

***CITY OF HUBBARD, OREGON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018***

CITY OF HUBBARD, OREGON

CITY OFFICIALS

JUNE 30, 2018

<u>Name</u>	MAYOR	<u>Term</u>
Charles Rostocil 3720 2 nd Street Hubbard, Oregon 97032		December 31, 2018

CITY COUNCIL MEMBERS

Angie Wheatcroft 3720 2 nd Street Hubbard, Oregon 97032	December 31, 2018
James Audritsh 3720 2 nd Street Hubbard, Oregon 97032	December 31, 2020
Barbara Ruiz 3720 2 nd Street Hubbard, Oregon 97032	December 31, 2020
Michelle Luna 3720 2 nd Street Hubbard, Oregon 97032	December 31, 2018

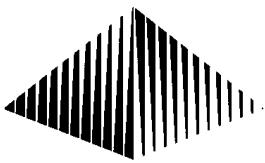
DIRECTOR OF ADMINISTRATION / CITY RECORDER

Vickie Nogle
3720 2nd Street
Hubbard, Oregon 97032

CITY OF HUBBARD, OREGON
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FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the City of Hubbard, Oregon (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities and each major fund of the City of Hubbard, Oregon as of June 30, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Basis of Accounting

We draw attention to the notes of the financial statements that describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplemental and Other Information

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 18, 2018, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Ryan T. Pasquarella, A Shareholder
October 18, 2018

CITY OF HUBBARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018.

FINANCIAL HIGHLIGHTS

	June 30,		change
	2018	2017	
Net position	\$ 3,952,598	\$ 3,467,005	\$ 485,593
Change in net position	485,593	717,331	(231,738)
Governmental net position	1,626,841	1,460,636	166,205
Proprietary net position	2,325,757	2,006,369	319,388
Change in governmental net position	166,205	317,499	(151,294)
Change in proprietary net position	319,388	399,832	(80,444)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 supplemental information in addition to the basic financial statements themselves.

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

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

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

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

Fund Financial Statements. The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Proprietary Funds. The City charges customers for the services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information* including combining reconciliations, schedules of revenues, expenditures and changes in fund balance - budget and actual for all funds, and other schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Modified Cash Basis). The statement of net position (modified cash basis) is provided on a comparative basis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,952,598 as of June 30, 2018.

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

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

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

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Cash and cash equivalents	\$ 1,640,133	\$ 2,344,084	\$ 3,984,217	\$ 1,475,091	\$ 2,022,889	\$ 3,497,980
Liabilities						
Deposits	13,292	18,327	31,619	14,455	16,520	30,975
Net Position						
Restricted	548,481	2,015,412	2,563,893	644,414	1,697,633	2,342,047
Unrestricted	1,078,360	310,345	1,388,705	816,222	308,736	1,124,958
Total net position	\$ 1,626,841	\$ 2,325,757	\$ 3,952,598	\$ 1,460,636	\$ 2,006,369	\$ 3,467,005

Statement of Activities. During the current fiscal year, the City's net position increased by \$485,593. The key elements of the change in the City's net position for the year ended June 30, 2018 are as follows:

- Property tax revenue increased by \$67,380, or 9%.
- Charges for services for business-type activities increased by approximately \$34,000 due to increased utility rates and a slight increase in average utility customers. Charges in governmental activities decreased by \$165,000 due to less building permits, land use fees, and police and court fees collected.
- Capital grants decreased by \$99,802 primarily due to a significant decrease in system development charges for parks, streets, water and sewer.
- Police and court expenses increased by \$91,976 primarily due to an increase in professional and contracted services expenses, and a purchase of a new vehicle.
- Community development expenses decreased by \$107,826 as a result of intergovernmental expenses from the prior year not being repeated in the current year.

