



**CITY OF INDEPENDENCE,
OREGON**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY OF INDEPENDENCE, OREGON
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INTRODUCTORY SECTION

CITY OF INDEPENDENCE
CITY OFFICIALS
June 30, 2013

MAYOR

John McArdle
675 Monmouth Street
Independence, Oregon 97351

CITY COUNCIL MEMBERS

Forrest Peck
727 Luscombe Street
Independence, Oregon 97351

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

Marilyn Morton
1312 B Street
Independence, Oregon 97351

Tom Takacs
386 Monmouth Street
Independence, Oregon 97351

Nancy Lodge
1220 D Street
Independence, Oregon 97351

Jerry Hoffman
1302 B Street
Independence, Oregon 97351

CITY ADMINISTRATION

David Clyne, City Manager

Vern Wells, Chief of Police

Gloria Butsch, Accounting Manager

Mike Danko, Community Development Director/
Public Works Director

Karin Johnson, City Recorder

Ken Perkins, Public Works Supervisor

Robin Puccetti, Community Services Director

Carolyn Connelly, City Attorney

Shawn Irvine, Economic Development Director

555 South Main
P.O. Box 7
Independence, Oregon 97351
503-838-1312

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Independence
Independence, Oregon

We have audited the accompanying 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 (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1 H; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with basis of accounting described in Note 1 H.

Basis of Accounting

We draw attention to Note 1 H of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

The City has borrowed from Oregon Economic Community Development Department 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 these loans. The amount borrowed and passed through to MINET at June 30, 2013 was \$12,029,378 which is the amount of the receivable from MINET. City considers the receivable fully collectible. MINET has incurred losses from operations since inception in 2006.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the City adopted the new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and were derived from and relate directly to the underlying accounting and other

records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects in relation to the basic financial statements as a whole.

We have applied certain limited procedures to the management discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Other Reporting Required by *Government Auditing Standards* and Oregon Revised Statutes

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 6, 2013, on our consideration of the City's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.



Merina & Company, LLP
West Linn, Oregon
December 6, 2013

**CITY OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013.

FINANCIAL HIGHLIGHTS

	June 30,		
	2013	2012	Change
Net position	14,847,158	13,992,158	855,000
Governmental net position	7,592,789	6,480,964	1,111,825
Proprietary net position	7,254,369	7,511,194	(256,825)

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 Position (Modified Cash Basis)*. The *statement of net position (modified cash basis)* presents information on all of the assets and liabilities of the City as of the date on the statement. Net position are what remain after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position 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 position of the City changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce net position. All changes in net position are reported as soon as funds are received or paid. Thus, revenues and expenditures 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 revenues.

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

Governmental Funds The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Proprietary Funds Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position 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. The Proprietary funds report charges to customers for services provided and the cost of those services.

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 Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information* including combining statements, schedules of revenues, expenditures and changes in fund balance-budget and actual for all funds, and a schedule for property tax transactions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows by \$14,847,158 as of June 30, 2013.

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

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

Unrestricted net position is available for general operations of the City.

Statement of Net Position (Modified Cash Basis)
June 30,

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 770,233	\$ 319,590	\$ 1,089,823	\$ 345,430	\$ 845,138	\$ 1,190,568
Other Assets	12,799,154	1,516,467	14,315,621	13,513,410	207,698	13,721,108
Non-depreciable Capital Assets	2,722,279	201,804	2,924,083	1,448,870	201,804	1,650,674
Depreciable Capital Assets, net	<u>21,982,708</u>	<u>11,156,720</u>	<u>33,139,428</u>	<u>22,766,434</u>	<u>11,506,847</u>	<u>34,273,281</u>
Total Assets	<u>38,274,374</u>	<u>13,194,581</u>	<u>51,468,955</u>	<u>38,074,144</u>	<u>12,761,487</u>	<u>50,835,631</u>
Liabilities	3,479	-	3,479	1,298,948	207,698	1,506,646
Deposits	1,632	158,842	160,474	3,698	141,106	144,804
Long-term Liabilities			-			
Portion due within one year	1,203,945	215,088	1,419,033	851,116	292,847	1,143,963
Portion due in more than one year	<u>28,235,473</u>	<u>4,517,659</u>	<u>32,753,132</u>	<u>29,439,418</u>	<u>4,608,642</u>	<u>34,048,060</u>
Total Liabilities	<u>29,444,529</u>	<u>4,891,589</u>	<u>34,336,118</u>	<u>31,593,180</u>	<u>5,250,293</u>	<u>36,843,473</u>
Deferred Inflow of Resources	<u>1,237,056</u>	<u>1,048,623</u>	<u>2,285,679</u>	-	-	-
Net Position:						
Net Investment in Capital Assets	7,294,947	6,625,777	13,920,724	6,222,772	6,807,162	13,029,934
Restricted	189,138	284,770	473,908	386,098	75,755	461,853
Unrestricted	<u>108,704</u>	<u>343,822</u>	<u>452,526</u>	<u>(127,906)</u>	<u>628,277</u>	<u>500,371</u>
Total Net Position	<u>\$ 7,592,789</u>	<u>\$ 7,254,369</u>	<u>\$ 14,847,158</u>	<u>\$ 6,480,964</u>	<u>\$ 7,511,194</u>	<u>\$ 13,992,158</u>

Statement of Activities The City's net position increased by \$855,000 during the current fiscal year. The key elements of the change in the City's net position for the year ended June 30, 2013 are as follows:

- Capital grants were \$549,874 more than the previous year
- Operating grants decreased by only \$14,564 over the prior year
- Charges for services government-wide increased by \$492,350 over the previous year.
- Miscellaneous revenues were \$125,622 less than the previous year
- Expenditures for general government decreased by \$1,036,620 and increased for business activities by only \$87,871
- Proceeds from issuance of debt were \$386,209 less than the previous year.

Statement of Activities (Modified Cash Basis)

	2013			2012		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Receipts						
Charges for Services	\$ 1,009,104	\$ 3,522,844	\$ 4,531,948	\$ 1,004,507	\$ 3,035,091	\$ 4,039,598
Operating Grants	689,067	-	689,067	703,631	-	703,631
Capital Grants	685,210	16,720	701,930	66,094	85,962	152,056
General Receipts						
Property Taxes & Assessments	2,346,532	-	2,346,532	2,251,861	-	2,251,861
Lodging Taxes	1,379	-	1,379	2,077	-	2,077
Franchise Taxes	542,630	-	542,630	468,450	-	468,450
Public Service Taxes	893,622	-	893,622	718,115	-	718,115
Miscellaneous	149,687	-	-	233,808	-	-
Proceeds from Issuance of Debt	-	-	-	-	386,209	386,209
Interest	5,137	632	5,769	-	47,270	47,270
Total Revenues	6,322,368	3,540,196	9,712,877	5,448,543	3,554,532	9,003,075
Expenditures						
General Government	1,206,797	-	1,206,797	1,432,755	-	1,432,755
Public Safety	2,233,640	-	2,233,640	2,185,628	-	2,185,628
Transportation	200,845	-	200,845	916,075	-	916,075
Community Development	1,789,060	-	1,789,060	2,104,561	-	2,104,561
Culture and Recreation	632,274	-	632,274	585,293	-	585,293
Unallocated Interest on Long-term Debt	849,221	-	849,221	724,145	-	724,145
Water	-	1,097,348	1,097,348	-	1,349,908	1,349,908
Sewer	-	852,976	852,976	-	539,307	539,307
Storm	-	195,624	195,624	-	168,862	168,862
Total Expenditures	6,911,837	2,145,948	9,057,785	7,948,457	2,058,077	10,006,534
Transfers	1,651,073	(1,651,073)	-	2,289,358	(2,289,358)	-
Change in Fund Balances	-	-	-	(210,559)	(792,903)	(1,003,462)
Change in Reporting Standards	-	-	-	143,605	1,983	145,588
Change in Net Position	1,061,604	(256,825)	804,779	(66,954)	(790,920)	(857,874)
Net Position beginning of year	6,480,964	7,511,194	13,992,158	6,547,918	8,302,114	14,850,032
Prior Period Adjustment	50,221	-	50,221	-	-	-
Net Position end of year	<u>\$ 7,592,789</u>	<u>\$ 7,254,369</u>	<u>\$ 14,847,158</u>	<u>\$ 6,480,964</u>	<u>\$ 7,511,194</u>	<u>\$ 13,992,158</u>

Governmental activities

The cost for all governmental activities was \$6,911,837 for the year ended June 30, 2013. The amount that our taxpayers paid was \$2,346,532 through property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$1,009,104 or 15%.

Net position of the governmental-type activities increased by \$1,061,604 during the fiscal year ended June 30, 2013.

Business-type activities

As shown in the Statement of Activities, the City's net position of the business-type activities decreased from \$7,511,194 to \$7,254,369 during the year.

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

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 \$297,842 at June 30, 2013, an increase of \$39,650 from the previous year. The General Fund had an increase of \$472,260 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 \$437,034 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. Unassigned fund balance represents 10% 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 position balance is net investment in capital assets. The unrestricted net position (available for current disbursements) for the Water Operations was \$14,130 at year end. The unrestricted net position for Sewer was \$301,908 at year end. For the Storm Drain the unrestricted net position was \$27,784.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Independence's capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$36,063,511 (net of accumulated depreciation), a net increase of 139,556. Capital assets include land, buildings, distribution systems (water, sanitary sewer, and storm drain), major 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:

- Completion of a new boat ramp facility
- Purchase of an excavator
- Implementation of a software program for the police department
- Sewer lift station at the Civic Center
- Work in progress to convert the financial software

Most of the financing for these projects and purchases came from various grants, including state and federal grants.

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,823,870	\$ 1,448,870	\$ 201,804	\$ 201,804	\$ 2,025,674	\$ 1,650,674
Work in Progress	898,409	-	-	-	898,409	-
Intangibles	54,136	-	-	-	54,136	-
Buildings	15,562,899	15,562,899	917,071	917,071	16,479,970	16,479,970
Equipment & Vehicles	1,257,673	1,231,203	1,029,771	956,713	2,287,444	2,187,916
Infrastructure	17,039,918	17,039,918	-	-	17,039,918	17,039,918
Water and Sewer Systems	-	-	17,356,199	17,356,199	17,356,199	17,356,199
	<u>36,636,905</u>	<u>35,282,890</u>	<u>19,504,845</u>	<u>19,431,787</u>	<u>56,141,750</u>	<u>54,714,677</u>
Less:						
Accumulated Depreciation	<u>(11,931,918)</u>	<u>(11,067,586)</u>	<u>(8,146,321)</u>	<u>(7,723,136)</u>	<u>(20,078,239)</u>	<u>(18,790,722)</u>
Net Capital Assets	<u>\$ 24,704,987</u>	<u>\$ 24,215,304</u>	<u>\$ 11,358,524</u>	<u>\$ 11,708,651</u>	<u>\$ 36,063,511</u>	<u>\$ 35,923,955</u>

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

Debt Administration

The City had total debt outstanding of \$34,172,165 at the end of the current fiscal year.

The City's total debt decreased by \$1,019,858 during the year. During the year the City refinanced the two Sewer Revenue Bonds into one for significant near-term savings and savings for the life of the debt with reduced interest costs.

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.

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 335,000	\$ 645,000	\$ -	\$ -	\$ 335,000	\$ 645,000
Full Faith & Credit Obligations	21,275,000	21,405,000	-	-	21,275,000	21,405,000
Urban Renewal Bonds	2,305,000	2,510,000	-	-	2,305,000	2,510,000
Notes	5,498,074	5,684,800	371,944	340,633	5,870,018	6,025,433
Water Revenue Bonds	-	-	1,600,000	1,775,000	1,600,000	1,775,000
Sewer Revenue Bonds	-	-	2,734,459	2,740,122	2,734,459	2,740,122
Capital Leases	<u>26,344</u>	<u>45,734</u>	<u>26,344</u>	<u>45,734</u>	<u>52,688</u>	<u>91,468</u>
	<u>\$ 29,439,418</u>	<u>\$ 30,290,534</u>	<u>\$ 4,732,747</u>	<u>\$ 4,901,489</u>	<u>\$ 34,172,165</u>	<u>\$ 35,192,023</u>

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

BUDGETARY HIGHLIGHTS

There was one supplemental budget which resulted in changes to the original budget for the Transportation SDC Fund, Economic Development Loan Fund, and the Water Fund. An amended budget approved adjustments to the General Fund, Building Inspection Fund, Transportation Fund, Tourism and Events Fund, Sewer Fund, Storm Drain Fund and the Storm SDC Fund.

Economic Factors and Next Year's Budget

In May 2013 voters approved to extend the GO Bond rate that would end in 2014/15 and also approved an additional \$0.25 per 1,000 to refund (refinance) a major portion of the city's debt obligations. The result of this refinancing allows the city to maintain the current level of services provided to our citizens.

