



**CITY OF INDEPENDENCE,
OREGON**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CITY OF INDEPENDENCE, OREGON
Annual Financial Report
Fiscal Year Ended June 30, 2014

CITY OF INDEPENDENCE, OREGON
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INTRODUCTORY SECTION

CITY OF INDEPENDENCE
CITY OFFICIALS
June 30, 2014

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

Robert Mason, Chief of Police

Gloria Butsch, Finance Director

Karin Johnson, City Recorder

Mike Danko, Community Development Director/
Public Works Director

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

Report on the Financial Statements

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, 2014, 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 accounting principles generally accepted in the United States of America; this includes 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 of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2014 was \$11,739,274 which is the amount of the receivable from MINET. The City considers the receivable fully collectible. MINET has incurred losses from operations since inception in 2006.

Change In Accounting Basis

As described in Note 15 Change in Accounting Basis to the financial statements, the City adopted a new policy to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The required supplementary information, as listed in the table of contents, is the responsibility of management and was 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other 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 introductory section 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 was 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 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.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 22, 2014, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
December 22, 2014

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
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,247,379	\$ 701,714	\$ 1,949,093
Property taxes receivable	186,558	-	186,558
Due from other governments	27,018	-	27,018
Accounts receivable, net	250,120	468,215	718,335
Assessments receivable	171,514	-	171,514
Prepays	43,512	-	43,512
Interest receivable	163,705	23,955	187,660
Internal balances	(787,516)	787,516	-
Total current assets	<u>1,302,290</u>	<u>1,981,400</u>	<u>3,283,690</u>
Noncurrent assets:			
Loans receivable	12,561,928	1,101,247	13,663,175
Capital assets:			
Non-depreciable	1,887,107	201,804	2,088,911
Depreciable	<u>22,048,007</u>	<u>10,757,028</u>	<u>32,805,035</u>
Total noncurrent assets	<u>36,497,042</u>	<u>12,060,079</u>	<u>48,557,121</u>
Total assets	<u>37,799,332</u>	<u>14,041,479</u>	<u>51,840,811</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	-	9,348	9,348
Total deferred outflows of resources	<u>-</u>	<u>9,348</u>	<u>9,348</u>
Total assets and deferred outflows of resources	<u>\$ 37,799,332</u>	<u>\$ 14,050,827</u>	<u>\$ 51,850,159</u>
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 158,656	\$ 6,269	\$ 164,925
Deposits	-	162,244	162,244
Current accrued compensated absences	217,711	24,136	241,847
Interest payable	264,311	41,697	306,008
Current portion of long-term debt	<u>765,301</u>	<u>141,130</u>	<u>906,431</u>
Total current liabilities	<u>1,405,979</u>	<u>375,476</u>	<u>1,781,455</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	<u>28,128,582</u>	<u>4,394,597</u>	<u>32,523,179</u>
Total noncurrent liabilities	<u>28,128,582</u>	<u>4,394,597</u>	<u>32,523,179</u>
Total liabilities	<u>29,534,561</u>	<u>4,770,073</u>	<u>34,304,634</u>
NET POSITION:			
Net investment in capital assets	6,780,505	6,423,105	13,203,610
Restricted for:			
System development	-	181,269	181,269
Debt service	392,938	-	392,938
Unrestricted	<u>1,091,328</u>	<u>2,676,380</u>	<u>3,767,708</u>
Total net position	<u>8,264,771</u>	<u>9,280,754</u>	<u>17,545,525</u>
Total liabilities and net position	<u>\$ 37,799,332</u>	<u>\$ 14,050,827</u>	<u>\$ 51,850,159</u>

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

CITY OF INDEPENDENCE, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,611,602	\$ 66,517	\$ -	\$ -
Public safety	2,334,198	136,690	22,437	4,901
Highways and streets	397,394	72,952	-	-
Community development	1,111,469	229,167	322,354	-
Culture and recreation	673,431	139,067	39,534	-
Interest on long-term debt	1,516,687	-	-	-
Total governmental activities	7,644,781	644,393	384,325	4,901
Business type activities:				
Water Operations	697,000	2,015,666	-	-
Sewer Operations	700,065	1,564,687	-	-
Storm Drain Operations	182,306	404,861	-	-
Total business type activities	1,579,371	3,985,214	-	-
Total government	\$ 9,224,152	\$ 4,629,607	\$ 384,325	\$ 4,901

General revenues:

Taxes:

Property taxes

Public service taxes and state revenue sharing

Franchise taxes

Interest and investment earnings

Miscellaneous revenues

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position, beginning - modified cash basis

Restatement due to change in basis

Net position, ending - GAAP

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

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (1,545,085)	\$ -	\$ (1,545,085)
(2,170,170)	-	(2,170,170)
(324,442)	-	(324,442)
(559,948)	-	(559,948)
(494,830)	-	(494,830)
(1,516,687)	-	(1,516,687)
(6,611,162)	-	(6,611,162)
-	1,318,666	1,318,666
-	864,622	864,622
-	222,555	222,555
-	2,405,843	2,405,843
(6,611,162)	2,405,843	(4,205,319)
2,412,538	-	2,412,538
1,398,173	-	1,398,173
631,682	-	631,682
6,968	13,955	20,923
184,377	30,817	215,194
1,908,380	(1,908,380)	-
6,542,118	(1,863,608)	4,678,510
(69,044)	542,235	473,191
7,592,788	7,254,369	14,847,157
741,027	1,484,150	2,225,177
\$ 8,264,771	\$ 9,280,754	\$ 17,545,525

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

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.

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.

Urban Renewal Projects Fund

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

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CITY OF INDEPENDENCE, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014

	General Fund Generally Accepted Accounting Principles	Transportation SDC Fund	MINET Debt Fund	Urban Renewal Debt Service Fund
ASSETS:				
Cash and cash equivalents	\$ 94,310	\$ 37,916	\$ -	\$ 347,888
Property taxes receivable	139,972	-	-	30,792
Due from other governments	19,949	-	-	4,401
Accounts receivable, net	118,426	-	-	-
Assessments receivable	-	-	-	-
Prepays	39,640	-	-	-
Loans receivable	-	287,310	11,739,274	-
Due from other funds	790,543	-	-	-
Interfund loan receivables	317,364	-	-	-
Total assets	<u>\$ 1,520,204</u>	<u>\$ 325,226</u>	<u>\$ 11,739,274</u>	<u>\$ 383,081</u>
LIABILITIES:				
Accounts payable and accrued expenses	\$ 72,115	\$ 689	\$ -	\$ -
Interfund loan payable	-	365,500	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>72,115</u>	<u>366,189</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	128,726	-	-	28,361
Unavailable revenue - loan receivables	-	287,310	11,739,274	-
Unavailable revenue - municipal court receivables	39,260	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>167,986</u>	<u>287,310</u>	<u>11,739,274</u>	<u>28,361</u>
FUND BALANCES:				
Restricted for:				
Debt service	-	-	-	354,720
Committed to:				
Equipment and vehicle replacement	25,898	-	-	-
Assigned to:				
Building inspections	-	-	-	-
Capital projects	-	-	-	-
Special events	-	-	-	-
Unassigned	<u>1,254,205</u>	<u>(328,273)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,280,103</u>	<u>(328,273)</u>	<u>-</u>	<u>354,720</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,520,204</u>	<u>\$ 325,226</u>	<u>\$ 11,739,274</u>	<u>\$ 383,081</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.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred 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.

- Long-term debt
- Compensated absences
- Interest payable

Net Position of governmental activities

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

Transportation Fund	Urban Renewal Projects Fund	Other Governmental	Total Governmental
\$ 78,116	\$ -	\$ 689,149	\$ 1,247,379
-	-	15,794	186,558
-	-	2,668	27,018
60,541	-	71,153	250,120
-	-	171,514	171,514
-	-	3,872	43,512
-	194,533	340,811	12,561,928
-	-	-	790,543
70,500	-	557,450	945,314
<u>\$ 209,157</u>	<u>\$ 194,533</u>	<u>\$ 1,852,411</u>	<u>\$ 16,223,886</u>
\$ 70,772	\$ -	\$ 15,080	\$ 158,656
290,106	950,000	127,224	1,732,830
-	762,390	28,153	790,543
<u>360,878</u>	<u>1,712,390</u>	<u>170,457</u>	<u>2,682,029</u>
-	-	14,538	171,625
-	194,532	340,811	12,561,927
-	-	-	39,260
-	-	171,514	171,514
-	194,532	526,863	12,944,326
-	-	38,218	392,938
-	-	-	25,898
-	-	43,095	43,095
-	-	148,959	148,959
-	-	984,275	984,275
<u>(151,721)</u>	<u>(1,712,389)</u>	<u>(59,456)</u>	<u>(997,634)</u>
<u>(151,721)</u>	<u>(1,712,389)</u>	<u>1,155,091</u>	<u>597,531</u>
<u>\$ 209,157</u>	<u>\$ 194,533</u>	<u>\$ 1,852,411</u>	
			23,935,114
			12,944,326
			(28,893,883)
			(217,711)
			<u>(100,606)</u>
			<u>\$ 8,264,771</u>

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

**CITY OF INDEPENDENCE, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

	General Fund Generally Accepted Accounting Principles	Transportation SDC Fund	MINET Debt Fund	Urban Renewal Debt Service Fund
REVENUES:				
Property taxes	\$ 1,587,349	\$ -	\$ -	\$ 405,230
Franchise fees	631,682	-	-	-
Licenses, permits and fees	85,078	-	-	-
Intergovernmental	241,667	-	912,641	-
Assessments	-	-	-	-
Grants	27,337	-	-	-
Fines and forfeitures	119,180	-	-	-
Charges for services	119,070	-	-	-
Rent	23,124	-	-	-
Interest revenue	6,933	-	-	35
Miscellaneous revenue	90,325	-	-	-
Loan repayments	-	-	-	-
Royalties	-	-	-	-
System development charges	-	70,962	-	-
Total revenues	<u>2,931,745</u>	<u>70,962</u>	<u>912,641</u>	<u>405,265</u>
EXPENDITURES:				
Current:				
General government	1,037,201	-	1,000	-
Public safety	2,332,784	-	-	-
Highways and streets	-	4,157	-	-
Community development	378,522	-	-	-
Culture and recreation	539,582	-	-	-
Capital outlay	92,308	55,983	-	-
Debt service:				
Principal	-	375,000	290,104	2,305,000
Interest	-	-	621,537	645,236
Total expenditures	<u>4,380,397</u>	<u>435,140</u>	<u>912,641</u>	<u>2,950,236</u>
Revenues over (under) expenditures	<u>(1,448,652)</u>	<u>(364,178)</u>	<u>-</u>	<u>(2,544,971)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	147,086	302,607	-	2,327,840
Transfers in	2,207,667	-	-	550,000
Transfers out	(698,725)	(3,320)	-	-
Total other financing sources (uses)	<u>1,656,028</u>	<u>299,287</u>	<u>-</u>	<u>2,877,840</u>
Net change in fund balance	207,376	(64,891)	-	332,869
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	479,248	2,118	-	21,851
RESTATEMENT DUE TO CHANGE IN BASIS	<u>593,479</u>	<u>(265,500)</u>	<u>-</u>	<u>-</u>
FUND BALANCE, ENDING - GAAP	<u>\$ 1,280,103</u>	<u>\$ (328,273)</u>	<u>\$ -</u>	<u>\$ 354,720</u>

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

Transportation Fund	Urban Renewal Projects Fund	Other Governmental	Total Governmental
\$ -	\$ -	\$ 462,374	\$ 2,454,953
-	-	-	631,682
-	-	93,035	178,113
541,885	-	319,452	2,015,645
-	5,000	28,564	33,564
-	-	16,051	43,388
-	-	-	119,180
1,990	-	-	121,060
-	-	-	23,124
-	-	-	6,968
5,390	-	112,146	207,861
-	-	51,053	51,053
-	-	5,167	5,167
-	-	31,759	102,721
<u>549,265</u>	<u>5,000</u>	<u>1,119,601</u>	<u>5,994,479</u>
-	-	-	1,038,201
-	-	-	2,332,784
198,841	-	-	202,998
-	-	434,189	812,711
-	-	112,581	652,163
154,707	-	9,297	312,295
20,379	-	1,040,098	4,030,581
729	-	213,401	1,480,903
<u>374,656</u>	<u>-</u>	<u>1,809,566</u>	<u>10,862,636</u>
<u>174,609</u>	<u>5,000</u>	<u>(689,965)</u>	<u>(4,868,157)</u>
-	-	709,694	3,487,227
13,000	-	175,135	2,945,802
(313,708)	-	(21,669)	(1,037,422)
<u>(300,708)</u>	<u>-</u>	<u>863,160</u>	<u>5,395,607</u>
(126,099)	5,000	173,195	527,450
67,817	(767,389)	494,196	297,841
<u>(93,439)</u>	<u>(950,000)</u>	<u>487,700</u>	<u>(227,760)</u>
<u>\$ (151,721)</u>	<u>\$ (1,712,389)</u>	<u>\$ 1,155,091</u>	<u>\$ 597,531</u>

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

CITY OF INDEPENDENCE, OREGON
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Amounts reported in the statement of activities are different because:

Net change in fund balance \$ 527,450

The statement of revenues, expenditures, and changes in fund balance 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.

