# QUALITYLIFE INTERGOVERNMENTAL AGENCY

## ANNUAL FINANCIAL REPORT

### For The Fiscal Year Ended June 30, 2010

**QUALITYLIFE INTERGOVERNMENTAL AGENCY**

**Annual Financial Report**
**For the Fiscal Year Ended June 30, 2010**

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**QUALITYLIFE INTERGOVERNMENTAL AGENCY**

**OFFICIALS OF THE AGENCY**

**JUNE 30, 2010**

## BOARD OF DIRECTORS

Dan Ericksen, President
511 Washington Street
The Dalles, OR 97058

Dan Spatz, Vice President
2506 Jordan Street
The Dalles, OR 97058

Erick Larson, Secretary/Treasurer
1700 East 19th Street
The Dalles, OR 97058

Bill Lennox
511 Washington Street
The Dalles, OR 97058

Brian Ahier
1126 East 8th Street
The Dalles, OR 97058

**QUALITYLIFE INTERGOVERNMENTAL AGENCY**
Administrative Offices
313 Court Street
The Dalles, OR 97058

Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
QualityLife Intergovernmental Agency
The Dalles, Oregon 97058

We have audited the accompanying financial statements of the QualityLife Intergovernmental Agency, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the QualityLife Intergovernmental Agency as of June 30, 2010, and the changes in its financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *a* through *c* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

# INDEPENDENT AUDITOR'S REPORT (Continued)

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

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants and Consultants

December 13, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the QualityLife Intergovernmental Agency's (Agency) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

## REPORT CONTENTS

The report consists of enterprise fund financial statements, notes to the financial statements and individual fund schedules. The enterprise fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

### STATEMENT OF NET ASSETS

The Statement of Net Assets focuses on the unrestricted net assets of the Agency's proprietary activities. The Statements reflect all assets and liabilities for the Agency.

### STATEMENT OF ACTIVITIES

The Statement of Revenues, Expenses and Changes in Net Asset focuses on the revenues and program cost of providing high-speed Internet access.

### STATEMENT OF CASH FLOW

The Statement of Cash Flows presents information on the transactions resulting in cash being provided or used. The statement presents this information for Operating Activities and Capital and Related Financing Activities.

## ENTERPRISE FUND FINANCIAL STATEMENTS

Summary Statements of Net Assets at June 30, 2010 and 2009 are as follows:

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Current and other assets | $ 475,436 | $ 619,609 |
| Capital assets, net of depreciation | 1,404,132 | 1,321,362 |
| Total assets | 1,879,568 | 1,940,971 |
| **Liabilities** | | |
| Long-term liabilities | 967,384 | 1,108,484 |
| Other liabilities | 23,161 | 14,246 |
| Total liabilities | 990,545 | 1,122,730 |
| **Net assets** | | |
| Invested in capital assets, net of debt | 992,286 | 823,083 |
| Restricted | - | 207,756 |
| Unrestricted (deficit) | (103,263) | (212,587) |
| Total net assets | $ 889,023 | $ 818,252 |

The net assets of the Agency are primarily invested in capital assets, net of related debt. New construction is primarily related to laterals for new customers.

A summarized version of the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2010 and 2009 are as follows:

| | 2010 | 2009 |
|---|---|---|
| **Revenues** | | |
| Operating revenues | $ 327,840 | $ 294,348 |
| Capital grants and contributions | 87,152 | 78,999 |
| Total revenues | 414,992 | 373,347 |
| **Expenses** | | |
| Operating expenses | 254,627 | 251,968 |
| Other | 35,969 | 28,999 |
| Interest on long-term debt | 53,625 | 56,684 |
| Total expenses | 344,221 | 337,651 |
| **Increase in net assets** | 70,771 | 35,696 |
| Net assets - beginning | 818,252 | 782,556 |
| Prior period adjustment | - | - |
| Net assets - ending | $ 889,023 | $ 818,252 |

Net assets increased during the year by $70,771 due to newly constructed capital assets financed by debt and capital grants, and the reduction of debt during the year.

## BUDGETARY HIGHLIGHTS

The original legal appropriations for the QLife General Fund totaled $526,116. No budget amendments were made in FY09/10. Expenditures were $76,533 under budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

As of June 30, 2010 the Agency had investment in capital assets, net of accumulated depreciation of $1,404,132 consisting primarily of the fiber optic loop. As of June 30, 2006 the system was fully operational and an industrial park fiber optic loop had been added. The Bisector project, estimated at $168,500, had work in progress costs of $39,504 as of June 30, 2010.

