

CITY OF CASCADE LOCKS
Cascade Locks, Oregon
ANNUAL FINANCIAL REPORT
For Year Ended June 30, 2012

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, 2012

MEMBERS OF THE CITY COUNCIL

Lance Masters, Mayor
P.O. Box 599
Cascade Locks, Oregon 97014

Gail Lewis, Councilmember
P.O. Box 390
Cascade Locks, Oregon 97014

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

Brad Lorang, Councilmember
P.O. Box 385
Cascade Locks, Oregon 97014

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

Mark Storm, Councilmember
P.O. Box 652
Cascade Locks, Oregon 97014

Randy Holmstrom, Councilmember
440 NE Forest Lane
Cascade Locks, Oregon 97014

OTHER OFFICERS

Paul Koch, Interim 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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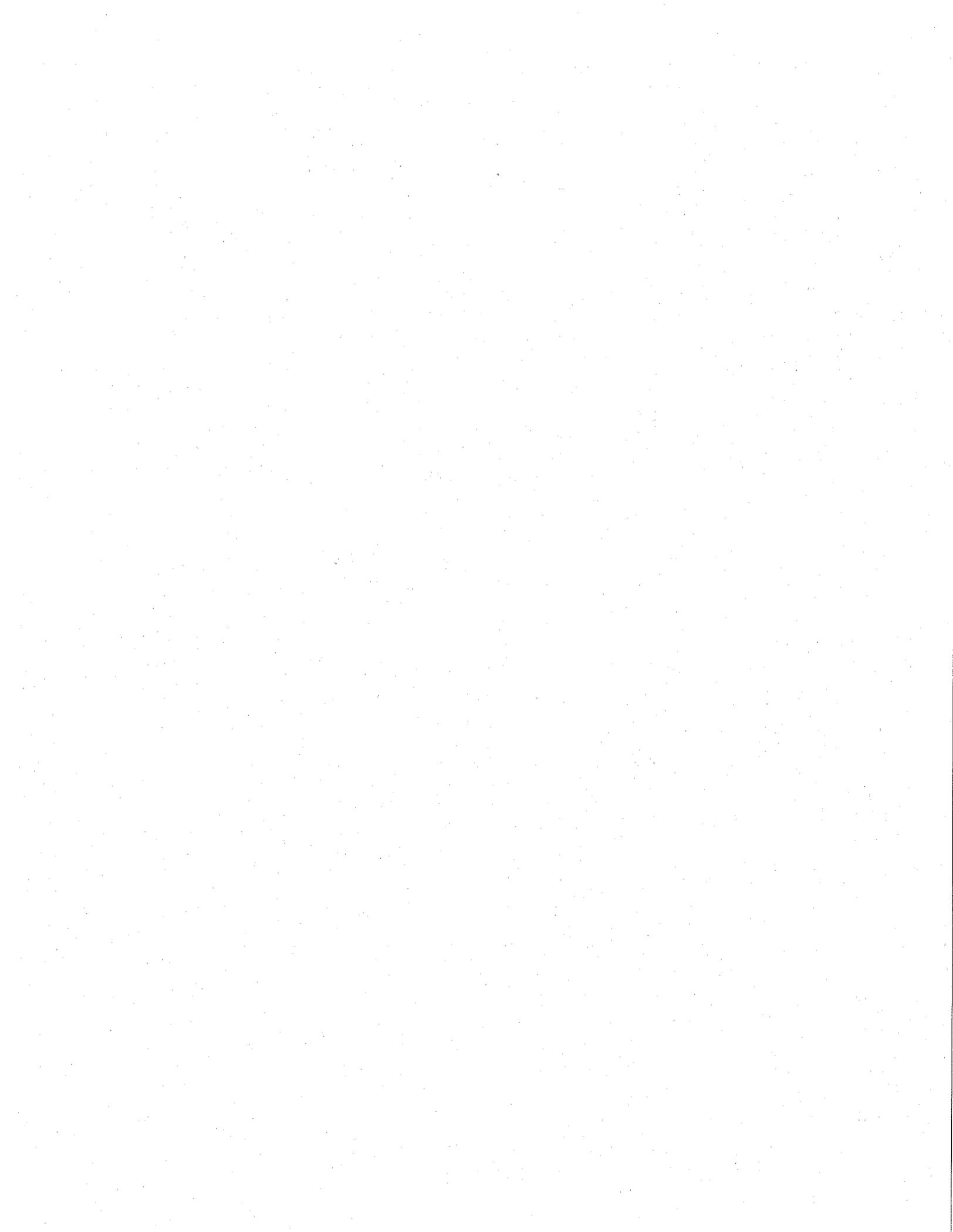
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FINANCIAL SECTION



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.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Cascade Locks, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cascade Locks as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

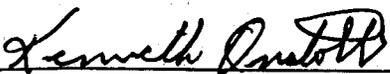
In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013, on our consideration of the City of Cascade Locks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8, and 29 through 32 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade Locks' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and other financial information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The 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.

Onstott, Broehl & Cyphers, P.C.

By: 
a Shareholder

January 24, 2013

**City of Cascade Locks
Management's Discussion and Analysis
Fiscal Year 2011/2012**

As management of the City of Cascade Locks, Oregon (City), we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012 to the readers of the City's financial statements. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow. This Management Discussion and Analysis (MD&A) is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

FINANCIAL HIGHLIGHTS:

The City's assets exceeded its liabilities at June 30 2012, by **\$12,804,436** (net assets). Of this amount, **\$208,787** is restricted for system/equipment upgrade and replacement, and capital improvement projects, and **\$80,678** is restricted for future years' debt service.

- The total net assets increased by **\$66,231** for FY 11/12, as a result of a decrease in liabilities.
- As of the close of FY11/12, the City's governmental funds reported combined ending fund balances of **\$1,949,950**.
- The City's total debt decreased by **\$61,890** (6%) 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, 2012 is shown here:

Net Assets at June 30, 2012:

	Governmental Activities	Business-Type Activities	Total
Cash and Investments	1,374,378	925,630	2,300,008
Other Assets	608,937	126,508	735,445
Capital Assets	1,252,938	9,857,048	11,109,986
Total Assets	3,236,253	10,909,186	14,145,439
Other Liabilities	33,365	179,593	212,958
Long-term Debt Outstanding	18,760	1,109,285	1,128,045
Total Liabilities	52,125	1,288,878	1,341,003
Net Assets:			
Invested in capital assets, net of related debt	1,252,938	8,805,030	10,057,968
Restricted	208,787	80,678	289,465
Unrestricted	1,722,403	734,600	2,457,003
Total Net Assets	3,184,128	9,620,308	12,804,436

Governmental Activities

Infrastructure, land, buildings, equipment and other improvements total **\$1,252,938**. Non-land portion of governmental capital assets are now depreciated and the accumulated depreciation at fiscal yearend is **\$1,581,351**. Governmental activities' assets, exclusive of capital assets, total **\$1,983,315** compared to total assets of **\$3,236,253** inclusive of capital assets. The City had no governmental long-term debt as of June 30, 2012 except for accrued sick pay of **\$18,760**.

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, 2012 total **\$9,857,048**. Accumulated depreciation totals **\$5,747,596**. Business-type assets, exclusive of capital assets, total **\$ 1,052,138** compared to total assets of **\$10,909,186** inclusive of capital assets. The City had **\$854,140** in long-term business-type sewer plant debt as of June 30, 2012. Principal and interest is payable from sewer user fees and sewer system development charges. The City also had **\$197,478** in long-term debt on the fire hall as June 30, 2012.

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, 2012

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

Governmental Activities:

Governmental related revenues decreased by **\$552,576** from 10/11 to FY11/12, due to a decrease in Charges for Services, Property Taxes, Payments in Lieu of Taxes and Capital Grants and Contributions. Governmental Expenses decreased by **\$650,124**, due to a decrease in General Government, Public Safety, Highways and Streets, Culture and Recreation.

Business-type Activities:

Business-type related revenues decreased from FY10/11 by **\$108,124** in FY11/12 due to a decline in Charges for Services.

Business-type related expenses decreased from FY10/11 by **\$ 204,062** in FY 11/12.

A summary version of the Statement of Activities follows:
Comparison of Statement of Activities for FY11/12 and FY10/11

	Governmental Activities	FY11/12 Business-type Activities	Total	Governmental Activities	FY10/11 Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	7,281	2,386,468	2,393,749	9,987	2,540,873	2,550,860
Operating grants and contributions	378,000	77,370	455,370	406,599	31,139	437,738
Capital grants and contributions				516,976		516,976
General revenues:						
Property taxes	185,985		185,985	191,517		191,517
Payments in lieu of taxes	109,021		109,021	113,177		113,177
Unrestricted investment earnings	10,680	4,758	15,438	5,287	4,708	9,995
Total revenues	690,967	2,468,596	3,159,563	1,243,543	2,576,720	3,820,263
Expenses:						
General government	227,413		227,413	349,255		349,255
Public safety	90,746		90,746	580,696		580,696
Highways and streets	91,136		91,136	125,002		125,002
Culture and recreation	74,351		74,351	78,817		78,817
Electric		1,569,999	1,569,999		1,604,759	1,604,759
Emergency Services		252,768	252,768		393,847	393,847
Sewer		399,005	399,005		424,395	424,395
Other		387,914	387,914		390,747	390,747
Total expenses	483,646	2,609,686	3,093,332	1,133,770	2,813,748	3,947,518
Increase (decrease) in net assets before transfers	207,321	(141,090)	66,231	109,773	(237,028)	(127,255)
Transfers	(42,171)	42,171		(5,258)	5,258	
Increase (decrease) in net assets	165,150	(98,919)	66,231	104,515	(231,770)	(127,255)
Net assets - beginning of year	3,018,978	9,719,227	12,738,205	2,914,463	9,950,997	12,865,460
Net assets - end of year	3,184,128	9,620,308	12,804,436	3,018,978	9,719,227	12,738,205

General Fund Budgetary Highlights

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

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

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

Water and Sewer rates were established by Resolution No. 1006 and 1007 in February 2004.

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

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

Resolution No. 1156 and 1157 were approved December 2008 to comply with the newly approved Charter Amendments that prevent the City from raising fees without voter approval.

Resolution No. 1156 was repealed by 1247 in August 2012.

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

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

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

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the City had invested **\$11,109,986** 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	127,031	1,528,149	1,655,180
System		7,516,300	7,516,300
Machinery and equipment	121,612	631,235	752,847
Infrastructure	833,030		833,030
Construction in progress		13,932	13,932
Total Assets	1,252,938	9,857,048	11,109,986

Increase/Decrease of Capital Assets between FY11/12 and Prior Fiscal Year FY10/11
(Net of Depreciation)

	Governmental Activities	Business-Type Activities	Total
Buildings and improvements	(6,226)	(32,516)	(38,742)
System		(101,328)	(101,328)
Machinery and equipment	(4,072)	(32,023)	(36,095)
Infrastructure	807		807
Total Assets	(9,491)	(165,867)	(175,358)

Debt Outstanding

As of June 30, 2012, the City had **\$1,051,620** in debt outstanding, compared to **\$1,113,510** as of June 30, 2011. As of June 30, 2012, **\$60,264** is due within one year. Of this total, 2 loan payments are for sewer plant and 1 loan payment for Fire Station.

Outstanding Debt at Year End

	2012	2011
Governmental	-	-
Business-type:		
Fire Station - OIB Loan (Oregon Investment Board)	197,479	222,446
Sewer – OEDD Loan (Oregon Economic Development Department)	86,176	104,931
Sewer – Rural Utilities	767,965	786,133
Total Assets	1,051,620	1,113,510

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 declined by approximately 3% between FY10/11 and FY11/12.

The City's Business-type activities are funded through utility charges, user fees, and system development charges. In the past, the City Council has directed staff to complete rate analysis at least annually and to contract for a formal rate study every two to three years, so that small rate increases can be made annually, instead of waiting for a long period and then initiating a large rate increase. The new charter amendment removes the Council's ability to increase rates in accordance with these principals. Electrical rate studies were completed in FY05/06. These rates are scheduled to be reviewed during the 2012-2013 Fiscal Year.

