

CITY OF CASCADE LOCKS
Cascade Locks, Oregon
ANNUAL FINANCIAL REPORT
For Year Ended June 30, 2014

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, 2014

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

CITY OF CASCADE LOCKS, OREGON

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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:

100 EAST FOURTH STREET
THE DALLES, OREGON 97058
Telephone: (541) 296-9131
Fax: (541) 296-6151

1313 BELMONT STREET
HOOD RIVER, OREGON 97031
Telephone: (541) 386-6661
Fax: (541) 308-0178

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cascade Locks, as of June 30, 2014, 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 January 29, 2015, 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: Kenneth Onstott, a shareholder
January 29, 2015

**City of Cascade Locks
Management's Discussion and Analysis
Fiscal Year 2013/2014**

As management of the City of Cascade Locks, Oregon, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. 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 2014, by **\$12,452,312** (net assets). Of this amount, **\$210,895** is restricted for system/equipment upgrade and replacement, and capital improvement projects, and **\$61,288** is restricted for future years' debt service.

- The total net assets decreased by **\$88,689** for FY 13/14, as a result of a decrease in liabilities.
- As of the close of FY 13/14, the City's governmental funds reported combined ending fund balances of **\$2,056,252**.
- The City's total debt decreased by **\$42,608** (4.33%) during the fiscal year as a result of no additional debt and making contractual payments on current debt.

STATEMENT OF NET ASSETS:

The focus of the statement of Net Assets 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 Assets at June 30, 2014 is shown here:

Net Assets at June 30, 2014:

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|--------------|
| Cash and Investments | 1,567,040 | 658,190 | 2,225,230 |
| Other Assets | 439,701 | 238,229 | 677,930 |
| Capital Assets | 1,173,489 | 9,539,356 | 10,712,845 |
| Total Assets | 3,180,230 | 10,435,775 | 13,616,005 |
| Other Liabilities | 25,571 | 186,992 | 212,563 |
| Long-term Debt Outstanding | 21,157 | 920,542 | 941,699 |
| Total Liabilities | 46,728 | 1,107,534 | 1,154,262 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 1,173,489 | 8,658,844 | 9,832,333 |
| Restricted | 210,895 | 61,288 | 272,183 |
| Unrestricted | 1,739,687 | 608,109 | 2,347,796 |
| Total Net Assets | 3,124,071 | 9,328,241 | 12,452,312 |

Governmental Activities

Infrastructure, land, buildings, equipment and other improvements total **\$1,173,489**. Non-land portion of governmental capital assets are now depreciated and the accumulated depreciation at fiscal yearend is **\$1,640,325**. Governmental activities' assets, exclusive of capital assets, total **\$2,006,741** compared to total assets of **\$3,180,230** inclusive of capital assets. The City had governmental long-term debt of **\$21,157** as of June 30, 2014.

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, 2014 total **\$9,539,356**. Accumulated depreciation totals **\$6,085,618**. Business-type assets, exclusive of capital assets, total **\$896,419** compared to total assets of **\$10,435,775** inclusive of capital assets. The City had **\$732,681** in long-term business-type sewer plant debt as of June 30, 2014. Principal and interest is payable from sewer user fees and sewer system development charges. The City also had **\$147,831** in long-term debt from the Oregon Investment Board on the fire hall as June 30, 2014.

Restricted Net Assets

A portion of the year-end net assets 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, 2014

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

Governmental Activities:

Governmental related revenues increased by **\$28,360** from 12/13 to FY13/14, due to an increase in Operating Contributions and Payments in Lieu of Taxes. Governmental Expenses decreased by **\$8,750**, due to a decrease in General Government and Public Safety.

Business-type Activities:

Business-type related revenues increased from FY12/13 by **\$126,203** in FY13/14 due to an increase in Charges for Services. Business-type related expenses decreased from FY12/13 by **\$ 11,425** in FY 13/14.

A summary version of the Statement of Activities follows:

Comparison of Statement of Activities for FY13/14 and FY12/13

| | Governmental Activities | FY13/14 Business-type Activities | Total | Governmental Activities | FY12/13 Business-type Activities | Total |
|---|----------------------------|--|------------------|----------------------------|--|------------------|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 4,232 | 2,470,029 | 2,474,261 | 8,419 | 2,373,426 | 2,381,845 |
| Operating grants and contributions | 368,988 | 75,803 | 444,791 | 342,755 | 45,196 | 387,951 |
| Capital grants and contributions | - | - | - | - | - | - |
| General revenues: | | | | | | |
| Property taxes | 196,225 | - | 196,225 | 197,577 | - | 197,577 |
| Payments in lieu of taxes | 158,789 | - | 158,789 | 150,850 | - | 150,850 |
| Grants and contributions not restricted to specific programs | - | - | - | - | - | - |
| Unrestricted investment earnings | 7,824 | 3,558 | 11,382 | 8,097 | 4,565 | 12,662 |
| Total revenues | 736,058 | 2,549,390 | 3,285,448 | 707,698 | 2,423,187 | 3,130,885 |
| Expenses: | | | | | | |
| General government | 263,840 | | 263,840 | 273,044 | | 273,044 |
| Public safety | 87,632 | | 87,632 | 96,980 | | 96,980 |
| Highways and streets | 94,666 | | 94,666 | 92,814 | | 92,814 |
| Culture and recreation | 55,623 | | 55,623 | 47,673 | | 47,673 |
| Electric | | 1,742,210 | 1,742,210 | | 1,684,621 | 1,684,621 |
| Emergency Services | | 343,258 | 343,258 | | 319,621 | 319,621 |
| Sewer | | 417,723 | 417,723 | | 445,620 | 445,620 |
| Other | | 369,185 | 369,185 | | 433,939 | 433,939 |
| Total expenses | 501,761 | 2,872,376 | 3,374,137 | 510,511 | 2,883,801 | 3,394,312 |
| Increase (decrease) in net assets before transfers | 234,297 | (322,986) | (88,689) | 197,187 | (460,614) | (263,427) |
| Transfers | (177,934) | 177,934 | - | (301,628) | 301,628 | - |
| Increase (decrease) in net assets | 56,363 | (145,052) | (88,689) | (104,441) | (158,986) | (263,427) |
| Net assets - beginning of year | 3,067,708 | 9,473,293 | 12,541,001 | 3,172,149 | 9,632,279 | 12,804,428 |
| Net assets - end of year | 3,124,071 | 9,328,241 | 12,452,312 | 3,067,708 | 9,473,293 | 12,541,001 |

General Fund Budgetary Highlights

The beginning fund balances for most funds were improved over the year except for City Light and the Cable TV Funds. The increased 2% of utility payments to support the Fire Department ended this year. The continuing increased costs for medical insurance and retirement funds will continue to bring added pressure to all budgets. Eight years of cutting personnel and material and services budgets has caused 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 which was done in the 2014-2015 budget. Utility rate increases will be necessary to replace aging water infrastructure, and perhaps wastewater infrastructure, and fund economic growth for Cascade Locks.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City had invested **\$10,712,845** in capital assets, net of depreciation.

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

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------|----------------------------|-----------------------------|-------------------|
| Land and other | 171,265 | 167,432 | 338,697 |
| Buildings and improvements | 93,331 | 1,463,117 | 1,556,448 |
| System | - | 7,194,552 | 7,194,552 |
| Machinery and equipment | 112,189 | 700,323 | 812,512 |
| Infrastructure | 796,704 | - | 796,704 |
| Construction in progress | - | 13,932 | 13,932 |
| Total Assets | 1,173,489 | 9,539,356 | 10,712,845 |

Increase/Decrease of Capital Assets between FY13/14 and Prior Fiscal Year FY12/13. (Net of Depreciation)

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------|----------------------------|-----------------------------|------------------|
| Land and other | - | - | - |
| Buildings and improvements | (6,225) | (32,516) | (38,741) |
| System | - | (158,157) | (158,157) |
| Machinery and equipment | 4,113 | (23,957) | (19,844) |
| Infrastructure | 9,198 | - | 9,198 |
| Construction in progress | - | - | - |
| Total Assets | 7,086 | (214,630) | (207,544) |

Debt Outstanding

As of June 30, 2014, the City had **\$880,512** in debt outstanding, compared to **\$923,333** as of June 30, 2013. As of June 30, 2014, **\$44,986** 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

| | 2014 | 2013 |
|---|----------------|----------------|
| Governmental | - | - |
| Business-type: | | |
| Fire Station - OIB Loan (Oregon Investment Board) | 147,831 | 172,601 |
| Sewer – Rural Utilities | 732,681 | 750,732 |
| Total Assets | 880,512 | 923,333 |

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 5.2% between FY12/13 and FY13/14.

The City's Business-type activities are funded through utility charges, user fees, and system development charges. The charter amendment passed in 2008 has previously been interpreted to remove the Council's ability to increase rates. The current council is willing to increase utility rates and has done so for very specific purposes such as repair of water leaks.

Cascade Locks had two new businesses open in this fiscal year, Brigham's Fish Market and Jumpin' Jack's Java. While the unemployment rate is still high, the City and the Port are actively pursuing new businesses for the Industrial Park. Nestlé Waters North America maintains its interest in locating a water bottling plant here. The official population estimate for July 1, 2014, from Portland State University shows an increase of 35 people over the previous year to 1,235.

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 City, working the Port of Cascade Locks and the Columbia Gorge Commission, is developing regional solutions to common problems. The Port is seeking to develop a Columbia Gorge-wide approach called "OneGorge" for economic development using the Scenic Area Act to bolster its requirements to develop solutions for 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. 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 Council, in setting its budget priorities for 2014-15 has established infrastructure development as crucial for economic development and job creation for the city.

