

CITY OF CASCADE LOCKS
Cascade Locks, Oregon
ANNUAL FINANCIAL REPORT
For Year Ended June 30, 2013

ONSTOTT, BROEHL & CYPHERS, P.C.
Certified Public Accountants
100 East 4th Street
The Dalles, Oregon 97058

CITY OF CASCADE LOCKS, OREGON

Names and Addresses of Officers
and Members of the City Council
June 30, 2013

MEMBERS OF THE CITY COUNCIL

Tom Cramblett, Mayor
P.O. Box 511
Cascade Locks, Oregon 97014

Glenda Groves, Councilmember
P.O. Box 412
Cascade Locks, Oregon 97014

Bruce Fitzpatrick
P.O. Box 674
Cascade Locks, Oregon 97014

Richard Randall, Councilmember
P.O. Box 583
Cascade Locks, Oregon 97014

Jeff Helfrich, Councilmember
P.O. Box 309
Cascade Locks, Oregon 97014

Deanna Busdieker, Councilmember
P.O. Box 433
Stevenson, WA 98648

Bobby Walker, Councilmember
P.O. Box 491
Cascade Locks, Oregon 97014

OTHER OFFICERS

Gordon Zimmerman, City Administrator
Marianne Bump, Finance Officer
Registered Office
P.O. Box 308
Cascade Locks, Oregon 97014

LEGAL COUNSEL

Alexandra Sosnkowski
Attorney at Law
PO Box 1698
Hood River, Oregon 97031

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FINANCIAL SECTION

Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.
JAMES T. BROEHL, c.p.a.
RICK M. CYPHERS, c.p.a.

WILLIAM S. ROOPER, c.p.a. retired

MEMBERS:

American Institute of c.p.a.'s
Oregon Society of c.p.a.'s

OFFICES:

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Cascade Locks, 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 City of Cascade Locks as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management.

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 City of Cascade Locks, as of June 30, 2013, and the respective changes in financial position, where applicable, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10, and 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade Locks' basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

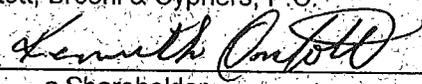
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2014, on our consideration of the City of Cascade Locks' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cascade Locks' internal control over financial reporting and compliance.

Onstott, Broehl & Cyphers, P.C.

By: 

a Shareholder

February 3, 2014

**City of Cascade Locks
Management's Discussion and Analysis
Fiscal Year 2012/2013**

As management of the City of Cascade Locks, Oregon (City), we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013 to the readers of the City's financial statements. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow. This Management Discussion and Analysis (MD&A) is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

FINANCIAL HIGHLIGHTS:

The City's assets exceeded its liabilities at June 30 2013, by **\$12,541,010** (net assets). Of this amount, **\$178,273** is restricted for system/equipment upgrade and replacement, and capital improvement projects, and **\$60,979** is restricted for future years' debt service.

- The total net assets decreased by **\$263,427** for FY 12/13, as a result of a decrease in liabilities.
- As of the close of FY 12/13, the City's governmental funds reported combined ending fund balances of **\$2,015,366**.
- The City's total debt decreased by **\$128,287** (13.9%) during the fiscal year as a result of no additional debt, paying off OEDD Loan, and making contractual payments on current debt.

STATEMENT OF NET POSITION:

The focus of the statement of Net Position is to present the unrestricted assets of governmental and business-type activities. This includes the capital assets, including infrastructure and long-term liabilities, of governmental activities. A condensed version of the Statement of Net Position at June 30, 2013 is shown here:

Net Assets at June 30, 2013:

	Governmental Activities	Business-Type Activities	Total
Cash and Investments	1,475,660	686,161	2,161,821
Other Assets	484,657	182,295	666,952
Capital Assets	1,166,403	9,753,986	10,920,389
Total Assets	<u>3,126,720</u>	<u>10,622,442</u>	<u>13,749,162</u>
Other Liabilities	17,318	194,956	212,274
Long-term Debt Outstanding	18,143	966,164	984,307
Total Liabilities	<u>35,461</u>	<u>1,161,120</u>	<u>1,196,581</u>
Net Assets:			
Invested in capital assets, net of related debt	1,166,403	8,830,653	9,997,056
Restricted	178,273	60,979	239,252
Unrestricted	1,735,012	569,690	2,304,702
Total Net Position	<u>3,079,688</u>	<u>9,461,322</u>	<u>12,541,010</u>

Governmental Activities

Infrastructure, land, buildings, equipment and other improvements total **\$1,166,403**. Non-land portion of governmental capital assets are now depreciated and the accumulated depreciation at fiscal yearend is **\$1,571,252**. Governmental activities' assets, exclusive of capital assets, total **\$1,960,317** compared to total assets of **\$3,126,720** inclusive of capital assets. The City had governmental long-term debt of **\$18,143** as of June 30, 2013.

Business-type Activities

Infrastructure and long-term debt have historically been included in the City's reporting of assets within the Water, Sewer, CATV/Telecom, and Light Funds. GASB 34 now requires that the infrastructure and debt associated with Streets and Cemetery also be reported. Capital assets at June 30, 2013 total **\$9,753,986**. Accumulated depreciation totals **\$5,756,541**. Business-type assets, exclusive of capital assets, total **\$868,456** compared to total assets of **\$10,622,442** inclusive of capital assets. The City had **\$750,732** in long-term business-type sewer plant debt as of June 30, 2013. Principal and interest is payable from sewer user fees and sewer system development charges. The City also had **\$172,601** in long-term debt from the Oregon Investment Board on the fire hall as June 30, 2013.

Restricted Net Position

A portion of the year-end net position is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. Within both the governmental and business-type activities are system development charges, sewer bond reserves and sewer revenues that are limited to repayment of debt. Restrictions are also imposed on the assets within the Capital Reserve Fund by State Budget Regulations on the use of Capital Reserve Funds and by the City's resolve to use those funds for specific purposes, including facilities, system, vehicle and equipment purchase, upgrade or replacement.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

This section will discuss and analyze significant differences between the current and prior year.

Governmental Activities:

Governmental related revenues increased by **\$16,731** from 11/12 to FY12/13, due to an increase in Charges for Services, Property Taxes, Payments in Lieu of Taxes. Governmental Expenses increased by **\$26,865**, due to an increase in General Government, Public Safety, Highways and Streets, and a decrease in Culture and Recreation.

Business-type Activities:

Business-type related revenues decreased from FY11/12 by **\$45,409** in FY12/13 due to a decline in Charges for Services. Business-type related expenses increased from FY11/12 by **\$ 274,115** in FY 12/13.

A summary version of the Statement of Activities follows:

Comparison of Statement of Activities for FY12/13 and FY11/12

	Governmental Activities	FY12/13 Business-type Activities	Total	Governmental Activities	FY11/12 Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	8,419	2,373,426	2,381,845	7,281	2,386,468	2,393,749
Operating grants and contributions	342,755	45,196	387,951	378,000	77,370	455,370
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	197,577	-	197,577	185,985	-	185,985
Payments in lieu of taxes	150,850	-	150,850	109,021	-	109,021
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Unrestricted investment earnings	8,097	4,565	12,662	10,680	4,758	15,438
Total revenues	707,698	2,423,187	3,130,885	690,967	2,468,596	3,159,563
Expenses:						
General government	273,044	-	273,044	227,413	-	227,413
Public safety	96,980	-	96,980	90,746	-	90,746
Highways and streets	92,814	-	92,814	91,136	-	91,136
Culture and recreation	47,673	-	47,673	74,351	-	74,351
Electric	-	1,684,621	1,684,621	-	1,569,999	1,569,999
Emergency Services	-	319,621	319,621	-	252,768	252,768
Sewer	-	445,620	445,620	-	399,005	399,005
Other	-	433,939	433,939	-	387,914	387,914
Total expenses	510,511	2,883,801	3,394,312	483,646	2,609,686	3,093,332
Increase (decrease) in net position before transfers	197,187	(460,614)	(263,427)	207,321	(141,090)	66,231
Transfers	(301,628)	301,628	-	(42,171)	42,171	-
Increase (decrease) in net position	(104,441)	(158,986)	(263,427)	165,150	(98,919)	66,231
Net position - beginning of year	3,184,129	9,620,308	12,804,437	3,018,978	9,719,227	12,738,205
Net position - end of year	3,079,688	9,461,322	12,541,010	3,184,128	9,620,308	12,804,436

General Fund Budgetary Highlights

A list of resolutions impacting the budget since 2006 is found at the end of this discussion.

Continued upward pressure on expenditures and downward trends in revenues cause the beginning fund balances of all funds, especially the General Fund which is the main source of support for the Emergency Services Department. The transfer of property taxes and increased 2% of utility payments to support the reformed Fire Department is the main reason for the decline in net assets. The continued increase for medical insurance and retirement funds will continue to bring added pressure to all budgets. Six to seven years of cutting personnel and material and services budgets has caused severe strain on the General Fund. The auditor and the forensic accountant hired by the Council in late 2013 both concur that administrative allocations will need to be adjusted across funds. Utility rate increases will be necessary to replace aging infrastructure and fund economic growth for Cascade Locks.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the City had invested \$10,920,389 in capital assets, net of depreciation.

Capital Assets at Fiscal Year-End (Net of Depreciation)

	Governmental	Business-Type	Total
	Activities	Activities	
Land and other	171,265	167,432	338,697
Buildings and improvements	99,556	1,495,633	1,595,189
System	-	7,352,709	7,352,709
Machinery and equipment	108,076	724,280	832,356
Infrastructure	787,506	-	787,506
Construction in progress	-	13,932	13,932
Total Assets	1,166,403	9,753,986	10,920,389

**Increase/Decrease of Capital Assets between FY12/13 and Prior Fiscal Year FY11/12.
(Net of Depreciation)**

	Governmental	Business-Type	Total
	Activities	Activities	
Land and other	-	-	-
Buildings and improvements	(27,475)	(32,516)	(59,991)
System	-	(163,591)	(163,591)
Machinery and equipment	(13,536)	93,045	79,509
Infrastructure	(45,524)	-	(45,524)
Construction in progress	-	-	-
Total Assets	(86,535)	(103,062)	(189,597)

Debt Outstanding

As of June 30, 2013, the City had \$923,333 in debt outstanding, compared to \$1,051,620 as of June 30, 2012. As of June 30, 2013, \$43,120 is due within one year. Of this total, one loan payment is for the sewer plant and one loan payment is for the Fire Station.

Outstanding Debt at Year End

	2013	2012
Governmental	-	-
Business-type:		
Fire Station - OIB Loan (Oregon Investment Board)	172,601	197,479
Sewer - OEDD Loan (Oregon Economic Development Department)	-	86,176
Sewer - Rural Utilities	750,732	767,965
Total Assets	923,333	1,051,620

For more detailed information on the City's debt and amortization terms, please refer to the *Schedule of Future Debt Service Requirements* in the *Other Information* section of this report.

