

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

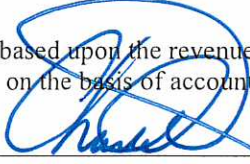
Name of Municipal Corporation City of Hubbard

Address 3720 2nd Street, Hubbard Oregon 97032
STREET / P O BOX CITY STATE ZIP

Period Covered by Audit/Review Report From July 1, 2013 To June 30, 2014

Total Revenues and/or Receipts – (Government-wide + Fiduciary Funds)		\$2,513,441
Less:		
Revenues of Component Units included in report of primary government		
Taxes, assessments and other collections to be distributed to other governmental units		
Net Revenues and/or Receipts		\$2,513,441
Total Expenditures and/or Disbursements – (Government-wide + Fiduciary Funds)		\$2,492,602
Less:		
Expenditures of Component Units included in report of primary government		
Turnovers to other municipal corporations:		
Taxes and Assessments		
Other Distributions		
Net Expenditures and/or Disbursements		\$2,492,602

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

Auditor/Firm Signature 

PLEASE ENCLOSE PAYMENT WITH SUMMARY

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

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

For Use by Audits Division

Account Code _____ Firm Code _____ Filing Fee _____

***CITY OF HUBBARD, OREGON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014***

CITY OF HUBBARD, OREGON
CITY OFFICIALS
JUNE 30, 2014

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

CITY COUNCIL MEMBERS

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

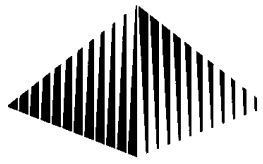
CITY RECORDER

Vickie Nogle
3720 2nd Street
Hubbard, Oregon 97032

CITY OF HUBBARD, OREGON
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FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hubbard (the City), as of and for the year ended June 30, 2014, 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, 2014, 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 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.

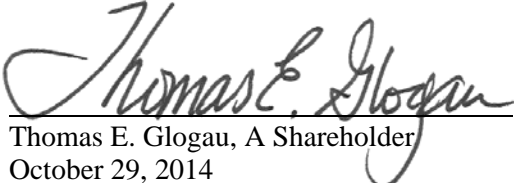
The supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures 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.

Other Report Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 29, 2014, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Thomas E. Glogau, A Shareholder
October 29, 2014

CITY OF HUBBARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, 2014.

FINANCIAL HIGHLIGHTS

	June 30,		change
	2014	2013	
Net position	\$ 1,472,422	\$ 1,451,583	\$ 20,839
Change in net position	20,839	131,790	(110,951)
Governmental net position	653,396	747,167	(93,771)
Proprietary net position	819,026	704,416	114,610
Change in governmental net position	(93,771)	23,339	(117,110)
Change in proprietary net position	114,610	108,451	6,159

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 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, fire, planning, court, parks, community development and administration. These activities are primarily financed through property taxes and other intergovernmental revenues. The City's business-type (water and sewer) activities are primarily financed through user charges.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,472,422 as of June 30, 2014.

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,

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<i>Assets</i>						
Cash and cash equivalents	\$ 657,759	\$ 835,956	\$ 1,493,715	\$ 748,469	\$ 720,896	\$ 1,469,365
<i>Liabilities</i>						
Deposits	4,363	16,930	21,293	1,302	16,480	17,782
<i>Net Position</i>						
Restricted	536,339	598,306	1,134,645	497,490	533,693	1,031,183
Unrestricted	117,057	220,720	337,777	249,677	170,723	420,400
Total net position	<u>\$ 653,396</u>	<u>\$ 819,026</u>	<u>\$ 1,472,422</u>	<u>\$ 747,167</u>	<u>\$ 704,416</u>	<u>\$ 1,451,583</u>

Statement of Activities. During the current fiscal year, the City's net position increased by \$20,839. The key elements of the change in the City's net position for the year ended June 30, 2014 are as follows:

- Charges for services increased by \$128,067. This increase was largely due to the monthly \$10 general service fee added to utility bills in the prior year.
- Capital grants increased by \$80,129. This increase was from the receipt of a State Parks Department grant used to build restrooms in Barendse Park.
- Parks expenses increased by \$193,869, which was caused by the construction of the restrooms in Barendse Park. This was paid by a state grant.
- Street expenses increased by \$152,787 because of a budgeted street paving project.

