

**OREGON AUDITS DIVISION
SUMMARY OF REVENUES AND EXPENDITURES**

Name of Municipal Corporation City of Hubbard

Address 3720 2nd Street, Hubbard Oregon 97032

STREET / P O BOX

CITY

STATE

ZIP

Period Covered by Audit/Review Report From July 1, 2012 To June 30, 2013

Total Revenues and/or Receipts – (Government-wide + Fiduciary Funds)		\$2,304,224
Less:		
Revenues of Component Units included in report of primary government		
Taxes, assessments and other collections to be distributed to other governmental units		
Net Revenues and/or Receipts		\$2,304,224
Total Expenditures and/or Disbursements – (Government-wide + Fiduciary Funds)		\$2,172,434
Less:		
Expenditures of Component Units included in report of primary government		
Turnovers to other municipal corporations:		
Taxes and Assessments		
Other Distributions		
Net Expenditures and/or Disbursements		\$2,172,434

The above information is based upon the revenues and expenditures/expenses for government-wide and fiduciary activities of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature 

PLEASE ENCLOSE PAYMENT WITH SUMMARY

Over	Not Over	Fee	ORS 297.485 (1)
0	\$ 50,000	\$ 20	...The filing fee shall be determined by the total expenditures made ,by the
\$ 50,000	150,000	40	municipal corporation for any and all purposes during the calendar or fiscal year
150,000	500,000	150	audited, <u>except</u> that expenditures for principal of bonded debt, principal of short-
500,000	1,000,000	200	term loans, principal of warrants redeemed which were issued during prior audit
1,000,000	5,000,000	250	periods, transfers or loans between funds and turnovers of taxes or other trust
5,000,000	10,000,000	300	moneys to other municipal corporations shall not be included in the total
10,000,000	50,000,000	350	expenditures upon which the amount of the fee is based.
50,000,000		400	<i>(Net Expenditures and/or Disbursements)</i>

Within 30 days after delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

For Use by Audits Division

Account Code

Firm Code

Filing Fee

100-410-5100 - 

*CITY OF HUBBARD, OREGON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013*

CITY OF HUBBARD, OREGON
CITY OFFICIALS
JUNE 30, 2013

<u>Name</u>	<u>MAYOR</u>	<u>Term</u>
Jim Yonally 3720 2 nd Street Hubbard, Oregon 97032		December 31, 2014

CITY COUNCIL MEMBERS

Bruce Warner, President 3720 2 nd Street Hubbard, Oregon 97032	December 31, 2014
Matt Kennedy 3720 2 nd Street Hubbard, Oregon 97032	December 31, 2016
Barbara Ruiz 3720 2 nd Street Hubbard, Oregon 97032	December 31, 2016
Angie Wheatcroft 3720 2 nd Street. Hubbard, Oregon 97032	December 31, 2014

CITY RECORDER

Vickie Nogle
3720 2nd Street
Hubbard, Oregon 97032

CITY OF HUBBARD, OREGON
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FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Hubbard
3720 Second Street
Hubbard, Oregon 97032

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hubbard, Oregon, 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 as described in the notes to the financial statements. 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these modified cash basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each

major fund of the City of Hubbard, Oregon as of June 30, 2013, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Other Matters

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The supplemental information and management's discussion and analysis are presented for the purpose of additional analysis and are not required parts of the basic financial statements.

The supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

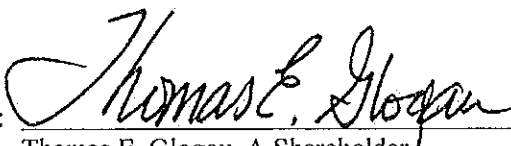
Basis of Accounting

We draw attention to the notes of the financial statements that describes the basis of accounting. The financial statements are prepared 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. Our opinions are not modified with respect to this matter.

Other Report Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 3, 2013, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Thomas E. Glogau, A Shareholder
October 3, 2013

CITY OF HUBBARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

As management of the City of Hubbard, 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,		
	2013	2012	change
Net position	\$ 1,451,583	\$ 1,319,793	\$ 131,790
Change in net position	131,790	130,045	1,745
Governmental net position	747,167	723,828	23,339
Proprietary net position	704,416	595,965	108,451
Change in governmental net position	23,339	119,083	(95,744)
Change in proprietary net position	108,451	10,962	97,489

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City'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's finances, in a manner similar to a private-sector business. These statements include:

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 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.

Statement of Activities (Modified Cash Basis). The *statement of activities (modified cash basis)* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce net position. All changes in net position are reported as soon as funds are received or paid. Thus, revenues and expenditures are reported in this statement as cash flows occur.

In the government-wide financial statements, the City's activities are shown as governmental and business-type activities. All basic governmental functions are shown here, such as police, fire, planning, court, parks, community development and administration. These activities are primarily financed through property taxes and other intergovernmental revenues. The City's business-type (water and sewer) activities are primarily financed through user charges.

Fund Financial Statements. The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City 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 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. 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.

Proprietary Funds. The City charges customers for the services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, 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 combining reconciliations, schedules of revenues, expenditures and changes in fund balance - budget and actual for all funds, and other 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,451,583 as of June 30, 2013.

Net position - restricted represent resources that are subject to external restrictions on their use, such as debt service payments or capital projects.

Net position - unrestricted are available for general operations of the City.