ECONOMIC FACTORS

The City's Governmental activities are supported by a variety of revenues, with the majority of funds being received through Property Taxes, Internal Payments and Property Use Fees paid by the enterprise funds, 70% of the Transient Room Taxes, and Emergency Services Department Revenues. The City's economic flat line has not provided for any significant increases in any of these major funding sources. Estimated property tax revenues increased by approximately 6% between FY11/12 and FY12/13.

The City's Business-type activities are funded through utility charges, user fees, and system development charges. In the past, the City Council has directed staff to complete rate analysis at least annually and to contract for a formal rate study every two to three years, so that small rate increases can be made annually, instead of waiting for a long period and then initiating a large rate increase. The new charter amendment removes the Council's ability to increase rates in accordance with these principles. Electrical rate studies were completed in FY05/06. These rates were reviewed during the 2012-2013 Fiscal Year. The Council made no changes in the rates.

The City of Cascade Locks has shown signs of stagnation for several decades. Its unemployment rate is high, and its downtown is marked by a steady number of vacant storefronts and a general lack of new development. The City's population growth has not matched the growth of the State, or Hood River County, over the last decade, and is at a pause if not a very slow decline.

Many issues continue to challenge Cascade Locks economically. In 1986 the Columbia River National Scenic Area legislation was passed. The legislation encouraged environmental protection within the boundary and economic and recreational opportunities for cities in the area. The legislation has preserved the scenic character of the area which has maintained the quality of life for many communities in the gorge. However, with the general economic impact of this legislation, there have been continued challenges for resource-based economies attempting to shift to tourism and new industries. The result of this stipulation has limited economic growth for the city.

The City is spearheading a Three City Initiative working with North Bonneville and Stevenson, Washington, and the Columbia Gorge Commission to develop regional solutions to common problems. The Port of Cascade Locks is seeking to develop a Columbia Gorge-wide approach for economic development using the Scenic Area Act to bolster its requirements to develop solutions not only for environmental issues, but also economic issues in the Gorge.

The economic base of Cascade Locks continues to shift. Since the closure of the timber and aluminum plants the local economy has been largely dependent on tourism and the few remaining forest products businesses. The passage of Measures 5 and 50 has reduced property taxes collected by the city, the only steady revenue source for the small municipality, not including its enterprise funds. Subsequently, the 2008 charter amendment subjecting all fees, taxes, and charges to voter approval has and continues to impact enterprise revenue throughout the City's operations. With decreasing available funds each year, the City must seek funding for special projects from outside sources through grants, loans, assistance programs, and state and federal agencies.

The City continues to work with Nestlé Waters Group in siting a \$50,000,000 bottling plant in Cascade Locks. If successful, this project would bring a significant boost to the City's property tax, utility

revenues, and jobs base. In the meantime, the Port of Cascade Locks has been very aggressive in pursuing new industrial clients for the Industrial Park.

The City Council, in collaboration with the Port of Cascade Locks, has approved a new multi-faceted approach to economic development and is working very close with the County and State to enhance the local economy. The City Council, in setting its budget priorities for 2013-14 has established economic development and job creation among the very highest priorities for the city.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Officer at PO Box 308, Cascade Locks OR 97014, 541-374-8484 or mbump@cascade-locks.or.us.

Respectfully Submitted,

Gordon Zimmerman
City Administrator

List of Budget Resolutions Impacting the Financial Statements

New rates for administration of the Cascade Locks Fire Regulations were established by Resolution No. 1068 in January of 2006.

System Development Charges were established for Sewer and Water by Resolutions No. 1069 and 1070 for Municipal Parks in February of 2006. Resolution No. 1069 was repealed by Resolution No. 1249 in September 2012.

New rates were established for electrical use by Resolutions No. 1073 and 1074 in March 2006. Resolution No. 1073 was repealed by Resolution No. 1214 in June 2011. Resolution No. 1214 & 1074 was repealed by Resolution 1281 in September 2013.

Water and Sewer rates were established by Resolution No. 1006 and 1007 in February 2004. Resolution No. 1006 was repealed by Resolution No. 1273 in June 2013.

Resolution No 1147 was approved October 2008 to dissolve capital reserve fund 55 for the purpose of changing the description of use. Resolution No 1148 was approved October 2008 to establish a new capital reserve fund for the purpose of including Facilities in the description of use.

Resolution No. 1153 was approved November 2008 to loan \$450,000 to EMS from the Electric portion of capital reserve to provide financing for the new Fire Station. Resolution No. 1153 was repealed June 2011 by Resolution No. 1212.

Resolution No. 1156 and 1157 were approved December 2008 to comply with the newly approved Charter Amendments that prevent the City from raising fees without voter approval. Resolution No. 1156 was repealed by 1247 in August 2012. Resolution No. 1157 was repealed by Resolution No. 1281 in September 2013.

Resolution No. 1158 was approved December 2008 to receive a loan in the amount of \$150,000 to provide financing for the new Fire Station.

Resolution No. 1174 was approved June 2009 to close out the Urban Renewal Fund.

Resolution No. 1175 was approved June of 2009 to Loan EMS \$24,280 from Water portion of capital reserve for the finance completion of purchasing a new Fire Truck. Resolution No. 1175 was repealed June 2011 by Resolution No. 1213.

Resolution No. 1177 was approved June of 2009 to receive a loan in the amount of \$125,000 to complete the financing of the Fire Station.

Resolution No. 1212 was approved June 2011, to loan \$450,000 to EMS from Electric portion of Capital Reserve with a repayment schedule and adding interest of \$14,789.29 in accumulated unpaid interest from November 2008, and repealing Resolution No. 1153.

Resolution No. 1213 was approved June 2011 to loan EMS \$24,280 from Water portion of Capital Reserve with a repayment schedule and adding interest of \$309.86 in accumulated unpaid interest from June 2009, and repealing Resolution No. 1175.

Resolution No. 1237 was approved June 2012 to establish rates for Fire, Ambulance, Emergency & Non-Emergency Medical Services and repealing Resolution No. 1095.

Resolution No. 1239 was approved June 2012 amending Resolution No. 1194, Section 1., establishing internal payments to a rate of 7% from the Enterprise Funds to be paid to the General Fund with a sunset clause of June 30, 2014.

Resolution No. 1243 was approved on June 2012 to loan EMS \$57,000 from the General Fund portion of Capital Reserve for the purpose of bringing the estimated beginning fund balance to zero. Re-payment in full will be made in November 2012.

Resolution No. 1260 was approved April 2013 authorizing reimbursement for labor and equipment to the City Light Fund in the amount of \$14,362.79 for Columbia Cascade Senior Housing Development.

Resolution No. 1267 ending the Fire Suppression Fee increase authorized by Resolution No. 1240 and resetting the rates for Fire Department Fees Per Ordinance No. 374 and Resolution No. 1053 and repealing Resolutions No. 1053 and 1240.

Resolution No. 1268 was approved May 2013 establishing rates for Fire, Ambulance, Emergency & Non-Emergency Medical Services and repealing Resolution No. 1237.

Resolution No. 1273 was approved June 2013 establishing a fee for the maintenance, testing and replacement of water meters; establishing water rates; and repealing Resolution No. 1006.

Resolution No. 1274 was approved June 2013 allocating appropriations across all funds for the contract with the Forensic Account in the amount of \$15,000.

BASIC FINANCIAL STATEMENTS

CITY OF CASCADE LOCKS, OREGON
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$1,475,660	\$686,161	\$2,161,821
Receivables - net of allowance for uncollectibles	75,434	231,612	307,046
Due to (from) other funds	409,223	(409,223)	0
Prepaid expenses		4,527	4,527
Inventory		294,400	294,400
Restricted cash and investment		60,979	60,979
Capital assets (net of accumulated depreciation):			
Land and other	171,265	167,432	338,697
Buildings and improvements	99,556	1,495,633	1,595,189
System		7,352,709	7,352,709
Machinery and equipment	108,076	724,280	832,356
Infrastructure	787,506		787,506
Construction in progress		13,932	13,932
	<u>3,126,720</u>	<u>10,622,442</u>	<u>13,749,162</u>
Total Assets			
LIABILITIES			
Liabilities:			
Accounts payable	14,862	72,373	87,235
Accrued expenses	2,456	25,073	27,529
Customer deposits		97,510	97,510
Noncurrent liabilities:			
Payable within one year		43,120	43,120
Payable in more than one year	18,143	923,044	941,187
	<u>35,461</u>	<u>1,161,120</u>	<u>1,196,581</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	11,571	0	11,571
	<u>11,571</u>	<u>0</u>	<u>11,571</u>
NET POSITION			
Net investment in capital assets	1,166,403	8,830,653	9,997,056
Restricted for:			
System development	52,388		52,388
Highways and streets	92,450		92,450
Culture and recreation	19,078		19,078
Cemetery maintenance	14,357		14,357
Debt service		60,979	60,979
Unrestricted	1,735,012	569,690	2,304,702
	<u>1,735,012</u>	<u>569,690</u>	<u>2,304,702</u>
Total Net Position	<u>\$3,079,688</u>	<u>\$9,461,322</u>	<u>\$12,541,010</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON

Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:					
General government	\$ 273,044	\$ 219,693	\$ (44,932)	\$ (44,932)	
Public safety	96,980	8,855	(88,125)	(88,125)	
Highways and streets	92,814	64,290	(28,524)	(28,524)	
Culture and recreation	47,673	49,917	2,244	2,244	
Total Governmental Activities	510,511	342,755	(159,337)	(159,337)	(159,337)
Business-type activities:					
Electric	1,684,621	45,196		\$ (115,367)	(115,367)
Emergency services	319,621			(162,046)	(162,046)
Sewer	445,620			(86,742)	(86,742)
Other	433,939			(101,024)	(101,024)
Total Business-type Activities	2,883,801	45,196	0	(465,179)	(465,179)
Total	\$ 3,394,312	\$ 387,951	(159,337)	(465,179)	(624,516)
General Revenues:					
Property taxes			197,577		197,577.00
Payments in lieu of taxes			150,850		150,850.00
Unrestricted investment earnings			8,097	4,565	12,662.00
Transfers			(301,628)	301,628	0
Total General Revenues and Transfers			54,896	306,193	361,089
Change in Net Position			(104,441)	(158,986)	(263,427)
Net Position - July 1, 2012			3,184,129	9,620,308	12,804,437
Net Position - June 30, 2013			\$ 3,079,688	\$ 9,461,322	\$12,541,010

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON
 Balance Sheet
 Governmental Funds
June 30, 2013