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

	2014			2013		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 339,764	\$ 810,489	\$ 1,150,253	\$ 283,910	\$ 755,417	\$ 1,039,327
Operating grants	189,187	-	189,187	179,396	-	179,396
Capital grants	160,062	19,394	179,456	48,494	50,833	99,327
General Revenues						
Taxes and assessments	661,433	-	661,433	658,885	-	658,885
Franchise fees	162,971	-	162,971	155,944	-	155,944
Intergovernmental	102,979	-	102,979	81,544	-	81,544
Proceeds from issuance of debt	-	-	-	-	825,000	825,000
Refunding of existing debt	-	-	-	-	(785,000)	(785,000)
Miscellaneous	65,711	1,451	67,162	47,706	2,095	49,801
<i>Total Revenues</i>	<u>1,682,107</u>	<u>831,334</u>	<u>2,513,441</u>	<u>1,455,879</u>	<u>848,345</u>	<u>2,304,224</u>
Expenses						
General government	171,483	-	171,483	191,378	-	191,378
Police and courts	932,097	-	932,097	896,259	-	896,259
Community development	51,508	-	51,508	104,610	-	104,610
Parks	315,174	-	315,174	121,305	-	121,305
Street	362,822	-	362,822	210,035	-	210,035
Water	-	327,388	327,388	-	333,628	333,628
Sewer	-	332,130	332,130	-	315,219	315,219
<i>Total Expenses</i>	<u>1,833,084</u>	<u>659,518</u>	<u>2,492,602</u>	<u>1,523,587</u>	<u>648,847</u>	<u>2,172,434</u>
Transfers	57,206	(57,206)	-	91,047	(91,047)	-
Change in net position	(93,771)	114,610	20,839	23,339	108,451	131,790
Net position, beginning of year	747,167	704,416	1,451,583	723,828	595,965	1,319,793
Net position, end of year	<u>\$ 653,396</u>	<u>\$ 819,026</u>	<u>\$ 1,472,422</u>	<u>\$ 747,167</u>	<u>\$ 704,416</u>	<u>\$ 1,451,583</u>

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, 2014, the City's governmental funds reported combined ending fund balances of \$653,396, a decrease of \$93,771 in comparison with prior year.

General Fund. The General Fund is the primary operating fund of the City. As of June 30, 2014, fund balance was \$224,905. The fund balance decreased by \$24,772 during the current fiscal year primarily because police ticketing revenue decreased. Two officers were on leave for part of the 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 17 percent of the total of General Fund expenditures.

Street Fund - Fund balance increased by \$33,363 during the current fiscal year. This was due to the sale of light poles to PGE.

Street Construction Fund - Fund balance decreased by \$46,386 during the current fiscal year. This was primarily due to a budgeted capital outlay expenditure for a road paving project. 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.

Parks Improvement Fund - Fund balance decreased by \$55,976 during the current fiscal year, which was less than the budgeted decrease. This was primarily due to a capital outlay expenditure related to the addition of park restrooms.

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 \$42,843 during the current fiscal year. This was due primarily to budgeted transfers to other funds.

Sewer Construction Fund - Fund balance increased by \$59,383 during the current fiscal year, due primarily to an increase in sewer fee allocated to the construction fund.

Sewer Bond Fund - Fund balance increased by \$24,082 during the current fiscal year, which was very close to what had been budgeted.

Water Fund - Fund balance increased by \$47,262 during the current fiscal year. This was due primarily to an increase in water revenue. The Council increased rates effective the first day of the fiscal year.

Water Construction Fund - Fund balance increased by \$11,298 during the current fiscal year, due primarily to deferred capital expenditures.

Water Bond Fund - Fund balance increased by \$15,427 during the current fiscal year, due primarily to transfers in.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council approved two supplemental budgets to the adopted budget for the fiscal year ended June 30, 2014.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt outstanding of \$1,257,434. During the current fiscal year, the City's total debt decreased by \$110,110 (8 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 current debt limitation for the City is approximately \$6,271,580. 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	
	2014	2013
Oregon DEQ loan	\$ 504,585	\$ 542,544
Water Refunding bonds	752,849	825,000
	<u>\$1,257,434</u>	<u>\$1,367,544</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2014-15 fiscal year.

