

***CITY OF HUBBARD, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2011***

**CITY OF HUBBARD, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2011**

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<u>Name</u>	<b>MAYOR</b>	<u>Term</u>
Tom McCain 3720 2nd St. Hubbard, Oregon 97032		December 31, 2012

**CITY COUNCIL MEMBERS**

Bruce Warner 3394 Rudometkin Drive Hubbard, Oregon 97032		December 31, 2014
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Angie Wheatcroft 3707 9 <sup>th</sup> Street Hubbard, Oregon 97032		December 31, 2014
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Matt Kennedy 3635 5 <sup>th</sup> Street Hubbard, Oregon 97032		December 31, 2012
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Tyler Smith 3720 2 <sup>nd</sup> St. Hubbard, Oregon 97032		December 31, 2012
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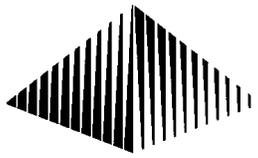
**CITY RECORDER**

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 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

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, 2011, 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, each major fund and the aggregate remaining fund information of the City, as of June 30, 2011 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.

As described in the notes to the financial statements, during the year ended June 30, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 25 through 26 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 25 through 26 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 combining and 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 combining and 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:   
\_\_\_\_\_  
Charles A. Swank, A Shareholder  
October 7, 2011

CITY OF HUBBARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

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, 2011.

FINANCIAL HIGHLIGHTS

	June 30,		Change
	2011	2010	
Net assets	\$ 1,189,748	\$ 1,342,535	\$ (152,787)
Change in net assets	(152,789)	(48,538)	(104,251)
Governmental net assets	604,745	777,345	(172,600)
Proprietary net assets	585,003	565,192	19,811

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 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 revenues.

*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 \$1,189,748 as of June 30, 2011.

Current liabilities consist 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	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 616,190	\$ 795,648	\$ 600,313	\$ 584,473	\$ 1,216,503	\$ 1,380,121
Other assets	31,005	60,858	-	-	31,005	60,858
Total assets	647,195	856,506	600,313	584,473	1,247,508	1,440,979
Other liabilities	42,450	79,162	15,310	19,282	57,760	98,444
Net assets						
Restricted	282,904	379,476	431,583	377,546	714,487	757,022
Unrestricted	321,841	397,868	153,420	187,645	475,261	585,513
Total net assets	\$ 604,745	\$ 777,344	\$ 585,003	\$ 565,191	\$ 1,189,748	\$ 1,342,535

*Statement of Activities.* During the current fiscal year, the City's net assets decreased by \$152,789. The key elements of the change in the City's net assets for the year ended June 30, 2011 are as follows:

- Fines, fees and charges for services increased by \$21,205
- Capital grants and contributions decreased by \$22,636
- Operating grants and contributions decreased by \$355,960
- Disbursements were \$199,159 less than the prior year

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Receipts						
Program receipts						
Fines, fees, charges for services	\$ 288,023	\$ 318,266	\$ 744,754	\$ 693,306	\$ 1,032,777	\$ 1,011,572
Operating grants and contributions	180,959	203,595	-	-	180,959	203,595
Capital grants and contributions	-	316,943	-	39,017	-	355,960
General receipts						
Property tax	601,564	579,855	-	-	601,564	579,855
Licences and permits	154,397	156,113	-	-	154,397	156,113
Intergovernmental	77,117	61,911	-	-	77,117	61,911
Miscellaneous	44,935	22,211	97	4,039	45,032	26,250
<b>TOTAL RECEIPTS</b>	<b>1,346,995</b>	<b>1,658,894</b>	<b>744,851</b>	<b>736,362</b>	<b>2,091,846</b>	<b>2,395,256</b>
Disbursements						
General government	240,617	196,078	-	-	240,617	196,078
Court and police	892,402	819,358	-	-	892,402	819,358
Community services and development	53,155	133,199	-	-	53,155	133,199
Parks	153,084	86,808	-	-	153,084	86,808
Street	264,462	513,341	-	-	264,462	513,341
Water	-	-	297,747	338,749	297,747	338,749
Sewer	-	-	343,168	356,261	343,168	356,261
<b>TOTAL DISBURSEMENTS</b>	<b>1,603,720</b>	<b>1,748,784</b>	<b>640,915</b>	<b>695,010</b>	<b>2,244,635</b>	<b>2,443,794</b>
<b>Receipts over (under) disbursements</b>	<b>(256,725)</b>	<b>(89,890)</b>	<b>103,936</b>	<b>41,352</b>	<b>(152,789)</b>	<b>(48,538)</b>
<b>Transfers</b>	<b>84,125</b>	<b>88,199</b>	<b>(84,125)</b>	<b>(88,199)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(172,600)</b>	<b>(1,691)</b>	<b>19,811</b>	<b>(46,847)</b>	<b>(152,789)</b>	<b>(48,538)</b>
<b>Net assets, beginning of year</b>	<b>777,345</b>	<b>779,035</b>	<b>565,192</b>	<b>612,038</b>	<b>1,342,537</b>	<b>1,391,073</b>
<b>Net assets, end of year</b>	<b>\$ 604,745</b>	<b>\$ 777,344</b>	<b>\$ 585,003</b>	<b>\$ 565,191</b>	<b>\$ 1,189,748</b>	<b>\$ 1,342,535</b>