	General	Street	Capital Reserve 08	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$100,099	\$93,408	\$1,169,993	\$107,881	\$1,471,381
Receivables - net of allowance for uncollectibles	28,045	585	562,658	46,803	638,091
Total Assets	\$128,144	\$93,993	\$1,732,651	\$154,684	\$2,109,472
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$10,935	\$283		\$3,644	\$14,862
Accrued expenses	1,985	471			2,456
Due to other funds				65,217	65,217
Total Liabilities	12,920	754	0	68,861	82,535
Deferred inflows of resources:					
Deferred tax revenue	11,571				11,571
Fund Balances:					
Restricted for:					
Cemetery maintenance				14,357	14,357
Highways and streets		93,239			93,239
Public works				52,388	52,388
Committed for:					
Tourism				19,078	19,078
Capital projects			1,732,651		1,732,651
Unassigned	103,653				103,653
Total Fund Balances	103,653	93,239	1,732,651	85,823	2,015,366
Total Liabilities and Fund Balances	128,144	\$93,993	\$1,732,651	\$154,684	

Amounts reported for governmental activities 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

1,166,403

Interfund loan payments are reflected in the
funds but are not reported as resources in
governmental activities

(83,938)

Prepaid construction deposits are not reported
in the funds

(10,502)

Accrued vacation pay in governmental activities
is not reported in the funds

(7,641)

Net position of governmental activities

\$3,079,688

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	<u>General</u>	<u>Street</u>	<u>Capital Reserve 08</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$197,577				\$197,577
Payments in lieu of taxes from enterprise funds	150,850				150,850
Intergovernmental revenues	33,387	\$64,290		\$9,014	106,691
Charges for services	8,119				8,119
Fines and forfeitures	300				300
Interest on investments	522	505	\$6,527	543	8,097
Miscellaneous	149,256		28,714	59,694	237,664
Total Revenues	<u>540,011</u>	<u>64,795</u>	<u>35,241</u>	<u>69,251</u>	<u>709,298</u>
EXPENDITURES					
Current:					
General government	219,426				219,426
Public safety	87,132			10,007	97,139
Highways and streets		40,917			40,917
Culture and recreation	7,133			42,140	49,273
Capital outlay		29	245,427		245,456
Total Expenditures	<u>313,691</u>	<u>40,946</u>	<u>245,427</u>	<u>52,147</u>	<u>652,211</u>
Revenues Over (Under) Expenditures	<u>226,320</u>	<u>23,849</u>	<u>(210,186)</u>	<u>17,104</u>	<u>57,087</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	756		311,116	993	312,865
Operating transfers out	(199,010)	(25,199)	(33,327)	(47,000)	(304,536)
Total Other Financing Sources (Uses)	<u>(198,254)</u>	<u>(25,199)</u>	<u>277,789</u>	<u>(46,007)</u>	<u>8,329</u>
Net Change in Fund Balances	28,066	(1,350)	67,603	(28,903)	65,416
FUND BALANCE - July 1, 2012	<u>75,587</u>	<u>94,589</u>	<u>1,665,048</u>	<u>114,726</u>	<u>1,949,950</u>
FUND BALANCE - June 30, 2013	<u>\$103,653</u>	<u>\$93,239</u>	<u>\$1,732,651</u>	<u>\$85,823</u>	<u>\$2,015,366</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$65,416
Governmental funds 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 outlays in the current period	(65,248)
Interfund loan repayments recorded as revenue in governmental activities but not in the statement of activities	(83,938)
Loss on sale of property not reported in the fund expenditures	(21,288)
Changes in accrued vacation pay which is classified as long-term debt are not reported in the fund expenditures	<u>617</u>
Change in net position of governmental activities	<u><u>(\$104,441)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds				Total
	Electrical Fund	Emergency Services Fund	Sewer Fund	Other Enterprise Funds	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$527,053	\$46,826	\$53,243	\$59,039	\$686,161
Accounts receivable	112,096	103,578	33,175	28,532	277,381
Less allowance for doubtful accounts	(225)	(45,544)			(45,769)
Prepaid expenses	0	4,217		310	4,527
Inventory of materials	273,151		1,241	20,008	294,400
Total Current Assets	912,075	109,077	87,659	107,889	1,216,700
RESTRICTED ASSETS					
Debt service:					
Cash and investments			60,979		60,979
PROPERTY, PLANT AND EQUIPMENT - net of accumulated depreciation					
	2,558,816	2,013,735	4,288,323	893,112	9,753,986
Total Assets	\$3,470,891	\$2,122,812	\$4,436,961	\$1,001,001	\$11,031,665
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$48,767	\$2,726	\$13,600	\$7,280	\$72,373
Accrued expenses	18,298	3,648	867	2,260	25,073
Due to other funds		387,223		22,000	409,223
Customer deposits	94,395			3,115	97,510
Current portion of long-term debt		27,043	16,077		43,120
Total Current Liabilities	161,460	420,640	30,544	34,655	647,299
LONG-TERM DEBT					
Bonds and notes payable		145,558	734,655		880,213
Accrued vacation and other	32,459	2,653	2,305	5,414	42,831
Total Long-Term Debt	32,459	148,211	736,960	5,414	923,044
Total Liabilities	193,919	568,851	767,504	40,069	1,570,343
NET POSITION					
Net investment in capital assets	2,558,816	1,841,134	3,537,591	893,112	8,830,653
Restricted for debt service (expendable)			60,979		60,979
Unrestricted	718,156	(287,173)	70,887	67,820	569,690
Total Net Position	3,276,972	1,553,961	3,669,457	960,932	9,461,322
Total Liabilities and Net Position	\$3,470,891	\$2,122,812	\$4,436,961	\$1,001,001	\$11,031,665

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Totals
	Electrical Fund	Emergency Services Fund	Sewer Fund	Other Enterprise Funds	
OPERATING REVENUES					
Sales and service charges	\$1,490,549	\$153,137	\$352,768	\$322,745	\$2,319,199
Connection fees and other	33,509	4,438	6,110	10,170	54,227
Total Operating Revenues	1,524,058	157,575	358,878	332,915	2,373,426
OPERATING EXPENSES					
Purchased power	655,571				655,571
Personal services	555,020	84,139	47,334	139,922	826,415
Contractual services	66,592	16,638	141,952	62,281	287,463
Materials and supplies	6,025	53,905	9,182	16,074	85,186
Depreciation	106,365	84,336	135,009	55,953	381,663
Other	295,048	72,069	70,955	159,709	597,781
Total Operating Expenses	1,684,621	311,087	404,432	433,939	2,834,079
Operating Income (Loss)	(160,563)	(153,512)	(45,554)	(101,024)	(460,653)
NONOPERATING REVENUES (EXPENSES)					
Interest on investments	3,231	157	777	400	4,565
Bond and other interest expense		(8,534)	(41,188)		(49,722)
Miscellaneous nonoperating income	45,196				45,196
Total Nonoperating Revenues (Expenses)	48,427	(8,377)	(40,411)	400	39
Income (Loss) Before Operating Transfers	(112,136)	(161,889)	(85,965)	(100,624)	(460,614)
OPERATING TRANSFERS					
Operating transfers in	226,018	199,010	47,000	10,177	482,205
Operating transfers out	(79,600)	0	(66,756)	(34,221)	(180,577)
Total Operating Transfers	146,418	199,010	(19,756)	(24,044)	301,628
Change in Net Position	34,282	37,121	(105,721)	(124,668)	(158,986)
Total net position - July 1, 2012	3,242,690	1,516,840	3,775,178	1,085,600	9,620,308
Total net position - June 30, 2013	\$3,276,972	\$1,553,961	\$3,669,457	\$960,932	\$9,461,322

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Electrical Fund	Emergency Services Fund	Sewer Fund	Other Enterprise Funds	Totals
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from customers	\$1,542,894	\$146,661	\$361,440	\$340,570	\$2,391,565
Cash paid to suppliers	(917,916)	(140,258)	(184,869)	(214,303)	(1,457,346)
Cash paid to employees	(561,018)	(78,469)	(46,821)	(138,956)	(825,264)
Payments in lieu of taxes	(82,978)		(24,694)	(21,818)	(129,490)
Interest received	3,231	157	777	400	4,565
Net Cash Provided (Used) by Operating Activities	<u>(15,787)</u>	<u>(71,909)</u>	<u>105,833</u>	<u>(34,107)</u>	<u>(15,970)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers from other funds	226,018	199,010	47,000	10,177	482,205
Operating transfers to other funds	(79,600)		(66,000)	(34,221)	(179,821)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>146,418</u>	<u>199,010</u>	<u>(19,000)</u>	<u>(24,044)</u>	<u>302,384</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loans from other funds				22,000	22,000
Repayments of interfund loans		(110,218)			(110,218)
Acquisition and construction of capital assets	(316,180)	39,605		(2,027)	(278,602)
Principal paid on maturity of long-term debt		(24,876)	(103,408)		(128,284)
Interest paid on long-term debt		(8,534)	(41,188)		(49,722)
Net Cash Used for Capital and Related Financing Activities	<u>(316,180)</u>	<u>(104,023)</u>	<u>(144,596)</u>	<u>19,973</u>	<u>(544,826)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) in restricted cash and investments for debt service			18,943		18,943
Net Cash Provided by Investing Activities	<u>0</u>	<u>0</u>	<u>18,943</u>	<u>0</u>	<u>18,943</u>
Increase (Decrease) in Cash	(185,549)	23,078	(38,820)	(38,178)	(239,469)
CASH & CASH EQUIVALENTS - July 1, 2012	712,602	23,748	92,063	97,217	925,630
CASH & CASH EQUIVALENTS - June 30, 2013	<u>\$527,053</u>	<u>\$46,826</u>	<u>\$53,243</u>	<u>\$59,039</u>	<u>\$686,161</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	(\$160,563)	(\$153,512)	(\$45,554)	(\$101,024)	(\$460,653)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	106,365	84,336	135,009	55,953	381,663
Non-operating income	45,196				45,196
Interest received	3,231	157	777	400	4,565
Changes in assets - Decrease in:					
Accounts receivable	11,666	(10,914)	2,562	6,955	10,269
Prepaid expenses	2,262	3,539		452	6,253
Inventory	(6,875)		623	2,462	(3,790)
Changes in liabilities - Increase (decrease) in:					
Accounts payable	(18,241)	(1,185)	11,903	(971)	(8,494)
Accrued expenses	10,975	3,507	720	785	15,987
Accrued vacation	(16,973)	2,163	(207)	181	(14,836)
Customer deposits	7,170			700	7,870
Net cash provided (used) by operating activities	<u>(\$15,787)</u>	<u>(\$71,909)</u>	<u>\$105,833</u>	<u>(\$34,107)</u>	<u>(\$15,970)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Cascade Locks (the City) is a municipal corporation governed by a mayor and six council members elected by the citizens of the City. Administrative functions are delegated to individuals who report to and are responsible to the council. The chief administrative officer is the city administrator.

The accompanying financial statements present all funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the City is a primary government with no includable component units.