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

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 394,102	\$ 1,131,186	\$ 1,525,288	\$ 559,276	\$ 1,096,692	\$ 1,655,968
Operating grants	208,980	-	208,980	197,124	-	197,124
Capital grants	35,802	54,319	90,121	93,266	96,657	189,923
General Revenues						
Property taxes	820,586	-	820,586	753,206	-	753,206
Franchise and other taxes	186,965	-	186,965	175,551	-	175,551
Intergovernmental	90,637	-	90,637	73,683	-	73,683
Miscellaneous	59,282	45,349	104,631	30,945	40,597	71,542
<i>Total Revenues</i>	<i>1,796,354</i>	<i>1,230,854</i>	<i>3,027,208</i>	<i>1,883,051</i>	<i>1,233,946</i>	<i>3,116,997</i>
Expenses						
General government	273,334	-	273,334	208,720	-	208,720
Police and courts	826,461	-	826,461	734,485	-	734,485
Community development	140,307	-	140,307	248,133	-	248,133
Parks	284,008	-	284,008	256,843	-	256,843
Street	245,417	-	245,417	237,916	-	237,916
Water	-	367,720	367,720	-	341,944	341,944
Sewer	-	404,368	404,368	-	371,625	371,625
<i>Total Expenses</i>	<i>1,769,527</i>	<i>772,088</i>	<i>2,541,615</i>	<i>1,686,097</i>	<i>713,569</i>	<i>2,399,666</i>
Transfers	139,378	(139,378)	-	120,545	(120,545)	-
Change in net position	166,205	319,388	485,593	317,499	399,832	717,331
Net position, beginning of year	1,460,636	2,006,369	3,467,005	1,143,137	1,606,537	2,749,674
Net position, end of year	\$ 1,626,841	\$ 2,325,757	\$ 3,952,598	\$ 1,460,636	\$ 2,006,369	\$ 3,467,005

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 net resources available for spending at the end of a fiscal year.

At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$1,626,841, an increase of \$166,205 in comparison with prior year.

General Fund - The General Fund is the primary operating fund of the City. The fund balance was \$890,257 as of June 30, 2018. The fund balance increased by \$239,480 during the current fiscal year, primarily due to increases in taxes and assessments and licenses and permits. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 67 percent of the total of General Fund expenditures.

Street Fund - Fund balance decreased by \$60,108 during the current fiscal year primarily due to a reduction of gas tax revenue received by the Street Fund.

Street Construction Fund - Fund balance increased by \$93,393 during the current fiscal year. This was primarily due to reduced capital outlay expenditures. The nature of this fund is such that fund balance increases, sometimes for several years, until the funds are available to pay for a major project.

Park Improvement Fund - Fund balance decreased by \$136,378 during the current fiscal year as a result of the construction project at Rivenes Park.

Reserve Fund – Fund balance increased by \$29,818 due to transfers in exceeding capital acquisitions.

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

Sewer Fund - Fund balance decreased by \$37,541 during the current fiscal year. This was due primarily to operating income of \$91,399 and transfers out of \$129,442.

Sewer Construction Fund - Fund balance increased by \$192,641 during the current fiscal year, due primarily to SDC and charges for services collections and no current year capital expenditures.

Sewer Bond Fund – Fund balance increased by \$428 during the current fiscal year, due primarily to revenues and transfers in exceeding debt service payments.

Water Fund - Fund balance increased by \$35,212 during the current fiscal year. This was due primarily to operating income of \$194,488 and transfers out of \$160,150.

Water Construction Fund - Fund balance increased by \$128,494 during the current fiscal year, due primarily to minimal capital expenditures.

Water Bond Fund – Fund balance increased by \$154 during the current fiscal year, due primarily to revenues and transfers in exceeding debt service payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council approved two budget modifications for the fiscal year ended June 30, 2018. Appropriations were transferred from the General fund contingency to meet requirements within the fund.

LONG-TERM DEBT

The City had total debt outstanding of \$782,856 at the end of the current fiscal year. During the current fiscal year, the City's total debt decreased by \$123,962 (14 percent).

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total real market value. The City has no outstanding general obligation debt.

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

**City of Hubbard
Outstanding Debt**

	Business-type Activities	
	2018	2017
Oregon DEQ loan	\$ 340,513	\$ 383,443
Water Refunding bonds	442,343	523,375
	\$ 782,856	\$ 906,818

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2018-19 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
P.O. Box 380
3720 2nd Street
Hubbard, Oregon 97032
503-981-9633
finance2@cityofhubbard.org

BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OREGON**STATEMENT OF NET POSITION (MODIFIED CASH BASIS)**

JUNE 30, 2018

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 1,640,133	\$ 2,344,084	\$ 3,984,217
LIABILITIES			
Deposits	13,292	18,327	31,619
NET POSITION			
Restricted for:			
Capital acquisitions	464,016	1,822,043	2,286,059
Debt payments	-	193,369	193,369
Streets	84,465	-	84,465
Unrestricted	1,078,360	310,345	1,388,705
<i>Total Net Position</i>	<u>\$ 1,626,841</u>	<u>\$ 2,325,757</u>	<u>\$ 3,952,598</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, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 273,334	\$ 142,239	\$ 1,835	\$ -
Police and courts	826,461	94,963	-	-
Community development	140,307	72,106	-	-
Parks	284,008	-	-	19,171
Street	245,417	84,794	207,145	16,631
<i>Total Governmental activities</i>	<i>1,769,527</i>	<i>394,102</i>	<i>208,980</i>	<i>35,802</i>
Business-type activities:				
Water	367,720	536,373	-	20,360
Sewer	404,368	594,813	-	33,959
<i>Total Business-type activities</i>	<i>772,088</i>	<i>1,131,186</i>	<i>-</i>	<i>54,319</i>
<i>Total Activities</i>	<i>\$ 2,541,615</i>	<i>\$ 1,525,288</i>	<i>\$ 208,980</i>	<i>\$ 90,121</i>