FINANCIAL CONTACT

The City's financial statements are designed to present users 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

BASIC FINANCIAL STATEMENTS

CITY OF CASCADE LOCKS, OREGON
Statement of Net Position
June 30, 2014

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$1,567,040 | \$658,190 | \$2,225,230 |
| Receivables - net of allowance for uncollectibles | 113,681 | 207,550 | 321,231 |
| Due to (from) other funds | 324,710 | (324,710) | 0 |
| Prepaid expenses | 1,310 | 7,592 | 8,902 |
| Inventory | | 286,509 | 286,509 |
| Restricted cash and investment | | 61,288 | 61,288 |
| Capital assets (net of accumulated depreciation): | | | |
| Land and other | 171,265 | 167,432 | 338,697 |
| Buildings and improvements | 93,331 | 1,463,117 | 1,556,448 |
| System | | 7,194,552 | 7,194,552 |
| Machinery and equipment | 112,189 | 700,323 | 812,512 |
| Infrastructure | 796,704 | | 796,704 |
| Construction in progress | | 13,932 | 13,932 |
| | <u>3,180,230</u> | <u>10,435,775</u> | <u>13,616,005</u> |
| Total Assets | | | |
| LIABILITIES | | | |
| Liabilities: | | | |
| Accounts payable | 10,411 | 69,626 | 80,037 |
| Accrued expenses | 8,660 | 12,726 | 21,386 |
| Unearned revenue | 6,500 | | 6,500 |
| Customer deposits | | 104,640 | 104,640 |
| Noncurrent liabilities: | | | |
| Payable within one year | | 44,986 | 44,986 |
| Payable in more than one year | 21,157 | 875,556 | 896,713 |
| | <u>46,728</u> | <u>1,107,534</u> | <u>1,154,262</u> |
| Total Liabilities | | | |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred tax revenue | 9,431 | 0 | 9,431 |
| | <u>9,431</u> | <u>0</u> | <u>9,431</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,173,489 | 8,658,844 | 9,832,333 |
| Restricted for: | | | |
| System development | 62,297 | | 62,297 |
| Highways and streets | 118,445 | | 118,445 |
| Culture and recreation | 14,883 | | 14,883 |
| Cemetery maintenance | 15,270 | | 15,270 |
| Debt service | | 61,288 | 61,288 |
| Unrestricted | 1,739,687 | 608,109 | 2,347,796 |
| | <u>1,739,687</u> | <u>608,109</u> | <u>2,347,796</u> |
| Total Net Position | <u>\$3,124,071</u> | <u>\$9,328,241</u> | <u>\$12,452,312</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, 2014

| Functions/Programs | Expenses | 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 | \$ 263,840 | \$ 4,232 | \$ 192,888 | \$ (66,720) | \$ | \$ (66,720) |
| Public safety | 87,632 | | 0 | (87,632) | | (87,632) |
| Highways and streets | 94,666 | | 124,034 | 29,368 | | 29,368 |
| Culture and recreation | 55,623 | | 52,066 | (3,557) | | (3,557) |
| Total Governmental Activities | 501,761 | 4,232 | 368,988 | (128,541) | | (128,541) |
| Business-type activities: | | | | | | |
| Electric | 1,742,210 | 1,573,255 | 75,803 | | \$ (93,152) | (93,152) |
| Emergency services | 343,258 | 148,669 | | | (194,589) | (194,589) |
| Sewer | 417,723 | 373,820 | | | (43,903) | (43,903) |
| Other | 369,185 | 374,285 | | | 5,100 | 5,100 |
| Total Business-type Activities | 2,872,376 | 2,470,029 | 75,803 | 0 | (326,544) | (326,544) |
| Total | \$ 3,374,137 | \$ 2,474,261 | \$ 444,791 | (128,541) | (326,544) | (455,085) |
| General Revenues: | | | | | | |
| Property taxes | | | | 196,225 | | 196,225.00 |
| Payments in lieu of taxes | | | | 158,789 | | 158,789.00 |
| Unrestricted investment earnings | | | | 7,824 | 3,558 | 11,382.00 |
| Transfers | | | | (177,934) | 177,934 | 0 |
| Total General Revenues and Transfers | | | | 184,904 | 181,492 | 366,396 |
| Change in Net Position | | | | 56,363 | (145,052) | (88,689) |
| Net Position - July 1, 2013 | | | | 3,067,708 | 9,473,293 | 12,541,001 |
| Net Position - June 30, 2014 | | | | \$ 3,124,071 | \$ 9,328,241 | \$12,452,312 |

CITY OF CASCADE LOCKS, OREGON

Balance Sheet
Governmental Funds
June 30, 2014

| | <u>General</u> | <u>Street</u> | <u>Capital Reserve 08</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------|-------------------------------|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$96,658 | \$114,608 | \$1,245,491 | \$110,284 | \$1,567,041 |
| Receivables - net of allowance for uncollectibles | 53,824 | 5,392 | 474,440 | 54,464 | 588,120 |
| Prepaid expenses | <u>427</u> | <u>883</u> | | | <u>1,310</u> |
| Total Assets | <u>\$150,909</u> | <u>\$120,883</u> | <u>\$1,719,931</u> | <u>\$164,748</u> | <u>\$2,156,471</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$1,244 | \$930 | \$7,656 | \$581 | \$10,411 |
| Accrued expenses | 8,232 | 428 | | | 8,660 |
| Unearned revenue | | | | 6,500 | 6,500 |
| Due to other funds | | | | <u>65,217</u> | <u>65,217</u> |
| Total Liabilities | <u>9,476</u> | <u>1,358</u> | <u>7,656</u> | <u>72,298</u> | <u>90,788</u> |
| Deferred inflows of resources: | | | | | |
| Deferred tax revenue | <u>9,431</u> | | | | <u>9,431</u> |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Cemetery maintenance | | | | 15,270 | 15,270 |
| Highways and streets | | 119,525 | | | 119,525 |
| Public works | | | | 62,297 | 62,297 |
| Committed for: | | | | | |
| Tourism | | | | 14,883 | 14,883 |
| Capital projects | | | 1,712,275 | | 1,712,275 |
| Unassigned | <u>132,002</u> | | | | <u>132,002</u> |
| Total Fund Balances | <u>132,002</u> | <u>119,525</u> | <u>1,712,275</u> | <u>92,450</u> | <u>2,056,252</u> |
| Total Liabilities and Fund Balances | <u>150,909</u> | <u>\$120,883</u> | <u>\$1,719,931</u> | <u>\$164,748</u> | |

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

1,173,489

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

(84,513)

Prepaid construction deposits are not reported in the funds

(10,502)

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

(10,655)

Net position of governmental activities

\$3,124,071

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, 2014

| | <u>General</u> | <u>Street</u> | <u>Capital Reserve 08</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------|------------------|-------------------------------|---|---|
| REVENUES | | | | | |
| Taxes | \$196,225 | | | | \$196,225 |
| Payments in lieu of taxes from enterprise funds | 158,789 | | | | 158,789 |
| Intergovernmental revenues | 32,432 | \$74,034 | | \$50,000 | 156,466 |
| Charges for services | 3,582 | | | | 3,582 |
| Fines and forfeitures | 650 | | | | 650 |
| Interest on investments | 621 | 502 | \$6,240 | 461 | 7,824 |
| Miscellaneous | 153,035 | | 152 | 59,335 | 212,522 |
| Total Revenues | <u>545,334</u> | <u>74,536</u> | <u>6,392</u> | <u>109,796</u> | <u>736,058</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 220,790 | | | | 220,790 |
| Public safety | 87,132 | | | 500 | 87,632 |
| Highways and streets | | 42,449 | | | 42,449 |
| Culture and recreation | 2,954 | | | 52,669 | 55,623 |
| Capital outlay | | 801 | 114,420 | | 115,221 |
| Total Expenditures | <u>310,876</u> | <u>43,250</u> | <u>114,420</u> | <u>53,169</u> | <u>521,715</u> |
| Revenues Over (Under) Expenditures | <u>234,458</u> | <u>31,286</u> | <u>(108,028)</u> | <u>56,627</u> | <u>214,343</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | | | 171,600 | 5,500 | 177,100 |
| Operating transfers out | (206,107) | (5,000) | | (55,500) | (266,607) |
| Total Other Financing Sources (Uses) | <u>(206,107)</u> | <u>(5,000)</u> | <u>171,600</u> | <u>(50,000)</u> | <u>(89,507)</u> |
| Net Change in Fund Balances | 28,351 | 26,286 | 63,572 | 6,627 | 124,836 |
| FUND BALANCE - July 1, 2013 | <u>103,651</u> | <u>93,239</u> | <u>1,648,703</u> | <u>85,823</u> | <u>1,931,416</u> |
| FUND BALANCE - June 30, 2014 | <u>\$132,002</u> | <u>\$119,525</u> | <u>\$1,712,275</u> | <u>\$92,450</u> | <u>\$2,056,252</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, 2014