Current year depreciation	(932,344)	
Capital asset additions	162,471	(769,873)

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. (3,809,335)

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.

Debt service principal payments	4,024,458	
Accrued interest expense	(41,744)	3,982,714

Change in net position of governmental activities \$ (69,044)

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

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 and connection fees. Expenditures are for operating costs.

Water SDC Fund

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

Sewer 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.

Sewer SDC Fund

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 Fund

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 Enterprise funds.

CITY OF INDEPENDENCE, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Drain Operations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,862	\$ 497,204	\$ 202,648	\$ 701,714
Accounts receivable, net	258,486	160,493	49,236	468,215
Loans receivable	936,203	152,626	12,418	1,101,247
Interest receivable	23,955	-	-	23,955
Interfund loan receivable	590,342	731,850	-	1,322,192
Total current assets	<u>1,810,848</u>	<u>1,542,173</u>	<u>264,302</u>	<u>3,617,323</u>
Noncurrent assets:				
Capital assets, net	4,844,232	5,223,919	890,681	10,958,832
Total noncurrent assets	<u>4,844,232</u>	<u>5,223,919</u>	<u>890,681</u>	<u>10,958,832</u>
Total assets	<u>6,655,080</u>	<u>6,766,092</u>	<u>1,154,983</u>	<u>14,576,155</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	9,348	-	-	9,348
Total deferred outflows of resources	<u>9,348</u>	<u>-</u>	<u>-</u>	<u>9,348</u>
Total assets and deferred outflows of resources	<u>\$ 6,664,428</u>	<u>\$ 6,766,092</u>	<u>\$ 1,154,983</u>	<u>\$ 14,585,503</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 4,484	\$ 1,271	\$ 514	\$ 6,269
Accrued interest payable	34,659	7,038	-	41,697
Interfund loan payable	150,342	42,000	342,334	534,676
Deposits	162,244	-	-	162,244
Current accrued compensated absences	10,727	9,386	4,023	24,136
Current portion of long-term debt	71,400	65,000	4,730	141,130
Total current liabilities	<u>433,856</u>	<u>124,695</u>	<u>351,601</u>	<u>910,152</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	1,724,562	2,670,035	-	4,394,597
Total noncurrent liabilities	<u>1,724,562</u>	<u>2,670,035</u>	<u>-</u>	<u>4,394,597</u>
Total liabilities	<u>2,158,418</u>	<u>2,794,730</u>	<u>351,601</u>	<u>5,304,749</u>
NET POSITION:				
Net investment in capital assets	3,048,270	2,488,884	885,951	6,423,105
Restricted for:				
System development	78,292	75,322	27,655	181,269
Unrestricted	1,379,448	1,407,156	(110,224)	2,676,380
Total net position	<u>4,506,010</u>	<u>3,971,362</u>	<u>803,382</u>	<u>9,280,754</u>
Total liabilities and net position	<u>\$ 6,664,428</u>	<u>\$ 6,766,092</u>	<u>\$ 1,154,983</u>	<u>\$ 14,585,503</u>

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

**CITY OF INDEPENDENCE, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 For the Fiscal Year Ended June 30, 2014**

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Drain Operations	Total
OPERATING REVENUES:				
Charges for services	\$ 1,975,364	\$ 1,477,458	\$ 376,614	3,829,436
Miscellaneous income	18,741	6,413	5,663	30,817
Total operating revenues	<u>1,994,105</u>	<u>1,483,871</u>	<u>382,277</u>	<u>3,860,253</u>
OPERATING EXPENSES:				
Personal service	271,956	238,079	102,034	612,069
Materials and service	191,851	168,241	52,935	413,027
Depreciation	185,239	209,295	26,608	421,142
Total operating expenses	<u>649,046</u>	<u>615,615</u>	<u>181,577</u>	<u>1,446,238</u>
Operating income (loss)	<u>1,345,059</u>	<u>868,256</u>	<u>200,700</u>	<u>2,414,015</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	13,955	-	-	13,955
Interest expense	(47,954)	(84,450)	(729)	(133,133)
System development charges	40,302	87,229	28,247	155,778
Total non-operating revenues (expenses)	<u>6,303</u>	<u>2,779</u>	<u>27,518</u>	<u>36,600</u>
Net income (loss) before transfers	1,351,362	871,035	228,218	2,450,615
TRANSFERS:				
Transfers in (out)	<u>(896,510)</u>	<u>(731,592)</u>	<u>(280,278)</u>	<u>(1,908,380)</u>
Change in net position	454,852	139,443	(52,060)	542,235
NET POSITION, BEGINNING - MODIFIED CASH BASIS	3,320,598	3,012,333	921,438	7,254,369
RESTATEMENT DUE TO CHANGE IN BASIS	<u>730,560</u>	<u>819,586</u>	<u>(65,996)</u>	<u>1,484,150</u>
NET POSITION, ENDING - GAAP	<u>\$ 4,506,010</u>	<u>\$ 3,971,362</u>	<u>\$ 803,382</u>	<u>\$ 9,280,754</u>

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

CITY OF INDEPENDENCE, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Drain Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,969,973	\$ 1,451,969	\$ 368,169	\$ 3,790,111
Cash paid to employees and others for salaries and benefits	(191,919)	(238,197)	(102,084)	(532,200)
Cash paid to suppliers and others	(272,852)	(170,689)	(52,706)	(496,247)
Net cash provided by (used for) operating activities	<u>1,505,202</u>	<u>1,043,083</u>	<u>213,379</u>	<u>2,761,664</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Payment from (to) other funds	(92,158)	63,359	233,150	204,351
Transfers in (out)	(896,510)	(731,592)	(280,278)	(1,908,380)
Loan to MINET	(444,098)	-	-	(444,098)
Net cash provided by (used for) non-capital financing activities	<u>(1,432,766)</u>	<u>(668,233)</u>	<u>(47,128)</u>	<u>(2,148,127)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(10,726)	-	(10,725)	(21,451)
Principal paid on long-term obligations	(1,971,944)	576	(21,614)	(1,992,982)
Proceeds from the issuance of debt	1,796,450	-	-	1,796,450
Proceeds from system development charges	44,707	93,105	28,247	166,059
Interest paid	(94,310)	(84,450)	(729)	(179,489)
Net cash provided by (used for) capital and related financing activities	<u>(235,823)</u>	<u>9,231</u>	<u>(4,821)</u>	<u>(231,413)</u>
Net increase (decrease) in cash and cash equivalents	(163,387)	384,081	161,430	382,124
CASH AND CASH EQUIVALENTS, BEGINNING	<u>165,249</u>	<u>113,123</u>	<u>41,218</u>	<u>319,590</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,862</u>	<u>\$ 497,204</u>	<u>\$ 202,648</u>	<u>\$ 701,714</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating Income	\$ 1,345,059	\$ 868,256	\$ 200,700	\$ 2,414,015
Adjustments				
Depreciation and amortization	185,239	209,295	26,608	421,142
Decrease (increase) in:				
Accounts receivable and due from other funds	(27,534)	(31,902)	(14,108)	(73,544)
Increase (decrease) in:				
Accounts payable and accrued expenses	(896)	(2,507)	204	(3,199)
Deposits	3,402	-	-	3,402
Accrued compensated absences	(68)	(59)	(25)	(152)
Net cash provided by (used for) operating activities	<u>\$ 1,505,202</u>	<u>\$ 1,043,083</u>	<u>\$ 213,379</u>	<u>\$ 2,761,664</u>

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

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of 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.

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The City of Independence's financial statements include the Independence Urban Renewal Agency as a blended component unit. The City Council and Board of Directors of Independence Urban Renewal Agency are composed of the same individuals.

The Independence Urban Renewal Agency was formed to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal areas. Complete financial statements for the Agency may be obtained from the City's administrative offices, 555 Main Street, Independence, OR 97351.

B. Basic Financial Statements

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

Government-wide statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Fund financial statements

These 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, and fiduciary, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

C. 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. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary 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 for 2014:

- The *General Fund* is the City's primary operation fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenues are property taxes, franchise fees, charges for services, licenses and permits, and state shared revenue.
- The *Transportation SDC Fund* accounts for system development charges designated for transportation projects.
- The *MINET Debt 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.
- The *Urban Renewal Debt Service Fund* principal source of revenue comes from property taxes.
- The *Transportation Fund* accounts for state highway apportionment, federal funds, and grants, which are restricted to road maintenance. The principal source of revenues is public service taxes.
- The *Urban Renewal Projects Fund* accounts for the acquisition and construction of facilities financed by the issuance of bonds.

The City reports each of its three proprietary funds as major 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. The City reports the following proprietary funds:

- *Water Operations*
- *Sewer Operations*

•*Storm Drain Operations*

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements and the proprietary funds financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Unavailable revenue arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide Statement of Net Position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that unavailable revenues also arise outside the scope of measurement focus and bases of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expended to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

recognized, thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's Water, Sewer, and Storm Drain Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary financial statements have incorporated all applicable GASB pronouncements.

E. Cash and Cash Equivalents

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.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

F. Receivables

Uncollected property taxes receivable collected within sixty days following year end are considered measurable and available and are recognized as revenues. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent.

Assessments receivable are recognized at the time property owners are assessed for property improvements. Assessments receivable expected to be collected within sixty days following year

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

end and are considered measurable and available and are recognized as revenue. All other assessments receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue.

Receivables for grants and state shared revenues, included in accounts receivable are recorded as revenues in governmental fund types as earned. Receivables of the proprietary fund types are recorded as revenues as earned, including services earned but not billed.

G. Interfund Loans Receivables/Payables

Short-term interfund loans are classified as “due to and due from other funds”. Long-term interfund loans are classified as “interfund loan receivable” and “interfund loan payable”.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the year ended June 30, 2014.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

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

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Monthly depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

I. Deferred Outflows/Inflows of Resource

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

J. Compensated Absences

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, accumulated vested vacation pay is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the fund that will pay it.

Funds used to liquidate accrued compensated absences include the general fund, water fund, sewer fund and storm drain fund.

K. Net Position

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represent net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net position. The City's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

L. Fund Balance

In the fund financial statements, 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 purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes amounts not immediately converted to cash, such as prepaid items and inventory.

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Restricted – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by enabling legislation.

Committed – Includes amounts that have been committed by resolution by the City Council which is the City’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the City Council removes the constraint by similar council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by council action who authorizes, by resolution, the City Manager or Finance Director to assign fund balance. Assigned fund balance is also established by the Council through adoption or amendment of the budget as intended for specific purpose.

Unassigned – This is the residual classification used for those balances not assigned to another category.

M. Use of Restricted Resources

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 they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

N. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted requires that management make estimates and assumptions which affect the reporting amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

2. Cash and Cash Equivalents

At June 30, 2014 investments included in cash and cash equivalents consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer’s Local Government Investment Pool	0.00	<u>\$ 1,669,567</u>

A. Interest Rate Risk

The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, the City maintains excess cash in the Local Government Investment Pool.

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

B. Credit Risk

State statutes authorize the City to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The State Treasurer's Oregon Local Government Investment Pool is not registered with the SEC as an investment company and is unrated.

The City's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

C. Concentration of Credit Risk

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus finds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

D. Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2014, none of the City's bank balances were exposed to custodial credit risk.

3. Property Taxes and Assessments Receivable

Property taxes receivable, which have been collected within sixty days subsequent to year end, are considered measurable and available and are therefore recognized as revenue.