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

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

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

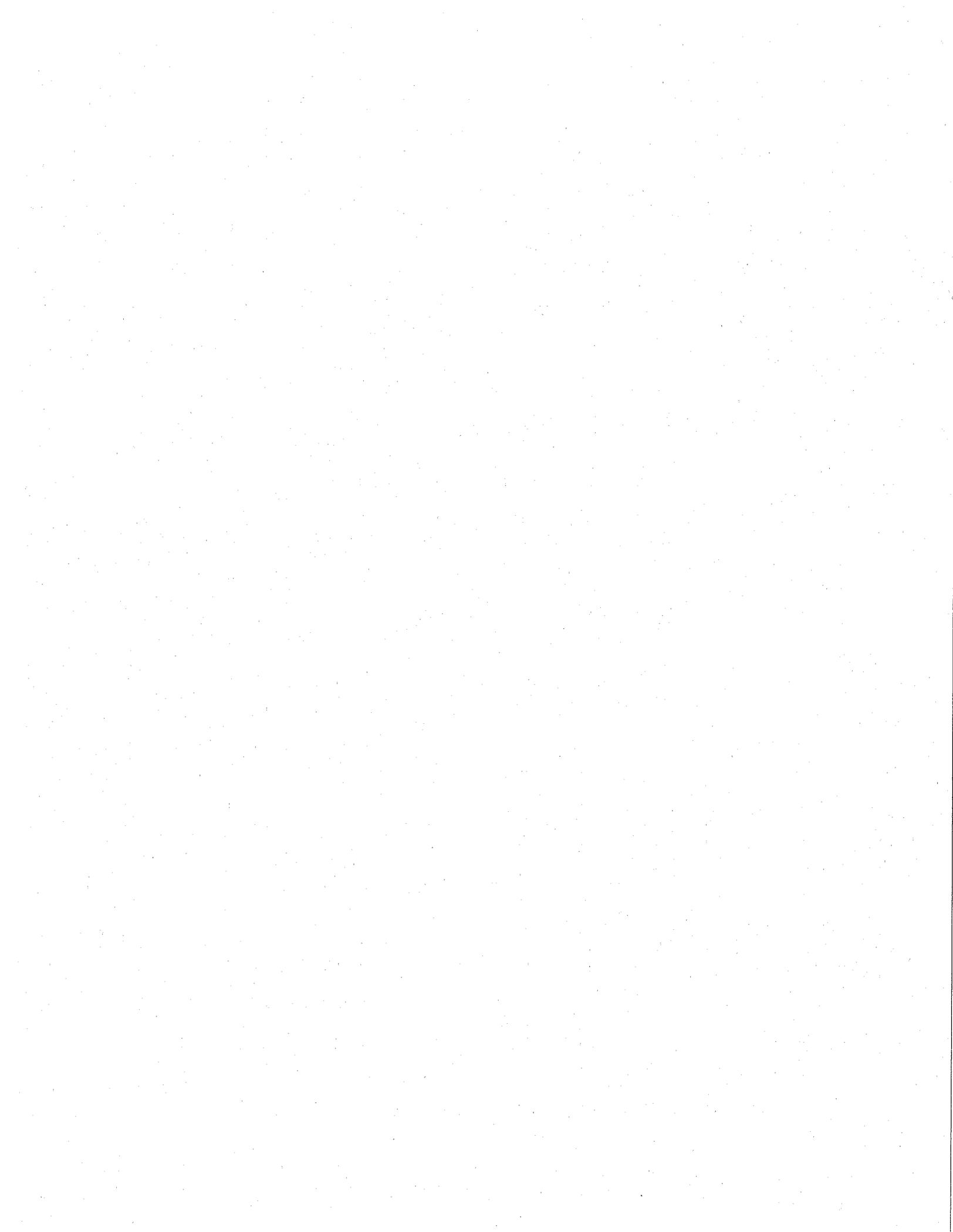
The City continues to work with Nestlé Waters Group in siting a \$50,000,000 bottling plant in Cascade Locks. If successful, this project would bring a significant boost to the City's property tax, utility revenues, and jobs base.

The City Council, in collaboration with the Port of Cascade Locks has just approved a new multi-faceted approach to economic development and is working very close with the County and State to enhance the local economy. The City Council, in setting its budget priorities for 2012-13 has established economic development and job creation among the very highest priorities for the city.

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS



CITY OF CASCADE LOCKS, OREGON
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$1,374,378	\$925,630	\$2,300,008
Receivables - net of allowance for uncollectibles	111,496	241,881	353,377
Due to (from) other funds	497,441	(497,441)	0
Prepaid expenses		10,780	10,780
Inventory		290,610	290,610
Restricted cash and investment		80,678	80,678
Capital assets (net of accumulated depreciation):			
Land and other	171,265	167,432	338,697
Buildings and improvements	127,031	1,528,149	1,655,180
System		7,516,300	7,516,300
Machinery and equipment	121,612	631,235	752,847
Infrastructure	833,030		833,030
Construction in progress		13,932	13,932
	<u>3,236,253</u>	<u>10,909,186</u>	<u>14,145,439</u>
Total Assets			
LIABILITIES			
Liabilities:			
Accounts payable	17,662	80,867	98,529
Accrued expenses	4,314	9,086	13,400
Customer deposits		89,640	89,640
Deferred revenue	11,389		11,389
Noncurrent liabilities:			
Payable within one year		60,264	60,264
Payable in more than one year	18,760	1,049,021	1,067,781
	<u>52,125</u>	<u>1,288,878</u>	<u>1,341,003</u>
Total Liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	1,252,938	8,805,030	10,057,968
Restricted for:			
System development	85,100		85,100
Highways and streets	94,062		94,062
Culture and recreation	15,502		15,502
Cemetery maintenance	14,123		14,123
Debt service		80,678	80,678
Unrestricted	1,722,403	734,600	2,457,003
	<u>1,722,403</u>	<u>734,600</u>	<u>2,457,003</u>
Total Net Assets	<u>\$3,184,128</u>	<u>\$9,620,308</u>	<u>\$12,804,436</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, 2012

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 227,413	\$ 7,281	\$ 265,759	\$ 45,627	\$ 45,627	\$ 45,627
Public safety	90,746		5,647	(85,099)	(85,099)	(85,099)
Highways and streets	91,136		63,767	(27,369)	(27,369)	(27,369)
Culture and recreation	74,351		42,827	(31,524)	(31,524)	(31,524)
Total Governmental Activities	483,646	7,281	378,000	(98,365)	(98,365)	(98,365)
Business-type activities:						
Electric	1,569,999	1,591,764	77,370	0	\$ 99,135	99,135
Emergency services	252,768	107,332			\$ (145,436)	(145,436)
Sewer	399,005	337,458			\$ (61,547)	(61,547)
Other	387,914	349,914			\$ (38,000)	(38,000)
Total Business-type Activities	2,609,686	2,386,468	77,370	(145,848)	(145,848)	(145,848)
Total	\$ 3,093,332	\$ 2,393,749	\$ 455,370	(98,365)	(145,848)	(244,213)
General Revenues:						
Property taxes				185,985		185,985.00
Payments in lieu of taxes				109,021		109,021.00
Unrestricted investment earnings				10,680	4,758	15,438.00
Transfers				(42,171)	42,171	0
Total General Revenues and Transfers				263,515	46,929	310,444
Change in Net Assets				165,150	(98,919)	66,231
Net Assets - July 1, 2011:						
As previously reported				2,554,189	10,184,016	12,738,205
Prior period adjustment				464,789	(464,789)	0
Net Assets - June 30, 2012				3,018,978	9,719,227	12,738,205
				\$ 3,184,128	\$ 9,620,308	\$ 12,804,436

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

CITY OF CASCADE LOCKS, OREGON

Balance Sheet
Governmental Funds
June 30, 2012

	<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	\$62,629	\$94,543	\$1,098,080	\$119,124	\$1,374,376
Receivables - net of allowance for uncollectibles	<u>38,431</u>	<u>1,391</u>	<u>566,968</u>	<u>67,365</u>	<u>674,155</u>
Total Assets	<u><u>\$101,060</u></u>	<u><u>\$95,934</u></u>	<u><u>\$1,665,048</u></u>	<u><u>\$186,489</u></u>	<u><u>\$2,048,531</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$10,693	\$781		\$6,187	\$17,661
Accrued expenses	3,750	564			4,314
Due to other funds				65,217	65,217
Deferred revenue	<u>11,030</u>			<u>359</u>	<u>11,389</u>
Total Liabilities	<u>25,473</u>	<u>1,345</u>	<u>0</u>	<u>71,763</u>	<u>98,581</u>
Fund Balances:					
Restricted for:					
Cemetery maintenance				14,123	14,123
Highways and streets		94,589			94,589
Public works				85,100	85,100
Committed for:					
Tourism				15,503	15,503
Capital projects			1,665,048		1,665,048
Unassigned	<u>75,587</u>				<u>75,587</u>
Total Fund Balances	<u>75,587</u>	<u>94,589</u>	<u>1,665,048</u>	<u>114,726</u>	<u>1,949,950</u>
Total Liabilities and Fund Balances	<u><u>\$101,060</u></u>	<u><u>\$95,934</u></u>	<u><u>\$1,665,048</u></u>	<u><u>\$186,489</u></u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,252,938
Prepaid construction deposits are not reported in the funds	(10,502)
Accrued vacation pay in governmental activities is not reported in the funds	<u>(8,258)</u>
Net assets of governmental activities	<u><u>3,184,128</u></u>

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, 2012

	General	Street	Capital Reserve 08	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$185,985				\$185,985
Payments in lieu of taxes from enterprise funds	109,021				109,021
Intergovernmental revenues	26,446	\$62,812		\$6,489	95,747
Charges for services	6,681				6,681
Fines and forfeitures	600				600
Interest on investments	559	332	\$4,902	607	6,400
Miscellaneous	124,862	955	112,297	42,421	280,535
Total Revenues	454,154	64,099	117,199	49,517	684,969
EXPENDITURES					
Current:					
General government	207,433				207,433
Public safety	84,258			6,489	90,747
Highways and streets		37,898			37,898
Culture and recreation	18,400			57,551	75,951
Capital outlay		1,300	141,487		142,787
Total Expenditures	310,091	39,198	141,487	64,040	554,816
Revenues Over (Under) Expenditures	144,063	24,901	(24,288)	(14,523)	130,153
OTHER FINANCING SOURCES (USES)					
Operating transfers in		15,745	236,422	9,103	261,270
Operating transfers out	(113,693)	(1,000)	(57,000)		(171,693)
Interfund loan payments	(46,479)		(5,525)		(52,004)
Total Other Financing Sources (Uses)	(160,172)	14,745	173,897	9,103	37,573
Net Change in Fund Balances	(16,109)	39,646	149,609	(5,420)	167,726
FUND BALANCE - July 1, 2011					
As originally reported	91,696	54,943	1,050,650	120,146	1,317,435
Prior period adjustment			464,789		464,789
As Adjusted	91,696	54,943	1,515,439	120,146	1,782,224
FUND BALANCE - June 30, 2012	\$75,587	\$94,589	\$1,665,048	\$114,726	\$1,949,950

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, 2012

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

Net change in fund balances - total governmental funds	\$167,726
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	(9,490)
Change in construction deposits classified as long-term debt are not reported in the fund expenditures	7,600
Changes in accrued vacation pay which is classified as long-term debt are not reported in the fund expenditures	<u>(686)</u>
Change in net assets of governmental activities	<u><u>\$165,150</u></u>

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

CITY OF CASCADE LOCKS, OREGON
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds				Total
	Electrical Fund	Emergency Services Fund	Sewer Fund	Other Enterprise Funds	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$712,602	\$23,748	\$92,063	\$97,217	\$925,630
Accounts receivable	123,762	62,669	35,737	35,487	257,655
Less allowance for doubtful accounts	(225)	(15,549)			(15,774)
Prepaid expenses	2,262	7,756		762	10,780
Inventory of materials	266,276		1,864	22,470	290,610
Total Current Assets	1,104,677	78,624	129,664	155,936	1,468,901
RESTRICTED ASSETS					
Debt service:					
Cash and investments			80,678		80,678
PROPERTY, PLANT AND EQUIPMENT - net of accumulated depreciation					
	2,349,001	2,137,677	4,423,332	947,038	9,857,048
Total Assets	\$3,453,678	\$2,216,301	\$4,633,674	\$1,102,974	\$11,406,627
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$67,008	\$3,911	\$1,697	\$8,251	\$80,867
Accrued expenses	7,323	141	147	1,475	9,086
Due to other funds		497,441			497,441
Customer deposits	87,225			2,415	89,640
Current portion of long-term debt		25,985	34,279		60,264
Total Current Liabilities	161,556	527,478	36,123	12,141	737,298
LONG-TERM DEBT					
Bonds and notes payable		171,493	819,861		991,354
Accrued vacation and other	49,432	490	2,512	5,233	57,667
Total Long-Term Debt	49,432	171,983	822,373	5,233	1,049,021
Total Liabilities	210,988	699,461	858,496	17,374	1,786,319
NET ASSETS					
Invested in capital assets, net of related debt	2,349,001	1,939,799	3,569,192	947,038	8,805,030
Restricted for debt service (expendable)			80,678		80,678
Unrestricted	893,689	(422,959)	125,308	138,562	734,600
Total Net Assets	3,242,690	1,516,840	3,775,178	1,085,600	9,620,308
Total Liabilities and Net Assets	\$3,453,678	\$2,216,301	\$4,633,674	\$1,102,974	\$11,406,627