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

REQUESTS FOR INFORMATION

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

City of Hubbard
Attn: City Recorder
3720 2nd Street
Hubbard, Oregon 97032

BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 657,759	\$ 835,956	\$ 1,493,715
LIABILITIES			
Deposits	4,363	16,930	21,293
NET POSITION			
Restricted for:			
Capital outlay	319,224	477,731	796,955
Debt service	-	120,575	120,575
Streets	217,115	-	217,115
Unrestricted	117,057	220,720	337,777
<i>Total Net Position</i>	<u>\$ 653,396</u>	<u>\$ 819,026</u>	<u>\$ 1,472,422</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, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 171,483	\$ 127,711	\$ -	\$ -
Police and courts	932,097	120,783	5,796	-
Community development	51,508	22,015	-	-
Parks	315,174	-	-	102,531
Street	362,822	69,255	183,391	57,531
<i>Total Governmental activities</i>	1,833,084	339,764	189,187	160,062
Business-type activities:				
Water	327,388	394,675	-	11,584
Sewer	332,130	415,814	-	7,810
<i>Total Business-type activities</i>	659,518	810,489	-	19,394
<i>Total Activities</i>	\$ 2,492,602	\$ 1,150,253	\$ 189,187	\$ 179,456
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
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>
\$ (43,772)	\$ -	\$ (43,772)
(805,518)	-	(805,518)
(29,493)	-	(29,493)
(212,643)	-	(212,643)
(52,645)	-	(52,645)
(1,144,071)	-	(1,144,071)
-	78,871	78,871
-	91,494	91,494
-	170,365	170,365
(1,144,071)	170,365	(973,706)
661,433	-	661,433
162,971	-	162,971
102,979	-	102,979
65,711	1,451	67,162
993,094	1,451	994,545
57,206	(57,206)	-
(93,771)	114,610	20,839
747,167	704,416	1,451,583
\$ 653,396	\$ 819,026	\$ 1,472,422
\$ 653,396	\$ 819,026	\$ 1,472,422

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

CITY OF HUBBARD, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Special Revenue</u>	
	<u>General</u>	<u>Street</u>
ASSETS		
Cash and cash equivalents	\$ 229,268	\$ 109,267
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deposits	\$ 4,363	\$ -
Fund Balance:		
Restricted for:		
Capital outlay	-	-
Streets	107,848	109,267
Unassigned	117,057	-
Total Fund Balance	224,905	109,267
Total Liabilities and Fund Balance	\$ 229,268	\$ 109,267

Capital Projects

<i>Street Construction</i>	<i>Parks Improvement</i>	<i>Total</i>
\$ 152,578	\$ 166,646	\$ 657,759
\$ -	\$ -	\$ 4,363
152,578	166,646	319,224
-	-	217,115
-	-	117,057
152,578	166,646	653,396
\$ 152,578	\$ 166,646	\$ 657,759

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, 2014**

	<u>General Fund</u>	<u>Special Revenue</u> <u>Street</u>
REVENUES		
Taxes and assessments	\$ 785,646	\$ -
Fines and forfeitures	121,881	-
Licenses and permits	184,986	69,255
Intergovernmental	75,117	146,713
Miscellaneous	19,301	519
	<hr/>	<hr/>
<i>Total Revenues</i>	1,186,931	216,487
EXPENDITURES		
General government	171,483	-
Police and courts	932,097	-
Community development	47,108	-
Parks	138,117	-
Streets	-	202,499
Capital outlay	4,400	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	1,293,205	202,499
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(106,274)	13,988
OTHER FINANCING SOURCES (USES)		
Transfers in	114,183	-
Transfers out	(32,681)	(24,028)
Proceeds from sale of assets	-	43,403
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	81,502	19,375
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	(24,772)	33,363
	<hr/>	<hr/>
FUND BALANCE, beginning of year	249,677	75,904
	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 224,905	\$ 109,267
	<hr/> <hr/>	<hr/> <hr/>

<i>Capital Projects</i>		
<i>Street Construction</i>	<i>Parks Improvement</i>	<i>Total</i>
\$ 1,204	\$ -	\$ 786,850
-	-	121,881
6,306	6,680	267,227
105,925	111,488	439,243
502	3,181	23,503
113,937	121,349	1,638,704
-	-	171,483
-	-	932,097
-	-	47,108
-	882	138,999
350	-	202,849
159,973	176,175	340,548
160,323	177,057	1,833,084
(46,386)	(55,708)	(194,380)
-	-	114,183
-	(268)	(56,977)
-	-	43,403
-	(268)	100,609
(46,386)	(55,976)	(93,771)
198,964	222,622	747,167
\$ 152,578	\$ 166,646	\$ 653,396

