

*City of Scappoose
Columbia County, Oregon
Annual Financial Report
Year Ending June 30, 2013*



CITY COUNCIL

Scott Burge, Mayor	33470 Chinook Plaza, #272 Scappoose, Oregon 97056
Larry Meres, Council President	51704 SE 4 th Street Scappoose, Oregon 97056
Donna Gedlich, Council Member	P.O. Box 218 Scappoose, Oregon 97056
Barbara Hayden, Council Member	33784 SE Kern Court Scappoose, Oregon 97056
Jason Meshell, Council Member	52559 NW Eastview Drive Scappoose, Oregon 97056
Mark Reed, Council Member	P. O. Box 243 Scappoose, Oregon 97056
Jeff Erickson, Council Member	33980 SE Oakview Drive Scappoose, Oregon 97056

ADMINISTRATION

Jon Hanken, City Manager	Jill Herr, Finance Administrator
Susan Reeves, City Recorder/Budget Secretary	
Doug Greisen, Police Chief	Jeff Bennett, City Attorney

CITY OF SCAPPOOSE, OREGON
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**DENNIS R. CONNER
CERTIFIED PUBLIC ACCOUNTANT
CLATSKANIE, OREGON 97016**

**INDEPENDENT AUDITOR'S REPORT
Modified Cash Basis Financial Statements**

To the Mayor and City Council
City of Scappoose
Scappoose, Oregon

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

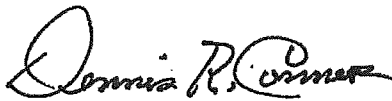
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position -modified cash basis- of the governmental activities, business-type activities, and the aggregate remaining fund information of the City, as of June 30, 2013, and the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

Basis of Accounting

I draw attention to the Notes, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Opinion on Supplementary Information and Disclosures Required by Oregon State Regulations

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The Supplemental Information and Other Schedules, which are the responsibility of management, and the Auditor's Comments and Disclosures Required by Oregon State Regulations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. In my opinion, the Supplemental Information, Other Schedules, and State of Oregon Disclosures referred to above are presented fairly, in all material respects on the modified cash basis of accounting.

A handwritten signature in black ink, appearing to read "Dennis R. Conner". The signature is written in a cursive style with a large initial "D" and "C".

Dennis R. Conner

Certified Public Accountant

December 3, 2013

CITY OF SCAPPOOSE
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013

As management of the City of Scappoose, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

	June 30		<u>Change</u>
	<u>2013</u>	<u>2012</u>	
Net Position	\$ 5,746,002	\$ 6,775,540	\$ 1,029,538
Governmental net position	3,827,968	4,018,118	\$ 190,150
Proprietary net position	1,918,034	2,757,422	\$ 839,388

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Scappoose’s basic financial statements. The City’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Scappoose’s finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Position (Modified Cash Basis) The *statement of net position (Modified Cash Basis)* presents information on all of the assets and liabilities of the City of Scappoose as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (Modified Cash Basis) The *statement of activities (Modified Cash Basis)* presents information showing how the net position of the City of Scappoose changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net position utilizing the modified cash basis of accounting. In the government-wide financial statements, the City's activities are shown as governmental activities. All basic functions are shown here, such as police, planning, court, parks, community development and administration. These activities are primarily financed through property taxes and other intergovernmental revenues.

Fund financial statements. The fund financial statements provide more detailed information about the City of Scappoose’s funds, focusing on its most significant or “major” funds – not the City of Scappoose as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that

have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Scappoose can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The City of Scappoose charges customers for the services it provides – whether to outside users or to other units of the City and these services are generally reported in proprietary funds. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information* including the combining statements for the non-major funds and the budgetary comparison schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Modified Cash Basis) The Statement of Net Position (Modified Cash Basis) is provided on a comparative basis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Scappoose, assets exceeded liabilities by \$5,746,002 as of June 30, 2013.

The Net Position - Restricted are funds that represent resources that are subject to external restrictions on their use, such as debt service reserves or construction of capital assets.

The Net Position - Unrestricted are funds that are available for general operations of the City of Scappoose.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Cash and cash equivalent	\$ 3,915,800	\$ 4,058,727	\$ 2,010,529	\$ 2,852,917	\$ 5,926,329	\$ 6,911,644
Deposits	87,832	40,609	92,495	95,495	180,327	136,104
Net position						
Restricted	1,362,019	1,607,823	902,231	2,757,422	2,264,250	4,365,245
Unrestricted	2,465,949	2,410,295	1,015,803	-	3,481,752	2,410,295
Total net position	\$ 3,827,968	\$ 4,018,118	\$ 1,918,034	\$ 2,757,422	\$ 5,746,002	\$ 6,775,540

Statement of Activities. During the current fiscal year, the City of Scappoose’s net position decreased by \$1,029,538. The key elements of the change in Scappoose’s net position for the year ended June 30, 2013 are as follows:

- Fees, fines and charges for services increased by \$137,229 due in part to an increase in charges for service in the governmental funds.
- Operating grant and contribution income decreased by \$27,039 in total, largely due to decline in operating grant reimbursements.
- Capital grants and contribution income decreased by \$91,665 due to reimbursement related to infrastructure improvement projects.
- Disbursements increased \$145,440 largely due to infrastructure improvement disbursements.

Financial Analysis of the City of Scappoose’s Funds

As noted earlier, Scappoose uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Statement of Activities
For the years ended June 30,

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Fines, fees, charges for services	\$ 466,163	\$ 479,229	\$ 2,347,747	\$ 2,197,452	\$ 2,813,910	\$ 2,676,681
Operating grants and contributions	459,992	487,031		-	459,992	487,031
Capital grants and contributions	73,073	91,655	119,487	192,570	192,560	284,225
General receipts						
Property tax	1,556,127	2,200,521	15,408	20,864	1,571,535	2,221,385
Franchise fees	374,098	401,157	-	-	374,098	401,157
Intergovernmental	-	-	-	-	-	-
Miscellaneous	10,977	30,003	12,300	14,718	23,277	44,721
Total revenues	2,940,430	3,689,596	2,494,942	2,425,604	5,435,372	6,115,200
Expenses						
General government	423,442	613,830	-	-	423,442	613,830
Court and police	1,708,037	1,659,665	-	-	1,708,037	1,659,665
Community services and development	280,070	110,068	-	-	280,070	110,068
Culture and recreation	382,683	368,671	-	-	382,683	368,671
Interest on long-term debt	45,831	48,541	-	-	45,831	48,541
Highways and streets	402,413	1,131,622	-	-	402,413	1,131,622
Storm Drain	-	-	-	-	-	-
Water	-	-	1,806,245	1,628,812	1,806,245	1,628,812
Sewer	-	-	1,416,193	1,049,145	1,416,193	1,049,145
Total expenses	3,242,476	3,932,397	3,222,438	2,677,957	6,464,914	6,610,354
Transfers	111,892	112,870	(111,892)	(112,870)	-	-
Change in net position	(190,154)	(129,931)	(839,388)	(365,223)	(1,029,542)	(495,154)
Net position, beginning of year	4,018,122	4,148,049	2,757,422	3,122,645	6,775,544	7,270,694
Net position, end of year	3,827,968	4,018,118	1,918,034	2,757,422	5,746,002	6,775,540

Governmental funds. The focus of the City of Scappoose's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing Scappoose's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$3,827,968.

As detailed in the notes to the financial statements, the City adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. Among the changes required is that special revenue funds whose primary source of funding is transfers from the General Fund be reported as part of the General Fund. Therefore in the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures And Changes In Fund Balances, the Unemployment Fund and the Watts Fund has been combined with the General Fund.

General Fund. The General Fund is the primary operating fund of the City. As of June 30, 2013, unrestricted fund balance was \$2,446,311. The fund balance increased by \$36,011 during the current

fiscal year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 95 percent of total General Fund expenditures.

General Fund Budgetary Highlights

The city council made adjustments to the adopted budget for the fiscal year ended June 30, 2013, which are reflected in the schedules of budget and actual by fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Scappoose's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2013, Scappoose had invested \$41,324,290 in capital assets, net of depreciation, as shown in the following table:

	Capital Assets					
	As of June 30, 2013 and 2012					
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,765,116	\$ 1,765,116	\$ 389,036	\$ 378,786	\$ 2,154,152	\$ 2,143,902
Buildings	3,347,256	3,347,256	4,766,079	4,737,826	\$ 8,113,335	\$ 8,085,082
Equipment	325,629	263,093	1,944,455	1,944,455	\$ 2,270,084	\$ 2,207,548
Vehicles	496,238	496,238	173,355	173,355	\$ 669,593	\$ 669,593
Construction in progress	-	-	-	-	\$ -	\$ -
Infrastructure	61,417,733	61,284,888	-	-	\$ 61,417,733	\$ 61,284,888
Water and sewer system		-	18,482,395	17,861,404	\$ 18,482,395	\$ 17,861,404
	67,351,972	67,156,591	25,755,320	25,095,826	93,107,293	92,252,417
Less: accumulated depreciation	(40,621,468)	(38,615,250)	(11,161,535)	(10,605,523)	(51,783,003)	(49,220,773)
Net capital assets	\$ 26,730,504	\$ 28,541,341	\$ 14,593,785	\$ 14,490,303	\$ 41,324,290	\$ 43,031,644

During fiscal year 2012-13, the City's investment in capital assets decreased by \$1,707,354.

Additional information regarding the City's capital assets can be found in the notes to basic financial statements of this report.

Long-term debt. At the end of the current fiscal year, the City of Scappoose had total bonded debt (general obligation and revenue bonds) outstanding of \$7,530,852 and a capital leases in the amount of \$63,917.

During the current fiscal year, the City's total debt decreased by \$514,258 (7%).

