

*CITY OF HUBBARD, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012*

CITY OF HUBBARD, OREGON
CITY OFFICIALS
JUNE 30, 2012

<u>Name</u>	<u>MAYOR</u>	<u>Term</u>
Tom McCain 3362 1 st Street Hubbard, Oregon 97032		December 31, 2012

CITY COUNCIL MEMBERS

Bruce Warner 3394 Rudometkin Drive Hubbard, Oregon 97032	December 31, 2014
Angie Wheatcroft 3707 9 th Street Hubbard, Oregon 97032	December 31, 2014
Matt Kennedy 3635 5 th Street Hubbard, Oregon 97032	December 31, 2012
Chip Enbody 2473 D Street Hubbard, Oregon 97032	December 31, 2012

CITY RECORDER

Vickie Nogle
3720 2nd Street
Hubbard, Oregon 97032

CITY OF HUBBARD, OREGON
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Collage 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

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

Except as described in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City does not maintain historical cost and depreciation records for capital assets including infrastructure, and therefore, no information for capital assets is presented in the financial statements.

As described in the notes to the financial statements, the City's policy is to prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

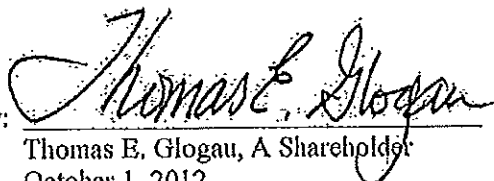
In our opinion, except for the matter discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2012 and the respective changes in financial position - modified cash basis thereof for the year then ended, in accordance with the basis of accounting described in the summary of significant accounting policies to the notes of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and budgetary comparison information on pages 3 through 7 and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods

of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information on pages 27 through 28 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

By: 
Thomas E. Glogau, A Shareholder
October 1, 2012

CITY OF HUBBARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

	June 30,		Change
	2012	2011	
Net assets	\$ 1,319,793	\$ 1,189,748	\$ 130,045
Change in net assets	130,045	(152,789)	282,834
Governmental net assets	723,828	604,745	119,083
Proprietary net assets	595,965	585,003	10,962

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:

The Statement of Net Assets (Modified Cash Basis). The *statement of net assets (modified cash basis)* presents information on all of the recorded assets and liabilities of the City as of the date on the statement. Net assets are what remain after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net assets 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 assets of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as funds are received or paid. Thus, receipts and disbursements are reported in this statement as cash flows occur.

In the government-wide financial statements, the City's activities are shown as governmental activities. All basic 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 receipts.

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 Assets 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 *required and other supplementary information* including combining statements, 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 Assets (Modified Cash Basis). The statement of net assets (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, assets exceeded liabilities by \$1,319,793 as of June 30, 2012.

Current liabilities consist primarily of deferred revenue. Long-term liabilities, specifically debt is in the notes to the financial statements.

Restricted net assets represent resources that are subject to external restrictions on their use, such as debt service payments or capital projects.

Unrestricted net assets are available for general operations of the City.

Statements of Net Assets as of June 30,						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Cash and investments	\$ 732,983	\$ 616,190	\$ 610,651	\$ 600,313	\$ 1,343,634	\$ 1,216,503
Other assets	47,523	31,005	-	-	47,523	31,005
Total assets	780,506	647,195	610,651	600,313	1,391,157	1,247,508
Other liabilities	56,678	42,450	14,686	15,310	71,364	57,760
Net assets						
Restricted	445,138	282,904	418,724	431,583	863,862	714,487
Unrestricted	278,690	321,841	177,241	153,420	455,931	475,261
Total net assets	\$ 723,828	\$ 604,745	\$ 595,965	\$ 585,003	\$ 1,319,793	\$ 1,189,748

Statement of Activities. During the current fiscal year, the City's net assets increased by \$130,045. The key elements of the change in the City's net assets for the year ended June 30, 2012 are as follows:

- Fines, fees and charges for services increased by \$21,205
- Capital grants and contributions increased by \$138,564
- Operating grants and contributions increased by \$30,929
- Disbursements were \$162,036 less than the prior year

For the year ended June 30,						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Receipts						
Program receipts						
Fines, fees, charges for services	\$ 262,372	\$ 288,023	\$ 705,033	\$ 744,754	\$ 967,405	\$ 1,032,777
Operating grants and contributions	211,288	180,959	-	-	211,288	180,959
Capital grants and contributions	108,558	-	30,006	-	138,564	-
General receipts						
Property tax	639,614	601,564	-	-	639,614	601,564
Franchise taxes	170,089	154,397	-	-	170,089	154,397
Intergovernmental	57,879	77,117	-	-	57,879	77,117
Miscellaneous	26,269	44,935	1,536	97	27,805	45,032
Total receipts	1,476,069	1,346,995	736,575	744,851	2,212,644	2,091,846
Disbursements						
General government	185,924	240,617	-	-	185,924	240,617
Court and police	919,949	892,402	-	-	919,949	892,402
Community services and development	44,283	53,155	-	-	44,283	53,155
Parks	127,078	153,084	-	-	127,078	153,084
Street	163,957	264,462	-	-	163,957	264,462
Water	-	-	340,345	297,747	340,345	297,747
Sewer	-	-	301,063	343,168	301,063	343,168
Total disbursements	1,441,191	1,603,720	641,408	640,915	2,082,599	2,244,635
Change in net assets before transfers	34,878	(256,725)	95,167	103,936	130,045	(152,789)
Interfund transfers	84,205	84,125	(84,205)	(84,125)	-	-
Beginning net assets	604,745	777,345	585,003	565,192	1,189,748	1,342,537
Ending net assets	\$ 723,828	\$ 604,745	\$ 595,965	\$ 585,003	\$ 1,319,793	\$ 1,189,748

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, *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, 2012, the City's governmental funds reported combined ending fund balances of \$723,828, an increase of \$119,083 in comparison with prior year.