General Revenues:

Property taxes
 Franchise and other taxes
 Intergovernmental
 Miscellaneous

*Total General Revenues***Transfers****Change in Net Position****Net Position - beginning of year****Net Position - end of year**

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (129,260)	\$ -	\$ (129,260)
(731,498)	-	(731,498)
(68,201)	-	(68,201)
(264,837)	-	(264,837)
63,153	-	63,153
<hr/>	<hr/>	<hr/>
(1,130,643)	-	(1,130,643)
-	189,013	189,013
-	224,404	224,404
<hr/>	<hr/>	<hr/>
-	413,417	413,417
<hr/>	<hr/>	<hr/>
(1,130,643)	413,417	(717,226)
820,586	-	820,586
186,965	-	186,965
90,637	-	90,637
59,282	45,349	104,631
<hr/>	<hr/>	<hr/>
1,157,470	45,349	1,202,819
<hr/>	<hr/>	<hr/>
139,378	(139,378)	-
<hr/>	<hr/>	<hr/>
166,205	319,388	485,593
<hr/>	<hr/>	<hr/>
1,460,636	2,006,369	3,467,005
<hr/>	<hr/>	<hr/>
\$ 1,626,841	\$ 2,325,757	\$ 3,952,598
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The accompanying notes are an integral part of the financial statements.

CITY OF HUBBARD, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2018

Special Revenue**ASSETS**

	<i>General</i>	<i>Street</i>
Cash and cash equivalents	\$ 903,127	\$ 48,967

LIABILITIES AND FUND BALANCE**Liabilities:**

Deposits	\$ 12,870	\$ 422
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Fund Balance:

Restricted for:		
Capital acquisitions	-	-
Streets	-	48,545
Committed to:		
Capital acquisitions	-	-
Unassigned	890,257	-

<i>Total Fund Balance</i>	<i>890,257</i>	<i>48,545</i>
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<i>Total Liabilities and Fund Balance</i>	<i>\$ 903,127</i>	<i>\$ 48,967</i>
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Capital Projects

<i>Street Construction</i>	<i>Reserve</i>	<i>Park Improvement</i>	<i>Total</i>
\$ 379,613	\$ 224,023	\$ 84,403	\$ 1,640,133
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ 13,292
<hr/>	<hr/>	<hr/>	<hr/>
379,613	-	84,403	464,016
-	35,920	-	84,465
-	188,103	-	188,103
-	-	-	890,257
<hr/>	<hr/>	<hr/>	<hr/>
379,613	224,023	84,403	1,626,841
<hr/>	<hr/>	<hr/>	<hr/>
\$ 379,613	\$ 224,023	\$ 84,403	\$ 1,640,133
<hr/>	<hr/>	<hr/>	<hr/>

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

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

YEAR ENDED JUNE 30, 2018

	<u><i>Special Revenue</i></u>	
	<u><i>General Fund</i></u>	<u><i>Street</i></u>
REVENUES		
Taxes and assessments	\$ 823,305	\$ -
Fines and forfeitures	232,948	-
Licenses and permits	76,251	810
Charges for services	184,245	83,976
Intergovernmental	92,473	134,644
Miscellaneous	48,904	4,133
<i>Total Revenues</i>	<u>1,458,126</u>	<u>223,563</u>
EXPENDITURES		
General government	273,335	-
Police and courts	786,637	-
Community development	129,765	-
Parks	137,146	-
Streets	-	245,325
Capital acquisitions	-	-
<i>Total Expenditures</i>	<u>1,326,883</u>	<u>245,325</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>131,243</u>	<u>(21,762)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	151,936	-
Transfers out	(43,699)	(38,346)
<i>Total Other Financing Sources (Uses)</i>	<u>108,237</u>	<u>(38,346)</u>
NET CHANGE IN FUND BALANCE	<u>239,480</u>	<u>(60,108)</u>
FUND BALANCE, beginning of year	<u>650,777</u>	<u>108,653</u>
FUND BALANCE, end of year	<u>\$ 890,257</u>	<u>\$ 48,545</u>