City of Hubbard
Statements of Net Position (Modified Cash Basis)
June 30,

	2013			2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<i>Assets</i>						
Cash and cash equivalents	\$ 748,469	\$ 720,896	\$ 1,469,365	\$ 732,983	\$ 610,651	\$ 1,343,634
<i>Liabilities</i>						
Deposits	1,302	16,480	17,782	9,155	14,686	23,841
<i>Net Position</i>						
Restricted	497,490	533,693	1,031,183	445,138	418,724	863,862
Unrestricted	249,677	170,723	420,400	278,690	177,241	455,931
Total net position	\$ 747,167	\$ 704,416	\$ 1,451,583	\$ 723,828	\$ 595,965	\$ 1,319,793

Statement of Activities. During the current fiscal year, the City's net position increased by \$131,790. The key elements of the change in the City's net position for the year ended June 30, 2013 are as follows:

- Fines, fees and charges for services increased by \$71,922.
- Capital grants and contributions decreased by \$39,237.
- Operating grants and contributions decreased by \$31,892.
- Expenses were \$874,836 more than the prior year primarily due to the refinance of the 2003 Water Refunding Bonds. These expenses were offset by \$825,000 of proceeds from issuance of debt.

City of Hubbard
Statements of Activities (Modified Cash Basis)
June 30,

	2013			2012		
	Government Activities	Business- type Activities	Total	Government Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 283,910	\$ 755,417	\$ 1,039,327	\$ 262,372	\$ 705,033	\$ 967,405
Operating grants	179,396	-	179,396	211,288	-	211,288
Capital grants	48,494	50,833	99,327	108,558	30,006	138,564
General Revenues						
Taxes and assessments	658,885	-	658,885	639,614	-	639,614
Franchise fees	155,944	-	155,944	170,089	-	170,089
Intergovernmental	81,544	-	81,544	57,879	-	57,879
Proceeds from issuance of debt	-	825,000	825,000	-	-	-
Refunding of existing debt	-	(785,000)	(785,000)	-	-	-
Miscellaneous	47,706	2,095	49,801	26,269	1,536	27,805
Total Revenues	1,455,879	848,345	2,304,224	1,476,069	736,575	2,212,644
Expenses						
General government	191,378	-	191,378	185,924	-	185,924
Police and courts	896,259	-	896,259	919,949	-	919,949
Community development	104,610	-	104,610	44,283	-	44,283
Parks	121,305	-	121,305	127,078	-	127,078
Street	210,035	-	210,035	163,957	-	163,957
Water	-	333,628	333,628	-	340,345	340,345
Sewer	-	315,219	315,219	-	301,063	301,063
Total Expenses	1,523,587	648,847	2,172,434	1,441,191	641,408	2,082,599
Transfers	91,047	(91,047)	-	84,205	(84,205)	-
Change in net position	23,339	108,451	131,790	119,083	10,962	130,045
Net position, beginning of year	723,828	595,965	1,319,793	604,745	585,003	1,189,748
Net position, end of year	\$ 747,167	\$ 704,416	\$ 1,451,583	\$ 723,828	\$ 595,965	\$ 1,319,793

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services on a fund basis. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of 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 \$747,167, an increase of \$23,339 in comparison with prior year.

General Fund. The General Fund is the primary operating fund of the City. As of June 30, 2013, unassigned fund balance was \$249,677. The fund balance decreased by \$29,013 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 25 percent of the total of General Fund expenditures.

Street Fund - Net Position decreased by \$30,905 during the current fiscal year which was less than the budgeted decrease. This was due primarily to not having to use the contingency during the year.

Street Construction Fund - Net Position increased by \$66,752 during the current fiscal year primarily due to capital outlay significantly less than had been budgeted.

Parks Improvement Fund - Net Position increased by \$16,505 during the current fiscal year primarily due to capital outlay significantly less than had been budgeted.

Enterprise funds. The City's enterprise funds provide water and sanitary sewer services to customers. As with the governmental funds, net position may serve as a useful measure of net resources available for spending at the end of a fiscal year.

Sewer Fund - Net position increased by \$8,999 during the current fiscal year, due primarily to not having to use the contingency during the year.

Sewer Construction Fund - Net position increased by \$43,954 during the current fiscal year, due primarily to system development charges collected.

Sewer Bond Fund - Net position increased by \$1,758 during the current fiscal year, which was very close to what had been budgeted.

Water Fund - Net position decreased by \$28,327 during the current fiscal year, which was less of a decrease than had been budgeted. The savings resulted from some cost savings in materials and supplies, and not having to use all of the contingency during the year.

Water Construction Fund - Net position increased by \$20,614 during the current fiscal year, due primarily to system development charges collected.

Water Bond Fund - Net position increased by \$61,453 during the current fiscal year, primarily due to the debt refunding.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council approved two supplemental budgets to the adopted budget for the fiscal year ended June 30, 2013.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt outstanding of \$1,367,544. During the current fiscal year, the City's total debt decreased by \$56,809 (4 percent). The City also refinanced its 2003 Water Refunding Bonds during the fiscal year. The refinance provided the City an estimated savings of approximately \$64,000 in interest payments and fees over the life of the new debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The current debt limitation for the City is approximately \$5,000,000. The City has no outstanding general obligation debt.