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 Assets
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Totals
	Electrical Fund	Emergency Services Fund	Sewer Fund	Other Enterprise Funds	
OPERATING REVENUES					
Sales and service charges	\$1,519,498	\$103,077	\$336,731	\$339,794	\$2,299,100
Connection fees and other	72,266	4,255	727	10,120	87,368
Total Operating Revenues	1,591,764	107,332	337,458	349,914	2,386,468
OPERATING EXPENSES					
Purchased power	660,333				660,333
Personal services	519,707	12,308	36,653	115,154	683,822
Contractual services	60,639	15,356	119,356	43,056	238,407
Materials and supplies	9,483	8,962	10,073	24,537	53,055
Depreciation	101,989	96,568	134,808	57,559	390,924
Other	217,848	111,131	56,860	147,608	533,447
Total Operating Expenses	1,569,999	244,325	357,750	387,914	2,559,988
Operating Income (Loss)	21,765	(136,993)	(20,292)	(38,000)	(173,520)
NONOPERATING REVENUES (EXPENSES)					
Interest on investments	3,293		919	546	4,758
Bond and other interest expense		(8,443)	(41,255)		(49,698)
Miscellaneous nonoperating income	77,370				77,370
Total Nonoperating Revenues (Expenses)	80,663	(8,443)	(40,336)	546	32,430
Income (Loss) Before Operating Transfers	102,428	(145,436)	(60,628)	(37,454)	(141,090)
OPERATING TRANSFERS					
Operating transfers in	44,180	159,623	10,215	29,312	243,330
Operating transfers out	(95,345)	0	(66,000)	(39,814)	(201,159)
Total Operating Transfers	(51,165)	159,623	(55,785)	(10,502)	42,171
Change in Net Assets	51,263	14,187	(116,413)	(47,956)	(98,919)
Total net assets - July 1, 2011:					
As originally reported	3,191,427	1,967,442	3,891,591	1,133,556	10,184,016
Prior period adjustment		(464,789)			(464,789)
As adjusted	3,191,427	1,502,653	3,891,591	1,133,556	9,719,227
Total net assets - June 30, 2012	\$3,242,690	\$1,516,840	\$3,775,178	\$1,085,600	\$9,620,308

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, 2012

	Electrical Fund	Emergency Services Fund	Sewer Fund	Other Enterprise Funds	Totals
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from customers	\$1,616,282	\$103,704	\$339,596	\$352,300	\$2,411,882
Cash paid to suppliers	(811,559)	(141,112)	(169,407)	(203,270)	(1,325,348)
Cash paid to employees	(549,599)	(35,545)	(39,260)	(120,737)	(745,141)
Payments in lieu of taxes	(60,770)		(17,906)	(16,540)	(95,216)
Interest received	3,293		919	546	4,758
Net Cash Provided (Used) by Operating Activities	<u>197,647</u>	<u>(72,953)</u>	<u>113,942</u>	<u>12,299</u>	<u>250,935</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers from other funds	44,180	159,623	10,215	29,312	243,330
Operating transfers to other funds	<u>(95,345)</u>		<u>(66,000)</u>	<u>(39,814)</u>	<u>(201,159)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(51,165)</u>	<u>159,623</u>	<u>(55,785)</u>	<u>(10,502)</u>	<u>42,171</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loans from other funds		57,000			57,000
Repayments of interfund loans		(48,938)			(48,938)
Acquisition and construction of capital assets	(180,248)	(2,554)	(14,495)	(27,760)	(225,057)
Principal paid on maturity of long-term debt		(24,967)	(36,924)		(61,891)
Interest paid on long-term debt		<u>(8,443)</u>	<u>(41,255)</u>		<u>(49,698)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(180,248)</u>	<u>(27,902)</u>	<u>(92,674)</u>	<u>(27,760)</u>	<u>(328,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) in restricted cash and investments for debt service			12,358		12,358
Net Cash Provided by Investing Activities	<u>0</u>	<u>0</u>	<u>12,358</u>	<u>0</u>	<u>12,358</u>
Increase (Decrease) in Cash	(33,766)	58,768	(22,159)	(25,963)	(23,120)
CASH & CASH EQUIVALENTS - July 1, 2011	<u>746,368</u>	<u>(35,020)</u>	<u>114,222</u>	<u>123,180</u>	<u>948,750</u>
CASH & CASH EQUIVALENTS - June 30, 2012	<u>\$712,602</u>	<u>\$23,748</u>	<u>\$92,063</u>	<u>\$97,217</u>	<u>\$925,630</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$21,765	(\$136,993)	(\$20,292)	(\$38,000)	(\$173,520)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	101,989	96,568	134,808	57,559	390,924
Non-operating income	77,370				77,370
Interest received	3,293		919	546	4,758
Changes in assets - Decrease in:					
Accounts receivable	19,468	(3,628)	2,138	2,581	20,559
Prepaid expenses	(2,262)	(3,762)		(762)	(6,786)
Inventory	(26,723)		267	707	(25,749)
Changes in liabilities - Increase (decrease) in:					
Accounts payable	27,589	(1,901)	(1,291)	(4,554)	19,843
Accrued expenses	(29,293)	(6,273)	(2,797)	(5,827)	(44,190)
Accrued vacation	(599)	(16,964)	190	244	(17,129)
Customer deposits	5,050			(195)	4,855
Net cash provided (used) by operating activities	<u>\$197,647</u>	<u>(\$72,953)</u>	<u>\$113,942</u>	<u>\$12,299</u>	<u>\$250,935</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, 2012

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 assets and the statement of changes in net assets) 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus - continued

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally the City reports the following fund types:

Special revenue funds that account for revenues derived from specific sources that have been restricted to finance particular functions or activities. These include the *system development fund, grants fund, tourism fund, 911 emergency fund, museum trust 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, 2012

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 Assets 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities, and Net Assets 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, 2012 were \$93,036. Included in this amount is the RUS required restricted reserve of \$53,711.

Other net 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities, and Net Assets 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 2012.

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 Assets.

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities, and Net Assets 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, 2012, the carrying amount of the City's deposits was \$184,896 and the bank balance was \$235,199. Of the bank balance, all was covered by Federal depository insurance.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. The City has not adopted a formal policy for these risks. At June 30, 2012 the City's investment balances were as follows:

	<u>Cost</u>	<u>Reported Amount/ Fair Value</u>
Oregon Local Government Investment Pool	<u>\$2,195,038</u>	<u>\$2,195,038</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	\$2,300,008
Restricted for debt service	<u>80,678</u>
	<u>\$2,380,686</u>

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS - continued

Receivables

Receivables as of June 30, 2012 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts Receivable	Grants Receivable	Taxes Receivable	Total	Less Allowance for Uncollectibles	Total
General	\$37,776		\$13,255	\$51,031	(\$12,600)	\$38,431
Streets	1,391			1,391		1,391
Capital Reserve	4,310			4,310		4,310
Electrical	123,762			123,762	(225)	123,537
Emergency Services	62,669			62,669	(15,549)	47,120
Sewer	35,737			35,737		35,737
Nonmajor Funds	46,770	\$56,081		102,851		102,851
	<u>\$312,415</u>	<u>\$56,081</u>	<u>\$13,255</u>	<u>\$381,751</u>	<u>(\$28,374)</u>	<u>\$353,377</u>

Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balances July 1, 2011	Additions	Deletions	Balances June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$171,265			\$171,265
Total capital assets , not being depreciated	<u>171,265</u>	<u>0</u>	<u>0</u>	<u>171,265</u>
Capital assets, being depreciated:				
Buildings and improvements	272,281			272,281
Machinery and equipment	486,835	15,862		502,697
Infrastructure	1,842,166	45,880		1,888,046
Total capital assets being depreciated	<u>2,601,282</u>	<u>61,742</u>	<u>0</u>	<u>2,663,024</u>
Less accumulated depreciation for:				
Buildings and improvements	(139,024)	(6,226)		(145,250)
Machinery and equipment	(361,151)	(19,934)		(381,085)
Infrastructure	(1,009,943)	(45,073)		(1,055,016)
Total accumulated depreciation	<u>(1,510,118)</u>	<u>(71,233)</u>	<u>0</u>	<u>(1,581,351)</u>
Total capital assets, being depreciated, net	<u>1,091,164</u>	<u>(9,491)</u>	<u>0</u>	<u>1,081,673</u>
Governmental activities capital assets, net	<u>\$1,262,429</u>	<u>(\$9,491)</u>	<u>\$0</u>	<u>\$1,252,938</u>

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Capital assets - continued

	<u>Balances</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2012</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$133,927			\$133,927
Construction in progress	13,932			13,932
Other	33,505			33,505
	<u>181,364</u>	<u>0</u>	<u>0</u>	<u>181,364</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	1,631,036			1,631,036
System	11,777,400	168,236	3,398	11,942,238
Machinery and equipment	1,793,185	56,821		1,850,006
	<u>15,201,621</u>	<u>225,057</u>	<u>3,398</u>	<u>15,423,280</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings	(70,371)	(32,516)		(102,887)
System	(4,159,772)	(269,564)	(3,398)	(4,425,938)
Machinery and equipment	(1,129,927)	(88,844)		(1,218,771)
	<u>(5,360,070)</u>	<u>(390,924)</u>	<u>(3,398)</u>	<u>(5,747,596)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>9,841,551</u>	<u>(165,867)</u>	<u>0</u>	<u>9,675,684</u>
Business-type activities capital assets, net	<u>\$10,022,915</u>	<u>(\$165,867)</u>	<u>\$0</u>	<u>\$9,857,048</u>

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

Governmental activities:	
General government	\$19,251
Highways and streets, including depreciation of general infrastructure assets	<u>51,982</u>
Total depreciation expense - governmental activities	<u>\$71,233</u>
Business-type activities:	
Water	\$31,087
Sewer	134,808
CATV	26,472
Electric	101,989
Public safety	<u>96,568</u>
Total depreciation expense - business-type activities	<u>\$390,924</u>

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements
June 30, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Interfund transfers

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

Transfer Out:	Transfer In:								Total
	General	Street	Capital Reserve	Nonmajor Governmental	Electrical	Sewer	Emergency Services	Nonmajor Proprietary	
General				\$3,103			\$157,069		\$160,172
Street			\$1,000						1,000
Capital Reserve	\$13,309	\$48,434			\$44,181	\$10,215	2,554	\$22,795	141,488
Sewer			66,000						66,000
Electrical		\$15,745	76,000					3,600	95,345
Nonmajor proprietary			30,897	6,000				2,917	39,814
Total transfers out	\$13,309	\$64,179	\$173,897	\$9,103	\$44,181	\$10,215	\$159,623	\$29,312	\$503,819

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 Economic Development Department at an average rate of 5.1358%. During 2008-09 the City borrowed \$275,000 from the Oregon Investment Board at a rate of 4%. Interest in the amount of \$49,699 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, 2012 were as follows:

	OEDD Loan		1998 Sewer Revenue Bonds		OIB Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012-13	\$18,931	\$4,710	15,348	38,362	\$25,985	\$7,426	\$60,264	\$50,498
2013-14	22,213	3,687	16,077	37,633	27,043	6,368	65,333	47,688
2014-15	22,410	2,477	16,841	36,870	28,145	5,266	67,396	44,613
2015-16	22,622	1,244	17,641	36,070	29,292	4,119	69,555	41,433
2016-17			18,479	35,232	30,485	2,926	48,964	38,158
2017-22			106,425	162,130	56,529	2,194	162,954	164,324
2022-27			134,218	134,335			134,218	134,335
2027-32			169,271	99,283			169,271	99,283
2032-37			213,478	55,075			213,478	55,075
2037-39			60,187	7,160			60,187	7,160
	\$86,176	\$12,118	\$767,965	\$642,150	\$197,479	\$28,299	\$1,051,620	\$682,567