Government-wide and Fund Financial Statements

The government-wide financials statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus

The government-wide financial statements and proprietary funds financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

CITY OF CASCADE LOCKS, OREGON
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus - continued

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, debt service expenditures, as well as claims and judgments, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *street fund* accounts for the receipt and expenditure of funds associated with the construction and maintenance of streets within the City.

The *capital reserve 08 fund* is established to account for monies accumulated for major fixed asset additions. Principal funding is provided by annual budgeted transfers from other funds.

The City reports the following major proprietary funds:

The *electrical fund* accounts for the activities of the City's electric distribution operations.

The *emergency services fund* accounts for the activities of the City's fire and ambulance operations.

The *sewer fund* accounts for the activities of the City's sewage collection and treatment operations.

Additionally the City reports the following fund types:

Special revenue funds that account for revenues derived from specific sources that have been restricted to finance particular functions or activities. These include the *system development fund, grants fund, tourism fund, 911 emergency fund, and cemetery trust fund*.

Other *proprietary* funds including the *CATV, water, and cemetery* funds that account for the respective revenues and expenditures of these activities.

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus-continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those pronouncements do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water, sewer, and cable television functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

Assets, Liabilities, and Net position or Equity

Cash and Cash Equivalents

For financial reporting purposes, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Deposits and Investments

Oregon Revised Statutes authorize the City to invest in obligations of the U.S. Treasury and its agencies, certain bonded obligations of Oregon municipalities, certificates of deposit, certain commercial paper, banker's acceptance, corporate debt, bank repurchase agreements, and the Oregon State Treasurer's Local Government Investment Pool. Investments for the City are reported at fair value.

Receivables and payables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

CITY OF CASCADE LOCKS, OREGON
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities, and Net position or Equity – continued

Receivables and payables - continued

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on January 1 for personal property and on July 1 for real property. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days after fiscal year end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period. All property taxes receivable are due from property owners within the City.

Inventory of Materials and Supplies

Inventories of materials and supplies in Enterprise Funds are stated at the lower of cost or market using the first-in first-out (FIFO) method of costing. Inventories in the governmental type funds are not considered material and consequently are recorded by the City as expenditures at the time of purchase.

Restricted Assets

Certain fund balances are restricted to the purpose for which the fund was created. Restricted assets in the sewer fund result from sewer revenue bond debt service requirements specified by United States Department of Agriculture, Rural Utilities Service. These assets have been set aside to pay principal and interest on bonds payable in future years and emergency repairs or replacement caused by unforeseen catastrophe. Such restricted amounts at June 30, 2013 were \$60,979. Included in this amount is the RUS required restricted reserve of \$53,711.

Other assets are restricted by enabling legislation for system development, highway and street maintenance and construction, culture and recreation and cemetery maintenance.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 and an estimated useful life extending beyond a single reporting period. Such assets are stated at historical cost, or estimated historical cost if purchased or constructed. In a prior year the City hired consultants to prepare an estimate of the original cost of the City's enterprise fund capital assets. Substantially all of the cost of such assets is based on this estimate. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities, and Net position or Equity – continued

Capital Assets – continued

The City's policy is to capitalize material interest costs as part of the cost of capital assets based on the borrowing costs incurred. Such costs were not considered material in 2013.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Public domain infrastructure	30-100
System infrastructure	25-50
Vehicles	10-20
Office and other equipment	5-10

Compensated Absences and Sick Pay

Compensated absences for vacation pay are accrued in the government-wide and proprietary fund financial statements. Sick pay, which does not vest, is recognized in all funds when leave is taken.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net position.

Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities, and Net position or Equity – continued

Use of Estimates

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

Deposits and investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Oregon Treasurer. At June 30, 2013, the carrying amount of the City's deposits was \$191,519 and the bank balance was \$259,209. Of the bank balance, all was covered by Federal depository insurance.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. The City has not adopted a formal policy for these risks. At June 30, 2013 the City's investment balances were as follows:

	<u>Cost</u>	<u>Reported Amount/ Fair Value</u>
Oregon Local Government Investment Pool	<u>\$2,031,281</u>	<u>\$2,031,281</u>

The Local Government Investment Pool is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The Governor appoints the members of the Oregon Investment Council and the Oregon Short Term Fund Board. The pool is unrated as to credit quality rating.

Cash and investments are reflected on the combined balance sheet as follows:

Unrestricted	\$2,161,821
Restricted for debt service	<u>60,979</u>
	<u>\$2,222,800</u>

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 2 – DETAILED NOTES ON ALL FUNDS - continued

Receivables

Receivables as of June 30, 2013 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts <u>Receivable</u>	Grants <u>Receivable</u>	Taxes <u>Receivable</u>	<u>Total</u>	Less <u>Allowance for Uncollectibles</u>	<u>Total</u>
General	\$29,713		\$10,932	\$40,645	(\$12,600)	\$28,045
Streets	585			585		585
Electrical	112,096			112,096	(225)	111,871
Emergency Services	103,578			103,578	(45,544)	58,034
Sewer	33,175			33,175		33,175
Nonmajor Funds	<u>19,255</u>	<u>\$56,081</u>		<u>75,336</u>		<u>75,336</u>
	<u>\$298,402</u>	<u>\$56,081</u>	<u>\$10,932</u>	<u>\$365,415</u>	<u>(\$58,369)</u>	<u>\$307,046</u>

Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balances <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2013</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$171,265</u>			<u>\$171,265</u>
Total capital assets, not being depreciated	<u>171,265</u>	<u>0</u>	<u>0</u>	<u>171,265</u>
Capital assets, being depreciated:				
Buildings and improvements	272,281		25,000	247,281
Machinery and equipment	502,697	5,836	77,470	431,063
Infrastructure	<u>1,888,046</u>			<u>1,888,046</u>
Total capital assets being depreciated	<u>2,663,024</u>	<u>5,836</u>	<u>102,470</u>	<u>2,566,390</u>
Less accumulated depreciation for:				
Buildings and improvements	(145,250)	(6,226)	(3,750)	(147,726)
Machinery and equipment	(381,085)	(19,333)	(77,432)	(322,986)
Infrastructure	<u>(1,055,016)</u>	<u>(45,524)</u>		<u>(1,100,540)</u>
Total accumulated depreciation	<u>(1,581,351)</u>	<u>(71,083)</u>	<u>(81,182)</u>	<u>(1,571,252)</u>
Total capital assets, being depreciated, net	<u>1,081,673</u>	<u>(65,247)</u>	<u>21,288</u>	<u>995,138</u>
Governmental activities capital assets, net	<u>\$1,252,938</u>	<u>(\$65,247)</u>	<u>\$21,288</u>	<u>\$1,166,403</u>

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Capital assets - continued

	<u>Balances</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2013</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$133,927			\$133,927
Construction in progress	13,932			13,932
Other	33,505			33,505
	<u>181,364</u>	<u>0</u>	<u>0</u>	<u>181,364</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	1,631,036			1,631,036
System	11,942,238	107,836	3,523	12,046,551
Machinery and equipment	1,850,006	229,443	427,873	1,651,576
	<u>15,423,280</u>	<u>337,279</u>	<u>431,396</u>	<u>15,329,163</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings	(102,887)	(32,516)		(135,403)
System	(4,425,938)	(271,427)	(3,523)	(4,693,842)
Machinery and equipment	(1,218,771)	(77,721)	(369,196)	(927,296)
	<u>(5,747,596)</u>	<u>(381,664)</u>	<u>(372,719)</u>	<u>(5,756,541)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>9,675,684</u>	<u>(44,385)</u>	<u>58,677</u>	<u>9,572,622</u>
Business-type activities capital assets, net	<u>\$9,857,048</u>	<u>(\$44,385)</u>	<u>\$58,677</u>	<u>\$9,753,986</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$19,477
Highways and streets, including depreciation of general infrastructure assets	<u>51,606</u>
Total depreciation expense - governmental activities	<u>\$71,083</u>

Business-type activities:	
Water	\$30,635
Sewer	135,009
CATV	25,319
Electric	106,365
Public safety	<u>84,336</u>
Total depreciation expense - business-type activities	<u>\$381,664</u>

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Interfund transfers

The City routinely makes transfers between funds. These are primarily to the Capital Reserve Fund for future major capital purchases and other funds for current capital outlay. Interfund transfers for the year were as follows:

Transfer Out:	Transfer In:							Total
	General	Capital Reserve	Nonmajor Governmental	Electrical	Sewer	Emergency Services	Nonmajor Proprietary	
General						\$199,010		\$199,010
Street		\$25,199						25,199
Capital Reserve	\$5,836		\$1,750	\$226,018			\$6,577	240,181
Nonmajor governmental	\$756				\$47,000			47,756
Sewer		66,000						66,000
Electrical		76,000					3,600	79,600
Nonmajor proprietary		34,221						34,221
Total transfers out	\$6,592	\$201,420	\$1,750	\$226,018	\$47,000	\$199,010	\$10,177	\$691,967

Bonds payable and long-term debt

Bonds payable consists of a sewer revenue serial bond issue. The interest rate for the 1998 Rural Utilities Service Sewer Revenue Bond issue is 4.75. Long-term debt consists of a loan from Oregon Investment Board at a rate of 4%. Interest in the amount of \$49,722 is included as a direct expense on the statement of activities. During the year the City retired a loan from the Oregon Economic Development Department. Other long-term debt consists of accrued vacation and construction deposits. Maturities of bond principal and other long-term debt at June 30, 2013 were as follows:

	1998 Sewer Revenue Bonds		OIB Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013-14	\$16,077	\$37,633	\$27,043	\$6,368	\$43,120	\$44,001
2014-15	16,841	36,870	28,145	5,266	44,986	42,136
2015-16	17,641	36,070	29,292	4,119	46,933	40,189
2016-17	18,479	35,232	30,485	2,926	48,964	38,158
2017-18	19,357	34,354	31,727	1,684	51,084	36,038
2018-23	111,480	157,075	25,909	510	137,389	157,585
2023-28	140,593	127,960			140,593	127,960
2028-33	177,312	91,242			177,312	91,242
2033-38	223,618	44,935			223,618	44,935
2038-39	9,334	2,417			9,334	2,417
	\$750,732	\$603,788	\$172,601	\$20,873	\$923,333	\$624,661

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Bonds payable and long-term debt - continued

Changes in Long-Term Debt were as follows:

	<u>1998 Sewer Revenue Bonds</u>	<u>OEDD Loan</u>	<u>OIB Loan</u>	<u>Other</u>	<u>Total</u>
Governmental-type activities:					
Balance - July 1, 2012				\$18,760	\$18,760
Payments				<u>(617)</u>	<u>(617)</u>
Balance - June 30, 2013				<u>18,143</u>	<u>18,143</u>
Business-type activities:					
Balance - July 1, 2012	\$767,965	\$86,176	\$197,478	74,795	1,126,414
Payments	<u>(17,233)</u>	<u>(86,176)</u>	<u>(24,877)</u>	<u>(17,128)</u>	<u>(145,414)</u>
Balance - June 30, 2013	<u>750,732</u>	<u>0</u>	<u>172,601</u>	<u>57,667</u>	<u>981,000</u>
Total - June 30, 2013	<u>\$750,732</u>	<u>\$0</u>	<u>\$172,601</u>	<u>\$75,810</u>	<u>\$999,143</u>

NOTE 3 – OTHER INFORMATION

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. No settlements have exceeded coverage during the previous three years.