Capital Projects

<i>Street Construction</i>	<i>Reserve</i>	<i>Park Improvement</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ 823,305
-	-	-	232,948
16,631	-	-	93,692
-	-	19,171	287,392
72,501	-	-	299,618
4,353	155	1,854	59,399
<hr/>	<hr/>	<hr/>	<hr/>
93,485	155	21,025	1,796,354
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	273,335
-	-	-	786,637
-	-	-	129,765
-	-	-	137,146
-	-	-	245,325
92	39,824	157,403	197,319
<hr/>	<hr/>	<hr/>	<hr/>
92	39,824	157,403	1,769,527
<hr/>	<hr/>	<hr/>	<hr/>
93,393	(39,669)	(136,378)	26,827
<hr/>	<hr/>	<hr/>	<hr/>
-	69,487	-	221,423
-	-	-	(82,045)
<hr/>	<hr/>	<hr/>	<hr/>
-	69,487	-	139,378
<hr/>	<hr/>	<hr/>	<hr/>
93,393	29,818	(136,378)	166,205
<hr/>	<hr/>	<hr/>	<hr/>
286,220	194,205	220,781	1,460,636
<hr/>	<hr/>	<hr/>	<hr/>
\$ 379,613	\$ 224,023	\$ 84,403	\$ 1,626,841
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The accompanying notes are an integral part of the financial statements.

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

JUNE 30, 2018

	<i>Sewer</i>	<i>Sewer Construction</i>	<i>Sewer Bond Fund</i>
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 89,047	\$ 1,074,913	\$ 38,888
LIABILITIES			
<i>Current liabilities:</i>			
Deposits	965	-	-
NET POSITION			
Restricted for:			
Capital acquisitions	-	1,074,913	-
Debt payments	-	-	34,719
Unrestricted	88,082	-	4,169
<i>Total Net Position</i>	<u>\$ 88,082</u>	<u>\$ 1,074,913</u>	<u>\$ 38,888</u>

<i>Water</i>	<i>Water Construction</i>	<i>Water Bond Fund</i>	<i>Total</i>
\$ 311,410	\$ 747,130	\$ 82,696	\$ 2,344,084
17,362	-	-	18,327
-	747,130	-	1,822,043
-	-	82,500	193,369
294,048	-	196	310,345
\$ 294,048	\$ 747,130	\$ 82,696	\$ 2,325,757

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

CITY OF HUBBARD, OREGON

*STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018*

	<i>Sewer</i>	<i>Sewer Construction</i>	<i>Sewer Bond Fund</i>
<i>OPERATING REVENUES</i>			
Charges for services	\$ 441,136	\$ 153,676	\$ -
Miscellaneous	144	-	-
<i>Total Operating Revenues</i>	<u>441,280</u>	<u>153,676</u>	-
<i>OPERATING EXPENSES</i>			
Personal services	180,594	-	-
Materials and services	169,288	-	-
<i>Total Operating Expenses</i>	<u>349,882</u>	<u>-</u>	-
<i>OPERATING INCOME</i>	91,398	153,676	-
<i>NONOPERATING ITEMS</i>			
Interest revenue	502	5,006	428
Capital acquisitions	-	-	-
Debt payments			
Principal	-	-	(42,930)
Interest	-	-	(11,556)
<i>Total Nonoperating Items</i>	<u>502</u>	<u>5,006</u>	<u>(54,058)</u>
<i>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</i>	91,900	158,682	(54,058)
Capital contributions	-	33,959	-
Transfers in	-	-	54,486
Transfers out	<u>(129,441)</u>	<u>-</u>	<u>-</u>
<i>CHANGE IN NET POSITION</i>	<u>(37,541)</u>	<u>192,641</u>	<u>428</u>
<i>NET POSITION, beginning of year</i>	<u>125,623</u>	<u>882,272</u>	<u>38,460</u>
<i>NET POSITION, end of year</i>	<u>\$ 88,082</u>	<u>\$ 1,074,913</u>	<u>\$ 38,888</u>