All other property taxes receivable are offset by deferred inflows and, accordingly, have not been recorded as revenue. Property taxes are levied as of July 1 of each fiscal year on values assessed as of that date. Property taxes attach as an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Polk County and remitted to the City.

Assessments receivable are amounts billed to property owners upon completion of the benefiting project. Uncollected taxes and assessments are deemed to be substantially collectible or recoverable through liens. Therefore, no allowance for uncollectible accounts has been established.

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. 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.

A. 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.

B. 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, 2014 there were six loans outstanding totaling \$315,601 with interest rates ranging between 3-5%. Monthly repayments are required.

C. 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, 2014, \$11,739,274 had been drawn or loaned. In addition, the City has loaned MINET a short-term loan of \$444,097 during 2013-2014 in order for MINET to meet its debt service requirements. The total loan receivable at June 30, 2014 for debt service is \$808,384. Summarized financial data for MINET is as follows:

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets	\$ 689,030	\$ 574,263
Capital assets (net of depreciation)	<u>15,061,037</u>	<u>15,900,654</u>
<i>Total Assets</i>	<u>15,750,067</u>	<u>16,474,917</u>
LIABILITIES		
Current liabilities	1,214,159	1,220,064
Long-term liabilities	<u>27,238,812</u>	<u>26,954,435</u>
<i>Total Liabilities</i>	<u>28,452,971</u>	<u>28,174,499</u>
NET POSITION		
Net investment in capital assets	(2,724,533)	(2,682,771)
Unrestricted	<u>(9,978,371)</u>	<u>(9,016,811)</u>
<i>Total Net Position</i>	<u>\$ (12,702,904)</u>	<u>\$ (11,699,582)</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

5. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2014 was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 1,823,870	\$ -	\$ -	\$ 1,823,870
Work in progress	898,409	96,026	(931,198)	63,237
Total capital assets, non-depreciable	<u>2,722,279</u>	<u>96,026</u>	<u>(931,198)</u>	<u>1,887,107</u>
Capital assets, depreciable:				
Intangibles	54,136	-	-	54,136
Buildings	15,562,899	-	-	15,562,899
Equipment	583,862	21,450	(65,713)	539,599
Vehicles	673,811	44,995	(28,508)	690,298
Infrastructure	17,039,918	931,198	-	17,971,116
Total capital assets, depreciable	<u>33,914,626</u>	<u>997,643</u>	<u>(94,221)</u>	<u>34,818,048</u>
Less accumulated depreciation for:				
Intangibles	(10,827)	(10,827)	-	(21,654)
Buildings	(2,060,094)	(403,972)	-	(2,464,066)
Equipment	(364,025)	(34,530)	65,713	(332,842)
Vehicles	(611,616)	(34,678)	28,508	(617,786)
Infrastructure	(8,885,356)	(448,337)	-	(9,333,693)
Total accumulated depreciation	<u>(11,931,918)</u>	<u>(932,344)</u>	<u>94,221</u>	<u>(12,770,041)</u>
Net depreciable capital assets	<u>21,982,708</u>	<u>65,299</u>	<u>-</u>	<u>22,048,007</u>
Net capital assets	<u>\$ 24,704,987</u>	<u>\$ 161,325</u>	<u>\$ (931,198)</u>	<u>\$ 23,935,114</u>
Governmental activities:				
General government		\$ 570,574		
Community development		9,836		
Roads and highways		53,883		
Urban renewal		298,051		
Total depreciation expense - governmental activities		<u>\$ 932,344</u>		

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Capital asset activity for the business-type activities for the year ended June 30, 2014 was as follows:

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 201,804	\$ -	\$ -	\$ 201,804
Total capital assets, non-depreciable	201,804	-	-	201,804
Capital assets, depreciable:				
Buildings	917,071	-	-	917,071
Distribution systems	17,356,199	-	-	17,356,199
Equipment	1,029,771	21,450	-	1,051,221
Total capital assets, depreciable	19,303,041	21,450	-	19,324,491
Less accumulated depreciation for:				
Buildings	(228,650)	(22,564)	-	(251,214)
Distribution systems	(7,271,719)	(354,348)	-	(7,626,067)
Equipment	(645,952)	(44,230)	-	(690,182)
Total accumulated depreciation	(8,146,321)	(421,142)	-	(8,567,463)
Net depreciable capital assets	11,156,720	(399,692)	-	10,757,028
Net capital assets	\$ 11,358,524	\$ (399,692)	\$ -	\$ 10,958,832
Business-type activities:				
Sewer		\$ 209,295		
Water		185,239		
Storm drain		26,608		
Total depreciation expense - business-type activities		\$ 421,142		

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

6. Interfund Transfers, Loans, Receivables, Payables,

A. Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General Fund - GAAP	\$ 2,207,667	\$ 698,725
Transportation SDC Fund	-	3,320
Urban Renewal Debt Service Fund	550,000	-
Transportation Fund	13,000	313,708
Total Major Governmental Funds:	<u>2,770,667</u>	<u>1,015,753</u>
Non-Major Governmental Funds:		
Building Inspection Fund	90,010	-
Economic Development Fund	125	-
Tourism and Events Fund	25,000	125
Halo Fund	-	19,749
Parks SDC Fund	-	1,795
Building Repair & Replacement Fund	60,000	-
Total Non-Major Funds	<u>175,135</u>	<u>21,669</u>
Major Enterprise Funds:		
Water Fund	-	894,436
Sewer Fund	-	727,753
Storm Fund	10,725	290,236
Water SDC Fund	-	2,074
Sewer SDC Fund	-	3,839
Storm SDC Fund	-	767
Total Enterprise Funds	<u>10,725</u>	<u>1,919,105</u>
Total All Funds	<u>\$ 2,956,527</u>	<u>\$2,956,527</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

B. Interfund Loans Receivables and Payables

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

Interfund Capital Loans due over a 5- year period:

<u>From (Receivable)</u>	<u>To (Payable)</u>	Balance at 6/30/2014
General Fund	Transportation	\$ 130,106
General Fund	Parks SDC	47,324
General Fund	Storm SDC	58,034
Sewer Fund	Storm Drain	20,550
Water SDC	Urban Renewal Projects	250,000
Sewer SDC	Urban Renewal Projects	700,000
		<u>\$ 1,206,014</u>

Interfund Capital Loans due over a 10-year period:

<u>From (Receivable)</u>	<u>To (Payable)</u>	Balance at 6/30/2014
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
Water Fund	Storm Drain	125,000
Water Fund	Storm SDC	15,000
Water Fund	Transportation	50,000
Water Fund	Transportation SDC	100,000
General Fund	Transportation	50,000
General Fund	Tourism & Events	25,000
Economic Development	Tourism & Events	25,000
		<u>\$ 1,061,492</u>
		<u>\$ 2,267,506</u>

Total Interfund Loans

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

C. Franchise Fees Payables

The Proprietary funds paid franchise fees to the General Fund for fiscal year ended June 30, 2014 as follows:

Water Fund	\$ 136,935
Sewer Fund	103,686
Storm Drain Fund	<u>25,378</u>
Total	<u>\$ 265,999</u>

D. Interfund Receivables and Payables

Interfund balances which represent unsettled overdrafts of pooled cash as of June 30, 2014 are as follows:

	Due To Other Funds	Due From Other Funds
General Fund	\$ -	\$ 790,543
Halo Program Fund	28,153	-
Urban Renewal Projects Fund	<u>762,390</u>	<u>-</u>
Total	<u>\$ 790,543</u>	<u>\$ 790,543</u>

7. Advance Refunding

The City issued \$5,255,000 of general obligation bonds at rates ranging from 2% and 4.375%. The proceeds were used to advance refund \$975,000 of the Series 2004 water revenue bonds and proceeds of 4,280,000 were used current refund Series 2003 and Series 2007 of general obligation bonds and Series 1998 water revenue bonds. In addition, these proceeds were used to pay off outstanding loan balances of \$1,054,055. Proceeds of \$1,130,000 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Series 2004 of water revenue bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$10,198. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The refunding was undertaken to reduce its total debt service payments over 12 years by \$1,042,736 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$271,830 with a city contribution of \$259,968 for a net savings of \$14,380. At June 30, 2014, \$1,050,000 of defeased bonds remains outstanding.

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

8. Long Term Debt

During the year ended June 30, 2014, governmental long-term liability activity was as follows:

Governmental Activities	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due in One Year
Bonds					
2003 Refunding Bond	\$ 335,000	\$ -	\$ 335,000	\$ -	\$ -
2010 Full Faith & Credit Series A & B (MINET)	7,865,000	-	145,000	7,720,000	155,000
2007 Urban Renewal Bond	2,305,000	-	2,305,000	-	-
2010 Civic Center Bond	13,410,000	-	-	13,410,000	295,000
2013 GO Refunding Bond	-	3,468,300	-	3,468,300	138,600
Bond Premium	-	18,927	946	17,981	-
Total Bonds	23,915,000	3,487,227	2,785,946	24,616,281	588,600
Notes Payable					
SPWF Loan - Hoffman	610,178	-	356,580	253,598	15,262
SPWF Loan - Library	348,518	-	348,518	-	-
OECCD MINET Loan #1	4,164,378	-	145,104	4,019,274	156,709
Olsen-Ballfield Property	375,000	-	375,000	-	-
Total Notes Payable	5,498,074	-	1,225,202	4,272,872	171,971
Capital Leases					
Capital Lease Payable	25,109	-	20,379	4,730	4,730
Total Bonds, Notes, and Leases	29,438,183	3,487,227	4,031,527	28,893,883	765,301
Compensated Absences	210,642	7,069	-	217,711	217,711
Total Governmental Activities	\$ 29,648,825	\$ 3,494,296	\$ 4,031,527	\$ 29,111,594	\$ 983,012

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

A. Governmental Bonds and Notes Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding at June 30, 2014 are as follows:

Governmental Activities	
During the 2010-2011 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.	\$ 7,720,000
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.	13,410,000
In July 2013, the City issued \$3,468,000 of general obligation bonds at rates varying from 2% and 4.375% to retire other debt of the City. Interest is payable semiannually on December 15 and June 15 of each year. The bonds mature in 2033.	<u>3,468,000</u>
Total bonds payable	<u><u>\$ 24,598,300</u></u>

Annual debt service requirements to maturity for bonds payable are as follows:

Fiscal Year	2010 Full Faith & Credit Series A & B (Minet)		2010 Civic Center Bond		2013 GO Refunding Bonds		Total Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 155,000	\$ 380,812	\$ 295,000	\$ 622,400	\$ 138,600	\$ 124,653	\$ 588,600	\$ 1,127,865
2016	160,000	373,462	305,000	613,550	141,900	121,881	606,900	1,108,893
2017	170,000	365,875	315,000	604,400	141,900	119,043	626,900	1,089,318
2018	175,000	357,814	325,000	593,375	145,200	116,205	645,200	1,067,394
2019	185,000	349,515	335,000	582,000	148,500	113,301	668,500	1,044,816
2020-24	1,075,000	1,593,384	1,890,000	2,697,600	815,100	495,062	3,780,100	4,786,046
2025-29	1,420,000	1,242,553	2,325,000	2,260,250	993,300	328,808	4,738,300	3,831,611
2030-34	1,775,000	866,706	2,960,000	1,623,250	943,800	104,540	5,678,800	2,594,496
2035-39	2,195,000	416,532	3,785,000	804,750	-	-	5,980,000	1,221,282
2040-44	410,000	19,595	875,000	43,750	-	-	1,285,000	63,345
	<u>\$ 7,720,000</u>	<u>\$ 5,966,248</u>	<u>\$ 13,410,000</u>	<u>\$ 10,445,325</u>	<u>\$ 3,468,300</u>	<u>\$ 1,523,495</u>	<u>\$ 24,598,300</u>	<u>\$ 17,935,068</u>

CITY OF INDEPENDENCE, OREGON
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The City is obligated to the State of Oregon Economic Development Department to repay a Special Public Works Fund (SPWF) loan, dated January 23, 2002. The loan, in the original amount of \$892,775 (“Hoffman”), was used to finance street and industrial park improvements. The loan carries interest rates of 5.00%.

\$ 253,598

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.