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, 2014

	<u>Sewer</u>	<u>Sewer Construction</u>	<u>Sewer Bond Fund</u>
ASSETS			
Cash and cash equivalents	\$ 79,286	\$ 220,792	\$ 64,161
 LIABILITIES			
Deposits	-	-	-
 NET POSITION			
Restricted for:			
Capital outlay	-	220,792	-
Debt service	-	-	38,075
Unrestricted	79,286	-	26,086
 <i>Total Net Position</i>	<u>\$ 79,286</u>	<u>\$ 220,792</u>	<u>\$ 64,161</u>

<i>Water</i>	<i>Water Construction</i>	<i>Water Bond Fund</i>	<i>Total</i>
\$ 99,976	\$ 256,939	\$ 114,802	\$ 835,956
16,930	-	-	16,930
-	256,939	-	477,731
-	-	82,500	120,575
83,046	-	32,302	220,720
\$ 83,046	\$ 256,939	\$ 114,802	\$ 819,026

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, 2014**

	<u>Sewer</u>	<u>Sewer Construction</u>	<u>Sewer Bond Fund</u>
OPERATING REVENUES			
Charges for services	\$ 364,070	\$ 51,744	\$ -
Miscellaneous	-	-	-
<i>Total Operating Revenues</i>	364,070	51,744	-
Personal services	163,005	-	-
Materials and services	114,639	-	-
<i>Total Operating Expenses</i>	277,644	-	-
OPERATING INCOME	86,426	51,744	-
NONOPERATING REVENUES (EXPENSES)			
Noncapital Financing Revenues (Expenses)			
Transfers in	-	-	78,569
Transfers out	(129,589)	(504)	-
<i>Total Noncapital Financing Revenues (Expenses)</i>	(129,589)	(504)	78,569
Capital Financing Revenues (Expenses)			
Capital contributions	-	7,810	-
Debt service			
Principal	-	-	(37,959)
Interest	-	-	(16,527)
<i>Total Capital Financing Revenues (Expenses)</i>	-	7,810	(54,486)
Investing Revenues			
Interest revenue	320	333	-
<i>Total Nonoperating Revenues (Expenses)</i>	(129,269)	7,639	24,083
CHANGE IN NET POSITION	(42,843)	59,383	24,083
NET POSITION, beginning of year	122,129	161,409	40,078
NET POSITION, end of year	\$ 79,286	\$ 220,792	\$ 64,161

<i>Water</i>	<i>Water Construction</i>	<i>Water Bond Fund</i>	<i>Total</i>
\$ 375,017	\$ -	\$ -	\$ 790,831
19,658	-	-	19,658
394,675	-	-	810,489
123,847	-	-	286,852
107,814	-	-	222,453
231,661	-	-	509,305
163,014	-	-	301,184
-	-	111,154	189,723
(116,086)	(750)	-	(246,929)
(116,086)	(750)	111,154	(57,206)
-	11,584	-	19,394
-	-	(72,151)	(110,110)
-	-	(23,576)	(40,103)
-	11,584	(95,727)	(130,819)
334	464	-	1,451
(115,752)	11,298	15,427	(186,574)
47,262	11,298	15,427	114,610
35,784	245,641	99,375	704,416
\$ 83,046	\$ 256,939	\$ 114,802	\$ 819,026

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

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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

The City reports the following governmental funds as major:

General Fund

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

Street Fund

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

Street Construction Fund

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

Park Improvements Fund

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

Reserve Fund

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

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

Sewer Fund

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Sewer Construction Fund

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

Sewer Bond Fund

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

Water Fund

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

Water Construction Fund

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

Water Bond Redemption Fund

This fund was established to account for revenues set aside for debt service on the 2013 water bonds. Interfund transfers are the primary revenue source. Payments are for debt service.

Fund Balance

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

Definitions of Governmental Fund Types

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

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

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

Investments are stated at cost, which approximates fair value.