## 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, *unreserved 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, 2011, the City's governmental funds reported combined ending fund balances of \$604,745, a decrease of \$172,599 in comparison with prior year.

As detailed in the notes to the financial statements, the City adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. Among the changes required is that Special Revenue Funds whose primary source of funding is transfers from the General Fund be reported as part of the General Fund. Therefore, in the Governmental Funds 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. In addition, the Street Construction Fund and Park Improvements Fund previously reported as Special Revenue Funds are reported as Capital Projects Funds.

*General Fund.* The General Fund is the primary operating fund of the City. As of June 30, 2011, unreserved fund balance was \$321,841. The fund balance decreased by \$76,028 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 disbursements.

*Other Funds.* Both the Street and Street Construction Funds had significant disbursements during the year. Street Fund receipts exceeded disbursements by \$25,434; Street Construction Fund disbursements were approximately \$66,100 more than receipts.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The governing body approved two supplemental budgets to the adopted budget for the fiscal year ended June 30, 2011.

## LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt outstanding of \$1,520,047. During the current fiscal year, the City's total debt decreased by \$89,612 (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 \$4,693,115. 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	
	2011	2010	2011	2010	2011	2010
Revenue refunding bonds	\$ -	\$ -	905,000	\$ 960,000	\$ 905,000	\$ 960,000
Oregon DEQ loan	-	-	615,047	649,136	615,047	649,136
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,520,047</u>	<u>\$ 1,609,136</u>	<u>\$ 1,520,047</u>	<u>\$ 1,609,136</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's Budget Committee considered all the following factors while preparing the budget for the 2010-11 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, 2011**

	<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Totals</i></b>
<b><i>ASSETS</i></b>			
Cash and investments	\$ 616,190	\$ 600,313	\$ 1,216,503
Property taxes receivable	31,005	-	31,005
<i>Total Assets</i>	647,195	600,313	1,247,508
<b><i>LIABILITIES</i></b>			
Deposits	11,445	15,310	26,755
Deferred revenue	31,005	-	31,005
<i>Total Liabilities</i>	42,450	15,310	57,760
<b><i>NET ASSETS</i></b>			
Restricted for:			
Capital projects	282,904	316,404	599,308
Debt service	-	115,179	115,179
Unrestricted	321,841	153,420	475,261
<i>Total Net Assets</i>	\$ 604,745	\$ 585,003	\$ 1,189,748

*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, 2011**

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Functions/Programs</b>			
<b>Governmental Activities:</b>			
General government	\$ 240,617	\$ 1,280	\$ -
Court and police	892,402	190,939	5,994
Community services and development	53,155	14,439	-
Parks	153,084	16,034	-
Street	264,462	65,331	174,965
<i>Total Governmental Activities</i>	1,603,720	288,023	180,959
<b>Business-type Activities:</b>			
Water	297,747	333,025	-
Sewer	343,168	411,729	-
<i>Total Business-type Activities</i>	640,915	744,754	-
<i>Total Activities</i>	<u>\$ 2,244,635</u>	<u>\$ 1,032,777</u>	<u>\$ 180,959</u>
<b>General Receipts:</b>			
Property taxes			
Franchise fees			
Other taxes			
Miscellaneous			
<i>Total General Receipts</i>			
<b>Transfers</b>			
<b>Change in Net Assets</b>			
<b>Net Assets, July 1, 2010</b>			
<b>Net Assets, June 30, 2011</b>			