4,019,274

Total notes payable

\$ 4,272,872

Annual debt service requirements to maturity for notes payable are as follows:

Fiscal Year	SPWF Loan- Hoffman		OECD MINET Loan #1		Total Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 15,262	\$ 12,680	\$ 156,709	\$ 226,231	\$ 171,971	\$ 238,911
2016	16,025	11,917	168,451	217,808	184,476	229,725
2017	16,826	11,116	175,306	208,754	192,132	219,870
2018	17,667	10,274	156,612	199,331	174,279	209,605
2019	18,551	9,391	163,036	190,952	181,587	200,343
2020-24	107,630	32,078	969,933	809,872	1,077,563	841,950
2025-29	61,637	5,455	1,271,823	504,507	1,333,460	509,962
2030-34	-	-	957,404	113,152	957,404	113,152
	<u>\$ 253,598</u>	<u>\$ 92,911</u>	<u>\$ 4,019,274</u>	<u>\$ 2,470,607</u>	<u>\$ 4,272,872</u>	<u>\$ 2,563,518</u>

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

During the year ended June 30, 2014, business-type long-term liability activity was as follows:

Business Activities	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due in One Year
Revenue Bonds					
2013 Sewer Bond	\$ 2,750,000	\$ -	\$ -	\$ 2,750,000	\$ 65,000
Bond Discount	(15,541)	-	(576)	(14,965)	
1998 Water Revenue Bonds	480,000	-	480,000	-	-
2004 Water Revenue Bonds	1,120,000	-	1,120,000	-	-
2013 Water Refunding Bond	-	1,786,700	-	1,786,700	71,400
Bond Premium		9,750	488	9,262	
Total Bonds	4,334,459	1,796,450	1,599,912	4,530,997	136,400
Note Payable					
2011 Safe Drinking Water Loan	371,944	-	371,944	-	-
Total Notes Payable	371,944	-	371,944	-	-
Capital Leases	25,109	-	20,379	4,730	4,730
Total Bonds, Notes, and Leases	4,731,512	1,796,450	1,992,235	4,535,727	141,130
Compensated Absences	24,288	-	152	24,136	24,136
Total Business Activities	\$ 4,755,800	\$ 1,796,450	\$ 1,992,387	\$ 4,559,863	\$ 165,266

B. Business-type Bonds Payable

The City also issued bonds where income derived from net revenue of the City's water system is pledged to pay debt service. Revenue bonds outstanding are as follows as of June 30, 2014:

Business Type Activities

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.

\$ 2,750,000

In July 2013, the City issued \$1,786,700 of water refunding bonds at rates varying from 2% and 4.375% to retire the 1998 and 2004 water revenue bonds of the City. Interest is payable semiannually on December 15 and June 15 of each year.

1,786,700

Total bonds payable

\$ 4,536,700

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Annual debt service requirements to maturity for bonds payable are as follows:

Fiscal Year	2013 Sewer Revenue Bonds		2013 Water Refunding Bonds		Total Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 65,000	\$ 84,450	\$ 71,400	\$ 64,215	\$ 136,400	\$ 148,665
2016	115,000	82,500	73,100	62,787	188,100	145,287
2017	115,000	79,050	73,100	61,325	188,100	140,375
2018	120,000	75,600	74,800	59,863	194,800	135,463
2019	125,000	73,200	76,500	58,367	201,500	131,567
2020-24	435,000	326,350	419,900	255,032	854,900	581,382
2025-29	470,000	260,800	511,700	169,386	981,700	430,186
2030-34	540,000	186,400	486,200	53,854	1,026,200	240,254
2035-39	630,000	91,175	-	-	630,000	91,175
2040-44	135,000	4,725	-	-	135,000	4,725
	<u>\$ 2,750,000</u>	<u>\$ 1,264,250</u>	<u>\$ 1,786,700</u>	<u>\$ 784,832</u>	<u>\$ 4,536,700</u>	<u>\$ 2,049,082</u>

C. 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 \$3,602. The lease purchase has a term of 60 months.

Fiscal Year	Capital Lease Payable	
	Principal	Interest
2015	\$ 9,460	\$ 42
	<u>\$ 9,460</u>	<u>\$ 42</u>

D. Compensated Absences

As compensated absences are due and payable on demand, the City classifies all compensated absences to be due within one year.

9. Net Position

The government-wide statement of net position reports \$574,207 of restricted net position of which 181,269, is restricted by enabling legislation.

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

10. Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2014. These deficits will be financed through future revenues.

<u>Fund</u>	<u>Amount</u>
Urban Renewal Projects Fund	\$1,712,389
Transportation SDC Fund	\$328,273
Transportation Fund	\$151,721
Tourism and Events Fund	\$23,685
Parks SDC Fund	\$35,771

11. 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, 2014 was 12.76%. The OPSRP rates in effect for the year ended June 30, 2014 were 8.54% for general employees and 11.27% 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.

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

C. Annual Pension Cost

The City's contribution to PERS for the fiscal years ending June 30, 2014, 2013, 2012 were \$350,528, \$347,063, and \$351,647, respectively, which equaled the required contributions for the years.

12. 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.

13. Contingencies and Commitments

Management of the City believes that total amount of liability, if any, which may arise from claims and lawsuits pending against the City beyond that, which is covered by insurance, would not have a material effect on the City's financial condition.

Federal and state grants are subject to audit by the grantor agencies and any adjustments may become a liability of the appropriate fund. Management believes that adjustments, if any, will not materially affect the City's financial position.

On October 6, 2014, the City entered into a Purchase and Sale Agreement to purchase the "Valley Concrete" site for \$800,000. Closing of this purchase is set for on or before December 31, 2014.

14. 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, 2014 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	\$ 4,019,274	1.66%	18 years
2010 Revenue Bond	Capital/Infrastructure	\$ 7,720,000	4.19% -5.84%	26 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.

15. Change in Accounting Basis

The City prepared its financial statements on a modified cash basis of accounting for the fiscal year end June 30, 2013. The modified cash basis used in the prior year's financial statements is not in accordance with accounting principles generally accepted in the United States of America, it is acceptable under Oregon Law (ORS 294.445), which leaves the selection of the method of

CITY OF INDEPENDENCE, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

accounting to the discretion of the municipal corporation. The City adopted a new policy to prepare its fiscal year end June 30, 2014 financial statements in accordance with accounting principles generally accepted in the United States of America. Due to the change in accounting basis, net position has been by restated by \$2,225,177. More information on this basis of accounting is described in Note 1D Measurement Focus and Basis of Accounting to the financial statements.

16. Subsequent Event

On August 19, 2014, the City closed on the sale of the “Upper Terrace” portion of the ball field property for \$350,000. The property was purchased by developer who is building a high-density residential apartment complex. The development will be done in 3 phases and estimated to be complete by summer 2015.

On October 22, 2014, the City closed on the sale of the Old City Hall for \$385,000. The City is financing the note in the amount of \$365,000 at a rate of 5.0% per annum.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedules
 - Combined General Fund - Generally Accepted Accounting Principles
 - Transportation SDC Fund
 - Transportation Fund

CITY OF INDEPENDENCE, OREGON
COMBINED GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 1,566,059	\$ 1,566,059	\$ 1,587,349	\$ 21,290
Franchise fees	549,850	664,850	631,682	(33,168)
Licenses, permits and fees	84,800	84,800	85,078	278
Intergovernmental	240,409	240,409	241,667	1,258
Grants	130,250	132,950	27,337	(105,613)
Fines and forfeitures	179,000	179,000	119,180	(59,820)
Charges for services	17,000	17,000	119,070	102,070
Rent	18,575	18,575	23,124	4,549
Interest revenue	6,200	6,200	6,933	733
Miscellaneous revenue	19,320	24,820	90,325	65,505
	<u>2,811,463</u>	<u>2,934,663</u>	<u>2,931,745</u>	<u>(2,918)</u>
EXPENDITURES:				
General government	933,391	1,048,391	1,037,201	11,190
Public safety	2,435,031	2,435,031	2,332,784	102,247
Community development	355,450	381,450	378,522	2,928
Culture and recreation	550,150	585,150	539,582	45,568
Capital outlay	101,000	101,000	92,308	8,692
Contingency	310,714	310,714	-	310,714
	<u>4,685,736</u>	<u>4,861,736</u>	<u>4,380,397</u>	<u>481,339</u>
Total expenditures				
Revenues over (under) expenditures	<u>(1,874,273)</u>	<u>(1,927,073)</u>	<u>(1,448,652)</u>	<u>478,421</u>
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	178,358	178,358	178,858	500
Interfund loan payments	(500,000)	(500,000)	(75,000)	425,000
Issuance of debt	500,000	651,525	147,086	(504,439)
Transfers in	2,201,387	2,201,387	2,207,667	6,280
Transfers out	(675,000)	(773,725)	(698,725)	75,000
	<u>1,704,745</u>	<u>1,757,545</u>	<u>1,759,886</u>	<u>2,341</u>
Total other financing sources (uses)				
Net change in fund balance	(169,528)	(169,528)	311,234	480,762
FUND BALANCE, BEGINNING -MODIFIED				
CASH BASIS	169,528	169,528	479,248	309,720
RESTATEMENT DUE TO CHANGE IN BASIS	<u>-</u>	<u>-</u>	<u>172,257</u>	<u>172,257</u>
FUND BALANCE, ENDING -				
BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	962,739	<u>\$ 962,739</u>
Interfund receivable			<u>317,364</u>	
FUND BALANCE, ENDING- GAAP			<u>\$ 1,280,103</u>	

CITY OF INDEPENDENCE, OREGON
TRANSPORTATION SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 32,300	\$ 32,300	\$ 70,962	\$ 38,662
Total revenues	32,300	32,300	70,962	38,662
EXPENDITURES:				
Materials and service	20,000	20,000	4,157	15,843
Capital outlay	56,000	56,000	55,983	17
Debt service:				
Principal	375,000	375,000	375,000	-
Contingency	22,678	22,678	-	22,678
Total expenditures	473,678	473,678	435,140	38,538
Revenues over (under) expenditures	(441,378)	(441,378)	(364,178)	77,200
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	250,000	-	100,000	100,000
Issuance of debt	375,000	375,000	302,607	(72,393)
Transfers out	(1,615)	(1,615)	(3,320)	(1,705)
Total other financing sources (uses)	623,385	373,385	399,287	25,902
Net change in fund balance	182,007	(67,993)	35,109	103,102
FUND BALANCE, BEGINNING- MODIFIED CASH BASIS	(182,007)	(182,007)	2,118	184,125
FUND BALANCE, ENDING - BUDGETARY BASIS	\$ -	\$ (250,000)	37,227	\$ 287,227
Interfund loan payable			(365,500)	
FUND BALANCE, ENDING-GAAP			\$ (328,273)	

**CITY OF INDEPENDENCE, OREGON
TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 584,350	\$ 584,350	\$ 541,885	\$ (42,465)
Charges for services	-	-	1,990	1,990
Miscellaneous revenue	500	500	5,390	4,890
Total revenues	584,850	584,850	549,265	(35,585)
EXPENDITURES:				
Personal service	70,350	70,350	68,056	2,294
Materials and service	136,825	136,825	130,785	6,040
Capital outlay	5,000	93,000	154,707	(61,707)
Debt service:				
Principal	20,379	20,379	20,379	-
Interest	729	729	729	-
Contingency	18,406	18,406	-	18,406
Total expenditures	251,689	339,689	374,656	(34,967)
Revenues over (under) expenditures	333,161	245,161	174,609	(70,552)
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	25,000	100,000	100,000	-
Interfund loan payments	(43,351)	(43,351)	(43,351)	-
Transfers in	-	13,000	13,000	-
Transfers out	(323,698)	(323,698)	(313,708)	9,990
Total other financing sources (uses)	(342,049)	(254,049)	(244,059)	9,990
Net change in fund balance	(8,888)	(8,888)	(69,450)	(60,562)
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	8,888	8,888	67,817	58,929
RESTATEMENT DUE TO CHANGE IN BASIS	-	-	69,518	69,518
FUND BALANCE, ENDING - BUDGETARY BASIS	\$ -	\$ -	67,885	\$ 67,885
Interfund loan receivable			70,500	
Interfund loan payable			(290,106)	
FUND BALANCE, ENDING- GAAP			\$ (151,721)	

CITY OF INDEPENDENCE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

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. The City’s budget is presented on the modified accrual basis of accounting which is the same basis as GAAP. Prior to enacting this resolution, the proposed budget is presented to a budget committee. 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 the resolution are the legal level of control for the General Fund. Expenditure categories of personal service, materials and service, 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, 2014. The City had a supplemental budget during the year-ended June 30, 2014. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2014:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount</u>
General Fund	Community development	\$535
Transportation SDC Fund	Transfers out	\$1,705
MINET Debt Service Fund	Materials and service	\$1,000
Transportation Fund	Capital outlay	\$61,707
Building Inspection Fund	Materials and service	\$355
Halo Program Fund	Personal service	\$12,387
Parks SDC Fund	Transfers out	\$609
Sewer SDC Fund	Transfers out	\$303
Storm Drain SDC Fund	Transfers out	\$292

B. Deficit Fund Balances

At June 30, 2014, the following fund had a deficit budgetary basis fund balance:

<u>Fund</u>	<u>Amount</u>
Urban Renewal Projects Fund	\$(762,389)

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial 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:

- Combining Statements – Nonmajor Governmental Funds
- Combining Statement - General Fund - Generally Accepted Accounting Principles
- Budgetary Comparison Schedules
- Budgetary Comparison Schedules – Enterprise Funds
- Other Financial Schedules

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

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

Building Inspection Fund

The Building Inspection Fund accounts for revenues and expenditures relating to building inspection services.