Property Taxes

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

Capital Assets

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

Long-Term Debt

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

Accrued Compensated Absences

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

Budget and Budgetary Accounting

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

Use of Estimates

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

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2014:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u> </u>	<u> </u>
Cash		
Cash in checking accounts	\$ 111,704	\$ 111,704
Investments		
Local Government Investment Pool	1,382,011	1,382,011
	<u>\$ 1,493,715</u>	<u>\$ 1,493,715</u>

Deposits

At year end, the book balance of the City’s bank deposits (checking accounts) was \$111,704 and the bank balance was \$153,783. 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, 2014, all of the City’s bank balances were covered by FDIC insurance.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2014, the fair value of the position in the Oregon State Treasurer’s Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

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:

	<u>Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2014</u>	<u>Due within One Year</u>
<i>Business-type activities</i>						
2013 Water Refunding Bonds	\$ 825,000	\$ 825,000	\$ -	\$ (72,151)	\$ 752,849	\$ 74,282
2006 Clean Water Revolving Fund Loan	1,076,123	542,544	-	(37,959)	504,585	39,145
	<u>\$ 1,901,123</u>	<u>\$ 1,367,544</u>	<u>\$ -</u>	<u>\$ (110,110)</u>	<u>\$ 1,257,434</u>	<u>\$ 113,427</u>

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

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, 2014.

The 2006 Clean Water Revolving Fund loan is paid from the Sewer Bond Fund. The loan agreement requires a restricted reserve account to be maintained in the amount of \$38,075. The City was in compliance with this requirement at June 30, 2014.

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 113,427	\$ 36,786	\$ 150,213
2016	116,835	33,378	150,213
2017	120,345	29,868	150,213
2018	123,962	26,251	150,213
2019	127,686	22,527	150,213
2020-2024	601,910	53,428	655,338
2025	53,269	1,233	54,502
	<u>\$ 1,257,434</u>	<u>\$ 203,471</u>	<u>\$ 1,460,905</u>

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

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

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

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2014

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 17.48%, 13.42% and 16.15% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the years ended June 30, 2014, 2013, and 2012, the City’s annual pension costs were \$151,723, \$150,793, and \$160,920, respectively, and were equal to the City’s required and actual contributions.

INTERFUND TRANSFERS

Interfund transfers for the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 68,267	\$ 32,681
Reserve	45,916	-
Street	-	24,028
Parks Improvement	-	268
Sewer	-	129,589
Sewer Construction	-	504
Sewer Bond	78,569	-
Water	-	116,086
Water Construction	-	750
Water Bond	111,154	-
	<u>\$ 303,906</u>	<u>\$ 303,906</u>

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

CONTINGENCIES

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

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

CONTINGENCIES (Continued)

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

RELATED PARTY TRANSACTIONS

The City conducts business with Dryden Electric Inc. a company owned by Joe Dryden, the brother of the Police Chief. The total amounts of the transactions were \$3,524.

The City conducts business with Justin Dryden, the son of the Police Chief. The total amounts of the transactions were \$200.

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 \$141.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2014 occurred as follows:

<i>Fund/Appropriation Category</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
<i>Sewer</i>			
Materials and services	\$ 106,200	\$ 114,639	\$ (8,439)

NEW PRONOUNCEMENTS

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement was implemented in the current year.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The statement provides guidance on accounting for and reporting nonexchange financial guarantees. The statement was implemented in the current year.

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

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

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

CITY OF HUBBARD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements

SUPPLEMENTAL INFORMATION

CITY OF HUBBARD, OREGON
RECONCILIATION OF BUDGETARY TO REPORTING FUNDS
BALANCE SHEET – GENERAL FUND
JUNE 30, 2014

	<i>Budgetary funds</i>		<i>Total (reported as General Fund)</i>
	<i>General Fund</i>	<i>Reserve</i>	
ASSETS			
Cash and cash equivalents	\$ 121,420	\$ 107,848	\$ 229,268
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ 4,363	\$ -	\$ 4,363
 Fund Balance:			
Restricted for:			
Streets	-	107,848	107,848
Unassigned	117,057	-	117,057
Total Liabilities and Fund Balance	\$ 121,420	\$ 107,848	\$ 229,268

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

YEAR ENDED JUNE 30, 2014

	<i>Budgetary funds</i>		<i>Total (reported as General Fund)</i>
	<i>General Fund</i>	<i>Reserve</i>	
REVENUES			
Taxes and assessments	\$ 785,646	\$ -	\$ 785,646
Fines and forfeitures	121,881	-	121,881
Licenses and permits	184,986	-	184,986
Intergovernmental	75,117	-	75,117
Miscellaneous	19,301	-	19,301
<i>Total Revenues</i>	1,186,931	-	1,186,931
EXPENDITURES			
Current			
Administration	167,199	-	167,199
Court	44,282	-	44,282
Council	4,284	-	4,284
Community development	47,108	-	47,108
Police	887,815	-	887,815
Parks	138,117	-	138,117
Capital outlay	-	4,400	4,400
<i>Total Expenditures</i>	1,288,805	4,400	1,293,205
REVENUES OVER (UNDER) EXPENDITURES	(101,874)	(4,400)	(106,274)
OTHER FINANCING SOURCES (USES)			
Transfers in	68,267	45,916	114,183
Transfers out	(32,681)	-	(32,681)
<i>Total Other Financing Sources and Uses</i>	35,586	45,916	81,502
NET CHANGE IN FUND BALANCE	(66,288)	41,516	(24,772)
FUND BALANCE, beginning of year	183,345	66,332	249,677
FUND BALANCE, end of year	\$ 117,057	\$ 107,848	\$ 224,905