<i>Water</i>	<i>Water Construction</i>	<i>Water Bond Fund</i>	<i>Total</i>
\$ 429,195	\$ 107,372	\$ -	\$ 1,131,379
32,632	-	-	32,776
 461,827	107,372	-	1,164,155
 123,401	-	-	303,995
143,938	-	-	313,226
 267,339	-	-	617,221
 194,488	107,372	-	546,934
 874	5,416	154	12,380
-	(4,654)	-	(4,654)
 -	-	(81,032)	(123,962)
-	-	(14,695)	(26,251)
 874	762	(95,573)	(142,487)
 195,362	108,134	(95,573)	404,447
 -	20,360	-	54,319
-	-	95,727	150,213
(160,150)	-	-	(289,591)
 35,212	128,494	154	319,388
 258,836	618,636	82,542	2,006,369
 \$ 294,048	\$ 747,130	\$ 82,696	\$ 2,325,757

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

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basic Financial Statements

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

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

The Statement of Net Position (Modified Cash Basis) presents information on all of the assets and liabilities of the City of Hubbard as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Net position is shown as restricted and unrestricted.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental funds (general, special revenue, and capital projects) and proprietary type funds (enterprise). Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Basis of Presentation*

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

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

The City reports the following governmental funds as major:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for administration, police protection, parks, planning, City Council, and municipal court.

Street Fund

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

Street Construction Fund

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

Park Improvement 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.

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

Sewer Fund

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

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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 reports payments of principal and interest on sewer-related debt. It is supported by transfers from the Sewer Fund.

Water Fund

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

Water Construction Fund

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

Water Bond Fund

This fund reports payments of principal and interest on water-related debt. It is supported by transfers from the Water Fund.

Fund Balance

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

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

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

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

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2018

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

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

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

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

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

Measurement Focus and Basis of Accounting

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

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

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.
- c. The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (*Continued*)
YEAR ENDED JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)*Measurement Focus and Basis of Accounting (*Continued*)*

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

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

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

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

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

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

Cash and Cash Equivalents

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

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.

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Cash and Cash Equivalents (Continued)*

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

Investments are stated at cost, which approximates fair value.

Property Taxes

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

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position, the Enterprise Fund Statement of Net Position, or in the notes to the financial statements.

Long-Term Debt

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

Accrued Compensated Absences

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

Budget and Budgetary Accounting

The City adopts the budget on a function basis in the General Fund and an object basis in other funds, therefore, cash expenditures of a specific function or object within a fund may not legally exceed that function or object's appropriations for cash expenditures. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

Use of Estimates

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

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2018

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2018:

<i>Cash</i>	
Cash on hand	\$ 250
Cash in checking accounts	175,141
Cash held in Xpress account	3,063
<i>Investments</i>	
Local Government Investment Pool	<u>3,805,763</u>
	<u><u>\$ 3,984,217</u></u>

Deposits

The book balance of the City's bank deposits (checking accounts) was \$178,204 and the bank balance was \$231,956 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand accounts and the aggregate of all time and savings deposits accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2018, the City's bank balance was fully covered by the FDIC.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2018, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CITY OF HUBBARD, OREGONNOTES TO BASIC FINANCIAL STATEMENTS (*Continued*)
YEAR ENDED JUNE 30, 2018**CASH AND CASH EQUIVALENTS (*Continued*)***Interest Rate Risk*

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

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

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

LONG-TERM DEBT

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

	<i>Original Issue</i>	<i>Outstanding July 1, 2017</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2018</i>	<i>Due within One Year</i>
<i>Business-type activities</i>						
2006 Clean Water Revolving Fund Loan with annual payments of \$54,486 and interest of 3.1%. Matures March 2025.	\$ 1,076,123	\$ 383,443	\$ -	\$ (42,930)	\$ 340,513	\$ 44,271
2013 Water Refunding Bonds with annual payments of \$95,727 with interest of 2.92%. Matures April 2023.	825,000	523,375	-	(81,032)	442,343	83,415
	<u>\$ 1,901,123</u>	<u>\$ 906,818</u>	<u>\$ -</u>	<u>\$ (123,962)</u>	<u>\$ 782,856</u>	<u>\$ 127,686</u>

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

2013 Water Refunding Bonds are paid from the Water Bond Fund. The bond agreement requires a restricted reserve account be maintained in the amount of \$82,500. The City was in compliance with this requirement at June 30, 2018.

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 \$34,719. The City was in compliance with this requirement at June 30, 2018.

Future debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 127,686	\$ 22,527	\$ 150,213
2020	131,522	18,691	150,213
2021	135,474	14,739	150,213
2022	139,545	10,668	150,213
2023	143,738	6,475	150,213
2024-2025	104,891	4,081	108,972
	\$ 782,856	\$ 77,181	\$ 860,037

PENSION PLAN

Plan Description - City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee's hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2018 were 25.85% for Tier One/Tier Two employees, 15.58% for OPSRP general service employees, and 20.35% for OPSRP police/fire employees. The City's total contributions to PERS were \$129,616, for fiscal year ended June 30, 2018.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2018 were based on the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2018**

PENSION PLAN (Continued)

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2018, the City reported a net pension liability of \$1,180,699 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on a December 31, 2015 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00876% as of the June 30, 2017 measurement date, compared to 0.01026% as of June 30, 2016.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2015 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.50%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2014.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.50%, 7.50%, and 8.50%.