Employee Retirement Plan

Plan Description. The City is a participating employer in the Oregon Public Employees Retirement Fund (PERS), a cost-sharing multiple-employer defined benefit pension public employee retirement plan established under Oregon Revised Statute Chapter 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS provides retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and also applies to any inactive PERS members who return to employment following a six month or greater break in service. OPSRP is a hybrid cost-sharing multiple employer plan that consists of the following: (a) a pension program, which is the defined benefit portion of the plan, and (b) an Individual Account Program, which is the defined contribution of the plan. The 1998 Oregon Legislature established a different level of benefits for employees who began their six month waiting period on or after January 1, 1996. This level is called Tier Two.

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 3 – OTHER INFORMATION – continued

Employee Retirement Plan – continued

Both PERS and OPSRP are administered by the Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700, by calling 1-503-598-7377 or by accessing the PERS web site at <http://www.oregon.gov/PERS>.

Funding Policy. Members of PERS are required to contribute 6.00% of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The rates for the year were: PERS Tier 1/Tier2 –17.47%; OPSRP general service members – 16.73%; and OPSRP police and fire – 19.44% of salary covered under the plan. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost. For the year ended June 30, 2013, the City's annual pension cost for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases was 3.75% per year, (c) future interest credits on member contributions of 8.00% on regular member accounts and 8.25% on variable member accounts, and (d) 2.75% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation is 2.75% per year. The actuarial value of PERS assets are valued on the projected unit credit method. The City's unfunded actuarial liability is being amortized as a level percentage of payroll over a closed 20 year period for Tier 1/Tier 2 and 16 years for OPSRP.

Annual Pension Cost

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
6-30-11	\$138,563	100%	0
6-30-12	129,666	100%	0
6-30-13	138,724	100%	0

Trend Information

Trend information is designed to give an indication of the progress made in accumulating sufficient assets to pay benefits when due. Actuarial information for calendar year 2011 is the most recent available. As noted in the table, the City's actuarial valuation of assets and accrued liability is pooled as of the 2011 valuation.

Schedule of Funding Progress for City of Cascade Locks

Actuarial Valuation Date	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	UAL / Payroll
12-31-10	1,436,259	79%	800,925	179%
12-31-11	1,547,049	75%	706,952	219%
12-31-12	1,140,684	83%	655,246	174%

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2013

NOTE 3 – OTHER INFORMATION – continued

Employee Retirement Plan, continued

Retirement Health Insurance Account (RHIA): As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. Eligible PERS retirees who receive benefits and are enrolled in certain PERS administered health insurance programs may receive a subsidy towards the payment of health insurance premiums. This report can be obtained within the same PERS report as stated in the PERS note. The authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA. Participating governments are contractually required to contribute to the RHIA at a rate assessed each year by OPERS, currently .59% for tier 1/tier 2 and .50% for OPSRP annual covered payroll. The OPERS Board sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The City's allocated RHIA unfunded actuarial liability at December 31, 2012, 2011, and 2010 is \$13,747, \$18,314, and \$28,816, respectively. The City's contributions to RHIA for the years ended June 30, 2013, 2012, and 2011 were approximately \$3,571, \$2,050, and \$2,300, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CASCADE LOCKS, OREGON
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2013

GENERAL FUND	Budgeted Amounts		<u>Actual</u>	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes and interest	\$181,000	\$181,000	\$197,577	\$16,577
Payments in lieu of taxes from Enterprise Funds	151,831	151,831	150,850	(981)
Intergovernmental revenues:				
State liquor taxes	15,500	15,500	15,809	309
Library revenue	1,600	1,600	1,600	0
Cigarette taxes	1,650	1,650	1,670	20
State revenue sharing funds	6,000	6,000	12,655	6,655
	24,750	24,750	31,734	6,984
Charges for services:				
Use of city property fees	34,710	34,710	34,710	0
Copy and fax charges	350	350	487	137
Information service fees	75	75	760	685
Planning fees	10,000	10,000	4,758	(5,242)
Planning engineering estimates	10,000	10,000	0	(10,000)
Recreation fees	0	0	534	534
City hall rental	400	400	580	180
	55,535	55,535	41,829	(13,706)
Fines and forfeitures	300	300	300	0
Miscellaneous revenues:				
Interest on investments	300	300	522	222
Transient room assessment	91,700	91,700	100,768	9,068
Telephone franchises	3,500	3,500	4,379	879
Garbage service franchise fee	1,000	1,000	1,000	0
Recreation donations	10,000	10,000	3,253	(6,747)
Other	3,500	8,000	7,799	(201)
	110,000	114,500	117,721	3,221
Total Revenues	523,416	527,916	540,011	12,095
EXPENDITURES				
Administrative:				
Personal services	48,656	57,656	56,092	1,564
Materials and services	44,480	44,480	37,846	6,634
Capital outlay	300	300	0	300
	93,436	102,436	93,938	8,498
Planning:				
Personal services	47,396	47,396	42,357	5,039
Materials and services	32,131	26,806	12,124	14,682
	79,527	74,202	54,481	19,721

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property department:				
Personal services	69,731	69,731	48,200	21,531
Materials and services	19,979	19,979	16,331	3,648
Capital outlay	1,800	1,800	0	1,800
	<u>91,510</u>	<u>91,510</u>	<u>64,531</u>	<u>26,979</u>
Governmental/ Community Relations:				
Materials and services	6,200	6,200	4,548	1,652
Recreation department:				
Personal services	7,655	7,655	3,005	4,650
Materials and services	4,345	4,345	2,783	1,562
	<u>12,000</u>	<u>12,000</u>	<u>5,788</u>	<u>6,212</u>
Police Services:				
Materials and services	87,133	87,133	87,132	1
Contingencies	2,214	2,214	0	2,214
Total Expenditures	<u>372,020</u>	<u>375,695</u>	<u>310,418</u>	<u>65,277</u>
Revenues Over Expenditures	151,396	152,221	229,593	77,372
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	756	756	0
Operating transfers out	(118,801)	(119,626)	(119,120)	506
Repayment of interfund loans	(82,595)	(82,595)	(82,284)	311
Total Other Financing (Uses)	<u>(201,396)</u>	<u>(201,465)</u>	<u>(200,648)</u>	<u>817</u>
Revenues Over (Under) Expenditures and Other Uses	(50,000)	(49,244)	28,945	78,189
FUND BALANCE - July 1, 2012	50,000	50,000	57,355	7,355
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$756</u>	<u>\$86,300</u>	<u>\$85,544</u>

CITY OF CASCADE LOCKS, OREGON
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
STATE TAX STREET			
REVENUES			
State gas tax apportionment	\$65,000	\$64,290	(\$710)
Interest on investments	275	506	231
Miscellaneous revenue	100	0	(100)
Total Revenues	65,375	64,796	(579)
EXPENDITURES			
Personal services	45,605	24,915	20,690
Materials and services	27,819	16,265	11,554
Capital outlay	12,500	29	12,471
Contingencies	7,826	0	7,826
Total Expenditures	93,750	41,209	52,541
Revenues Over (Under) Expenditures	(28,375)	23,587	51,962
OTHER FINANCING USES			
Operating transfers out	(31,625)	(25,199)	6,426
Revenues and Other Uses Over (Under) Expenditures	(60,000)	(1,612)	58,388
FUND BALANCE - July 1, 2012	60,000	94,063	34,063
FUND BALANCE - June 30, 2013	\$0	\$92,451	\$92,451

CITY OF CASCADE LOCKS, OREGON
Notes to Required Supplementary Information
June 30, 2013

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law) for all governmental funds. All annual appropriations lapse at fiscal year end.

Each year, the budget officer submits a proposed budget to the Budget Committee for public hearing. The budget committee consists of the City Council and an equal number of lay citizens of the City appointed by the council. The budget committee reviews the proposed budget and approves the budget document. The Council holds a public hearing and adopts a final budget no later than June 30.

The budget is prepared by category (i.e., personal service, materials and services, capital outlay, debt service and other requirements) within funds except for the General Fund which budgets on a departmental basis. Adjustments to the budgetary appropriations require approval of the Council. Expenditure appropriations may not be overexpended except in the case of grant funding issued during the fiscal year. Council may transfer amounts between categories by resolution. Unexpected additional resources may be added to the budget through the use of a supplemental budget.

The following budgetary categories had expenditures exceeding appropriations for the year:

<u>Fund</u>	<u>Category</u>	<u>Amount</u>
Emergency Services	Materials and services	\$3,076
Emergency Services	Repayment of loans	2,999
Grants	Personal services	905

Reconciliation of Budgetary Information with GAAP Information

Following is a reconciliation of the budgetary basis of accounting with the GAAP basis of accounting for the General Fund and Street Fund:

	<u>General</u>	<u>Street</u>
Revenues over expenditures and other uses - budget basis	\$28,945	(\$1,612)
Depreciation expense	(19,478)	(51,606)
Capitalized expenses	5,836	
Loss on sale of property	(21,288)	
	<u>(\$5,985)</u>	<u>(\$53,218)</u>
Change in net position - GAAP basis	<u>(\$5,985)</u>	<u>(\$53,218)</u>

OTHER INFORMATION

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

ELECTRICAL FUND	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Residential sales	\$713,000	\$721,809	\$8,809
Commercial sales	518,000	481,359	(36,641)
Street lights	25,300	25,387	87
Sales to public bodies	252,000	261,994	9,994
Customer installation	7,000	8,310	1,310
Pole contacts	3,750	3,905	155
Interest on investments	3,000	3,230	230
Weatherization	25,000	21,481	(3,519)
Miscellaneous	1,006,000	42,615	(963,385)
Total Revenues	<u>2,553,050</u>	<u>1,570,090</u>	<u>(982,960)</u>
EXPENDITURES			
Operating:			
Personal services	900,440	501,817	398,623
Materials and services	1,830,475	983,278	847,197
Capital outlay	123,500	29,707	93,793
Contingencies	64,098	0	64,098
	<u>2,918,513</u>	<u>1,514,802</u>	<u>1,403,711</u>
Administration:			
Personal services	120,482	107,175	13,307
Materials and services	67,155	53,315	13,840
	<u>187,637</u>	<u>160,490</u>	<u>27,147</u>
Total Expenditures	<u>3,106,150</u>	<u>1,675,292</u>	<u>1,430,858</u>
Revenues Over (Under) Expenditures	<u>(553,100)</u>	<u>(105,202)</u>	<u>447,898</u>
OTHER FINANCING SOURCES (USES)			
Repayment of interfund loans	2,700	2,394	(306)
Operating transfers out	(79,600)	(79,600)	0
Total Other Sources (Uses)	<u>(76,900)</u>	<u>(77,206)</u>	<u>(306)</u>
Revenues Over (Under) Expenditures and Other Uses	<u>(630,000)</u>	<u>(182,408)</u>	<u>447,592</u>
FUND BALANCE - July 1, 2012	<u>630,000</u>	<u>627,415</u>	<u>(2,585)</u>
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$445,007</u>	<u>\$445,007</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