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

| | |
|--|------------------------|
| Net change in fund balances - total governmental funds | \$124,836 |
| 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 | 7,087 |
| Interfund loan repayments recorded as revenue in governmental activities but not in the statement of activities | (72,545) |
| Changes in accrued vacation pay which is classified as long-term debt are not reported in the fund expenditures | <u>(3,015)</u> |
| Change in net position of governmental activities | <u><u>\$56,363</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, 2014

| | Business-type Activities - Enterprise Funds | | | | Total |
|--|---|-------------------------------|---------------------------|------------------------------|----------------------------|
| | Electrical Fund | Emergency Services Fund | Sewer Fund | Other Enterprise Funds | |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$409,762 | \$83,686 | \$82,914 | \$81,828 | \$658,190 |
| Accounts receivable | 109,859 | 45,027 | 35,584 | 37,305 | 227,775 |
| Less allowance for doubtful accounts | (225) | (20,000) | | | (20,225) |
| Due from other funds | 9,575 | | | | 9,575 |
| Prepaid expenses | 2,830 | 4,244 | 109 | 409 | 7,592 |
| Inventory of materials | 265,545 | | 1,241 | 19,723 | 286,509 |
| Total Current Assets | 797,346 | 112,957 | 119,848 | 139,265 | 1,169,416 |
| RESTRICTED ASSETS | | | | | |
| Debt service: | | | | | |
| Cash and investments | | | 61,288 | | 61,288 |
| PROPERTY, PLANT AND EQUIPMENT - net of accumulated depreciation | | | | | |
| | <u>2,524,148</u> | <u>1,946,256</u> | <u>4,164,233</u> | <u>904,719</u> | <u>9,539,356</u> |
| Total Assets | <u>\$3,321,494</u> | <u>\$2,059,213</u> | <u>\$4,345,369</u> | <u>\$1,043,984</u> | <u>\$10,770,060</u> |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$54,670 | \$5,965 | \$2,632 | \$6,359 | \$69,626 |
| Accrued expenses | 8,255 | 2,636 | 538 | 1,297 | 12,726 |
| Due to other funds | | 334,285 | | 0 | 334,285 |
| Customer deposits | 102,225 | | | 2,415 | 104,640 |
| Current portion of long-term debt | | 28,145 | 16,841 | | 44,986 |
| Total Current Liabilities | <u>165,150</u> | <u>371,031</u> | <u>20,011</u> | <u>10,071</u> | <u>566,263</u> |
| LONG-TERM DEBT | | | | | |
| Bonds and notes payable | | 119,686 | 715,840 | | 835,526 |
| Accrued vacation and other | 31,749 | 2,888 | 2,187 | 3,206 | 40,030 |
| Total Long-Term Debt | <u>31,749</u> | <u>122,574</u> | <u>718,027</u> | <u>3,206</u> | <u>875,556</u> |
| Total Liabilities | <u>196,899</u> | <u>493,605</u> | <u>738,038</u> | <u>13,277</u> | <u>1,441,819</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 2,524,148 | 1,798,425 | 3,431,552 | 904,719 | 8,658,844 |
| Restricted for debt service (expendable) | | | 61,288 | | 61,288 |
| Unrestricted | 600,447 | (232,817) | 114,491 | 125,988 | 608,109 |
| Total Net Position | <u>3,124,595</u> | <u>1,565,608</u> | <u>3,607,331</u> | <u>1,030,707</u> | <u>9,328,241</u> |
| Total Liabilities and Net Position | <u>\$3,321,494</u> | <u>\$2,059,213</u> | <u>\$4,345,369</u> | <u>\$1,043,984</u> | <u>\$10,770,060</u> |

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, 2014

| | Business- type Activities - Enterprise Funds | | | | Totals |
|---|--|-------------------------------|--------------------|------------------------------|--------------------|
| | Electrical Fund | Emergency Services Fund | Sewer Fund | Other Enterprise Funds | |
| OPERATING REVENUES | | | | | |
| Sales and service charges | \$1,565,269 | \$139,910 | \$373,804 | \$342,765 | \$2,421,748 |
| Connection fees and other | 7,986 | 8,759 | 16 | 31,520 | 48,281 |
| Total Operating Revenues | 1,573,255 | 148,669 | 373,820 | 374,285 | 2,470,029 |
| OPERATING EXPENSES | | | | | |
| Purchased power | 759,695 | | | | 759,695 |
| Personal services | 522,664 | 130,624 | 55,010 | 110,945 | 819,243 |
| Contractual services | 55,462 | 10,717 | 100,489 | 39,168 | 205,836 |
| Materials and supplies | 28,308 | 19,871 | 14,949 | 17,690 | 80,818 |
| Depreciation | 122,742 | 79,972 | 134,268 | 40,842 | 377,824 |
| Other | 253,339 | 93,433 | 77,347 | 160,540 | 584,659 |
| Total Operating Expenses | 1,742,210 | 334,617 | 382,063 | 369,185 | 2,828,075 |
| Operating Income (Loss) | (168,955) | (185,948) | (8,243) | 5,100 | (358,046) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest on investments | 2,298 | 278 | 612 | 370 | 3,558 |
| Bond and other interest expense | | (8,641) | (35,660) | | (44,301) |
| Miscellaneous nonoperating income | 75,803 | | | | 75,803 |
| Total Nonoperating Revenues (Expenses) | 78,101 | (8,363) | (35,048) | 370 | 35,060 |
| Income (Loss) Before Operating Transfers | (90,854) | (194,311) | (43,291) | 5,470 | (322,986) |
| OPERATING TRANSFERS | | | | | |
| Operating transfers in | 8,255 | 205,958 | 10,935 | 70,997 | 296,145 |
| Operating transfers out | (81,747) | 0 | (29,770) | (6,692) | (118,209) |
| Total Operating Transfers | (73,492) | 205,958 | (18,835) | 64,305 | 177,936 |
| Change in Net Position | (164,346) | 11,647 | (62,126) | 69,775 | (145,050) |
| Total net position - July 1, 2013 | 3,288,941 | 1,553,961 | 3,669,457 | 960,932 | 9,473,291 |
| Total net position - June 30, 2014 | \$3,124,595 | \$1,565,608 | \$3,607,331 | \$1,030,707 | \$9,328,241 |

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, 2014

| | Electrical Fund | Emergency Services Fund | Sewer Fund | Other Enterprise Funds | Totals |
|--|--------------------|-------------------------------|------------------|------------------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Cash received from customers | \$1,583,322 | \$181,676 | \$371,411 | \$364,812 | \$2,501,221 |
| Cash paid to suppliers | (923,010) | (120,809) | (177,696) | (195,073) | (1,416,588) |
| Cash paid to employees | (533,417) | (131,401) | (55,457) | (114,116) | (834,391) |
| Payments in lieu of taxes | (87,312) | | (26,166) | (23,060) | (136,538) |
| Interest received | 2,298 | 278 | 612 | 370 | 3,558 |
| Net Cash Provided (Used) by Operating Activities | <u>41,881</u> | <u>(70,256)</u> | <u>112,704</u> | <u>32,933</u> | <u>117,262</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Operating transfers from other funds | 8,255 | 205,958 | 10,935 | 70,997 | 296,145 |
| Operating transfers to other funds | <u>(81,747)</u> | | <u>(29,770)</u> | <u>(6,692)</u> | <u>(118,209)</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(73,492)</u> | <u>205,958</u> | <u>(18,835)</u> | <u>64,305</u> | <u>177,936</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Repayments of interfund loans | 2,394 | (52,938) | | (22,000) | (72,544) |
| Acquisition and construction of capital assets | (88,074) | (12,493) | (10,178) | (52,449) | (163,194) |
| Principal paid on maturity of long-term debt | | (24,770) | (18,051) | | (42,821) |
| Interest paid on long-term debt | | <u>(8,641)</u> | <u>(35,660)</u> | | <u>(44,301)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(85,680)</u> | <u>(98,842)</u> | <u>(63,889)</u> | <u>(74,449)</u> | <u>(322,860)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Decrease (increase) in restricted cash and investments for debt service | | | <u>(309)</u> | | <u>(309)</u> |
| Net Cash Used by Investing Activities | <u>0</u> | <u>0</u> | <u>(309)</u> | <u>0</u> | <u>(309)</u> |
| Increase (Decrease) in Cash | (117,291) | 36,860 | 29,671 | 22,789 | (27,971) |
| CASH & CASH EQUIVALENTS - July 1, 2013 | <u>527,053</u> | <u>46,826</u> | <u>53,243</u> | <u>59,039</u> | <u>686,161</u> |
| CASH & CASH EQUIVALENTS - June 30, 2014 | <u>\$409,762</u> | <u>\$83,686</u> | <u>\$82,914</u> | <u>\$81,828</u> | <u>\$658,190</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | (\$168,955) | (\$185,948) | (\$8,243) | \$5,100 | (\$358,046) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 122,742 | 79,972 | 134,268 | 40,842 | 377,824 |
| Non-operating income | 75,803 | | | | 75,803 |
| Interest received | 2,298 | 278 | 612 | 370 | 3,558 |
| Changes in assets - Decrease in: | | | | | |
| Accounts receivable | 2,237 | 33,007 | (2,409) | (8,773) | 24,062 |
| Prepaid expenses | (2,830) | (27) | (109) | (99) | (3,065) |
| Inventory | 7,606 | | 0 | 285 | 7,891 |
| Changes in liabilities - Increase (decrease) in: | | | | | |
| Accounts payable | 5,903 | 3,239 | (10,968) | (921) | (2,747) |
| Accrued expenses | (10,043) | (1,012) | (329) | (963) | (12,347) |
| Accrued vacation | (710) | 235 | (118) | (2,208) | (2,801) |
| Customer deposits | 7,830 | | | (700) | 7,130 |
| Net cash provided (used) by operating activities | <u>\$41,881</u> | <u>(\$70,256)</u> | <u>\$112,704</u> | <u>\$32,933</u> | <u>\$117,262</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, 2014

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, 2014

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, 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, 2014

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, 2014

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, 2014 were \$61,288. 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, 2014

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 2014.

