-	14,350
Contingency	114,597	27,596	-	27,596
<i>Total Disbursements</i>	816,273	629,273	539,307	89,966
RECEIPTS OVER (UNDER) DISBURSEMENTS	344,317	531,317	670,447	139,130
OTHER FINANCING SOURCES (USES)				
Transfers out	(413,619)	(600,619)	(620,418)	(19,799)
NET CHANGE IN FUND BALANCE	(69,302)	(69,302)	50,029	119,331
FUND BALANCE, beginning of year	270,760	270,760	224,161	(46,599)
FUND BALANCE, end of year	\$ 201,458	\$ 201,458	\$ 274,190	\$ 72,732

CITY OF INDEPENDENCE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$1,823,580	\$1,823,580	\$1,594,084	\$ (229,496)
Intergovernmental	-	-	65,375	65,375
Miscellaneous	10,000	10,000	35,889	25,889
<i>Total Receipts</i>	<u>1,833,580</u>	<u>1,833,580</u>	<u>1,695,348</u>	<u>(138,232)</u>
DISBURSEMENTS				
Current				
Personal services	341,378	306,378	303,913	2,465
Materials and services	194,904	229,904	228,584	1,320
Debt service				
Principal	351,659	209,042	210,000	(958)
Interest	-	106,659	97,736	8,923
Capital outlay	76,351	81,350	490,355	(409,005)
Contingency	93,632	93,632	-	93,632
<i>Total Disbursements</i>	<u>1,057,924</u>	<u>1,026,965</u>	<u>1,330,588</u>	<u>(303,623)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>775,656</u>	<u>806,615</u>	<u>364,760</u>	<u>(441,855)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(573,304)	(688,804)	(696,657)	(7,853)
Proceeds from issuance of debt	-	-	386,209	386,209
<i>Total Other Financing Sources and Uses</i>	<u>(573,304)</u>	<u>(688,804)</u>	<u>(310,448)</u>	<u>378,356</u>
NET CHANGE IN FUND BALANCE	<u>202,352</u>	<u>117,811</u>	<u>54,312</u>	<u>(63,499)</u>
FUND BALANCE, beginning of year	<u>109,649</u>	<u>194,191</u>	<u>370,452</u>	<u>176,261</u>
FUND BALANCE, end of year	<u>\$ 312,001</u>	<u>\$ 312,002</u>	<u>\$ 424,764</u>	<u>\$ 112,762</u>

OTHER SCHEDULES

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2012

<u>Tax Year</u>	<u>2011-2012 Levy</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ 2,321,171	\$ -	\$ (67,196)	\$ (2,149,062)	\$ 104,913
2010-2011	-	102,604	(172)	(43,072)	59,360
2009-2010	-	53,159	(167)	(11,500)	41,492
2008-2009	-	35,963	(198)	(22,820)	12,945
2007-2008	-	8,092	(189)	(5,497)	2,406
2006-2007	-	985	(136)	(363)	486
2005-2006	-	350	(113)	(107)	130
Prior	-	1,940	(828)	(9)	1,103
Total	<u>\$ 2,321,171</u>	<u>\$ 203,093</u>	<u>\$ (68,999)</u>	<u>\$ (2,232,430)</u>	<u>\$ 222,835</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2012

	<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
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
2009 Bond Anticipation Note	5.00%	2009	2010
2010 Civic Center Bond	3%-5%	2010	2040
Olsen-Ballfield Property	7.00%	2011	2017-18
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
2011 SDWRLF	3.07%	2012	2031
Capital Lease		2010	2015
	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Unmatured Interest July 1, 2011</u>
INTEREST TRANSACTIONS			
Governmental Obligations			
2003 GO Refunding Bonds	1.05 - 3.9%	2003	\$ 72,633
SPWF Loan - Hoffman	3.0-5.0%	2003	315,331
SPWF Loan - Library	3.0-5.0%	2003	180,762
Oregon Economic Development Loan #1	1.66%	2005	3,192,984
2010 Full Faith & Credit Series A&B (Minet)	4.19-5.84%	2010	7,134,512
Community Incentive Fund Loan - Cinema	3.00%	2007	2,400
2007 Urban Renewal Bonds	4.75%	2007	768,728
2010 Civic Center Bond	3.0-5.0%	2010	11,690,125
Olsen-Ballfield Property	7.00%	2011	-
Capital Lease		2010	5,129
Enterprise Obligations			
2000 Sewer Revenue Bonds	4.50%	2000	1,934,581
2000 Sewer DEQ Loan	3.43%	2000	61,284
1998 Water Refunding Bonds	3.7-5.1%	1998	106,483
2004 Water Revenue Bonds	1.8-5.375%	2004	508,346
2011 SDWRLF	3.07%	2012	-
Capital Lease		2010	5,129
			<u>\$ 25,978,427</u>