The City's Budget Committee considered all the following factors while preparing the budget for the 2013-14 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

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements

- Fund Financial Statements
 - Governmental Funds

 - Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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CITY OF INDEPENDENCE, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 770,233	\$ 319,590	\$ 1,089,823
Accounts receivable, net	-	410,729	410,729
Property taxes receivable	214,040	-	214,040
Internal balances	(467,389)	467,389	-
Other receivables	109	455	564
	<u>516,993</u>	<u>1,198,163</u>	<u>1,715,156</u>
Total current assets			
Noncurrent assets			
Assessments receivable	185,781	-	185,781
Notes receivable	12,866,613	637,894	13,504,507
Capital assets:			
Nondepreciable capital assets	2,722,279	201,804	2,924,083
Depreciable capital assets, net	21,982,708	11,156,720	33,139,428
	<u>37,757,381</u>	<u>11,996,418</u>	<u>49,753,799</u>
Total noncurrent assets			
	<u>\$ 38,274,374</u>	<u>\$ 13,194,581</u>	<u>\$ 51,468,955</u>
LIABILITIES			
Current liabilities			
Payroll withholdings	\$ 3,479	\$ -	\$ 3,479
Deposits	1,632	158,842	160,474
Current portion of long-term debt	1,203,945	215,088	1,419,033
	<u>1,209,056</u>	<u>373,930</u>	<u>1,582,986</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of long-term obligations	28,235,473	4,517,659	32,753,132
	<u>28,235,473</u>	<u>4,517,659</u>	<u>32,753,132</u>
Total noncurrent liabilities			
	<u>29,444,529</u>	<u>4,891,589</u>	<u>34,336,118</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue- property taxes	214,040	-	214,040
Unavailable revenue- assessments	185,781	-	185,781
Unavailable revenue- utility revenues	-	410,729	410,729
Unavailable revenue- notes receivable	837,235	637,894	1,475,129
	<u>1,237,056</u>	<u>1,048,623</u>	<u>2,285,679</u>
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	7,294,947	6,625,777	13,920,724
Restricted for:			
System development	-	25,908	25,908
Debt service	112,937	258,862	371,799
State statute	76,201	-	76,201
Unrestricted	108,704	343,822	452,526
	<u>7,592,789</u>	<u>7,254,369</u>	<u>14,847,158</u>
Total net position			
Total liabilities, deferred inflows of resources, and net position	<u>\$ 38,274,374</u>	<u>\$ 13,194,581</u>	<u>\$ 51,468,955</u>

CITY OF INDEPENDENCE, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,206,797	\$ 48,379	\$ 29,890	\$ -
Public safety	2,233,640	191,118	190,890	-
Highways and streets	200,845	7,112	53,335	597,710
Culture and recreation	632,274	88,237	51,176	-
Community development	1,789,060	674,258	363,776	87,500
Unallocated interest on long-term debt	849,221	-	-	-
Total governmental activities	6,911,837	1,009,104	689,067	685,210
Business type activities:				
Water Operations	1,097,348	1,836,048	-	2,686
Sewer Operations	852,976	1,357,438	-	7,470
Storm Drain Operations	195,624	329,358	-	6,564
Total business type activities	2,145,948	3,522,844	-	16,720
Total activities	\$ 9,057,785	\$ 4,531,948	\$ 689,067	\$ 701,930

General revenues:

Taxes:

- Property taxes
- Franchise fees
- Lodging taxes
- Public service taxes

Miscellaneous

- Interfund loan proceeds (payments)
- Interest on investments
- Transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

Net (Expenses) Revenues and
Change in Net Position

Governmental Activities	Business Type Activities	Total
\$ (1,128,528)	\$ -	\$ (1,128,528)
(1,851,632)	-	(1,851,632)
457,312	-	457,312
(492,861)	-	(492,861)
(663,526)	-	(663,526)
(849,221)	-	(849,221)
<u>(4,528,456)</u>	<u>-</u>	<u>(4,528,456)</u>
-	741,386	741,386
-	511,932	511,932
-	140,298	140,298
<u>-</u>	<u>1,393,616</u>	<u>1,393,616</u>
<u>(4,528,456)</u>	<u>1,393,616</u>	<u>(3,134,840)</u>
2,346,532	-	2,346,532
542,630	-	542,630
1,379	-	1,379
893,622	-	893,622
149,687	-	149,687
(254,450)	254,450	-
5,137	632	5,769
1,905,523	(1,905,523)	-
<u>5,590,060</u>	<u>(1,650,441)</u>	<u>3,939,619</u>
<u>1,061,604</u>	<u>(256,825)</u>	<u>804,779</u>
6,480,964	7,511,194	13,992,158
50,221	-	50,221
<u>\$ 7,592,789</u>	<u>\$ 7,254,369</u>	<u>\$ 14,847,158</u>

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund Generally Accepted Accounting Principles

The General Fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenues are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures 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 revenues from MINET that pass through for servicing of MINET-related debt incurred by the City for MINET infrastructure and capital projects.

Urban Renewal Debt Service Fund

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

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CITY OF INDEPENDENCE, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
June 30, 2013

	General Fund Generally Accepted Accounting Principles	Transportation SDC Fund	MINET Debt Fund	Urban Renewal Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 450,317	\$ 2,118	\$ -	\$ 21,852
Property taxes receivable	144,141	-	-	36,088
Assessments receivable	-	-	-	-
Notes receivable	-	261,747	12,029,378	-
Due from other funds	32,824	-	-	-
Other receivables	109	-	-	-
	<u>627,391</u>	<u>263,865</u>	<u>12,029,378</u>	<u>57,940</u>
Total assets	<u>\$ 627,391</u>	<u>\$ 263,865</u>	<u>\$ 12,029,378</u>	<u>\$ 57,940</u>
LIABILITIES				
Payroll withholdings	\$ 3,479	\$ -	\$ -	\$ -
Deposits	523	-	-	-
Due to other funds	-	-	-	-
	<u>4,002</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,002</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- property taxes	144,141	-	-	36,088
Unavailable revenue- assessments	-	-	-	-
Unavailable revenue- notes receivable	-	261,747	12,029,378	-
	<u>144,141</u>	<u>261,747</u>	<u>12,029,378</u>	<u>36,088</u>
Total deferred inflows of resources	<u>144,141</u>	<u>261,747</u>	<u>12,029,378</u>	<u>36,088</u>
FUND BALANCES				
Restricted for:				
Debt service	-	-	-	21,852
State statute	-	2,118	-	-
Assigned:				
Building inspections	-	-	-	-
Special events	-	-	-	-
Community development	-	-	-	-
Capital projects	42,214	-	-	-
Unassigned	437,034	-	-	-
	<u>479,248</u>	<u>2,118</u>	<u>-</u>	<u>21,852</u>
Total fund balance	<u>479,248</u>	<u>2,118</u>	<u>-</u>	<u>21,852</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 627,391</u>	<u>\$ 263,865</u>	<u>\$ 12,029,378</u>	<u>\$ 57,940</u>

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental funds

<u>Other</u> <u>Governmental</u>	<u>Total</u> <u>Governmental</u>
\$ 295,946	\$ 770,233
33,811	214,040
185,781	185,781
575,488	12,866,613
300,000	332,824
-	109
\$ 1,391,026	\$ 14,369,600
\$ -	\$ 3,479
1,109	1,632
800,213	800,213
801,322	805,324
33,811	214,040
185,781	185,781
575,488	12,866,613
795,080	13,266,434
91,085	112,937
74,083	76,201
5,705	5,705
7,793	7,793
368,729	368,729
46,942	89,156
(799,713)	(362,679)
(205,376)	297,842
\$ 1,391,026	
	24,704,987
	(29,439,418)
	\$ 7,592,789

CITY OF INDEPENDENCE, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund Generally Accepted Accounting Principles	Transportation SDC Fund	MINET Debt Fund
REVENUES			
Property Taxes	\$ 1,577,579	\$ -	\$ -
Lodging taxes	1,379	-	-
Franchise fees	542,630	-	-
Intergovernmental	243,750	-	899,901
Licenses and permits	22,853	3,231	-
Charges for service	87,298	-	-
Fines and forfeitures	174,994	-	-
Grants	186,704	548,574	-
Special assessments	-	-	-
Royalties	-	-	-
Rents	26,328	-	-
Interest	5,086	-	-
Miscellaneous	298,913	-	-
	<u>3,167,514</u>	<u>551,805</u>	<u>899,901</u>
EXPENDITURES			
General government	940,564	26,788	-
Public safety	2,233,640	-	-
Highways and streets	-	-	-
Culture and recreation	512,500	-	-
Community development	367,859	-	-
Capital outlay	175,272	877,965	-
Debt service:			
Principal	-	-	268,624
Interest	-	45,883	631,277
	<u>4,229,835</u>	<u>950,636</u>	<u>899,901</u>
Total expenditures			
Revenues over (under) expenditures	(1,062,321)	(398,831)	-
OTHER FINANCING SOURCES (USES)			
Interfund loan proceeds (payments)	(6,900)	265,500	-
Transfers in	2,198,660	182,000	-
Transfers out	(707,400)	(15,162)	-
	<u>1,484,360</u>	<u>432,338</u>	<u>-</u>
Total other financing sources (uses)			
Net changes in fund balances	422,039	33,507	-
FUND BALANCES, BEGINNING	6,988	(31,389)	-
PRIOR PERIOD ADJUSTMENT	<u>50,221</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 479,248</u>	<u>\$ 2,118</u>	<u>\$ -</u>

Urban Renewal Debt Service Fund	Other Governmental	Total Governmental
\$ 410,148	\$ 358,805	\$ 2,346,532
-	-	1,379
-	-	542,630
-	1,013,646	2,157,297
-	19,951	46,035
-	3,881	91,179
-	-	174,994
-	-	735,278
-	18,875	18,875
-	20,416	20,416
-	-	26,328
51	-	5,137
-	125,999	424,912
<u>410,199</u>	<u>1,561,573</u>	<u>6,590,992</u>
250	-	967,602
-	-	2,233,640
-	188,691	188,691
-	119,774	632,274
-	464,661	832,520
-	13,058	1,066,295
205,000	377,492	851,116
<u>727,822</u>	<u>75,516</u>	<u>1,480,498</u>
<u>933,072</u>	<u>1,239,192</u>	<u>8,252,636</u>
(522,873)	322,381	(1,661,644)
-	(513,050)	(254,450)
622,400	351,255	3,354,315
<u>(178,939)</u>	<u>(547,291)</u>	<u>(1,448,792)</u>
<u>443,461</u>	<u>(709,086)</u>	<u>1,651,073</u>
(79,412)	(386,705)	(10,571)
101,264	181,329	258,192
-	-	50,221
<u>\$ 21,852</u>	<u>\$ (205,376)</u>	<u>\$ 297,842</u>

CITY OF INDEPENDENCE, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ (10,571)

The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. 489,683

Some revenues reported in the statement of activities do not provide current financial resources in the governmental funds. (268,624)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeded repayments. 851,116

Change in net position of governmental activities \$ 1,061,604

FUND FINANCIAL STATEMENTS

Proprietary Funds

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent three segments of operations – Water, Sewer, and Storm Drain. Included in these segments are:

Water Operations

Water Fund

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

Water SDC

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

Sewer Operations

Sewer Fund

This fund is used to account for the operations of the City's sewer utility. Primary revenues are charges to users of the sewer system and interest on invested funds.

Sewer SDC

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

Storm Drain Operations

Storm Drain Fund

This fund accounts for storm drain operations, maintenance and capital system improvements. Revenues are charges to users of the system.

Storm Drain SDC

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

For Generally Accepted Accounting Principles purposes, these aforementioned funds are consolidated and included as three separate enterprises funds.

CITY OF INDEPENDENCE, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)-PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Drain Operations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 165,249	\$ 113,123	\$ 41,218	\$ 319,590
Accounts receivable	230,951	144,650	35,128	410,729
Due from other funds	267,389	200,000	-	467,389
Other receivables	-	455	-	455
Total current assets	<u>663,589</u>	<u>458,228</u>	<u>76,346</u>	<u>1,198,163</u>
Noncurrent assets:				
Notes receivable	483,038	142,443	12,413	637,894
Non-depreciable capital assets	112,949	-	88,855	201,804
Depreciable capital assets, net	<u>4,905,797</u>	<u>5,433,214</u>	<u>817,709</u>	<u>11,156,720</u>
Total noncurrent assets	<u>5,501,784</u>	<u>5,575,657</u>	<u>918,977</u>	<u>11,996,418</u>
Total assets	<u>\$ 6,165,373</u>	<u>\$ 6,033,885</u>	<u>\$ 995,323</u>	<u>\$ 13,194,581</u>
LIABILITIES				
Current liabilities				
Deposits	\$ 158,842	\$ -	\$ -	\$ 158,842
Current portion of long-term debt	<u>194,709</u>	<u>-</u>	<u>20,379</u>	<u>215,088</u>
Total current liabilities	<u>353,551</u>	<u>-</u>	<u>20,379</u>	<u>373,930</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	<u>1,777,235</u>	<u>2,734,459</u>	<u>5,965</u>	<u>4,517,659</u>
Total liabilities	<u>2,130,786</u>	<u>2,734,459</u>	<u>26,344</u>	<u>4,891,589</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- utility revenues	230,951	144,650	35,128	410,729
Unavailable revenue- notes receivable	<u>483,038</u>	<u>142,443</u>	<u>12,413</u>	<u>637,894</u>
Total deferred inflows of resources	<u>713,989</u>	<u>287,093</u>	<u>47,541</u>	<u>1,048,623</u>
NET POSITION				
Net investment in capital assets	3,046,802	2,698,755	880,220	6,625,777
Restricted for:				
System development	804	11,670	13,434	25,908
Debt service	258,862	-	-	258,862
Unrestricted	<u>14,130</u>	<u>301,908</u>	<u>27,784</u>	<u>343,822</u>
Total net position	<u>3,320,598</u>	<u>3,012,333</u>	<u>921,438</u>	<u>7,254,369</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,165,373</u>	<u>\$ 6,033,885</u>	<u>\$ 995,323</u>	<u>\$ 13,194,581</u>