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements
June 30, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Bonds payable and long-term debt - continued

Changes in Long-Term Debt were as follows:

	<u>1998 Sewer Revenue Bonds</u>	<u>OEDD Loan</u>	<u>OIB Loan</u>	<u>Other</u>	<u>Total</u>
Governmental-type activities:					
Balance - July 1, 2011				\$25,674	\$25,674
Payments				<u>(6,914)</u>	<u>(6,914)</u>
Balance - June 30, 2012				<u>18,760</u>	<u>18,760</u>
Business-type activities:					
Balance - July 1, 2011	\$786,133	\$104,931	\$222,446	74,795	1,188,305
Payments	<u>(18,169)</u>	<u>(18,755)</u>	<u>(24,968)</u>	<u>(17,128)</u>	<u>(79,020)</u>
Balance - June 30, 2012	<u>767,964</u>	<u>86,176</u>	<u>197,478</u>	<u>57,667</u>	<u>1,109,285</u>
Total - June 30, 2012	<u>\$767,964</u>	<u>\$86,176</u>	<u>\$197,478</u>	<u>\$76,427</u>	<u>\$1,128,045</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, 2012

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 –20.42%; OPSRP general service members – 20.15%; and OPSRP police and fire – 22.89% 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, 2012, 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, 2011 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases was 3.75% per year, (c) future interest credits on member contributions of 8.00% on regular member accounts and 8.25% on variable member accounts, and (d) 2.75% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation is 2.75% per year. The actuarial value of PERS assets are valued on the projected unit credit method. The City's unfunded actuarial liability is being amortized as a level percentage of payroll over a closed 20 year period for Tier 1/Tier 2 and 16 years for OPSRP.

Annual Pension Cost

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
6-30-10	\$170,010	100%	0
6-30-11	138,563	100%	0
6-30-12	129,666	100%	0

Trend Information

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

Schedule of Funding Progress for City of Cascade Locks

Actuarial Valuation Date	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	UAL / Payroll
12-31-09	1,436,720	77%	748,152	192%
12-31-10	1,436,259	79%	800,925	179%
12-31-11	1,547,049	75%	706,952	219%

CITY OF CASCADE LOCKS, OREGON

Notes to Financial Statements

June 30, 2012

NOTE 3 – OTHER INFORMATION – continued

Employee Retirement Plan, continued

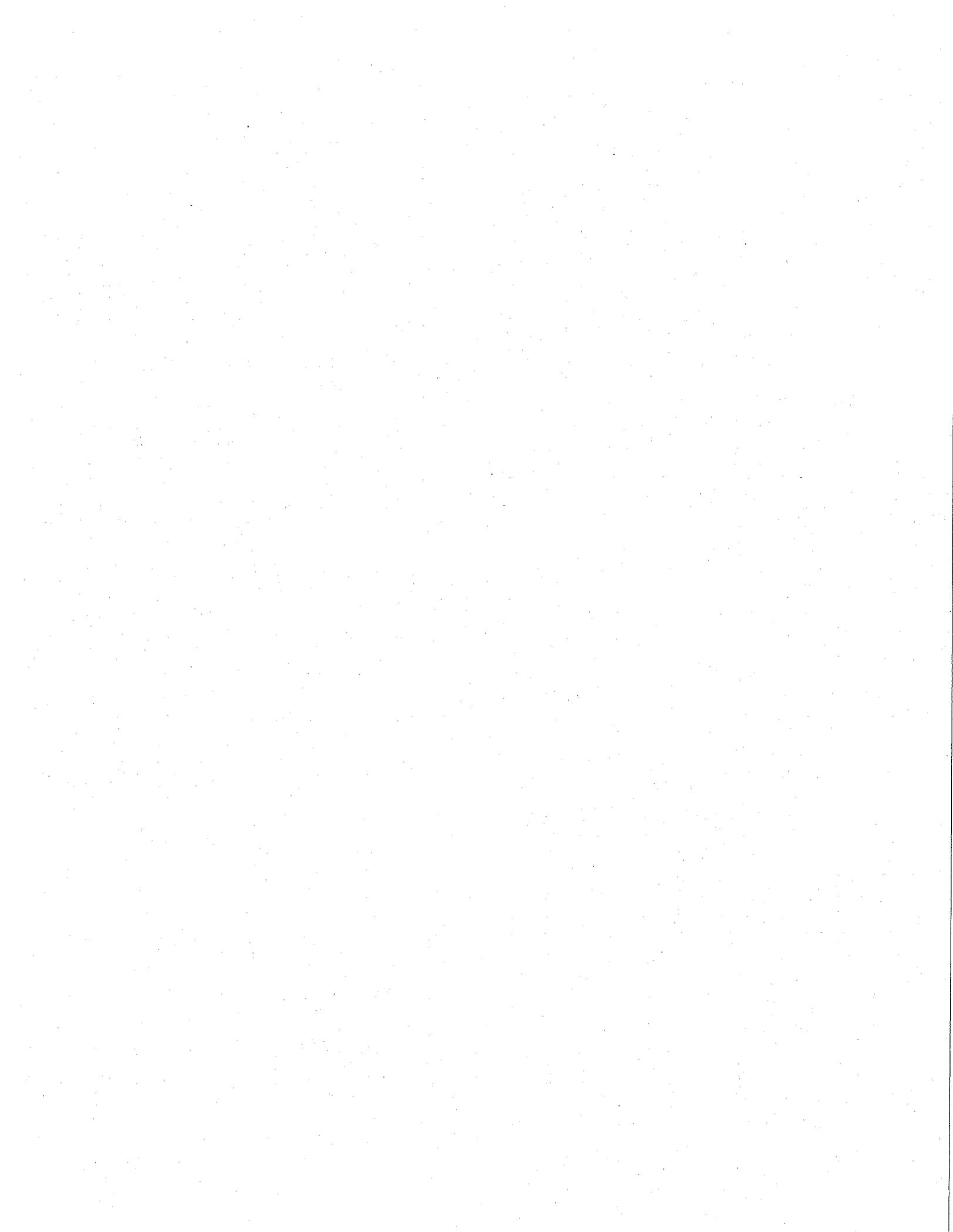
Retirement Health Insurance Account (RHIA): As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit 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, 2011, 2010, and 2009 is \$18,314, \$28,816, and \$26,109, respectively. The City's contributions to RHIA for the years ended June 30, 2012, 2011, and 2010 were approximately \$2,050, \$2,300, and \$1,800, respectively, which equaled the required contributions each year.

Prior Period Adjustment

During the year ended June 30, 2009, the City constructed a new fire station. At that time a portion of the funding came from the Capital Reserve Fund. This was treated as an expenditure from that fund. During the current year it was determined that this should have been recorded as a loan from the Capital Reserve Fund to the Emergency Services Fund.

For financial reporting purposes, this error has been accounted for as a prior period adjustment in accordance with Statement of Financial Accounting Standard (SFAS) No. 154, "Accounting Changes and Error Corrections." The result of this correction is to reduce the beginning net assets of the Emergency Services Fund and increase the beginning fund balance of the Capital Reserve Fund in the amount of \$464,789.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

GENERAL FUND	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes and interest	\$190,000	\$190,000	\$185,985	(\$4,015)
Payments in lieu of taxes from Enterprise Funds	111,150	111,150	109,021	(2,129)
Intergovernmental revenues:				
State liquor taxes	12,700	12,700	14,344	1,644
Library revenue	1,600	1,600	1,600	0
Cigarette taxes	1,540	1,540	1,702	162
State revenue sharing funds	6,000	6,000	9,400	3,400
Museum state grant	1,000	1,000	1,000	0
	<u>22,840</u>	<u>22,840</u>	<u>28,046</u>	<u>5,206</u>
Charges for services:				
Use of city property fees	34,700	34,700	34,710	10
Copy and fax charges	375	375	477	102
Information service fees	75	75	529	454
Planning fees	40,000	40,000	3,823	(36,177)
Planning engineering estimates	40,000	40,000	500	(39,500)
Planning construction deposits	50,000	50,000	0	(50,000)
Recreation fees	2,200	2,200	461	(1,739)
City hall rental	400	400	390	(10)
	<u>167,750</u>	<u>167,750</u>	<u>40,890</u>	<u>(126,860)</u>
Fines and forfeitures	500	500	600	100
Miscellaneous revenues:				
Interest on investments	800	800	559	(241)
Transient room assessment	90,000	90,000	89,151	(849)
Telephone franchises	3,500	3,500	4,459	959
Garbage service franchise fee	1,000	1,000	1,000	0
Other	4,000	4,000	2,042	(1,958)
	<u>99,300</u>	<u>99,300</u>	<u>97,211</u>	<u>(2,089)</u>
Total Revenues	<u>591,540</u>	<u>591,540</u>	<u>461,753</u>	<u>(129,787)</u>
EXPENDITURES				
Administrative:				
Personal services	58,683	58,683	45,032	13,651
Materials and services	40,316	40,316	34,272	6,044
	<u>98,999</u>	<u>98,999</u>	<u>79,304</u>	<u>19,695</u>
Planning:				
Personal services	52,411	38,411	29,506	8,905
Materials and services	137,650	137,650	8,670	128,980
	<u>190,061</u>	<u>176,061</u>	<u>38,176</u>	<u>137,885</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property department:				
Personal services	38,550	52,550	57,764	(5,214)
Materials and services	21,100	21,100	19,726	1,374
	<u>59,650</u>	<u>73,650</u>	<u>77,490</u>	<u>(3,840)</u>
Beautification department:				
Personal services	2,865	2,865	394	2,471
Materials and services	7,350	7,350	5,048	2,302
	<u>10,215</u>	<u>10,215</u>	<u>5,442</u>	<u>4,773</u>
Museum:				
Personal services	10,890	10,890	9,801	1,089
Materials and services	1,000	1,000	1,431	(431)
	<u>11,890</u>	<u>11,890</u>	<u>11,232</u>	<u>658</u>
Governmental/ Community Relations:				
Materials and services	7,984	7,984	7,749	235
Recreation department:				
Personal services	6,097	6,097	5,416	681
Materials and services	3,160	3,160	1,752	1,408
	<u>9,257</u>	<u>9,257</u>	<u>7,168</u>	<u>2,089</u>
Police Services:				
Personal services	84,258	84,258	84,258	0
Contingencies	13,811	13,811	0	13,811
Total Expenditures	<u>486,125</u>	<u>486,125</u>	<u>310,819</u>	<u>175,306</u>
Revenues Over Expenditures	105,415	105,415	150,934	45,519
OTHER FINANCING (USES)				
Operating transfers out	(113,160)	(113,160)	(113,693)	(533)
Repayment of interfund loans	(50,255)	(50,255)	(46,479)	3,776
Total Other Financing (Uses)	<u>(163,415)</u>	<u>(163,415)</u>	<u>(160,172)</u>	<u>3,243</u>
Revenues Over (Under) Expenditures and Other Uses	(58,000)	(58,000)	(9,238)	48,762
FUND BALANCE - July 1, 2011	<u>58,000</u>	<u>58,000</u>	<u>66,593</u>	<u>8,593</u>
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$57,355</u>	<u>\$57,355</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
STATE TAX STREET				
REVENUES				
State gas tax apportionment	\$60,000	\$60,000	\$62,812	\$2,812
Interest on investments	300	300	332	32
Miscellaneous revenue	50	50	955	905
Total Revenues	60,350	60,350	64,099	3,749
EXPENDITURES				
Personal services	33,666	30,616	20,200	10,416
Materials and services	40,100	43,150	17,654	25,496
Capital outlay	15,500	15,500	1,300	14,200
Contingencies	10,084	10,084	0	10,084
Total Expenditures	99,350	99,350	39,154	60,196
Revenues Over (Under) Expenditures	(39,000)	(39,000)	24,945	63,945
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	15,745	15,745
Operating transfers out	(1,000)	(1,000)	(1,000)	0
Total Other Financing Sources (Uses)	(1,000)	(1,000)	14,745	15,745
Revenues and Other Sources Over (Under) Expenditures	(40,000)	(40,000)	39,690	79,690
FUND BALANCE - July 1, 2011	40,000	40,000	54,373	14,373
FUND BALANCE - June 30, 2012	\$0	\$0	\$94,063	\$94,063