Special Revenue Funds, whose primary source of funding is transfers from the General Fund, are reported as part of the General Fund. Therefore, in the Governmental Funds Statement of Assets and Liabilities and the Statement of Receipts, Disbursements and Changes in Fund Balances, the Reserve 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, 2012, unassigned fund balance was \$278,690. The fund balance decreased by \$43,151 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 22 percent of the total of General Fund disbursements.

Street Fund. The Street Fund spent \$154,165 on street-related activities during the year. State gas tax receipts and other income exceeded disbursements, increasing the ending fund balance by \$14,556.

Street Construction and Park Improvement Funds. SDC and other receipts exceeded relatively small disbursements, increasing the ending fund balances by \$87,274 and \$60,404 respectively in these funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The governing body approved two supplemental budgets to the adopted budget for the fiscal year ended June 30, 2012.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt outstanding of \$1,424,443. During the current fiscal year, the City's total debt decreased by \$95,604 (6 percent).

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 \$4,952,939. 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.

Outstanding Debt
As of June 30,

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenue refunding bonds	\$ -	\$ -	\$ 845,000	\$ 905,000	\$ 845,000	\$ 905,000
Oregon DEQ loan	-	-	579,443	615,137	579,443	615,137
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,424,443</u>	<u>\$ 1,520,137</u>	<u>\$ 1,424,443</u>	<u>\$ 1,520,137</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City'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 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 ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 732,983	\$ 610,651	\$ 1,343,634
Property taxes receivable	47,523	-	47,523
<i>Total Assets</i>	<u>780,506</u>	<u>610,651</u>	<u>1,391,157</u>
LIABILITIES			
Deposits	9,155	14,686	23,841
Deferred revenue	47,523	-	47,523
<i>Total Liabilities</i>	<u>56,678</u>	<u>14,686</u>	<u>71,364</u>
NET ASSETS			
Restricted for:			
Debt service	-	76,242	76,242
Construction	445,138	342,482	787,620
Unrestricted	278,690	177,241	455,931
<i>Total Net Assets</i>	<u>\$ 723,828</u>	<u>\$ 595,965</u>	<u>\$ 1,319,793</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, 2012

		<i>Program Receipts</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
	<i>Disbursements</i>			
<i>Functions/Programs</i>				
<i>Governmental Activities:</i>				
General government	\$ 185,924	\$ 24,359	\$ -	\$ -
Court and police	919,949	173,582	90,144	-
Community services and development	44,283	-	-	-
Parks	127,078	-	-	12,843
Street	163,957	64,431	121,144	95,715
<i>Total Governmental Activities</i>	<u>1,441,191</u>	<u>262,372</u>	<u>211,288</u>	<u>108,558</u>
<i>Business-type Activities:</i>				
Water	340,345	324,704	-	6,973
Sewer	301,063	380,329	-	23,033
<i>Total Business-type Activities</i>	<u>641,408</u>	<u>705,033</u>	<u>-</u>	<u>30,006</u>
<i>Total Activities</i>	<u>\$ 2,082,599</u>	<u>\$ 967,405</u>	<u>\$ 211,288</u>	<u>\$ 138,564</u>
<i>General Receipts:</i>				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Receipts</i>				
<i>Transfers</i>				
<i>Change in Net Assets</i>				
<i>Net Assets, July 1, 2011</i>				
<i>Net Assets, June 30, 2012</i>				

*Net (Disbursements) Receipts and
Changes in Net Assets*

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (161,565)	\$ -	\$ (161,565)
(656,223)	-	(656,223)
(44,283)	-	(44,283)
(114,235)	-	(114,235)
117,333	-	117,333
(858,973)	-	(858,973)
-	(8,668)	(8,668)
-	102,299	102,299
-	93,631	93,631
(858,973)	93,631	(765,342)
639,614	-	639,614
170,089	-	170,089
57,879	-	57,879
26,269	1,536	27,805
893,851	1,536	895,387
84,205	(84,205)	-
119,083	10,962	130,045
604,745	585,003	1,189,748
\$ 723,828	\$ 595,965	\$ 1,319,793

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

CITY OF HUBBARD, OREGON**STATEMENT OF ASSETS AND LIABILITIES - GOVERNMENTAL FUNDS (MODIFIED CASH BASIS)****JUNE 30, 2012**

	<u>Special Revenue</u>	
	<u>General</u>	<u>Street</u>
ASSETS		
Cash and investments	\$ 287,845	\$ 106,809
Property taxes receivable	47,523	-
<i>Total Assets</i>	<u>\$ 335,368</u>	<u>\$ 106,809</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Deposits	\$ 9,155	\$ -
Deferred revenue	47,523	-
<i>Total Liabilities</i>	56,678	-
Fund Balances		
Restricted for construction	-	106,809
Unassigned	278,690	-
<i>Total Fund Balances</i>	<u>278,690</u>	<u>106,809</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 335,368</u>	<u>\$ 106,809</u>