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ 2,012,127	\$ 1,180,699	\$ 485,471

Pension Plan Fiduciary Net Position – Detailed information about PERS' net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$33,258 for the year ended June 30, 2018. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Changes in Plan Provisions Subsequent to Measurement Date – The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by Citycounty Insurance Services (CIS), and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. Management has determined that the total OPEB liability is not material to the financial statements taken as a whole.

INTERFUND TRANSFERS

Interfund transfers for the year were as follows:

<i>Fund</i>	<i>Transfers In</i>	<i>Transfers Out</i>
General	\$ 151,936	\$ 43,699
Reserve	69,487	-
Street	-	38,346
Sewer	-	129,441
Sewer Bond	54,486	-
Water	-	160,150
Water Bond	95,727	-
	\$ 371,636	\$ 371,636

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

CONTINGENCIES

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

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.

CITY OF HUBBARD, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2018**

RELATED PARTY TRANSACTIONS

The City also conducts business with Hubbard Shell, a company owned by former mayor Tom McCain, the father of council member Barbara Ruiz. The total amounts of the transactions were \$11,302.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits disbursements of a fund in excess of Council approved appropriations. Disbursements in excess of appropriations in individual funds occurred as follows:

<i>Fund/Appropriation Category</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
<i>Sewer</i>			
Transfers out	\$ 128,462	\$ 129,441	\$ (979)

SUPPLEMENTAL INFORMATION

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Taxes and assessments	\$ 790,824	\$ 790,824	\$ 823,305	\$ 32,481
Fines and forfeitures	250,875	250,875	232,948	(17,927)
Licenses and permits	165,340	165,340	76,251	(89,089)
Charges for services	172,700	172,700	184,245	11,545
Intergovernmental	72,600	72,600	92,473	19,873
Miscellaneous	19,900	19,900	48,904	29,004
<i>Total Revenues</i>	<u>1,472,239</u>	<u>1,472,239</u>	<u>1,458,126</u>	<u>(14,113)</u>
EXPENDITURES				
Administration	209,950	282,450	257,990	24,460
Court	58,713	53,713	46,400	7,313
Council	19,200	19,200	15,345	3,855
Community development	201,477	141,477	129,765	11,712
Police	968,400	1,019,400	740,237	279,163
Parks	143,492	140,992	137,146	3,846
Contingency	562,800	455,800	-	455,800
<i>Total Expenditures</i>	<u>2,164,032</u>	<u>2,113,032</u>	<u>1,326,883</u>	<u>786,149</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(691,793)</u>	<u>(640,793)</u>	<u>131,243</u>	<u>772,036</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	138,380	138,380	151,936	13,556
Transfers out	(43,699)	(94,699)	(43,699)	51,000
<i>Total Other Financing Sources (Uses)</i>	<u>94,681</u>	<u>43,681</u>	<u>108,237</u>	<u>64,556</u>
NET CHANGE IN FUND BALANCE	<u>(597,112)</u>	<u>(597,112)</u>	<u>239,480</u>	<u>836,592</u>
FUND BALANCE, beginning of year	<u>597,112</u>	<u>597,112</u>	<u>650,777</u>	<u>53,665</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,257</u>	<u>\$ 890,257</u>

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

YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Charges for services	\$ 82,945	\$ 82,945	\$ 83,976	\$ 1,031
Licenses and permits	900	900	810	(90)
Intergovernmental	120,765	120,765	134,644	13,879
Miscellaneous	700	700	4,133	3,433
<i>Total Revenues</i>	205,310	205,310	223,563	18,253
EXPENDITURES				
Street	224,129	248,129	245,325	2,804
Contingency	60,749	60,749	-	60,749
<i>Total Expenditures</i>	284,878	308,878	245,325	63,553
REVENUES OVER (UNDER) EXPENDITURES	(79,568)	(103,568)	(21,762)	81,806
OTHER FINANCING SOURCES (USES)				
Transfers in	-	35,000	-	(35,000)
Transfers out	(28,191)	(39,191)	(38,346)	845
NET CHANGE IN FUND BALANCE	(107,759)	(107,759)	(60,108)	47,651
FUND BALANCE, beginning of year	107,759	107,759	108,653	894
FUND BALANCE, end of year	\$ -	\$ -	\$ 48,545	\$ 48,545