CITY OF INDEPENDENCE, OREGON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION (MODIFIED CASH BASIS)-PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Drain Operations	Total
OPERATING REVENUES				
Charges for services	\$ 1,796,743	\$ 1,339,125	\$ 326,522	\$ 3,462,390
Miscellaneous	39,305	18,313	2,836	60,454
Total operating revenues	<u>1,836,048</u>	<u>1,357,438</u>	<u>329,358</u>	<u>3,522,844</u>
OPERATING EXPENSES				
Personal services	266,957	230,087	100,109	597,153
Materials and services	176,017	206,945	68,262	451,224
Depreciation	188,066	209,584	25,535	423,185
Total operating expenses	<u>631,040</u>	<u>646,616</u>	<u>193,906</u>	<u>1,471,562</u>
Operating revenues over (under) operating expenses	1,205,008	710,822	135,452	2,051,282
NON-OPERATING INCOME (EXPENSE)				
Interest income	203	429	-	632
Interest expense	(102,022)	(127,917)	(1,718)	(231,657)
System development charges	2,686	7,470	6,564	16,720
Interfund loan proceeds (payments)	100,000	30,700	123,750	254,450
Loan to MINET	(364,286)	-	-	(364,286)
Bond costs	-	(78,443)	-	(78,443)
Total non-operating revenues (expenses)	<u>(363,419)</u>	<u>(167,761)</u>	<u>128,596</u>	<u>(402,584)</u>
Net income (loss) before operating transfers	841,589	543,061	264,048	1,648,698
OPERATING TRANSFERS				
Transfers in (out)	<u>(927,496)</u>	<u>(725,029)</u>	<u>(252,998)</u>	<u>(1,905,523)</u>
Change in net position	(85,907)	(181,968)	11,050	(256,825)
NET POSITION, BEGINNING	<u>3,406,505</u>	<u>3,194,301</u>	<u>910,388</u>	<u>7,511,194</u>
NET POSITION, ENDING	<u>\$ 3,320,598</u>	<u>\$ 3,012,333</u>	<u>\$ 921,438</u>	<u>\$ 7,254,369</u>

CITY OF INDEPENDENCE, OREGON
STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS)- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Drain Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,853,784	\$ 1,356,983	\$ 329,358	\$ 3,540,125
Cash paid to employees and others for salaries and benefits	(266,957)	(230,087)	(100,109)	(597,153)
Cash paid to suppliers and others	(176,017)	(206,945)	(68,262)	(451,224)
Net cash provided (used) by operating activities	<u>1,410,810</u>	<u>919,951</u>	<u>160,987</u>	<u>2,491,748</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Payment from (to) other funds	(1,094,885)	(894,329)	(129,248)	(2,118,462)
Loan to MINET	(364,286)	-	-	(364,286)
Net cash provided (used) by non-capital financing activities	<u>(1,459,171)</u>	<u>(894,329)</u>	<u>(129,248)</u>	<u>(2,482,748)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(63,058)	(10,000)	-	(73,058)
System development charges	2,686	7,470	6,564	16,720
Principal paid on long-term obligations	(189,265)	(2,844,546)	(19,390)	(3,053,201)
Interest paid on long-term obligations	(102,022)	(143,458)	(1,718)	(247,198)
Bond cost	-	(78,443)	-	(78,443)
Proceeds from capital debt	-	2,900,000	-	2,900,000
Net cash provided (used) by capital and related financing activities	<u>(351,659)</u>	<u>(168,977)</u>	<u>(14,544)</u>	<u>(535,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	203	429	-	632
Net cash provided (used) by investing activities	<u>203</u>	<u>429</u>	<u>-</u>	<u>632</u>
Net increase (decrease) in cash and cash equivalents	(399,817)	(142,926)	17,195	(525,548)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>565,066</u>	<u>256,049</u>	<u>24,023</u>	<u>845,138</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 165,249</u>	<u>\$ 113,123</u>	<u>\$ 41,218</u>	<u>\$ 319,590</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 1,205,008	\$ 710,822	\$ 135,452	\$ 2,051,282
Adjustments:				
Depreciation	188,066	209,584	25,535	423,185
Decrease (increase) in:				
Accounts receivable	(230,951)	(36,795)	(25,856)	(293,602)
Notes receivable	(392,467)	(142,443)	(12,413)	(547,323)
Other receivables	-	(455)	-	(455)
Deferred inflows	713,989	287,093	47,541	1,048,623
Increase (decrease) in:				
Deposits	17,736	-	-	17,736
Deferred revenue	(90,571)	(107,855)	(9,272)	(207,698)
Net cash provided (used) by operating activities	<u>\$ 1,410,810</u>	<u>\$ 919,951</u>	<u>\$ 160,987</u>	<u>\$ 2,491,748</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Independence, Oregon (the City) is governed by an elected mayor and six council members who comprise the City Council. Individual departments are under the direction of the City Manager, who is appointed by City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial burden or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of the criteria, the City is a primary government with the following includable component unit.

B. Independence Urban Renewal Agency

The Agency was formed to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal areas. The Agency is governed by a seven-member board of directors that include the City's mayor and other council members. Since the City Council acts as its governing board, it has been included as a blended component unit in the financial statements. Complete financial statements for the Agency may be obtained from the City's administrative offices, 555 Main Street, Independence, OR 97351.

C. 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 Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

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

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenue. Direct expenditures are those that are clearly identifiable with a specific function or segment. Program revenues 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 revenue are reported instead as general revenue.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

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.

D. 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, fund balance, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

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

The City reports the following major governmental funds:

General Fund

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

Transportation SDC Fund

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

MINET Debt Fund

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

The City reports the following nonmajor funds within the governmental funds:

Special Revenue Funds

These funds account for the receipt and expenditures of restricted and committed revenue sources.

Debt Service Funds

These funds account for revenues and expenditures related to the servicing of general long-term debt.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition, construction or major repairs of capital items and facilities.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

The City reports the following major proprietary funds:

- Water Fund
- Water SDC Fund
- Sewer Fund
- Sewer SDC Fund
- Storm Drain Fund
- Storm Drain SDC Fund

E. 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. Commitments of fund balance must be made prior to the end of the fiscal year.

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 finance director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

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

F. Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned. Fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, it is the City's policy to use committed resources first, followed by assigned and unassigned as needed.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

G. 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 Reserve Funds are reported as part of the General Fund because these reserves funds do not meet the criteria for reporting as separate funds.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures 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.

H. 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 basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenditures 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 revenue and expenses and nonoperating items. Operating revenue and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenue is charges to customers for service. Operating expenses include payroll and related costs, materials and supplies, and capital outlay. All revenue not considered operating is reported as nonoperating revenue.

I. 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, revenue and expenditures as of and for the year ended June 30, 2013. Actual results may differ from such estimates.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

J. Cash and Investments

For the purposes of the statement of cash flows the City considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents. 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 cash equivalents.

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.

K. Receivables and Deferred Inflows of Resources

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 inflows of resources and, accordingly, have not been recorded as revenues.

L. Capital Assets

Capital assets which include property, plant, equipment, infrastructure, and intangibles (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 expenditures 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 expenditures are recorded as incurred. Replacements which improve or extend the lives of property are capitalized.

Property, plant, infrastructure, and equipment of the City are depreciated using the straight-line method over the following useful lives.

<u>Asset</u>	<u>Years</u>
Buildings and improvements	40
Distribution systems	20-50
Infrastructure	40
Vehicles	5-10
Furniture & Equipment	5-10
Intangibles	5

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

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, 2013, none of the City's bank balances were exposed to custodial credit risk as the balances were under FDIC insurance limits.

C. 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, 2013, 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.

D. 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.

E. 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.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

3. 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, 2013 there were five loans outstanding totaling \$348,431 with interest rates ranging between 3-5%. Monthly repayments are required.

A. 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, 2013, \$12,029,378 had been drawn or loaned. In addition, the City has loaned MINET a short-term loan of \$364,286 in order for MINET to meet its debt service requirements.

The summarized financial data for MINET is as follows:

	<u>2013</u>	<u>2012</u>
ASSETS		
Current and other assets	\$ 574,263	\$ 1,431,297
Capital assets (net of depreciation)	15,900,654	16,549,291
<i>Total Assets</i>	<u>16,474,917</u>	<u>17,980,588</u>
LIABILITIES		
Current liabilities	1,220,064	1,194,515
Long-term debt	26,954,435	26,814,378
<i>Total liabilities</i>	<u>28,174,499</u>	<u>28,008,893</u>
NET POSITION		
Net Investment in capital assets	(2,682,771)	(1,553,585)
Unrestricted	(9,016,811)	(8,474,720)
<i>Total Net Position</i>	<u>\$ (11,699,582)</u>	<u>\$ (10,028,305)</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

4. CAPITAL ASSETS

The changes in capital assets for the business-type activities for the year ended June 30, 2013 were as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, non-depreciable:				
Land	\$ 201,804	\$ -	\$ -	201,804
Total capital assets, non-depreciable	<u>201,804</u>	<u>-</u>	<u>-</u>	<u>201,804</u>
Capital assets, depreciable:				
Buildings	917,071			917,071
Distribution systems	17,356,199			17,356,199
Equipment	<u>956,713</u>	<u>73,058</u>		<u>1,029,771</u>
Total capital assets, depreciable	<u>19,229,983</u>	<u>73,058</u>	<u>-</u>	<u>19,303,041</u>
Total	19,431,787	73,058	-	19,504,845
Less accumulated depreciation for:				
Buildings	(206,086)	(22,564)	-	(228,650)
Distribution systems	(6,916,688)	(355,031)	-	(7,271,719)
Equipment	<u>(600,362)</u>	<u>(45,590)</u>	<u>-</u>	<u>(645,952)</u>
Total accumulated depreciation	<u>(7,723,136)</u>	<u>(423,185)</u>	<u>-</u>	<u>(8,146,321)</u>
Net depreciable capital assets	<u>11,506,847</u>	<u>(350,127)</u>	<u>-</u>	<u>11,156,720</u>
Net capital assets	<u>\$11,708,651</u>	<u>\$ (350,127)</u>	<u>\$ -</u>	<u>\$ 11,358,524</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

The changes in capital assets of governmental activities for the year ended June 30, 2013 were as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 1,448,870	\$ 375,000	\$ -	\$ 1,823,870
Work In Progress	-	898,409	-	898,409
Total capital assets, non-deprec	1,448,870	1,273,409	-	2,722,279
Capital assets, depreciable:				
Intangibles	\$ -	54,136	\$ -	54,136
Buildings	15,562,899	-	-	15,562,899
Equipment	503,442	80,420	-	583,862
Vehicles	727,761	-	(53,950)	673,811
Infrastructure	17,039,918	-	-	17,039,918
Total capital assets, depreciable	33,834,020	134,556	(53,950)	33,914,626
Total assets	35,282,890	1,407,965	(53,950)	36,636,905
Less accum depreciation for:				
Intangibles	-	(10,827)	-	(10,827)
Buildings	(1,656,122)	(403,972)	-	(2,060,094)
Equipment	(324,659)	(39,366)	-	(364,025)
Vehicles	(626,506)	(39,060)	53,950	(611,616)
Infrastructure	(8,460,299)	(425,057)	-	(8,885,356)
Total accumulated depreciation	(11,067,586)	(918,282)	53,950	(11,931,918)
Net depreciable capital assets	22,766,434	(783,726)	-	21,982,708
Net capital assets	\$ 24,215,304	\$ 489,683	\$ -	\$ 24,704,987

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 580,864
Community development	27,212
Street	12,154
Urban and renewal	298,052
Total depreciation expense - gov't activities	\$ 918,282

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

5. LONG TERM-DEBT

A. Governmental long-term transactions for the year ending June 30, 2013 were as follows:

Governmental Activities	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due in One Year
Bonds:					
2003 Refunding Bond	\$ 645,000	\$ -	\$ 310,000	\$ 335,000	\$ 335,000
2010 Full Faith & Credit Series A & B (Minet)	7,995,000	-	130,000	7,865,000	145,000
2007 Urban Renewal Bond	2,510,000	-	205,000	2,305,000	215,000
2010 Civic Center Bond	13,410,000	-	-	13,410,000	295,000
Total Bonds	\$ 24,560,000	\$ -	\$ 645,000	\$ 23,915,000	\$ 990,000
Note Payable					
SPWF Loan - Hoffman Road	640,384	-	30,206	610,178	30,437
SPWF Loan - Library	366,414	-	17,896	348,518	18,025
OECCD MINET Loan #1	4,303,002	-	138,624	4,164,378	145,104
Olsen-Ballfield Property	375,000	-	-	375,000	-
Total Notes payable	5,684,800	-	186,726	5,498,074	193,566
Capital Leases					
Capital Lease Payable	45,734	-	19,390	26,344	20,379
Total Governmental Activities	\$ 30,290,534	\$ -	\$ 851,116	\$ 29,439,418	\$ 1,203,945

B. Bonds Payable for Governmental Activities

In the 2002-2003 fiscal year, the City issued GO refunding bonds in the amount of \$2,330,000 for the refunding of the 1995 general obligation bonds. The interest rate ranges between of 1.05%-3.875% and the bond matures June 1, 2014.

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

The City issued the 2007 Urban Renewal Bonds 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 semi-annually. The bonds mature in 2022.