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

City of Hubbard
Outstanding Debt

	Business-type Activities	
	2013	2012
Revenue bonds	\$ -	\$ 845,000
Oregon DEQ loan	542,544	579,353
Water Refunding bonds	825,000	-
	<u>\$ 1,367,544</u>	<u>\$ 1,424,353</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2013-14 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 Hubbard'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 Hubbard
Attn: City Recorder
3720 2nd Street
Hubbard, Oregon 97032

BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, 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	\$ 748,469	\$ 720,896	\$ 1,469,365
LIABILITIES			
Deposits	<u>1,302</u>	<u>16,480</u>	<u>17,782</u>
NET POSITION			
Restricted for:			
Capital outlay	421,586	394,240	815,826
Debt service	-	139,453	139,453
Streets	75,904	-	75,904
Unrestricted	<u>249,677</u>	<u>170,723</u>	<u>420,400</u>
<i>Total Net Position</i>	<u>\$ 747,167</u>	<u>\$ 704,416</u>	<u>\$ 1,451,583</u>

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

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 191,378	\$ 35,891	\$ -	\$ -
Police and courts	896,259	147,649	5,573	-
Community development	104,610	35,231	-	-
Parks	121,305	-	-	22,996
Street	210,035	65,139	173,823	25,498
Total Governmental activities	1,523,587	283,910	179,396	48,494
Business-type activities:				
Water	333,628	369,228	-	20,196
Sewer	315,219	386,189	-	30,637
Total Business-type activities	648,847	755,417	-	50,833
Total Activities	\$ 2,172,434	\$ 1,039,327	\$ 179,396	\$ 99,327

General Revenues:

Property taxes
Franchise taxes
Intergovernmental
Proceeds from issuance of debt
Refunding of existing debt
Miscellaneous

Total General Revenues

Transfers

Change in Net Position

Net Position - beginning of year

Net Position - end of year

*Net (Expenses) Revenues
and Changes in Net Position*

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (155,487)	\$ -	\$ (155,487)
(743,037)	-	(743,037)
(69,379)	-	(69,379)
(98,309)	-	(98,309)
54,425	-	54,425
(1,011,787)	-	(1,011,787)
-	55,796	55,796
-	101,607	101,607
-	157,403	157,403
(1,011,787)	157,403	(854,384)
658,885	-	658,885
155,944	-	155,944
81,544	-	81,544
-	825,000	825,000
-	(785,000)	(785,000)
47,706	2,095	49,801
944,079	42,095	986,174
91,047	(91,047)	-
23,339	108,451	131,790
723,828	595,965	1,319,793
\$ 747,167	\$ 704,416	\$ 1,451,583

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

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

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Street Construction</u>
ASSETS			
Cash and cash equivalents	\$ 250,979	\$ 75,904	\$ 198,964
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ 1,302	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital outlay	-	-	198,964
Streets	-	75,904	-
Unassigned	249,677	-	-
<i>Total Fund Balance</i>	249,677	75,904	198,964
<i>Total Liabilities and Fund Balance</i>	\$ 250,979	\$ 75,904	\$ 198,964

<i>Parks Improvement</i>	<i>Total</i>
<u>\$ 222,622</u>	<u>\$ 748,469</u>
\$ -	\$ 1,302
222,622	421,586
-	75,904
-	249,677
<u>222,622</u>	<u>747,167</u>
<u>\$ 222,622</u>	<u>\$ 748,469</u>

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

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

	<u>Special Revenue</u>	
	<u>General Fund</u>	<u>Street</u>
REVENUES		
Taxes and assessments	\$ 657,745	\$ -
Fines and forfeitures	150,215	-
Licenses and permits	191,175	65,139
Intergovernmental	109,003	125,671
Miscellaneous	43,971	799
<i>Total Revenues</i>	<u>1,152,109</u>	<u>191,609</u>
EXPENDITURES		
Current		
General government	191,379	-
Police and courts	896,259	-
Community development	58,191	-
Parks	98,684	-
Streets	-	203,752
Capital outlay	46,418	-
<i>Total Expenditures</i>	<u>1,290,931</u>	<u>203,752</u>
REVENUES OVER (UNDER) EXPENDITURES	(138,822)	(12,143)
OTHER FINANCING SOURCES (USES)		
Transfers in	109,809	-
Transfers out	-	(18,762)
<i>Total Other Financing Sources (Uses)</i>	<u>109,809</u>	<u>(18,762)</u>
NET CHANGE IN FUND BALANCE	(29,013)	(30,905)
FUND BALANCE, beginning of year	<u>278,690</u>	<u>106,809</u>
FUND BALANCE, end of year	<u>\$ 249,677</u>	<u>\$ 75,904</u>

<i>Capital Projects</i>		
<i>Street Construction</i>	<i>Parks Improvement</i>	<i>Total</i>
\$ 1,140	\$ -	\$ 658,885
-	-	150,215
23,000	22,996	302,310
48,152	15,054	297,880
743	1,076	46,589
<hr/>		
73,035	39,126	1,455,879
<hr/>		
-	-	191,379
-	-	896,259
-	-	58,191
-	21,676	120,360
6,193	-	209,945
90	945	47,453
<hr/>		
6,283	22,621	1,523,587
<hr/>		
66,752	16,505	(67,708)
<hr/>		
-	-	109,809
-	-	(18,762)
<hr/>		
-	-	91,047
<hr/>		
66,752	16,505	23,339
<hr/>		
132,212	206,117	723,828
<hr/>		
\$ 198,964	\$ 222,622	\$ 747,167
<hr/>		

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

CITY OF HUBBARD, OREGON**STATEMENT OF NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY FUNDS****JUNE 30, 2013**

	<u>Sewer</u>	<u>Sewer Construction</u>	<u>Sewer Bond Fund</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 122,129	\$ 161,409	\$ 40,078
LIABILITIES			
Current liabilities:			
Deposits	-	-	-
NET POSITION			
Restricted for:			
Capital outlay	-	148,599	-
Debt service	-	-	40,078
Unrestricted	122,129	12,810	-
Total Net Position	<u>\$ 122,129</u>	<u>\$ 161,409</u>	<u>\$ 40,078</u>