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, 2014

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, 2014, the carrying amount of the City's deposits was \$211,468 and the bank balance was \$272,996. Of the bank balance, \$250,000 was covered by Federal depository insurance and \$22,996 was subject to custodial credit risk but was collateralized in accordance with Oregon Revised Statutes.

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, 2014 the City's investment balances were as follows:

| | <u>Cost</u> | <u>Reported Amount/ Fair Value</u> |
|--|--------------------|--|
| Oregon Local Government Investment Pool | <u>\$2,135,636</u> | <u>\$2,135,636</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 | \$2,225,230 |
| Restricted for debt service | <u>61,288</u> |
| | <u>\$2,286,518</u> |

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS - continued

Receivables

Receivables as of June 30, 2014 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>Accounts Receivable</u> | <u>Taxes Receivable</u> | <u>Total</u> | <u>Less Allowance for Uncollectibles</u> | <u>Total</u> |
|--------------------|--------------------------------|-----------------------------|------------------|--|------------------|
| General | \$55,532 | \$10,892 | \$66,424 | (\$12,600) | \$53,824 |
| Streets | 5,392 | | 5,392 | | 5,392 |
| Electrical | 109,859 | | 109,859 | (225) | 109,634 |
| Emergency Services | 45,027 | | 45,027 | (20,000) | 25,027 |
| Sewer | 35,584 | | 35,584 | | 35,584 |
| Nonmajor Funds | 91,770 | | 91,770 | | 91,770 |
| | <u>\$343,164</u> | <u>\$10,892</u> | <u>\$354,056</u> | <u>(\$32,825)</u> | <u>\$321,231</u> |

Capital assets

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

| | <u>Balances July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances June 30, 2014</u> |
|--|----------------------------------|------------------|------------------|-----------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$171,265 | | | \$171,265 |
| Total capital assets , not being depreciated | 171,265 | 0 | 0 | 171,265 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 247,281 | | | 247,281 |
| Machinery and equipment | 355,851 | 20,357 | | 376,208 |
| Infrastructure | 1,963,259 | 55,801 | | 2,019,060 |
| Total capital assets being depreciated | 2,566,391 | 76,158 | 0 | 2,642,549 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (147,725) | (6,226) | | (153,951) |
| Machinery and equipment | (247,787) | (16,244) | | (264,031) |
| Infrastructure | (1,175,740) | (46,603) | | (1,222,343) |
| Total accumulated depreciation | (1,571,252) | (69,073) | 0 | (1,640,325) |
| Total capital assets, being depreciated, net | 995,139 | 7,085 | 0 | 1,002,224 |
| Governmental activities capital assets, net | <u>\$1,166,404</u> | <u>\$7,085</u> | <u>\$0</u> | <u>\$1,173,489</u> |

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Capital assets - continued

| | <u>Balances</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> <u>June 30, 2014</u> |
|--|--|------------------------|---------------------|---|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$133,927 | | | \$133,927 |
| Construction in progress | 13,932 | | | 13,932 |
| Other | <u>33,505</u> | | | <u>33,505</u> |
| Total capital assets, not being depreciated | <u>181,364</u> | <u>0</u> | <u>0</u> | <u>181,364</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,631,036 | | | 1,631,036 |
| System | 12,046,551 | 97,422 | | 12,143,973 |
| Machinery and equipment | <u>1,651,576</u> | <u>65,777</u> | <u>48,752</u> | <u>1,668,601</u> |
| Total capital assets, being depreciated | <u>15,329,163</u> | <u>163,199</u> | <u>48,752</u> | <u>15,443,610</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (135,403) | (32,516) | | (167,919) |
| System | (4,693,842) | (255,579) | | (4,949,421) |
| Machinery and equipment | <u>(927,296)</u> | <u>(89,731)</u> | <u>(48,749)</u> | <u>(968,278)</u> |
| Total accumulated depreciation | <u>(5,756,541)</u> | <u>(377,826)</u> | <u>(48,749)</u> | <u>(6,085,618)</u> |
| Total capital assets, being depreciated, net | <u>9,572,622</u> | <u>(214,627)</u> | <u>3</u> | <u>9,357,992</u> |
| Business-type activities capital assets, net | <u>\$9,753,986</u> | <u>(\$214,627)</u> | <u>\$3</u> | <u>\$9,539,356</u> |

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

Governmental activities:

| | |
|--|---------------------|
| General government | \$17,147 |
| Highways and streets, including depreciation of general infrastructure assets | <u>51,926</u> |
| Total depreciation expense - governmental activities | <u>\$69,073</u> |

Business-type activities:

| | |
|---|----------------------|
| Water | \$30,141 |
| Sewer | 134,269 |
| CATV | 10,702 |
| Electric | 122,742 |
| Public safety | <u>79,972</u> |
| Total depreciation expense - business-type activities | <u>\$377,826</u> |

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements
June 30, 2014

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 |
|----------------------------|-----------------|------------------|-----------------------|----------------|-----------------|--------------------|----------------------|------------------|
| | Streets | Capital Reserve | Nonmajor Governmental | Electrical | Sewer | Emergency Services | Nonmajor Proprietary | |
| General | | | | | \$756 | \$202,958 | | \$203,714 |
| Street | | | | | | | \$5,000 | 5,000 |
| Capital Reserve | \$20,357 | | | \$8,254 | 10,179 | 3,000 | 65,250 | 107,040 |
| Nonmajor governmental | 55,000 | | \$500 | | | | | 55,500 |
| Sewer | | \$29,770 | | | | | | 29,770 |
| Electrical | | 76,000 | | | | | 5,747 | 81,747 |
| Nonmajor proprietary | | 6,692 | | | | | | 6,692 |
| Total transfers out | \$75,357 | \$112,462 | \$500 | \$8,254 | \$10,935 | \$205,958 | \$75,997 | \$489,463 |

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 \$44,301 is included as a direct expense on the statement of activities. Other long-term debt consists of accrued vacation and construction deposits. Maturities of bond principal and other long-term debt at June 30, 2014 were as follows:

| | 1998 Sewer Revenue Bonds | | OIB Loan | | Total | |
|---------|--------------------------|------------------|------------------|-----------------|------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 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 |
| 2018-19 | 20,276 | 33,435 | 22,282 | 498 | 42,558 | 33,933 |
| 2019-24 | 116,775 | 151,779 | 5,900 | 12 | 122,675 | 151,791 |
| 2024-29 | 147,272 | 121,282 | | | 147,272 | 121,282 |
| 2029-34 | 185,734 | 82,820 | | | 185,734 | 82,820 |
| 2034-39 | 190,306 | 34,313 | | | 190,306 | 34,313 |
| | \$732,681 | \$566,155 | \$147,831 | \$14,505 | \$880,512 | \$580,660 |

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements
June 30, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Bonds payable and long-term debt - continued

Changes in Long-Term Debt were as follows:

| | 1998 Sewer Revenue Bonds | OIB Loan | Other | Total |
|--------------------------------------|--------------------------------|-------------------------|------------------------|-------------------------|
| Governmental-type activities: | | | | |
| Balance - July 1, 2013 | | | \$18,143 | \$18,143 |
| Increases | | | <u>3,014</u> | <u>3,014</u> |
| Balance - June 30, 2014 | | | <u>21,157</u> | <u>21,157</u> |
| Business-type activities: | | | | |
| Balance - July 1, 2013 | \$750,732 | \$172,601 | 57,667 | 981,000 |
| Payments | <u>(18,051)</u> | <u>(24,770)</u> | <u>(17,637)</u> | <u>(60,458)</u> |
| Balance - June 30, 2014 | <u>732,681</u> | <u>147,831</u> | <u>40,030</u> | <u>920,542</u> |
| Total - June 30, 2014 | <u><u>\$732,681</u></u> | <u><u>\$147,831</u></u> | <u><u>\$61,187</u></u> | <u><u>\$941,699</u></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, 2014

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 –26.37%; OPSRP general service members – 17.93%; and OPSRP police and fire – 22.03% 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, 2014, 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, 2013 actuarial valuation using the contribution rate stabilization (rate collar) cost method. The actuarial assumptions included (a) 7.75% 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 7.75% on regular and variable member accounts, and (d) 1.25% per year post-retirement cost-of-living increases on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000. The underlying long-term assumed rate of inflation is 2.75% per year. The actuarial value of PERS assets are valued on the entry age normal cost 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> |
|------------------------------|-------------------------------------|---|----------------------------------|
| 6-30-12 | \$129,666 | 100% | 0 |
| 6-30-13 | 138,724 | 100% | 0 |
| 6-30-14 | 120,534 | 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. As noted in the table, the City's actuarial valuation of assets and accrued liability is pooled as of the 2013 valuation.