### *Debt Outstanding*

As of June 30, 2010, the Agency had $967,384 in long-term debt outstanding. A portion of this debt in the amount of $69,618 was borrowed to finance the construction of the fiber optic loop. The remaining $897,766 was used to refinance prior conduit debt and construction. Payments in the amount of $141,100 have been made on the principal of the original amount of this debt. An agreement has been reached with Lightspeed Network where QualityLife receives a portion of revenues they generate from our system and these funds are used for debt reduction. Both the debt and the receivable have been reported on the Statement of Net Assets.

## ECONOMIC FACTORS

The QualityLife Intergovernmental Agency will continue to be an important partner in economic development within the City of The Dalles, providing necessary Internet access to support continued growth and quality of services to those within the Agency's boundaries. Google, the search engine, started operations in new facilities in the City in 2006.

## FINANCIAL CONTACT

The Agency's financial statements are designed to present citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact the Agency's Finance Director at 313 Court Street, The Dalles, Oregon 97058.

## BASIC FINANCIAL STATEMENTS

## QUALITYLIFE INTERGOVERNMENTAL AGENCY

### STATEMENT OF NET ASSETS
### ENTERPRISE FUND
### June 30, 2010

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 185,016 |
| Receivables | 57,643 |
| Total current assets | 242,659 |
| Credits receivable | 232,777 |
| Capital assets: | |
| Construction in progress | 39,504 |
| Depreciable assets, net of depreciation | 1,364,628 |
| Total assets | 1,879,568 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | 20,376 |
| Accrued interest payable | 2,785 |
| Current portion of long-term debt | 146,721 |
| Total current liabilities | 169,882 |
| Long-term obligations, less current portion | 820,663 |
| Total liabilities | 990,545 |
| **NET ASSETS** | |
| Invested in capital assets, net of related debt | 992,286 |
| Unrestricted (deficit) | (103,263) |
| Total net assets | $ 889,023 |

The notes to the basic financial statements are an integral part of this statement.

**QUALITYLIFE INTERGOVERNMENTAL AGENCY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS ENTERPRISE FUND June 30, 2010**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Charges for services | $ 327,840 |
| **OPERATING EXPENSES** | |
| Materials and services | 194,311 |
| Depreciation | 60,316 |
| **TOTAL OPERATING EXPENSES** | 254,627 |
| **OPERATING INCOME (LOSS)** | 73,213 |
| **NON OPERATING INCOME (LOSS)** | |
| Interest on investment | 823 |
| Grants and contributions | 86,329 |
| Grant expenses | (35,969) |
| Interest expense | (53,625) |
| **TOTAL NON-OPERATING INCOME (EXPENSES)** | (2,442) |
| **CHANGE IN NET ASSETS** | 70,771 |
| **NET ASSETS, Beginning** | 818,252 |
| **NET ASSETS, Ending** | $ 889,023 |

The notes to the basic financial statements are an integral part of this statement.

## QUALITYLIFE INTERGOVERNMENTAL AGENCY

## STATEMENT OF CASH FLOWS
## ENTERPRISE FUND
## For the Fiscal Year Ended June 30, 2010

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from customers | $ 448,829 |
| Payments to suppliers | (185,396) |
| **NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES** | 263,433 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Grants and contributions | 86,329 |
| Purchase of capital assets | (143,086) |
| Grant expenses | (35,969) |
| Principal payments on debt | (141,100) |
| Interest paid on long-term obligations | (53,625) |
| **NET CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES** | (287,451) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest on Investment | 823 |
| **NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES** | 823 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (23,195) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 208,211 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $ 185,016 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES** | |
| Operating income (loss) | $ 73,213 |
| Non-cash depreciation expense | 60,316 |
| (Increase) decrease in receivables | 120,989 |
| Increase (decrease) in payables | 8,915 |
| **NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES** | $ 263,433 |

The notes to the basic financial statements are an integral part of this statement.

**QUALITYLIFE INTERGOVERNMENTAL AGENCY**
**NOTES TO THE BASIC FINANCIAL STATEMENTS**
**For the Fiscal Year Ended June 30, 2010**

# I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. Organization and fund structure

Qualitylife Intergovernmental Agency (the Agency) is a joint venture of Wasco County and the City of The Dalles. The Agency was formed in 2001 to construct and operate a fiber optic network to provide high-speed internet access to the residents of The Dalles.

The accompanying financial statements present all funds for which the Agency is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the Agency is a primary government with no includable component units.