WATER OPERATING FUND	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Water sales	\$181,200	\$181,200	\$184,985	\$3,785
Connection charges	1,800	1,800	5,031	3,231
Interest on investments	600	600	320	(280)
Miscellaneous revenues	200	200	3,020	2,820
Total Revenues	183,800	183,800	193,356	9,556
EXPENDITURES				
Operating:				
Personal services	57,824	53,824	52,469	1,355
Materials and services	107,446	111,446	100,024	11,422
Capital outlay	2,500	1,850	742	1,108
	167,770	167,120	153,235	13,885
Administration:				
Personal services	39,840	39,840	37,718	2,122
Materials and services	18,889	18,889	15,944	2,945
	58,729	58,729	53,662	5,067
Total Expenditures	226,499	225,849	206,897	18,952
Revenues Over (Under) Expenditures	(42,699)	(42,049)	(13,541)	28,508
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,600	3,600	3,600	0
Operating transfers out	(35,901)	(36,551)	(34,221)	2,330
Total Other Financing Sources (Uses)	(32,301)	(32,951)	(30,621)	2,330
Revenues Over (Under) Expenditures and Other Uses	(75,000)	(75,000)	(44,162)	30,838
FUND BALANCE - July 1, 2012	75,000	75,000	86,355	11,355
FUND BALANCE - June 30, 2013	\$0	\$0	\$42,193	\$42,193

CITY OF CASCADE LOCKS, OREGON
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
SEWER OPERATING FUND				
REVENUES				
Sewer service fees	\$345,000	\$345,000	\$352,768	\$7,768
Miscellaneous revenues	700	700	6,110	5,410
Interest on investments	750	750	475	(275)
Total Revenues	<u>346,450</u>	<u>346,450</u>	<u>359,353</u>	<u>12,903</u>
EXPENDITURES				
Operating:				
Personal services	11,706	15,706	13,450	2,256
Materials and services	217,799	223,799	206,391	17,408
Capital outlay	17,500	7,500	0	7,500
Contingencies	15,731	15,731	0	15,731
	<u>262,736</u>	<u>262,736</u>	<u>219,841</u>	<u>42,895</u>
Administration:				
Personal services	36,082	36,082	33,883	2,199
Materials and services	18,280	18,280	15,075	3,205
	<u>54,362</u>	<u>54,362</u>	<u>48,958</u>	<u>5,404</u>
Total Expenditures	<u>317,098</u>	<u>317,098</u>	<u>268,799</u>	<u>48,299</u>
Revenues Over Expenditures	<u>29,352</u>	<u>29,352</u>	<u>90,554</u>	<u>61,202</u>
OTHER FINANCING USES				
Operating transfers out	<u>(144,352)</u>	<u>(144,352)</u>	<u>(144,352)</u>	<u>0</u>
Revenues Over (Under) Expenditures and Other Uses	<u>(115,000)</u>	<u>(115,000)</u>	<u>(53,798)</u>	<u>61,202</u>
FUND BALANCE - July 1, 2012	<u>115,000</u>	<u>115,000</u>	<u>123,445</u>	<u>8,445</u>
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$0</u>	<u>\$69,647</u>	<u>\$69,647</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
TELEVISION SYSTEM FUND				
REVENUES				
Cable service fees	\$76,000	\$76,000	\$69,123	(\$6,877)
HBO service fees	9,700	9,700	8,677	(1,023)
Channel 23 advertising income	450	450	518	68
Cable internet sales	55,000	55,000	55,649	649
Cable modem sales	900	900	550	(350)
Connection charges	1,800	1,800	1,905	105
Interest on investments	70	70	27	(43)
Miscellaneous revenues	740	740	664	(76)
Total Revenues	144,660	144,660	137,113	(7,547)
EXPENDITURES				
Operating CATV:				
Personal services	4,539	5,539	4,209	1,330
Materials and services	85,268	82,768	80,192	2,576
	<u>89,807</u>	<u>88,307</u>	<u>84,401</u>	<u>3,906</u>
Operating Cable Internet:				
Personal services	4,539	6,039	4,529	1,510
Materials and services	29,405	29,405	29,855	(450)
Capital outlay	450	450	0	450
	<u>34,394</u>	<u>35,894</u>	<u>34,384</u>	<u>1,510</u>
Administration:				
Personal services	39,194	39,194	37,870	1,324
Materials and services	9,842	9,842	9,974	(132)
	<u>49,036</u>	<u>49,036</u>	<u>47,844</u>	<u>1,192</u>
Total Expenditures	173,237	173,237	166,629	6,608
Revenues Over (Under) Expenditures	(28,577)	(28,577)	(29,516)	(939)
OTHER FINANCING SOURCES -				
Operating transfers in	6,577	6,577	28,577	22,000
Revenues Over (Under) Expenditures and Other Uses	(22,000)	(22,000)	(939)	21,061
FUND BALANCE - July 1, 2012	22,000	22,000	20,023	(1,977)
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$0</u>	<u>\$19,084</u>	<u>\$19,084</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EMERGENCY SERVICES FUND				
REVENUES				
Fire and ambulance fees	\$155,808	\$155,808	\$153,137	(\$2,671)
Interest revenue	0	0	157	157
Miscellaneous income	2,000	2,000	4,438	2,438
Total Revenues	157,808	157,808	157,732	(76)
EXPENDITURES				
Operating:				
Personal services	120,239	120,009	74,390	45,619
Materials and services	92,303	93,203	96,323	(3,120)
Capital outlay	4,430	3,760	3,750	10
	216,972	216,972	174,463	42,509
Administration:				
Personal services	9,599	9,599	9,749	(150)
Materials and services	2,578	2,578	2,534	44
	12,177	12,177	12,283	(106)
Total Expenditures	229,149	229,149	186,746	42,403
Revenues Over (Under) Expenditures	(71,341)	(71,341)	(29,014)	42,327
OTHER FINANCING SOURCES (USES)				
Operating transfers in	118,801	118,801	122,120	3,319
Repayment of interfund loans	(59,460)	(59,460)	(62,459)	(2,999)
Total Other Financing Sources (Uses)	59,341	59,341	59,661	320
Revenues Over (Under) Expenditures and Other Sources	(12,000)	(12,000)	30,647	42,647
FUND BALANCE - July 1, 2012	12,000	12,000	45,900	33,900
FUND BALANCE - June 30, 2013	\$0	\$0	\$76,547	\$76,547

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
CEMETERY FUND				
REVENUES				
Sales and fees	\$2,700	\$2,700	\$2,792	\$92
Interest on investments	50	50	53	3
Total Revenues	<u>2,750</u>	<u>2,750</u>	<u>2,845</u>	<u>95</u>
EXPENDITURES				
Personal services	2,710	4,010	3,624	386
Materials and services	2,225	925	400	525
Contingencies	4,815	4,815	0	4,815
Total Expenditures	<u>9,750</u>	<u>9,750</u>	<u>4,024</u>	<u>5,726</u>
Revenues Over (Under) Expenditures	(7,000)	(7,000)	(1,179)	5,821
FUND BALANCE - July 1, 2012	<u>7,000</u>	<u>7,000</u>	<u>9,718</u>	<u>2,718</u>
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$0</u>	<u>\$8,539</u>	<u>\$8,539</u>
GRANTS FUND				
REVENUES				
Grant revenues	<u>\$54,250</u>	<u>\$64,309</u>	<u>\$7,602</u>	<u>(\$56,707)</u>
EXPENDITURES				
Personal services	0	0	905	(905)
Materials and services	<u>56,000</u>	<u>66,059</u>	<u>7,690</u>	<u>58,369</u>
Total Expenditures	<u>56,000</u>	<u>66,059</u>	<u>8,595</u>	<u>57,464</u>
Revenues Over (Under) Expenditures	(1,750)	(1,750)	(993)	757
OTHER FINANCING SOURCES				
Operating transfers in	<u>1,750</u>	<u>1,750</u>	<u>993</u>	<u>(757)</u>
Revenues and Other Sources Over Expenditures	0	0	0	0
FUND BALANCE - July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
1998 SEWER BOND FUND			
REVENUES			
Interest on investments	\$300	\$302	\$2
EXPENDITURES			
Principal payments	15,348	17,233	(1,885)
Interest payments	38,363	36,478	1,885
Contingencies	60,300	0	60,300
Total Expenditures	114,011	53,711	60,300
Revenues Over (Under) Expenditures	(113,711)	(53,409)	60,302
OTHER FINANCING SOURCES			
Operating transfers in	53,711	53,711	0
Revenues and Other Sources Over (Under) Expenditures	(60,000)	302	60,302
FUND BALANCE - July 1, 2012	60,000	60,678	678
FUND BALANCE - June 30, 2013	\$0	\$60,980	\$60,980
OEDD LOAN FUND			
EXPENDITURES			
Principal payments	\$86,931	\$86,176	\$755
Interest payments	4,710	4,710	0
Total Expenditures	91,641	90,886	755
OTHER FINANCING SOURCES (USES)			
Operating transfers in	71,641	71,641	0
Operating transfers out	(756)	(756)	0
Total Other Financing Sources	70,885	70,885	0
Other Sources Over (Under) Expenditures	(20,756)	(20,001)	755
FUND BALANCE - July 1, 2012	20,000	20,001	1
FUND BALANCE - June 30, 2013	(\$756)	\$0	\$756

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
SYSTEM DEVELOPMENT FUND			
REVENUES			
Interest on investments	\$150	\$346	\$196
Miscellaneous revenue	0	13,942	13,942
Total Revenues	150	14,288	14,138
EXPENDITURES -			
Capital outlay	33,150	0	33,150
Revenues Over (Under) Expenditures	(33,000)	14,288	47,288
OTHER FINANCING USES			
Operating transfers out	(47,000)	(47,000)	0
Revenues Over (Under) Expenditures and Other Uses	(80,000)	(32,712)	47,288
FUND BALANCE - July 1, 2012	80,000	85,100	5,100
FUND BALANCE - June 30, 2013	\$0	\$52,388	\$52,388