<i>Capital Projects</i>		
<i>Street</i>	<i>Park</i>	
<i>Construction</i>	<i>Improvement</i>	<i>Totals</i>
\$ 132,212	\$ 206,117	\$ 732,983
-	-	47,523
<u>\$ 132,212</u>	<u>\$ 206,117</u>	<u>\$ 780,506</u>
\$ -	\$ -	\$ 9,155
-	-	47,523
-	-	56,678
132,212	206,117	445,138
-	-	278,690
<u>132,212</u>	<u>206,117</u>	<u>723,828</u>
<u>\$ 132,212</u>	<u>\$ 206,117</u>	<u>\$ 780,506</u>

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

CITY OF HUBBARD, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue</u>	
	<u>General</u>	<u>Street</u>
RECEIPTS		
Taxes and assessments	\$ 639,614	\$ 63,521
Licenses and permits	194,448	910
Intergovernmental	96,104	121,144
Fines and forfeitures	173,582	-
Miscellaneous	22,201	1,024
<i>Total Receipts</i>	<u>1,125,949</u>	<u>186,599</u>
DISBURSEMENTS		
Current:		
General government	177,172	-
Court and police	919,949	-
Community services & development	44,283	-
Parks	122,330	-
Street	-	154,165
Capital outlay	8,752	-
<i>Total Disbursements</i>	<u>1,272,486</u>	<u>154,165</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(146,537)	32,434
OTHER FINANCING SOURCES (USES)		
Transfers in	118,386	-
Transfers out	(15,000)	(17,878)
<i>Total Other Financing Sources (Uses)</i>	<u>103,386</u>	<u>(17,878)</u>
NET CHANGE IN FUND BALANCES	(43,151)	14,556
FUND BALANCES, Beginning of year	<u>321,841</u>	<u>92,253</u>
FUND BALANCES, End of year	<u>\$ 278,690</u>	<u>\$ 106,809</u>

<i>Capital Projects</i>		
<i>Street Construction</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ -	\$ -	\$ 703,135
14,567	12,843	222,768
76,919	56,148	350,315
-	-	173,582
1,836	1,208	26,269
93,322	70,199	1,476,069
-	-	177,172
-	-	919,949
-	-	44,283
-	4,439	126,769
2,778	-	156,943
2,575	4,748	16,075
5,353	9,187	1,441,191
87,969	61,012	34,878
-	-	118,386
(695)	(608)	(34,181)
(695)	(608)	84,205
87,274	60,404	119,083
44,938	145,713	604,745
\$ 132,212	\$ 206,117	\$ 723,828

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

CITY OF HUBBARD, OREGON

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS (MODIFIED CASH BASIS)

JUNE 30, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Water Construction</u>
ASSETS			
Cash and investments	\$ 113,130	\$ 78,794	\$ 225,027
LIABILITIES			
Deposits	<u>-</u>	<u>14,683</u>	<u>-</u>
NET ASSETS			
Restricted for construction	-	-	225,027
Restricted for debt service	-	-	-
Unrestricted	<u>113,130</u>	<u>64,111</u>	<u>-</u>
<i>Total Net Assets</i>	<u>\$ 113,130</u>	<u>\$ 64,111</u>	<u>\$ 225,027</u>

<u>Sewer Construction</u>	<u>Water Bond</u>	<u>Sewer Bond</u>	<u>Totals</u>
\$ 117,455	37,922	\$ 38,320	\$ 610,648
-	-	-	14,683
117,455	-	-	342,482
-	37,922	38,320	76,242
-	-	-	177,241
<u>\$ 117,455</u>	<u>\$ 37,922</u>	<u>\$ 38,320</u>	<u>\$ 595,965</u>

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

CITY OF HUBBARD, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2012**

	<u>Sewer</u>	<u>Water</u>	<u>Water Construction</u>
OPERATING RECEIPTS			
Charges for services	\$ 379,970	\$ 299,895	\$ -
Miscellaneous	357	24,812	887
<i>Total Operating Receipts</i>	380,327	324,707	887
OPERATING DISBURSEMENTS			
Personal services	142,784	103,924	-
Materials and services	98,427	99,977	2,383
Capital outlay	-	-	29,121
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total Operating Disbursements</i>	241,211	203,901	31,504
OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	139,116	120,806	(30,617)
OTHER FINANCING SOURCES (USES)			
System development charges	-	-	6,973
Transfers in	-	-	30,000
Transfers out	(66,214)	(169,887)	(333)
<i>Total Contributions and Transfers</i>	(66,214)	(169,887)	36,640
NET CHANGE IN NET ASSETS	72,902	(49,081)	6,023
NET ASSETS, Beginning of the year	40,228	113,192	219,004
NET ASSETS, End of year	<u>\$ 113,130</u>	<u>\$ 64,111</u>	<u>\$ 225,027</u>