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

**Outstanding Debt
As of June 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Notes Payable	\$ 1,070,468	1,163,573	5,876,028	\$ 6,199,897	\$ 6,946,496	\$ 7,363,470
Bonds Payable	-	-	584,356	643,250	584,356	643,250
Capital lease	63,917	94,116	-	8,191	63,917	102,307
	<u>\$ 1,134,385</u>	<u>1,257,689</u>	<u>6,460,384</u>	<u>\$ 6,851,338</u>	<u>\$ 7,594,769</u>	<u>\$ 8,109,027</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Scappoose's Budget Committee considered all the following factors while preparing the budget for the 2012-13 fiscal year.

- Expected rates and consumption for business-type funds
- Staffing requirements and the desired level of service
- Capital outlay

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City of Scappoose's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Scappoose
Attn: City Recorder
33568 E Columbia Avenue
Scappoose, OR 97056
(503)543-7146

BASIC FINANCIAL STATEMENTS

CITY OF SCAPPOOSE, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 3,915,800	\$ 2,010,529	\$ 5,926,329
LIABILITIES			
Deposits	87,832	92,495	180,327
NET ASSETS			
Restricted	1,362,019	902,231	2,264,250
Unrestricted	2,465,949	1,015,803	3,481,752
<i>Total Net Position</i>	<u>\$ 3,827,968</u>	<u>\$ 1,918,034</u>	<u>\$ 5,746,002</u>

The accompanying notes are an integral part of the financial statements

CITY OF SCAPPOOSE, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2013

	Disbursements	Program Receipts			Net Changes in Fund Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Functions/Programs							
Governmental activities:							
General government	\$ 423,442	\$ 200,406	\$ 99,069	\$ -	\$ (123,967)	\$ -	\$ (123,967)
Public safety	1,708,037	262,752	-	-	(1,445,285)	-	(1,445,285)
Culture and recreation	382,683	3,005	-	7,156	(372,522)	-	(372,522)
Community development	280,070	-	-	-	(280,070)	-	(280,070)
Highways and streets	402,413	-	360,923	65,917	24,427	-	24,427
Interest on long-term debt	45,831	-	-	-	(45,831)	-	(45,831)
<i>Total Governmental Activities</i>	<u>3,242,476</u>	<u>466,163</u>	<u>459,992</u>	<u>73,073</u>	<u>(2,243,248)</u>	<u>-</u>	<u>(2,243,248)</u>
Business-type activities:							
Water	1,806,245	1,228,359	-	99,667	-	(478,219)	(478,219)
Sewer	1,416,193	1,119,388	-	8,332	-	(288,473)	(288,473)
Storm Drain	-	-	-	11,488	-	11,488	11,488
<i>Total Business-type Activities</i>	<u>3,222,438</u>	<u>2,347,747</u>	<u>-</u>	<u>119,487</u>	<u>-</u>	<u>(755,204)</u>	<u>(755,204)</u>
<i>Total Activities</i>	<u>\$ 6,464,914</u>	<u>\$ 2,813,910</u>	<u>\$ 459,992</u>	<u>\$ 192,560</u>	<u>(2,243,248)</u>	<u>(755,204)</u>	<u>(2,998,452)</u>
General Receipts:							
Property taxes	-	-	-	-	1,556,127	15,408	1,571,535
Franchise taxes	-	-	-	-	374,098	-	374,098
Miscellaneous	-	-	-	-	10,977	12,300	23,277
<i>Total General Revenues</i>	-	-	-	-	<u>1,941,202</u>	<u>27,708</u>	<u>1,968,910</u>
Transfers	-	-	-	-	111,892	(111,892)	-
<i>Change in net Position</i>	-	-	-	-	<u>(190,154)</u>	<u>(839,388)</u>	<u>(1,029,542)</u>
<i>Net position, July 1, 2012</i>	-	-	-	-	<u>4,018,122</u>	<u>2,757,422</u>	<u>6,775,544</u>
<i>Net Position, June 30, 2013</i>	-	-	-	-	<u>3,827,968</u>	<u>1,918,034</u>	<u>5,746,002</u>

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

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

	<u>General</u>	<u>Special Revenue</u> <u>Street</u>	<u>Capital Projects</u> <u>Street</u> <u>SDC</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 2,610,485	366,849	519,188	419,278	\$ 3,915,800
LIABILITIES AND FUND BALANCES					
Liabilities					
Deposits	\$ 87,832	\$ -	\$ -	\$ -	\$ 87,832
FUND BALANCES					
Restricted for					
Capital Projects				30,068	30,068
Committed for					
Unemployment	56,704				56,704
Capital Projects			519,188	191,298	710,486
Special Revenue		366,849		197,912	564,761
Unassigned	2,465,949				2,465,949
Total Fund Balances	2,522,653	366,849	519,188	419,278	3,827,968
Total Liabilities and Fund Balances	\$ 2,610,485	\$ 366,849	\$ 519,188	\$ 419,278	\$ 3,915,800

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

CITY OF SCAPPOOSE, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

(MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Street</u>	<u>Street SDC</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES					
Taxes and assessments	\$ 1,556,128	\$ -	\$ -	\$ -	\$ 1,556,128
Licenses and permits	391,508	-	20,066	65,762	477,336
Charges for services	259,001	-	-	30,334	289,335
Intergovernmental	154,051	403,128	-	3,646	560,825
Fines and forfeitures	-	-	-	-	-
Miscellaneous	46,231	3,997	3,316	3,269	56,813
<i>Total Revenues</i>	2,406,919	407,125	23,382	103,011	2,940,437
EXPENDITURES					
General government	385,303	-	-	173,351	558,654
Court and police	1,665,597	-	-	-	1,665,597
Highways and streets	-	233,208	-	13,594	246,802
Culture and recreation	300,195	-	-	-	300,195
Community development	106,719	-	-	-	106,719
Capital outlay	63,958	88,796	35,911	6,716	195,381
Debt service	35,573	716	56,213	76,633	169,135
<i>Total Expenditures</i>	2,557,345	322,720	92,124	270,294	3,242,483
REVENUES OVER (UNDER) EXPENDITURES	(150,426)	84,405	(68,742)	(167,283)	(302,046)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	-	-	-	-
Transfers in	398,593	-	-	70,000	468,593
Transfers out	(199,978)	(12,837)	(488)	(143,398)	(356,701)
<i>Total Other Financing Sources (Uses)</i>	198,615	(12,837)	(488)	(73,398)	111,892
NET CHANGE IN FUND BALANCES	48,189	71,568	(69,230)	(240,681)	(190,154)
FUND BALANCES, Beginning of year	2,474,464	295,281	588,418	659,959	4,018,122
FUND BALANCES, End of year	\$ 2,522,653	\$ 366,849	\$ 519,188	\$ 419,278	\$ 3,827,968

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

CITY OF SCAPPOOSE, OREGON

STATEMENT OF NET POSITION – (MODIFIED CASH BASIS) – PROPRIETARY FUNDS

JUNE 30, 2013

	<i>Water Utility</i>	<i>Sewer Utility</i>	<i>Sewer SDC</i>	<i>Other Business-type Funds</i>	<i>Totals</i>
ASSETS					
Cash and cash equivalents	\$ 485,811	622,487	460,587	441,644	\$ 2,010,529
LIABILITIES					
Deposits	92,495				92,495
NET POSITION					
Restricted	-	-	460,587	441,644	902,231
Unrestricted	393,316	622,487	-	-	1,015,803
<i>Total Net Position</i>	<u>\$ 393,316</u>	<u>\$ 622,487</u>	<u>\$ 460,587</u>	<u>\$ 441,644</u>	<u>\$ 1,918,034</u>

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

CITY OF SCAPPOOSE, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -

(MODIFIED CASH BASIS) – PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	<i>Water Utility</i>	<i>Sewer Utility</i>	<i>Sewer SDC</i>	<i>Other Business-type Funds</i>	<i>Totals</i>
OPERATING REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 15,408	\$ 15,408
Licenses and permits	618	-	-	36,197	36,815
Charges for services	1,221,776	1,048,838	8,332	-	2,278,946
Intergovernmental	-	-	-	74,340	74,340
Miscellaneous	10,179	74,115	2,815	2,322	89,431
<i>Total Operating Receipts</i>	<u>1,232,573</u>	<u>1,122,953</u>	<u>11,147</u>	<u>128,267</u>	<u>2,494,940</u>
OPERATING EXPENDITURES					
Personal services	684,284	640,282	-	-	1,324,566
Materials and services	270,020	396,521	-	-	666,541
Capital outlay	306,708	324,534	28,253	-	659,495
<i>Total Operating Disbursements</i>	<u>1,261,012</u>	<u>1,361,337</u>	<u>28,253</u>	<u>-</u>	<u>2,650,602</u>
OPERATING REVENUES OVER (UNDER) OPERATING EXPENDITURES	(28,439)	(238,384)	(17,106)	128,267	(155,662)
NON OPERATING REVENUES (EXPENDITURES)					
Loan proceeds	-	-	-	-	-
Debt service					
Principal	(49,932)	(25,666)	-	(315,331)	(390,929)
Interest	(39,256)	(937)	-	(140,712)	(180,905)
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(89,188)</u>	<u>(26,603)</u>	<u>-</u>	<u>(456,043)</u>	<u>(571,834)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS					
System development revenue		-	-	-	-
Transfers in		-	-	325,731	325,731
Transfers out	(356,487)	(52,632)	(581)	(27,923)	(437,623)
NET CHANGES IN POSITION	<u>(474,114)</u>	<u>(317,619)</u>	<u>(17,687)</u>	<u>(29,968)</u>	<u>(839,388)</u>
NET POSITION, Beginning of year	<u>867,430</u>	<u>940,106</u>	<u>478,274</u>	<u>471,612</u>	<u>2,757,422</u>
NET POSITION, End of year	<u>\$ 393,316</u>	<u>\$ 622,487</u>	<u>\$ 460,587</u>	<u>\$ 441,644</u>	<u>\$ 1,918,034</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City is governed by an elected mayor and six council members who comprise the City Council. The City provides various services as authorized by its charter, including water and sewer utilities.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Basic Financial Statements

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

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents all the assets and liabilities of the City, including capital assets and related debt. Net position, representing assets less liabilities, is shown in three components. Investment in capital assets, less related outstanding debt used to acquire them, restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities. In a Modified Cash Basis presentation assets are defined as Cash and Cash equivalents, liabilities are generally only deposits and net assets are the shown as restricted and unrestricted.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct disbursements 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 receipts* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental and proprietary type funds. Major individual governmental funds, and

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplementary information.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds.