Schedule of Funding Progress for City of Cascade Locks

| <u>Actuarial Valuation Date</u> | <u>Unfunded Actuarial Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAL / Payroll</u> |
|---|---|-------------------------|----------------------------|--------------------------|
| 12-31-11 | 1,547,049 | 75% | 706,952 | 219% |
| 12-31-12 | 1,140,684 | 83% | 655,246 | 174% |
| 12-31-13 | 904,432 | 88% | 550,106 | 164% |

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2014

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, 2013, 2012, and 2011 was \$7,614, \$13,747, and \$18,314, respectively. The City's contributions to RHIA for the years ended June 30, 2014, 2013, and 2012 were approximately \$3,656, \$3,571, and \$2,050, 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, 2014

| GENERAL FUND | Budgeted Amounts | | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|------------------|----------------|----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes and interest | \$185,000 | \$185,000 | \$196,225 | \$11,225 |
| Payments in lieu of taxes from Enterprise Funds | 148,050 | 152,600 | 158,789 | 6,189 |
| Intergovernmental revenues: | | | | |
| State liquor taxes | 17,000 | 17,000 | 18,058 | 1,058 |
| Library revenue | 800 | 800 | 1,600 | 800 |
| Cigarette taxes | 1,500 | 1,500 | 1,762 | 262 |
| State revenue sharing funds | 7,000 | 7,000 | 11,012 | 4,012 |
| | 26,300 | 26,300 | 32,432 | 6,132 |
| Charges for services: | | | | |
| Use of city property fees | 34,710 | 34,710 | 34,710 | 0 |
| Copy and fax charges | 325 | 325 | 413 | 88 |
| Information service fees | 75 | 75 | 1,039 | 964 |
| Planning fees | 10,000 | 9,245 | 900 | (8,345) |
| Planning engineering estimates | 10,000 | 10,000 | 0 | (10,000) |
| City hall rental | 300 | 300 | 230 | (70) |
| | 55,410 | 54,655 | 37,292 | (17,363) |
| Fines and forfeitures | 150 | 150 | 650 | 500 |
| Miscellaneous revenues: | | | | |
| Interest on investments | 250 | 250 | 621 | 371 |
| Transient room assessment | 93,100 | 93,100 | 112,966 | 19,866 |
| Telephone franchises | 3,500 | 3,500 | 4,145 | 645 |
| Garbage service franchise fee | 1,000 | 1,000 | 1,000 | 0 |
| Other | 13,031 | 13,031 | 1,215 | (11,816) |
| | 110,881 | 110,881 | 119,947 | 9,066 |
| Total Revenues | 525,791 | 529,586 | 545,335 | 15,749 |
| EXPENDITURES | | | | |
| Administrative: | | | | |
| Personal services | 88,288 | 88,288 | 89,420 | (1,132) |
| Materials and services | 32,920 | 32,920 | 26,215 | 6,705 |
| | 121,208 | 121,208 | 115,635 | 5,573 |
| Planning: | | | | |
| Personal services | 37,103 | 37,103 | 36,260 | 843 |
| Materials and services | 27,735 | 27,735 | 3,718 | 24,017 |
| | 64,838 | 64,838 | 39,978 | 24,860 |
| Property department: | | | | |
| Personal services | 64,656 | 64,656 | 43,186 | 21,470 |
| Materials and services | 17,450 | 17,450 | 18,927 | (1,477) |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|--------------------|-------------------------|--|
| | Original | Final | | |
| | <u>82,106</u> | <u>82,106</u> | <u>62,113</u> | <u>19,993</u> |
| Museum: | | | | |
| Materials and services | <u>1,500</u> | <u>1,810</u> | <u>1,834</u> | <u>(24)</u> |
| Governmental/ Community Relations: | | | | |
| Materials and services | <u>13,900</u> | <u>13,590</u> | <u>6,909</u> | <u>6,681</u> |
| Police Services: | | | | |
| Materials and services | <u>87,133</u> | <u>87,133</u> | <u>87,132</u> | <u>1</u> |
| Contingencies | <u>10,062</u> | <u>10,062</u> | <u>0</u> | <u>10,062</u> |
| Total Expenditures | <u>380,747</u> | <u>380,747</u> | <u>313,601</u> | <u>67,146</u> |
| Revenues Over Expenditures | 145,044 | 148,839 | 231,734 | 82,895 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers out | (154,171) | (157,966) | (157,235) | 731 |
| Repayment of interfund loans | <u>(48,873)</u> | <u>(48,873)</u> | <u>(48,873)</u> | <u>0</u> |
| Total Other Financing (Uses) | <u>(203,044)</u> | <u>(206,839)</u> | <u>(206,108)</u> | <u>731</u> |
| Revenues Over (Under) Expenditures and Other Uses | (58,000) | (58,000) | 25,626 | 83,626 |
| FUND BALANCE - July 1, 2013 | <u>58,000</u> | <u>58,000</u> | <u>86,300</u> | <u>28,300</u> |
| FUND BALANCE - June 30, 2014 | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$111,926</u></u> | <u><u>\$111,926</u></u> |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--------------------------------------|------------------|---|
| STATE TAX STREET | | | |
| REVENUES | | | |
| State gas tax apportionment | \$66,000 | \$74,034 | \$8,034 |
| Interest on investments | 350 | 502 | 152 |
| Miscellaneous revenue | 100 | 0 | (100) |
| | <u>66,450</u> | <u>74,536</u> | <u>8,086</u> |
| Total Revenues | | | |
| EXPENDITURES | | | |
| Personal services | 39,140 | 29,497 | 9,643 |
| Materials and services | 28,184 | 13,243 | 14,941 |
| Capital outlay | 11,200 | 801 | 10,399 |
| Contingencies | 67,926 | 0 | 67,926 |
| | <u>146,450</u> | <u>43,541</u> | <u>102,909</u> |
| Total Expenditures | | | |
| Revenues Over (Under) Expenditures | (80,000) | 30,995 | 110,995 |
| OTHER FINANCING USES | | | |
| Operating transfers out | (5,000) | (5,000) | 0 |
| | <u>(5,000)</u> | <u>(5,000)</u> | <u>0</u> |
| Revenues Over (Under) Expenditures and Other Uses | (85,000) | 25,995 | 110,995 |
| FUND BALANCE - July 1, 2013 | <u>85,000</u> | <u>92,451</u> | <u>7,451</u> |
| FUND BALANCE - June 30, 2014 | <u>\$0</u> | <u>\$118,446</u> | <u>\$118,446</u> |

CITY OF CASCADE LOCKS, OREGON
Notes to Required Supplementary Information
June 30, 2014

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> |
|--------------------|------------------------------|---------------|
| General | Museum | \$24 |
| Emergency Services | Repayment of interfund loans | 999 |
| Electrical | Operating transfers out | 2,147 |

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 | \$25,626 | \$25,995 |
| Depreciation expense | (17,147) | (51,926) |
| Capitalized expenses | | 76,159 |
| Interfund loan repayments | <u>2,395</u> | |
| Change in net position - GAAP basis | <u><u>\$10,874</u></u> | <u><u>\$50,228</u></u> |