<i>Sewer Construction</i>	<i>Water Bond</i>	<i>Sewer Bond</i>	<i>Totals</i>
\$ -	\$ -	\$ -	\$ 679,865
501	147	4	26,708
501	147	4	706,573
-	-	-	246,708
2,383	400	2,987	206,557
-	-	-	29,121
-	60,000	35,694	95,694
-	44,540	18,792	63,332
2,383	104,940	57,473	641,412
(1,882)	(104,793)	(57,469)	65,161
23,033	-	-	30,006
-	102,100	21,225	153,325
(1,096)	-	-	(237,530)
21,937	102,100	21,225	(54,199)
20,055	(2,693)	(36,244)	10,962
97,400	40,615	74,564	585,003
\$ 117,455	\$ 37,922	\$ 38,320	\$ 595,965

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

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hubbard, Oregon is governed by an elected mayor and four council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of the department heads. All significant activities and organizations for which the City is financially accountable are included in the basic financial statements.

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.

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 Assets (Modified Cash Basis) and the Statement of Activities (modified cash basis).

The Statement of Net Assets (modified cash basis) presents information on all of the recorded assets and liabilities of the City of Hubbard as of the date on the statement. Net assets are what remain after the liabilities have been paid off or otherwise satisfied. Net assets are shown as net assets subject to restriction and unrestricted net assets.

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 receipts. *Direct disbursements* 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 receipts*.

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 and proprietary funds are reported as separate columns in the fund financial statements.

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, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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. 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. Disbursements 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, and is therefore considered a major 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. Expenditures 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, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Sewer Construction Fund

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

Water Bond Fund

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

Fund Balance

Governmental Fund type fund balances are reported in the following classifications. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications -- committed and then assigned fund balances before using unassigned fund balances.

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.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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.

Special Revenue Funds, whose primary source of funding is transfers from the General Fund, are reported as part of the General Fund. Therefore, in the Governmental Funds Statement of Assets and Liabilities and the Statement of Receipts, Disbursements and Changes in Fund Balances, the Reserve Fund has been combined with the General Fund.

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. Accounting principles generally accepted in the United States of America require the use of the modified accrual basis of accounting by governmental type funds. Under this system, revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

Government-wide and proprietary funds are to be accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City's policy is to prepare its financial statements on the modified cash basis of accounting. Consequently, certain receipts and the related assets are recognized when received rather than when earned, and certain disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

incurred. Also, assets that are measurable but not yet collected are recorded on the City's statement of assets and liabilities as an asset and deferred revenue. 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 294.445), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

Interfund transfers, interfund services provided and used, interfund reimbursements and interfund payables and receivables are all interfund activities. The effect of interfund activities and administrative charges are eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated from the government-wide statements since elimination would distort the program receipts and direct costs of the City's functions.

Amounts reported as program receipts in the government-wide statement of activities include: fines, fees, and charges to users for services provided, goods produced or privileges provided, operating grants and contributions; and capital grants and contributions. Taxes, grants and contributions that are not restricted are reported as general receipts. Franchise fees are based on gross receipts and are reported as general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, and all revenues and expenses not meeting this definition are reported as non-operating receipts and disbursements.

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted net assets to be spent first.

Cash and Investments

The City maintains cash and investments 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 investments.

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.

Investments are stated at cost, which approximates fair value.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Deferred Revenues

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 and prior years 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.

Property tax receivables are offset by deferred revenue and, accordingly, have not been recorded as revenues.

Long-Term Debt

Payment of principal and interest is recorded as disbursements when paid.

Accrued Compensated Absences

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as a disbursement 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 disbursements of a specific function or object within a fund may not legally exceed that function or object's appropriations for cash disbursements. 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.

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 receipts and disbursements 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, 2012

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2012:

	<i>Carrying Value</i>	<i>Fair Value</i>
<i>Cash</i>		
Cash in demand deposits	\$ 113,210	\$ 113,210
<i>Investments</i>		
Local Government Investment Pool	1,230,424	1,230,424
	<u>\$ 1,343,634</u>	<u>\$ 1,343,634</u>

Deposits

At year end, the book balance of the City's bank deposits (checking accounts) was \$113,210 and the bank balance was \$151,734. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

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, 2012, 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.

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 unlimited insurance for the City's deposits with financial institutions for the aggregate of all non-interest bearing accounts and up to \$250,000 for 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 (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, 2012, none of the City's bank balances were exposed to custodial credit risk as part of the Public Funds Collateralization Program.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

CASH AND INVESTMENTS (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

Long-term debt transactions for the year were as follows:

	<u>Original Issue</u>	<u>Outstanding July 1, 2011</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
<i>Business-type activities</i>					
2003 Water Refunding Bonds	\$ 1,300,000	\$ 905,000	\$ 60,000	\$ 845,000	\$ 60,000
2006 Clean Water Revolving Fund Loan	1,076,123	615,137	35,694	579,443	37,383
	<u>\$ 2,376,123</u>	<u>\$ 1,520,137</u>	<u>\$ 95,694</u>	<u>\$ 1,424,443</u>	<u>\$ 97,383</u>

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

LONG-TERM DEBT (Continued)

Water bonds are paid from the Water Bond Fund. The bond agreement requires a restricted reserve account be maintained in the amount of \$104,540. The restricted reserve requirement for the Water Bonds was not met at June 30, 2012. The 2003 Water Bonds were issued for the purpose of advance refunding the 1989 and 2000 bond issues.