<i>Outstanding July 1, 2011</i>	<i>Issued</i>	<i>Paid</i>	<i>Adjustments</i>	<i>Outstanding June 30, 2012</i>
\$ 935,000	\$ -	\$ 290,000	\$ -	\$ 645,000
670,373	-	29,989	-	640,384
382,451	-	17,776	1,739	366,414
4,430,237	-	127,235	-	4,303,002
7,995,000	-	-	-	7,995,000
40,000	-	39,802	(198)	-
2,710,000	-	200,000	-	2,510,000
-	-	-	-	-
13,410,000	-	-	-	13,410,000
-	375,000	-	-	375,000
62,946	-	16,875	(337)	45,734
2,395,374	-	41,756	295	2,353,913
382,709	-	39,201	(2,875)	340,633
730,000	-	145,000	-	585,000
1,255,000	-	65,000	-	1,190,000
-	386,209	-	-	386,209
62,946	-	16,875	(337)	45,734
<u>\$ 35,462,036</u>	<u>\$ 761,209</u>	<u>\$ 1,029,509</u>	<u>\$ (1,713)</u>	<u>\$ 35,192,023</u>
			<i>Unmatured Interest June 30, 2012</i>	
<i>New Issues</i>	<i>Interest Paid/Refunded</i>	<i>Adjustments</i>		
\$ -	\$ 35,046	\$ -	\$ 37,587	
-	32,594	-	282,737	
-	18,676	-	162,086	
-	247,540	-	2,945,444	
-	390,288	-	6,744,224	
-	1,194	1,206	-	
-	172,988	-	595,740	
-	622,400	-	11,067,725	
157,849	-	-	157,849	
-	2,474	-	2,655	
-	107,805	-	1,826,776	
-	12,695	-	48,589	
-	36,315	-	70,168	
-	61,422	-	446,924	
138,545	-	-	138,545	
-	2,474	-	2,655	
<u>\$ 296,394</u>	<u>\$ 1,743,911</u>	<u>\$ 1,206</u>	<u>\$ 24,529,704</u>	

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2012

Fiscal Year Ending June 30,	2003 Refunding Bonds			SPWF Loan - Hoffman Road		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 645,000</u>	<u>\$ 37,587</u>	<u>\$ 682,587</u>	<u>\$ 640,384</u>	<u>\$ 282,737</u>	<u>\$ 923,121</u>

Fiscal Year Ending June 30,	SPWF Loan - Library			Olsen-Ballfield Property		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 17,896	\$ 17,902	\$ 35,798	\$ -	\$ 45,883	\$ 45,883
2014	18,025	17,106	35,131	-	26,403	26,403
2015	18,163	16,286	34,449	-	26,403	26,403
2016	18,310	15,441	33,751	-	26,403	26,403
2017	18,467	14,572	33,039	-	26,404	26,404
2018	23,632	13,694	37,326	375,000	6,353	381,353
2019	23,808	12,548	36,356	-	-	-
2020	23,995	11,382	35,377	-	-	-
2021	24,190	10,206	34,396	-	-	-
2022	24,400	8,996	33,396	-	-	-
2023	29,620	7,776	37,396	-	-	-
2024	29,851	6,295	36,146	-	-	-
2025	30,093	4,803	34,896	-	-	-
2026	30,348	3,298	33,646	-	-	-
2027	35,616	1,781	37,397	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 366,414</u>	<u>\$ 162,086</u>	<u>\$ 528,500</u>	<u>\$ 375,000</u>	<u>\$ 157,849</u>	<u>\$ 532,849</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2012