OTHER INFORMATION

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| ELECTRICAL FUND | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Residential sales | \$705,000 | \$730,000 | \$745,298 | \$15,298 |
| Commercial sales | 480,000 | 500,000 | 512,904 | 12,904 |
| Street lights | 25,300 | 25,300 | 25,509 | 209 |
| Sales to public bodies | 258,000 | 263,000 | 281,557 | 18,557 |
| Customer installation | 5,800 | 5,800 | 6,385 | 585 |
| Pole contacts | 3,750 | 3,750 | 6,506 | 2,756 |
| Interest on investments | 3,000 | 3,000 | 2,298 | (702) |
| Weatherization | 25,000 | 25,000 | 12,367 | (12,633) |
| Miscellaneous | 1,001,500 | 1,001,500 | 54,037 | (947,463) |
| Total Revenues | <u>2,507,350</u> | <u>2,557,350</u> | <u>1,646,861</u> | <u>(910,489)</u> |
| EXPENDITURES | | | | |
| Operating: | | | | |
| Personal services | 945,446 | 945,446 | 428,774 | 516,672 |
| Materials and services | 1,758,121 | 1,761,621 | 1,074,296 | 687,325 |
| Capital outlay | 69,000 | 69,000 | 18,292 | 50,708 |
| Contingencies | 1,703 | 48,203 | 0 | 48,203 |
| | <u>2,774,270</u> | <u>2,824,270</u> | <u>1,521,362</u> | <u>1,302,908</u> |
| Administration: | | | | |
| Personal services | 141,439 | 141,439 | 133,317 | 8,122 |
| Materials and services | 54,435 | 54,435 | 37,003 | 17,432 |
| | <u>195,874</u> | <u>195,874</u> | <u>170,320</u> | <u>25,554</u> |
| Total Expenditures | <u>2,970,144</u> | <u>3,020,144</u> | <u>1,691,682</u> | <u>1,328,462</u> |
| Revenues Over (Under) Expenditures | (462,794) | (462,794) | (44,821) | 417,973 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Repayment of interfund loans | 2,394 | 2,394 | 2,394 | 0 |
| Operating transfers in | 0 | 0 | 4,495 | 4,495 |
| Operating transfers out | (79,600) | (79,600) | (81,747) | (2,147) |
| Total Other Sources (Uses) | <u>(77,206)</u> | <u>(77,206)</u> | <u>(74,858)</u> | <u>2,348</u> |
| Revenues Over (Under) Expenditures and Other Uses | (540,000) | (540,000) | (119,679) | 420,321 |
| FUND BALANCE - July 1, 2013 | <u>540,000</u> | <u>540,000</u> | <u>445,007</u> | <u>(94,993)</u> |
| FUND BALANCE - June 30, 2014 | <u>\$0</u> | <u>\$0</u> | <u>\$325,328</u> | <u>\$325,328</u> |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--------------------------------------|-----------------|---|
| WATER OPERATING FUND | | | |
| REVENUES | | | |
| Water sales | \$206,800 | \$211,233 | \$4,433 |
| Connection charges | 2,000 | 2,674 | 674 |
| Interest on investments | 400 | 265 | (135) |
| Miscellaneous revenues | 19,500 | 27,584 | 8,084 |
| | <u>228,700</u> | <u>241,756</u> | <u>13,056</u> |
| Total Revenues | | | |
| EXPENDITURES | | | |
| Operating: | | | |
| Personal services | 51,887 | 45,821 | 6,066 |
| Materials and services | 121,242 | 90,375 | 30,867 |
| Capital outlay | 1,500 | 645 | 855 |
| Contingencies | 12,973 | 0 | 12,973 |
| | <u>187,602</u> | <u>136,841</u> | <u>50,761</u> |
| Administration: | | | |
| Personal services | 44,825 | 42,050 | 2,775 |
| Materials and services | 13,073 | 11,345 | 1,728 |
| | <u>57,898</u> | <u>53,395</u> | <u>4,503</u> |
| Total Expenditures | <u>245,500</u> | <u>190,236</u> | <u>55,264</u> |
| Revenues Over (Under) Expenditures | <u>(16,800)</u> | <u>51,520</u> | <u>68,320</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 3,600 | 3,600 | 0 |
| Operating transfers out | (6,800) | (6,692) | 108 |
| | <u>(3,200)</u> | <u>(3,092)</u> | <u>108</u> |
| Total Other Financing Sources (Uses) | | | |
| Revenues Over (Under) Expenditures and Other Uses | <u>(20,000)</u> | <u>48,428</u> | <u>68,428</u> |
| FUND BALANCE - July 1, 2013 | <u>20,000</u> | <u>42,193</u> | <u>22,193</u> |
| FUND BALANCE - June 30, 2014 | <u>\$0</u> | <u>\$90,621</u> | <u>\$90,621</u> |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|--|------------------|-----------------|------------------|--|
| | Original | Final | | |
| SEWER OPERATING FUND | | | | |
| REVENUES | | | | |
| Sewer service fees | \$330,000 | \$345,000 | \$373,804 | \$28,804 |
| Miscellaneous revenues | 10,700 | 11,455 | 16 | (11,439) |
| Interest on investments | 750 | 750 | 304 | (446) |
| | <u>341,450</u> | <u>357,205</u> | <u>374,124</u> | <u>16,919</u> |
| EXPENDITURES | | | | |
| Operating: | | | | |
| Personal services | 18,943 | 23,143 | 16,711 | 6,432 |
| Materials and services | 196,986 | 200,741 | 183,203 | 17,538 |
| Capital outlay | 5,500 | 5,500 | 0 | 5,500 |
| Contingencies | 21,847 | 35,797 | 0 | 35,797 |
| | <u>243,276</u> | <u>265,181</u> | <u>199,914</u> | <u>65,267</u> |
| Administration: | | | | |
| Personal services | 40,701 | 40,701 | 38,299 | 2,402 |
| Materials and services | 12,842 | 12,842 | 9,582 | 3,260 |
| | <u>53,543</u> | <u>53,543</u> | <u>47,881</u> | <u>5,662</u> |
| Total Expenditures | <u>296,819</u> | <u>318,724</u> | <u>247,795</u> | <u>70,929</u> |
| Revenues Over Expenditures | <u>44,631</u> | <u>38,481</u> | <u>126,329</u> | <u>87,848</u> |
| OTHER FINANCING USES | | | | |
| Operating transfers in | 0 | 0 | 756 | 756 |
| Operating transfers out | (89,631) | (83,481) | (83,481) | 0 |
| Total Other Financing Sources (Uses) | <u>(89,631)</u> | <u>(83,481)</u> | <u>(82,725)</u> | <u>756</u> |
| Revenues Over (Under) Expenditures and Other Uses | (45,000) | (45,000) | 43,604 | 88,604 |
| FUND BALANCE - July 1, 2013 | <u>45,000</u> | <u>45,000</u> | <u>69,647</u> | <u>24,647</u> |
| FUND BALANCE - June 30, 2014 | <u>\$0</u> | <u>\$0</u> | <u>\$113,251</u> | <u>\$113,251</u> |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|--|------------------|-----------------|----------------|--|
| | Original | Final | | |
| TELEVISION SYSTEM FUND | | | | |
| REVENUES | | | | |
| Cable service fees | \$72,000 | \$72,000 | \$66,173 | (\$5,827) |
| HBO service fees | 8,700 | 8,700 | 8,461 | (239) |
| Channel 23 advertising income | 500 | 500 | 420 | (80) |
| Cable internet sales | 56,000 | 56,000 | 50,248 | (5,752) |
| Cable modem sales | 500 | 500 | 750 | 250 |
| Connection charges | 1,700 | 1,700 | 1,620 | (80) |
| Interest on investments | 50 | 50 | 71 | 21 |
| Miscellaneous revenues | 10,000 | 10,000 | (888) | (10,888) |
| Total Revenues | 149,450 | 149,450 | 126,855 | (22,595) |
| EXPENDITURES | | | | |
| Operating CATV: | | | | |
| Personal services | 4,776 | 13,176 | 12,234 | 942 |
| Materials and services | 86,769 | 86,769 | 86,827 | (58) |
| Contingencies | 32,695 | 13,495 | 0 | 13,495 |
| | <u>124,240</u> | <u>113,440</u> | <u>99,061</u> | <u>14,379</u> |
| Operating Cable Internet: | | | | |
| Personal services | 4,776 | 7,376 | 7,262 | 114 |
| Materials and services | 29,984 | 28,984 | 23,462 | 5,522 |
| Capital outlay | 450 | 450 | 0 | 450 |
| | <u>35,210</u> | <u>36,810</u> | <u>30,724</u> | <u>6,086</u> |
| Total Expenditures | 159,450 | 150,250 | 129,785 | 20,465 |
| Revenues Over (Under) Expenditures | (10,000) | (800) | (2,930) | (2,130) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 0 | 0 | 2,147 | 2,147 |
| Repayment of interfund loans | 0 | (9,200) | (9,200) | 0 |
| Total Other Financing Sources (Uses) | 0 | (9,200) | (7,053) | 2,147 |
| Revenues Over (Under) Expenditures and Other Uses | (10,000) | (10,000) | (9,983) | 17 |
| FUND BALANCE - July 1, 2013 | 10,000 | 10,000 | 19,084 | 9,084 |
| FUND BALANCE - June 30, 2014 | \$0 | \$0 | \$9,101 | \$9,101 |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|---|------------------|------------------|------------------|--|
| | Original | Final | | |
| EMERGENCY SERVICES FUND | | | | |
| REVENUES | | | | |
| Fire and ambulance fees | \$98,718 | \$98,718 | \$139,910 | \$41,192 |
| Interest revenue | 75 | 75 | 278 | 203 |
| Miscellaneous income | 1,500 | 1,500 | 8,759 | 7,259 |
| Total Revenues | <u>100,293</u> | <u>100,293</u> | <u>148,947</u> | <u>48,654</u> |
| EXPENDITURES | | | | |
| Operating: | | | | |
| Personal services | 132,352 | 132,352 | 118,859 | 13,493 |
| Materials and services | 86,082 | 92,325 | 91,129 | 1,196 |
| Capital outlay | 15,700 | 23,200 | 14,100 | 9,100 |
| Contingencies | 24,203 | 15,010 | 0 | 15,010 |
| | <u>258,337</u> | <u>262,887</u> | <u>224,088</u> | <u>38,799</u> |
| Administration: | | | | |
| Personal services | 12,539 | 12,539 | 11,766 | 773 |
| Materials and services | 1,957 | 1,957 | 998 | 959 |
| | <u>14,496</u> | <u>14,496</u> | <u>12,764</u> | <u>1,732</u> |
| Total Expenditures | <u>272,833</u> | <u>277,383</u> | <u>236,852</u> | <u>40,531</u> |
| Revenues Over (Under) Expenditures | <u>(172,540)</u> | <u>(177,090)</u> | <u>(87,905)</u> | <u>89,185</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 120,000 | 124,550 | 123,068 | (1,482) |
| Repayment of interfund loans | (2,460) | (2,460) | (3,459) | (999) |
| Total Other Financing Sources (Uses) | <u>117,540</u> | <u>122,090</u> | <u>119,609</u> | <u>(2,481)</u> |
| Revenues Over (Under) Expenditures and Other Sources | <u>(55,000)</u> | <u>(55,000)</u> | <u>31,704</u> | <u>86,704</u> |
| FUND BALANCE - July 1, 2013 | <u>55,000</u> | <u>55,000</u> | <u>76,547</u> | <u>21,547</u> |
| FUND BALANCE - June 30, 2014 | <u>\$0</u> | <u>\$0</u> | <u>\$108,251</u> | <u>\$108,251</u> |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|---|------------------|---------------|----------------|--|
| | Original | Final | | |
| CEMETERY FUND | | | | |
| REVENUES | | | | |
| Sales and fees | \$2,400 | \$2,400 | \$6,010 | \$3,610 |
| Interest on investments | 50 | 50 | 35 | (15) |
| Total Revenues | <u>2,450</u> | <u>2,450</u> | <u>6,045</u> | <u>3,595</u> |
| EXPENDITURES | | | | |
| Personal services | 2,542 | 3,792 | 3,579 | 213 |
| Materials and services | 2,275 | 4,558 | 4,459 | 99 |
| Contingencies | 5,633 | 2,100 | 0 | 2,100 |
| Total Expenditures | <u>10,450</u> | <u>10,450</u> | <u>8,038</u> | <u>2,412</u> |
| Revenues Over (Under) Expenditures | (8,000) | (8,000) | (1,993) | 6,007 |
| FUND BALANCE - July 1, 2013 | <u>8,000</u> | <u>8,000</u> | <u>8,539</u> | <u>539</u> |
| FUND BALANCE - June 30, 2014 | <u>\$0</u> | <u>\$0</u> | <u>\$6,546</u> | <u>\$6,546</u> |
| GRANTS FUND | | | | |
| REVENUES | | | | |
| Grant revenues | \$54,250 | \$56,000 | \$50,000 | (\$6,000) |
| EXPENDITURES | | | | |
| Materials and services | <u>54,250</u> | <u>61,500</u> | <u>55,500</u> | <u>6,000</u> |
| Revenues Over (Under) Expenditures | 0 | (5,500) | (5,500) | 0 |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | <u>0</u> | <u>5,500</u> | <u>5,500</u> | <u>0</u> |
| Revenues and Other Sources Over Expenditures | 0 | 0 | 0 | 0 |
| FUND BALANCE - July 1, 2013 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCE - June 30, 2014 | <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, 2014