During the 2010-11 fiscal year, the City issued bonds in the amount of 7,995,000 to assist refinancing by MINET. interest rate ranges from 2.00% to 5.00%. The bond principal is payable annually and interest is payable semi-annually. The bonds mature in 2040.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

C. Notes Payable for Governmental Activities

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 of 5.00% and 3.00%, respectively.

During the 2006-2007 year, the City entered into a loan agreement with the State of Oregon Economic Development Department to finance infrastructure improvements for MINET. The original amount was \$4,835,264 and the annual interest rate varies between 5.25% and 5.80%. The maturity date of the loan is December 1, 2031.

During the 2011-2012 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.

Future debt service requirements are as follows:

Fiscal Year	2003 Refunding Bonds		SPWF Loan- Hoffman		SPWF Loan - Library		OECD MINET Loan #1	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 335,000	\$ 12,981	\$ 30,437	\$ 29,945	\$ 18,025	\$ 17,106	\$ 145,104	\$ 233,849
2015	-	-	30,685	28,560	18,163	16,286	156,709	226,231
2016	-	-	35,949	27,134	18,310	15,441	168,451	217,808
2017	-	-	36,232	25,426	18,467	14,572	175,306	208,754
2018	-	-	36,528	23,705	23,632	13,694	156,612	199,331
2019-23	-	-	222,768	88,616	126,013	50,908	916,319	860,372
2024-28	-	-	217,579	28,062	125,908	16,177	1,205,162	572,998
2029-33	-	-	-	-	-	-	1,240,715	185,113
2034-38	-	-	-	-	-	-	-	-
2039-43	-	-	-	-	-	-	-	-
	<u>\$ 335,000</u>	<u>\$ 12,981</u>	<u>\$ 610,178</u>	<u>\$ 251,448</u>	<u>\$ 348,518</u>	<u>\$ 144,184</u>	<u>\$ 4,164,378</u>	<u>\$ 2,704,456</u>

Fiscal Year	2010 Full Faith & Credit Series A & B (Minet)		2007 Urban Renewal Bond		2010 Civic Center Bond		Olsen -Ballfield Property	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 145,000	\$ 387,688	\$ 215,000	\$ 121,525	\$ 295,000	\$ 622,400	\$ -	\$ 26,403
2015	155,000	380,812	225,000	113,675	305,000	613,550	-	26,403
2016	160,000	373,462	235,000	105,423	315,000	604,400	-	26,403
2017	170,000	365,875	245,000	96,759	325,000	593,375	-	26,403
2018	175,000	357,814	255,000	87,573	335,000	582,000	375,000	6,352
2019-23	1,020,000	1,648,805	1,130,000	306,436	1,890,000	2,697,600	-	-
2024-28	1,350,000	1,321,447	-	-	2,325,000	2,260,250	-	-
2029-33	1,700,000	940,000	-	-	2,960,000	1,623,250	-	-
2034-38	2,125,000	517,250	-	-	3,785,000	804,750	-	-
2039-43	865,000	60,783	-	-	875,000	43,750	-	-
	<u>\$ 7,865,000</u>	<u>\$ 6,353,936</u>	<u>\$ 2,305,000</u>	<u>\$ 831,391</u>	<u>\$ 13,410,000</u>	<u>\$ 10,445,325</u>	<u>\$ 375,000</u>	<u>\$ 111,964</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

Fiscal Year	Capital Lease Payable		Total Governmental	
	Principal	Interest	Principal	Interest
2014	\$ 20,379	\$ 729	\$ 1,203,945	\$ 1,452,626
2015	5,965	207	896,522	1,405,724
2016	-	-	932,710	1,370,071
2017	-	-	970,005	1,331,164
2018	-	-	1,356,772	1,270,469
2019-23	-	-	5,305,100	5,652,737
2024-28	-	-	5,223,649	4,198,934
2029-33	-	-	5,900,715	2,748,363
2034-38	-	-	5,910,000	1,322,000
2039-43	-	-	1,740,000	104,533
	<u>\$ 26,344</u>	<u>\$ 936</u>	<u>\$ 29,439,418</u>	<u>\$ 20,856,621</u>

D. Business-type long-term transactions for the year ending June 30, 2013 were as follows:

Business Activities	Balance			Balance June 30, 2013	Due in One Year
	June 30, 2012	Additions	Deletions		
Revenue Bonds					
2013 Sewer Bond	\$ -	\$ 2,900,000	\$ 150,000	\$ 2,750,000	\$ -
Bond Discount		(16,139)	(598)	(15,541)	-
2000 Sewer Revenue Bonds	2,353,913	-	2,353,913	-	
1998 Water Revenue Bonds	585,000	-	105,000	480,000	110,000
2004 Water Revenue Bonds	1,190,000	-	70,000	1,120,000	70,000
Total Revenue Bonds	<u>4,128,913</u>	<u>2,883,861</u>	<u>2,678,315</u>	<u>4,334,459</u>	<u>180,000</u>
Note Payable					
2011 Safe Drinking Water Loan	386,209	-	14,265	371,944	14,709
2000 Sewer DEQ Loan	340,633	-	340,633	-	-
Total Notes payable	<u>726,842</u>	<u>-</u>	<u>354,898</u>	<u>371,944</u>	<u>14,709</u>
Capital Leases	<u>45,734</u>	<u>-</u>	<u>19,390</u>	<u>26,344</u>	<u>20,379</u>
Total Business Activities	<u>\$ 4,901,489</u>	<u>\$ 2,883,861</u>	<u>\$ 3,052,603</u>	<u>\$ 4,732,747</u>	<u>\$ 215,088</u>

E. Bonds Payable for Business-type Activities

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%. The bond matures in 2017. 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 (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. The bond matures August 1, 2024 and principal and interest is payable semiannually through August 1, 2024. Interest rate varies from 1.80% to 5.375%.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

During the current year, the City issued \$2,900,000 in sewer system revenue bonds, series 2013, to refund the City's loan with the State of Oregon Department of Environmental Quality (DEQ loan) and its sewer revenue bond, series 2000, issued to the US Department of Agriculture Rural Utilities Service, and to pay costs of issuance of the bonds. Interest of the bonds will be payable semiannually on June 1 and December 1 of each year. Interest rate is 3% and bond maturity is June 1, 2040.

F. Notes Payable for Business-type Activities

During the 2011-2012 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 2032. The amount of \$65,375 of the loan was forgiven upon successful completion of the project.

Future debt service requirements are as follows:

Fiscal Year	2013 Sewer Revenue Bonds		1998 Water Revenue Bonds		2004 Water Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ -	\$ 84,450	\$ 110,000	\$ 21,138	\$ 70,000	\$ 55,710
2015	65,000	84,450	115,000	14,693	75,000	52,500
2016	115,000	82,500	125,000	10,483	75,000	48,937
2017	115,000	79,050	130,000	383	80,000	45,062
2018	120,000	75,600	-	-	85,000	40,937
2019-23	475,000	339,350	-	-	500,000	132,328
2024-28	455,000	274,450	-	-	235,000	12,765
2029-33	525,000	202,150	-	-	-	-
2034-38	610,000	112,525	-	-	-	-
2039-43	270,000	14,175	-	-	-	-
	<u>\$ 2,750,000</u>	<u>\$ 1,348,700</u>	<u>\$ 480,000</u>	<u>\$ 46,697</u>	<u>\$ 1,120,000</u>	<u>\$ 388,239</u>

Fiscal Year	2011 SDWRCF		Capital Lease Payable		Total Business-Type	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 14,709	\$ 11,419	\$ 20,379	\$ 729	\$ 215,088	\$ 173,446
2015	15,161	10,967	5,965	207	276,126	162,817
2016	15,626	10,502	-	-	330,626	152,422
2017	16,106	10,022	-	-	341,106	134,517
2018	16,600	9,528	-	-	221,600	126,065
2019-23	90,965	39,673	-	-	1,065,965	511,351
2024-28	105,811	24,825	-	-	795,811	312,040
2029-33	96,966	7,555	-	-	621,966	209,705
2034-38	-	-	-	-	610,000	112,525
2039-43	-	-	-	-	270,000	14,175
	<u>\$ 371,944</u>	<u>\$ 124,491</u>	<u>\$ 26,344</u>	<u>\$ 936</u>	<u>\$ 4,748,288</u>	<u>\$ 1,909,063</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
Year Ended June 30, 2013

G. Capital Lease

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.

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 40,758	\$ 1,458	\$ 42,216
2015	11,930	415	12,345
	<u>\$ 52,688</u>	<u>\$ 1,873</u>	<u>\$ 54,561</u>

H. Line of Credit

The City has an operating line of credit up to \$500,000 which expires December 31, 2013. This is a tax anticipation note to provide for potential cash shortages prior to the receipt of property taxes in November. There have been no advances made on this line of credit during the year ended June 30, 2013.

6. PENSION PLAN

A. 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.

B. 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 rate in effect for the year ended June 30, 2013 was 12.13%. The OPSRP rates in effect for the year ended June 30, 2013 were 8.53% for general employees

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

and 11.24% for police and fire. 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, 2011, 2012, and 2013 were \$324,358, \$351,647, and 347,063 respectively, which equaled the required contributions for the years.

7. INTERFUND TRANSFERS, RECEIVABLES, AND PAYABLES, AND LOANS

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>Transfer Out</u>
Major Governmental Funds:		
General Fund	\$ 1,942,210	\$ 707,400
Transportation SDC Fund	182,000	15,162
Urban Renewal Debt Service Fund	<u>622,400</u>	<u>178,939</u>
Total Major Governmental Funds:	<u>2,746,610</u>	<u>901,501</u>
Non-Major Governmental Funds:		
General Fund Equipment Vehicle Reserve Fund	25,000	-
Building Inspection Fund	46,816	-
Building Repair/Replacement Reserve Fund	60,000	-
Street Fund	-	465,670
Tourism & Events Fund	25,000	-
Information Services Equipment Fund	50,000	-
Halo Fund	-	20,913
Urban Renewal Projects Fund	178,939	-
Special Assessments Fund	40,500	-
Parks SDC Fund	<u>-</u>	<u>85</u>
Total Enterprise Funds	<u>426,255</u>	<u>486,668</u>
Major Enterprise Funds:		
Water Fund	-	927,362
Sewer Fund	-	623,647
Storm Fund	-	222,843
Sewer SDC Fund	-	382
Water SDC Fund	-	134
Storm SDC Fund	<u>-</u>	<u>10,328</u>
	<u>-</u>	<u>1,784,696</u>
Total All Funds	<u>\$ 3,172,865</u>	<u>\$ 3,172,865</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

The Proprietary funds paid franchise fees to the General Fund for fiscal year ended June 30, 2013 as follows:

Water Fund	\$ 125,716
Sewer Fund	93,836
Storm Fund	<u>22,818</u>
TOTAL	<u><u>\$ 242,370</u></u>

The City's System Development Funds pay overhead to the City's General Fund. These payments are recorded as expenditures (transfers out) in the SDC funds and revenues (transfers in) in the General Fund. Payments during the fiscal year ended June 30, 2013 are as follows:

Transportation SDC Fund	\$ 162
Parks SDC Fund	85
Sewer SDC Fund	382
Water SDC Fund	134
Storm SDC Fund	<u>328</u>
TOTAL	<u><u>\$ 1,091</u></u>

Interfund balances which represent unsettled overdrafts of pooled cash as of June 30, 2013 are as follows:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
Economic Development Fund	\$ 300,000	\$ -
Sewer Fund	200,000	-
Water Fund	267,389	-
General Fund	32,824	-
Urban Renewal Projects		767,389
Halo Program Fund		<u>32,824</u>
	<u><u>\$ 800,213</u></u>	<u><u>\$ 800,213</u></u>

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

Interfund capital loans are to replenish cash balances in funds that have experienced fund balance shortfalls for operations or capital projects. Capital interfund loans are scheduled to be repaid over a five or ten year period.

The following capital loans are due over a five year period:

<u>Receivable</u>	<u>Payable</u>	<u>Balance</u>
General Fund	Sewer Fund	\$ 100,000
General Fund	Transportation	173,475
General Fund	Parks SDC	63,098
General Fund	Storm SDC	77,378
Sewer Fund	Storm Drain	20,550
Water SDC	UR Projects	250,000
Sewer SDC	UR Projects	700,000
		<u>\$ 1,384,501</u>

The following capital loans are due over a ten-year period:

<u>Receivable</u>	<u>Payable</u>	<u>Balance</u>
Economic Development	Storm Drain	\$ 112,450
Sewer Fund	Storm SDC	11,300
Water Fund	Water SDC	50,342
General Fund	Parks SDC	6,900
Transportation Fund	Transportation SDC	70,500
Economic Development	Building Inspection	23,000
Economic Development	Sewer SDC	42,000
Economic Development	Transportation	60,000
Economic Development	Water Fund	100,000
Economic Development	Transportation SDC	195,000
		<u>\$ 671,492</u>

Interfund operating loan was to provide start up cash for the newly established Tourism & Events Fund. This operating loan is due within one year.

<u>Receivable</u>	<u>Payable</u>	<u>Balance</u>
Economic Development	Tourism & Events	\$ 25,000

8. 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.

CITY OF INDEPENDENCE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to errors and omissions; automobile; damage to or destruction of assets; bodily injury; and worker’s compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

10. 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, 2013 is shown below:

<u>MINET Loan</u>	<u>Purpose</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Repayment Terms</u>
Pass-through from Oregon Economic Development Department	Capital/Infrastructure	\$ 4,164,378	1.66%	19 years
2010 Revenue Bond	Capital/Infrastructure	\$ 7,865,000	4.19% -5.84%	27 years

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.