<i>Water</i>	<i>Water Construction</i>	<i>Water Bond Fund</i>	<i>Total</i>
\$ 52,264	\$ 245,641	\$ 99,375	\$ 720,896
16,480	-	-	16,480
-	245,641	-	394,240
-	-	99,375	139,453
35,784	-	-	170,723
\$ 35,784	\$ 245,641	\$ 99,375	\$ 704,416

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

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

	<i>Sewer</i>	<i>Sewer Construction</i>	<i>Sewer Bond Fund</i>
OPERATING REVENUES			
Charges for services	\$ 373,339	\$ 12,810	\$ -
Miscellaneous	40	-	-
<i>Total Operating Revenues</i>	<u>373,379</u>	<u>12,810</u>	<u>-</u>
Personal services	171,246	-	-
Materials and services	88,084	-	1,402
<i>Total Operating Expenses</i>	<u>259,330</u>	<u>-</u>	<u>1,402</u>
OPERATING INCOME	<u>114,049</u>	<u>12,810</u>	<u>(1,402)</u>
NONOPERATING REVENUES (EXPENSES)			
<i>Noncapital Financing Revenues (Expenses)</i>			
Transfers in	-	-	57,473
Transfers out	(105,345)	-	-
<i>Total Noncapital Financing Revenues (Expenses)</i>	<u>(105,345)</u>	<u>-</u>	<u>57,473</u>
<i>Capital Financing Revenues (Expenses)</i>			
Capital contributions	-	30,637	-
Proceeds from issuance of debt	-	-	-
Proceeds from sale of capital assets	-	-	-
Debt service			
Principal	-	-	(36,809)
Interest	-	-	(17,677)
<i>Total Capital Financing Revenues (Expenses)</i>	<u>-</u>	<u>30,637</u>	<u>(54,486)</u>
<i>Investing Revenues</i>			
Interest revenue	295	507	173
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(105,050)</u>	<u>31,144</u>	<u>3,160</u>
CHANGE IN NET POSITION	<u>8,999</u>	<u>43,954</u>	<u>1,758</u>
NET POSITION, beginning of year	<u>113,130</u>	<u>117,455</u>	<u>38,320</u>
NET POSITION, end of year	<u>\$ 122,129</u>	<u>\$ 161,409</u>	<u>\$ 40,078</u>

<i>Water</i>	<i>Water Construction</i>	<i>Water Bond Fund</i>	<i>Total</i>
\$ 347,760	\$ -	\$ -	\$ 733,909
21,468	-	-	21,508
369,228	-	-	755,417
134,861	-	-	306,107
94,078	-	2,700	186,264
228,939	-	2,700	492,371
140,289	-	(2,700)	263,046
-	-	126,000	183,473
(169,175)	-	-	(274,520)
(169,175)	-	126,000	(91,047)
-	20,196	-	50,833
-	-	825,000	825,000
-	-	(785,000)	(785,000)
-	-	(60,000)	(96,809)
-	-	(41,990)	(59,667)
-	20,196	(61,990)	(65,643)
559	418	143	2,095
(168,616)	20,614	64,153	(154,595)
(28,327)	20,614	61,453	108,451
64,111	225,027	37,922	595,965
\$ 35,784	\$ 245,641	\$ 99,375	\$ 704,416

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

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hubbard, Oregon was incorporated in 1878 under the provisions of the Oregon Statutes. The City is headed by a City Council and Mayor who are responsible for rule-making, budget preparation and enforcement, expenditure approval, and hiring of the City management personnel. The Mayor and five Councilors are elected by vote of the general public. The Councilors are elected for four years, the Mayor for two years.

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 information on all of the assets and liabilities of the City of Hubbard as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Net position is shown as restricted and unrestricted.

The Statement of Activities (modified cash basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* 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 funds (general, special revenue, and capital projects) and proprietary type funds (enterprise). Major individual governmental funds, and major individual proprietary funds are reported as separate columns in the fund financial statements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus.

The City reports the following governmental funds as major:

General Fund

This fund accounts 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 administration, police protection, parks, planning, City Council, and municipal court.

Street Fund

Gas tax apportionments received from the State are recorded in this fund. Expenditures are for road construction and maintenance.

Street Construction Fund

This fund is for construction of major roadway projects. Revenues are from gas tax apportionments, development fees and grants.

Park Improvements Fund

This fund is used to accumulate resources for future improvements to the City's parks. Primary resources are system development charges and transfers from other funds.

Reserve Fund

This fund is used to accumulate resources to purchase equipment by transfers from other funds. For reporting purposes, the Reserve Fund is reported as part of the General Fund.

The City reports the following proprietary funds as major funds. These 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.

Sewer Fund

Financial activities of the City's sewer utility are recorded in this fund. Revenues consist primarily of user charges. Expenses are primarily for operation of the utility and for acquisition of property, plant, and equipment.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Sewer Construction Fund

This fund was established to account for revenues received from sewer system development charges and to provide for future repairs to the sewer system.

Sewer Bond Fund

This fund was established to account for revenues set aside for debt service on the sewer state revolving loan. Interfund transfers are the primary revenue source. Payments are for debt service.

Water Fund

Financial activities of the City's water utility are recorded in this fund. Revenues consist primarily of user charges. Expenses are primarily for operation of the utility and for acquisition of property, plant, and equipment.

Water Construction Fund

This fund was established to account for revenues received from water system development charges and to provide for future repairs to the water system.