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (239,337)	\$ -	\$ (239,337)
(695,469)	-	(695,469)
(38,716)	-	(38,716)
(137,050)	-	(137,050)
(24,166)	-	(24,166)
(1,134,738)	-	(1,134,738)
-	35,278	35,278
-	68,561	68,561
-	103,839	103,839
(1,134,738)	103,839	(1,030,899)
601,564	-	601,564
154,397	-	154,397
77,117	-	77,117
44,935	97	45,032
878,013	97	878,110
84,125	(84,125)	-
(172,600)	19,811	(152,789)
777,345	565,192	1,342,537
\$ 604,745	\$ 585,003	\$ 1,189,748

*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, 2011**

	<u>Special Revenue</u>	
	<u>General</u>	<u>Street</u>
<b>ASSETS</b>		
Cash and investments	\$ 333,286	\$ 92,253
Property taxes receivable	31,005	-
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 364,291</u>	<u>\$ 92,253</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Deposits	\$ 11,445	\$ -
Deferred revenue	31,005	-
	<hr/>	<hr/>
<i>Total Liabilities</i>	42,450	-
<b>Fund Balances</b>		
Restricted for:		
Capital projects	-	92,253
Committed to:		
Capital projects	99,896	-
Unassigned	221,945	-
	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>321,841</u>	<u>92,253</u>
	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 364,291</u>	<u>\$ 92,253</u>

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<i>Capital Projects</i>		
<i>Street</i>	<i>Park</i>	
<i>Construction</i>	<i>Improvement</i>	<i>Totals</i>
\$ 44,938	\$ 145,713	\$ 616,190
-	-	31,005
<u>\$ 44,938</u>	<u>\$ 145,713</u>	<u>\$ 647,195</u>
\$ -	\$ -	\$ 11,445
-	-	31,005
<u>-</u>	<u>-</u>	<u>42,450</u>
44,938	145,713	282,904
-	-	99,896
-	-	221,945
<u>44,938</u>	<u>145,713</u>	<u>604,745</u>
<u>\$ 44,938</u>	<u>\$ 145,713</u>	<u>\$ 647,195</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, 2011**

	<u>General</u>	<u>Special Revenue</u> <u>Street</u>
<b>RECEIPTS</b>		
Taxes and assessments	\$ 601,564	\$ -
Licenses and permits	196,337	61,263
Charges for services	-	-
Intergovernmental	88,159	119,972
Fines and forfeitures	157,137	-
Miscellaneous	47,468	2,425
<i>Total Receipts</i>	<u>1,090,665</u>	<u>183,660</u>
<b>DISBURSEMENTS</b>		
Current:		
General government	193,547	-
Court and police	883,987	-
Community services & development	53,155	-
Parks	81,144	-
Street	-	141,726
Capital outlay	55,485	-
<i>Total Disbursements</i>	<u>1,267,318</u>	<u>141,726</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(176,653)	41,934
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	131,202	-
Transfers out	(30,577)	(16,500)
<i>Total Other Financing Sources (Uses)</i>	<u>100,625</u>	<u>(16,500)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(76,028)	25,434
<b>FUND BALANCES, Beginning of year</b>	<u>397,869</u>	<u>66,819</u>
<b>FUND BALANCES, End of year</b>	<u>\$ 321,841</u>	<u>\$ 92,253</u>

<i>Capital Projects</i>		
<i>Street Construction</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ -	\$ -	\$ 601,564
-	-	257,600
-	-	-
54,993	15,395	278,519
-	-	157,137
1,643	639	52,175
<u>56,636</u>	<u>16,034</u>	<u>1,346,995</u>
-	-	193,547
-	-	883,987
-	-	53,155
-	-	81,144
2,973	-	144,699
119,763	71,940	247,188
<u>122,736</u>	<u>71,940</u>	<u>1,603,720</u>
(66,100)	(55,906)	(256,725)
-	-	131,202
-	-	(47,077)
-	-	84,125
<u>(66,100)</u>	<u>(55,906)</u>	<u>(172,600)</u>
<u>111,038</u>	<u>201,619</u>	<u>777,345</u>
<u>\$ 44,938</u>	<u>\$ 145,713</u>	<u>\$ 604,745</u>

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

**CITY OF HUBBARD, OREGON**

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

**JUNE 30, 2011**

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	<u>Sewer</u>	<u>Water</u>	<u>Water Construction</u>	<u>Sewer Construction</u>
<b>ASSETS</b>				
Cash and investments	\$ 40,228	\$ 128,502	\$ 219,004	\$ 97,400
<b>LIABILITIES</b>				
Deposits	-	15,310	-	-
<b>NET ASSETS</b>				
Restricted for construction	-	-	219,004	97,400
Restricted for debt service	-	-	-	-
Unrestricted	40,228	113,192	-	-
<i>Total Net Assets</i>	<u>\$ 40,228</u>	<u>\$ 113,192</u>	<u>\$ 219,004</u>	<u>\$ 97,400</u>