Basis of Presentation

The City reports the following major governmental funds:

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

Combined with the General Fund are the Unemployment Fund and the Watts House Fund— accounts for unemployment expenditures and repairs and improvement of the Watts House

Street Fund – accounts for gasoline tax apportionments and expenditures for street improvements

Street SDC Fund - accounts for the system development charges.

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The City reports the following non major governmental funds:

PEG Fee Fund – accounts for Public Education Governmental revenue from cable fees and expenditures related to public access and education

Building Fund - accounts for the operations of the City's building revenue.

Law Enforcement Fund – accounts for municipal court revenues assessed for the purpose of law enforcement activities.

Recreation Reserve Fund – accounts for revenue and future construction of the City's pool

Municipal Skate Park Fund – accounts for skate park revenue and improvements

Foot Path and Bike Trails Fund – accounts for 1% of gasoline tax and improvements to foot path and bike trails

Parks SDC Fund – to account for receipts and disbursements associated with parks capital projects

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary funds are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers.

The City reports the following major proprietary funds:

Water Utility Fund - to account for the operation of the City's water system.

Sewer Utility Fund - to account for the operation of the City's sewer system.

Sewer SDC Fund - to account for receipts and disbursements associated with sewer capital projects.

The City reports the following non major proprietary funds:

Storm Drain Fund - to account for the operation of the City's storm drain system.

Storm Drain SDC Fund - to account for receipts and disbursements associated with storm drain capital projects.

Water SDC Fund - to account for receipts and disbursements associated with water capital projects

Airpark Water Line - to accounts for receipts and disbursements associated with capital project

G O Bond Water-Sewer Fund - to account for revenue applicable to the retirement of bonds and related interest.

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental Fund type fund balances are reported in the following classifications.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaid and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF SCAPPOOSE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unrestricted for presentation in the City's Annual Financial Report.

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

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund. In addition, certain Special Revenue Funds are reported as part of the General Fund because their source of funds is primarily transfers from the General Fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

The City adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. Among the changes required is that Special Revenue Funds whose primary source of funding is transfers from the General Fund be reported as part of the General Fund. Therefore, in the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, the Unemployment Fund and the Watts Fund has been combined with the General Fund.

CITY OF SCAPPOOSE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, capital assets such as property and equipment, and long-term liabilities such as debt are only reported in the notes to the financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenditures as of and for the year ended June 30, 2013. Actual results may differ from such estimates.

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The City maintains cash in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments in the Local Governmental Investment Pool are stated at cost, which approximates fair value.

Property Taxes

Property taxes are levied by the County Assessor and collected by the County tax collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current year are recorded as receivable at year-end. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

Capital assets (items costing more than \$5,000 and lasting more than one year) are reported in the applicable governmental or business-type activities in the notes to the financial statements. In the fund statements, capital assets are charged as expenditures as purchased. Capital assets are recorded at cost or estimated historical cost where records are available. Donated assets are not recorded. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

Buildings and improvements	30 - 40 years
Water and Sewer Systems	20 - 50 years
Infrastructure	20 - 50 years
Equipment	5 - 30 years

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures/expenses when paid.

Use of Restricted Assets

When expenditures/expenses are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

Accrued Compensated Absences

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid.

Budgets and Budgetary Accounting

The City adopts the budget on an object (personnel services, materials and services, capital outlay, debt service) basis, therefore, disbursements of a specific object may not legally exceed that object's appropriation. The City Council may amend the budget to expend unforeseen receipts by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CASH

Cash and investments are comprised of the following at June 30, 2013:

	<u>Carrying Value</u>	<u>Fair Value</u>
<i>Cash</i>		
Petty cash	\$ 1,400	\$ 1,400
Cash in checking	123,781	123,781
Restricted cash-deposits for business activities	92,495	92,495
Cash deposits	87,832	87,832
<i>Investments</i>		
Local Government Investment Pool	5,620,819	# 5,620,819
	<u>\$ 5,926,329</u>	<u>\$ 5,926,329</u>

Deposits

At year end, the book balance of the City's bank deposits (checking) was \$123,781 and the bank balance was \$158,352. The difference is due to transactions in process. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2013, none of the City's bank balances were exposed to custodial credit risk as the balances are under FDIC insurance limits.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2013, the fair value of the position in the Oregon State

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CASH (continued)

Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty. The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-loan diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CAPITAL ASSETS

The summary of capital assets for the business-type activities for the year ended June 30, 2013 is as follows:

	<i>Balances July 1, 2012</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2013</i>
NON-DEPRECIABLE				
Land	\$ 378,786	\$ 10,250	\$ -	\$ 389,036
Construction in progress	-		-	\$ -
<i>Total Non-depreciable</i>	378,786		-	389,036
DEPRECIABLE				
Buildings and improvements	4,737,826	28,253	-	4,766,079
Equipment	1,944,455		-	1,944,455
Vehicles	173,355		-	173,355
Water and sewer systems	17,861,404	620,992	-	18,482,396
	24,717,040	659,495	-	25,366,285
ACCUMULATED DEPRECIATION				
Buildings and improvements	(2,380,733)	(116,804)	-	(2,497,537)
Equipment	(1,851,675)	(27,987)	-	(1,879,662)
Vehicles	(156,125)	(14,296)	-	(170,421)
Water and sewer systems	(6,216,990)	(396,925)	-	(6,613,915)
	(10,605,523)	(556,012)	-	(11,161,535)
<i>Business-type activities capital assets, net</i>	<u>\$ 14,490,303</u>	<u>\$ 113,733</u>	<u>\$ -</u>	<u>\$ 14,593,786</u>

CITY OF SCAPPOOSE, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2013**

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

	<i>Balances July 1, 2012</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2013</i>
NON-DEPRECIABLE				
Land	\$ 1,765,116	\$ -	\$ -	\$ 1,765,116
Construction in process	-	-	-	-
	<u>1,765,116</u>	<u>-</u>	<u>-</u>	<u>1,765,116</u>
DEPRECIABLE				
Buildings	3,347,256	-	-	3,347,256
Equipment	263,093	62,536	-	325,629
Vehicles	496,238	-	-	496,238
Infrastructure	61,284,888	132,845	-	61,417,733
	<u>65,391,475</u>	<u>195,381</u>	<u>-</u>	<u>65,586,856</u>
<i>Total depreciable</i>	65,391,475	195,381	-	65,586,856
ACCUMULATED DEPRECIATION				
Buildings	(1,103,495)	(82,413)	-	(1,185,908)
Equipment	(226,932)	(20,662)	-	(247,594)
Vehicles	(342,896)	(66,098)	-	(408,994)
Infrastructure	(36,941,927)	(1,837,045)	-	(38,778,972)
	<u>(38,615,250)</u>	<u>(2,006,218)</u>	<u>-</u>	<u>(40,621,468)</u>
<i>Total accumulated depreciation</i>	(38,615,250)	(2,006,218)	-	(40,621,468)
<i>Governmental activities capital assets, net</i>	<u>\$ 28,541,341</u>	<u>\$ (1,810,837)</u>	<u>\$ -</u>	<u>\$ 26,730,504</u>

CITY OF SCAPPOOSE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

	<i>Outstanding July 1, 2012</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2013</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
US Bank - refinanced	344,998	-	22,093	322,905	22,929
Crown Zellerbach	315,384	-	43,598	271,786	45,342
US National Bank	503,191	-	27,414	475,777	27,414
	<u>1,163,573</u>	<u>-</u>	<u>93,105</u>	<u>1,070,468</u>	<u>95,685</u>
Capital leases payable	<u>94,116</u>	<u>-</u>	<u>30,199</u>	<u>63,917</u>	<u>30,957</u>
	<u><u>1,257,689</u></u>	<u><u>-</u></u>	<u><u>123,304</u></u>	<u><u>1,134,385</u></u>	<u><u>126,642</u></u>

	<i>Outstanding July 1, 2012</i>	<i>Issued</i>	<i>Forgiven/ Discounted</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2013</i>	<i>Due Within One Year</i>
<i>Business-type Activities</i>						
Airpark Notes Payable	264,818	-	-	48,030	216,788	48,472
Airpark Notes Payable	131,316	-	-	23,295	108,021	24,693
Airpark Notes Payable	163,363	-	-	24,179	139,184	24,381
Water GO Bonds	302,180	-	-	34,101	268,079	35,728
SPWF Wastewater Bonds	14,677	-	-	7,125	7,552	7,552
SPWF Wastewater Bonds	-	-	-	-	-	-
Safe Drinking Water notes	1,054,338	-	-	42,639	1,011,699	44,208
WTP phase I & 2 notes	1,349,881	-	-	60,286	1,289,595	60,672
Safe Drinking Water notes	3,236,181	-	-	125,440	3,110,741	126,694
Wastewater DEQ Loan	326,367	-	-	17,642	308,725	17,642
	<u>6,843,121</u>	<u>-</u>	<u>-</u>	<u>382,737</u>	<u>6,460,384</u>	<u>390,042</u>
Capital leases payable	<u>8,191</u>	<u>-</u>	<u>-</u>	<u>8,191</u>	<u>-</u>	<u>-</u>
	<u><u>6,851,312</u></u>	<u><u>- #</u></u>	<u><u>-</u></u>	<u><u>390,928</u></u>	<u><u>6,460,384</u></u>	<u><u>390,042</u></u>
Correction of Water Bond GO	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>6,851,336</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

CITY OF SCAPPOOSE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT (Continued)

U S Bank – On November 18, 2004, the City entered into a contract with US Bank to borrow \$600,000 for the purpose of purchasing property for the Scappoose Veterans Park. The interest rate was 5%. On September 30, 2009, the City paid \$109,714 and refinanced the remaining balance of \$396,771 on the note. The new note requires semi-annual principal and interest payments due April and October for five years with the balance to be paid in full on October 1, 2014. The interest rate of the note is 3.75%.