Fiscal Year Ending June 30,	2007 Urban Renewal Bonds			OECD MINet Loan		
	Principal	Interest	Total	Principal	Interest	Total
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	6,299	306,299	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	19,558	356,772
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 2,510,000</u>	<u>\$ 595,740</u>	<u>\$ 3,105,740</u>	<u>\$ 4,303,002</u>	<u>\$ 2,945,444</u>	<u>\$ 7,248,446</u>

Fiscal Year Ending June 30,	Minet 2010 Revenue Bond			2010 Civic Center Bond		
	Principal	Interest	Total	Principal	Interest	Total
	2013	\$ 130,000	\$ 390,288	\$ 520,288	\$ -	\$ 622,400
2014	145,000	387,688	532,688	295,000	622,400	917,400
2015	155,000	380,812	535,812	305,000	613,550	918,550
2016	160,000	373,462	533,462	315,000	604,400	919,400
2017	170,000	365,875	535,875	325,000	593,375	918,375
2018	175,000	357,814	532,814	335,000	582,000	917,000
2019	185,000	349,515	534,515	350,000	568,600	918,600
2020	195,000	340,743	535,743	365,000	554,600	919,600
2021	200,000	331,496	531,496	375,000	540,000	915,000
2022	215,000	319,808	534,808	390,000	525,000	915,000
2023	225,000	307,243	532,243	410,000	509,400	919,400
2024	240,000	294,094	534,094	425,000	493,000	918,000
2025	255,000	280,068	535,068	440,000	476,000	916,000
2026	270,000	265,166	535,166	465,000	454,000	919,000
2027	285,000	249,387	534,387	485,000	430,750	915,750
2028	300,000	232,732	532,732	510,000	406,500	916,500
2029	310,000	215,200	525,200	535,000	381,000	916,000
2030	325,000	202,250	527,250	565,000	354,250	919,250
2031	340,000	188,650	528,650	590,000	326,000	916,000
2032	355,000	174,400	529,400	620,000	296,500	916,500
2033	370,000	159,500	529,500	650,000	265,500	915,500
2034	385,000	141,906	526,906	685,000	233,000	918,000
2035	405,000	123,594	528,594	720,000	198,750	918,750
2036	425,000	104,375	529,375	755,000	162,750	917,750
2037	445,000	84,219	529,219	795,000	125,000	920,000
2038	465,000	63,156	528,156	830,000	85,250	915,250
2039	455,000	41,188	496,188	875,000	43,750	918,750
2040	410,000	19,595	429,595	-	-	-
	<u>\$ 7,995,000</u>	<u>\$ 6,744,224</u>	<u>\$ 14,739,224</u>	<u>\$ 13,410,000</u>	<u>\$ 11,067,725</u>	<u>\$ 24,477,725</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2012

Fiscal Year Ending June 30,	Capital Lease			Total Governmental		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 19,390	\$ 1,719	\$ 21,109	\$ 851,116	\$ 1,480,498	\$ 2,331,614
2014	20,379	729	21,108	1,203,945	1,427,860	2,631,805
2015	5,965	207	6,172	896,522	1,379,622	2,276,144
2016	-	-	-	932,710	1,342,502	2,275,212
2017	-	-	-	970,005	1,301,999	2,272,004
2018	-	-	-	1,356,772	1,239,485	2,596,257
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	1,038,418	2,208,608
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	-	-	-	1,118,929	786,600	1,905,529
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	490,458	1,802,672
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>\$ 45,734</u>	<u>\$ 2,655</u>	<u>\$ 48,389</u>	<u>\$ 30,290,534</u>	<u>\$ 21,996,047</u>	<u>\$ 52,286,581</u>

Fiscal Year Ending June 30,	2000 Sewer Revenue Bonds			Sewer DEQ Loan		
	Principal	Interest	Total	Principal	Interest	Total
	2013	\$ 43,635	\$ 105,926	\$ 149,561	\$ 40,557	\$ 11,339
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	25,512	438	25,950
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	141,139	1,408	142,547	-	-	-
	<u>\$ 2,353,913</u>	<u>\$ 1,826,776</u>	<u>\$ 4,180,689</u>	<u>\$ 340,633</u>	<u>\$ 48,589</u>	<u>\$ 389,222</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2012