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, 2012.

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 97,383	\$ 59,941	\$ 157,324
2014	103,550	56,224	159,774
2015	104,755	51,899	156,654
2016	110,997	47,537	158,534
2017	112,277	18,540	130,817
2018-2022	652,043	44,627	696,670
2023-2025	243,438	176,027	419,465
	<u>\$ 1,424,443</u>	<u>\$ 454,795</u>	<u>\$ 1,879,238</u>

PENSION PLAN

Plan Description

The City contributes to the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is an agent multi-employer defined benefit public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan provides for a specific benefit determined by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS, which acts as a common investment and administrative agent for political subdivisions in the State of Oregon. The City participates in the state and local government rate pool.

The 1995 Oregon Legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996 called Tier Two. The 2003 Oregon Legislature established OPSRP for public employees hired on or after August 29, 2003, unless membership was previously established in PERS.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

PENSION PLAN (Continued)

Plan Description (Continued)

Benefits generally vest after five years of continuous service. Retirement is allowed at age fifty-eight with unreduced benefits, but retirement is generally available after age fifty-five with reduced benefits. Retirement benefits based on salary and length of service are calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 1-888-320-7377.

Funding Policy

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Members of PERS and OPSRP are required to contribute 6 percent of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The City's rate is 15.99 percent for PERS and 17.41 percent for OPSRP -- general employees, and 15.39 percent for OPSRP -- police employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates disclosed in a separate note disclosure. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the years ended June 30, 2012, 2011, and 2010, the City's annual pension costs were \$160,920, \$126,463, and \$156,430 respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2009, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed at 7 percent in 2010, then declining by 0.5 percent per year until the rate of 4.5 percent is reached in 2029; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8 percent compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.5 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

INTERFUND TRANSFERS

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 103,386	\$ 15,000
Street Fund	-	17,878
Street Construction Fund	-	695
Reserve Fund	15,000	-
Park Improvements	-	608
Sewer	-	66,214
Sewer Construction Fund	-	1,096
Sewer Bond	21,225	-
Water Fund	-	169,887
Water Construction Fund	30,000	333
Water Bond Redemption	102,100	-
	<u>\$ 271,711</u>	<u>\$ 271,711</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.

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.

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 \$4,609.

The City also conducts business with Hubbard Shell, a towing company owned by Mayor Tom McCain. The total amount of the transactions were \$1,016. The City's agreement with Hubbard Shell is that every other calendar year, Hubbard Shell donates \$15,000 to the City for the purchase of police patrol vehicles. The payment is in the nature of a franchise fee. The City received payment in the current fiscal year.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2012 occurred as follows:

<i>Fund/Appropriation Category</i>	<i>Appropriation</i>	<i>Disbursement</i>	<i>Variance</i>
Street Fund			
Personal Services	\$ 87,575	\$ 89,419	\$ (1,844)
Transfers out	16,500	17,878	(1,378)
Street Construction Fund			
Transfers out	-	695	(695)
Parks Improvement			
Transfers out	-	608	(608)
Sewer Construction			
Transfers out	-	1,096	(1,096)
Sewer Bond Fund			
Debt Service	35,000	35,694	(694)
Water			
Personal Services	98,475	103,924	(5,449)
Transfers out	169,700	169,887	(187)
Water Construction			
Transfers out	-	333	(333)

NEW PRONOUNCEMENTS

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. 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 is effective for fiscal years beginning after June 15, 2012.

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 is effective for fiscal years beginning after December 15, 2011.

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 is effective for fiscal years beginning after December 15, 2011.

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.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

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 October 1, 2012, 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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
RECEIPTS				
Taxes and assessments	\$ 620,000	\$ 620,000	\$ 639,614	\$ 19,614
Licenses and permits	175,000	175,000	194,448	19,448
Intergovernmental	109,278	109,278	96,104	(13,174)
Fines and forfeitures	211,200	211,200	173,582	(37,618)
Miscellaneous	23,500	23,500	22,025	(1,475)
<i>Total Receipts</i>	1,138,978	1,138,978	1,125,773	(13,205)
DISBURSEMENTS				
Current				
General government	202,670	202,670	177,172	25,498
Police and courts	918,653	943,253	919,949	23,304
Community development	61,740	61,740	44,283	17,457
Parks	133,475	133,475	122,330	11,145
Capital outlay	6,800	68,000	6,252	61,748
Contingency	84,126	123,485	-	123,485
<i>Total Disbursements</i>	1,407,464	1,532,623	1,269,986	262,637
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(268,486)	(393,645)	(144,213)	249,432
OTHER FINANCING SOURCES (USES)				
Transfers in	100,900	100,900	103,386	2,486
Transfers out	(15,000)	(15,000)	(15,000)	-
<i>Total Other Financing Sources (Uses)</i>	85,900	85,900	88,386	2,486
NET CHANGE IN FUND BALANCE	(182,586)	(307,745)	(55,827)	251,918
FUND BALANCE, Beginning of year	182,586	307,745	221,945	(85,800)
FUND BALANCE, End of year	\$ -	\$ -	\$ 166,118	\$ 166,118