Crown Zellerbach – On November 8, 2002, the City entered a contract with the State of Oregon, Department of Transportation to construct a roadway with traffic signal and a signalized railroad crossing for US 30 to West Lane to improve truck access on to Crown Zellerbach Road. Total estimate project cost \$2,562,850 consisted of Oregon Transportation Investment (OTIA) grants \$1,782,850 and the City's matching fund \$780,000. To cover this matching amount the City made a loan agreement with the principal amount of \$625,000 (interest rate 4%) with Oregon Department of Transportation on August 28, 2003.

U S Bank – On August 24, 2010 the City entered in to a loan agreement to purchase land for the purpose of building the Aquatics and Community Center. The loan amount is \$544,310, the interest rate is 2.90%. The note requires semi-annual principal and interest payments due February and August for five years with the balance to be paid in full on August 26, 2015.

Airpark Water Improvement Loans – The City entered into loan contracts with the Oregon Economic Development Department to extend water to the Scappoose Airport project. The loans are payable from Water and Sewer SDC charges. The loans were issued in Sept and July 1998 and Sept 1997. The interest rate is 6% and the loans mature in 2017 and 2018.

Water – Sewer General Obligation Bonds- The City issued general obligation bonds to provide funds for the acquisition and construction of utility systems. The interest rate is 5%. The water bonds mature in 2011 and the sewer bonds mature in 2019.

SPWF Waste Bonds Payable - The City issued SPWF waste bonds to finance the sewer system construction on September 1991 and November 1993. The interest rate is 6% and the bonds mature in 2011 and 2013.

WTP Phase 1 & 2 and Safe Drinking Water Project Loan – On December 4, 2002, the City entered into a contract with Oregon Economic and Community Development Department (OECDD) for water system improvement projects phase 1 & 2. Total estimated projects costs are \$6,974,000 which consists of water grants \$500,000, a water loan \$1,814,000 (interest rate 4.4%), a Safe drinking water revolving loan \$4,000,000 (interest 1%), including forgivable note \$250,000 and the City's matching funds of \$660,000. The loans mature in 2028 and 2034.

Dutch Canyon Waterline loan is at 3.68% interest. This project was contingent and part of the financing of the WTP Phase 1 & 2. Upon completion of the WTP Phase 1 & 2 project the Dutch Canyon water line was constructed. The loan matures in 2029.

Clean Water DEQ Bond – The City entered into a contract in 2010 for the purpose of construction of pump and filter upgrades for the Waste Water Treatment Plant and Springlake Park Pump Station. The loan amount is \$705,660, and the interest rate is 0%. The loan has a provision of 50% loan forgiveness referred to as the "ARRA Forgivable Loan" if the project is completed in compliance and there is no default of terms. The loan matures in 2031.

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Governmental Activities			
Fiscal Year Ending			
June 30,	Principal	Interest	Total
2014	95,685	36,366	132,051
2015	374,545	27,487	402,032
2016	469,990	13,276	483,266
2017	51,003	5,210	56,213
2018	53,043	3,170	56,213
2019	26,202	1,048	27,250
	<u>1,070,468</u>	<u>86,557</u>	<u>1,157,025</u>
	\$ 6,460,385	\$ 1,406,475	\$ 7,866,859

Business-type Activities			
Fiscal Year Ending			
June 30,	Principal	Interest	Total
2014	390,042	168,042	558,085
2015	399,668	155,283	554,952
2016	412,153	142,143	554,296
2017	429,965	128,352	558,318
2016	346,449	113,646	460,096
2019-23	1,545,639	428,836	1,974,476
2024-28	1,673,766	218,440	1,892,207
2029-33	941,638	46,751	988,390
2034-38	321,064	4,979	326,043
	<u>6,460,385</u>	<u>1,406,475</u>	<u>7,866,859</u>
	\$ 6,460,385	\$ 1,406,475	\$ 7,866,859

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT (Continued)

The City has entered into eight separate lease agreements as lessee for financing the acquisition of police vehicles and utility trucks with Ford Financing Motor Credit Company. The lease agreements qualify as capital leases for accounting purposes.

CAPITAL LEASES

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	30,956	4,139	35,095
2015	32,961	2,135	35,096
	<u>63,917</u>	<u>6,274</u>	<u>70,191</u>

On November 12, 2007, the City entered into a 5-year lease agreement with Brian Rosenthal to rent office space at 52610 NE 1st Street, Units 120 and 130 in Scappoose, Oregon. On March 1, 2008, the City added Unit 110 at the same address to the lease agreement. For the fiscal year ended June 30, 2013, rent expense was \$44,466.

OFFICE LEASE

<u>Year Ending June 30,</u>	<u>Space 120/130</u>	<u>Space 110</u>	<u>Total</u>
2014	32,409	12,132	44,541
2015	32,409	12,132	44,541
2016	32,409	12,132	44,541
2017	32,409	12,132	44,541
2018	10,803	8,088	18,891
	<u>140,439</u>	<u>56,616</u>	<u>197,055</u>

PENSION PLAN

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City’s contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City participates in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Funding Policy

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the ORSRP Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

<u>Rate Category</u>	<u>Normal Rate</u>	<u>Combined UAL Rate</u>	<u>Net Rate</u>
PERS General	10.40%		15.69%
PERS Police and Fire	10.40%	5.29%	15.69%
OPSRP General	6.13%		11.42%
OPSRP Police and Fire	8.84%		14.13%

Annual Pension Cost

The City's contributions to PERS for the fiscal years ending June 30, 2010, 2011, 2012 and 2013,

<u>Year Ended June 30</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>
2010	\$ 304,660	100%
2011	\$ 321,708	100%
2012	\$ 408,567	100%
2013	\$ 428,819	100%

CITY OF SCAPPOOSE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

PENSION PLAN (continued)

Funding Status: The latest funding status of the City's pension plan is shown below:

PERS Funding Status*

Latest Valuation Date	12/31/2011
Unfunded Actuarial Liability (UAL)	2,941,212
Combined Valuation Payroll	2,011,981
Net UAL as a Percent of Payroll	146%

*per Milliman report dated 9/28/12

CITY OF SCAPPOOSE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

	<u>Transfer in</u>	<u>Transfer from</u>
General Fund	\$ 378,593	\$ 199,978
Building Fund	70,000	18,264
Street SDC Fund	-	488
Street Fund		12,837
Parks SDC Fund	-	440
Municipal Skate Park Fund	-	124,694
Watts House Fund	20,000	-
Water Fund		356,487
Water SDC Fund	299,039	27,790
Sewer Fund	-	52,632
Sewer SDC Fund	-	581
Storm Drain SDC Fund	-	133
Airpark Water Line Fund	26,692	-
	<u>\$ 794,324</u>	<u>\$ 794,324</u>

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

CITY OF SCAPPOOSE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

NEW PRONOUNCEMENTS

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.” This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement was implemented in the current year.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement was implemented in the current year.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement was implemented in the current year.

The City will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for fiscal years beginning after December 15, 2012.

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement is effective for fiscal years beginning after June 15, 2013.

SUBSEQUENT EVENTS

The City follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through November 30, 2013, the date on which the financial statements were available to be issued. Management is aware of subsequent events that require recognition or disclosure in the financial statements. The City is involved in the investigation of the potential misuse of funds within the Police department. The estimate of \$28,000 over a 4 year period would be less than 1% of the General Fund revenues.

SUPPLEMENTAL INFORMATION

CITY OF SCAPPOOSE, OREGON
RECONCILIATION OF BUDGETARY TO REPORTING FUNDS
BALANCE SHEET (MODIFIED CASH BASIS) – GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Budgetary funds</u> <u>Unemployment</u>	<u>Watts House</u>	<u>Total</u> <u>(reported as</u> <u>General Fund)</u>
ASSETS				
Cash and cash equivalents	\$ 2,534,143	56,704	\$ 19,638	\$ 2,610,485
LIABILITIES AND FUND BALANCES				
Liabilities				
Deposits	\$ 87,832			\$ 87,832
Fund Balances				
Committed for:				
Unemployment	-	56,704		56,704
Unassigned:	2,446,311	-	19,638	2,465,949
Total Fund Balances	<u>2,446,311</u>	<u>56,704</u>	<u>19,638</u>	<u>2,522,653</u>
Total Liabilities and Fund Balances	<u>\$ 2,534,143</u>	<u>\$ 56,704</u>	<u>\$ 19,638</u>	<u>\$ 2,610,485</u>

CITY OF SCAPPOOSE, OREGON
RECONCILIATION OF BUDGETARY TO REPORTING FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
(MODIFIED CASH BASIS) GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<i>Budgetary funds</i>			<i>Total</i>
	<i>General</i>	<i>Unemployment</i>	<i>Watts House</i>	<i>(reported as General Fund)</i>
REVENUES				
Taxes and assessments	\$ 1,556,128			\$ 1,556,128
Licenses and permits	391,508			391,508
Charges for services	259,001			259,001
Intergovernmental	154,051			154,051
Miscellaneous	45,829	337	65	46,231
<i>Total Revenues</i>	2,406,517	337	65	2,406,919
EXPENDITURES				
General government	377,079		8,224	385,303
Court and police	1,665,597			1,665,597
Community services & development	106,719			106,719
Culture and recreation	300,195			300,195
Capital outlay	63,958			63,958
Debt service	35,573			35,573
<i>Total Expenditures</i>	2,549,121	-	8,224	2,557,345
REVENUES OVER (UNDER) EXPENDITURES				
	(142,604)	337	(8,159)	(150,426)
OTHER FINANCING SOURCES (USES)				
Transfers in	378,593	-	20,000	398,593
Transfers out	(199,978)	-	-	(199,978)
<i>Total Other Financing Sources (Uses)</i>	178,615	-	20,000	198,615
NET CHANGE IN FUND BALANCES				
	36,011	337	11,841	48,189
FUND BALANCES, Beginning of year				
	2,410,300	56,367	7,797	2,474,464
FUND BALANCES, End of year				
	\$ 2,446,311	\$ 56,704	\$ 19,638	\$ 2,522,653