Water Bond Redemption Fund

This fund was established to account for revenues set aside for debt service on the 2000 water bonds. Interfund transfers are the primary revenue source. Payments are for debt service.

Fund Balance

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, prepaids 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.

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 uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Unassigned 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.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The City maintains cash and cash equivalents 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

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 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

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported in the financial statements or in the notes to the financial statements.

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.

Accrued Compensated Absences

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

Budget and Budgetary Accounting

The City adopts the budget on a function basis in the General Fund and an object basis in other funds, therefore, cash expenditures of a specific function or object within a fund may not legally exceed that function or object's appropriations for cash expenditures. The City Council may amend the budget to expend unforeseen revenues 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.

Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

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

CASH AND CASH EQUIVALENTS

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

	<i>Carrying Value</i>	<i>Fair Value</i>
<i>Cash</i>		
Cash in checking accounts	\$ 19,145	\$ 19,145
<i>Investments</i>		
Local Government Investment Pool	1,450,220	1,450,220
	<u>\$ 1,469,365</u>	<u>\$ 1,469,365</u>

Deposits

At year end, the book balance of the City's bank deposits (checking accounts) was \$19,145 and the bank balance was \$68,540. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

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 Depositary Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand accounts and the aggregate of all time and savings deposits accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). 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, all of the City's bank balances were covered by FDIC insurance.

Local Government Investment Pool

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 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 subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2013****CASH AND CASH EQUIVALENTS (Continued)***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-load 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.

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>Original Issue</i>	<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>Business-type activities</i>						
2003 Water Refunding Bonds	\$ 1,300,000	\$ 845,000	\$ -	\$ (845,000)	\$ -	\$ -
2013 Water Refunding Bonds	825,000	-	825,000	-	825,000	72,160
2006 Clean Water Revolving Fund Loan	1,076,123	579,353	-	(36,809)	542,544	38,550
	<u>\$ 3,201,123</u>	<u>\$ 1,424,353</u>	<u>\$ 825,000</u>	<u>\$ (881,809)</u>	<u>\$ 1,367,544</u>	<u>\$ 110,710</u>

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

LONG-TERM DEBT (Continued)

The refinance provided the City an estimated savings of \$64,000 in interest payments and fees over the life of the new debt.

2013 Water Refunding Bonds are paid from the Water Bond Fund. The bond agreement requires a restricted reserve account be maintained in the amount of \$82,500. The City was in compliance with this requirement at June 30, 2013.

The 2006 Clean Water Revolving Fund loan is paid from the Sewer Bond Fund. The loan agreement requires a restricted reserve account to be maintained in the amount of \$38,075. The City was in compliance with this requirement at June 30, 2013.

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 110,710	\$ 40,351	\$ 151,061
2015	114,037	37,024	151,061
2016	117,464	33,597	151,061
2017	120,993	30,068	151,061
2018	124,630	26,431	151,061
2019-2023	681,635	73,670	755,305
2024-2025	98,075	171,814	269,889
	<u>\$ 1,367,544</u>	<u>\$ 412,955</u>	<u>\$ 1,780,499</u>

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)*Plan Description*

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City participates in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

Plan Description

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

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2013 were 17.41%, 12.68% and 15.39% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the years ended June 30, 2013, 2012, and 2011, the City's annual pension costs were \$150,793, \$160,920, and \$126,463 respectively, and were equal to the City's required and actual contributions.

INTERFUND TRANSFERS

Interfund transfers for the year were as follows:

<i>Fund</i>	<i>Transfers In</i>	<i>Transfers Out</i>
General	\$ 109,809	\$ -
Street	-	18,762
Sewer	-	105,345
Sewer Bond	57,473	-
Water	-	169,175
Water Bond	126,000	-
	<u>\$ 293,282</u>	<u>\$ 293,282</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 revenues restricted to debt service from the funds collecting the revenues 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.

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.

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

CONTINGENCIES (Continued)

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

RELATED PARTY TRANSACTIONS

The City conducts business with Dryden Electric Inc. a company owned by Joe Dryden, the brother of the Police Chief. The total amount of the transactions were \$607.

The City also conducts business with Hubbard Shell, a towing company owned by former Mayor Tom McCain. The total amount of the transactions was \$70.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2013 occurred as follows:

<i>Fund/Appropriation Category</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
General			
Community Development	\$ 46,900	\$ 58,191	\$ (11,291)
Street			
Personal services	125,400	129,430	(4,030)
Water			
Personal services	134,500	134,861	(361)
Water Bond			
Materials and services	-	2,700	(2,700)

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.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

NEW PRONOUNCEMENTS (Continued)

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.

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

Management has evaluated subsequent events through October 3, 2013, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements

SUPPLEMENTAL INFORMATION

CITY OF HUBBARD, OREGON
RECONCILIATION OF BUDGETARY TO REPORTING FUNDS
BALANCE SHEET – GENERAL FUND
JUNE 30, 2013

	<u>Budgetary funds</u>		
	<u>General Fund</u>	<u>Reserve</u>	<u>Total (reported as General Fund)</u>
ASSETS			
Cash and cash equivalents	\$ 184,647	\$ 66,332	\$ 250,979
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ 1,302	\$ -	\$ 1,302
Fund Balance:			
Unassigned	183,345	66,332	249,677
<i>Total Fund Balance</i>	183,345	66,332	249,677
<i>Total Liabilities and Fund Balance</i>	\$ 184,647	\$ 66,332	\$ 250,979