CITY OF CASCADE LOCKS, OREGON

Notes to Required Supplementary Information
June 30, 2012

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. 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 category had expenditures exceeding appropriations for the year:

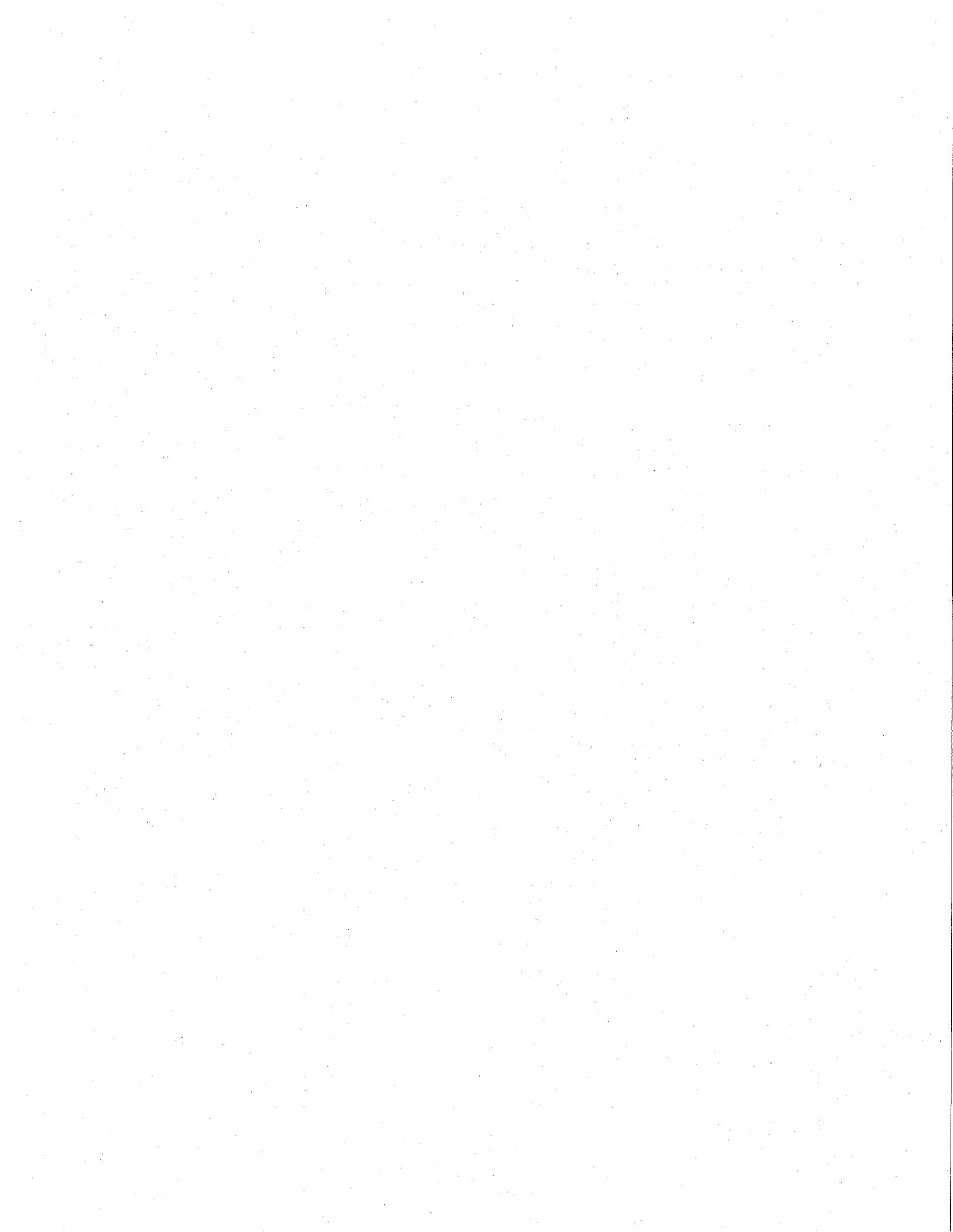
Fund	Category	Amount
General	Property Department	\$3,840
Cemetery	Personal Services	642

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	(\$9,238)	\$39,690
Depreciation expense	(19,251)	(51,982)
Capitalized expenses	<u>13,309</u>	<u>48,434</u>
Change in net assets - GAAP basis	<u><u>(\$15,180)</u></u>	<u><u>\$36,142</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, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
ELECTRICAL FUND				
REVENUES				
Residential sales	\$715,000	\$715,000	\$723,722	\$8,722
Commercial sales	535,000	535,000	505,949	(29,051)
Street lights	28,536	28,536	25,390	(3,146)
Sales to public bodies	243,000	243,000	264,437	21,437
Customer installation	6,300	6,300	8,349	2,049
Pole contacts	3,807	3,807	3,916	109
Interest on investments	3,000	3,000	3,293	293
Weatherization	30,000	30,000	49,633	19,633
Miscellaneous	1,008,000	1,008,000	87,066	(920,934)
Total Revenues	2,572,643	2,572,643	1,671,755	(900,888)
EXPENDITURES				
Operating:				
Personal services	872,070	872,070	509,249	362,821
Materials and services	1,816,901	1,816,901	936,350	880,551
Capital outlay	127,500	127,500	36,674	90,826
Contingencies	154,660	154,660	0	154,660
	2,971,131	2,971,131	1,482,273	1,488,858
Administration:				
Personal services	136,624	114,127	91,809	22,318
Materials and services	50,216	72,713	56,718	15,995
	186,840	186,840	148,527	38,313
Total Expenditures	3,157,971	3,157,971	1,630,800	1,527,171
Revenues Over (Under) Expenditures	(585,328)	(585,328)	40,955	626,283
OTHER FINANCING SOURCES (USES)				
Repayment of interfund loans	673	673	673	0
Operating transfers out	(95,345)	(95,345)	(95,345)	0
Total Other Sources (Uses)	(94,672)	(94,672)	(94,672)	0
Revenues Over (Under) Expenditures and Other Uses	(680,000)	(680,000)	(53,717)	626,283
FUND BALANCE - July 1, 2011	680,000	680,000	681,132	1,132
FUND BALANCE - June 30, 2012	\$0	\$0	\$627,415	\$627,415

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
WATER OPERATING FUND				
REVENUES				
Water sales	\$186,000	\$186,000	\$191,225	\$5,225
Connection charges	1,800	1,800	2,400	600
Interest on investments	600	600	407	(193)
Miscellaneous revenues	50,200	50,200	843	(49,357)
Total Revenues	238,600	238,600	194,875	(43,725)
EXPENDITURES				
Operating:				
Personal services	72,273	72,273	50,282	21,991
Materials and services	124,488	123,488	74,545	48,943
Capital outlay	56,750	56,750	5,155	51,595
Contingencies	15,939	15,939	0	15,939
	<u>269,450</u>	<u>268,450</u>	<u>129,982</u>	<u>138,468</u>
Administration:				
Personal services	44,457	37,161	29,866	7,295
Materials and services	12,793	20,089	17,963	2,126
	<u>57,250</u>	<u>57,250</u>	<u>47,829</u>	<u>9,421</u>
Total Expenditures	326,700	325,700	177,811	147,889
Revenues Over (Under) Expenditures	<u>(88,100)</u>	<u>(87,100)</u>	<u>17,064</u>	<u>104,164</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,600	3,600	6,517	2,917
Operating transfers out	(25,500)	(26,500)	(26,279)	221
Total Other Financing Sources (Uses)	(21,900)	(22,900)	(19,762)	3,138
Revenues Over (Under) Expenditures and Other Uses	<u>(110,000)</u>	<u>(110,000)</u>	<u>(2,698)</u>	<u>107,302</u>
FUND BALANCE - July 1, 2011	<u>110,000</u>	<u>110,000</u>	<u>89,053</u>	<u>(20,947)</u>
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$86,355</u>	<u>\$86,355</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
SEWER OPERATING FUND				
REVENUES				
Sewer service fees	\$345,000	\$345,000	\$336,731	(\$8,269)
Miscellaneous revenues	25,100	25,100	727	(24,373)
Interest on investments	750	750	565	(185)
Total Revenues	370,850	370,850	338,023	(32,827)
EXPENDITURES				
Operating:				
Personal services	36,218	36,218	10,711	25,507
Materials and services	207,305	207,305	168,050	39,255
Capital outlay	12,250	17,750	5,031	12,719
Contingencies	39,771	34,271	0	34,271
	295,544	295,544	183,792	111,752
Administration:				
Personal services	40,341	33,027	25,942	7,085
Materials and services	13,497	20,811	17,220	3,591
	53,838	53,838	43,162	10,676
Total Expenditures	349,382	349,382	226,954	122,428
Revenues Over Expenditures	21,468	21,468	111,069	89,601
OTHER FINANCING USES				
Operating transfers out	(131,468)	(131,468)	(131,468)	0
Revenues Over (Under) Expenditures and Other Uses	(110,000)	(110,000)	(20,399)	89,601
FUND BALANCE - July 1, 2011	110,000	110,000	143,844	33,844
FUND BALANCE - June 30, 2012	\$0	\$0	\$123,445	\$123,445

CITY OF CASCADE LOCKS, OREGON
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
1998 SEWER BOND FUND			
REVENUES			
Interest on investments	\$300	\$354	\$54
EXPENDITURES			
Principal payments	14,653	18,169	(3,516)
Interest payments	39,058	35,542	3,516
Contingencies	60,300	0	60,300
Total Expenditures	114,011	53,711	60,300
Revenues Over (Under) Expenditures	(113,711)	(53,357)	60,354
OTHER FINANCING SOURCES			
Operating transfers in	33,711	33,711	0
Revenues and Other Sources Over (Under) Expenditures	(80,000)	(19,646)	60,354
FUND BALANCE - July 1, 2011	80,000	80,324	324
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$60,678</u>	<u>\$60,678</u>
OEDD LOAN FUND			
EXPENDITURES			
Principal payments	\$58,755	\$18,755	\$40,000
Interest payments	5,713	5,713	0
Total Expenditures	64,468	24,468	40,000
OTHER FINANCING SOURCES			
Operating transfers in	51,757	31,757	(20,000)
Other Sources Over (Under) Expenditures	(12,711)	7,289	20,000
FUND BALANCE - July 1, 2011	12,711	12,712	1
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$20,001</u>	<u>\$20,001</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
TELEVISION SYSTEM FUND				
REVENUES				
Cable service fees	\$79,000	\$79,000	\$74,711	(\$4,289)
HBO service fees	9,400	9,400	9,548	148
Channel 23 advertising income	650	650	653	3
Cable internet sales	58,000	58,000	55,484	(2,516)
Cable modem sales	600	600	1,450	850
Connection charges	1,900	1,900	2,285	385
Interest on investments	150	150	74	(76)
Miscellaneous revenues	10,740	10,740	6,082	(4,658)
Total Revenues	160,440	160,440	150,287	(10,153)
EXPENDITURES				
Operating CATV:				
Personal services	12,303	12,303	3,093	9,210
Materials and services	83,630	83,630	79,369	4,261
Capital outlay	3,100	3,100	550	2,550
Contingencies	4,774	4,774	0	4,774
	103,807	103,807	83,012	20,795
Operating Cable Internet:				
Personal services	10,002	10,002	2,379	7,623
Materials and services	32,652	32,652	27,076	5,576
Capital outlay	450	450	0	450
	43,104	43,104	29,455	13,649
Administration:				
Personal services	37,364	32,314	27,490	4,824
Materials and services	6,630	11,680	11,278	402
	43,994	43,994	38,768	5,226
Total Expenditures	190,905	190,905	151,235	39,670
Revenues Over (Under) Expenditures	(30,465)	(30,465)	(948)	29,517
OTHER FINANCING (USES) -				
Operating transfers out	(7,535)	(7,535)	(7,535)	0
Revenues Over (Under) Expenditures and Other Uses	(38,000)	(38,000)	(8,483)	29,517
FUND BALANCE - July 1, 2011	38,000	38,000	28,506	(9,494)
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$20,023</u>	<u>\$20,023</u>