11. SUBSEQUENT EVENTS

On July 16, 2013 the City issued General Obligation Bonds, Series 2013 in the amount of \$5,225,000 in which the funds will be used to retire the 2007 Urban Renewal bond, a portion of the SPWF loan- Hoffman Road, the SPWF Loan-Library, the portion of the Olsen-Ballfield note that is not held for resale, and all of the Water Fund bonds and loans. The interest rate on the bond is 3.95% and maturity date is 2033.

12. PRIOR PERIOD ADJUSTMENT

The General Fund was adjusted to correct an error for an insurance benefit payable in the prior year. The effect of this adjustment was to increase net position by \$50,221.

13. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported As Assets and Liabilities*. The City implemented GASB Statements No. 63 and 65 in the year ending June 30, 2013.

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules
 - General Fund Generally Accepted Accounting Principles
 - Transportation SDC Fund
 - MINET Debt Fund
 - Urban Renewal Debt Service Fund
- Combining Schedules – Nonmajor Governmental Funds
- Combining Schedules – General Fund - Budgetary Basis
- Budgetary Comparison Schedules
- Other Financial Schedules

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,564,532	\$ 1,564,532	\$ 1,577,579	\$ 13,047
Lodging taxes	2,000	2,000	1,379	(621)
Franchise fees	519,500	519,500	542,630	23,130
Grants	40,360	99,796	186,704	86,908
Charges for service	97,635	97,635	87,298	(10,337)
Licenses and permits	12,300	12,300	22,853	10,553
Fines and forfeitures	194,000	194,000	174,994	(19,006)
Interest	-	-	5,086	5,086
Miscellaneous	161,100	330,664	298,913	(31,751)
Intergovernmental	246,367	246,367	243,750	(2,617)
Rents	42,360	42,360	26,328	(16,032)
Total revenues	<u>2,880,154</u>	<u>3,109,154</u>	<u>3,167,514</u>	<u>58,360</u>
EXPENDITURES				
General government	1,018,115	1,018,115	940,564	77,551
Public safety	2,243,977	2,325,977	2,233,640	92,337
Culture and recreation	542,600	574,600	512,500	62,100
Community development	336,449	371,449	367,859	3,590
Capital outlay	79,600	159,600	175,272	(15,672)
Contingency	245,000	245,000	-	245,000
Total expenditures	<u>4,465,741</u>	<u>4,694,741</u>	<u>4,229,835</u>	<u>464,906</u>
Revenues over (under) expenditures	(1,585,587)	(1,585,587)	(1,062,321)	523,266
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(6,900)	(6,900)	(6,900)	-
Transfers in	2,191,362	2,191,362	2,198,660	7,298
Transfers out	<u>(707,400)</u>	<u>(707,400)</u>	<u>(707,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,477,062</u>	<u>1,477,062</u>	<u>1,484,360</u>	<u>7,298</u>
Net changes in fund balances	(108,525)	(108,525)	422,039	530,564
FUND BALANCE, BEGINNING GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	108,525	108,525	6,988	(101,537)
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>50,221</u>	<u>50,221</u>
FUND BALANCE, ENDING GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,248</u>	<u>\$ 479,248</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - TRANSPORTATION SDC FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Grants	\$ 471,000	\$ 471,000	\$ 548,574	\$ 77,574
Licenses and permits	25,000	25,000	3,231	(21,769)
Total revenues	496,000	496,000	551,805	55,805
EXPENDITURES				
Materials and service	10,000	27,000	26,788	212
Capital outlay	778,000	878,000	877,965	35
Debt service:				
Interest	45,883	45,883	45,883	-
Total expenditures	833,883	950,883	950,636	247
Revenues over (under) expenditures	(337,883)	(454,883)	(398,831)	56,052
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	70,500	187,500	265,500	78,000
Transfers in	182,000	182,000	182,000	-
Transfers out	(16,250)	(16,250)	(15,162)	1,088
Total other financing sources (uses)	236,250	353,250	432,338	79,088
Net changes in fund balances	(101,633)	(101,633)	33,507	135,140
FUND BALANCES, BEGINNING	101,728	101,728	(31,389)	(133,117)
FUND BALANCES, ENDING	\$ 95	\$ 95	\$ 2,118	\$ 2,023

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - MINET DEBT FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 899,901	\$ 899,901	\$ 899,901	\$ -
Total revenues	899,901	899,901	899,901	-
EXPENDITURES				
Debt service:				
Principal	268,624	268,624	268,624	-
Interest	631,277	631,277	631,277	-
Total expenditures	899,901	899,901	899,901	-
Revenues over (under) expenditures	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - URBAN RENEWAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 393,851	\$ 393,851	\$ 410,148	\$ 16,297
Interest	-	-	51	51
Total revenues	<u>393,851</u>	<u>393,851</u>	<u>410,199</u>	<u>16,348</u>
EXPENDITURES:				
Materials and service	-	-	250	(250)
Debt service:				
Principal	205,000	205,000	205,000	-
Interest	727,823	727,823	727,822	1
Contingency	<u>35,798</u>	<u>35,798</u>	-	<u>35,798</u>
Total expenditures	<u>968,621</u>	<u>968,621</u>	<u>933,072</u>	<u>35,549</u>
Revenues over (under) expenditures	(574,770)	(574,770)	(522,873)	51,897
OTHER FINANCING SOURCES (USES)				
Transfers in	622,400	622,400	622,400	-
Transfers out	<u>(178,939)</u>	<u>(178,939)</u>	<u>(178,939)</u>	<u>-</u>
Total other financing sources (uses)	<u>443,461</u>	<u>443,461</u>	<u>443,461</u>	<u>-</u>
Net changes in fund balances	(131,309)	(131,309)	(79,412)	51,897
FUND BALANCES, BEGINNING	<u>131,309</u>	<u>131,309</u>	<u>101,264</u>	<u>(30,045)</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,852</u>	<u>\$ 21,852</u>

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

These funds account for revenue derived from specific taxes, charges for services, or earmarked revenue sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

Building Inspection Fund

This fund accounts for building inspections and related permit revenues.

Economic Development Fund

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

Tourism and Events Fund

This fund accounts for revenues received through various city commissioned or sponsored events. Expenditures directly support those events.

Halo Program Fund

This fund accounts for revenues and expenditures that "pass-through" the City as the fiscal agent of the Job Growers grant.

Parks SDC Fund

This fund accounts for system development charges designated for development and maintenance of parks.

Transportation Fund

This fund accounts for street maintenance and improvements. Primary sources of revenues are from motor vehicle fuel taxes and expenditures are for street maintenance and improvements.

Debt Service Funds

These funds are used to account for revenues and expenditures related to the servicing of general long-term debt:

General Obligations Bond Fund

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

Special Assessment Fund

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

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction or major repairs of capital items and facilities. Funds included in this category are:

Building Repair & Replacement Fund

This fund is for the exclusive purpose of financing major repairs or replacement of city-owned buildings.

Urban Renewal Projects Fund

This fund accounts for the acquisition and construction of facilities financed by the issuance of bonds.

General Fund Combining

General Fund - Budgetary Basis

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

General Equipment & Vehicle Reserve Fund - Budgetary Basis

This fund is for the exclusive purpose of purchasing or financing equipment or vehicles for the departments of the General Fund.

Information Services Equipment Fund - Budgetary Basis

This fund is for the exclusive purpose of purchasing or replacing technology equipment and software.

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CITY OF INDEPENDENCE, OREGON
COMBINING BALANCE SHEET-(MODIFIED CASH BASIS)
NON MAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 157,919	\$ 91,085	\$ 46,942	\$ 295,946
Property taxes receivable	-	33,811	-	33,811
Assessments receivable	-	185,781	-	185,781
Notes receivable	375,675	-	199,813	575,488
Due from other funds	300,000	-	-	300,000
	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Total assets	<u>\$ 833,594</u>	<u>\$ 310,677</u>	<u>\$ 246,755</u>	<u>\$ 1,391,026</u>
LIABILITIES				
Deposits	\$ 1,109	\$ -	\$ -	\$ 1,109
Due to other funds	32,824	-	767,389	800,213
	<u>32,824</u>	<u>-</u>	<u>767,389</u>	<u>800,213</u>
Total liabilities	<u>33,933</u>	<u>-</u>	<u>767,389</u>	<u>801,322</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- property taxes	-	33,811	-	33,811
Unavailable revenue- assessments	-	185,781	-	185,781
Unavailable revenue- notes receivable	375,675	-	199,813	575,488
	<u>375,675</u>	<u>-</u>	<u>199,813</u>	<u>575,488</u>
Total deferred inflows of resources	<u>375,675</u>	<u>219,592</u>	<u>199,813</u>	<u>795,080</u>
FUND BALANCES				
Restricted for:				
Debt service	-	91,085	-	91,085
State statute	74,083	-	-	74,083
Assigned:				
Building inspections	5,705	-	-	5,705
Special events	7,793	-	-	7,793
Community development	368,729	-	-	368,729
Capital projects	-	-	46,942	46,942
Unassigned	(32,324)	-	(767,389)	(799,713)
	<u>(32,324)</u>	<u>-</u>	<u>(767,389)</u>	<u>(799,713)</u>
Total fund balance	<u>423,986</u>	<u>91,085</u>	<u>(720,447)</u>	<u>(205,376)</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 833,594</u>	<u>\$ 310,677</u>	<u>\$ 246,755</u>	<u>\$ 1,391,026</u>

CITY OF INDEPENDENCE, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Fund	Total
REVENUES				
Property Taxes	\$ -	\$ 358,805	\$ -	\$ 358,805
Licenses and permits	19,951	-	-	19,951
Intergovernmental	1,013,646	-	-	1,013,646
Charges for service	3,881	-	-	3,881
Special assessments	-	18,875	-	18,875
Royalties	20,416	-	-	20,416
Miscellaneous	121,019	-	4,980	125,999
	<u>1,178,913</u>	<u>377,680</u>	<u>4,980</u>	<u>1,561,573</u>
Total revenues				
EXPENDITURES				
Highways and streets	188,691	-	-	188,691
Culture and recreation	119,774	-	-	119,774
Community development	464,661	-	-	464,661
Capital outlay	-	-	13,058	13,058
Debt service:				
Principal	19,390	358,102	-	377,492
Interest	1,719	73,797	-	75,516
	<u>794,235</u>	<u>431,899</u>	<u>13,058</u>	<u>1,239,192</u>
Total expenditures				
Revenues over (under) expenditures	384,678	(54,219)	(8,078)	322,381
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(513,050)	-	-	(513,050)
Transfers in	71,816	40,500	238,939	351,255
Transfers out	(547,291)	-	-	(547,291)
	<u>(988,525)</u>	<u>40,500</u>	<u>238,939</u>	<u>(709,086)</u>
Total other financing sources (uses)				
Net changes in fund balances	(603,847)	(13,719)	230,861	(386,705)
FUND BALANCES, BEGINNING	<u>1,027,833</u>	<u>104,804</u>	<u>(951,308)</u>	<u>181,329</u>
FUND BALANCES, ENDING	<u><u>\$ 423,986</u></u>	<u><u>\$ 91,085</u></u>	<u><u>\$ (720,447)</u></u>	<u><u>\$ (205,376)</u></u>

CITY OF INDEPENDENCE, OREGON
COMBINING BALANCE SHEET (MODIFIED CASH BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	Building Inspection Fund	Economic Development Fund	Tourism and Events Fund
ASSETS			
Cash and cash equivalents	\$ 6,814	\$ 68,729	\$ 7,793
Notes receivable	-	349,844	-
Due from other funds	-	300,000	-
	<u>6,814</u>	<u>349,844</u>	<u>300,000</u>
Total assets	<u>\$ 6,814</u>	<u>\$ 718,573</u>	<u>\$ 7,793</u>
LIABILITIES			
Deposits	\$ 1,109	\$ -	\$ -
Due to other funds	-	-	-
	<u>1,109</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,109</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue- notes receivable	-	349,844	-
	<u>-</u>	<u>349,844</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>349,844</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
State statute	-	-	-
Assigned:			
Building inspections	5,705	-	-
Special events	-	-	7,793
Community development	-	368,729	-
Unassigned	-	-	-
	<u>5,705</u>	<u>368,729</u>	<u>7,793</u>
Total fund equity	<u>5,705</u>	<u>368,729</u>	<u>7,793</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 6,814</u>	<u>\$ 718,573</u>	<u>\$ 7,793</u>

<u>Halo Program Fund</u>	<u>Parks SDC Fund</u>	<u>Transportation Fund</u>	<u>Total</u>
\$ 500	\$ 6,266	\$ 67,817	\$ 157,919
-	25,831	-	375,675
-	-	-	300,000
<u>\$ 500</u>	<u>\$ 32,097</u>	<u>\$ 67,817</u>	<u>\$ 833,594</u>
\$ -	\$ -	\$ -	\$ 1,109
32,824	-	-	32,824
32,824	-	-	33,933
-	25,831	-	375,675
-	25,831	-	375,675
-	6,266	67,817	74,083
-	-	-	5,705
-	-	-	7,793
-	-	-	368,729
(32,324)	-	-	(32,324)
(32,324)	6,266	67,817	423,986
<u>\$ 500</u>	<u>\$ 32,097</u>	<u>\$ 67,817</u>	<u>\$ 833,594</u>