## B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Agency is accounted for as a business-type activity for financial reporting purposes and its basic financial statements are prepared on the accrual basis of accounting. Under this method, revenues were recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency has applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements. The agency has elected not to follow subsequent private-sector guidance.

The Agency distinguishes operating revenues and expenses from non-operation items. Operating revenues include internet access charges and connection fees and generally result from providing services in connection with ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expense.

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

For financial reporting purposes, management considers the activities relating to the operation of the Agency as those of a unitary nature and are reported as such. For operating and budgetary purposes, the accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The funds of the Agency are as follows:

| Fund Type | Principal Revenue Source | Primary Expenditure Purpose |
|---|---|---|
| ENTERPRISE | | |
| General | Membership and service fees | General operating expense |
| Capital Projects | Grants | Construction of fiber optic network |

## C. Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

## D. Customer Accounts Receivable

Customer accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. Management has determined that no allowance for doubtful accounts is needed as of June 30, 2010.

## E. Capital assets

Capital assets are defined by the Agency as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income.

The estimated useful lives of capital assets are as follows:

| | |
|---|---|
| Equipment | 10 years |
| Fiber optic loop | 30 years |

It is the Agency's policy to record no depreciation on capital assets in the year of acquisition and a full year of depreciation in the year of disposition.

## F. Intangible assets

Purchases of software licenses are recorded at cost at date of acquisition. These intangible assets are being amortized over an estimated useful life of 10 years.

## G. Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net assets are classified in the following three components: Investment in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets.

Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Restricted net assets consist of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, or enabling legislation, including self-imposed mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

### H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## II. DETAILED NOTES

### A. Deposits and Investments

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Agency at June 30, 2010. If bank deposits at year end are not entirely insured or collateralized by the Agency or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists. The Agency's deposits with financial institutions are comprised entirely of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss. For the fiscal year ended June 30, 2010, the carrying amount of the Agency's deposits and the bank balance was $185,016. All deposits are held in the name of the Agency. The entire bank balance was covered by federal depository insurance.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The Agency does not have a formal deposit policy for custodial credit risk.

### B. Receivables

Receivables represent amounts due to the Agency at June 30, 2010, from user charges.

Credits receivable represent the agreement the Agency entered into to pay off indebtedness incurred through Columbia River Bank (CRB) for the benefit of the now defunct NoaNet Oregon (NNOR) and its successer LightSpeed Networks, Inc (LSN). The Agency reached an agreement with LSN in July of 2006, in which LSN has agreed to use part of the revenues generated through their partnership with the Agency to provide a credit against future services that LSN provides to the Agency. The agreement was clarified during the 2008-09 fiscal year and the monthly credit now cannot exceed $15,750. The credit is still limited to an aggregate total of $700,000 over the life of the agreement. A portion of total credits received by the Agency will be applied towards the credit receivable.

## C. Capital assets

Capital assets activity for the year ended June 30, 2010 was as follows:

| | Balances June 30, 2009 | Additions | Deletions | Balances June 30, 2010 |
|---|---|---|---|---|
| Non-depreciable capital assets: | | | | |
| Construction in progress | $ - | $ 39,504 | $ - | $ 39,504 |
| Depreciable capital assets | | | | |
| Fiber optic loop | $ 1,481,731 | $ 103,583 | $ - | $ 1,585,314 |
| Equipment | 78,581 | - | - | 78,581 |
| Software licenses | 7,011 | - | - | 7,011 |
| Total depreciable capital assets | 1,567,323 | 103,583 | - | 1,670,906 |
| Less accumulated depreciation and amortization | | | | |
| Fiber Optic Loop | (205,970) | (51,757) | - | (257,727) |
| Equipment | (39,291) | (7,858) | - | (47,149) |
| Software licenses | (701) | (701) | - | (1,402) |
| Total depreciation | (245,962) | (60,316) | - | (306,278) |
| Total depreciable capital assets, net | 1,321,361 | 43,267 | - | 1,364,628 |
| Total capital assets, net | $ 1,321,361 | $ 82,771 | $ - | $ 1,404,132 |