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EMERGENCY SERVICES FUND				
REVENUES				
Fire and ambulance fees	\$141,200	\$141,200	\$103,077	(\$38,123)
Miscellaneous income	2,000	2,000	4,255	2,255
Total Revenues	143,200	143,200	107,332	(35,868)
EXPENDITURES				
Operating:				
Personal services	59,244	49,144	5,213	43,931
Materials and services	131,652	141,652	131,635	10,017
Capital outlay	3,000	3,000	0	3,000
Contingencies	14,356	14,356	0	14,356
	208,252	208,152	136,848	71,304
Administration:				
Personal services	11,457	8,590	7,096	1,494
Materials and services	692	3,559	3,413	146
	12,149	12,149	10,509	1,640
Total Expenditures	220,401	220,301	147,357	72,944
Revenues Over (Under) Expenditures	(77,201)	(77,101)	(40,025)	37,076
OTHER FINANCING SOURCES (USES)				
Operating transfers in	79,660	79,660	123,658	43,998
Proceeds from interfund loans	0	0	57,000	57,000
Repayment of interfund loans	(2,459)	(2,559)	(48,938)	(46,379)
Total Other Financing Sources (Uses)	77,201	77,101	131,720	54,619
Revenues Over (Under) Expenditures and Other Sources	0	0	91,695	91,695
FUND BALANCE (DEFICIT) - JULY 1, 2011	0	0	(45,795)	(45,795)
FUND BALANCE - JUNE 30, 2012	\$0	\$0	\$45,900	\$45,900

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
CEMETERY FUND				
REVENUES				
Sales and fees	\$2,600	\$2,600	\$5,232	\$2,632
Interest on investments	100	100	66	(34)
Total Revenues	2,700	2,700	5,298	2,598
EXPENDITURES				
Personal services	3,000	4,000	4,642	(642)
Materials and services	3,475	2,475	925	1,550
Contingencies	4,225	4,225		4,225
Total Expenditures	10,700	10,700	5,567	5,133
Revenues Over (Under) Expenditures	(8,000)	(8,000)	(269)	7,731
OTHER FINANCING (USES)				
Operating transfers out	(6,000)	(6,000)	(6,000)	0
Revenues Over (Under) Expenditures and Other Uses	(14,000)	(14,000)	(6,269)	7,731
FUND BALANCE - July 1, 2011	14,000	14,000	15,987	1,987
FUND BALANCE - June 30, 2012	\$0	\$0	\$9,718	\$9,718

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
SYSTEM DEVELOPMENT FUND			
REVENUES			
Interest on investments	\$200	\$410	\$210
Miscellaneous revenue	29,300	0	(29,300)
	<hr/>	<hr/>	<hr/>
Total Revenues	29,500	410	(29,090)
EXPENDITURES -			
Capital outlay	63,748	0	63,748
	<hr/>	<hr/>	<hr/>
Revenues Over Expenditures	(34,248)	410	34,658
OTHER FINANCING SOURCES (USES)			
Operating transfers in	0	3,103	3,103
Operating transfers out	(20,000)	0	20,000
Repayment of interfund loans	(10,484)	(13,587)	(3,103)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(30,484)	(10,484)	20,000
	<hr/>	<hr/>	<hr/>
Revenues Over (Under) Expenditures and Other Uses	(64,732)	(10,074)	54,658
	<hr/>	<hr/>	<hr/>
FUND BALANCE - July 1, 2011	64,732	81,586	16,854
	<hr/>	<hr/>	<hr/>
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$71,512</u>	<u>\$71,512</u>

911 EMERGENCY TELEPHONE FUND

REVENUES			
Telephone tax distribution	\$6,000	\$5,647	(\$353)
EXPENDITURES			
Materials and services	6,000	5,647	353
	<hr/>	<hr/>	<hr/>
Revenues Over Expenditures	0	0	0
	<hr/>	<hr/>	<hr/>
FUND BALANCE - July 1, 2011	0	0	0
	<hr/>	<hr/>	<hr/>
FUND BALANCE - June 30, 2012	<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, 2012

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
TOURISM FUND			
REVENUES			
Room assessment	\$38,500	\$38,208	(\$292)
Interest on investments	200	148	(52)
Miscellaneous income	4,150	1,564	(2,586)
Total Revenues	42,850	39,920	(2,930)
EXPENDITURES			
Materials and services	76,905	55,495	21,410
Capital outlay	8,015	0	8,015
Contingencies	7,930	0	7,930
Total Expenditures	92,850	55,495	37,355
Revenues Over (Under) Expenditures	(50,000)	(15,575)	34,425
FUND BALANCE - July 1, 2011	50,000	31,078	(18,922)
FUND BALANCE - June 30, 2012	\$0	\$15,503	\$15,503

CITY OF CASCADE LOCKS, OREGON
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CEMETERY TRUST FUND			
REVENUES			
Interest on investments	\$100	\$49	(\$51)
EXPENDITURES			
Contingencies	13,900	0	13,900
Revenues Over (Under) Expenditures	(13,800)	49	13,849
OTHER FINANCING SOURCES -			
Operating transfers in	6,300	6,593	293
Revenues and Other Sources Over (Under) Expenditures	(7,500)	6,642	14,142
FUND BALANCE - July 1, 2011	7,500	7,481	(19)
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$14,123</u>	<u>\$14,123</u>

MUSEUM TRUST FUND

REVENUES			
Miscellaneous	\$2,500	\$2,056	(\$444)
EXPENDITURES			
Materials and services	2,500	2,056	444
Revenues Over Expenditures	0	0	0
FUND BALANCE - July 1, 2011	0	0	0
FUND BALANCE - June 30, 2012	<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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GRANTS FUND			
REVENUES			
Grant revenues	\$1,000	\$842	(\$158)
EXPENDITURES			
Materials and services	<u>1,000</u>	<u>842</u>	<u>158</u>
Revenues Over Expenditures	0	0	0
FUND BALANCE - July 1, 2011	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - June 30, 2012	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

OIB FIRE HALL DEBT FUND

EXPENDITURES			
Principal payments	\$25,000	\$24,968	\$32
Interest payments	<u>8,500</u>	<u>8,443</u>	<u>57</u>
Total Expenditures	<u>33,500</u>	<u>33,411</u>	<u>89</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>33,500</u>	<u>33,411</u>	<u>(89)</u>
Other Sources Over Expenditures	0	0	0
FUND BALANCE - July 1, 2011	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - June 30, 2012	<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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
 CAPITAL RESERVE FUND - 08			
REVENUES			
Interest on investments	\$2,500	\$4,902	\$2,402
Miscellaneous revenue	320,000	112,297	(207,703)
	<hr/>	<hr/>	<hr/>
Total Revenues	322,500	117,199	(205,301)
 EXPENDITURES -			
Capital outlay	1,508,143	141,487	1,366,656
	<hr/>	<hr/>	<hr/>
Revenues Over (Under) Expenditures	(1,185,643)	(24,288)	1,161,355
 OTHER FINANCING SOURCES (USES)			
Operating transfers in	235,643	236,422	779
Interfund loans paid	0	(57,000)	(57,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	235,643	179,422	(56,221)
Revenues and Other Sources (Uses) Over (Under) Expenditures	(950,000)	155,134	1,105,134
FUND BALANCE - July 1, 2011	950,000	1,050,650	100,650
	<hr/>	<hr/>	<hr/>
FUND BALANCE - June 30, 2012	<u>\$0</u>	<u>\$1,205,784</u>	<u>\$1,205,784</u>

CITY OF CASCADE LOCKS, OREGON

Combining Balance Sheet
 Non-major Governmental Funds
June 30, 2012

	Special Revenue Funds					Total	
	System Development	Grants	Tourism	911 Emergency	Museum Trust	Cemetery Trust	Non-major Governmental Funds
Cash and cash equivalents	\$85,100	\$9,494	\$10,086		\$321	\$14,123	\$119,124
Receivables - net of allowance for uncollectibles		56,082	9,852	1,431			67,365
Total Assets	<u>\$85,100</u>	<u>\$65,576</u>	<u>\$19,938</u>	<u>\$1,431</u>	<u>\$321</u>	<u>\$14,123</u>	<u>\$186,489</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable			\$4,435	1,431	\$321		\$6,187
Due to other funds		\$65,217					65,217
Deferred revenue		359					359
Total Liabilities	0	<u>65,576</u>	<u>4,435</u>	<u>1,431</u>	<u>321</u>	<u>0</u>	<u>71,763</u>
Fund Balances:							
Restricted for:							
Cemetery maintenance						14,123	14,123
Public works	85,100		15,503	0	0		85,100
Committed for tourism							15,503
Total Fund Balances	<u>85,100</u>	<u>0</u>	<u>15,503</u>	<u>0</u>	<u>0</u>	<u>14,123</u>	<u>114,726</u>
Total Liabilities and Fund Balances	<u>\$85,100</u>	<u>\$65,576</u>	<u>\$19,938</u>	<u>\$1,431</u>	<u>\$321</u>	<u>\$14,123</u>	<u>\$186,489</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, 2012

	Special Revenue Funds						Total
	System Development	Grants	Tourism	911 Emergency	Museum Trust	Cemetery Trust	Non-major Governmental Funds
REVENUES							
Intergovernmental revenues		\$842		\$5,647			\$6,489
Interest on investments	\$410		\$148			\$49	607
Miscellaneous			39,772		\$2,056	593	42,421
Total Revenues	410	842	39,920	5,647	2,056	642	49,517
EXPENDITURES							
Current:							
Highways and streets		842		5,647			6,489
Public safety			55,495		2,056		57,551
Culture and recreation							
Total Expenditures	0	842	55,495	5,647	2,056	0	64,040
Revenues Over (Under) Expenditures	410	0	(15,575)	0	0	642	(14,523)
OTHER FINANCING SOURCES-							
Operating transfers in	3,103					6,000	9,103
Net Change in Fund Balances	3,513	0	(15,575)	0	0	6,642	(5,420)
FUND BALANCE - July 1, 2011	81,587	0	31,078	0	0	7,481	120,146
FUND BALANCE - June 30, 2012	<u>\$85,100</u>	<u>\$0</u>	<u>\$15,503</u>	<u>\$0</u>	<u>\$0</u>	<u>\$14,123</u>	<u>\$114,726</u>

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

CITY OF CASCADE LOCKS, OREGON

Combining Schedule of Net Assets

Non-major Proprietary Funds

June 30, 2012

	Non-major Funds			Total Non-major Proprietary Funds
	Television System Fund	Cemetery Fund	Water Fund	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$12,115	\$10,153	\$74,949	\$97,217
Accounts receivable	16,035		19,452	35,487
Prepaid expenses			762	762
Inventory of materials	13,746		8,724	22,470
Total Current Assets	41,896	10,153	103,887	155,936
PROPERTY, PLANT AND EQUIPMENT - net of accumulated depreciation				
	177,706	30,817	738,515	947,038
Total Assets	\$219,602	\$40,970	\$842,402	\$1,102,974
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$5,880	\$0	\$2,371	\$8,251
Accrued expenses	566	435	474	1,475
Customer deposits	0		2,415	2,415
Total Current Liabilities	6,446	435	5,260	12,141
LONG-TERM DEBT				
Accrued vacation	1,685		3,548	5,233
Total Liabilities	8,131	435	8,808	17,374
NET ASSETS				
Invested in capital assets, net of related debt	177,706	30,817	738,515	947,038
Unrestricted	33,765	9,718	95,079	138,562
Total Net Assets	211,471	40,535	833,594	1,085,600
Total Liabilities and Net Assets	\$219,602	\$40,970	\$842,402	\$1,102,974

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 Assets
Non-major Proprietary Funds
Year Ended June 30, 2012