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.

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.

Debt Service Funds

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

General Obligation 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 Fund

This fund is used to account for financial resources to be used for the acquisition or construction of major capital items and facilities. The fund included in this category is:

Building Repair & Replacement Fund

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

**CITY OF INDEPENDENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Building Repair & Replacement Fund	Total
ASSETS:				
Cash and cash equivalents	\$ 505,896	\$ 34,294	\$ 148,959	\$ 689,149
Property taxes receivable	-	15,794	-	15,794
Due from other governments	-	2,668	-	2,668
Accounts receivable, net	71,153	-	-	71,153
Assessments receivable	-	171,514	-	171,514
Prepays	3,872	-	-	3,872
Loans receivable	340,811	-	-	340,811
Interfund loan receivables	557,450	-	-	557,450
	<u>\$ 1,479,182</u>	<u>\$ 224,270</u>	<u>\$ 148,959</u>	<u>\$ 1,852,411</u>
LIABILITIES:				
Accounts payable and accrued expenses	\$ 15,080	\$ -	\$ -	\$ 15,080
Interfund loan payable	127,224	-	-	127,224
Due to other funds	28,153	-	-	28,153
	<u>170,457</u>	<u>-</u>	<u>-</u>	<u>170,457</u>
DEREFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	-	14,538	-	14,538
Unavailable revenue - loan receivables	340,811	-	-	340,811
Unavailable revenue - special assessments	-	171,514	-	171,514
	<u>340,811</u>	<u>186,052</u>	<u>-</u>	<u>526,863</u>
FUND BALANCE:				
Restricted for:				
Debt service	-	38,218	-	38,218
Assigned to:				
Building inspections	43,095	-	-	43,095
Capital projects	-	-	148,959	148,959
Community development	984,275	-	-	984,275
Unassigned	(59,456)	-	-	(59,456)
	<u>967,914</u>	<u>38,218</u>	<u>148,959</u>	<u>1,155,091</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,479,182</u>	<u>\$ 224,270</u>	<u>\$ 148,959</u>	<u>\$ 1,852,411</u>

**CITY OF INDEPENDENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

	Total Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Building Repair & Replacement Fund	Total
REVENUES:				
Property taxes	\$ -	\$ 462,374	\$ -	\$ 462,374
Licenses, permits and fees	93,035	-	-	93,035
Intergovernmental	319,452	-	-	319,452
Assessments	-	28,564	-	28,564
Grants	16,051	-	-	16,051
Miscellaneous revenue	62,835	-	49,311	112,146
Loan repayments	51,053	-	-	51,053
Royalties	5,167	-	-	5,167
System development charges	31,759	-	-	31,759
	<u>579,352</u>	<u>490,938</u>	<u>49,311</u>	<u>1,119,601</u>
Total revenues				
EXPENDITURES:				
Community development	434,189	-	-	434,189
Culture and recreation	112,581	-	-	112,581
Capital outlay	2,003	-	7,294	9,297
Debt service:				
Principal	-	1,040,098	-	1,040,098
Interest	-	213,401	-	213,401
	<u>548,773</u>	<u>1,253,499</u>	<u>7,294</u>	<u>1,809,566</u>
Total expenditures				
Revenues over (under) expenditures	<u>30,579</u>	<u>(762,561)</u>	<u>42,017</u>	<u>(689,965)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	709,694	-	709,694
Transfers in	115,135	-	60,000	175,135
Transfers out	(21,669)	-	-	(21,669)
	<u>93,466</u>	<u>709,694</u>	<u>60,000</u>	<u>863,160</u>
Total other financing sources (uses)				
Net change in fund balance	124,045	(52,867)	102,017	173,195
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	356,169	91,085	46,942	494,196
RESTATEMENT DUE TO CHANGE IN BASIS	<u>487,700</u>	<u>-</u>	<u>-</u>	<u>487,700</u>
FUND BALANCE, ENDING -GAAP	<u>\$ 967,914</u>	<u>\$ 38,218</u>	<u>\$ 148,959</u>	<u>\$ 1,155,091</u>

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CITY OF INDEPENDENCE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	Building Inspection Fund	Economic Development Fund	Tourism and Events Fund
ASSETS:			
Cash and cash equivalents	\$ 43,991	\$ 407,957	\$ 35,495
Accounts receivable, net	21,924	-	-
Prepays	3,872	-	-
Loans receivable	-	315,601	-
Interfund loan receivables	-	557,450	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 69,787</u>	<u>\$ 1,281,008</u>	<u>\$ 35,495</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 3,692	\$ -	\$ 9,180
Interfund loan payable	23,000	-	50,000
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>26,692</u>	<u>-</u>	<u>59,180</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue- loans receivable	<u>-</u>	<u>315,601</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>315,601</u>	<u>-</u>
FUND BALANCE:			
Assigned to:			
Building inspections	43,095	-	-
Community development	-	965,407	-
Unassigned	<u>-</u>	<u>-</u>	<u>(23,685)</u>
Total fund balance	<u>43,095</u>	<u>965,407</u>	<u>(23,685)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 69,787</u>	<u>\$ 1,281,008</u>	<u>\$ 35,495</u>

Halo Program Fund	Parks SDC Fund	Total
\$ -	\$ 18,453	\$ 505,896
49,229	-	71,153
-	-	3,872
-	25,210	340,811
-	-	557,450
<u>\$ 49,229</u>	<u>\$ 43,663</u>	<u>\$ 1,479,182</u>
\$ 2,208	\$ -	\$ 15,080
-	54,224	127,224
<u>28,153</u>	<u>-</u>	<u>28,153</u>
<u>30,361</u>	<u>54,224</u>	<u>170,457</u>
<u>-</u>	<u>25,210</u>	<u>340,811</u>
<u>-</u>	<u>25,210</u>	<u>340,811</u>
-	-	43,095
18,868	-	984,275
-	(35,771)	(59,456)
<u>18,868</u>	<u>(35,771)</u>	<u>967,914</u>
<u>\$ 49,229</u>	<u>\$ 43,663</u>	<u>\$ 1,479,182</u>

**CITY OF INDEPENDENCE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

	<u>Building Inspection Fund</u>	<u>Economic Development Fund</u>	<u>Tourism and Events Fund</u>
REVENUES:			
Licenses, permits and fees	\$ 93,035	\$ -	\$ -
Intergovernmental	-	-	2,460
Grants	-	-	16,051
Miscellaneous revenue	-	-	58,402
Loan repayments	-	51,053	-
Royalties	-	-	5,167
System development charges	-	-	-
	<u>93,035</u>	<u>51,053</u>	<u>82,080</u>
EXPENDITURES:			
Community development	121,455	11,341	-
Culture and recreation	-	-	112,581
Capital outlay	-	-	-
	<u>121,455</u>	<u>11,341</u>	<u>112,581</u>
Revenues over (under) expenditures	<u>(28,420)</u>	<u>39,712</u>	<u>(30,501)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	90,010	125	25,000
Transfers out	-	-	(125)
	<u>90,010</u>	<u>125</u>	<u>24,875</u>
Net change in fund balance	61,590	39,837	(5,626)
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	5,705	368,729	7,793
RESTATEMENT DUE TO CHANGE IN BASIS	<u>(24,200)</u>	<u>556,841</u>	<u>(25,852)</u>
FUND BALANCE, ENDING - GAAP	<u>\$ 43,095</u>	<u>\$ 965,407</u>	<u>\$ (23,685)</u>

Halo Program Fund	Parks SDC Fund	Total
\$ -	\$ -	\$ 93,035
316,992	-	319,452
-	-	16,051
4,433	-	62,835
-	-	51,053
-	-	5,167
-	31,759	31,759
<u>321,425</u>	<u>31,759</u>	<u>579,352</u>
301,393	-	434,189
-	-	112,581
-	2,003	2,003
<u>301,393</u>	<u>2,003</u>	<u>548,773</u>
<u>20,032</u>	<u>29,756</u>	<u>30,579</u>
-	-	115,135
<u>(19,749)</u>	<u>(1,795)</u>	<u>(21,669)</u>
<u>(19,749)</u>	<u>(1,795)</u>	<u>93,466</u>
283	27,961	124,045
(32,324)	6,266	356,169
<u>50,909</u>	<u>(69,998)</u>	<u>487,700</u>
<u>\$ 18,868</u>	<u>\$ (35,771)</u>	<u>\$ 967,914</u>

**CITY OF INDEPENDENCE, OREGON
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2014**

	General Obligation Bond Fund	Special Assessment Fund	Total
ASSETS			
Cash and cash equivalents	\$ 21,720	\$ 12,574	\$ 34,294
Property taxes receivable	15,794	-	15,794
Due from other governments	2,668	-	2,668
Assessments receivable	-	171,514	171,514
	<u>40,182</u>	<u>184,088</u>	<u>224,270</u>
Total assets	<u>\$ 40,182</u>	<u>\$ 184,088</u>	<u>\$ 224,270</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue- property taxes	\$ 14,538	\$ -	\$ 14,538
Unavailable revenue- assessments	-	171,514	171,514
	<u>14,538</u>	<u>171,514</u>	<u>186,052</u>
Total deferred inflows of resources	<u>14,538</u>	<u>171,514</u>	<u>186,052</u>
FUND BALANCE:			
Restricted for:			
Debt service	<u>25,644</u>	<u>12,574</u>	<u>38,218</u>
Total fund balance	<u>25,644</u>	<u>12,574</u>	<u>38,218</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 40,182</u>	<u>\$ 184,088</u>	<u>\$ 224,270</u>

**CITY OF INDEPENDENCE, OREGON
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

	General Obligation Bond Fund	Special Assessment Fund	Total
REVENUES:			
Property taxes	\$ 462,374	\$ -	\$ 462,374
Assessments	-	28,564	28,564
Total revenues	<u>462,374</u>	<u>28,564</u>	<u>490,938</u>
EXPENDITURES:			
Debt service:			
Principal	683,518	356,580	1,040,098
Interest	<u>197,850</u>	<u>15,551</u>	<u>213,401</u>
Total expenditures	<u>881,368</u>	<u>372,131</u>	<u>1,253,499</u>
Revenues over (under) expenditures	<u>(418,994)</u>	<u>(343,567)</u>	<u>(762,561)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of debt	<u>365,504</u>	<u>344,190</u>	<u>709,694</u>
Total other financing sources (uses)	<u>365,504</u>	<u>344,190</u>	<u>709,694</u>
Net change in fund balance	(53,490)	623	(52,867)
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	<u>79,134</u>	<u>11,951</u>	<u>91,085</u>
FUND BALANCE, ENDING -GAAP	<u><u>\$ 25,644</u></u>	<u><u>\$ 12,574</u></u>	<u><u>\$ 38,218</u></u>

CITY OF INDEPENDENCE, OREGON
GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
COMBINING BALANCE SHEET
June 30, 2014