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<i><b>Sewer Bond</b></i>	<i><b>Water Bond</b></i>	<i><b>Totals</b></i>
\$ 74,564	\$ 40,615	\$ 600,313
-	-	15,310
74,564	-	316,404
-	40,615	115,179
-	-	153,420
<u>\$ 74,564</u>	<u>\$ 40,615</u>	<u>\$ 585,003</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, 2011**

	<u>Sewer</u>	<u>Water</u>	<u>Water Construction</u>
<b>OPERATING RECEIPTS</b>			
Charges for services	\$ 376,060	\$ 301,383	\$ -
Miscellaneous	35,378	30,955	640
	<hr/>	<hr/>	<hr/>
<i>Total Operating Receipts</i>	411,438	332,338	640
<b>OPERATING DISBURSEMENTS</b>			
Personal services	157,834	95,201	-
Materials and services	127,686	100,406	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Operating Disbursements</i>	285,520	195,607	-
	<hr/>	<hr/>	<hr/>
<b>OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS</b>	125,918	136,731	640
Transfers in	-	-	20,000
Transfers out	(140,053)	(156,822)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(140,053)	(156,822)	20,000
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN NET ASSETS</b>	(14,135)	(20,091)	20,640
<b>NET ASSETS, Beginning of the year</b>	54,363	133,283	198,364
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS, End of year</b>	<u>\$ 40,228</u>	<u>\$ 113,192</u>	<u>\$ 219,004</u>

<i>Sewer Construction</i>	<i>Sewer Bond</i>	<i>Water Bond</i>	<i>Totals</i>
\$ -	\$ -	\$ -	\$ 677,443
292	96	47	67,408
292	96	47	744,851
-	-	-	253,035
-	3,162	400	231,654
-	34,612	55,000	89,612
-	19,874	46,740	66,614
-	57,648	102,140	640,915
292	(57,552)	(102,093)	103,936
-	92,750	100,000	212,750
-	-	-	(296,875)
-	92,750	100,000	(84,125)
292	35,198	(2,093)	19,811
97,108	39,366	42,708	565,192
<u>\$ 97,400</u>	<u>\$ 74,564</u>	<u>\$ 40,615</u>	<u>\$ 585,003</u>

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

**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 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 investment in capital assets, net of related debt, 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 funds, and major individual 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, 2011

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**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. 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. 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, 2011

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**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. 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 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*

In the year ended June 30, 2011, the City adopted GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now 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.

**CITY OF HUBBARD, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Balance (Continued)*

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

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

The City adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. Among the changes required is that Special Revenue Funds whose primary source of funding is transfers from the General Fund be reported as part of the General Fund. Therefore, in the Governmental Funds 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. In addition, the Street Construction Fund and Park Improvements Fund previously reported as Special Revenue Funds are reported as Capital Projects Funds.

*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.

**CITY OF HUBBARD, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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 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.

**CITY OF HUBBARD, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Investments (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.

Investments are stated at cost, which approximates fair value.

*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, 2011

**CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2011:

	<i>Carrying Value</i>	<i>Fair Value</i>
<b>Cash</b>		
Cash in demand deposits	\$ 119,977	\$ 119,977
<b>Investments</b>		
Local Government Investment Pool	1,096,526	1,096,526
	<u>\$ 1,216,503</u>	<u>\$ 1,216,503</u>

*Deposits*

At year end, the book balance of the City’s bank deposits (checking accounts) was \$119,977 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. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

*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, 2011, 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 105 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, 2011, \$0 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, 2011

**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-loan diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

**LONG-TERM DEBT**

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

	<i>Original Issue</i>	<i>Outstanding July 1, 2010</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2011</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
2003 Water Refunding Bonds	\$ 1,300,000	\$ 960,000	\$ 55,000	\$ 905,000	\$ 60,000
2006 Clean Water Revolving Fund Loan	1,076,123	649,659	34,612	615,047	36,250
	<u>\$ 2,376,123</u>	<u>\$ 1,609,659</u>	<u>\$ 89,612</u>	<u>\$ 1,520,047</u>	<u>\$ 96,250</u>

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 and the loan agreement requires a restricted reserve account to be maintained in the amount of \$38,075. The restricted reserve requirement for the Water Bonds was not met at June 30, 2011.