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STREET CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Licenses and permits	\$ 46,348	\$ 46,348	\$ 16,631	\$ (29,717)
Intergovernmental	115,027	115,027	72,501	(42,526)
Miscellaneous	700	700	4,353	3,653
<i>Total Revenues</i>	162,075	162,075	93,485	(68,590)
EXPENDITURES				
Street construction	193,546	193,546	92	193,454
Contingency	233,757	233,757	-	233,757
<i>Total Expenditures</i>	427,303	427,303	92	427,211
REVENUES OVER (UNDER) EXPENDITURES	(265,228)	(265,228)	93,393	358,621
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,688)	(2,688)	-	2,688
NET CHANGE IN FUND BALANCE	(267,916)	(267,916)	93,393	361,309
FUND BALANCE, beginning of year	267,916	267,916	286,220	18,304
FUND BALANCE, end of year	\$ -	\$ -	\$ 379,613	\$ 379,613

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Licenses and permits	\$ 59,040	\$ 59,040	\$ -	\$ (59,040)
Intergovernmental	136,286	136,286	19,171	(117,115)
Miscellaneous	2,100	2,100	1,854	(246)
<i>Total Revenues</i>	197,426	197,426	21,025	(176,401)
EXPENDITURES				
Park Improvement	400,000	400,000	157,403	242,597
Contingency	92,304	92,304	-	92,304
<i>Total Expenditures</i>	492,304	492,304	157,403	334,901
REVENUES OVER (UNDER) EXPENDITURES	(294,878)	(294,878)	(136,378)	158,500
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,368)	(2,368)	-	2,368
NET CHANGE IN FUND BALANCE	(297,246)	(297,246)	(136,378)	160,868
FUND BALANCE, beginning of year	297,246	297,246	220,781	(76,465)
FUND BALANCE, end of year	\$ -	\$ -	\$ 84,403	\$ 84,403

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - RESERVE FUND****YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 275	\$ 275	\$ 155	\$ (120)
EXPENDITURES				
Capital outlay	262,100	262,100	39,824	222,276
REVENUES OVER (UNDER) EXPENDITURES	(261,825)	(261,825)	(39,669)	222,156
OTHER FINANCING SOURCES (USES)				
Transfers in	69,487	69,487	69,487	-
NET CHANGE IN FUND BALANCE	(192,338)	(192,338)	29,818	222,156
FUND BALANCE, beginning of year	192,338	192,338	194,205	1,867
FUND BALANCE, end of year	\$ -	\$ -	\$ 224,023	\$ 224,023

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND**

YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Charges for services	\$ 442,356	\$ 442,356	\$ 441,136	\$ (1,220)
Miscellaneous	200	200	646	446
<i>Total Revenues</i>	<i>442,556</i>	<i>442,556</i>	<i>441,782</i>	<i>(774)</i>
EXPENDITURES				
Sewer	356,760	362,760	349,882	12,878
Contingency	103,331	103,331	-	103,331
<i>Total Expenditures</i>	<i>460,091</i>	<i>466,091</i>	<i>349,882</i>	<i>116,209</i>
REVENUES OVER (UNDER) EXPENDITURES				
	(17,535)	(23,535)	91,900	115,435
OTHER FINANCING SOURCES (USES)				
Transfers in	-	16,000	-	(16,000)
Transfers out	(118,462)	(128,462)	(129,441)	(979)
<i>CHANGE IN FUND BALANCE</i>	<i>(135,997)</i>	<i>(135,997)</i>	<i>(37,541)</i>	<i>98,456</i>
FUND BALANCE, beginning of year				
	<i>135,997</i>	<i>135,997</i>	<i>125,623</i>	<i>(10,374)</i>
FUND BALANCE, end of year				
	<i>\$ -</i>	<i>\$ -</i>	<i>\$ 88,082</i>	<i>\$ 88,082</i>

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Sewer fees	\$ 152,392	\$ 152,392	\$ 153,676	\$ 1,284
Charges for services	71,040	71,040	33,959	(37,081)
Miscellaneous	1,500	1,500	5,006	3,506
<i>Total Revenues</i>	224,932	224,932	192,641	(32,291)
EXPENDITURES				
Sewer construction	130,000	130,000	-	130,000
Contingency	971,864	971,864	-	971,864
<i>Total Expenditures</i>	1,101,864	1,101,864	-	1,101,864
REVENUES OVER (UNDER) EXPENDITURES	(876,932)	(876,932)	192,641	1,069,573
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,448)	(4,448)	-	4,448
CHANGE IN FUND BALANCE	(881,380)	(881,380)	192,641	1,074,021
FUND BALANCE, beginning of year	881,380	881,380	882,272	892
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,074,913	\$ 1,074,913