CITY OF SCAPPOOSE, OREGON
COMBINING BALANCE SHEET (MODIFIED CASH BASIS) -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Special Revenue</u>		
	<u>Building</u>	<u>Peg Fee</u>	<u>Law Enforcement</u>
ASSETS			
Cash and cash equivalents	\$ 32,551	131,114	34,247
	<u>32,551</u>	<u>131,114</u>	<u>34,247</u>
LIABILITIES AND FUND BALANCES			
Liabilities	-	\$ -	\$ -
FUND BALANCES			
Restricted for			
Capital Projects			
Special Revenue			
Committed for			
Capital Projects			
Special Revenue	32,551	131,114	34,247
	<u>32,551</u>	<u>131,114</u>	<u>34,247</u>
<i>Total Liabilities and Fund Balances</i>	\$ 32,551	\$ 131,114	\$ 34,247

CITY OF SCAPPOOSE, OREGON
COMBINING BALANCE SHEET (MODIFIED CASH BASIS) -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Capital Projects				
	<u>Recreation Reserve</u>	<u>Municipal Skate Park</u>	<u>Foot Path & Bike Trails</u>	<u>Parks SDC</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 191,298	-	21,135	8,933	\$ 419,278
LIABILITIES AND FUND BALANCES					
<i>Liabilities</i>	-	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Restricted for					
Capital Projects			21,135	8,933	30,068
Special Revenue					-
Committed for					-
Capital Projects	191,298				191,298
Special Revenue					197,912
<i>Total Liabilities and Fund Balances</i>	\$ 191,298	\$ -	\$ 21,135	\$ 8,933	\$ 419,278

CITY OF SCAPPOOSE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2013**

	Special Revenue		
	Building	PEG Fee	Law Enforcement
REVENUES			
Licenses and permits	\$ 58,606	\$ -	\$ -
Charges for services	-	17,120	13,214
Intergovernmental	-	-	-
Miscellaneous	249	763	216
<i>Total Revenues</i>	<u>58,855</u>	<u>17,883</u>	<u>13,430</u>
EXPENDITURES			
Current operating	-	-	-
General government	173,351	-	-
Highways and streets	-	-	13,366
Culture and recreation	-	-	-
Capital outlay	-	6,716	-
Debt service	-	-	-
<i>Total Expenditures</i>	<u>173,351</u>	<u>6,716</u>	<u>13,366</u>
REVENUES OVER (UNDER) EXPENDITURES	(114,496)	11,167	64
OTHER FINANCING SOURCES (USES)			
Transfers in	70,000	-	-
Transfers out	(18,264)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>51,736</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(62,760)	11,167	64
FUND BALANCES, Beginning of year	<u>95,311</u>	<u>119,947</u>	<u>34,183</u>
FUND BALANCES, End of year	<u>32,551</u>	<u>\$ 131,114</u>	<u>\$ 34,247</u>

CITY OF SCAPPOOSE, OREGON

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	Capital Projects				Totals
	Recreation Reserve	Municipal Skate Park	Foot Paths & Bicycle Trails	Parks SDC	
REVENUES					
Licenses and permits	\$ -	-	-	7,156	\$ 65,762
Charges for services	-	-	-	-	30,334
Intergovernmental	-	-	3,646	-	3,646
Miscellaneous	1,237	568	114	122	3,269
<i>Total Revenues</i>	<u>1,237</u>	<u>568</u>	<u>3,760</u>	<u>7,278</u>	<u>103,011</u>
EXPENDITURES					
Current operating					
General government	-	-	-	-	173,351
Highways and streets	-	-	228	-	13,594
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	6,716
Debt service	41,808	-	-	34,825	76,633
<i>Total Expenditures</i>	<u>41,808</u>	<u>-</u>	<u>228</u>	<u>34,825</u>	<u>270,294</u>
REVENUES OVER (UNDER) EXPENDITURES	(40,571)	568	3,532	(27,547)	(167,283)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	70,000
Transfers out	-	(124,694)	-	(440)	(143,398)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(124,694)</u>	<u>-</u>	<u>(440)</u>	<u>(73,398)</u>
NET CHANGE IN FUND BALANCES	(40,571)	(124,126)	3,532	(27,987)	(240,681)
FUND BALANCES, Beginning of year	231,869	124,126	17,603	36,920	659,959
FUND BALANCES, End of year	<u>\$ 191,298</u>	<u>-</u>	<u>21,135</u>	<u>8,933</u>	<u>\$ 419,278</u>

CITY OF SCAPPOOSE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,558,975	1,558,975	\$ 1,556,128	\$ (2,847)
Licenses and permits	397,500	397,500	391,508	(5,992)
Charges for services	263,575	263,575	259,001	(4,574)
Intergovernmental	178,768	178,768	154,051	(24,717)
Miscellaneous	14,000	14,000	45,829	31,829
Total Receipts	2,412,818	2,412,818	2,406,517	(6,301)
EXPENDITURES				
General government	509,989	509,989	377,079	132,910
Police and court	1,793,118	1,793,118	1,665,597	127,521
Culture and recreation	381,361	381,361	300,195	81,166
Community development	141,075	141,075	106,719	34,356
Capital outlay	109,000	233,700	63,958	169,742
Debt service	35,572	35,572	35,573	(1)
Contingency	780,945	780,945	-	780,945
Total Disbursements	3,751,060	3,875,760	2,549,121	1,326,639
REVENUES OVER (UNDER)				
EXPENDITURES	(1,338,242)	(1,462,942)	(142,604)	1,320,338
OTHER FINANCING SOURCES (USES)				
Transfer in	253,899	378,599	378,593	(6)
Transfers out	(199,978)	(199,978)	(199,978)	-
Total Other Financing Sources (Uses)	53,921	178,621	178,615	(6)
NET CHANGE IN FUND BALANCE	(1,284,321)	(1,284,321)	36,011	1,320,332
FUND BALANCE, Beginning of year	2,384,321	2,384,321	2,410,300	25,979
FUND BALANCE, End of year	\$ 1,100,000	1,100,000	\$ 2,446,311	\$ 1,346,311

CITY OF SCAPPOOSE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – UNEMPLOYMENT FUND

YEAR ENDED JUNE 30, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 300	300	\$ 337	37
<i>Total Receipts</i>	300	300	337	37
EXPENDITURES				
Materials and services	25,000	25,000	-	25,000
Contingency	31,653	31,653	-	31,653
<i>Total Disbursements</i>	56,653	56,653	-	56,653
REVENUES OVER (UNDER) EXPENDITURES	(56,353)	(56,353)	337	56,690
NET CHANGE IN FUND BALANCE	(56,353)	(56,353)	337	56,690
FUND BALANCE, Beginning of year	56,353	56,353	56,367	14
FUND BALANCE, End of year	\$ -	\$ -	\$ 56,704	\$ 56,704

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – WATTS HOUSE FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 45	45	\$ 65	20
<i>Total Receipts</i>	45	45	65	20
EXPENDITURES				
Materials and services	13,000	13,000	8,224	4,776
Capital outlay	9,000	9,000	-	9,000
Contingency	516	516	-	516
<i>Total Disbursements</i>	22,516	22,516	8,224	14,292
REVENUES OVER (UNDER) EXPENDITURES	(22,471)	(22,471)	(8,159)	14,312
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
<i>Total Other Financing Sources (Uses)</i>	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(2,471)	(2,471)	11,841	14,312
FUND BALANCE, Beginning of year	2,471	2,471	7,797	5,326
FUND BALANCE, End of year	\$ -	\$ -	\$ 19,638	\$ 19,638

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS)- BUDGET AND ACTUAL - STREET FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 620,299	620,299	\$ 403,128	(217,171)
Miscellaneous	1,050	1,050	3,997	2,947
<i>Total Receipts</i>	621,349	621,349	407,125	(214,224)
EXPENDITURES				
Personal services	139,558	139,558	134,323	5,235
Materials and services	163,205	163,205	98,885	64,320
Capital outlay	270,000	270,000	88,796	181,204
Debt service	716	716	716	-
Contingency	312,755	312,755	-	312,755
<i>Total Disbursements</i>	886,234	886,234	322,720	563,514
REVENUES OVER (UNDER) EXPENDITURES	(264,885)	(264,885)	84,405	349,290
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,837)	(12,837)	(12,837)	-
<i>Total Other Financing Sources (Uses)</i>	(12,837)	(12,837)	(12,837)	-
NET CHANGE IN FUND BALANCE	(277,722)	(277,722)	71,568	349,290
FUND BALANCE, Beginning of year	277,722	277,722	295,281	17,559
FUND BALANCE, End of year	\$ -	\$ -	\$ 366,849	\$ 366,849

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(CASH BASIS) - BUDGET AND ACTUAL - STREET SDC FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,755	9,755	\$ 20,066	10,311
Miscellaneous	3,200	3,200	3,316	116
<i>Total Receipts</i>	12,955	12,955	23,382	10,427
EXPENDITURES				
Capital outlay	335,000	335,000	35,911	299,089
Debt service	56,213	56,213	56,213	-
Contingency	196,021	196,021	-	196,021
<i>Total Disbursements</i>	587,234	587,234	92,124	495,110
REVENUES OVER (UNDER) EXPENDITURES	(574,279)	(574,279)	(68,742)	505,537
OTHER FINANCING SOURCES (USES)				
Transfers out	(488)	(488)	(488)	-
<i>Total Other Financing Sources (Uses)</i>	(488)	(488)	(488)	-
NET CHANGE IN FUND BALANCE	(574,767)	(574,767)	(69,230)	505,537
FUND BALANCE, Beginning of year	574,767	574,767	588,418	13,651
FUND BALANCE, End of year	\$ -	\$ -	\$ 519,188	\$ 519,188