CITY OF HUBBARD, OREGON**RECONCILIATION OF BUDGETARY TO REPORTING FUNDS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budgetary funds</i>		<i>Total (reported as General Fund)</i>
	<i>General Fund</i>	<i>Reserve</i>	
REVENUES			
Taxes and assessments	\$ 657,745	\$ -	\$ 657,745
Fines and forfeitures	150,215	-	150,215
Licenses and permits	191,175	-	191,175
Intergovernmental	109,003	-	109,003
Miscellaneous	43,793	178	43,971
<i>Total Revenues</i>	<u>1,151,931</u>	<u>178</u>	<u>1,152,109</u>
EXPENDITURES			
Current			
Administration	185,913	-	185,913
Court	48,703	-	48,703
Council	5,466	-	5,466
Community development	58,191	-	58,191
Police	847,556	-	847,556
Parks	98,684	-	98,684
Capital outlay	-	46,418	46,418
<i>Total Expenditures</i>	<u>1,244,513</u>	<u>46,418</u>	<u>1,290,931</u>
REVENUES OVER (UNDER) EXPENDITURES	(92,582)	(46,240)	(138,822)
OTHER FINANCING SOURCES (USES)			
Transfers in	109,809	-	109,809
NET CHANGE IN FUND BALANCE	<u>17,227</u>	<u>(46,240)</u>	<u>(29,013)</u>
FUND BALANCE, beginning of year	<u>166,118</u>	<u>112,572</u>	<u>278,690</u>
FUND BALANCE, end of year	<u>\$ 183,345</u>	<u>\$ 66,332</u>	<u>\$ 249,677</u>

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

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes and assessments	\$ 649,000	\$ 649,000	\$ 657,745	\$ 8,745
Fines and forfeitures	156,300	156,300	150,215	(6,085)
Licenses and permits	166,450	166,450	191,175	24,725
Intergovernmental	100,170	100,170	109,003	8,833
Miscellaneous	27,500	27,500	43,793	16,293
Total Revenues	1,099,420	1,099,420	1,151,931	52,511
EXPENDITURES				
Administration	189,364	193,364	185,913	7,451
Court	52,750	52,750	48,703	4,047
Council	11,450	11,450	5,466	5,984
Community development	46,900	46,900	58,191	(11,291)
Police	870,816	870,816	847,556	23,260
Parks	99,000	99,000	98,684	316
Contingency	130,343	100,731	-	100,731
Total Expenditures	1,400,623	1,375,011	1,244,513	130,498
REVENUES OVER (UNDER) EXPENDITURES				
	(301,203)	(275,591)	(92,582)	183,009
OTHER FINANCING SOURCES (USES)				
Transfers in	109,473	109,473	109,809	336
Transfers out	(4,000)	-	-	-
Total Other Financing Sources and Uses	105,473	109,473	109,809	336
NET CHANGE IN FUND BALANCE				
	(195,730)	(166,118)	17,227	183,345
FUND BALANCE, beginning of year				
	195,730	166,118	166,118	-
FUND BALANCE, end of year				
	\$ -	\$ -	\$ 183,345	\$ 183,345

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 64,440	\$ 64,440	\$ 65,139	\$ 699
Intergovernmental	124,923	124,923	125,671	748
Miscellaneous	350	350	799	449
<i>Total Revenues</i>	189,713	189,713	191,609	1,896
EXPENDITURES				
Personal services	125,400	125,400	129,430	(4,030)
Materials and services	79,300	79,300	74,322	4,978
Contingency	66,636	73,059	-	73,059
<i>Total Expenditures</i>	271,336	277,759	203,752	74,007
REVENUES OVER (UNDER) EXPENDITURES	(81,623)	(88,046)	(12,143)	75,903
OTHER FINANCING SOURCES (USES)				
Transfers out	(18,763)	(18,763)	(18,762)	1
NET CHANGE IN FUND BALANCE	(100,386)	(106,809)	(30,905)	75,904
FUND BALANCE, beginning of year	100,386	106,809	106,809	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 75,904	\$ 75,904

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,276	\$ 9,276	\$ 23,000	\$ 13,724
Intergovernmental	103,538	103,538	48,152	(55,386)
Taxes and assessments	900	900	1,140	240
Miscellaneous	180	180	743	563
<i>Total Revenues</i>	113,894	113,894	73,035	(40,859)
EXPENDITURES				
Materials and services	12,800	12,800	6,193	6,607
Capital outlay	203,165	203,165	90	203,075
Contingency	26,018	30,141	-	30,141
<i>Total Expenditures</i>	241,983	246,106	6,283	239,823
NET CHANGE IN FUND BALANCE	(128,089)	(132,212)	66,752	198,964
FUND BALANCE, beginning of year	128,089	132,212	132,212	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 198,964	\$ 198,964

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,711	\$ 9,711	\$ 22,996	\$ 13,285
Intergovernmental	106,851	106,851	15,054	(91,797)
Miscellaneous	400	400	1,076	676
<i>Total Revenues</i>	116,962	116,962	39,126	(77,836)
EXPENDITURES				
Materials and services	22,000	22,000	21,676	324
Capital outlay	233,350	233,350	945	232,405
Contingency	60,270	67,729	-	67,729
<i>Total Expenditures</i>	315,620	323,079	22,621	300,458
NET CHANGE IN FUND BALANCE	(198,658)	(206,117)	16,505	222,622
FUND BALANCE, beginning of year	198,658	206,117	206,117	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 222,622	\$ 222,622