Fiscal Year Ending June 30,	1998 Water Revenue Bonds			2004 Water Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 105,000	\$ 26,283	\$ 131,283	\$ 70,000	\$ 58,685	\$ 128,685
2014	110,000	21,138	131,138	70,000	55,710	125,710
2015	115,000	14,693	129,693	75,000	52,500	127,500
2016	125,000	8,054	133,054	75,000	48,937	123,937
2017	130,000	-	130,000	80,000	45,062	125,062
2018	-	-	-	85,000	40,937	125,937
2019	-	-	-	90,000	36,562	126,562
2020	-	-	-	95,000	31,937	126,937
2021	-	-	-	100,000	26,875	126,875
2022	-	-	-	105,000	21,366	126,366
2023	-	-	-	110,000	15,588	125,588
2024	-	-	-	115,000	9,541	124,541
2025	-	-	-	120,000	3,224	123,224
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 585,000</u>	<u>\$ 70,168</u>	<u>\$ 655,168</u>	<u>\$ 1,190,000</u>	<u>\$ 446,924</u>	<u>\$ 1,636,924</u>

Fiscal Year Ending June 30,	2011 SDWRLF			Capital Lease		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 14,265	\$ 14,054	\$ 28,319	\$ 19,390	\$ 1,719	\$ 21,109
2014	14,709	11,419	26,128	20,379	729	21,108
2015	15,161	10,967	26,128	5,965	207	6,172
2016	15,626	10,502	26,128	-	-	-
2017	16,106	10,022	26,128	-	-	-
2018	16,600	9,528	26,128	-	-	-
2019	17,110	9,018	26,128	-	-	-
2020	17,635	8,493	26,128	-	-	-
2021	18,176	7,951	26,127	-	-	-
2022	18,734	7,393	26,127	-	-	-
2023	19,310	6,818	26,128	-	-	-
2024	19,902	6,225	26,127	-	-	-
2025	20,513	5,614	26,127	-	-	-
2026	21,143	4,985	26,128	-	-	-
2027	21,792	4,335	26,127	-	-	-
2028	22,461	3,666	26,127	-	-	-
2029	23,151	2,977	26,128	-	-	-
2030	23,862	2,266	26,128	-	-	-
2031	24,594	1,534	26,128	-	-	-
2032	25,359	778	26,137	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 386,209</u>	<u>\$ 138,545</u>	<u>\$ 524,754</u>	<u>\$ 45,734</u>	<u>\$ 2,655</u>	<u>\$ 48,389</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2012

Fiscal Year Ending June 30,	Total Business-Type		
	Principal	Interest	Total
2013	\$ 292,847	\$ 218,006	\$ 510,853
2014	302,646	202,895	505,541
2015	302,187	188,763	490,950
2016	310,334	174,241	484,575
2017	324,608	158,039	482,647
2018	204,052	149,470	353,522
2019	213,671	140,476	354,147
2020	197,528	131,048	328,576
2021	180,229	122,334	302,563
2022	188,579	113,474	302,053
2023	197,073	104,203	301,276
2024	205,715	94,514	300,229
2025	214,512	84,400	298,912
2026	98,472	77,217	175,689
2027	102,601	73,087	175,688
2028	106,907	68,781	175,688
2029	111,397	64,292	175,689
2030	116,079	59,610	175,689
2031	120,960	54,728	175,688
2032	126,062	49,636	175,698
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	141,139	1,408	142,547
	<u>\$ 4,901,489</u>	<u>\$ 2,533,657</u>	<u>\$ 7,435,146</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 7
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, 2012, and have issued our report thereon dated December 28, 2012. 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

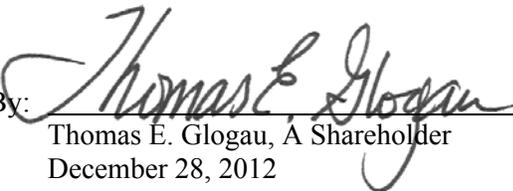
In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 charged 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. We issued a separate letter dated December 28, 2012 on control deficiencies that we consider to be material weaknesses.

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: 
Thomas E. Glogau, A Shareholder
December 28, 2012