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – BUILDING FUND
YEAR ENDED JUNE 30, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 58,000	58,000	\$ 58,606	606
Miscellaneous	975	975	249	(726)
<i>Total Receipts</i>	<u>58,975</u>	<u>58,975</u>	<u>58,855</u>	<u>(120)</u>
EXPENDITURES				
Personal services	158,079	158,079	152,264	5,815
Materials and services	34,424	34,424	21,087	13,337
Capital outlay				-
Debt service				-
Contingency	1,737	1,737	-	1,737
<i>Total Disbursements</i>	<u>194,240</u>	<u>194,240</u>	<u>173,351</u>	<u>20,889</u>
REVENUES OVER (UNDER) EXPENDITURES	(135,265)	(135,265)	(114,496)	20,769
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	70,000	70,000	-
Transfers out	(18,264)	(18,264)	(18,264)	-
<i>Total Other Financing Sources (Uses)</i>	<u>51,736</u>	<u>51,736</u>	<u>51,736</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(83,529)	(83,529)	(62,760)	20,769
FUND BALANCE, Beginning of year	<u>83,529</u>	<u>83,529</u>	<u>95,311</u>	<u>11,782</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,551</u>	<u>\$ 32,551</u>

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PEG FEE FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 18,500	18,500	\$ 17,120	(1,380)
Miscellaneous	550	550	763	213
<i>Total Receipts</i>	19,050	19,050	17,883	(1,167)
EXPENDITURES				
Capital outlay	138,867	138,867	6,716	132,151
Contingency	-	-	-	-
<i>Total Disbursements</i>	138,867	138,867	6,716	132,151
REVENUES OVER (UNDER) EXPENDITURES	(119,817)	(119,817)	11,167	130,984
NET CHANGE IN FUND BALANCE	(119,817)	(119,817)	11,167	130,984
FUND BALANCE, Beginning of year	119,817	119,817	119,947	130
FUND BALANCE, End of year	\$ -	\$ -	\$ 131,114	\$ 131,114

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – LAW ENFORCEMENT FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 9,500	9,500	\$ 13,214	3,714
Miscellaneous	150	150	216	66
<i>Total Receipts</i>	9,650	9,650	13,430	3,780
EXPENDITURES				
Materials and services	15,000	15,000	13,366	1,634
Debt service			-	-
Contingency	28,580	28,580	-	28,580
<i>Total Disbursements</i>	43,580	43,580	13,366	30,214
REVENUES OVER (UNDER) EXPENDITURES	(33,930)	(33,930)	64	33,994
NET CHANGE IN FUND BALANCE	(33,930)	(33,930)	64	33,994
FUND BALANCE, Beginning of year	33,930	33,930	34,183	253
FUND BALANCE, End of year	\$ -	\$ -	\$ 34,247	\$ 34,247

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - RECREATION RESERVE FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,265	1,265	\$ 1,237	(28)
<i>Total Receipts</i>	1,265	1,265	1,237	(28)
EXPENDITURES				
Materials and services	3,500	3,500	-	3,500
Capital outlay	-	-	-	-
Debt service	41,808	41,808	41,808	-
Contingency	187,801	187,801	-	187,801
<i>Total Disbursements</i>	233,109	233,109	41,808	191,301
REVENUES OVER (UNDER) EXPENDITURES	(231,844)	(231,844)	(40,571)	191,273
NET CHANGE IN FUND BALANCE	(231,844)	(231,844)	(40,571)	191,273
FUND BALANCE, Beginning of year	231,844	231,844	231,869	25
FUND BALANCE, End of year	\$ -	\$ -	\$ 191,298	\$ 191,298

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – MUNICIPAL SKATE PARK FUND
YEAR ENDED JUNE 30, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 600	600	\$ 568	(32)
<i>Total Receipts</i>	600	600	568	(32)
EXPENDITURES				
Capital outlay	124,700	-	-	-
Contingency	-	-	-	-
<i>Total Disbursements</i>	124,700	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(124,100)	600	568	(32)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	-	(124,700)	(124,694)	(6)
<i>Total Other Financing Sources (Uses)</i>	-	(124,700)	(124,694)	(6)
NET CHANGE IN FUND BALANCE	(124,100)	(124,100)	(124,126)	(26)
FUND BALANCE, Beginning of year	124,100	124,100	124,126	26
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - FOOT PATH & BIKE TRAILS FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 3,740	3,740	\$ 3,646	(94)
Miscellaneous	100	100	114	14
<i>Total Receipts</i>	3,840	3,840	3,760	(80)
EXPENDITURES				
Materials and services	10,500	10,500	228	10,272
Capital outlay	-	-	-	-
Contingency	10,953	10,953	-	10,953
<i>Total Disbursements</i>	21,453	21,453	228	21,225
REVENUES OVER (UNDER) EXPENDITURES	(17,613)	(17,613)	3,532	21,145
NET CHANGE IN FUND BALANCE	(17,613)	(17,613)	3,532	21,145
FUND BALANCE, Beginning of year	17,613	17,613	17,603	(10)
FUND BALANCE, End of year	\$ -	\$ -	\$ 21,135	\$ 21,135

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARKS SDC FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 8,790	8,790	\$ 7,156	(1,634)
Miscellaneous	300	300	122	(178)
<i>Total Receipts</i>	9,090	9,090	7,278	(1,812)
EXPENDITURES				
Debt service	34,826	34,826	34,825	1
Contingency	7,633	7,633	-	7,633
<i>Total Disbursements</i>	42,459	42,459	34,825	7,634
REVENUES OVER (UNDER) EXPENDITURES	(33,369)	(33,369)	(27,547)	5,822
OTHER FINANCING SOURCES (USES)				
Transfers out	(440)	(440)	(440)	-
<i>Total Other Financing Sources (Uses)</i>	(440)	(440)	(440)	-
NET CHANGE IN FUND BALANCE	(33,809)	(33,809)	(27,987)	5,822
FUND BALANCE, Beginning of year	33,809	33,809	36,920	3,111
FUND BALANCE, End of year	\$ -	\$ -	\$ 8,933	\$ 8,933

CITY OF SCAPPOOSE, OREGON

COMBINING STATEMENT OF NET POSITION (MODIFIED CASH BASIS) -

NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2013

	<u>Storm Drain</u>	<u>Storm Drain SDC</u>	<u>Water SDC</u>	<u>Airpark Water Line</u>	<u>G.O. Water-Sewer</u>	<u>Totals</u>
ASSETS						
Cash and cash equivalents	\$ 6,425	171,234	83,541	115,849	64,595	\$ 441,644
LIABILITIES	-	-	-	-	-	-
NET POSITION:						
Restricted	6,425	171,234	83,541	115,849	64,595	441,644
<i>Total net position</i>	<u>\$ 6,425</u>	<u>\$ 171,234</u>	<u>\$ 83,541</u>	<u>\$ 115,849</u>	<u>\$ 64,595</u>	<u>\$ 441,644</u>

CITY OF SCAPPOOSE, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(MODIFIED CASH BASIS) - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	<i>Storm Drain</i>	<i>Storm Drain SDC</i>	<i>Water SDC</i>	<i>Airpark Water Line</i>	<i>G.O. Water-Sewer</i>	<i>Totals</i>
OPERATING REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 15,408	\$ 15,408
Licenses and permits	-	11,488	24,709	-	-	36,197
Intergovernmental	-	-	-	74,340	-	74,340
Miscellaneous	38	995	271	658	360	2,322
<i>Total Operating Revenues</i>	<u>38</u>	<u>12,483</u>	<u>24,980</u>	<u>74,998</u>	<u>15,768</u>	<u>128,267</u>
NON OPERATING REVENUES (EXPENSES)						
Debt proceeds	-	-	-	-	-	-
Debt service						
Principal	-	-	185,726	95,504	34,101	315,331
Interest	-	-	93,447	30,529	16,736	140,712
<i>Total Non Operating Revenues (Expenses)</i>	<u>-</u>	<u>-</u>	<u>279,173</u>	<u>126,033</u>	<u>50,837</u>	<u>456,043</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS						
Transfers in	-	-	299,039	26,692	-	325,731
Transfers out	-	(133)	(27,790)	-	-	(27,923)
CHANGE IN NET POSITION	<u>38</u>	<u>12,350</u>	<u>17,056</u>	<u>(24,343)</u>	<u>(35,069)</u>	<u>(29,968)</u>
NET POSITION, Beginning of the year	<u>6,387</u>	<u>158,884</u>	<u>66,485</u>	<u>140,192</u>	<u>99,664</u>	<u>471,612</u>
NET POSITION, End of the year	<u>\$ 6,425</u>	<u>\$ 171,234</u>	<u>\$ 83,541</u>	<u>\$ 115,849</u>	<u>\$ 64,595</u>	<u>\$ 441,644</u>

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STORM DRAINAGE FUND
YEAR ENDED JUNE 30, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$		\$	
Miscellaneous	32	32	38	6
<i>Total Receipts</i>	32	32	38	6
EXPENDITURES				
Materials and services	6,100	6,100	-	6,100
Contingency	319	319	-	319
<i>Total Disbursements</i>	6,419	6,419	-	6,419
REVENUES OVER (UNDER)				
EXPENDITURES	(6,387)	(6,387)	38	6,425
NET CHANGE IN FUND BALANCE	(6,387)	(6,387)	38	6,425
FUND BALANCE,				
<i>Beginning of year</i>	6,387	6,387	6,387	-
FUND BALANCE,				
<i>End of year</i>	\$ -	\$ -	\$ 6,425	\$ 6,425

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STORM DRAINAGE SDC FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 2,650	2,650	\$ 11,488	8,838
Miscellaneous	750	750	995	245
<i>Total Receipts</i>	3,400	3,400	12,483	9,083
EXPENDITURES				
Capital outlay	-	-	-	-
Contingency	161,047	161,047	-	161,047
<i>Total Disbursements</i>	161,047	161,047	-	161,047
REVENUES OVER (UNDER) EXPENDITURES	(157,647)	(157,647)	12,483	170,130
OTHER FINANCING SOURCES (USES)				
Transfers out	(133)	(133)	(133)	-
<i>Total Other Financing Sources (Uses)</i>	(133)	(133)	(133)	-
NET CHANGE IN FUND BALANCE	(157,780)	(157,780)	12,350	170,130
FUND BALANCE, Beginning of year	157,780	157,780	158,884	1,104
FUND BALANCE, End of year	\$ -	\$ -	\$ 171,234	\$ 171,234