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - STREET FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
RECEIPTS				
Taxes and assessments	\$ 59,100	\$ 59,100	\$ 63,521	\$ 4,421
Licenses and Permits	225	225	910	685
Intergovernmental	123,978	123,978	121,144	(2,834)
Miscellaneous	1,100	1,100	1,024	(76)
<i>Total Receipts</i>	184,403	184,403	186,599	2,196
DISBURSEMENTS				
Current				
Personal services	87,575	87,575	89,419	(1,844)
Materials and services	88,400	88,400	64,746	23,654
Contingency	74,535	84,181	-	84,181
<i>Total Disbursements</i>	250,510	260,156	154,165	105,991
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(66,107)	(75,753)	32,434	108,187
OTHER FINANCING SOURCES (USES)				
Transfers out	(16,500)	(16,500)	(17,878)	(1,378)
NET CHANGE IN FUND BALANCE				
	(82,607)	(92,253)	14,556	106,809
FUND BALANCE, Beginning of year				
	82,607	92,253	92,253	-
FUND BALANCE, End of year				
	\$ -	\$ -	\$ 106,809	\$ 106,809

OTHER SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OREGON
RECONCILIATION OF BUDGETARY TO REPORTING FUNDS
STATEMENT OF ASSETS AND LIABILITIES - GENERAL FUND
JUNE 30, 2012

	<u>General</u>	<u>Reserve</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 175,273	\$ 112,572	\$ 287,845
Property taxes receivable	47,523	-	47,523
<i>Total Assets</i>	<u>\$ 222,796</u>	<u>\$ 112,572</u>	<u>\$ 335,368</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities</i>			
Deposits	\$ 9,155	\$ -	\$ 9,155
Deferred revenue	47,523	-	47,523
<i>Total Liabilities</i>	56,678	-	56,678
<i>Fund Balances</i>			
Unassigned	166,118	112,572	278,690
<i>Total Fund Balances</i>	<u>166,118</u>	<u>112,572</u>	<u>278,690</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 222,796</u>	<u>\$ 112,572</u>	<u>\$ 335,368</u>

CITY OF HUBBARD, OREGON**RECONCILIATION OF BUDGETARY TO REPORTING FUNDS****STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<i>General</i>	<i>Reserve</i>	<i>Totals</i>
RECEIPTS			
Taxes and assessments	\$ 639,614	\$ -	\$ 639,614
Licenses and permits	194,448	-	194,448
Intergovernmental	96,104	-	96,104
Fines and forfeitures	173,582	-	173,582
Miscellaneous	22,025	176	22,201
<i>Total Receipts</i>	<u>1,125,773</u>	<u>176</u>	<u>1,125,949</u>
DISBURSEMENTS			
Current:			
General government	177,172	-	177,172
Court and police	919,949	-	919,949
Community services & development	44,283	-	44,283
Parks	122,330	-	122,330
Capital outlay	6,252	2,500	8,752
<i>Total Disbursements</i>	<u>1,269,986</u>	<u>2,500</u>	<u>1,272,486</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(144,213)	(2,324)	(146,537)
OTHER FINANCING SOURCES (USES)			
Transfers in	103,386	15,000	118,386
Transfers out	(15,000)	-	(15,000)
<i>Total Other Financing Sources (Uses)</i>	<u>88,386</u>	<u>15,000</u>	<u>103,386</u>
NET CHANGE IN FUND BALANCES	(55,827)	12,676	(43,151)
FUND BALANCE, Beginning of year	<u>221,945</u>	<u>99,896</u>	<u>321,841</u>
FUND BALANCE, End of year	<u>\$ 166,118</u>	<u>\$ 112,572</u>	<u>\$ 278,690</u>

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - STREET CONSTRUCTION FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 10,737	\$ 17,375	\$ 14,567	\$ (2,808)
Intergovernmental	136,500	136,500	76,919	(59,581)
Miscellaneous	2,000	2,000	1,836	(164)
<i>Total Receipts</i>	149,237	155,875	93,322	(62,553)
DISBURSEMENTS				
Current				
Materials and services	12,500	12,500	2,778	9,722
Capital outlay	112,900	87,900	2,575	85,325
Contingency	43,379	34,804	-	34,804
<i>Total Disbursements</i>	168,779	135,204	5,353	129,851
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,542)	20,671	87,969	67,298
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(695)	(695)
NET CHANGE IN FUND BALANCE	(19,542)	20,671	87,274	66,603
FUND BALANCE, Beginning of year	19,542	(20,671)	44,938	65,609
FUND BALANCE, End of year	\$ -	\$ -	\$ 132,212	\$ 132,212

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - PARK IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 9,471	\$ 9,471	\$ 12,843	\$ 3,372
Intergovernmental	10,921	10,921	56,148	45,227
Miscellaneous	100	100	1,208	1,108
<i>Total Receipts</i>	20,492	20,492	70,199	49,707
DISBURSEMENTS				
Current				
Materials and services	20,000	20,000	4,439	15,561
Capital outlay	146,205	146,205	4,748	141,457
<i>Total Disbursements</i>	166,205	166,205	9,187	157,018
RECEIPTS OVER (UNDER) DISBURSEMENTS	(145,713)	(145,713)	61,012	206,725
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(608)	(608)
NET CHANGE IN FUND BALANCE	(145,713)	(145,713)	60,404	206,117
FUND BALANCE, Beginning of year	145,713	145,713	145,713	-
FUND BALANCE, End of year	\$ -	\$ -	\$ 206,117	\$ 206,117