	Television System Fund	Cemetery Fund	Water Fund	Total Non-major Proprietary Funds
OPERATING REVENUES				
Sales and service charges	\$143,336	\$5,233	\$191,225	\$339,794
Connection fees and other	6,877		3,243	10,120
Total Operating Revenues	<u>150,213</u>	<u>5,233</u>	<u>194,468</u>	<u>349,914</u>
OPERATING EXPENSES				
Personal services	30,365	4,642	80,147	115,154
Contractual services	13,535		29,521	43,056
Materials and supplies	3,276	208	21,053	24,537
Depreciation	26,472		31,087	57,559
Other	99,309	718	47,581	147,608
Total Operating Expenses	<u>172,957</u>	<u>5,568</u>	<u>209,389</u>	<u>387,914</u>
Operating Income (Loss)	(22,744)	(335)	(14,921)	(38,000)
NONOPERATING REVENUES -				
Interest on investments	73	66	407	546
Income (Loss) Before Operating Transfers	<u>(22,671)</u>	<u>(269)</u>	<u>(14,514)</u>	<u>(37,454)</u>
OPERATING TRANSFERS				
Operating transfers in	2,554		26,758	29,312
Operating transfers out	(7,535)	(6,000)	(26,279)	(39,814)
Total Operating Transfers	<u>(4,981)</u>	<u>(6,000)</u>	<u>479</u>	<u>(10,502)</u>
Change in Net Assets	(27,652)	(6,269)	(14,035)	(47,956)
Total net assets - July 1, 2011	<u>239,123</u>	<u>46,804</u>	<u>847,629</u>	<u>1,133,556</u>
Total net assets - June 30, 2012	<u>\$211,471</u>	<u>\$40,535</u>	<u>\$833,594</u>	<u>\$1,085,600</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$92,063	\$114,222
Accounts receivable	35,737	37,875
Inventory	1,864	2,131
	<u>129,664</u>	<u>154,228</u>
RESTRICTED ASSETS		
Debt service:		
Cash and investments	80,678	93,036
	<u>80,678</u>	<u>93,036</u>
PROPERTY, PLANT AND EQUIPMENT - net of accumulated depreciation		
	<u>4,423,332</u>	<u>4,543,645</u>
Total Assets	<u><u>\$4,633,674</u></u>	<u><u>\$4,790,909</u></u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$1,697	\$2,988
Accrued expenses	147	2,944
Current portion of long-term debt	34,279	33,407
	<u>36,123</u>	<u>39,339</u>
LONG-TERM DEBT		
Bonds and notes payable	819,861	857,657
Accrued vacation	2,512	2,322
	<u>822,373</u>	<u>859,979</u>
Total Liabilities	<u>858,496</u>	<u>899,318</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,569,192	3,652,581
Restricted for debt service	80,678	93,036
Unrestricted	125,308	145,974
	<u>3,775,178</u>	<u>3,891,591</u>
Total Liabilities and Net Assets	<u><u>\$4,633,674</u></u>	<u><u>\$4,790,909</u></u>

CITY OF CASCADE LOCKS, OREGON
 Comparative Schedule of Revenues and Expenses
 Sewer Fund
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Sales and service charges	\$336,731	\$358,128
Connection fees and other	727	454
	<u>337,458</u>	<u>358,582</u>
OPERATING EXPENSES		
Personal services	36,653	58,306
Contractual services	119,356	105,240
Materials and supplies	10,073	9,251
Depreciation	134,808	133,845
Other	56,860	71,332
	<u>357,750</u>	<u>377,974</u>
Total Operating Expenses	<u>357,750</u>	<u>377,974</u>
Operating Income (Loss)	<u>(20,292)</u>	<u>(19,392)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	919	878
Bond and other interest expense	(41,255)	(46,421)
	<u>(40,336)</u>	<u>(45,543)</u>
Total Nonoperating Revenues (Expenses)	<u>(40,336)</u>	<u>(45,543)</u>
Income (Loss) Before Operating Transfers	(60,628)	(64,935)
OPERATING TRANSFERS -		
Operating transfers out	(55,785)	(28,000)
Net Income (Loss)	<u><u>(\$116,413)</u></u>	<u><u>(\$92,935)</u></u>

CITY OF CASCADE LOCKS, OREGON

Schedule of Property Tax Transactions

Year Ended June 30, 2012

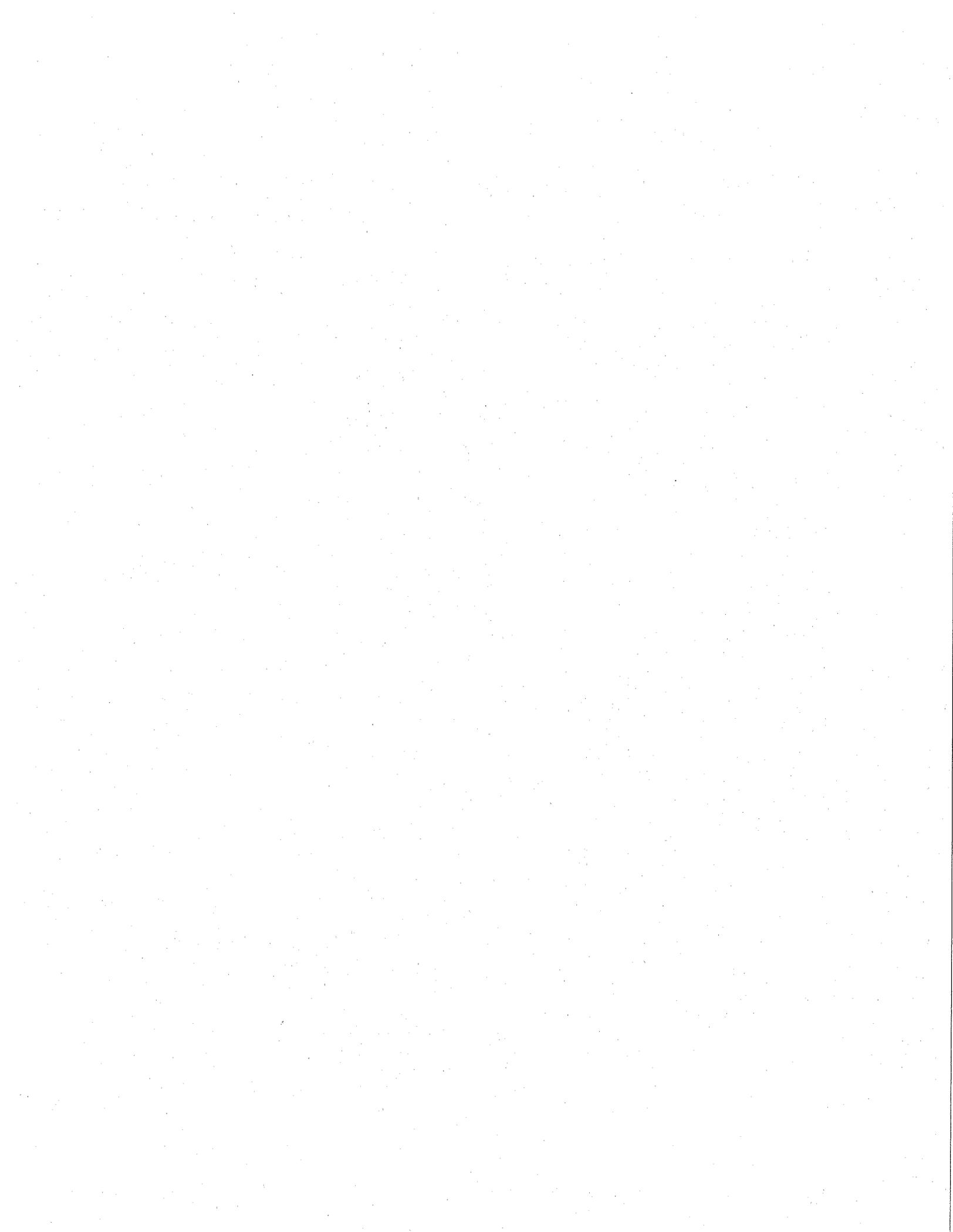
<u>Tax Year</u>	<u>Current Levy and Balance Receivable July 1, 2011</u>	<u>Adjustments</u>	<u>Discount</u>	<u>Cash Collections</u>	<u>Balance Receivable June 30, 2012</u>
GENERAL FUND					
2011-12	\$192,275	(\$846)	(\$4,741)	(\$180,407)	\$6,281
2010-11	6,371	(596)	22	(2,113)	3,684
2009-10	2,729	(553)	21	79	2,276
2008-09	1,577	(27)	1	(878)	673
2007-08	347	(17)	1	(168)	163
2006-07 and prior	195	(13)		(4)	178
	<u>\$203,494</u>	<u>(\$2,052)</u>	<u>(\$4,696)</u>	<u>(\$183,491)</u>	<u>\$13,255</u>

CITY OF CASCADE LOCKS, OREGON
 Schedule of Bonded and Long-Term Debt Transactions
Year Ended June 30, 2012

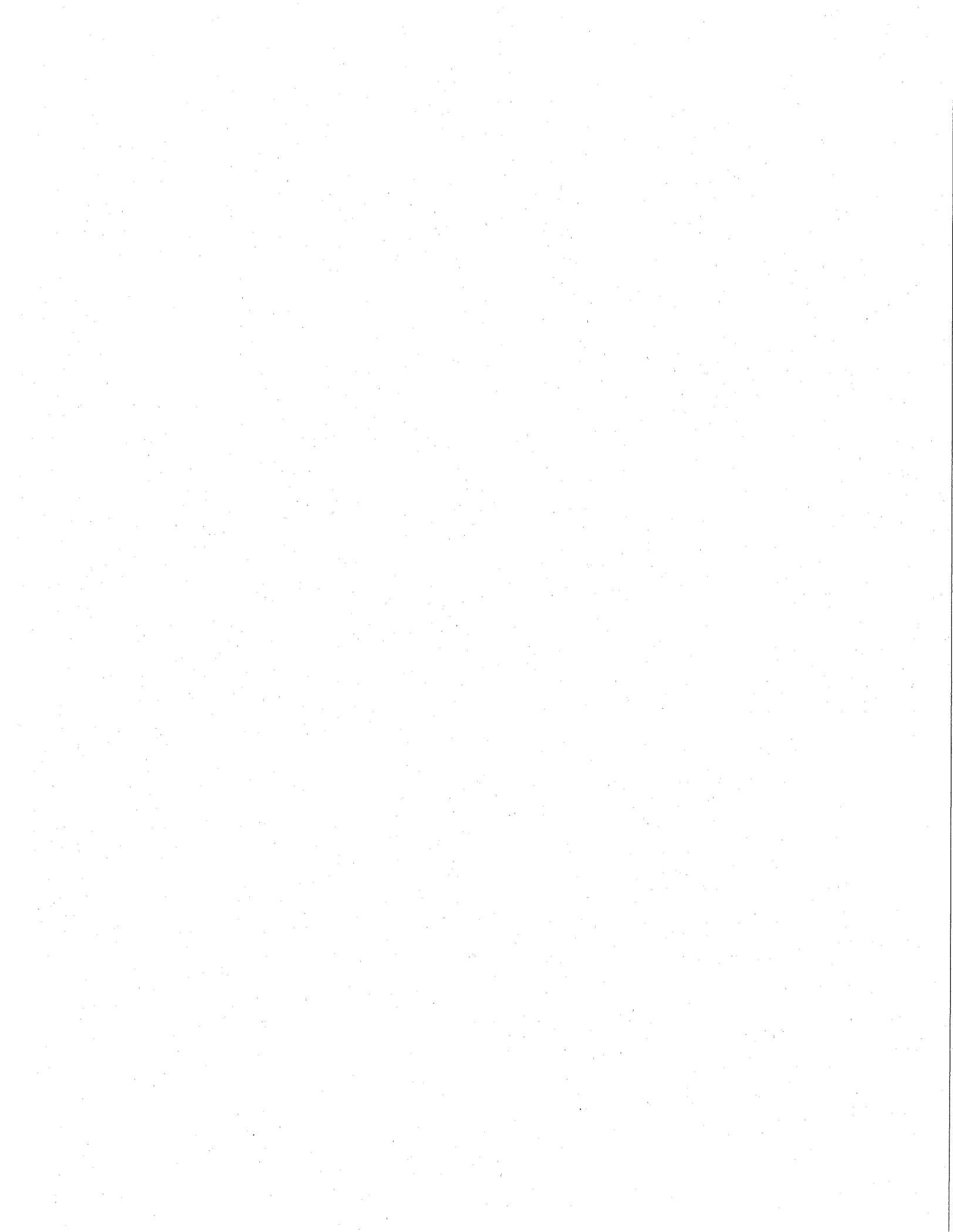
	Oregon Economic Development Department Loan		Rural Utilities Service Sewer Revenue Bond		Oregon Investment Board Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
Original issue	<u>\$500,000</u>		<u>\$954,000</u>		<u>\$275,000</u>	
Matured during year	\$18,755	\$5,713	\$18,169	\$35,542	\$24,967	\$8,443
Paid during year	<u>(18,755)</u>	<u>(5,713)</u>	<u>(18,169)</u>	<u>(35,542)</u>	<u>(24,967)</u>	<u>(8,443)</u>
Matured and outstanding at June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

CITY OF CASCADE LOCKS, OREGON
 Schedule of Future Debt Service Requirements
 June 30, 2012

Year of Maturity	Oregon Economic Development Department		Rural Utilities Service Sewer Revenue Bond		Oregon Investment Board Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012-13	\$18,931	\$4,710	\$15,348	\$38,362	\$25,985	\$7,426
2013-14	22,213	3,687	16,077	37,633	27,043	6,368
2014-15	22,410	2,477	16,841	36,870	28,145	5,266
2015-16	22,622	1,244	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	2,519	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			11,218	2,417		
	<u>\$86,176</u>	<u>\$12,118</u>	<u>\$767,964</u>	<u>\$642,150</u>	<u>\$197,478</u>	<u>\$28,299</u>



FEDERAL PROGRAMS



Onstott, Broehl & Cyphers, P. C.