## D. Long-term obligations

Outstanding debt and transactions for the year ended June 30, 2010 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Oregon Investment Board- payable in semi-annual installments of $3,515, including interest at 4 percent. Final payment is due December 30, 2012. | $ 22,749 | $ - | $ (6,181) | $ 16,568 | $ 6,431 |
| Oregon Investment Board- payable in semi-annual installments of $2,783, including interest at 4 percent Final payment is due December 31, 2010. | 8,026 | - | (5,298) | 2,728 | 2,728 |
| Mt. Hood Economic Alliance - payable in monthly installments of $3,683, including interest at 4 percent beginning September 1, 2006. Final payment is due August 1, 2011. | 91,598 | - | (41,276) | 50,322 | 42,970 |
| Columbia River Bank - payable in monthly installments of $11,494.11, including interest at 5 percent, beginning 6/13/2008. Final payment is due May 13, 2018. | 986,111 | - | (88,345) | 897,766 | 94,592 |
| Total long-term obligations | $ 1,108,484 | $ - | $ (141,100) | $ 967,384 | $ 146,721 |

Future maturities of long-term obligations as of June 30, 2010 are as follows:

| Year Ending | Oregon Investment Board | | Oregon Investment Board | | Mt. Hood Economic Alliance | | Columbia River Bank | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | $ 6,431 | $ 599 | $ 2,728 | $ 55 | $ 42,970 | $ 1,230 | $ 94,592 | $ 43,337 | $ 146,721 | $ 45,221 |
| 2012 | 6,691 | 339 | - | - | 7,352 | 36 | 99,397 | 38,532 | 113,440 | 38,907 |
| 2013 | 3,446 | 69 | - | - | - | - | 104,658 | 34,271 | 108,104 | 34,340 |
| 2014 | - | - | - | - | - | - | 110,089 | 27,841 | 110,089 | 27,841 |
| 2015 | - | - | - | - | - | - | 115,802 | 22,128 | 115,802 | 22,128 |
| 2016 | - | - | - | - | - | - | 121,769 | 16,161 | 121,769 | 16,161 |
| 2017 | - | - | - | - | - | - | 128,128 | 9,801 | 128,128 | 9,801 |
| 2018 | - | - | - | - | - | - | 123,331 | 3,152 | 123,331 | 3,152 |
| | $ 16,568 | $ 1,007 | $ 2,728 | $ 55 | $ 50,322 | $ 1,266 | $ 897,766 | $ 195,223 | $ 967,384 | $ 197,551 |

## E. Related party transactions

The City of The Dalles appoints two members and Wasco County appoints two members of the QualityLife Intergovernmental Agency board of directors. The City also provides administrative and other services, rental of office space and pass through of grant revenues to the Agency. During the year, the Agency had the following related party transactions.

| | | |
|---|---|---|
| Charges for services revenue received from: | | |
| City of The Dalles | $ | 5,813 |
| Wasco County | $ | 16,560 |
| Expenses for administrative and other services from the City of The Dalles | $ | 12,568 |
| Rent expense to the City of The Dalles | $ | 3,132 |

In addition, at June 30, 2010, the City owes $420 and Wasco County owes $1,380 to the agency for services received. The Agency also owes the City $5,837 for current year charges of administrative and other services rendered.

## F. Risk management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency has obtained insurance for these risks through the Special Districts Association of Oregon, which operates a public entity risk pool for common risk management and insurance program for special districts. The Agency pays an annual premium to the pool for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified minimums for various insured events.

## G. Construction in progress

The Agency was in progress of constructing improvements on the Bisector Project at June 30, 2010. Costs incurred to date are $39,504 with total estimated costs of $168,500. The project was considered 23% complete.

# INDIVIDUAL FUND SCHEDULES

QUALITYLIFE INTERGOVERNMENTAL AGENCY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive / (Negative) |
| **REVENUES** | | | | |
| Charges for services | $ 424,200 | $ 424,200 | $ 444,441 | $ 20,241 |
| Interest on investments | 500 | 500 | 823 | 323 |
| Miscellaneous | 60,000 | 60,000 | 36,329 | (23,671) |
| **TOTAL REVENUES** | 484,700 | 484,700 | 481,593 | (3,107) |
| **EXPENDITURES** | | | | |
| Materials and services | 150,860 | 150,860 | 150,014 | 846 |
| Capital outlay | 20,000 | 20,000 | 2,344 | 17,656 |
| Other | 60,000 | 60,000 | 35,969 | 24,031 |
| Contingency | 34,000 | 34,000 | - | 34,000 |
| **TOTAL EXPENDITURES** | 264,860 | 264,860 | 188,327 | 76,533 |
| **REVENUES OVER (UNDER) EXPENDITURES** | 219,840 | 219,840 | 293,266 | 73,426 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Interfund loan repayment | (22,000) | (22,000) | (22,000) | - |
| Transfers out | (239,306) | (239,306) | (239,306) | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (261,306) | (261,306) | (261,306) | - |
| **NET CHANGE IN FUND BALANCE** | (41,466) | (41,466) | 31,960 | 73,426 |
| Budgetary basis adjustment | - | - | 22,000 | 22,000 |
| **FUND BALANCE, Beginning** | 41,466 | 41,466 | 29,491 | (11,975) |
| **FUND BALANCE, Ending** | $ - | $ - | 83,451 | $ 83,451 |
| **RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES** | | | | |
| Capital projects fund balance | | | 138,832 | |
| Capital assets | | | 1,404,132 | |
| Credits receivable | | | 232,777 | |
| Accrued interest payable | | | (2,785) | |
| Long-term debt | | | (967,384) | |
| **NET ASSETS AT END OF YEAR** | | | $ 889,023 | |