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 792,000	\$ 792,000	\$ 785,646	\$ (6,354)
Fines and forfeitures	152,300	152,300	121,881	(30,419)
Licenses and permits	181,000	181,000	184,986	3,986
Intergovernmental	100,500	100,500	75,117	(25,383)
Miscellaneous	27,000	27,000	19,301	(7,699)
<i>Total Revenues</i>	1,252,800	1,252,800	1,186,931	(65,869)
EXPENDITURES				
Administration	197,081	197,081	167,199	29,882
Court	53,916	53,916	44,282	9,634
Council	9,000	9,000	4,284	4,716
Community development	73,000	73,000	47,108	25,892
Police	907,540	917,390	887,815	29,575
Parks	141,900	141,900	138,117	3,783
Contingency	85,858	79,822	-	79,822
<i>Total Expenditures</i>	1,468,295	1,472,109	1,288,805	183,304
REVENUES OVER (UNDER) EXPENDITURES	(215,495)	(219,309)	(101,874)	117,435
OTHER FINANCING SOURCES (USES)				
Transfers in	68,645	68,645	68,267	(378)
Transfers out	(32,681)	(32,681)	(32,681)	-
<i>Total Other Financing Sources and Uses</i>	35,964	35,964	35,586	(378)
NET CHANGE IN FUND BALANCE	(179,531)	(183,345)	(66,288)	117,057
FUND BALANCE, beginning of year	179,531	183,345	183,345	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 117,057	\$ 117,057

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 75,000	\$ 75,000	\$ 69,255	\$ (5,745)
Intergovernmental	145,840	145,840	146,713	873
Miscellaneous	600	600	519	(81)
<i>Total Revenues</i>	221,440	221,440	216,487	(4,953)
EXPENDITURES				
Personal services	132,000	132,000	124,531	7,469
Materials and services	80,800	80,800	77,968	2,832
Contingency	60,746	60,516	-	60,516
<i>Total Expenditures</i>	273,546	273,316	202,499	70,817
REVENUES OVER (UNDER) EXPENDITURES	(52,106)	(51,876)	13,988	65,864
OTHER FINANCING SOURCES (USES)				
Transfers out	(24,028)	(24,028)	(24,028)	-
Proceeds from sale of assets	-	-	43,403	43,403
<i>Total Other Financing Sources and Uses</i>	(24,028)	(24,028)	19,375	43,403
NET CHANGE IN FUND BALANCE	(76,134)	(75,904)	33,363	109,267
FUND BALANCE, beginning of year	76,134	75,904	75,904	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 109,267	\$ 109,267

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,000	\$ 9,000	\$ 6,306	\$ (2,694)
Intergovernmental	86,460	86,460	105,925	19,465
Taxes and assessments	1,000	1,000	1,204	204
Miscellaneous	600	600	502	(98)
<i>Total Revenues</i>	97,060	97,060	113,937	16,877
EXPENDITURES				
Materials and services	14,200	14,200	350	13,850
Capital outlay	68,025	165,025	159,973	5,052
Contingency	62,324	116,799	-	116,799
<i>Total Expenditures</i>	144,549	296,024	160,323	135,701
NET CHANGE IN FUND BALANCE	(47,489)	(198,964)	(46,386)	152,578
FUND BALANCE, beginning of year	47,489	198,964	198,964	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 152,578	\$ 152,578

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 6,680	\$ (3,320)
Intergovernmental	138,851	138,851	111,488	(27,363)
Miscellaneous	500	500	3,181	2,681
<i>Total Revenues</i>	149,351	149,351	121,349	(28,002)
EXPENDITURES				
Materials and services	22,000	22,000	882	21,118
Capital outlay	233,350	233,350	176,175	57,175
Contingency	1,334	116,223	-	116,223
<i>Total Expenditures</i>	256,684	371,573	177,057	194,516
REVENUES OVER (UNDER) EXPENDITURES	(107,333)	(222,222)	(55,708)	166,514
OTHER FINANCING SOURCES (USES)				
Transfers out	(400)	(400)	(268)	132
NET CHANGE IN FUND BALANCE	(107,733)	(222,622)	(55,976)	166,646
FUND BALANCE, beginning of year	107,733	222,622	222,622	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 166,646	\$ 166,646