CITY OF INDEPENDENCE, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (MODIFIED CASH BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	<u>Building Inspection Fund</u>	<u>Economic Development Fund</u>	<u>Tourism and Events Fund</u>
REVENUES			
Charges for service	\$ -	\$ -	\$ -
Licenses and permits	18,210	-	-
Intergovernmental	-	-	-
Royalties	-	-	20,416
Miscellaneous	-	51,255	57,151
	<hr/>	<hr/>	<hr/>
Total revenues	18,210	51,255	77,567
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Highways and streets	-	-	-
Culture and recreation	-	-	119,774
Community development	115,697	7,538	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	115,697	7,538	119,774
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(97,487)	43,717	(42,207)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Interfund loan proceeds (payments)	23,000	(557,450)	25,000
Transfers in	46,816	-	25,000
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	69,816	(557,450)	50,000
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	(27,671)	(513,733)	7,793
	<hr/>	<hr/>	<hr/>
FUND BALANCES, BEGINNING	33,376	882,462	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES, ENDING	<u>\$ 5,705</u>	<u>\$ 368,729</u>	<u>\$ 7,793</u>

Halo Program Fund	Parks SDC Fund	Transportation Fund	Total
\$ -	\$ -	\$ 3,881	\$ 3,881
-	1,741	-	19,951
363,774	-	649,872	1,013,646
-	-	-	20,416
900	10,000	1,713	121,019
364,674	11,741	655,466	1,178,913
-	-	188,691	188,691
-	-	-	119,774
341,426	-	-	464,661
-	-	19,390	19,390
-	-	1,719	1,719
341,426	-	209,800	794,235
23,248	11,741	445,666	384,678
-	6,900	(10,500)	(513,050)
-	-	-	71,816
(20,913)	(16,254)	(510,124)	(547,291)
(20,913)	(9,354)	(520,624)	(988,525)
2,335	2,387	(74,958)	(603,847)
(34,659)	3,879	142,775	1,027,833
\$ (32,324)	\$ 6,266	\$ 67,817	\$ 423,986

CITY OF INDEPENDENCE, OREGON
COMBINING BALANCE SHEET (MODIFIED CASH BASIS)
NONMAJOR DEBT SERVICE FUNDS
June 30, 2013

	General Obligations Bond Fund	Special Assessment Fund	Total
ASSETS			
Cash and cash equivalents	\$ 79,134	\$ 11,951	\$ 91,085
Property taxes receivable	33,811	-	33,811
Assessments receivable	-	185,781	185,781
	<u>112,945</u>	<u>197,732</u>	<u>310,677</u>
Total assets	<u>\$ 112,945</u>	<u>\$ 197,732</u>	<u>\$ 310,677</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue- property taxes	\$ 33,811	\$ -	\$ 33,811
Unavailable revenue- assessments	-	185,781	185,781
	<u>33,811</u>	<u>185,781</u>	<u>219,592</u>
FUND BALANCES			
Restricted for:			
Debt service	<u>79,134</u>	<u>11,951</u>	<u>91,085</u>
Total fund equity	<u>79,134</u>	<u>11,951</u>	<u>91,085</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 112,945</u>	<u>\$ 197,732</u>	<u>\$ 310,677</u>

CITY OF INDEPENDENCE, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (MODIFIED CASH BASIS)
NON MAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013

	General Obligations Bond Fund	Special Assessment Fund	Total
REVENUES			
Property Taxes	\$ 358,805	\$ -	\$ 358,805
Special assessments	-	18,875	18,875
Total revenues	<u>358,805</u>	<u>18,875</u>	<u>377,680</u>
EXPENDITURES			
Debt service:			
Principal	327,896	30,206	358,102
Interest	<u>42,508</u>	<u>31,289</u>	<u>73,797</u>
Total expenditures	<u>370,404</u>	<u>61,495</u>	<u>431,899</u>
Revenues over (under) expenditures	(11,599)	(42,620)	(54,219)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>40,500</u>	<u>40,500</u>
Total other financing sources (uses)	<u>-</u>	<u>40,500</u>	<u>40,500</u>
Net changes in fund balances	(11,599)	(2,120)	(13,719)
FUND BALANCES, BEGINNING	<u>90,733</u>	<u>14,071</u>	<u>104,804</u>
FUND BALANCES, ENDING	<u><u>\$ 79,134</u></u>	<u><u>\$ 11,951</u></u>	<u><u>\$ 91,085</u></u>

CITY OF INDEPENDENCE, OREGON
COMBINING BALANCE SHEET (MODIFIED CASH BASIS)
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2013

	Building Repair & Replacement Fund	Urban Renewal Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 46,942	\$ -	\$ 46,942
Notes receivable	-	199,813	199,813
Total assets	<u>\$ 46,942</u>	<u>\$ 199,813</u>	<u>\$ 246,755</u>
LIABILITIES			
Due to other funds	\$ -	\$ 767,389	\$ 767,389
Total liabilities	<u>-</u>	<u>767,389</u>	<u>767,389</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue- notes receivable	-	199,813	199,813
Total deferred inflows of resources	<u>-</u>	<u>199,813</u>	<u>199,813</u>
FUND BALANCES			
Assigned:			
Capital projects	46,942	-	46,942
Unassigned	-	(767,389)	(767,389)
Total fund equity	<u>46,942</u>	<u>(767,389)</u>	<u>(720,447)</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 46,942</u>	<u>\$ 199,813</u>	<u>\$ 246,755</u>

CITY OF INDEPENDENCE, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2013

	<u>Building Repair & Replacement Fund</u>	<u>Urban Renewal Projects Fund</u>	<u>Total</u>
REVENUES			
Miscellaneous	\$ -	\$ 4,980	\$ 4,980
Total revenues	<u>-</u>	<u>4,980</u>	<u>4,980</u>
EXPENDITURES			
Capital outlay	<u>13,058</u>	<u>-</u>	<u>13,058</u>
Total expenditures	<u>13,058</u>	<u>-</u>	<u>13,058</u>
Revenues over (under) expenditures	(13,058)	4,980	(8,078)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>60,000</u>	<u>178,939</u>	<u>238,939</u>
Total other financing sources (uses)	<u>60,000</u>	<u>178,939</u>	<u>238,939</u>
Net changes in fund balances	46,942	183,919	230,861
FUND BALANCES, BEGINNING	<u>-</u>	<u>(951,308)</u>	<u>(951,308)</u>
FUND BALANCES, ENDING	<u>\$ 46,942</u>	<u>\$ (767,389)</u>	<u>\$ (720,447)</u>

CITY OF INDEPENDENCE, OREGON
COMBINING BALANCE SHEET (MODIFIED CASH BASIS)
GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
June 30, 2013

	General Fund - Budgetary Basis	General Equipment & Vehicle Reserve Fund - Budgetary Basis	Information Services Equipment Fund - Budgetary Basis	Total
ASSETS				
Cash and cash equivalents	\$ 408,103	\$ 25,000	\$ 17,214	\$ 450,317
Property taxes receivable	144,141	-	-	144,141
Due from other funds	32,824	-	-	32,824
Other receivables	109	-	-	109
Total assets	<u>\$ 585,177</u>	<u>\$ 25,000</u>	<u>\$ 17,214</u>	<u>\$ 627,391</u>
LIABILITIES				
Payroll withholdings	\$ 3,479	\$ -	\$ -	\$ 3,479
Deposits	523	-	-	523
Total liabilities	<u>4,002</u>	<u>-</u>	<u>-</u>	<u>4,002</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- property taxes	144,141	-	-	144,141
Total deferred inflows of resources	<u>144,141</u>	<u>-</u>	<u>-</u>	<u>144,141</u>
FUND BALANCES				
Assigned:				
Capital projects	-	25,000	17,214	42,214
Unassigned	437,034	-	-	437,034
Total fund equity	<u>437,034</u>	<u>25,000</u>	<u>17,214</u>	<u>479,248</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 585,177</u>	<u>\$ 25,000</u>	<u>\$ 17,214</u>	<u>\$ 627,391</u>

CITY OF INDEPENDENCE, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
For the Fiscal Year Ended June 30, 2013

	General Fund - Budgetary Basis	General Equipment & Vehicle Reserve Fund - Budgetary Basis	Information Services Equipment Fund - Budgetary Basis	Total
REVENUES				
Property Taxes	\$ 1,577,579	\$ -	\$ -	\$ 1,577,579
Lodging taxes	1,379	-	-	1,379
Franchise fees	542,630	-	-	542,630
Intergovernmental	243,750	-	-	243,750
Licenses and permits	22,853	-	-	22,853
Charges for service	87,298	-	-	87,298
Fines and forfeitures	174,994	-	-	174,994
Grants	186,704	-	-	186,704
Rents	26,328	-	-	26,328
Interest	5,086	-	-	5,086
Miscellaneous	298,913	-	-	298,913
Total revenues	<u>3,167,514</u>	<u>-</u>	<u>-</u>	<u>3,167,514</u>
EXPENDITURES				
General government	940,564	-	-	940,564
Public safety	2,233,640	-	-	2,233,640
Culture and recreation	512,500	-	-	512,500
Community development	367,859	-	-	367,859
Capital outlay	142,486	-	32,786	175,272
Total expenditures	<u>4,197,049</u>	<u>-</u>	<u>32,786</u>	<u>4,229,835</u>
Revenues over (under) expenditures	(1,029,535)	-	(32,786)	(1,062,321)
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(6,900)	-	-	(6,900)
Transfers in	2,123,660	25,000	50,000	2,198,660
Transfers out	(707,400)	-	-	(707,400)
Total other financing sources (uses)	<u>1,409,360</u>	<u>25,000</u>	<u>50,000</u>	<u>1,484,360</u>
Net changes in fund balances	379,825	25,000	17,214	422,039
FUND BALANCES, BEGINNING	6,988	-	-	6,988
PRIOR PERIOD ADJUSTMENT	<u>50,221</u>	<u>-</u>	<u>-</u>	<u>50,221</u>
FUND BALANCES, ENDING	<u>\$ 437,034</u>	<u>\$ 25,000</u>	<u>\$ 17,214</u>	<u>\$ 479,248</u>

BUDGETARY COMPARISON SCHEDULES

Nonmajor Governmental Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual must be displayed for each fund where legally adopted budgets are required.

Major Governmental Budgetary Comparison schedules not included in the basic financial statements included the following:

- General Fund - Budgetary Basis Schedule of Revenues, Expenditures, and Changes in Fund Balance
- General Fund Schedule of Expenditures Budgetary Basis
- General Equipment & Vehicle Reserve Fund - Budgetary Basis Schedule of Revenues, Expenditures, and Changes in Fund Balance
- Information Services Equipment Fund - Budgetary Basis Schedule of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Budgetary Comparison schedules included the following:

- Special Revenue Funds
 - Building Inspection Fund
 - Economic Development Fund
 - Tourism and Events Fund
 - Halo Program Fund
 - Parks SDC Fund
 - Transportation Fund
- Debt Service Funds
 - General Obligations Bond Fund
 - Special Assessment Fund
- Capital Project Funds
 - Building Repair & Replacement Fund
 - Urban Renewal Projects Fund

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,564,532	\$ 1,564,532	\$ 1,577,579	\$ 13,047
Lodging taxes	2,000	2,000	1,379	(621)
Franchise fees	519,500	519,500	542,630	23,130
Grants	40,360	99,796	186,704	86,908
Charges for service	97,635	97,635	87,298	(10,337)
Licenses and permits	12,300	12,300	22,853	10,553
Fines and forfeitures	194,000	194,000	174,994	(19,006)
Interest	-	-	5,086	5,086
Miscellaneous	161,100	330,664	298,913	(31,751)
Intergovernmental	246,367	246,367	243,750	(2,617)
Rents	42,360	42,360	26,328	(16,032)
Total revenues	2,880,154	3,109,154	3,167,514	58,360
EXPENDITURES				
General government	1,018,115	1,018,115	940,564	77,551
Public safety	2,243,977	2,325,977	2,233,640	92,337
Culture and recreation	542,600	574,600	512,500	62,100
Community development	336,449	371,449	367,859	3,590
Capital outlay	9,600	89,600	142,486	(52,886)
Contingency	240,000	240,000	-	240,000
Total expenditures	4,390,741	4,619,741	4,197,049	422,692
Revenues over (under) expenditures	(1,510,587)	(1,510,587)	(1,029,535)	481,052
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(6,900)	(6,900)	(6,900)	-
Transfers in	2,116,362	2,116,362	2,123,660	7,298
Transfers out	(707,400)	(707,400)	(707,400)	-
Total other financing sources (uses)	1,402,062	1,402,062	1,409,360	7,298
Net changes in fund balances	(108,525)	(108,525)	379,825	488,350
FUND BALANCE, BEGINNING BUDGETARY BASIS	108,525	108,525	6,988	(101,537)
PRIOR PERIOD ADJUSTMENT	-	-	50,221	50,221
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 437,034	\$ 437,034