See auditor's report.

QUALITYLIFE INTERGOVERNMENTAL AGENCY

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
## CAPITAL PROJECTS FUND
### For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive / (Negative) |
| **REVENUES** | | | | |
| Charges for services | $ 21,000 | $ 21,000 | $ 21,534 | $ 534 |
| Miscellaneous | 50,000 | 50,000 | 50,000 | - |
| **TOTAL REVENUES** | 71,000 | 71,000 | 71,534 | 534 |
| **EXPENDITURES** | | | | |
| Materials and services | 24,000 | 39,000 | 34,133 | 4,867 |
| Capital outlay | 265,053 | 284,335 | 150,906 | 133,429 |
| Debt service | 194,726 | 194,726 | 194,725 | 1 |
| Contingency | 52,553 | 18,271 | - | 18,271 |
| **TOTAL EXPENDITURES** | 536,332 | 536,332 | 379,764 | 156,568 |
| **REVENUES OVER (UNDER) EXPENDITURES** | (465,332) | (465,332) | (308,230) | 157,102 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | 239,306 | 239,306 | 239,306 | - |
| Interfund loan proceeds | 22,000 | 22,000 | 22,000 | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | 261,306 | 261,306 | 261,306 | - |
| **NET CHANGE IN FUND BALANCE** | (204,026) | (204,026) | (46,924) | 157,102 |
| Budgetary basis adjustment | - | - | (22,000) | (22,000) |
| **FUND BALANCE, Beginning** | 204,026 | 204,026 | 207,756 | 3,730 |
| **FUND BALANCE, Ending** | $ - | $ - | $ 138,832 | $ 138,832 |

See auditor's report.

## INDEPENDENT AUDITOR'S COMMENTS

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations,* prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

### Accounting Systems and Internal Controls

We found that the accounting records of the Agency were generally well maintained and adequate for audit purposes. The internal controls for the Agency are generally operating as designed and no material weaknesses were reported.

### Investments

Our review of deposit and investment balances indicated that the Agency was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2010.

### Collateral

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials must ensure the banks they are doing business with are on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials are also required to report to OST all bank depositories in which they deposit public funds.

Our review of the Agency's deposited funds disclosed that the Agency was in compliance with the required quarterly reporting to the Oregon State Treasurer as required by ORS 295, as effective July 1, 2008, and that the depositories used by the Agency were included in the Oregon State Treasurer's listing of approved depositories.

### Indebtedness

We reviewed compliance relating to short-term and long-term debt, including limitations on the amount of debt, which may be incurred, liquidation of debt within the prescribed period, and compliance with provisions of bond indentures or other agreements. We found no instances in which the Agency had not complied with these legal or contractual provisions relating to short-term and long-term debt.

### Budget

The Agency is exempt from Oregon Budget Law under ORS 294.316.

### Insurance And Fidelity Bonds

We reviewed the Agency's insurance and fidelity bond coverage at June 30, 2010, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the Agency in force at June 30, 2010, are adequate. The Agency has complied with provisions of ORS 221.903 regarding bonding of Agency personnel.

**Programs Funded From Outside Sources**

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the Agency complied with laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were materially in agreement with and supported by accounting records.

**Highway Funds**

The Agency does not receive Highway Funds.

**Public Contracts And Purchasing**

We have reviewed the Agency's compliance with ORS 279, pertaining to the awarding of public contracts and the construction of public improvements. Our review did not disclose any instances, which we considered to be matters of noncompliance of the Agency's bidding procedures or quote procedures.

**Statement of Accountability for Independently Elected Officials**

This statement is not applicable to the Qualitylife Intergovernmental Agency.