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, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ -	\$ -	-
EXPENDITURES				
Capital outlay	112,210	112,248	4,400	107,848
REVENUES OVER (UNDER) EXPENDITURES	(112,210)	(112,248)	(4,400)	107,848
OTHER FINANCING SOURCES (USES)				
Transfers in	45,916	45,916	45,916	-
NET CHANGE IN FUND BALANCE	(66,294)	(66,332)	41,516	107,848
FUND BALANCE, beginning of year	66,294	66,332	66,332	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 107,848	\$ 107,848

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 370,000	\$ 370,000	\$ 364,070	\$ (5,930)
Miscellaneous	250	250	320	70
<i>Total Revenues</i>	370,250	370,250	364,390	(5,860)
EXPENDITURES				
Personal services	178,000	178,000	163,005	14,995
Materials and services	106,200	106,200	114,639	(8,439)
Contingency	69,954	78,590	-	78,590
<i>Total Expenditures</i>	354,154	362,790	277,644	85,146
REVENUES OVER (UNDER) EXPENDITURES	16,096	7,460	86,746	79,286
OTHER FINANCING SOURCES (USES)				
Transfers out	(129,589)	(129,589)	(129,589)	-
CHANGE IN FUND BALANCE	(113,493)	(122,129)	(42,843)	79,286
FUND BALANCE, beginning of year	113,493	122,129	122,129	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 79,286	\$ 79,286

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 55,800	\$ 55,800	\$ 51,744	\$ (4,056)
Licenses and permits	11,650	11,650	7,810	(3,840)
Miscellaneous	500	500	333	(167)
<i>Total Revenues</i>	67,950	67,950	59,887	(8,063)
EXPENDITURES				
Materials and services	130,000	130,000	-	130,000
Contingency	14,372	31,809	-	31,809
<i>Total Expenditures</i>	144,372	161,809	-	161,809
REVENUES OVER (UNDER) EXPENDITURES	(76,422)	(93,859)	59,887	153,746
OTHER FINANCING SOURCES (USES)				
Transfers out	(750)	(750)	(504)	246
CHANGE IN FUND BALANCE	(77,172)	(94,609)	59,383	153,992
FUND BALANCE, beginning of year	143,972	161,409	161,409	-
FUND BALANCE, end of year	\$ 66,800	\$ 66,800	\$ 220,792	\$ 153,992

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 200	\$ 200	\$ -	(200)
EXPENDITURES				
Materials and services	2,627	-	-	-
Debt service				
Principal	38,083	40,710	37,959	2,751
Interest	16,579	16,579	16,527	52
<i>Total Expenditures</i>	<u>57,289</u>	<u>57,289</u>	<u>54,486</u>	<u>2,803</u>
REVENUES OVER (UNDER) EXPENDITURES	(57,089)	(57,089)	(54,486)	2,603
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>78,569</u>	<u>78,569</u>	<u>78,569</u>	<u>-</u>
CHANGE IN FUND BALANCE	21,480	21,480	24,083	2,603
FUND BALANCE, beginning of year	<u>38,520</u>	<u>40,078</u>	<u>40,078</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 60,000</u>	<u>\$ 61,558</u>	<u>\$ 64,161</u>	<u>\$ 2,603</u>

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 352,800	\$ 352,800	\$ 375,017	\$ 22,217
Miscellaneous	17,650	17,650	19,992	2,342
<i>Total Revenues</i>	370,450	370,450	395,009	24,559
EXPENDITURES				
Personal services	138,000	138,000	123,847	14,153
Materials and services	113,550	121,050	107,814	13,236
Contingency	21,764	26,233	-	26,233
<i>Total Expenditures</i>	273,314	285,283	231,661	53,622
REVENUES OVER (UNDER) EXPENDITURES	97,136	85,167	163,348	78,181
OTHER FINANCING SOURCES (USES)				
Transfers out	(116,086)	(120,951)	(116,086)	4,865
CHANGE IN FUND BALANCE	(18,950)	(35,784)	47,262	83,046
FUND BALANCE, beginning of year	18,950	35,784	35,784	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 83,046	\$ 83,046