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 178	\$ (14,822)
EXPENDITURES				
Capital outlay	146,471	127,572	46,418	81,154
REVENUES OVER (UNDER) EXPENDITURES	(131,471)	(112,572)	(46,240)	66,332
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	-	-	-
NET CHANGE IN FUND BALANCE	(127,471)	(112,572)	(46,240)	66,332
FUND BALANCE, beginning of year	127,471	112,572	112,572	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 66,332	\$ 66,332

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 370,000	\$ 370,000	\$ 373,339	\$ 3,339
Miscellaneous	200	200	335	135
<i>Total Revenues</i>	370,200	370,200	373,674	3,474
EXPENSES				
Personal services	175,500	175,500	171,246	4,254
Materials and services	106,500	106,500	88,084	18,416
Contingency	94,606	96,335	-	96,335
<i>Total Expenses</i>	376,606	378,335	259,330	119,005
REVENUES OVER (UNDER) EXPENSES	(6,406)	(8,135)	114,344	122,479
OTHER FINANCING SOURCES (USES)				
Transfers out	(104,995)	(104,995)	(105,345)	(350)
CHANGE IN FUND BALANCE	(111,401)	(113,130)	8,999	122,129
FUND BALANCE, beginning of year	111,401	113,130	113,130	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 122,129	\$ 122,129

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) -
BUDGET AND ACTUAL - SEWER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 22,740	\$ 22,740	\$ 43,447	\$ 20,707
Miscellaneous	200	200	507	307
<i>Total Revenues</i>	22,940	22,940	43,954	21,014
EXPENSES				
Materials and services	122,751	122,751	-	122,751
Contingency	11,400	17,644	-	17,644
<i>Total Expenses</i>	134,151	140,395	-	140,395
CHANGE IN FUND BALANCE	(111,211)	(117,455)	43,954	161,409
FUND BALANCE, beginning of year	111,211	117,455	117,455	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 161,409	\$ 161,409

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) -****BUDGET AND ACTUAL -- SEWER BOND FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$ 173	\$ 73
EXPENSES				
Materials and services	2,814	2,814	1,402	1,412
Debt service				
Principal	36,925	36,925	36,809	116
Interest	17,734	17,734	17,677	57
<i>Total Expenses</i>	<u>57,473</u>	<u>57,473</u>	<u>55,888</u>	<u>1,585</u>
REVENUES OVER (UNDER) EXPENSES	(57,373)	(57,373)	(55,715)	1,658
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>57,473</u>	<u>57,473</u>	<u>57,473</u>	<u>-</u>
CHANGE IN FUND BALANCE	100	100	1,758	1,658
FUND BALANCE, beginning of year	<u>(100)</u>	<u>(100)</u>	<u>38,320</u>	<u>38,420</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,078</u>	<u>\$ 40,078</u>

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 346,500	\$ 346,500	\$ 347,760	\$ 1,260
Miscellaneous	18,600	18,600	22,027	3,427
<i>Total Revenues</i>	365,100	365,100	369,787	4,687
EXPENSES				
Personal services	134,500	134,500	134,861	(361)
Materials and services	105,300	105,300	94,078	11,222
Contingency	54,592	20,223	-	20,223
<i>Total Expenses</i>	294,392	260,023	228,939	31,084
REVENUES OVER (UNDER) EXPENSES	70,708	105,077	140,848	35,771
OTHER FINANCING SOURCES (USES)				
Transfers out	(169,188)	(169,188)	(169,175)	13
CHANGE IN FUND BALANCE	(98,480)	(64,111)	(28,327)	35,784
FUND BALANCE, beginning of year	98,480	64,111	64,111	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 35,784	\$ 35,784

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) -
BUDGET AND ACTUAL – WATER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 7,494	\$ 7,494	\$ 20,196	\$ 12,702
Miscellaneous	400	400	418	18
<i>Total Revenues</i>	7,894	7,894	20,614	12,720
EXPENSES				
Materials and services	9,000	9,000	-	9,000
Contingency	187,263	223,921	-	223,921
<i>Total Expenses</i>	196,263	232,921	-	232,921
CHANGE IN FUND BALANCE	(188,369)	(225,027)	20,614	245,641
FUND BALANCE, beginning of year	188,369	225,027	225,027	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 245,641	\$ 245,641

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) -
BUDGET AND ACTUAL – WATER BOND FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Miscellaneous	\$ 150	\$ 150	\$ 143	\$ (7)
EXPENSES				
Materials and services	-	-	2,700	(2,700)
Debt service				
Principal	60,000	60,000	60,000	-
Interest	42,000	42,000	41,990	10
<i>Total Expenses</i>	<u>102,000</u>	<u>102,000</u>	<u>104,690</u>	<u>(2,690)</u>
REVENUES OVER (UNDER) EXPENSES	(101,850)	(101,850)	(104,547)	(2,697)
OTHER FINANCING SOURCES (USES)				
Transfers in	126,000	126,000	126,000	-
Proceeds from issuance of debt	-	-	825,000	825,000
Refunding of existing debt	-	-	(785,000)	(785,000)
<i>Total Other Financing Sources and Uses</i>	<u>126,000</u>	<u>126,000</u>	<u>166,000</u>	<u>40,000</u>
CHANGE IN FUND BALANCE	24,150	24,150	61,453	37,303
FUND BALANCE, beginning of year	(24,150)	(24,150)	37,922	62,072
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,375</u>	<u>\$ 99,375</u>