911 EMERGENCY TELEPHONE FUND

REVENUES			
Telephone tax distribution	\$6,000	\$1,412	(\$4,588)
EXPENDITURES			
Materials and services	6,000	1,412	4,588
Revenues Over Expenditures	0	0	0
FUND BALANCE - July 1, 2012	0	0	0
FUND BALANCE - June 30, 2013	\$0	\$0	\$0

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOURISM FUND			
REVENUES			
Room assessment	\$39,300	\$43,186	\$3,886
Interest on investments	200	119	(81)
Miscellaneous income	300	2,409	2,109
Total Revenues	<u>39,800</u>	<u>45,714</u>	<u>5,914</u>
EXPENDITURES			
Materials and services	75,478	42,139	33,339
Contingencies	322	0	322
Total Expenditures	<u>75,800</u>	<u>42,139</u>	<u>33,661</u>
Revenues Over (Under) Expenditures	(36,000)	3,575	39,575
OTHER FINANCING USES			
Operating transfers out	(4,000)	0	4,000
Revenues Over (Under) Expenditures and Other Uses	(40,000)	3,575	43,575
FUND BALANCE - July 1, 2012	<u>40,000</u>	<u>15,503</u>	<u>(24,497)</u>
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$19,078</u>	<u>\$19,078</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CEMETERY TRUST FUND			
REVENUES			
Interest on investments	\$75	\$77	\$2
OTHER FINANCING SOURCES (USES)			
Operating transfers in	225	157	(68)
Operating transfers out	(14,200)		14,200
Total Other Financing Sources (Uses)	(13,975)	157	14,132
Revenues Over (Under) Other Uses	(13,900)	234	14,134
FUND BALANCE - July 1, 2012	13,900	14,123	223
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$14,357</u>	<u>\$14,357</u>
OIB FIRE HALL DEBT FUND			
EXPENDITURES			
Principal payments	\$25,986	\$24,877	\$1,109
Interest payments	7,430	8,534	(1,104)
Total Expenditures	33,416	33,411	5
OTHER FINANCING SOURCES			
Operating transfers in	33,416	33,411	(5)
Other Sources Over Expenditures	0	0	0
FUND BALANCE - July 1, 2012	0	0	0
FUND BALANCE - June 30, 2013	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
CAPITAL RESERVE FUND - 08				
REVENUES				
Interest on investments	\$3,200	\$3,200	\$6,527	\$3,327
Miscellaneous revenue	205,000	205,000	28,713	(176,287)
Total Revenues	208,200	208,200	35,240	(172,960)
EXPENDITURES				
Capital outlay	579,577	546,250	245,427	300,823
Contingencies	1,257,088	1,257,088	0	1,257,088
Total Expenditures	1,836,665	1,803,338	245,427	1,557,911
Revenues Over (Under) Expenditures	(1,628,465)	(1,595,138)	(210,187)	1,384,951
OTHER FINANCING SOURCES (USES)				
Operating transfers in	328,465	328,465	311,116	(17,349)
Operating transfers out	0	(33,327)	(33,327)	0
Total Other Financing Sources (Uses)	328,465	295,138	277,789	(17,349)
Revenues and Other Sources (Uses) Over (Under) Expenditures	(1,300,000)	(1,300,000)	67,602	1,367,602
FUND BALANCE - July 1, 2012	1,300,000	1,300,000	1,205,784	(94,216)
FUND BALANCE - June 30, 2013	\$0	\$0	\$1,273,386	\$1,273,386

CITY OF CASCADE LOCKS, OREGON

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2013

	Special Revenue Funds					Total Non-major Governmental Funds
	System Development	Grants	Tourism	911 Emergency	Cemetery Trust	
Cash and cash equivalents	\$52,388	\$24,057	\$17,079		\$14,357	\$107,881
Receivables - net of allowance for uncollectibles		41,653	5,150			46,803
Total Assets	<u>\$52,388</u>	<u>\$65,710</u>	<u>\$22,229</u>	<u>\$0</u>	<u>\$14,357</u>	<u>\$154,684</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$493	\$3,151			\$3,644
Due to other funds		65,217				65,217
Total Liabilities	0	65,710	3,151	0	0	68,861
Fund Balances:						
Restricted for:						
Cemetery maintenance					14,357	14,357
Public works	52,388					52,388
Committed for tourism			19,078			19,078
Total Fund Balances	<u>52,388</u>	<u>0</u>	<u>19,078</u>	<u>0</u>	<u>14,357</u>	<u>85,823</u>
Total Liabilities and Fund Balances	<u>\$52,388</u>	<u>\$65,710</u>	<u>\$22,229</u>	<u>\$0</u>	<u>\$14,357</u>	<u>\$154,684</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-major Governmental Funds
 Year Ended June 30, 2013

	Special Revenue Funds					Total Non-major Governmental Funds
	System Development	Grants	Tourism	911 Emergency	Cemetery Trust	
REVENUES						
Intergovernmental revenues		\$7,602		\$1,412		\$9,014
Interest on investments	\$346		\$120		\$77	543
Miscellaneous	13,942		45,595		157	59,694
Total Revenues	<u>14,288</u>	<u>7,602</u>	<u>45,715</u>	<u>1,412</u>	<u>234</u>	<u>69,251</u>
EXPENDITURES						
Current:						
Public safety		8,595		1,412		10,007
Culture and recreation			42,140			42,140
Total Expenditures	<u>0</u>	<u>8,595</u>	<u>42,140</u>	<u>1,412</u>	<u>0</u>	<u>52,147</u>
Revenues Over (Under) Expenditures	<u>14,288</u>	<u>(993)</u>	<u>3,575</u>	<u>0</u>	<u>234</u>	<u>17,104</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	(47,000)	993				993
Operating transfers out						(47,000)
Total Other Financing Sources (Uses)	<u>(47,000)</u>	<u>993</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(46,007)</u>
Net Change in Fund Balances	<u>(32,712)</u>	<u>0</u>	<u>3,575</u>	<u>0</u>	<u>234</u>	<u>(28,903)</u>
FUND BALANCE - July 1, 2012	<u>85,100</u>	<u>0</u>	<u>15,503</u>	<u>0</u>	<u>14,123</u>	<u>114,726</u>
FUND BALANCE - June 30, 2013	<u>\$52,388</u>	<u>\$0</u>	<u>\$19,078</u>	<u>\$0</u>	<u>\$14,357</u>	<u>\$85,823</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON
Combining Schedule of Net Position
Non-major Proprietary Funds
June 30, 2013

	Non-major Funds			Total Non-major Proprietary Funds
	Television System Fund	Cemetery Fund	Water Fund	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$15,118	\$8,605	\$35,316	\$59,039
Accounts receivable	13,512		15,020	28,532
Prepaid expenses	310			310
Inventory of materials	13,385		6,623	20,008
Total Current Assets	42,325	8,605	56,959	107,889
PROPERTY, PLANT AND EQUIPMENT - net of accumulated depreciation				
	<u>152,387</u>	<u>30,817</u>	<u>709,908</u>	<u>893,112</u>
Total Assets	<u>\$194,712</u>	<u>\$39,422</u>	<u>\$766,867</u>	<u>\$1,001,001</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$6,602	\$13	\$665	\$7,280
Accrued expenses	800	53	1,407	2,260
Due to other funds	22,000			22,000
Customer deposits			3,115	3,115
Total Current Liabilities	<u>29,402</u>	<u>66</u>	<u>5,187</u>	<u>34,655</u>
LONG-TERM DEBT				
Accrued vacation	<u>2,147</u>		<u>3,267</u>	<u>5,414</u>
Total Liabilities	<u>31,549</u>	<u>66</u>	<u>8,454</u>	<u>40,069</u>
NET POSITION				
Net investment in capital assets	152,387	30,817	709,908	893,112
Unrestricted	<u>10,466</u>	<u>8,539</u>	<u>48,815</u>	<u>67,820</u>
Total Net Position	<u>162,853</u>	<u>39,356</u>	<u>758,723</u>	<u>960,932</u>
Total Liabilities and Net Position	<u>\$194,402</u>	<u>\$39,422</u>	<u>\$767,177</u>	<u>\$1,001,001</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Non-major Proprietary Funds
Year Ended June 30, 2013

	Television System Fund	Cemetery Fund	Water Fund	Total Non-major Proprietary Funds
OPERATING REVENUES				
Sales and service charges	\$134,968	\$2,792	\$184,985	\$322,745
Connection fees and other	2,119		8,051	10,170
Total Operating Revenues	<u>137,087</u>	<u>2,792</u>	<u>193,036</u>	<u>332,915</u>
OPERATING EXPENSES				
Personal services	46,608	3,624	89,690	139,922
Contractual services	12,394		49,887	62,281
Materials and supplies	2,497		13,577	16,074
Depreciation	25,319		30,634	55,953
Other	105,491	400	53,818	159,709
Total Operating Expenses	<u>192,309</u>	<u>4,024</u>	<u>237,606</u>	<u>433,939</u>
Operating Income (Loss)	(55,222)	(1,232)	(44,570)	(101,024)
NONOPERATING REVENUES -				
Interest on investments	27	53	320	400
Income (Loss) Before Operating Transfers	<u>(55,195)</u>	<u>(1,179)</u>	<u>(44,250)</u>	<u>(100,624)</u>
OPERATING TRANSFERS				
Operating transfers in	6,577		3,600	10,177
Operating transfers out			(34,221)	(34,221)
Total Operating Transfers	<u>6,577</u>	<u>0</u>	<u>(30,621)</u>	<u>(24,044)</u>
Change in Net Position	(48,618)	(1,179)	(74,871)	(124,668)
Total net position - July 1, 2012	<u>211,471</u>	<u>40,535</u>	<u>833,594</u>	<u>1,085,600</u>
Total net position - June 30, 2013	<u>\$162,853</u>	<u>\$39,356</u>	<u>\$758,723</u>	<u>\$960,932</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CASCADE LOCKS, OREGON

Comparative Balance Sheet

Sewer Fund

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$53,243	\$92,063
Accounts receivable	33,175	35,737
Inventory	1,241	1,864
	<hr/>	<hr/>
Total Current Assets	87,659	129,664
	<hr/>	<hr/>
RESTRICTED ASSETS		
Debt service:		
Cash and investments	60,979	80,678
	<hr/>	<hr/>
Total Restricted Assets	60,979	80,678
	<hr/>	<hr/>
PROPERTY, PLANT AND EQUIPMENT -		
net of accumulated depreciation	4,288,323	4,423,332
	<hr/>	<hr/>
Total Assets	<u>\$4,436,961</u>	<u>\$4,633,674</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$13,600	\$1,697
Accrued expenses	867	147
Current portion of long-term debt	16,077	34,279
	<hr/>	<hr/>
Total Current Liabilities	30,544	36,123
	<hr/>	<hr/>
LONG-TERM DEBT		
Bonds and notes payable	734,655	819,861
Accrued vacation	2,305	2,512
	<hr/>	<hr/>
Total Long-term Debt	736,960	822,373
	<hr/>	<hr/>
Total Liabilities	767,504	858,496
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	3,537,591	3,569,192
Restricted for debt service	60,979	80,678
Unrestricted	70,887	125,308
	<hr/>	<hr/>
Total Net Position	3,669,457	3,775,178
	<hr/>	<hr/>
Total Liabilities and Net Position	<u>\$4,436,961</u>	<u>\$4,633,674</u>