**CITY OF HUBBARD, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2011

**LONG-TERM DEBT** (Continued)

The 2003 Water Bonds were issued for the purpose of advance refunding the 1989 and 2000 bond issues.

Future debt service requirements are as follows:

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$ 96,250	\$ 63,624	\$ 159,874
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
2017-2021	625,013	163,877	788,890
2022-2025	382,099	29,574	411,673
	<u>\$ 1,520,047</u>	<u>\$ 472,676</u>	<u>\$ 1,992,723</u>

**PENSION PLAN**

*Plan Description*

The City is a participating employer in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

*Funding Status*

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

**CITY OF HUBBARD, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2011

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**PENSION PLAN (Continued)**

*Funding Status (Continued)*

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. The City's current rate is 15.99 percent of pay. This rate changed to 17.41 percent on July 1, 2011 based on the December 31, 2009 valuation.

For OPSRP, all employers are included in a single pool, with separate rates assigned for Tier 1/Tier 2, police and fire participants, and general service participants. These rates were 17.41 percent, 15.39 percent, and 12.68 percent, respectively, on July 1, 2011 based on the December 31, 2009 valuation.

*Annual Pension Cost*

The City's contributions to PERS for the fiscal years ending June 30, 2009, 2010 and 2011 were \$143,546, \$156,430, and \$126,463 respectively, which equaled the required contribution for the year.

**INTERFUND TRANSFERS**

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 100,625	\$ 30,577
Street Fund	-	16,500
Reserve Fund	30,577	-
Sewer	-	140,053
Sewer Bond	92,750	-
Water Fund	-	156,822
Water Construction Fund	20,000	-
Water Bond Redemption	100,000	-
	<u>\$ 343,952</u>	<u>\$ 343,952</u>

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

**CITY OF HUBBARD, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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**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.

**EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2011 occurred as follows:

<u>Fund/Appropriation Category</u>	<u>Appropriation</u>	<u>Disbursement</u>	<u>Variance</u>
General Fund			
Police	\$ 881,234	\$ 883,987	\$ (2,753)

**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 7, 2011, 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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Taxes and assessments	\$ 600,000	\$ 600,000	\$ 601,564	\$ 1,564
Licenses and permits	257,100	222,100	196,337	(25,763)
Intergovernmental	76,875	92,705	88,159	(4,546)
Fines and forfeitures	192,500	192,500	157,137	(35,363)
Miscellaneous	71,000	27,600	32,336	4,736
<i>Total Receipts</i>	1,197,475	1,134,905	1,075,533	(59,372)
<b>DISBURSEMENTS</b>				
General government	212,146	247,463	193,547	53,916
Police and courts	853,404	881,234	883,987	(2,753)
Community development	99,690	99,790	53,155	46,635
Parks	95,100	95,100	81,144	13,956
Capital outlay	10,790	10,790	8,415	2,375
Contingency	67,318	164,863	-	164,863
<i>Total Disbursements</i>	1,338,448	1,499,240	1,220,248	278,992
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(140,973)	(364,335)	(144,715)	219,620
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	102,000	100,625	(1,375)
Transfers out	(34,277)	(34,277)	(30,577)	3,700
<i>Total Other Financing Sources (Uses)</i>	(34,277)	67,723	70,048	2,325
<b>NET CHANGE IN FUND BALANCE</b>	(175,250)	(296,612)	(74,667)	221,945
<b>FUND BALANCE, Beginning of year</b>	175,250	296,612	296,612	-
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 221,945	\$ 221,945

The cash basis of accounting is used for budgetary reporting.

**CITY OF HUBBARD, OREGON****SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - STREET FUND  
YEAR ENDED JUNE 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 59,000	\$ 59,000	\$ 61,263	\$ 2,263
Intergovernmental	133,000	133,000	119,972	(13,028)
Miscellaneous	2,000	2,000	2,425	425
<i>Total Receipts</i>	194,000	194,000	183,660	(10,340)
<b>DISBURSEMENTS</b>				
Personal services	84,830	84,830	73,976	10,854
Materials and services	106,975	89,675	67,750	21,925
Contingency	32,274	63,914	-	63,914
<i>Total Disbursements</i>	224,079	238,419	141,726	96,693
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(30,079)	(44,419)	41,934	86,353
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(5,900)	(22,400)	(16,500)	5,900
<b>NET CHANGE IN FUND BALANCE</b>	(35,979)	(66,819)	25,434	92,253
<b>FUND BALANCE, Beginning of year</b>	35,979	66,819	66,819	-
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 92,253	\$ 92,253

The cash basis of accounting is used for budgetary reporting.