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|------------------------------|----------|--|
| 1998 SEWER BOND FUND | | | |
| REVENUES | | | |
| Interest on investments | \$300 | \$308 | \$8 |
| EXPENDITURES | | | |
| Principal payments | 16,078 | 18,051 | (1,973) |
| Interest payments | 37,633 | 35,660 | 1,973 |
| Contingencies | 60,800 | 0 | 60,800 |
| Total Expenditures | 114,511 | 53,711 | 60,800 |
| Revenues Over (Under) Expenditures | (114,211) | (53,403) | 60,808 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | 53,711 | 53,711 | 0 |
| Revenues and Other Sources Over (Under) Expenditures | (60,500) | 308 | 60,808 |
| FUND BALANCE - July 1, 2013 | 60,500 | 60,678 | 178 |
| FUND BALANCE - June 30, 2014 | \$0 | \$60,986 | \$60,986 |

SYSTEM DEVELOPMENT FUND

| | | | |
|------------------------------------|----------|----------|----------|
| REVENUES | | | |
| Interest on investments | \$150 | \$279 | \$129 |
| Miscellaneous revenue | 0 | 9,631 | 9,631 |
| Total Revenues | 150 | 9,910 | 9,760 |
| EXPENDITURES - | | | |
| Capital outlay | 37,150 | 0 | 37,150 |
| Revenues Over (Under) Expenditures | (37,000) | 9,910 | 46,910 |
| FUND BALANCE - July 1, 2013 | 37,000 | 52,388 | 15,388 |
| FUND BALANCE - June 30, 2014 | \$0 | \$62,298 | \$62,298 |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|--------------------------------------|------------------------|---|
| CEMETERY TRUST FUND | | | |
| REVENUES | | | |
| Interest on investments | \$50 | \$73 | \$23 |
| EXPENDITURES | | | |
| Contingencies | <u>14,250</u> | <u>0</u> | <u>(14,250)</u> |
| Revenues Over (Under) Expenditures | (14,200) | 73 | 14,273 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | <u>200</u> | <u>840</u> | <u>640</u> |
| Revenues Over (Under) Expenditures and Other Sources | (14,000) | 913 | 14,913 |
| FUND BALANCE - July 1, 2013 | <u>14,000</u> | <u>14,357</u> | <u>357</u> |
| FUND BALANCE - June 30, 2014 | <u><u>\$0</u></u> | <u><u>\$15,270</u></u> | <u><u>\$15,270</u></u> |

OIB FIRE HALL DEBT FUND

| | | | |
|---|-------------------|-------------------|--------------------|
| REVENUES | | | |
| Miscellaneous revenue | <u>\$150,000</u> | <u>\$0</u> | <u>(\$150,000)</u> |
| EXPENDITURES | | | |
| Principal payments | 177,044 | 24,770 | 152,274 |
| Interest payments | <u>6,372</u> | <u>8,641</u> | <u>(2,269)</u> |
| Total Expenditures | <u>183,416</u> | <u>33,411</u> | <u>150,005</u> |
| Revenues Over (Under) Expenditures | (33,416) | (33,411) | 5 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | <u>33,416</u> | <u>33,411</u> | <u>(5)</u> |
| Revenues Over (Under) Expenditures and Other Sources | 0 | 0 | 0 |
| FUND BALANCE - July 1, 2013 | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCE - June 30, 2014 | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--------------------------------------|-------------------|---|
| TOURISM FUND | | | |
| REVENUES | | | |
| Room assessment | \$39,900 | \$48,414 | \$8,514 |
| Interest on investments | 150 | 110 | (40) |
| Miscellaneous income | 4,200 | 450 | (3,750) |
| | <u>44,250</u> | <u>48,974</u> | <u>4,724</u> |
| EXPENDITURES | | | |
| Materials and services | 54,828 | 52,669 | 2,159 |
| Contingencies | 1,922 | 0 | 1,922 |
| | <u>56,750</u> | <u>52,669</u> | <u>4,081</u> |
| Revenues Over (Under) Expenditures | (12,500) | (3,695) | 8,805 |
| OTHER FINANCING USES | | | |
| Operating transfers out | 0 | (500) | (500) |
| Revenues Over (Under) Expenditures and Other Uses | (12,500) | (4,195) | 8,305 |
| FUND BALANCE - July 1, 2013 | <u>12,500</u> | <u>19,078</u> | <u>6,578</u> |
| FUND BALANCE - June 30, 2014 | <u>\$0</u> | <u>\$14,883</u> | <u>\$14,883</u> |

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|--|------------------|-------------|-------------|--|
| | Original | Final | | |
| CAPITAL RESERVE FUND - 08 | | | | |
| REVENUES | | | | |
| Interest on investments | \$3,000 | \$3,000 | \$6,240 | \$3,240 |
| Miscellaneous revenue | 150,000 | 150,000 | 153 | (149,847) |
| Total Revenues | 153,000 | 153,000 | 6,393 | (146,607) |
| EXPENDITURES | | | | |
| Capital outlay | 525,000 | 525,000 | 114,421 | 410,579 |
| Contingencies | 1,022,359 | 1,006,559 | 0 | 1,006,559 |
| Total Expenditures | 1,547,359 | 1,531,559 | 114,421 | 1,417,138 |
| Revenues Over (Under) Expenditures | (1,394,359) | (1,378,559) | (108,028) | 1,270,531 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 192,659 | 192,659 | 171,600 | (21,059) |
| Operating transfers out | 0 | (15,800) | | 15,800 |
| Total Other Financing Sources (Uses) | 192,659 | 176,859 | 171,600 | (5,259) |
| Revenues and Other Sources (Uses) Over (Under) Expenditures | (1,201,700) | (1,201,700) | 63,572 | 1,265,272 |
| FUND BALANCE - July 1, 2013 | 1,201,700 | 1,201,700 | 1,205,784 | 4,084 |
| FUND BALANCE - June 30, 2014 | \$0 | \$0 | \$1,269,356 | \$1,269,356 |

CITY OF CASCADE LOCKS, OREGON

Combining Balance Sheet
 Non-major Governmental Funds
June 30, 2014

| | Special Revenue Funds | | | | Total Non-major Governmental Funds |
|--|-----------------------|-----------------|-----------------|-------------------|---|
| | System Development | Grants | Tourism | Cemetery Trust | |
| Cash and cash equivalents | \$62,297 | \$33,059 | (\$342) | \$15,270 | \$110,284 |
| Receivables - net of allowance for uncollectibles | | 38,658 | 15,806 | | 54,464 |
| Total Assets | <u>\$62,297</u> | <u>\$71,717</u> | <u>\$15,464</u> | <u>\$15,270</u> | <u>\$164,748</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | | | \$581 | | \$581 |
| Unearned revenue | | \$6,500 | | | 6,500 |
| Due to other funds | | 65,217 | | | 65,217 |
| Total Liabilities | 0 | 71,717 | 581 | 0 | 72,298 |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Cemetery maintenance | | | | 15,270 | 15,270 |
| Public works | 62,297 | | 14,883 | | 62,297 |
| Committed for tourism | | | | | 14,883 |
| Total Fund Balances | <u>62,297</u> | <u>0</u> | <u>14,883</u> | <u>15,270</u> | <u>92,450</u> |
| Total Liabilities and Fund Balances | <u>\$62,297</u> | <u>\$71,717</u> | <u>\$15,464</u> | <u>\$15,270</u> | <u>\$164,748</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, 2014

| | Special Revenue Funds | | | | | Total |
|---------------------------------------|-----------------------|----------|----------|----------------|------------------------------|-------|
| | System Development | Grants | Tourism | Cemetery Trust | Non-major Governmental Funds | |
| REVENUES | | | | | | |
| Intergovernmental revenues | | \$50,000 | | | \$50,000 | |
| Interest on investments | \$278 | | \$110 | \$73 | 461 | |
| Miscellaneous | 9,631 | | 48,864 | 840 | 59,335 | |
| Total Revenues | 9,909 | 50,000 | 48,974 | 913 | 109,796 | |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | | 500 | | | 500 | |
| Culture and recreation | | | 52,669 | | 52,669 | |
| Total Expenditures | 0 | 500 | 52,669 | 0 | 53,169 | |
| Revenues Over (Under) Expenditures | 9,909 | 49,500 | (3,695) | 913 | 56,627 | |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | | 5,500 | | | 5,500 | |
| Operating transfers out | | (55,000) | (500) | | (55,500) | |
| Total Other Financing Sources (Uses) | 0 | (49,500) | (500) | 0 | (50,000) | |
| Net Change in Fund Balances | 9,909 | 0 | (4,195) | 913 | 6,627 | |
| FUND BALANCE - July 1, 2013 | 52,388 | 0 | 19,078 | 14,357 | 85,823 | |
| FUND BALANCE - June 30, 2014 | \$62,297 | \$0 | \$14,883 | \$15,270 | \$92,450 | |