	General Fund - Budgetary Basis	General Equipment & Vehicle Reserve Fund - Budgetary Basis	Information Services Equipment Fund - Budgetary Basis	Total General Fund Generally Accepted Accounting Principles
ASSETS:				
Cash and cash equivalents	\$ 66,982	\$ 5,005	\$ 22,323	\$ 94,310
Property taxes receivable	139,972	-	-	139,972
Due from other governments	19,949	-	-	19,949
Accounts receivable, net	118,426	-	-	118,426
Prepays	39,640	-	-	39,640
Due from other funds	790,543	-	-	790,543
Interfund loan receivables	317,364	-	-	317,364
	<u>\$ 1,492,876</u>	<u>\$ 5,005</u>	<u>\$ 22,323</u>	<u>\$ 1,520,204</u>
LIABILITIES:				
Accounts payable and accrued expenses	\$ 70,685	\$ -	\$ 1,430	\$ 72,115
	<u>70,685</u>	<u>-</u>	<u>1,430</u>	<u>72,115</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	128,726	-	-	128,726
Unavailable revenue - municipal court receivables	39,260	-	-	39,260
	<u>167,986</u>	<u>-</u>	<u>1,430</u>	<u>167,986</u>
FUND BALANCE:				
Committed to:				
Equipment and vehicle replacement	-	5,005	20,893	25,898
Unassigned	1,254,205	-	-	1,254,205
	<u>1,254,205</u>	<u>5,005</u>	<u>20,893</u>	<u>1,280,103</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,492,876</u>	<u>\$ 5,005</u>	<u>\$ 22,323</u>	<u>\$ 1,520,204</u>

**CITY OF INDEPENDENCE, OREGON
 COMBINED GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2014**

	General Fund - Budgetary Basis	General Equipment & Vehicle Reserve Fund - Budgetary Basis	Information Services Equipment Fund - Budgetary Basis	Total General Fund Generally Accepted Accounting Principles
REVENUES:				
Property taxes	\$ 1,587,349	\$ -	\$ -	\$ 1,587,349
Franchise fees	631,682	-	-	631,682
Licenses, permits and fees	85,078	-	-	85,078
Intergovernmental	241,667	-	-	241,667
Grants	27,337	-	-	27,337
Fines and forfeitures	119,180	-	-	119,180
Charges for services	119,070	-	-	119,070
Rent	23,124	-	-	23,124
Interest revenue	6,933	-	-	6,933
Miscellaneous revenue	90,325	-	-	90,325
	<u>2,931,745</u>	<u>-</u>	<u>-</u>	<u>2,931,745</u>
EXPENDITURES:				
General government	1,037,201	-	-	1,037,201
Public safety	2,332,784	-	-	2,332,784
Community development	378,522	-	-	378,522
Culture and recreation	539,582	-	-	539,582
Capital outlay	992	44,995	46,321	92,308
	<u>4,289,081</u>	<u>44,995</u>	<u>46,321</u>	<u>4,380,397</u>
Total expenditures	<u>4,289,081</u>	<u>44,995</u>	<u>46,321</u>	<u>4,380,397</u>
Revenues over (under) expenditures	<u>(1,357,336)</u>	<u>(44,995)</u>	<u>(46,321)</u>	<u>(1,448,652)</u>
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	178,858	-	-	178,858
Interfund loan payments	(75,000)	-	-	(75,000)
Issuance of debt	147,086	-	-	147,086
Transfers in	2,132,667	25,000	50,000	2,207,667
Transfers out	(698,725)	-	-	(698,725)
	<u>1,684,886</u>	<u>25,000</u>	<u>50,000</u>	<u>1,759,886</u>
Total other financing sources (uses)	<u>1,684,886</u>	<u>25,000</u>	<u>50,000</u>	<u>1,759,886</u>
Net change in fund balance	327,550	(19,995)	3,679	311,234
FUND BALANCE, BEGINNING -MODIFIED CASH BASIS				
	437,034	25,000	17,214	479,248
RESTATEMENT DUE TO CHANGE IN BASIS				
	<u>172,257</u>	<u>-</u>	<u>-</u>	<u>172,257</u>
FUND BALANCE, ENDING - BUDGETARY BASIS				
	936,841	5,005	20,893	962,739
Interfund receivable	<u>317,364</u>	<u>-</u>	<u>-</u>	<u>317,364</u>
FUND BALANCE, ENDING - GAAP				
	<u>\$ 1,254,205</u>	<u>\$ 5,005</u>	<u>\$ 20,893</u>	<u>\$ 1,280,103</u>

BUDGETARY COMPARISON SCHEDULES

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

Governmental Budgetary Comparison schedules not included in required supplemental information include the following:

- General Fund - Budgetary Basis Schedule of Revenues, Expenditures and Changes in Fund Balance
- General Fund - Budgetary Basis Schedule of Expenditures
- 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
- MINET Debt Fund - Budgetary Basis Schedule of Revenues, Expenditures and Changes in Fund Balance
- Urban Renewal Debt Service Fund - Budgetary Basis Schedule of Revenues, Expenditures and Changes in Fund Balance
- Urban Renewal Projects Fund - Budgetary Basis Schedule of Revenues, Expenditures and Changes in Fund Balance

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
- Debt Service Funds
 - General Obligation Bond Fund
 - Special Assessment Fund
- Capital Project Fund
 - Building Repair & Replacement Fund

CITY OF INDEPENDENCE, OREGON
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 1,566,059	\$ 1,566,059	\$ 1,587,349	\$ 21,290
Franchise fees	549,850	664,850	631,682	(33,168)
Licenses, permits and fees	84,800	84,800	85,078	278
Intergovernmental	240,409	240,409	241,667	1,258
Grants	130,250	132,950	27,337	(105,613)
Fines and forfeitures	179,000	179,000	119,180	(59,820)
Charges for services	17,000	17,000	119,070	102,070
Rent	18,575	18,575	23,124	4,549
Interest revenue	6,200	6,200	6,933	733
Miscellaneous revenue	19,320	24,820	90,325	65,505
Total revenues	<u>2,811,463</u>	<u>2,934,663</u>	<u>2,931,745</u>	<u>(2,918)</u>
EXPENDITURES:				
General government	933,391	1,048,391	1,037,201	11,190
Public safety	2,435,031	2,435,031	2,332,784	102,247
Community development	355,450	381,450	378,522	2,928
Culture and recreation	550,150	585,150	539,582	45,568
Capital outlay	1,000	1,000	992	8
Contingency	300,000	300,000	-	300,000
Total expenditures	<u>4,575,022</u>	<u>4,751,022</u>	<u>4,289,081</u>	<u>461,941</u>
Revenues over (under) expenditures	<u>(1,763,559)</u>	<u>(1,816,359)</u>	<u>(1,357,336)</u>	<u>459,023</u>
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	178,358	178,358	178,858	500
Interfund loan payments	(500,000)	(500,000)	(75,000)	425,000
Issuance of debt	500,000	651,525	147,086	(504,439)
Transfers in	2,126,387	2,126,387	2,132,667	6,280
Transfers out	(675,000)	(773,725)	(698,725)	75,000
Total other financing sources (uses)	<u>1,629,745</u>	<u>1,682,545</u>	<u>1,684,886</u>	<u>2,341</u>
Net change in fund balance	(133,814)	(133,814)	327,550	461,364
FUND BALANCE, BEGINNING - MODIFIED				
CASH BASIS	133,814	133,814	437,034	303,220
RESTATEMENT DUE TO CHANGE IN BASIS	<u>-</u>	<u>-</u>	<u>172,257</u>	<u>172,257</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	936,841	<u>\$ 936,841</u>
Interfund receivable			<u>317,364</u>	
FUND BALANCE, ENDING - GAAP			<u>\$ 1,254,205</u>	

CITY OF INDEPENDENCE, OREGON
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
Police operations:				
Personal service	\$ 1,880,000	\$ 1,880,000	\$ 1,793,217	\$ 86,783
Materials and service	451,141	451,141	440,312	10,829
Subtotal	2,331,141	2,331,141	2,233,529	97,612
Municipal court:				
Personal service	72,000	72,000	77,600	(5,600)
Materials and service	31,890	31,890	21,655	10,235
Subtotal	103,890	103,890	99,255	4,635
Administration & finance services:				
Personal service	525,000	540,000	523,941	16,059
Materials and service	408,391	508,391	513,260	(4,869)
Capital outlay	1,000	1,000	992	8
Subtotal	934,391	1,049,391	1,038,193	11,198
Parks:				
Materials and service	104,250	129,250	116,662	12,588
Subtotal	104,250	129,250	116,662	12,588
Community Development:				
Personal service	168,000	170,000	171,159	(1,159)
Materials and service	40,150	44,150	43,526	624
Subtotal	208,150	214,150	214,685	(535)
Library:				
Personal service	262,000	262,000	249,726	12,274
Materials and service	88,250	88,250	84,164	4,086
Subtotal	350,250	350,250	333,890	16,360
Museum:				
Personal service	37,500	37,500	38,325	(825)
Materials and service	20,500	20,500	17,852	2,648
Subtotal	58,000	58,000	56,177	1,823
Pool:				
Materials and service	37,650	47,650	32,853	14,797
Subtotal	37,650	47,650	32,853	14,797
Economic development:				
Personal service	115,600	115,600	107,125	8,475
Materials and service	31,700	51,700	56,712	(5,012)
Subtotal	147,300	167,300	163,837	3,463
Total expenditures	\$ 4,275,022	\$ 4,451,022	\$ 4,289,081	\$ 161,941

**CITY OF INDEPENDENCE, OREGON
GENERAL EQUIPMENT & VEHICLE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 45,000	\$ 45,000	\$ 44,995	\$ 5
Contingency	5,000	5,000	-	5,000
Total expenditures	50,000	50,000	44,995	5,005
Revenues over (under) expenditures	(50,000)	(50,000)	(44,995)	5,005
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net change in fund balance	(25,000)	(25,000)	(19,995)	5,005
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	25,000	25,000	25,000	-
FUND BALANCE, ENDING - GAAP	\$ -	\$ -	\$ 5,005	\$ 5,005

**CITY OF INDEPENDENCE, OREGON
INFORMATION SERVICES EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 55,000	\$ 55,000	\$ 46,321	\$ 8,679
Contingency	5,714	5,714	-	5,714
Total expenditures	60,714	60,714	46,321	14,393
Revenues over (under) expenditures	(60,714)	(60,714)	(46,321)	14,393
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
Net change in fund balance	(10,714)	(10,714)	3,679	14,393
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	10,714	10,714	17,214	6,500
FUND BALANCE, ENDING - GAAP	\$ -	\$ -	\$ 20,893	\$ 20,893

CITY OF INDEPENDENCE, OREGON
MINET DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 911,641	\$ 911,641	\$ 912,641	\$ 1,000
Total revenues	911,641	911,641	912,641	1,000
EXPENDITURES:				
Materials and service	-	-	1,000	(1,000)
Debt service:				
Principal	290,104	290,104	290,104	-
Interest	621,537	621,537	621,537	-
Total expenditures	911,641	911,641	912,641	(1,000)
Net change in fund balance	-	-	-	-
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	-	-	-	-
FUND BALANCE, ENDING - GAAP	\$ -	\$ -	\$ -	\$ -

CITY OF INDEPENDENCE, OREGON
URBAN RENEWAL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 405,390	\$ 405,390	\$ 405,230	\$ (160)
Interest revenue	25	25	35	10
Miscellaneous revenue	2,305,000	2,305,000	-	(2,305,000)
Total revenues	2,710,415	2,710,415	405,265	(2,305,150)
EXPENDITURES:				
Debt service:				
Principal	2,600,000	2,600,000	2,305,000	295,000
Interest	622,400	622,400	645,236	(22,836)
Contingency	13,198	13,198	-	13,198
Total expenditures	3,235,598	3,235,598	2,950,236	285,362
Revenues over (under) expenditures	(525,183)	(525,183)	(2,544,971)	(2,019,788)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	2,327,840	2,327,840
Transfers in	550,000	550,000	550,000	-
Total other financing sources (uses)	550,000	550,000	2,877,840	2,327,840
Net change in fund balance	24,817	24,817	332,869	308,052
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	(24,817)	(24,817)	21,851	46,668
FUND BALANCE, ENDING - GAAP	\$ -	\$ -	\$ 354,720	\$ 354,720