***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF HUBBARD, OREGON**  
**RECONCILIATION OF BUDGETARY TO REPORTING FUNDS**  
**STATEMENT OF ASSETS AND LIABILITIES - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

	<i>Budgetary funds</i>		<i>Total</i>
	<i>General</i>	<i>Reserve</i>	<i>(reported as General Fund)</i>
<b>ASSETS</b>			
Cash and investments	\$ 233,390	\$ 99,896	\$ 333,286
Property taxes receivable	31,005	-	31,005
<i>Total Assets</i>	<u>\$ 264,395</u>	<u>\$ 99,896</u>	<u>\$ 364,291</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deposits	\$ 11,445	\$ -	\$ 11,445
Deferred revenue	31,005	-	31,005
<i>Total Liabilities</i>	<u>42,450</u>	<u>-</u>	<u>42,450</u>
<b>Fund Balances</b>			
Committed for:			
Capital projects	-	99,896	99,896
Unassigned:	221,945	-	221,945
<i>Total Fund Balances</i>	<u>221,945</u>	<u>99,896</u>	<u>321,841</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 264,395</u>	<u>\$ 99,896</u>	<u>\$ 364,291</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, 2011**

	<i>Budgetary funds</i>		<i>Total</i>
	<i>General</i>	<i>Reserve</i>	<i>(reported as General Fund)</i>
<b>RECEIPTS</b>			
Taxes and assessments	\$ 601,564	\$ -	\$ 601,564
Licenses and permits	196,337	-	196,337
Intergovernmental	88,159	-	88,159
Fines and forfeitures	157,137	-	157,137
Miscellaneous	32,336	15,132	47,468
<i>Total Receipts</i>	1,075,533	15,132	1,090,665
<b>DISBURSEMENTS</b>			
General government	193,547	-	193,547
Court and police	883,987	-	883,987
Community services & development	53,155	-	53,155
Parks	81,144	-	81,144
Capital outlay	8,415	47,070	55,485
<i>Total Disbursements</i>	1,220,248	47,070	1,267,318
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(144,715)	(31,938)	(176,653)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	100,625	30,577	131,202
Transfers out	(30,577)	-	(30,577)
<i>Total Other Financing Sources (Uses)</i>	70,048	30,577	100,625
<b>NET CHANGE IN FUND BALANCES</b>	(74,667)	(1,361)	(76,028)
<b>FUND BALANCES, Beginning of year</b>	296,612	101,257	397,869
<b>FUND BALANCES, End of year</b>	\$ 221,945	\$ 99,896	\$ 321,841

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Charges for services	\$ 17,375	\$ 17,375	\$ -	\$ (17,375)
Intergovernmental	136,500	136,500	54,993	(81,507)
Miscellaneous	2,000	2,000	1,643	(357)
<i>Total Receipts</i>	<u>155,875</u>	<u>155,875</u>	<u>56,636</u>	<u>(99,239)</u>
<b>DISBURSEMENTS</b>				
Materials and services	18,000	18,000	2,973	15,027
Capital outlay	352,875	248,913	119,763	129,150
<i>Total Disbursements</i>	<u>370,875</u>	<u>266,913</u>	<u>122,736</u>	<u>144,177</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>(215,000)</u>	<u>(111,038)</u>	<u>(66,100)</u>	<u>44,938</u>
<b>FUND BALANCE, Beginning of year</b>	<u>215,000</u>	<u>111,038</u>	<u>111,038</u>	<u>-</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,938</u>	<u>\$ 44,938</u>

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 13,945	\$ 13,945	\$ -	\$ (13,945)
Intergovernmental	53,853	53,853	15,395	(38,458)
Miscellaneous	1,000	1,000	639	(361)
<i>Total Receipts</i>	<u>68,798</u>	<u>68,798</u>	<u>16,034</u>	<u>(52,764)</u>
<b>DISBURSEMENTS</b>				
Materials and services	30,000	30,000	-	30,000
Capital outlay	241,698	240,417	71,940	168,477
<i>Total Disbursements</i>	<u>271,698</u>	<u>270,417</u>	<u>71,940</u>	<u>198,477</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(202,900)	(201,619)	(55,906)	145,713
<b>FUND BALANCE, Beginning of year</b>	<u>202,900</u>	<u>201,619</u>	<u>201,619</u>	<u>-</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,713</u>	<u>\$ 145,713</u>