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 7,690	\$ 7,690	\$ 11,584	\$ 3,894
Miscellaneous	350	350	464	114
<i>Total Revenues</i>	8,040	8,040	12,048	4,008
EXPENDITURES				
Materials and services	9,000	9,000	-	9,000
Contingency	231,106	243,931	-	243,931
<i>Total Expenditures</i>	240,106	252,931	-	252,931
REVENUES OVER (UNDER) EXPENDITURES	(232,066)	(244,891)	12,048	256,939
OTHER FINANCING SOURCES (USES)				
Transfers out	(750)	(750)	(750)	-
CHANGE IN FUND BALANCE	(232,816)	(245,641)	11,298	256,939
FUND BALANCE, beginning of year	232,816	245,641	245,641	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 256,939	\$ 256,939

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, 2014**

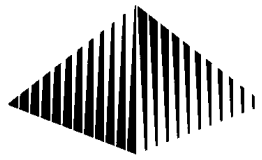
	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 140	\$ 140	\$ -	\$ (140)
EXPENDITURES				
Debt service				
Principal	68,822	72,160	72,151	9
Interest	22,040	23,567	23,576	(9)
<i>Total Expenditures</i>	90,862	95,727	95,727	-
REVENUES OVER (UNDER) EXPENDITURES	(90,722)	(95,587)	(95,727)	(140)
OTHER FINANCING SOURCES (USES)				
Transfers in	111,154	116,019	111,154	(4,865)
CHANGE IN FUND BALANCE	20,432	20,432	15,427	(5,005)
FUND BALANCE, beginning of year	62,068	99,375	99,375	-
FUND BALANCE, end of year	\$ 82,500	\$ 119,807	\$ 114,802	\$ (5,005)

OTHER SCHEDULES

CITY OF HUBBARD, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2014

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2013</u>	<u>2013-2014 Levy</u>	<u>Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2014</u>
2013-2014	\$ -	\$ 674,012	\$ 165	\$ (19,017)	\$ (635,065)	\$ 20,095
2012-2013	23,210	-	131	(384)	(12,178)	10,779
2011-2012	11,592	-	95	(243)	(5,397)	6,047
2010-2011	7,134	-	77	(290)	(4,753)	2,168
2009-2010	2,408	-	213	(186)	(1,673)	762
2008-2009	798	-	-	(151)	(219)	428
2007-2008	454	-	-	(123)	(107)	224
Prior Years	1,162	-	-	(233)	(88)	841
Total	<u>\$ 46,758</u>	<u>\$ 674,012</u>	<u>\$ 681</u>	<u>\$ (20,627)</u>	<u>\$ (659,480)</u>	<u>\$ 41,344</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, 2014, and have issued our report thereon dated October 29, 2014.

Compliance and Other Matters

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

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

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

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

1. The City's budget for estimated beginning fund balance for the 2014-15 fiscal year did not always approximate the actual ending fund balance for the 2013-14 fiscal year. The differences noted are as follows:

<u>Fund Name</u>	<u>14/15 Budgeted Beginning Fund Balance</u>	<u>13/14 Actual Ending Fund Balance</u>	<u>Dollar Variance</u>	<u>Percent Variance</u>
Street Construction	\$ 132,520	\$ 152,578	\$ (20,058)	-13%
Water Fund	69,450	99,976	(30,526)	-31%

2. The City is using a superseded amortization schedule during the budgeting process. As a result, the total debt service, as well as the principal and interest allocation, is incorrect in the 2014-15 budget for the Sewer Bond Fund.
3. The City had over expenditures of appropriations as noted in the notes to the financial statements.
4. The City does not maintain adequate cost or depreciation records for capital assets.
5. Restricted street tax revenues are being transferred to the City's reserve fund along with unrestricted revenues from other funds. The City is not adequately tracking the use of restricted revenues once they are transferred.

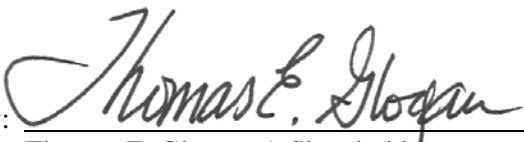
OAR 162-10-0230 - Internal Control

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Control deficiencies in internal control were reported to management in a letter dated October 29, 2014.

Restriction on Use

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

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

By: 
Thomas E. Glogau, A Shareholder
October 29, 2014