**CITY OF INDEPENDENCE, OREGON
 URBAN RENEWAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessments	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Total revenues	5,000	5,000	5,000	-
Net change in fund balance	5,000	5,000	5,000	-
FUND BALANCE, BEGINNING MODIFIED CASH BASIS	<u>(767,390)</u>	<u>(767,390)</u>	<u>(767,389)</u>	<u>1</u>
FUND BALANCE, ENDING BUGETARY BASIS	<u>\$ (762,390)</u>	<u>\$ (762,390)</u>	<u>(762,389)</u>	<u>\$ 1</u>
Interfund loan payable			<u>(950,000)</u>	
FUND BALANCE, ENDING GAAP			<u>\$ (1,712,389)</u>	

**CITY OF INDEPENDENCE, OREGON
BUILDING INSPECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 25,540	\$ 29,040	\$ 93,035	\$ 63,995
Total revenues	25,540	29,040	93,035	63,995
EXPENDITURES:				
Personal service	101,650	101,650	100,200	1,450
Materials and service	17,400	20,900	21,255	(355)
Contingency	3,053	3,053	-	3,053
Total expenditures	122,103	125,603	121,455	4,148
Revenues over (under) expenditures	(96,563)	(96,563)	(28,420)	68,143
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	90,010	(9,990)
Total other financing sources (uses)	100,000	100,000	90,010	(9,990)
Net change in fund balance	3,437	3,437	61,590	58,153
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS				
	(3,437)	(3,437)	5,705	9,142
RESTATEMENT DUE TO CHANGE IN BASIS				
	-	-	(1,200)	(1,200)
FUND BALANCE, ENDING - BUDGETARY BASIS				
	\$ -	\$ -	66,095	\$ 66,095
Interfund loan payable			(23,000)	
FUND BALANCE, ENDING -GAAP				
			\$ 43,095	

**CITY OF INDEPENDENCE, OREGON
ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Miscellaneous revenue	\$ 15,076	\$ 15,076	\$ -	\$ (15,076)
Loan repayments	31,467	31,467	51,053	19,586
Total revenues	46,543	46,543	51,053	4,510
EXPENDITURES:				
Materials and service	756,000	756,000	11,341	744,659
Contingency	73,141	73,141	-	73,141
Total expenditures	829,141	829,141	11,341	817,800
Revenues over (under) expenditures	(782,598)	(782,598)	39,712	822,310
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	25,000	25,000	25,000	-
Interfund loan payments	(25,000)	(25,000)	(25,000)	-
Transfers in	125	125	125	-
Total other financing sources (uses)	125	125	125	-
Net change in fund balance	(782,473)	(782,473)	39,837	822,310
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	782,473	782,473	368,729	(413,744)
RESTATEMENT DUE TO CHANGE IN BASIS	-	-	(609)	(609)
FUND BALANCE, ENDING - BUDETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	407,957	<u>\$ 407,957</u>
Interfund loan receivable			557,450	
FUND BALANCE, ENDING - GAAP			<u>\$ 965,407</u>	

CITY OF INDEPENDENCE, OREGON
TOURISM AND EVENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 2,460	\$ 2,460
Grants	-	-	16,051	16,051
Miscellaneous revenue	46,000	57,235	58,402	1,167
Royalties	12,000	16,000	5,167	(10,833)
Total revenues	58,000	73,235	82,080	8,845
EXPENDITURES:				
Materials and service	90,100	130,335	112,581	17,754
Contingency	233	233	-	233
Total expenditures	90,333	130,568	112,581	17,987
Revenues over (under) expenditures	(32,333)	(57,333)	(30,501)	26,832
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	25,000	50,000	50,000	-
Interfund loan payments	(25,000)	(25,000)	(25,000)	-
Transfers in	25,000	25,000	25,000	-
Transfers out	(125)	(125)	(125)	-
Total other financing sources (uses)	24,875	49,875	49,875	-
Net change in fund balance	(7,458)	(7,458)	19,374	26,832
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS				
	7,458	7,458	7,793	335
RESTATEMENT DUE TO CHANGE IN BASIS				
	-	-	(852)	(852)
FUND BALANCE, ENDING - BUDGETARY BASIS				
	\$ -	\$ -	26,315	\$ 26,315
Interfund loan payable			(50,000)	
FUND BALANCE, ENDING - GAAP				
			\$ (23,685)	

CITY OF INDEPENDENCE, OREGON
HALO PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 316,992	\$ (33,008)
Miscellaneous revenue	-	-	4,433	4,433
Total revenues	350,000	350,000	321,425	(28,575)
EXPENDITURES:				
Personal service	219,800	219,800	232,187	(12,387)
Materials and service	109,455	109,455	69,206	40,249
Total expenditures	329,255	329,255	301,393	27,862
Revenues over (under) expenditures	20,745	20,745	20,032	(713)
OTHER FINANCING SOURCES (USES):				
Transfers out	(20,745)	(20,745)	(19,749)	996
Total other financing sources (uses)	(20,745)	(20,745)	(19,749)	996
Net change in fund balance	-	-	283	283
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	-	-	(32,324)	(32,324)
RESTATEMENT DUE TO CHANGE IN BASIS	-	-	50,909	50,909
FUND BALANCE, ENDING - GAAP	\$ -	\$ -	\$ 18,868	\$ 18,868

CITY OF INDEPENDENCE, OREGON
PARKS SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 17,410	\$ 17,410	\$ 31,759	\$ 14,349
Total revenues	17,410	17,410	31,759	14,349
EXPENDITURES:				
Capital outlay	10,000	10,000	2,003	7,997
Contingency	7,060	7,060	-	7,060
Total expenditures	17,060	17,060	2,003	15,057
Revenues over (under) expenditures	350	350	29,756	29,406
OTHER FINANCING SOURCES (USES):				
Interfund loan payments	(15,774)	(15,774)	(15,774)	-
Transfers out	(1,186)	(1,186)	(1,795)	(609)
Total other financing sources (uses)	(16,960)	(16,960)	(17,569)	(609)
Net change in fund balance	(16,610)	(16,610)	12,187	28,797
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	<u>16,610</u>	<u>16,610</u>	<u>6,266</u>	<u>(10,344)</u>
FUND BALANCE, ENDING -BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	18,453	<u>\$ 18,453</u>
Interfund loan receivable			(54,224)	
FUND BALANCE, ENDING -GAAP			<u>\$ (35,771)</u>	

**CITY OF INDEPENDENCE, OREGON
GENERAL OBLIGATION BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 447,004	\$ 447,004	\$ 462,374	\$ 15,370
Total revenues	447,004	447,004	462,374	15,370
EXPENDITURES:				
Debt service:				
Principal	777,709	777,709	683,518	94,191
Interest	12,981	12,981	197,850	(184,869) *
Total expenditures	790,690	790,690	881,368	(90,678)
Revenues over (under) expenditures	(343,686)	(343,686)	(418,994)	(75,308)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	346,779	346,779	365,504	18,725
Total other financing sources (uses)	346,779	346,779	365,504	18,725
Net change in fund balance	3,093	3,093	(53,490)	(56,583)
FUND BALANCE, BEGINNING- MODIFIED CASH BASIS	68,711	68,711	79,134	10,423
FUND BALANCE, ENDING - GAAP	\$ 71,804	\$ 71,804	\$ 25,644	\$ (46,160)

* Not a budget violation per ORS 294.338

**CITY OF INDEPENDENCE, OREGON
SPECIAL ASSESSMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessments	\$ 18,396	\$ 18,396	\$ 28,564	\$ 10,168
Total revenues	18,396	18,396	28,564	10,168
EXPENDITURES:				
Debt service:				
Principal	378,282	378,282	356,580	21,702
Interest	11,978	11,978	15,551	(3,573)
Total expenditures	390,260	390,260	372,131	18,129
Revenues over (under) expenditures	(371,864)	(371,864)	(343,567)	28,297
OTHER FINANCING SOURCES (USES):				
Issuance of debt	366,107	366,107	344,190	(21,917)
Total other financing sources (uses)	366,107	366,107	344,190	(21,917)
Net change in fund balance	(5,757)	(5,757)	623	6,380
FUND BALANCE, BEGINNING- MODIFIED CASH BASIS	22,161	22,161	11,951	(10,210)
FUND BALANCE, ENDING - GAAP	<u>\$ 16,404</u>	<u>\$ 16,404</u>	<u>\$ 12,574</u>	<u>\$ (3,830)</u>

CITY OF INDEPENDENCE, OREGON
BUILDING REPAIR & REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Miscellaneous revenue	\$ -	\$ -	\$ 49,311	\$ 49,311
Total revenues	-	-	49,311	49,311
EXPENDITURES:				
Capital outlay	100,000	100,000	7,294	92,706
Contingency	5,000	5,000	-	5,000
Total expenditures	105,000	105,000	7,294	97,706
Revenues over (under) expenditures	(105,000)	(105,000)	42,017	147,017
OTHER FINANCING SOURCES (USES):				
Transfers in	60,000	60,000	60,000	-
Total other financing sources (uses)	60,000	60,000	60,000	-
Net change in fund balance	(45,000)	(45,000)	102,017	147,017
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	45,000	45,000	46,942	1,942
FUND BALANCE, ENDING - GAAP	\$ -	\$ -	\$ 148,959	\$ 148,959

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balance - 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 Fund

- Sewer Operations
 - Sewer Fund
 - Sewer SDC Fund

- Storm Drain Operations
 - Storm Drain Fund
 - Storm Drain SDC Fund

**CITY OF INDEPENDENCE, OREGON
WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

	Water Fund	Water SDC Fund	Total Water Operations
REVENUES:			
Charges for services	\$ 1,975,364	\$ -	\$ 1,975,364
Miscellaneous revenue	18,741	-	18,741
System development charges	-	44,599	44,599
	<u>1,994,105</u>	<u>44,599</u>	<u>2,038,704</u>
Total revenues			
EXPENDITURES:			
Personal service	272,024	-	272,024
Materials and service	179,602	-	179,602
Capital outlay	6,449	16,526	22,975
Debt service:			
Principal	1,971,944	-	1,971,944
Interest	84,474	-	84,474
	<u>2,514,493</u>	<u>16,526</u>	<u>2,531,019</u>
Total expenditures			
Revenues over (under) expenditures	<u>(520,388)</u>	<u>28,073</u>	<u>(492,315)</u>
OTHER FINANCING SOURCES (USES):			
Interfund loan payments	(290,000)	-	(290,000)
Issuance of debt	1,796,450	-	1,796,450
Loan to MINET	(444,097)	-	(444,097)
Transfers out	(894,436)	(2,074)	(896,510)
	<u>167,917</u>	<u>(2,074)</u>	<u>165,843</u>
Total other financing sources (uses)			
Net change in fund balance	(352,471)	25,999	(326,472)
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS			
	221,503	52,293	273,796
RESTATEMENT DUE TO CHANGE IN BASIS			
	<u>146,296</u>	<u>-</u>	<u>146,296</u>
FUND BALANCE, ENDING - BUDGETARY BASIS			
	<u>\$ 15,328</u>	<u>\$ 78,292</u>	<u>\$ 93,620</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 2,038,704	\$ 2,531,019
Transfers in/out		-	896,510
Expenditures capitalized		-	(10,726)
Debt service principal payments		-	(1,971,944)
Payments on SDC loans		(4,297)	-
Depreciation		-	185,239
Interest revenue		13,955	-
Interest expense		-	(36,520)
Increase/decrease compensated absences		-	(68)
		<u>\$ 2,048,362</u>	<u>1,593,510</u>
Total revenues and expenses - generally accepted accounting principles			
Change in net position			<u>\$ 454,852</u>

CITY OF INDEPENDENCE, OREGON
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 2,034,027	\$ 2,034,027	\$ 1,975,364	\$ (58,663)
Miscellaneous revenue	25,000	25,000	18,741	(6,259)
Total revenues	2,059,027	2,059,027	1,994,105	(64,922)
EXPENDITURES:				
Personal service	279,500	279,500	272,024	7,476
Materials and service	198,500	198,500	179,602	18,898
Capital outlay	7,500	7,500	6,449	1,051
Debt service:				
Principal	1,971,944	1,971,944	1,971,944	-
Interest	-	95,456	84,474	10,982
Contingency	408,467	8,467	-	8,467
Total expenditures	2,865,911	2,561,367	2,514,493	46,874
Revenues over (under) expenditures	(806,884)	(502,340)	(520,388)	(18,048)
OTHER FINANCING SOURCES (USES):				
Interfund loan payments	(415,000)	(305,000)	(290,000)	15,000
Issuance of debt	1,971,944	1,971,944	1,796,450	(175,494)
Loan to MINET	-	(444,098)	(444,097)	1
Transfers out	(899,778)	(899,778)	(894,436)	5,342
Total other financing sources (uses)	657,166	323,068	167,917	(155,151)
Net change in fund balance	(149,718)	(179,272)	(352,471)	(173,199)
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	149,718	179,272	221,503	42,231
RESTATEMENT DUE TO CHANGE IN BASIS	-	-	146,296	146,296
FUND BALANCE, ENDING - BUDGETARY BASIS	\$ -	\$ -	\$ 15,328	\$ 15,328