**CITY OF HUBBARD, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - RESERVE FUND  
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 15,132	\$ 132
<b>DISBURSEMENTS</b>				
Capital outlay	182,077	149,421	47,070	102,351
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(167,077)	(134,421)	(31,938)	102,483
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	48,177	33,177	30,577	(2,600)
<b>NET CHANGE IN FUND BALANCE</b>	(118,900)	(101,244)	(1,361)	99,883
<b>FUND BALANCE, Beginning of year</b>	118,900	101,244	101,257	13
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 99,896	\$ 99,896

**CITY OF HUBBARD, OREGON****SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -  
BUDGET AND ACTUAL - SEWER FUND  
YEAR ENDED JUNE 30, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Charges for services	\$ 380,000	\$ 380,000	\$ 376,060	\$ (3,940)
Miscellaneous	2,000	2,000	35,378	33,378
<i>Total Receipts</i>	382,000	382,000	411,438	29,438
<b>DISBURSEMENTS</b>				
Personal services	178,420	167,770	157,834	9,936
Materials and services	176,590	128,343	127,686	657
Contingency	4,855	-	-	-
<i>Total Disbursements</i>	359,865	296,113	285,520	10,593
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	22,135	85,887	125,918	40,031
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(97,250)	(140,250)	(140,053)	197
<b>CHANGE IN NET ASSETS</b>	(75,115)	(54,363)	(14,135)	40,228
<b>NET ASSETS, Beginning of year</b>	75,115	54,363	54,363	-
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 40,228	\$ 40,228

**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, 2011**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 28,858	\$ 28,858	\$ 292	\$ (28,566)
<b>DISBURSEMENTS</b>				
Materials and services	90,460	90,460	-	90,460
Contingency	-	35,506	-	35,506
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(61,602)	(97,108)	292	97,400
<b>NET ASSETS, Beginning of year</b>	61,602	97,108	97,108	-
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,400</u>	<u>\$ 97,400</u>

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 100	\$ 100	\$ 96	\$ (4)
<b>DISBURSEMENTS</b>				
Materials and services	3,396	3,396	3,162	234
Debt service:				
Principal	35,000	35,000	34,612	388
Interest	58,000	58,000	19,874	38,126
Contingency	35,698	35,820	-	35,820
<i>Total Disbursements</i>	<u>132,094</u>	<u>132,216</u>	<u>57,648</u>	<u>74,568</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(131,994)	(132,116)	(57,552)	74,564
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>92,750</u>	<u>92,750</u>	<u>92,750</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(39,244)	(39,366)	35,198	74,564
<b>NET ASSETS, Beginning of year</b>	<u>39,244</u>	<u>39,366</u>	<u>39,366</u>	<u>-</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,564</u>	<u>\$ 74,564</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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Charges for services	\$ 322,000	\$ 322,000	\$ 301,383	\$ (20,617)
Miscellaneous	7,000	7,000	30,955	23,955
<i>Total Receipts</i>	329,000	329,000	332,338	3,338
<b>DISBURSEMENTS</b>				
Personal services	114,440	114,440	95,201	19,239
Materials and services	149,820	124,480	100,406	24,074
Contingency	27,265	61,863	-	61,863
<i>Total Disbursements</i>	291,525	300,783	195,607	105,176
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	37,475	28,217	136,731	108,514
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(123,500)	(161,500)	(156,822)	4,678
<b>CHANGE IN NET ASSETS</b>	(86,025)	(133,283)	(20,091)	113,192
<b>NET ASSETS, Beginning of year</b>	86,025	133,283	133,283	-
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 113,192	\$ 113,192

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 3,850	\$ 3,850	\$ 640	\$ (3,210)
<b>DISBURSEMENTS</b>				
Materials and services	9,800	9,800	-	9,800
Capital outlay	63,159	63,159	-	63,159
Contingency	138,541	149,254	-	149,254
<i>Total Disbursements</i>	<u>211,500</u>	<u>222,213</u>	<u>-</u>	<u>222,213</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(207,650)	(218,363)	640	219,003
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(187,650)	(198,363)	20,640	219,003
<b>NET ASSETS, Beginning of year</b>	<u>187,650</u>	<u>198,363</u>	<u>198,364</u>	<u>1</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,004</u>	<u>\$ 219,004</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, 2011**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>RECEIPTS</b>				
Miscellaneous	\$ -	\$ -	\$ 47	\$ 47
<b>DISBURSEMENTS</b>				
Materials and services	500	500	400	100
Debt service:				
Principal	55,000	55,000	55,000	-
Interest	47,000	47,000	46,740	260
Contingency	43,100	40,208	-	40,208
<i>Total Disbursements</i>	<u>145,600</u>	<u>142,708</u>	<u>102,140</u>	<u>40,568</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(145,600)	(142,708)	(102,093)	40,615
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>NET CHANGE IN NET ASSETS</b>	(45,600)	(42,708)	(2,093)	40,615
<b>NET ASSETS, Beginning of year</b>	<u>45,600</u>	<u>42,708</u>	<u>42,708</u>	<u>-</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,615</u>	<u>\$ 40,615</u>