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF EXPENDITURES (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Administration:				
Personal services	\$ 590,000	\$ 590,000	\$ 510,114	\$ 79,886
Materials and services	428,115	428,115	430,450	(2,335)
Capital outlay	2,000	2,000	-	2,000
Subtotal	<u>1,020,115</u>	<u>1,020,115</u>	<u>940,564</u>	<u>79,551</u>
Community development:				
Personal services	149,000	149,000	165,406	(16,406)
Materials and services	48,100	78,100	59,796	18,304
Subtotal	<u>197,100</u>	<u>227,100</u>	<u>225,202</u>	<u>1,898</u>
Economic development:				
Personal services	106,924	106,924	104,971	1,953
Materials and services	32,425	37,425	37,686	(261)
Subtotal	<u>139,349</u>	<u>144,349</u>	<u>142,657</u>	<u>1,692</u>
Municipal court:				
Personal services	67,000	67,000	66,998	2
Materials and services	29,565	29,565	25,116	4,449
Subtotal	<u>96,565</u>	<u>96,565</u>	<u>92,114</u>	<u>4,451</u>
Police operations:				
Personal services	1,699,536	1,781,536	1,765,831	15,705
Materials and services	447,876	447,876	375,695	72,181
Capital outlay	7,600	7,600	56,136	(48,536)
Subtotal	<u>2,155,012</u>	<u>2,237,012</u>	<u>2,197,662</u>	<u>39,350</u>
Pool support:				
Materials and services	47,100	47,100	24,189	22,911
Subtotal	<u>47,100</u>	<u>47,100</u>	<u>24,189</u>	<u>22,911</u>
Parks:				
Materials and services	94,200	126,200	120,488	5,712
Subtotal	<u>94,200</u>	<u>126,200</u>	<u>120,488</u>	<u>5,712</u>
Museum:				
Personal services	37,500	37,500	36,852	648
Materials and services	18,600	28,600	23,396	5,204
Subtotal	<u>56,100</u>	<u>66,100</u>	<u>60,248</u>	<u>5,852</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF EXPENDITURES (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Library:				
Personal services	252,000	252,000	241,670	10,330
Materials and services	93,200	83,200	65,905	17,295
Subtotal	345,200	335,200	307,575	27,625
Non-departmental:				
Interfund loan payments	6,900	6,900	6,900	-
Transfers in	(2,116,362)	(2,116,362)	(2,123,660)	7,298
Transfers out	707,400	707,400	707,400	-
Capital outlay - disaster recovery	-	80,000	86,350	(6,350)
Subtotal	(1,402,062)	(1,322,062)	(1,323,010)	948
Total expenditures	<u>\$ 2,748,679</u>	<u>\$ 2,977,679</u>	<u>\$ 2,787,689</u>	<u>\$ 189,990</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - GENERAL EQUIPMENT VEHICLE RESERVE FUND - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital outlay	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
Total expenditures	25,000	25,000	-	25,000
Revenues over (under) expenditures	(25,000)	(25,000)	-	25,000
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net changes in fund balances	-	-	25,000	25,000
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	-	-
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - INFORMATION SERVICES EQUIPMENT FUND - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital outlay	\$ 45,000	\$ 45,000	\$ 32,786	\$ 12,214
Contingency	5,000	5,000	-	5,000
Total expenditures	50,000	50,000	32,786	17,214
Revenues over (under) expenditures	(50,000)	(50,000)	(32,786)	17,214
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
Net changes in fund balances	-	-	17,214	17,214
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	-	-
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,214</u>	<u>\$ 17,214</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - BUILDING INSPECTION FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 44,732	\$ 44,732	\$ 18,210	\$ (26,522)
Miscellaneous	1	1	-	(1)
Total revenues	44,733	44,733	18,210	(26,523)
EXPENDITURES				
Personal service	99,800	99,800	97,507	2,293
Materials and service	13,750	19,750	18,190	1,560
Contingency	10,000	4,000	-	4,000
Total expenditures	123,550	123,550	115,697	7,853
Revenues over (under) expenditures	(78,817)	(78,817)	(97,487)	(18,670)
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	-	-	23,000	23,000
Transfers in	46,815	46,815	46,816	1
Total other financing sources (uses)	46,815	46,815	69,816	23,001
Net changes in fund balances	(32,002)	(32,002)	(27,671)	4,331
FUND BALANCES, BEGINNING	32,002	32,002	33,376	1,374
FUND BALANCES, ENDING	\$ -	\$ -	\$ 5,705	\$ 5,705

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 49,943	\$ 49,943	\$ 51,255	\$ 1,312
Total revenues	49,943	49,943	51,255	1,312
EXPENDITURES				
Materials and service	306,000	306,000	7,538	298,462
Contingency	429,088	9,088	-	9,088
Total expenditures	735,088	315,088	7,538	307,550
Revenues over (under) expenditures	(685,145)	(265,145)	43,717	308,862
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(137,450)	(557,450)	(557,450)	-
Total other financing sources (uses)	(137,450)	(557,450)	(557,450)	-
Net changes in fund balances	(822,595)	(822,595)	(513,733)	308,862
FUND BALANCES, BEGINNING	822,595	822,595	882,462	59,867
FUND BALANCES, ENDING	\$ -	\$ -	\$ 368,729	\$ 368,729

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - TOURISM AND EVENTS FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Royalties	10,000	15,480	20,416	4,936
Miscellaneous	40,000	40,000	57,151	17,151
Total revenues	52,000	57,480	77,567	20,087
EXPENDITURES				
Materials and service	97,280	107,480	119,774	(12,294)
Contingency	4,720	-	-	-
Total expenditures	102,000	107,480	119,774	(12,294)
Revenues over (under) expenditures	(50,000)	(50,000)	(42,207)	7,793
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	25,000	25,000	25,000	-
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
Net changes in fund balances	-	-	7,793	7,793
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ 7,793	\$ 7,793

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - HALO PROGRAM FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 408,549	\$ 408,549	\$ 363,774	\$ (44,775)
Miscellaneous	-	-	900	900
Total revenues	408,549	408,549	364,674	(43,875)
EXPENDITURES				
Personal service	260,318	260,318	239,314	21,004
Materials and service	125,106	125,106	102,112	22,994
Total expenditures	385,424	385,424	341,426	43,998
Revenues over (under) expenditures	23,125	23,125	23,248	123
OTHER FINANCING SOURCES (USES)				
Transfers out	(23,125)	(23,125)	(20,913)	2,212
Total other financing sources (uses)	(23,125)	(23,125)	(20,913)	2,212
Net changes in fund balances	-	-	2,335	2,335
FUND BALANCES, BEGINNING	-	-	(34,659)	(34,659)
FUND BALANCES, ENDING	\$ -	\$ -	\$ (32,324)	\$ (32,324)

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - PARKS SDC FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 9,672	\$ 9,672	\$ 1,741	\$ (7,931)
Interest	100	100	-	(100)
Miscellaneous	-	-	10,000	10,000
Total revenues	<u>9,772</u>	<u>9,772</u>	<u>11,741</u>	<u>1,969</u>
EXPENDITURES				
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Revenues over (under) expenditures	(228)	(228)	11,741	11,969
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	6,900	6,900	6,900	-
Transfers out	<u>(16,653)</u>	<u>(16,653)</u>	<u>(16,254)</u>	<u>399</u>
Total other financing sources (uses)	<u>(9,753)</u>	<u>(9,753)</u>	<u>(9,354)</u>	<u>399</u>
Net changes in fund balances	(9,981)	(9,981)	2,387	12,368
FUND BALANCES, BEGINNING	<u>10,010</u>	<u>10,010</u>	<u>3,879</u>	<u>(6,131)</u>
FUND BALANCES, ENDING	<u>\$ 29</u>	<u>\$ 29</u>	<u>\$ 6,266</u>	<u>\$ 6,237</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Charges for service	\$ -	\$ -	\$ 3,881	\$ 3,881
Intergovernmental	542,000	542,000	649,872	107,872
Miscellaneous	1,000	1,000	1,713	713
Total revenues	543,000	543,000	655,466	112,466
EXPENDITURES				
Personal service	63,550	65,550	64,809	741
Materials and service	126,050	141,050	123,882	17,168
Debt service:				
Principal	19,390	19,390	19,390	-
Interest	1,719	1,719	1,719	-
Contingency	9,730	-	-	-
Total expenditures	220,439	227,709	209,800	17,909
Revenues over (under) expenditures	322,561	315,291	445,666	130,375
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(70,500)	(63,230)	(10,500)	52,730
Transfers out	(510,125)	(510,125)	(510,124)	1
Total other financing sources (uses)	(580,625)	(573,355)	(520,624)	52,731
Net changes in fund balances	(258,064)	(258,064)	(74,958)	183,106
FUND BALANCES, BEGINNING	258,064	258,064	142,775	(115,289)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 67,817	\$ 67,817

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 370,404	\$ 370,404	\$ 358,805	\$ (11,599)
Total revenues	370,404	370,404	358,805	(11,599)
EXPENDITURES				
Debt service:				
Principal	327,896	327,896	327,896	-
Interest	42,508	42,508	42,508	-
Total expenditures	370,404	370,404	370,404	-
Revenues over (under) expenditures	-	-	(11,599)	(11,599)
FUND BALANCES, BEGINNING	90,734	90,734	90,733	(1)
FUND BALANCES, ENDING	\$ 90,734	\$ 90,734	\$ 79,134	\$ (11,600)

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Special assessments	\$ 18,876	\$ 18,876	\$ 18,875	\$ (1)
Total revenues	18,876	18,876	18,875	(1)
EXPENDITURES				
Debt service:				
Principal	30,206	30,206	30,206	-
Interest	31,289	31,289	31,289	-
Contingency	21,824	21,824	-	21,824
Total expenditures	83,319	83,319	61,495	21,824
Revenues over (under) expenditures	(64,443)	(64,443)	(42,620)	21,823
OTHER FINANCING SOURCES (USES)				
Transfers in	40,500	40,500	40,500	-
Total other financing sources (uses)	40,500	40,500	40,500	-
Net changes in fund balances	(23,943)	(23,943)	(2,120)	21,823
FUND BALANCES, BEGINNING	23,943	23,943	14,071	(9,872)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 11,951	\$ 11,951

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - BUILDING REPAIR & REPLACEMENT FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	50,000	50,000	13,058	36,942
Contingency	10,000	10,000	-	10,000
Total expenditures	60,000	60,000	13,058	46,942
Revenues over (under) expenditures	(60,000)	(60,000)	(13,058)	46,942
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
Total other financing sources (uses)	60,000	60,000	60,000	-
Net changes in fund balances	-	-	46,942	46,942
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	\$ -	\$ -	\$ 46,942	\$ 46,942

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - URBAN RENEWAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Grants	\$ 1,956	\$ 1,956	\$ -	\$ (1,956)
Miscellaneous	440,529	440,529	4,980	(435,549)
Total revenues	442,485	442,485	4,980	(437,505)
EXPENDITURES				
Total expenditures	-	-	-	-
Revenues over (under) expenditures	442,485	442,485	4,980	(437,505)
OTHER FINANCING SOURCES (USES)				
Transfers in	178,939	178,939	178,939	-
Total other financing sources (uses)	178,939	178,939	178,939	-
Net changes in fund balances	621,424	621,424	183,919	(437,505)
FUND BALANCE, BEGINNING	<u>(951,309)</u>	<u>(951,309)</u>	<u>(951,308)</u>	<u>1</u>
FUND BALANCE, ENDING	<u>\$ (329,885)</u>	<u>\$ (329,885)</u>	<u>\$ (767,389)</u>	<u>\$ (437,504)</u>

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- Water Operations
 - Water Fund
 - Water SDC
- Sewer Operations
 - Sewer Fund
 - Sewer SDC
- Storm Drain
 - Storm Drain Fund
 - Storm Drain SDC

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - WATER COMBINED
For the Fiscal Year Ended June 30, 2013

	Water Fund	Water SDC	Total Water Operations
REVENUES			
Charges for service	1,796,743	\$ -	\$ 1,796,743
System development charges	-	2,686	2,686
Interest	-	203	203
Miscellaneous	39,305	-	39,305
Total revenues	1,836,048	2,889	1,838,937
EXPENDITURES			
Personal service	266,957	-	266,957
Materials and service	171,671	-	171,671
Capital outlay	67,404	-	67,404
Debt service:			
Principal	189,265	-	189,265
Interest	102,022	-	102,022
Total expenditures	797,319	-	797,319
Revenues over (under) expenditures	1,038,729	2,889	1,041,618
OTHER FINANCING SOURCES (USES)			
Interfund loan proceeds (payments)	49,658	50,342	100,000
Loan proceeds (payments)	(364,286)	-	(364,286)
Transfers out	(927,362)	(134)	(927,496)
Total other financing sources (uses)	(1,241,990)	50,208	(1,191,782)
Changes in fund balances	(203,261)	53,097	(150,164)
FUND BALANCES, BEGINNING	424,764	(804)	423,960
FUND BALANCES, ENDING	\$ 221,503	\$ 52,293	\$ 273,796

	Revenues	Expenditures
Total revenue and expenditures above	\$ 1,838,937	\$ 797,319
Transfers in/out	-	927,496
Interfund loan proceeds/payments	-	(100,000)
Loan to MINET	-	364,286
Expenditures capitalized	-	(63,058)
Debt service principal payments	-	(189,265)
Depreciation and amortization expense	-	188,066
Total revenues and expenses- generally accepted accounting principles	\$ 1,838,937	1,924,844
Change in net position		\$ (85,907)