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - RESERVE FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 176	\$ (14,824)
DISBURSEMENTS				
Capital outlay	114,751	114,751	2,500	112,251
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(99,751)	(99,751)	(2,324)	97,427
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(84,751)	(84,751)	12,676	97,427
FUND BALANCE, Beginning of year	84,751	84,751	99,896	15,145
FUND BALANCE, End of year	\$ -	\$ -	\$ 112,572	\$ 112,572

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 374,000	\$ 374,000	\$ 379,970	\$ 5,970
Miscellaneous	2,100	2,100	357	(1,743)
<i>Total Receipts</i>	376,100	376,100	380,327	4,227
DISBURSEMENTS				
Current				
Personal services	134,725	167,770	142,784	24,986
Materials and services	116,600	128,343	98,427	29,916
Contingency	100,371	86,778	-	86,778
<i>Total Disbursements</i>	351,696	382,891	241,211	141,680
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	24,404	(6,791)	139,116	145,907
OTHER FINANCING SOURCES (USES)				
Transfers out	(68,225)	(68,225)	(66,214)	2,011
NET CHANGE IN FUND BALANCE	(43,821)	(75,016)	72,902	147,918
FUND BALANCE, Beginning of year	43,821	75,016	40,228	(34,788)
FUND BALANCE, End of year	\$ -	\$ -	\$ 113,130	\$ 113,130

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - SEWER CONSTRUCTION FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 200	\$ 200	\$ 501	\$ 301
DISBURSEMENTS				
Current				
Materials and services	114,441	114,441	2,383	112,058
Contingency	-	142	-	142
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(114,241)	(114,383)	(1,882)	112,501
OTHER FINANCING SOURCES				
System development charges	16,983	16,983	23,033	6,050
Transfers out	-	-	(1,096)	(1,096)
<i>Total Other Financing Sources (Uses)</i>	16,983	16,983	21,937	4,954
NET CHANGE IN FUND BALANCE	(97,258)	(97,400)	20,055	117,455
FUND BALANCE, Beginning of year	97,258	97,400	97,400	-
FUND BALANCE, End of year	\$ -	\$ -	\$ 117,455	\$ 117,455

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - SEWER BOND FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 100	\$ 100	\$ 4	\$ (96)
DISBURSEMENTS				
Current				
Materials and services	3,400	3,400	2,987	413
Debt service:				
Principal	35,000	35,000	35,694	(694)
Interest	20,400	20,400	18,792	1,608
Contingency	35,820	35,820	-	35,820
<i>Total Disbursements</i>	<u>94,620</u>	<u>94,620</u>	<u>57,473</u>	<u>37,147</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(94,520)	(94,520)	(57,469)	37,051
OTHER FINANCING SOURCES				
Transfers in	<u>21,225</u>	<u>21,225</u>	<u>21,225</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(73,295)	(73,295)	(36,244)	37,051
FUND BALANCE, Beginning of year	<u>73,295</u>	<u>73,295</u>	<u>74,564</u>	<u>1,269</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,320</u>	<u>\$ 38,320</u>

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - WATER FUND****YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 322,000	\$ 320,000	\$ 299,895	\$ (20,105)
Miscellaneous	7,000	19,300	24,812	5,512
<i>Total Receipts</i>	329,000	339,300	324,707	(14,593)
DISBURSEMENTS				
Current				
Personal services	98,475	98,475	103,924	(5,449)
Materials and services	119,200	129,200	99,977	29,223
Contingency	80,026	55,117	-	55,117
<i>Total Disbursements</i>	297,701	282,792	203,901	78,891
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	31,299	56,508	120,806	64,298
OTHER FINANCING SOURCES (USES)				
Transfers out	(169,700)	(169,700)	(169,887)	(187)
NET CHANGE IN FUND BALANCE	(138,401)	(113,192)	(49,081)	64,111
FUND BALANCE, Beginning of year	138,401	113,192	113,192	-
FUND BALANCE, End of year	\$ -	\$ -	\$ 64,111	\$ 64,111

CITY OF HUBBARD, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER CONSTRUCTION FUND**

YEAR ENDED JUNE 30, 2012

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 700	\$ 700	\$ 887	\$ 187
DISBURSEMENTS				
Current				
Materials and services	9,000	9,000	2,383	6,617
Capital outlay	69,000	69,000	29,121	39,879
Contingency	177,499	173,379	-	173,379
<i>Total Disbursements</i>	<u>255,499</u>	<u>251,379</u>	<u>31,504</u>	<u>219,875</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(254,799)	(250,679)	(30,617)	220,062
OTHER FINANCING SOURCES (USES)				
System development charges	1,675	1,675	6,973	5,298
Transfers in	30,000	30,000	30,000	-
Transfers out	-	-	(333)	(333)
<i>Total Other Financing Sources (Uses)</i>	<u>31,675</u>	<u>31,675</u>	<u>36,640</u>	<u>4,965</u>
NET CHANGE IN FUND BALANCE	(223,124)	(219,004)	6,023	225,027
FUND BALANCE, Beginning of year	<u>223,124</u>	<u>219,004</u>	<u>219,004</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,027</u>	<u>\$ 225,027</u>