OTHER SCHEDULES

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

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2012</u>	<u>2012-2013 Levy</u>	<u>Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2013</u>
2012-2013	\$ -	\$ 674,160	\$ 220	\$ (20,036)	\$ (631,134)	\$ 23,210
2011-2012	23,660	-	-	(1,059)	(11,009)	11,592
2010-2011	12,101	-	1	(346)	(4,622)	7,134
2009-2010	7,128	-	-	(354)	(4,366)	2,408
2008-2009	2,708	-	-	(27)	(1,883)	798
2007-2008	618	-	-	(28)	(136)	454
2006-2007	330	-	-	(16)	(49)	265
Prior Years	975	-	-	(15)	(63)	897
Total	<u>\$ 47,520</u>	<u>\$ 674,160</u>	<u>\$ 221</u>	<u>\$ (21,881)</u>	<u>\$ (653,262)</u>	<u>\$ 46,758</u>

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

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
DEBT PRINCIPAL TRANSACTIONS			
Water Revenue Refunding Bonds	2.0%-5.2%	2003	2022-23
Water Revenue Refunding Bonds	2.920%	2013	2022-23
Clean Water State Revolving Fund Loan	3.100%	2006	2024-25

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Unmatured Interest July 1, 2012</u>
DEBT INTEREST TRANSACTIONS			
Water Revenue Refunding Bonds	2.0%-5.2%	2003	\$ 156,433
Water Revenue Refunding Bonds	2.920%	2013	-
Clean Water State Revolving Fund Loan	3.100%	2006	298,362
			<u>\$ 454,795</u>

<i>Outstanding July 1, 2012</i>	<i>Issued</i>	<i>Paid</i>	<i>Outstanding June 30, 2013</i>
\$ 845,000	\$ -	\$ (845,000)	\$ -
-	825,000	-	825,000
579,353	-	(36,809)	542,544
<u>\$ 1,424,353</u>	<u>\$ 825,000</u>	<u>\$ (881,809)</u>	<u>\$ 1,367,544</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2013</i>
\$ -	\$ (156,433)	\$ -
132,270	-	132,270
-	(17,677)	280,685
<u>\$ 132,270</u>	<u>\$ (174,110)</u>	<u>\$ 412,955</u>

CITY OF HUBBARD, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
JUNE 30, 2013

<i>Fiscal Year Ending June 30,</i>	<i>2013 Water Refunding Bonds</i>			<i>2006 Clean Water State Revolving Fund Loan</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 72,160	\$ 23,567	\$ 95,727	\$ 38,550	\$ 16,784	\$ 55,334
2015	74,282	21,445	95,727	39,755	15,579	55,334
2016	76,467	19,260	95,727	40,997	14,337	55,334
2017	78,716	17,011	95,727	42,277	13,057	55,334
2018	81,032	14,695	95,727	43,598	11,736	55,334
2019	83,415	12,312	95,727	44,960	10,374	55,334
2020	85,869	9,858	95,727	46,365	8,969	55,334
2021	88,394	7,333	95,727	47,813	7,521	55,334
2022	90,994	4,733	95,727	49,307	6,027	55,334
2023	93,671	2,056	95,727	50,847	4,487	55,334
2024	-	-	-	52,436	2,898	55,334
2025	-	-	-	45,639	168,916	214,555
	<u>\$ 825,000</u>	<u>\$ 132,270</u>	<u>\$ 957,270</u>	<u>\$ 542,544</u>	<u>\$ 280,685</u>	<u>\$ 823,229</u>

<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 110,710	\$ 40,351	\$ 151,061
114,037	37,024	151,061
117,464	33,597	151,061
120,993	30,068	151,061
124,630	26,431	151,061
128,375	22,686	151,061
132,234	18,827	151,061
136,207	14,854	151,061
140,301	10,760	151,061
144,518	6,543	151,061
52,436	2,898	55,334
45,639	168,916	214,555
<u>\$ 1,367,544</u>	<u>\$ 412,955</u>	<u>\$ 1,780,499</u>

REGULATORY SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
City of Hubbard
592 Fourth Street
Hubbard, Oregon 97026

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Hubbard, Oregon as of and for the year ended June 30, 2013, and have issued our report thereon dated October 3, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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

1. The City is allowed to publicly advertise the budget committee meeting one time if the budget is also available on the City's website and the public advertisement includes a link to the location of the budget on the website. The City did not include the link to the website as required.
2. The City's budget for estimated beginning fund balance for the 2013-14 fiscal year did not always approximate the actual ending fund balance for the 2012-13 fiscal year. The differences noted are as follows:

<u>Fund Name</u>	<u>13/14 Budgeted Beginning Fund Balance</u>	<u>12/13 Actual Ending Fund Balance</u>	<u>Dollar Variance</u>	<u>Percent Variance</u>
Street Construction	\$ 47,489	\$ 198,964	\$ (151,475)	-76%
Parks Improvement	107,733	222,622	(114,889)	-52%

3. The actual ending balance for the second proceeding year did not match the actual beginning balance for the first proceeding year for the Street Fund and the Street Construction fund.
4. The City purchased approximately \$12,000 in upgrades to a police vehicle but did not receive and document the bids required for an intermediate procurement under ORS 279.
5. The City had overexpenditures of appropriations as noted in the notes to the financial statements.
6. The City does not maintain adequate cost or depreciation records for capital assets.

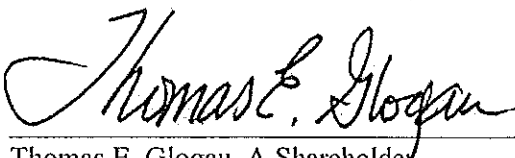
OAR 162-10-0230 - Internal Control

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Control deficiencies in internal control were reported to management in a letter dated October 3, 2013.

Restriction on Use

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Thomas E. Glogau, A Shareholder
October 3, 2013