CITY OF CASCADE LOCKS, OREGON
 Comparative Schedule of Revenues and Expenses
 Sewer Fund
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Sales and service charges	\$352,768	\$336,731
Connection fees and other	6,110	727
	<u>358,878</u>	<u>337,458</u>
OPERATING EXPENSES		
Personal services	47,334	36,653
Contractual services	141,952	119,356
Materials and supplies	9,182	10,073
Depreciation	135,009	134,808
Other	70,955	56,860
	<u>404,432</u>	<u>357,750</u>
Total Operating Expenses	<u>404,432</u>	<u>357,750</u>
Operating Income (Loss)	<u>(45,554)</u>	<u>(20,292)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	777	919
Bond and other interest expense	(41,188)	(41,255)
	<u>(40,411)</u>	<u>(40,336)</u>
Total Nonoperating Revenues (Expenses)	<u>(40,411)</u>	<u>(40,336)</u>
Income (Loss) Before Operating Transfers	(85,965)	(60,628)
OPERATING TRANSFERS -		
Operating transfers out	(19,756)	(55,785)
Net Income (Loss)	<u><u>(\$105,721)</u></u>	<u><u>(\$116,413)</u></u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Property Tax Transactions
Year Ended June 30, 2013

<u>Tax Year</u>	<u>Current Levy and Balance Receivable July 1, 2012</u>	<u>Adjustments</u>	<u>Discount</u>	<u>Cash Collections</u>	<u>Balance Receivable June 30, 2013</u>
GENERAL FUND					
2012-13	\$200,537	(\$1,046)	(\$5,001)	(\$189,450)	\$5,040
2011-12	6,281	(50)	0	(3,354)	2,877
2010-11	3,684	(45)	1	(1,832)	1,808
2009-10	2,276	(23)	0	(1,503)	750
2008-09	673	(27)	0	(364)	282
2007-08 and prior	<u>341</u>	<u>(45)</u>	<u>0</u>	<u>(121)</u>	<u>175</u>
	<u>\$213,792</u>	<u>(\$1,236)</u>	<u>(\$5,000)</u>	<u>(\$196,624)</u>	<u>\$10,932</u>

CITY OF CASCADE LOCKS, OREGON

Schedule of Bonded and Long-Term Debt Transactions

Year Ended June 30, 2013

	Oregon Economic Development Department Loan		Rural Utilities Service Sewer Revenue Bond		Oregon Investment Board Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
Original issue	<u>\$500,000</u>		<u>\$954,000</u>		<u>\$275,000</u>	
Matured during year	\$86,176	\$4,710	\$17,233	\$36,478	\$24,877	\$8,534
Paid during year	<u>(86,176)</u>	<u>(4,710)</u>	<u>(17,233)</u>	<u>(36,478)</u>	<u>(24,877)</u>	<u>(8,534)</u>
Matured and outstanding at June 30, 2013	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

CITY OF CASCADE LOCKS, OREGON
 Schedule of Future Debt Service Requirements
June 30, 2013

Year of Maturity	Rural Utilities Service Sewer Revenue Bond		Oregon Investment Board Loan	
	Principal	Interest	Principal	Interest
2013-14	\$16,077	\$37,633	\$27,043	\$6,368
2014-15	16,841	36,870	28,145	5,266
2015-16	17,641	36,070	29,292	4,119
2016-17	18,479	35,232	30,485	2,926
2017-18	19,357	34,354	31,727	1,684
2018-19	20,276	33,435	22,282	498
2019-20	21,239	32,472	3,627	12
2020-21	22,248	31,463		
2021-22	23,305	30,406		
2022-23	24,412	29,299		
2023-24	25,571	28,139		
2024-25	26,786	26,925		
2025-26	28,058	25,652		
2026-27	29,391	24,320		
2027-28	30,787	22,924		
2028-29	32,250	21,461		
2029-30	33,781	19,929		
2030-31	35,386	18,325		
2031-32	37,067	16,644		
2032-33	38,828	14,883		
2033-34	40,672	13,039		
2034-35	42,604	11,107		
2035-36	44,627	9,083		
2036-37	46,747	6,963		
2037-38	48,968	4,743		
2038-39	9,334	2,417		
	<u>\$750,732</u>	<u>\$603,788</u>	<u>\$172,601</u>	<u>\$20,873</u>

FEDERAL PROGRAMS

Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

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RICK M. CYPHERS, c.p.a.

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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*

Honorable Mayor and Council Members
City of Cascade Locks, Oregon

We have audited, in accordance with the 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 City of Cascade Locks as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Cascade Locks' basic financial statements and have issued our report thereon dated February 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Cascade Locks' 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 City of Cascade Locks' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Cascade Locks' 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in

internal control over financial reporting. This is referenced as finding 2014-1.

Compliance and Other Matters

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 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*.

We also noted certain other matters that we reported to management of City of Cascade Locks, in a separate letter dated February 3, 2014.

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

Purpose of this Report

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

Onatott, Broehl & Cyphers, PC

February 3, 2014

CITY OF CASCADE LOCKS, OREGON
Schedule of Findings and Responses

Year Ended June 30, 2013

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2014-1 In-house Accounting Controls

Condition The City does not presently have a system for performing some of the necessary procedures and processes to adequately prepare financial statements in accordance with generally accepted accounting principles. These include:

- A functioning workorder system to properly capitalize system construction projects performed by City personnel.
- Personnel with the necessary training and expertise to prepare the annual financial report.

Criteria Internal controls specify that an entity have the personnel and systems in place to prepare complete and accurate financial statements in accordance with generally accepted accounting principles.

Effect Because the City does not have the in-house expertise to properly capitalize system construction projects and prepare the annual financial report, these must be completed by the independent accountants as part of the annual audit.

Recommendation The City should carefully consider the cost-benefit of acquiring the expertise to complete these processes.

City of Cascade Locks Response:

- Hiring a third-party accountant to prepare the annual financial report would be limited by the City's size and funds. The City acknowledges this shortfall and will examine alternatives and the inherent risk of each to address these concerns. A more practical solution to this issue would be to invest in training for staff so they could learn how to prepare annual financials instead of having the auditors prepare.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of the City of Cascade Locks as of and for the year ended June 30, 2013 and have issued our report thereon dated February 14, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

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, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 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:

- Deposit of public funds with financial institutions (ORS 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS 294).
- Insurance and fidelity bond 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 294).
- Public contracts and purchasing (ORS 279A, 279B, and 279C).

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

Oregon Local Budget Law Compliance

The results of our tests disclosed three overexpenditures of budgetary categories in violation of Oregon Local Budget Law. See note 1 of the notes to required supplementary information of the City's financial statements.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. We have noted other items than are included in a separate letter to management.

This report is intended solely for the information of City of Cascade Locks' management, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Ornstott, Bruehl & Cyphers, PC

February 3, 2014

Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

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LETTER TO MANAGEMENT

February 3, 2014

Mayor and City Council Members
City of Cascade Locks
Cascade Locks, Oregon 97014

We have audited the financial statements of City of Cascade Locks as of and for the year ended June 30, 2013 and have issued our report thereon dated February 3, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Minimum Standards for Audits of Oregon Municipal Corporations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the City of Cascade Locks for the year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be deficiencies under standards established by the American Institute of Certified Public Accountants. A deficiency in internal control exists when the design or operation of a control does not allow management to prevent, or detect and correct misstatements on a timely basis.

Management's responsibility for establishing and maintaining an internal control structure and limitations on the scope of this letter are outlined on pages 55 through 56 of the report referred to above and are incorporated by reference herein.

Comments and recommendations follow.

COMMENTS AND RECOMMENDATIONS

STATUS OF ITEMS REPORTED IN PRIOR YEAR

In prior years we have commented on several items. Following is the current status of these recommendations.

Ambulance Billings

In prior years, ambulance billings were not always submitted to Springfield on a timely basis to be processed. Delays of several months between the time of the charge being incurred to the time it was submitted for billing were noted.

Current Status

This condition was not noted during the year under audit.

Utility Workorder System

It was recommended that the City implement a workorder system for utility material and labor expenditures to more accurately account for such expenditures.

Current Status:

During a prior fiscal year, the City purchased software to implement this recommendation. City staff attended training in the implementation and use of these programs. To date, however, the necessary information has not been input in order to use this software. The City should take the necessary steps to begin using this software.

Administrative Allocations

The City allocates administrative expenses to the various funds and departments based on criteria developed in a prior year. It has been a number of years since this allocation formula was reviewed and evaluated. There are various ways that indirect and administrative expenses can be allocated to the many functions of the City. Over time the conditions and assumptions used in developing the allocation percentages can change and require modification. It was recommended that the City perform a study to evaluate the allocation percentages and procedures used to allocate administrative expenses to the various functions of the City.

Current Status

Progress has been made in this area but had not been fully implemented during the audit year.

CURRENT YEAR ITEMS

Budget Issues

There were two budget overexpenditures noted in the audit. They are outlined on page 34 of the audit report. The Oregon Local Budget Law prohibits overexpenditure of funds in the various budget categories.

Recommendation

Procedures should be implemented to assure that there are no overexpenditures of the categories of the City budget. Funds should be monitored closely for the last few months of the fiscal year and appropriate budget transfers made where necessary.

Approval for Disbursement

During testing of cash disbursements, it was noted that various disbursements did not bear the initials of the authorizing official as indication of approval. Each invoice should exhibit evidence of approval for disbursement prior to processing the check.

Recommendation

Each official authorizing payment of invoices should initial the document as evidence of approval.

Tourism Events

Fund raisers sponsored by the Tourism Committee should follow City policies for the receipt and disbursement of funds. It appears that cash reports were not properly completed and filed with the City Finance Officer. Vendors were sometimes paid out of the cash box. Such procedures result in a lack of internal control.

Recommendation

A complete accounting of all cash received and disbursed during the event should be prepared and submitted to the City Finance Officer. To the extent possible, vendors should be paid through the normal City disbursement process. The Committee should account for all receipts and disbursements for the event and balance the change fund upon its return to the City.

We encourage the City to make improvements in the areas noted above. While, independence requirements limit our ability to participate in the implementation of these recommendations, we will be pleased to assist you in any way possible.

This report is intended solely for the information and use of the City Council, State of Oregon and others within the organization.

Onstott, Broehl & Cyphers, PC

Onstott, Broehl & Cyphers, P.C.