***OTHER SCHEDULES***

**CITY OF HUBBARD, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2011**

<i><b>Tax Year</b></i>	<i><b>Uncollected Balance July 1, 2010</b></i>	<i><b>2010-2011 Levy</b></i>	<i><b>Added To Rolls</b></i>	<i><b>Interest, Discounts &amp; Adjustments</b></i>	<i><b>Turnovers</b></i>	<i><b>Uncollected Balance June 30, 2011</b></i>
2010-2011	\$ -	\$ 604,620	\$ 80	\$ (16,962)	\$ (579,932)	\$ 7,806
2009-2010	24,980	-	-	(122)	(12,053)	12,805
2008-2009	11,076	-	-	(95)	(4,221)	6,760
2007-2008	4,788	-	-	(59)	(2,643)	2,086
2006-2007	1,569	-	-	(33)	(1,072)	464
2005-2006	374	-	-	(43)	(64)	267
2004-2005	223	-	-	(40)	(22)	161
Prior Years	698	-	-	(15)	(27)	656
<b>Total</b>	<b>\$ 43,708</b>	<b>\$ 604,620</b>	<b>\$ 80</b>	<b>\$ (17,369)</b>	<b>\$ (600,034)</b>	<b>\$ 31,005</b>

**CITY OF HUBBARD, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2011**

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

	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>Unmatured Interest Outstanding July 1, 2010</i></u>
<b><i>DEBT INTEREST TRANSACTIONS</i></b>			
Water Revenue Refunding Bonds	2.0%-5.2%	2003	\$ 170,588
Clean Water State Revolving Fund Loan	3.10%	2006	369,010
			<u>\$ 539,598</u>

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<i>Outstanding July 1, 2010</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2011</i>
\$ 960,000	\$ -	\$ 55,000	\$ 905,000
649,659	-	34,612	615,047
<u>\$ 1,609,659</u>	<u>\$ -</u>	<u>\$ 89,612</u>	<u>\$ 1,520,047</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2011</i>
\$ -	\$ 46,740	\$ 123,848
-	19,874	349,136
<u>\$ -</u>	<u>\$ 66,614</u>	<u>\$ 472,984</u>

**CITY OF HUBBARD, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE**  
**JUNE 30, 2011**

<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>
2012	\$ 60,000	\$ 44,540	\$ 104,540	\$ 36,250	\$ 19,084	\$ 55,334
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	29,840	99,840	42,277	13,057	55,334
2018	75,000	26,480	101,480	43,598	11,736	55,334
2019	80,000	22,880	102,880	44,960	10,374	55,334
2020	85,000	18,720	103,720	46,365	8,969	55,334
2021	90,000	14,300	104,300	47,813	7,521	55,334
2022	90,000	9,620	99,620	49,307	6,027	55,334
2023	95,000	4,940	99,940	50,847	4,487	55,334
2024	-	-	-	52,436	2,898	55,334
2025	-	-	-	44,509	1,602	46,111
	<u>\$ 905,000</u>	<u>\$ 322,270</u>	<u>\$ 1,227,270</u>	<u>\$ 615,047</u>	<u>\$ 150,406</u>	<u>\$ 765,453</u>

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<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 96,250	\$ 63,624	\$ 159,874
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	42,897	155,174
118,598	38,216	156,814
124,960	33,254	158,214
131,365	27,689	159,054
137,813	21,821	159,634
139,307	15,647	154,954
145,847	9,427	155,274
52,436	2,898	55,334
44,509	1,602	46,111
<u>\$ 1,520,047</u>	<u>\$ 472,676</u>	<u>\$ 1,992,723</u>



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
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(503) 581-7788

### ***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, 2011, and have issued our report thereon dated October 7, 2011. 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 charges 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.

We issued a separate letter dated October 7, 2011 on significant deficiencies in internal control.

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: \_\_\_\_\_  
Charles A. Swank, A Shareholder  
October 7, 2011