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – SEWER BOND FUND****YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 200	\$ 200	\$ 428	\$ 228
EXPENDITURES				
Debt service				
Principal	42,930	42,930	42,930	-
Interest	11,556	11,556	11,556	-
<i>Total Expenditures</i>	<i>54,486</i>	<i>54,486</i>	<i>54,486</i>	<i>-</i>
REVENUES OVER (UNDER) EXPENDITURES	(54,286)	(54,286)	(54,058)	228
OTHER FINANCING SOURCES (USES)				
Transfers in	54,486	54,486	54,486	-
CHANGE IN FUND BALANCE	200	200	428	228
FUND BALANCE, beginning of year	38,414	38,414	38,460	46
FUND BALANCE, end of year	\$ 38,614	\$ 38,614	\$ 38,888	\$ 274

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND****YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Charges for services	\$ 422,277	\$ 422,277	\$ 429,195	\$ 6,918
Miscellaneous	32,100	32,100	33,506	1,406
<i>Total Revenues</i>	<i>454,377</i>	<i>454,377</i>	<i>462,701</i>	<i>8,324</i>
EXPENDITURES				
Water	299,971	291,971	267,339	24,632
Contingency	272,499	272,499	-	272,499
<i>Total Expenditures</i>	<i>572,470</i>	<i>564,470</i>	<i>267,339</i>	<i>297,131</i>
REVENUES OVER (UNDER) EXPENDITURES	(118,093)	(110,093)	195,362	305,455
OTHER FINANCING SOURCES (USES)				
Transfers out	(153,728)	(161,728)	(160,150)	1,578
CHANGE IN FUND BALANCE	(271,821)	(271,821)	35,212	307,033
FUND BALANCE, beginning of year	271,821	271,821	258,836	(12,985)
FUND BALANCE, end of year	\$ -	\$ -	\$ 294,048	\$ 294,048

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – WATER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Charges for services	\$ 106,656	\$ 106,656	\$ 107,372	\$ 716
Licenses and permits	45,520	45,520	20,360	(25,160)
Miscellaneous	1,800	1,800	5,416	3,616
<i>Total Revenues</i>	153,976	153,976	133,148	(20,828)
EXPENDITURES				
Water construction	60,000	60,000	4,654	55,346
Contingency	707,340	707,340	-	707,340
<i>Total Expenditures</i>	767,340	767,340	4,654	762,686
REVENUES OVER (UNDER) EXPENDITURES				
	(613,364)	(613,364)	128,494	741,858
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,496)	(4,496)	-	4,496
<i>CHANGE IN FUND BALANCE</i>	(617,860)	(617,860)	128,494	746,354
FUND BALANCE, beginning of year	617,860	617,860	618,636	776
FUND BALANCE, end of year	\$ -	\$ -	\$ 747,130	\$ 747,130

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – WATER BOND FUND**

YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 60	\$ 60	\$ 154	\$ 94
EXPENDITURES				
Debt service				
Principal	81,032	81,032	81,032	-
Interest	14,695	14,695	14,695	-
<i>Total Expenditures</i>	<u>95,727</u>	<u>95,727</u>	<u>95,727</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	(95,667)	(95,667)	(95,573)	94
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>95,727</u>	<u>95,727</u>	<u>95,727</u>	<u>-</u>
CHANGE IN FUND BALANCE	60	60	154	94
FUND BALANCE, beginning of year	<u>82,583</u>	<u>82,583</u>	<u>82,542</u>	<u>(41)</u>
FUND BALANCE, end of year	<u>\$ 82,643</u>	<u>\$ 82,643</u>	<u>\$ 82,696</u>	<u>\$ 53</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Hubbard, Oregon as of and for the year ended June 30, 2018, and have issued our report thereon dated October 18, 2018.

Compliance and Other Matters

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

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

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

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

1. Expenditures in excess appropriations as disclosed in the notes to the financial statements.
2. The City did not keep a written record of the sources of the quotes or proposals received for intermediate procurements as required under ORS Chapter 279B.

OAR 162-10-0230 - Internal Control

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Restriction on Use

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

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

By: 

Ryan T. Pasquarella, A Shareholder
October 18, 2018