CITY OF SCAPPOOSE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – WATER SDC FUND

YEAR ENDED JUNE 30, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 21,966	21,966	\$ 24,709	2,743
Miscellaneous	225	225	271	46
	<u>22,191</u>	<u>22,191</u>	<u>24,980</u>	<u>2,789</u>
<i>Total Receipts</i>				
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service	279,173	279,173	279,173	-
Contingency	72,004	72,004	-	72,004
	<u>351,177</u>	<u>351,177</u>	<u>279,173</u>	<u>72,004</u>
<i>Total Disbursements</i>				
REVENUES OVER (UNDER) EXPENDITURES	(328,986)	(328,986)	(254,193)	74,793
OTHER FINANCING SOURCES (USES)				
Transfers in	299,039	299,039	299,039	-
Transfers out	(27,790)	(27,790)	(27,790)	-
	<u>271,249</u>	<u>271,249</u>	<u>271,249</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>				
NET CHANGE IN FUND BALANCE	(57,737)	(57,737)	17,056	74,793
FUND BALANCE, Beginning of year	57,737	57,737	66,485	8,748
FUND BALANCE, End of year	\$ -	\$ -	\$ 83,541	\$ 83,541

CITY OF SCAPPOOSE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - AIRPARK WATER LINE FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 74,341	74,341	\$ 74,340	(1)
Miscellaneous	600	600	658	58
<i>Total Receipts</i>	74,941	74,941	74,998	57
EXPENDITURES				
Debt service	126,033	126,033	126,033	-
Contingency	115,748	115,748		115,748
<i>Total Disbursements</i>	241,781	241,781	126,033	115,748
REVENUES OVER (UNDER) EXPENDITURES	(166,840)	(166,840)	(51,035)	115,805
OTHER FINANCING SOURCES (USES)				
Transfers in	26,692	26,692	26,692	-
Transfers out				
<i>Total Other Financing Sources (Uses)</i>	26,692	26,692	26,692	-
NET CHANGE IN FUND BALANCE	(140,148)	(140,148)	(24,343)	115,805
FUND BALANCE, Beginning of year	140,148	140,148	140,192	44
FUND BALANCE, End of year	\$ -	\$ -	\$ 115,849	\$ 115,849

CITY OF SCAPPOOSE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GO WATER- SEWER BOND FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 25,256	25,256	\$ 15,408	(9,848)
Miscellaneous	300	300	360	60
<i>Total Receipts</i>	25,556	25,556	15,768	(9,788)
EXPENDITURES				
Debt service	50,837	50,837	50,837	-
Contingency	28,714	28,714	-	28,714
<i>Total Disbursements</i>	79,551	79,551	50,837	28,714
REVENUES OVER (UNDER) EXPENDITURES	(53,995)	(53,995)	(35,069)	18,926
OTHER FINANCING SOURCES (USES)				
Transfers in	4,031	4,031	-	(4,031)
<i>Total Other Financing Sources (Uses)</i>	4,031	4,031	-	(4,031)
NET CHANGE IN FUND BALANCE	(49,964)	(49,964)	(35,069)	14,895
FUND BALANCE, Beginning of year	49,964	49,964	99,664	49,700
FUND BALANCE, End of year	\$ -	\$ -	\$ 64,595	64,595

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 2,000	2,000	\$ 618	(1,382)
Charges for services	1,118,000	1,118,000	1,221,776	103,776
Miscellaneous	5,700	5,700	10,179	4,479
<i>Total Receipts</i>	1,125,700	1,125,700	1,232,573	106,873
EXPENDITURES				
Personal services	720,543	720,543	684,284	36,259
Materials and services	351,249	351,249	270,020	81,229
Capital outlay	318,000	318,000	306,708	11,292
Debt service	89,188	89,188	89,188	-
Contingency	70,955	70,955	-	70,955
<i>Total Disbursements</i>	1,549,935	1,549,935	1,350,200	199,735
REVENUES OVER (UNDER)				
EXPENDITURES	(424,235)	(424,235)	(117,627)	306,608
OTHER FINANCING SOURCES (USES)				
Transfers out	(356,487)	(356,487)	(356,487)	-
<i>Total Other Financing Sources (Uses)</i>	(356,487)	(356,487)	(356,487)	-
NET CHANGE IN FUND BALANCE	(780,722)	(780,722)	(474,114)	306,608
FUND BALANCE,				
Beginning of year	780,722	780,722	867,430	86,708
FUND BALANCE,				
End of year	\$ -	\$ -	\$ 393,316	\$ 393,316

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,080,375	1,080,375	\$ 1,048,838	(31,537)
Miscellaneous	104,000	104,000	74,115	(29,885)
<i>Total Receipts</i>	1,184,375	1,184,375	1,122,953	(61,422)
EXPENDITURES				
Personal services	681,050	681,050	640,282	40,768
Materials and services	495,391	495,391	396,521	98,870
Capital outlay	565,000	565,000	324,534	240,466
Debt service	35,199	35,199	26,603	8,596
Contingency	287,762	287,762	-	287,762
<i>Total Disbursements</i>	2,064,402	2,064,402	1,387,940	676,462
REVENUES OVER (UNDER) EXPENDITURES	(880,027)	(880,027)	(264,987)	615,040
OTHER FINANCING SOURCES (USES)				
Transfers out	(52,632)	(52,632)	(52,632)	-
NET CHANGE IN FUND BALANCE	(932,659)	(932,659)	(317,619)	615,040
FUND BALANCE, Beginning of year	932,659	932,659	940,106	7,447
FUND BALANCE, End of year	\$ -	\$ -	\$ 622,487	\$ 622,487

CITY OF SCAPPOOSE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER SDC FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 11,610	11,610	\$ 8,332	(3,278)
Miscellaneous	3,000	3,000	2,815	(185)
<i>Total Receipts</i>	14,610	14,610	11,147	(3,463)
EXPENDITURES				
Capital outlay	100,000	100,000	28,253	71,747
Contingency	363,725	363,725	-	363,725
<i>Total Disbursements</i>	463,725	463,725	28,253	435,472
REVENUES OVER (UNDER) EXPENDITURES	(449,115)	(449,115)	(17,106)	432,009
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,612)	(4,612)	(581)	4,031
<i>Total Other Financing Sources (Uses)</i>	(4,612)	(4,612)	(581)	4,031
NET CHANGE IN FUND BALANCE	(453,727)	(453,727)	(17,687)	436,040
FUND BALANCE, Beginning of year	453,727	453,727	478,274	24,547
FUND BALANCE, End of year	\$ -	\$ -	\$ 460,587	\$ 460,587

OTHER SCHEDULES

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2013

Schedule of Property Tax Transactions

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2012</i>	<i>2012-2013 Levy</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2013</i>
2012-2013	\$ -	\$ 1,606,216	\$ (39,915)	\$ (1,455,892)	\$ 110,409
2011-2012	100,383	-	3,652	(53,833)	50,202
2010-2011	52,552	-	4,420	(23,325)	33,647
2009-2010	149,754	-	7,727	(22,132)	135,349
2008-2009	37,460	-	5,561	(15,465)	27,556
2007-2008	3,349	-	337	(589)	3,097
2006-2007	2,815	-	143	(233)	2,725
2005-2004	2,610	-	29	(36)	2,603
Prior Years	1,879	-	20	(31)	1,868
Total	<u>\$ 350,802</u>	<u>\$ 1,606,216</u>	<u>\$ (18,026)</u>	<u>\$ (1,571,536)</u>	<u>\$ 367,456</u>

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2013

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>	<i>Outstanding July 1, 2012</i>	<i>Issued</i>	<i>Forgiven/ Discounted</i>	<i>Paid</i>	<i>Outstanding June 30, 2013</i>
PRINCIPAL TRANSACTIONS								
General Obligations								
US Bank-Refinanced	3.75%	2009	2014	344,998	-		22,093	322,905
Crown Zellerbach	4%	2002	2019	315,384	-		43,598	271,786
US Bank	2.90%	2010	2015	503,189	-		27,414	475,775
Enterprise Obligations								
Airpark Notes Payable	5.33%	1998	2017	264,818	-		48,030	216,788
Airpark Notes Payable	6.00%	1997	2017	131,316	-		23,295	108,021
Airpark Notes Payable	4.74%	1998	2018	163,363	-		24,179	139,184
Water GO Bonds	5.00%	1979	2020	302,180	-		34,101	268,079
SPWF Wastewater Bonds	6.00%	1993	2013	14,677	-		7,125	7,552
SPWF Wastewater Bonds	0.00%	1993	2011	-	-		-	-
Safe Drinking Water Revolving	0.00%	2010	2031	1,054,338	-		42,639	1,011,699
WTP phase I & 2 notes	4.40%	2002	2028	1,349,881	-		60,286	1,289,595
Safe Drinking Water notes	1.00%	2004	2034	3,236,181	-		125,440	3,110,741
Wastewater DEQ Loan	0.00%	2011	2031	326,367	-		17,642	308,725
				<u>\$ 8,006,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,842</u>	<u>\$ 7,530,850</u>
Correction of Water GO Bonds				* 26				
				<u>8,006,718</u>				