CITY OF HUBBARD, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER BOND FUND
YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 150	\$ 150	\$ 147	\$ (3)
DISBURSEMENTS				
Current				
Materials and services	500	500	400	100
Debt service:				
Principal	55,000	60,000	60,000	-
Interest	46,750	46,750	44,540	2,210
Contingency	40,304	35,615	-	35,615
<i>Total Disbursements</i>	<u>142,554</u>	<u>142,865</u>	<u>104,940</u>	<u>37,925</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(142,404)	(142,715)	(104,793)	37,922
OTHER FINANCING SOURCES				
Transfers in	<u>102,100</u>	<u>102,100</u>	<u>102,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(40,304)	(40,615)	(2,693)	37,922
FUND BALANCE, Beginning of year	<u>40,304</u>	<u>40,615</u>	<u>40,615</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,922</u>	<u>\$ 37,922</u>

OTHER SCHEDULES

CITY OF HUBBARD, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2012

<i>Tax Year</i>	<i>Uncollected Balance July 1, 2011</i>	<i>2011-12 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balance June 30, 2012</i>
2011-2012	\$ -	\$ 657,529	\$ 77	\$ (18,990)	\$ (614,956)	\$ 23,660
2010-2011	25,653	-	3	(2,558)	(10,996)	12,102
2009-2010	12,805	-	-	(2,061)	(3,616)	7,128
2008-2009	6,761	-	-	(58)	(3,994)	2,709
2007-2008	2,086	-	-	(27)	(1,440)	619
2006-2007	464	-	-	(29)	(105)	330
2005-2006	266	-	-	(17)	(42)	207
Prior Years	817	-	-	(10)	(39)	768
Total	<u>\$ 48,852</u>	<u>\$ 657,529</u>	<u>\$ 80</u>	<u>\$ (23,750)</u>	<u>\$ (635,188)</u>	<u>\$ 47,523</u>

CITY OF HUBBARD, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2012

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>
DEBT PRINCIPAL TRANSACTIONS			
Water Revenue Refunding Bonds	2.0%-5.2%	2003	2022-23
Clean Water State Revolving Fund Loan	3.10%	2006	2024-25

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Unmatured Interest Outstanding July 1, 2011</i>
DEBT INTEREST TRANSACTIONS			
Water Revenue Refunding Bonds	2.0%-5.2%	2003	\$ 200,973
Clean Water State Revolving Fund Loan	3.10%	2006	317,154
			<u>\$ 518,127</u>

<i>Outstanding July 1, 2011</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2012</i>
\$ 905,000	\$ -	\$ 60,000	\$ 845,000
615,137	-	35,694	579,443
<u>\$ 1,520,137</u>	<u>\$ -</u>	<u>\$ 95,694</u>	<u>\$ 1,424,443</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2012</i>
\$ -	\$ 44,540	\$ 156,433
-	18,792	298,362
<u>\$ -</u>	<u>\$ 63,332</u>	<u>\$ 454,795</u>

CITY OF HUBBARD, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2012

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2003 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>
2013	\$ 60,000	\$ 41,990	\$ 101,990	\$ 37,383	\$ 17,951	\$ 55,334
2014	65,000	39,440	104,440	38,550	16,784	55,334
2015	65,000	36,320	101,320	39,755	15,579	55,334
2016	70,000	33,200	103,200	40,997	14,337	55,334
2017	70,000	5,483	75,483	42,277	13,057	55,334
2018	75,000	-	75,000	43,598	11,736	55,334
2019	80,000	-	80,000	44,960	10,374	55,334
2020	85,000	-	85,000	46,365	8,969	55,334
2021	90,000	-	90,000	47,813	7,521	55,334
2022	90,000	-	90,000	49,307	6,027	55,334
2023	95,000	-	95,000	50,847	4,487	55,334
2024	-	-	-	52,436	2,898	55,334
2025	-	-	-	45,155	168,642	213,797
	<u>\$ 845,000</u>	<u>\$ 156,433</u>	<u>\$ 1,001,433</u>	<u>\$ 579,443</u>	<u>\$ 298,362</u>	<u>\$ 877,805</u>

<i>Principal</i>	<i>Totals</i>	
	<i>Interest</i>	<i>Total</i>
\$ 97,383	\$ 59,941	\$ 157,324
103,550	56,224	159,774
104,755	51,899	156,654
110,997	47,537	158,534
112,277	18,540	130,817
118,598	11,736	130,334
124,960	10,374	135,334
131,365	8,969	140,334
137,813	7,521	145,334
139,307	6,027	145,334
145,847	4,487	150,334
52,436	2,898	55,334
45,155	168,642	213,797
<u>\$ 1,424,443</u>	<u>\$ 454,795</u>	<u>\$ 1,879,238</u>



GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of the City of Hubbard, Oregon as of and for the year ended June 30, 2012, and have issued our report thereon dated October 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Hubbard, Oregon'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. Overexpenditure of appropriations as disclosed in the notes to the financial statements.
2. The City obtained informal bids for purchases in excess of \$10,000. Oregon statutes require informal bids for purchases in excess of \$5,000.

OAR 162-10-0230 Internal Control


In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the council members 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 1, 2012