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, 2014

| | Non-major Funds | | | Total Non-major Proprietary Funds |
|--|------------------------------|------------------|------------------|--|
| | Television System Fund | Cemetery Fund | Water Fund | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$2,246 | \$6,641 | \$72,941 | \$81,828 |
| Accounts receivable | 12,516 | | 24,789 | 37,305 |
| Prepaid expenses | | | 409 | 409 |
| Inventory of materials | 13,179 | | 6,544 | 19,723 |
| Total Current Assets | 27,941 | 6,641 | 104,683 | 139,265 |
| PROPERTY, PLANT AND EQUIPMENT - net of accumulated depreciation | | | | |
| | 141,686 | 30,817 | 732,216 | 904,719 |
| Total Assets | \$169,627 | \$37,458 | \$836,899 | \$1,043,984 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$5,417 | \$21 | \$921 | \$6,359 |
| Accrued expenses | 247 | 74 | 976 | 1,297 |
| Due to other funds | 0 | | | 0 |
| Customer deposits | | | 2,415 | 2,415 |
| Total Current Liabilities | 5,664 | 95 | 4,312 | 10,071 |
| LONG-TERM DEBT | | | | |
| Accrued vacation | 0 | | 3,206 | 3,206 |
| Total Liabilities | 5,664 | 95 | 7,518 | 13,277 |
| NET POSITION | | | | |
| Net investment in capital assets | 141,686 | 30,817 | 732,216 | 904,719 |
| Unrestricted | 22,277 | 6,546 | 97,165 | 125,988 |
| Total Net Position | 163,963 | 37,363 | 829,381 | 1,030,707 |
| Total Liabilities and Net Position | \$169,627 | \$37,458 | \$836,899 | \$1,043,984 |

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, 2014

| | Television System Fund | Cemetery Fund | Water Fund | Total Non-major Proprietary Funds |
|--|------------------------------|------------------|------------------|--|
| OPERATING REVENUES | | | | |
| Sales and service charges | \$125,522 | \$6,010 | \$211,233 | \$342,765 |
| Connection fees and other | 1,262 | | 30,258 | 31,520 |
| Total Operating Revenues | <u>126,784</u> | <u>6,010</u> | <u>241,491</u> | <u>374,285</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 19,495 | 3,579 | 87,871 | 110,945 |
| Contractual services | 6,395 | | 32,773 | 39,168 |
| Materials and supplies | 4,910 | | 12,780 | 17,690 |
| Depreciation | 10,701 | | 30,141 | 40,842 |
| Other | 99,190 | 4,459 | 56,891 | 160,540 |
| Total Operating Expenses | <u>140,691</u> | <u>8,038</u> | <u>220,456</u> | <u>369,185</u> |
| Operating Income (Loss) | (13,907) | (2,028) | 21,035 | 5,100 |
| NONOPERATING REVENUES - | | | | |
| Interest on investments | 70 | 35 | 265 | 370 |
| Income (Loss) Before Operating Transfers | <u>(13,837)</u> | <u>(1,993)</u> | <u>21,300</u> | <u>5,470</u> |
| OPERATING TRANSFERS | | | | |
| Operating transfers in | 14,947 | | 56,050 | 70,997 |
| Operating transfers out | | | (6,692) | (6,692) |
| Total Operating Transfers | <u>14,947</u> | <u>0</u> | <u>49,358</u> | <u>64,305</u> |
| Change in Net Position | 1,110 | (1,993) | 70,658 | 69,775 |
| Total net position - July 1, 2013 | <u>162,853</u> | <u>39,356</u> | <u>758,723</u> | <u>960,932</u> |
| Total net position - June 30, 2014 | <u>\$163,963</u> | <u>\$37,363</u> | <u>\$829,381</u> | <u>\$1,030,707</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, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-------------------------------|-------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$82,914 | \$53,243 |
| Accounts receivable | 35,584 | 33,175 |
| Prepaid expenses | 109 | |
| Inventory | <u>1,241</u> | <u>1,241</u> |
| Total Current Assets | <u>119,848</u> | <u>87,659</u> |
| RESTRICTED ASSETS | | |
| Debt service: | | |
| Cash and investments | <u>61,288</u> | <u>60,979</u> |
| Total Restricted Assets | <u>61,288</u> | <u>60,979</u> |
| PROPERTY, PLANT AND EQUIPMENT - | | |
| net of accumulated depreciation | <u>4,164,233</u> | <u>4,288,323</u> |
| Total Assets | <u><u>\$4,345,369</u></u> | <u><u>\$4,436,961</u></u> |
| LIABILITIES AND FUND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$2,632 | \$13,600 |
| Accrued expenses | 538 | 867 |
| Current portion of long-term debt | <u>16,841</u> | <u>16,077</u> |
| Total Current Liabilities | <u>20,011</u> | <u>30,544</u> |
| LONG-TERM DEBT | | |
| Bonds and notes payable | 715,840 | 734,655 |
| Accrued vacation | <u>2,187</u> | <u>2,305</u> |
| Total Long-term Debt | <u>718,027</u> | <u>736,960</u> |
| Total Liabilities | <u>738,038</u> | <u>767,504</u> |
| NET POSITION | | |
| Net investment in capital assets | 3,431,552 | 3,537,591 |
| Restricted for debt service | 61,288 | 60,979 |
| Unrestricted | <u>114,491</u> | <u>70,887</u> |
| Total Net Position | <u>3,607,331</u> | <u>3,669,457</u> |
| Total Liabilities and Net Position | <u><u>\$4,345,369</u></u> | <u><u>\$4,436,961</u></u> |

CITY OF CASCADE LOCKS, OREGON
 Comparative Schedule of Revenues and Expenses
 Sewer Fund
Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|--------------------------|---------------------------|
| OPERATING REVENUES | | |
| Sales and service charges | \$373,804 | \$352,768 |
| Connection fees and other | 16 | 6,110 |
| | <u>373,820</u> | <u>358,878</u> |
| OPERATING EXPENSES | | |
| Personal services | 55,010 | 47,334 |
| Contractual services | 100,489 | 141,952 |
| Materials and supplies | 14,949 | 9,182 |
| Depreciation | 134,268 | 135,009 |
| Other | 77,347 | 70,955 |
| | <u>382,063</u> | <u>404,432</u> |
| Total Operating Expenses | <u>382,063</u> | <u>404,432</u> |
| Operating Income (Loss) | <u>(8,243)</u> | <u>(45,554)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest on investments | 612 | 777 |
| Bond and other interest expense | (35,660) | (41,188) |
| | <u>(35,048)</u> | <u>(40,411)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(35,048)</u> | <u>(40,411)</u> |
| Income (Loss) Before Operating Transfers | (43,291) | (85,965) |
| OPERATING TRANSFERS - | | |
| Operating transfers out | (18,835) | (19,756) |
| Net Income (Loss) | <u><u>(\$62,126)</u></u> | <u><u>(\$105,721)</u></u> |

CITY OF CASCADE LOCKS, OREGON

Schedule of Property Tax Transactions

Year Ended June 30, 2014

| <u>Tax Year</u> | <u>Current Levy and Balance Receivable July 1, 2013</u> | <u>Adjustments</u> | <u>Discount</u> | <u>Cash Collections</u> | <u>Balance Receivable June 30, 2014</u> |
|----------------------|---|--------------------|------------------|-----------------------------|---|
| GENERAL FUND | | | | | |
| 2013-14 | \$200,337 | (\$470) | (\$5,071) | (\$190,098) | \$4,698 |
| 2012-13 | 5,040 | (180) | 2 | (2,089) | 2,773 |
| 2011-12 | 2,877 | (171) | | (797) | 1,909 |
| 2010-11 | 1,808 | (99) | | (839) | 870 |
| 2009-10 | 750 | (39) | (410) | | 301 |
| 2008-09 | 282 | (29) | | (45) | 208 |
| 2007-08 and prior | 175 | (26) | | (16) | 133 |
| | <u>\$211,269</u> | <u>(\$1,014)</u> | <u>(\$5,479)</u> | <u>(\$193,884)</u> | <u>\$10,892</u> |

CITY OF CASCADE LOCKS, OREGON
 Schedule of Bonded and Long-Term Debt Transactions
 Year Ended June 30, 2014

| | Rural Utilities Service Sewer Revenue Bond | | Oregon Investment Board Loan | |
|---|---|-----------------|---------------------------------|----------------|
| | Principal | Interest | Principal | Interest |
| Original issue | <u>\$954,000</u> | | <u>\$275,000</u> | |
| Matured during year | \$18,051 | \$35,660 | \$24,770 | \$8,641 |
| Paid during year | <u>(18,051)</u> | <u>(35,660)</u> | <u>(24,770)</u> | <u>(8,641)</u> |
| Matured and outstanding at June 30, 2014 | <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, 2014

| <u>Year of Maturity</u> | <u>Rural Utilities Service Sewer Revenue Bond</u> | | <u>Oregon Investment Board Loan</u> | |
|-----------------------------|---|------------------|---|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 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 | 5,900 | 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 | 7,360 | 2,417 | | |
| | <u>\$732,681</u> | <u>\$566,155</u> | <u>\$147,831</u> | <u>\$14,505</u> |

FEDERAL PROGRAMS

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:

100 EAST FOURTH STREET
THE DALLES, OREGON 97058
Telephone: (541) 296-9131
Fax: (541) 296-6151

1313 BELMONT STREET
HOOD RIVER, OREGON 97031
Telephone: (541) 386-6661
Fax: (541) 308-0178

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, 2014, 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 January 29, 2015.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control, 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 January 29, 2015.

City of Cascade Locks' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Onstott, Broehl & Cyphers, PC
January 29, 2015

CITY OF CASCADE LOCKS, OREGON
Schedule of Findings and Responses

Year Ended June 30, 2014

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

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

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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, 2014 and have issued our report thereon dated January 29, 2015. 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.

Onstott, Broehl & Cyphers, PC
January 29, 2015