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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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cascade Locks, Oregon as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 24, 2013. 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.

Internal Control Over Financial Reporting

Management of City of Cascade Locks, Oregon, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cascade Locks' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cascade Locks' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. This is referenced as finding 2012-1. *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.

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 24, 2013.

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

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

Onatott, Broehl & Cyphers, PC

January 24, 2013

CITY OF CASCADE LOCKS, OREGON
Schedule of Findings and Responses

Year Ended June 30, 2012

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2012-1 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.

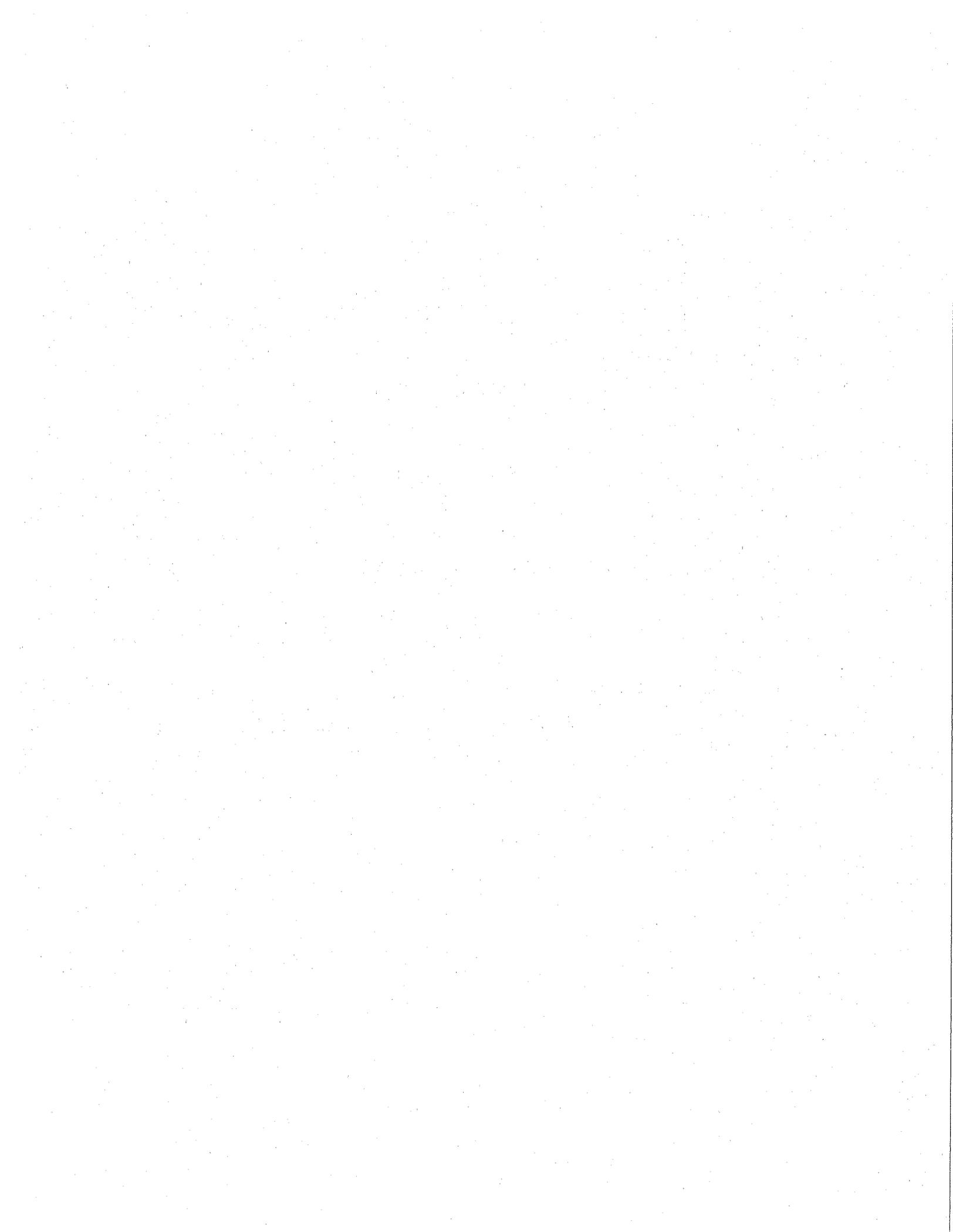
Criteria Internal controls specify that an entity have the personnel and systems in place to prepare complete and accurate financial statements in accordance with generally accepted accounting principles.

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.

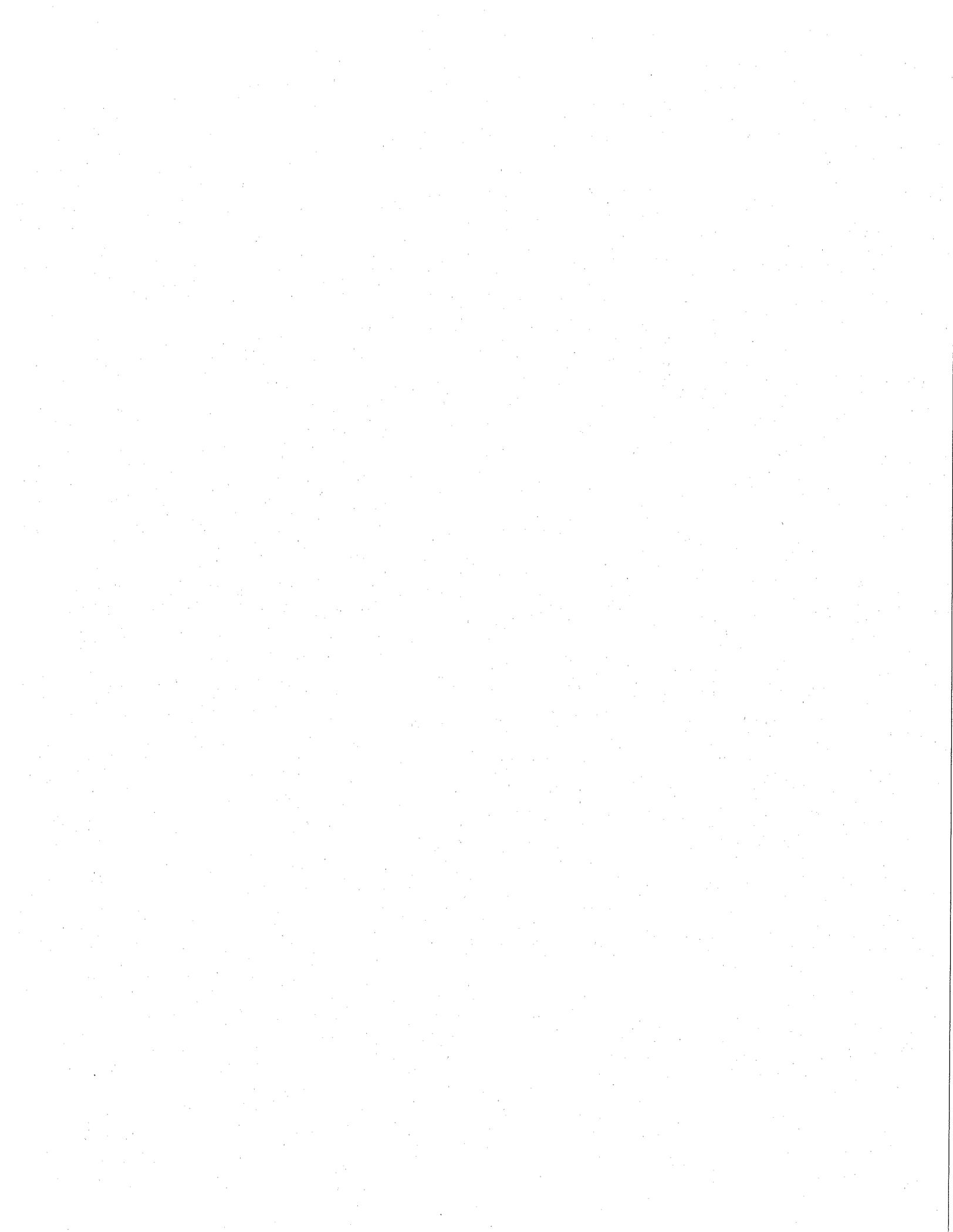
Recommendation The City should carefully consider the cost-benefit of acquiring the expertise to complete these processes.

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.

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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, 2012 and have issued our report thereon dated February 13, 2013. 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 two 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.

Omatott, Broehl & Cyphers, PC

January 24, 2013

Onstott, Broehl & Cyphers, P. C.

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LETTER TO MANAGEMENT

January 31, 2013

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

We have audited the financial statements of City of Cascade Locks as of and for the year ended June 30, 2012 and have issued our report thereon dated January 31, 2013.

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

In planning and performing our audit of the financial statements of the City of Cascade Locks for the year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be deficiencies under standards established by the American Institute of Certified Public Accountants. A deficiency in internal control exists when the design or operation of a control does not allow management to prevent, or detect and correct misstatements on a timely basis.

Management's responsibility for establishing and maintaining an internal control structure and limitations on the scope of this letter are outlined on pages 54 through 55 of the report referred to above and are incorporated by reference herein.

Comments and recommendations follow.

COMMENTS AND RECOMMENDATIONS

STATUS OF ITEMS REPORTED IN PRIOR YEAR

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

Ambulance Billings

Ambulance billings were not always submitted to Springfield on a timely basis to be processed. Delays of several months between the time of the charge being incurred to the time it was submitted for billing were noted. These delays not only have a detrimental effect on cash flows but also on the collectibility of the account.

Current Status

This continues to be an area of concern as similar delays were noted in the year under audit.

Utility Workorder System

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

Current Status:

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

Grants Management

The City had been awarded various federal and state grants over the past few years, most of which were administered by persons outside of the City Finance Department. It was noted that communication of accounting information between the grant administrators and the Finance Department was often inadequate. This could possibly jeopardize funding and require reimbursement of federal grant funds.

Current Status:

During the year under audit, the City received little in grant funds. Thus it is impossible to determine if a long-term solution to this problem has been implemented. However, this has been discussed with administrative personnel and they are in the process of adopting fiscal management policies whereby the City will contract with Mid-Columbia Economic Development District to administer grants over a specified amount.

Administrative Allocations

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

Current Status

This has not been completed at this time.

CURRENT YEAR ITEMS

Budget Issues

There were two budget overexpenditures noted in the audit. They are outlined on page 32 of the audit report. The Oregon Local Budget Law prohibits overexpenditure of funds in the various budget categories

Recommendation

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

Funding of Special Projects

It came to our attention in the current year that there had been errors made in the process of accounting for funding of previous year projects, particularly the fire station and Columbia Cascade Housing Corporation infrastructure construction.

An interfund loan from the Capital Reserve Fund to the Emergency Services Fund for construction of the fire station had not been recorded on the books. This was corrected in the year under audit.

During the prior year the employees of the Electrical Department provided infrastructure construction services for the Columbia Cascade Housing Corporation project. A verbal agreement was made to reimburse the Electrical Fund from the General Fund for system improvements. This agreement was based on estimated costs and did not reflect the actual amounts that should have been billed by the Electrical Department. The agreement was not approved by the Council by resolution.

Recommendation

All transactions of these types should be approved by Council by resolution. The resolutions should be written in a manner that is clear and not ambiguous.

We commend the City for its progress in establishing procedures to improve the accuracy of the accounting records. We encourage the City to make improvements in the areas noted above. While, independence requirements limit our ability to participate in the implementation of these recommendations, we will be pleased to assist you in any way possible.

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

Onstott, Broehl & Cyphers, PC
Onstott, Broehl & Cyphers, P.C.