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2013

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Unmatured Interest July 1, 2012</i>	<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2013</i>
INTEREST TRANSACTIONS						
General Obligations						
US Bank-Refinanced	3.75%	2009	30,252	-	12,732	17,520
Crown Zellerbach	4%	2002	49,144	-	12,615	36,529
US Bank	2.90%	2010	46,901	-	14,394	32,507
Enterprise Obligations						
Airpark Notes Payable	5.33%	1998	45,337	-	14,566	30,771
Airpark Notes Payable	6.00%	1997	24,554	-	7,879	16,675
Airpark Notes Payable	4.74%	1998	29,762	-	8,084	21,678
Water GO Bonds	5.00%	1979	84,107	-	16,736	67,397
SPWF Wastewater Bonds	6.00%	1993	1,334	-	881	453
SPWF Wastewater Bonds	0.00%	1993	-	-	-	-
Safe Drinking Water Revolving	0.00%	2010	403,973	-	38,800	365,173
WTP phase I & 2 notes	4.40%	2002	594,082	-	61,085	532,997
Safe Drinking Water notes	1.00%	2004	403,693	-	32,362	371,332
Wastewater DEQ Loan	0.00%	2011	-	-	-	-
			\$ 1,713,139	\$ -	\$ 220,134	\$ 1,493,032
Correction of the Crown Zellerbach note			811			
			<u>1,712,328</u>			

CITY OF SCAPPOOSE
SCHEDULE OF FUTURE DEBT REQUIREMENTS - GOVERNMENT-WIDE
JUNE 30, 2013

Fiscal Year Ending June 30,	US Bank-Refinanced			Crown Zellerbach		
	Principal	Interest	Total	Principal	Interest	Total
2014	22,929	11,896	34,825	45,342	10,871	56,213
2015	299,976	5,624	305,600	47,155	9,058	56,213
2016	-	-	-	49,041	7,172	56,213
2017	-	-	-	51,003	5,210	56,213
2018	-	-	-	53,043	3,170	56,213
2019	-	-	-	26,202	1,048	27,250
	-	-	-	-	-	-
	<u>\$ 322,905</u>	<u>\$ 17,520</u>	<u>\$ 340,425</u>	<u>\$ 271,786</u>	<u>\$ 36,529</u>	<u>\$ 308,315</u>

CITY OF SCAPPOOSE

SCHEDULE OF FUTURE DEBT REQUIREMENTS - GOVERNMENT-WIDE

JUNE 30, 2013

Fiscal Year Ending June 30,	US Bank Loan #34			Total Governmental		
	Principal	Interest	Total	Principal	Interest	Total
2014	27,414	13,599	41,013	95,685	36,366	132,051
2015	27,414	12,804	40,218	374,545	27,486	402,031
2016	420,949	6,104	427,053	469,990	13,276	483,266
2017	-	-	-	51,003	5,210	56,213
2018	-	-	-	53,043	3,170	56,213
2019	-	-	-	26,202	1,048	27,250
	-	-	-	-	-	-
	<u>\$ 475,777</u>	<u>\$ 32,507</u>	<u>\$ 508,284</u>	<u>\$ 1,070,468</u>	<u>\$ 86,556</u>	<u>\$ 1,157,024</u>

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF FUTURE DEBT BY ISSUE BUSINESS-TYPE
JUNE 30, 2013

Fiscal Year Ending June 30,	SPWF Wastewater II (41) B92001B			Water GO Bonds (45) GMAC 01-0507801		
	Principal	Interest	Total	Principal	Interest	Total
2014	7,552	453	8,005	35,728	15,109	50,837
2015	-	-	-	37,433	13,404	50,837
2016	-	-	-	39,219	11,618	50,837
2017	-	-	-	41,091	9,746	50,837
2018	-	-	-	43,052	7,785	50,837
2019	-	-	-	45,107	5,730	50,837
2020	-	-	-	26,449	4,005	30,454
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
	<u>7,552</u>	<u>453</u>	<u>8,005</u>	<u>268,079</u>	<u>67,397</u>	<u>335,476</u>

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF FUTURE DEBT BY ISSUE BUSINESS-TYPE
JUNE 30, 2013

Fiscal Year Ending June 30,	WTP Phases 1 & 2 #GO 3003 (50)			Safe Drinking Water #SO3003 (50)		
	Principal	Interest	Total	Principal	Interest	Total
2014	60,672	58,825	119,497	126,694	31,107	157,802
2015	66,088	56,459	122,547	127,961	29,840	157,802
2016	66,532	53,815	120,347	129,241	28,561	157,802
2017	72,005	51,087	123,092	130,533	27,268	157,802
2018	72,515	48,027	120,542	131,838	25,963	157,802
2019	78,063	44,854	122,917	133,157	24,645	157,802
2020	78,650	41,342	119,992	134,488	23,313	157,802
2021	84,278	37,724	122,002	135,833	21,968	157,802
2022	89,949	33,763	123,712	137,192	20,610	157,802
2023	90,659	29,490	120,149	138,563	19,238	157,802
2024	96,403	25,184	121,587	139,949	17,852	157,802
2025	102,182	20,605	122,787	141,349	16,453	157,802
2026	107,998	15,751	123,749	142,762	15,039	157,802
2027	108,853	10,621	119,474	144,190	13,612	157,802
2028	114,748	5,450	120,198	145,632	12,170	157,802
2029	-	-	-	147,088	10,714	157,802
2030	-	-	-	148,559	9,243	157,802
2031	-	-	-	150,044	7,757	157,802
2032	-	-	-	151,545	6,257	157,802
2033	-	-	-	153,060	4,741	157,802
2034	-	-	-	154,591	3,211	157,802
2035	-	-	-	156,137	1,665	157,802
2036	-	-	-	10,336	104	10,440
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
	<u>1,289,595</u>	<u>532,997</u>	<u>1,822,592</u>	<u>3,110,741</u>	<u>371,332</u>	<u>3,482,073</u>

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF FUTURE DEBT BY ISSUE BUSINESS-TYPE
JUNE 30, 2013

Fiscal Year Ending June 30,	Airpark Loan (89) 1996 OEDD (\$793K) B95010A			Airpark Loan (89) 1996 OEDD (\$232K) B95010B			Airpark Loan (89) 1996 OEDD (\$400K) B95010C		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2014	48,472	11,924	60,396	24,693	6,481	31,174	24,381	6,912
2015	53,938	9,258	63,196	26,174	5,000	31,174	24,597	5,718	30,315
2016	54,429	6,291	60,720	27,745	3,429	31,174	29,823	4,512	34,335
2017	59,949	3,298	63,247	29,409	1,765	31,174	30,065	3,020	33,085
2018	-	-	-	-	-	-	30,318	1,516	31,834
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-
	<u>216,788</u>	<u>30,771</u>	<u>247,559</u>	<u>108,021</u>	<u>16,675</u>	<u>124,696</u>	<u>139,184</u>	<u>21,678</u>	<u>160,862</u>

CITY OF SCAPPOOSE, OREGON
SCHEDULE OF FUTURE DEBT BY ISSUE BUSINESS-TYPE
JUNE 30, 2013

Fiscal Year Ending June 30,	Dutch Canyon (40) Safe Drinking Water S03003B			Wastewater(41) DEQ State Revolving Fund			Total Business-Type		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	44,208	37,231	81,439	17,642	-	17,642	390,042	168,042	558,085
2015	45,835	35,604	81,439	17,642	-	17,642	399,668	155,283	554,952
2016	47,522	33,917	81,439	17,642	-	17,642	412,153	142,143	554,296
2017	49,271	32,168	81,439	17,642	-	17,642	429,965	128,352	558,318
2018	51,084	30,355	81,439	17,642	-	17,642	346,449	113,646	460,096
2019	52,964	28,475	81,439	17,642	-	17,642	326,933	103,704	430,637
2020	54,913	26,526	81,439	17,642	-	17,642	312,142	95,186	407,329
2021	56,934	24,505	81,439	17,642	-	17,642	294,687	84,197	378,885
2022	59,029	22,410	81,439	17,642	-	17,642	303,812	76,783	380,595
2023	61,201	20,238	81,439	17,642	-	17,642	308,065	68,966	377,032
2024	63,453	17,986	81,439	17,642	-	17,642	317,447	61,022	378,470
2025	65,788	15,651	81,439	17,642	-	17,642	326,961	52,709	379,670
2026	68,209	13,230	81,439	17,642	-	17,642	336,611	44,020	380,632
2027	70,719	10,719	81,438	17,642	-	17,642	341,404	34,952	376,356
2028	73,322	8,117	81,439	17,642	-	17,642	351,344	25,737	377,081
2029	76,020	5,419	81,439	17,642	-	17,642	240,750	16,133	256,883
2030	71,227	2,621	73,848	17,642	-	17,642	237,428	11,864	249,292
2031	-	-	-	8,811	-	-	158,855	7,757	166,613
2032	-	-	-	-	-	-	151,545	6,257	157,802
2033	-	-	-	-	-	-	153,060	4,741	157,802
2034	-	-	-	-	-	-	154,591	3,211	157,802
2035	-	-	-	-	-	-	156,137	1,665	157,802
2036	-	-	-	-	-	-	10,336	104	10,440
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-
	<u>1,011,699</u>	<u>365,172</u>	<u>1,376,871</u>	<u>308,725</u>	<u>-</u>	<u>299,914</u>	<u>6,460,385</u>	<u>1,406,475</u>	<u>7,866,859</u>

REGULATORY SECTION

**DENNIS R. CONNER
CERTIFIED PUBLIC ACCOUNTANT
CLATSKANIE, OREGON 97016**

**INDEPENDENT AUDITOR'S REPORT
Modified Cash Basis Financial Statements**

To the Mayor and City Council
City of Scappoose
Scappoose, Oregon

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

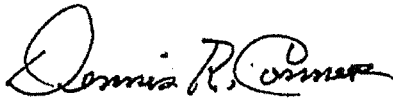
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position -modified cash basis- of the governmental activities, business-type activities, and the aggregate remaining fund information of the City, as of June 30, 2013, and the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

Basis of Accounting

I draw attention to the Notes, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Opinion on Supplementary Information and Disclosures Required by Oregon State Regulations

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The Supplemental Information and Other Schedules, which are the responsibility of management, and the Auditor's Comments and Disclosures Required by Oregon State Regulations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. In my opinion, the Supplemental Information, Other Schedules, and State of Oregon Disclosures referred to above are presented fairly, in all material respects on the modified cash basis of accounting.

A handwritten signature in black ink, appearing to read "Dennis R. Conner". The signature is written in a cursive style with a large initial "D" and "C".

Dennis R. Conner

Certified Public Accountant

December 3, 2013