CITY OF INDEPENDENCE, OREGON
WATER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 24,690	\$ 24,690	\$ 44,599	\$ 19,909
Total revenues	24,690	24,690	44,599	19,909
EXPENDITURES:				
Materials and service	50,000	43,800	-	43,800
Capital outlay	17,000	22,000	16,526	5,474
Contingency	13,585	13,585	-	13,585
Total expenditures	80,585	79,385	16,526	62,859
Revenues over (under) expenditures	(55,895)	(54,695)	28,073	82,768
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,223)	(2,423)	(2,074)	349
Total other financing sources (uses)	(1,223)	(2,423)	(2,074)	349
Net change in fund balance	(57,118)	(57,118)	25,999	83,117
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS				
	57,118	57,118	52,293	(4,825)
FUND BALANCE, ENDING - BUDGETARY BASIS				
	\$ -	\$ -	\$ 78,292	\$ 78,292

**CITY OF INDEPENDENCE, OREGON
SEWER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

	<u>Sewer Fund</u>	<u>Sewer SDC Fund</u>	<u>Total Sewer Operations</u>
REVENUES:			
Charges for services	\$ 1,477,458	\$ -	\$ 1,477,458
Miscellaneous revenue	6,413	-	6,413
System development charges	-	81,359	81,359
	<u>1,483,871</u>	<u>81,359</u>	<u>1,565,230</u>
EXPENDITURES:			
Personal service	238,138	-	238,138
Materials and service	131,547	17,876	149,423
Capital outlay	17,108	1,710	18,818
Debt service:			
Interest	84,450	-	84,450
	<u>471,243</u>	<u>19,586</u>	<u>490,829</u>
	<u>1,012,628</u>	<u>61,773</u>	<u>1,074,401</u>
OTHER FINANCING SOURCES (USES):			
Interfund loan payments	(100,000)	-	(100,000)
Transfers out	(727,753)	(3,839)	(731,592)
	<u>(827,753)</u>	<u>(3,839)</u>	<u>(831,592)</u>
Net change in fund balance	184,875	57,934	242,809
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS			
	296,198	17,388	313,586
RESTATEMENT DUE TO CHANGE IN BASIS			
	100,032	-	100,032
FUND BALANCE, ENDING - BUDGETARY BASIS			
	<u>\$ 581,105</u>	<u>\$ 75,322</u>	<u>\$ 656,427</u>

	<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above	\$ 1,565,230	\$ 490,829
Transfers in/out	-	731,592
Payment on SDC loan receivable	5,870	-
Depreciation	-	209,295
Increase/decrease compensated absences	-	(59)
	<u>\$ 1,571,100</u>	<u>1,431,657</u>
Change in net position		<u>\$ 139,443</u>

CITY OF INDEPENDENCE, OREGON
SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 1,383,556	\$ 1,383,556	\$ 1,477,458	\$ 93,902
Miscellaneous revenue	10,500	10,500	6,413	(4,087)
Total revenues	1,394,056	1,394,056	1,483,871	89,815
EXPENDITURES:				
Personal service	245,000	245,000	238,138	6,862
Materials and service	145,000	145,000	131,547	13,453
Capital outlay	5,000	20,660	17,108	3,552
Debt service:				
Interest	84,450	84,450	84,450	-
Contingency	347,231	347,231	-	347,231
Total expenditures	826,681	842,341	471,243	371,098
Revenues over (under) expenditures	567,375	551,715	1,012,628	460,913
OTHER FINANCING SOURCES (USES):				
Interfund loan payments	(100,000)	(100,000)	(100,000)	-
Transfers out	(720,846)	(729,846)	(727,753)	2,093
Total other financing sources (uses)	(820,846)	(829,846)	(827,753)	2,093
Net change in fund balance	(253,471)	(278,131)	184,875	463,006
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	253,471	278,131	296,198	18,067
RESTATEMENT DUE TO CHANGE IN BASIS	-	-	100,032	100,032
FUND BALANCE, ENDING - BUDGETARY BASIS	\$ -	\$ -	\$ 581,105	\$ 581,105

CITY OF INDEPENDENCE, OREGON
SEWER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 36,090	\$ 56,090	\$ 81,359	\$ 25,269
Total revenues	36,090	56,090	81,359	25,269
EXPENDITURES:				
Materials and service	10,000	30,000	17,876	12,124
Capital outlay	500	1,800	1,710	90
Contingency	24,047	24,047	-	24,047
Total expenditures	34,547	55,847	19,586	36,261
Revenues over (under) expenditures	1,543	243	61,773	61,530
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,786)	(3,536)	(3,839)	(303)
Total other financing sources (uses)	(1,786)	(3,536)	(3,839)	(303)
Net change in fund balance	(243)	(3,293)	57,934	61,227
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS				
	243	3,293	17,388	14,095
FUND BALANCE, ENDING - BUDGETARY BASIS				
	\$ -	\$ -	\$ 75,322	\$ 75,322

**CITY OF INDEPENDENCE, OREGON
STORM DRAIN OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

	Storm Drain Fund	Storm Drain SDC Fund	Total Storm Drain Operations
REVENUES:			
Charges for services	\$ 376,614	\$ -	\$ 376,614
Miscellaneous revenue	5,663	-	5,663
System development charges	-	28,247	28,247
	<u>382,277</u>	<u>28,247</u>	<u>410,524</u>
EXPENDITURES:			
Personal service	102,059	-	102,059
Materials and service	51,486	-	51,486
Capital outlay	12,174	-	12,174
Debt service:			
Principal	20,379	-	20,379
Interest	729	-	729
	<u>186,827</u>	<u>-</u>	<u>186,827</u>
Total expenditures	<u>186,827</u>	<u>-</u>	<u>186,827</u>
Revenues over (under) expenditures	<u>195,450</u>	<u>28,247</u>	<u>223,697</u>
OTHER FINANCING SOURCES (USES):			
Interfund loan proceeds	125,000	15,000	140,000
Interfund loan payments	-	(19,731)	(19,731)
Transfers in	10,725	-	10,725
Transfers out	(290,236)	(767)	(291,003)
	<u>(154,511)</u>	<u>(5,498)</u>	<u>(160,009)</u>
Total other financing sources (uses)	<u>(154,511)</u>	<u>(5,498)</u>	<u>(160,009)</u>
Net change in fund balance	40,939	22,749	63,688
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS			
	36,312	4,906	41,218
RESTATEMENT DUE TO CHANGE IN BASIS			
	<u>146,465</u>	<u>-</u>	<u>146,465</u>
FUND BALANCE, ENDING - BUDGETARY BASIS			
	<u>\$ 223,716</u>	<u>\$ 27,655</u>	<u>\$ 251,371</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 410,524	\$ 186,827
Transfers in/out		-	280,278
Expenditures capitalized		-	(10,725)
Debt service principal payments		-	(20,379)
Depreciation		-	26,608
Increase/decrease compensated absences		-	(25)
		<u>\$ 410,524</u>	<u>462,584</u>
Total revenues and expenses - generally accepted accounting principles		<u>\$ 410,524</u>	<u>462,584</u>
Change in net position			<u>\$ (52,060)</u>

CITY OF INDEPENDENCE, OREGON
STORM DRAIN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 352,538	\$ 352,538	\$ 376,614	\$ 24,076
Miscellaneous revenue	550	550	5,663	5,113
Total revenues	353,088	353,088	382,277	29,189
EXPENDITURES:				
Personal service	106,750	106,750	102,059	4,691
Materials and service	62,345	64,345	51,486	12,859
Capital outlay	2,000	19,000	12,174	6,826
Debt service:				
Principal	20,379	20,379	20,379	-
Interest	729	729	729	-
Contingency	15,974	6,199	-	6,199
Total expenditures	208,177	217,402	186,827	30,575
Revenues over (under) expenditures	144,911	135,686	195,450	59,764
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	125,000	125,000	125,000	-
Transfers in	-	10,725	10,725	-
Transfers out	(289,535)	(291,035)	(290,236)	799
Total other financing sources (uses)	(164,535)	(155,310)	(154,511)	799
Net change in fund balance	(19,624)	(19,624)	40,939	60,563
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	19,624	19,624	36,312	16,688
RESTATEMENT DUE TO CHANGE IN BASIS	-	-	146,465	146,465
FUND BALANCE, ENDING - BUDGETARY BASIS	\$ -	\$ -	\$ 223,716	\$ 223,716

CITY OF INDEPENDENCE, OREGON
STORM DRAIN SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 9,500	\$ 9,500	\$ 28,247	\$ 18,747
Total revenues	9,500	9,500	28,247	18,747
EXPENDITURES:				
Materials and service	5,000	4,750	-	4,750
Capital outlay	5,000	5,000	-	5,000
Contingency	1,089	1,089	-	1,089
Total expenditures	11,089	10,839	-	10,839
Revenues over (under) expenditures	(1,589)	(1,339)	28,247	29,586
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	15,000	15,000	15,000	-
Interfund loan payments	(19,732)	(19,732)	(19,731)	1
Transfers out	(475)	(475)	(767)	(292)
Total other financing sources (uses)	(5,207)	(5,207)	(5,498)	(291)
Net change in fund balance	(6,796)	(6,546)	22,749	29,295
FUND BALANCE, BEGINNING - MODIFIED CASH BASIS	6,796	6,796	4,906	(1,890)
FUND BALANCE, ENDING - BUDGETARY BASIS	\$ -	\$ 250	\$ 27,655	\$ 27,405

OTHER FINANCIAL SCHEDULES

CITY OF INDEPENDENCE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2014

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2013</u>	<u>Levy as Extended by Assessor</u>	<u>Collections</u>	<u>Cancellations Discounts and Adjustments</u>	<u>Property Taxes Receivable June 30, 2014</u>
2013-2014	\$ -	\$ 2,503,004	\$ (83,980)	\$ (2,336,497)	\$ 82,527
2012-2013	96,628	-	(12,949)	(38,942)	44,737
2011-2012	68,738	-	(17,490)	(19,556)	31,692
2010-2011	35,648	-	2,563	(20,711)	17,500
2009-2010	8,632	-	9,820	(10,860)	7,592
2008-2009	2,415	-	1,612	(2,921)	1,106
Prior years	1,979	-	1,084	(1,659)	1,404
Totals	<u>\$ 214,040</u>	<u>\$ 2,503,004</u>	<u>\$ (99,340)</u>	<u>\$ (2,431,146)</u>	<u>\$ 186,558</u>

Taxes receivable classified by fund:

General Fund	\$ 139,972
General Obligation Bond Fund	15,794
Urban Renewal Agency Debt Service Fund	<u>30,792</u>
	<u>\$ 186,558</u>

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**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Merina & Company, LLP
West Linn, Oregon
December 22, 2014

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

We have audited the basic financial statements of the City of Independence, Oregon, (the City) as of and for the year ended June 30, 2014 and have issued our report thereon dated December 22, 2014. 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.

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, 2014:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount</u>
General Fund	Community Development	\$535
Transportation SDC Fund	Transfers out	\$1,705
MINET Debt Service Fund	Materials and service	\$1,000
Transportation Fund	Capital outlay	\$61,707
Building Inspection Fund	Materials and service	\$355
Halo Program Fund	Personal service	\$12,387
Parks SDC Fund	Transfers out	\$609
Sewer SDC Fund	Transfers out	\$303
Storm Drain SDC Fund	Transfers out	\$292

At June 30, 2014, the following fund had deficit budgetary basis fund balance:

<u>Fund</u>	<u>Amount</u>
Urban Renewal Projects Fund	\$(762,389)

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Honorable Mayor, City Council, 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 22, 2014

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