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - WATER FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Charges for service	\$ 1,775,250	\$ 1,891,250	\$ 1,796,743	\$ (94,507)
Miscellaneous	15,000	15,000	39,305	24,305
Total revenues	1,790,250	1,906,250	1,836,048	(70,202)
EXPENDITURES				
Personal service	317,850	287,850	266,957	20,893
Materials and service	232,850	224,386	171,671	52,715
Capital outlay	70,000	70,000	67,404	2,596
Debt service:				
Principal	215,000	215,000	189,265	25,735
Interest	84,968	84,968	102,022	(17,054)
Contingency	110,536	-	-	-
Total expenditures	1,031,204	882,204	797,319	84,885
Revenues over (under) expenditures	759,046	1,024,046	1,038,729	14,683
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(50,342)	49,658	49,658	-
Loan proceeds (payments)		(365,000)	(364,286)	714
Transfers out	(925,808)	(925,808)	(927,362)	(1,554)
Total other financing sources (uses)	(976,150)	(1,241,150)	(1,241,990)	(840)
Changes in fund balances	(217,104)	(217,104)	(203,261)	13,843
FUND BALANCES, BEGINNING	477,072	477,072	424,764	(52,308)
FUND BALANCES, ENDING	<u>\$ 259,968</u>	<u>\$ 259,968</u>	<u>\$ 221,503</u>	<u>\$ (38,465)</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - WATER SDC
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 18,722	\$ 18,722	\$ 2,686	\$ (16,036)
Interest	134	134	203	69
Miscellaneous	500	500	-	(500)
Total revenues	19,356	19,356	2,889	(16,467)
EXPENDITURES				
Materials and service	5,000	5,000	-	5,000
Capital outlay	75,000	75,000	-	75,000
Total expenditures	80,000	80,000	-	80,000
Revenues over (under) expenditures	(60,644)	(60,644)	2,889	63,533
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	50,342	50,342	50,342	-
Transfers out	(929)	(929)	(134)	795
Total other financing sources (uses)	49,413	49,413	50,208	795
Changes in fund balances	(11,231)	(11,231)	53,097	64,328
FUND BALANCES, BEGINNING	11,731	11,731	(804)	(12,535)
FUND BALANCES, ENDING	\$ 500	\$ 500	\$ 52,293	\$ 51,793

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - SEWER COMBINED
For the Fiscal Year Ended June 30, 2013

	Sewer Fund	Sewer SDC	Total Sewer Operations
REVENUES			
Charges for service	\$ 1,339,125	\$ -	\$ 1,339,125
System development charges	-	7,470	7,470
Interest	-	429	429
Miscellaneous	18,313	-	18,313
Total revenues	<u>1,357,438</u>	<u>7,899</u>	<u>1,365,337</u>
EXPENDITURES			
Personal service	230,087	-	230,087
Materials and service	177,392	13,988	191,380
Capital outlay	25,565	-	25,565
Debt service:			
Principal	2,844,546	-	2,844,546
Bond costs	78,443	-	78,443
Interest	143,458	-	143,458
Total expenditures	<u>3,499,491</u>	<u>13,988</u>	<u>3,513,479</u>
Revenues over (under) expenditures	(2,142,053)	(6,089)	(2,148,142)
OTHER FINANCING SOURCES (USES)			
Interfund loan proceeds (payments)	(11,300)	42,000	30,700
Loan proceeds (payments)	2,900,000	-	2,900,000
Transfers out	(724,647)	(382)	(725,029)
Total other financing sources (uses)	<u>2,164,053</u>	<u>41,618</u>	<u>2,205,671</u>
Changes in fund balances	22,000	35,529	57,529
FUND BALANCES, BEGINNING	<u>274,198</u>	<u>(18,141)</u>	<u>256,057</u>
FUND BALANCES, ENDING	<u>\$ 296,198</u>	<u>\$ 17,388</u>	<u>\$ 313,586</u>

	Revenues	Expenditures
Total revenue and expenditures above	\$ 1,365,337	\$ 3,513,479
Transfers in/out	-	725,029
Interfund loan proceeds/payments	30,700	-
Bond discount capitalized	-	(16,139)
Expenditures capitalized	-	(10,000)
Debt service principal payments	-	(2,844,546)
Depreciation and amortization expense	-	209,584
Bond discount	-	598
Total revenues and expenses- generally accepted accounting principles	<u>1,396,037</u>	<u>1,578,005</u>
Change in net position		<u>\$ (181,968)</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - SEWER FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Charges for service	\$ 1,292,482	\$ 1,292,482	\$ 1,339,125	\$ 46,643
Miscellaneous	2,000	2,000	18,313	16,313
Total revenues	<u>1,294,482</u>	<u>1,294,482</u>	<u>1,357,438</u>	<u>62,956</u>
EXPENDITURES				
Personal service	200,250	230,250	230,087	163
Materials and service	156,450	191,450	177,392	14,058
Capital outlay	30,000	30,000	25,565	4,435
Debt service:				
Principal	84,192	84,192	2,844,546	(2,760,354)
Bond costs	-	-	78,443	(78,443)
Interest	117,265	117,265	143,458	(26,193)
Contingency	95,708	27,708	-	27,708
Total expenditures	<u>683,865</u>	<u>680,865</u>	<u>3,499,491</u>	<u>(2,818,626)</u>
Revenues over (under) expenditures	610,617	613,617	(2,142,053)	(2,755,670)
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	(11,300)	(11,300)	(11,300)	-
Loan proceeds (payments)	-	-	2,900,000	2,900,000
Transfers out	(721,215)	(724,215)	(724,647)	(432)
Total other financing sources (uses)	<u>(732,515)</u>	<u>(735,515)</u>	<u>2,164,053</u>	<u>2,899,568</u>
Changes in fund balances	(121,898)	(121,898)	22,000	143,898
FUND BALANCES, BEGINNING	<u>323,355</u>	<u>323,355</u>	<u>274,198</u>	<u>(49,157)</u>
FUND BALANCES, ENDING	<u>\$ 201,457</u>	<u>\$ 201,457</u>	<u>\$ 296,198</u>	<u>\$ 94,741</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - SEWER SDC
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 25,061	\$ 25,061	\$ 7,470	\$ (17,591)
Interest	200	200	429	229
Intergovernmental	125,000	125,000	-	(125,000)
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	<u>151,261</u>	<u>151,261</u>	<u>7,899</u>	<u>(143,362)</u>
EXPENDITURES				
Materials and service	30,000	30,000	13,988	16,012
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total expenditures	<u>155,000</u>	<u>155,000</u>	<u>13,988</u>	<u>141,012</u>
Revenues over (under) expenditures	(3,739)	(3,739)	(6,089)	(2,350)
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	-	-	42,000	42,000
Transfers out	<u>(1,243)</u>	<u>(1,243)</u>	<u>(382)</u>	<u>861</u>
Total other financing sources (uses)	<u>(1,243)</u>	<u>(1,243)</u>	<u>41,618</u>	<u>42,861</u>
Changes in fund balances	(4,982)	(4,982)	35,529	40,511
FUND BALANCES, BEGINNING	<u>5,963</u>	<u>5,963</u>	<u>(18,141)</u>	<u>(24,104)</u>
FUND BALANCES, ENDING	<u>\$ 981</u>	<u>\$ 981</u>	<u>\$ 17,388</u>	<u>\$ 16,407</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - STORM DRAIN COMBINED
For the Fiscal Year Ended June 30, 2013

	<u>Storm Drain Fund</u>	<u>Storm Drain SDC</u>	<u>Total Storm Drain</u>
REVENUES			
Charges for service	\$ 326,522	\$ -	\$ 326,522
System development charges	-	6,564	6,564
Miscellaneous	2,836	-	2,836
	<u>329,358</u>	<u>6,564</u>	<u>335,922</u>
Total revenues			
EXPENDITURES			
Personal service	100,109	-	100,109
Materials and service	60,485	-	60,485
Capital outlay	1,000	6,777	7,777
Debt service:			
Principal	19,390	-	19,390
Interest	1,718	-	1,718
	<u>182,702</u>	<u>6,777</u>	<u>189,479</u>
Total expenditures			
Revenues over (under) expenditures	146,656	(213)	146,443
OTHER FINANCING SOURCES (USES)			
Interfund loan proceeds (payments)	112,450	11,300	123,750
Transfers out	(222,842)	(30,156)	(252,998)
	<u>(110,392)</u>	<u>(18,856)</u>	<u>(129,248)</u>
Total other financing sources (uses)			
Changes in fund balances	36,264	(19,069)	17,195
FUND BALANCES, BEGINNING	<u>48</u>	<u>23,975</u>	<u>24,023</u>
FUND BALANCES, ENDING	<u>\$ 36,312</u>	<u>\$ 4,906</u>	<u>\$ 41,218</u>

	<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above	\$ 335,922	\$ 189,479
Transfers in/out	-	252,998
Interfund loan proceeds/payments	123,750	-
Debt service principal payments	-	(19,390)
Depreciation and amortization expense	-	25,535
	<u>459,672</u>	<u>448,622</u>
Total revenues and expenses- generally accepted accounting principles		
Change in net position		<u>\$ 11,050</u>

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - STORM DRAIN FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Charges for service	\$ 257,000	\$ 310,000	\$ 326,522	\$ 16,522
Miscellaneous	550	550	2,836	2,286
Total revenues	257,550	310,550	329,358	18,808
EXPENDITURES				
Personal service	82,481	102,481	100,109	2,372
Materials and service	51,350	84,350	60,485	23,865
Capital outlay	1,000	1,000	1,000	-
Debt service:				
Principal	19,390	19,390	19,390	-
Interest	1,719	1,719	1,718	1
Total expenditures	155,940	208,940	182,702	26,238
Revenues over (under) expenditures	101,610	101,610	146,656	45,046
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	112,450	112,450	112,450	-
Transfers out	(215,025)	(215,025)	(222,842)	(7,817)
Total other financing sources (uses)	(102,575)	(102,575)	(110,392)	(7,817)
Changes in fund balances	(965)	(965)	36,264	37,229
FUND BALANCES, BEGINNING	2,871	2,871	48	(2,823)
FUND BALANCES, ENDING	\$ 1,906	\$ 1,906	\$ 36,312	\$ 34,406

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
BUDGET AND ACTUAL - STORM DRAIN SDC
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 9,572	\$ 9,572	\$ 6,564	\$ (3,008)
Total revenues	9,572	9,572	6,564	(3,008)
EXPENDITURES				
Materials and service	2,000	2,000	-	2,000
Capital outlay	10,000	9,000	6,777	2,223
Total expenditures	12,000	11,000	6,777	4,223
Revenues over (under) expenditures	(2,428)	(1,428)	(213)	1,215
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds (payments)	11,300	11,300	11,300	-
Transfers out	(30,306)	(31,306)	(30,156)	1,150
Total other financing sources (uses)	(19,006)	(20,006)	(18,856)	1,150
Changes in fund balances	(21,434)	(21,434)	(19,069)	2,365
FUND BALANCES, BEGINNING	21,461	21,461	23,975	2,514
FUND BALANCES, ENDING	\$ 27	\$ 27	\$ 4,906	\$ 4,879

CITY OF INDEPENDENCE, OREGON
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution. The City budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by resolution are the legal level of control for the General Fund. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking the approval of the Council. The City had appropriation transfers during the year-ended June 30, 2013. The city had a supplemental budget during the year-ended June 30, 2013. Appropriations lapse as of year-end.

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2013 occurred as follows:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount</u>
Tourism and Events Fund	Materials & Services	\$12,294
Storm Drain Operating Fund	Transfers Out	\$7,817
Water Operating Fund	Transfers Out	\$1,554
Sewer Operating Fund	Transfers Out	\$432
Urban Renewal Debt Service Fund	Materials & Services	\$250

B. Deficit Fund Balance

At June 30, 2013, the following funds had deficit fund balances.

Actual:

Urban Renewal Projects Fund	\$767,389
HALO Program Fund	\$32,324

Budgeted:

Urban Renewal Projects Fund	\$329,885
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OTHER FINANCIAL SCHEDULES

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>2012-2013 Levy</u>	<u>Discounts Adjustments</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2013</u>
2012-13	\$ -	\$ 2,380,300	\$ (66,060)	\$ (2,217,612)	\$ 96,628
2011-12	122,185	-	(26)	(53,421)	68,738
2010-11	68,708	-	(8)	(33,052)	35,648
2009-10	48,687	-	(8)	(39,547)	9,132
2008-09	15,466	-	(7)	(13,444)	2,015
2007-08	2,802	-	(2)	(1,990)	810
Prior years	1,775	-	(4)	(702)	1,069
Totals	<u>\$ 259,623</u>	<u>\$ 2,380,300</u>	<u>\$ (66,115)</u>	<u>\$ (2,359,768)</u>	<u>\$ 214,040</u>

Taxes receivable classified by fund:

General Fund	\$ 144,141
General Obligation Bond Fund	33,811
Urban Renewal Agency Debt Service Fund	<u>36,088</u>
	<u>\$ 214,040</u>

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**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic 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 (the City), as of and for the year ended June 30, 2013 and have issued our report thereon dated December 6, 2013. 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'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 the 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- 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, and 279C).

- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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 the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

The following funds had expenditures in excess of appropriations for the year ended June 30, 2013:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount</u>
Tourism and Events Fund	Materials & Services	\$12,294
Storm Drain Operating Fund	Transfers Out	\$7,817
Water Operating Fund	Transfers Out	\$1,554
Sewer Operating Fund	Transfers Out	\$432
Urban Renewal Debt Service Fund	Materials & Services	\$250

At June 30, 2013, the following funds had deficit fund balances.

Actual Fund Balance:

Urban Renewal Projects Fund	\$767,389
HALO Program Fund	\$32,324

Budgeted Fund Balance:

Urban Renewal Projects Fund	\$329,885
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OAR 162-10-0230 Internal Control

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

We have communicated suggestions for improvement of the City's processes in a separate letter to management dated December 6, 2013.

This report is intended solely for the information and use of the Board of Directors, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
December 6, 2013

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