

**QUALITYLIFE
INTERGOVERNMENTAL AGENCY**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

QUALITYLIFE INTERGOVERNMENTAL AGENCY

Annual Financial Report For the Fiscal Year Ended June 30, 2015

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OFFICIALS OF THE AGENCY

QUALITYLIFE INTERGOVERNMENTAL AGENCY

OFFICIALS OF THE AGENCY

AS OF JUNE 30, 2015

BOARD OF DIRECTORS

Erick Larson, President
1700 E 19th Street
The Dalles OR 97058

Daniel Spatz
2506 Jordan Street
The Dalles OR 97058

Brian Ahier
1126 E 8th Street
The Dalles OR 97058

Scott Hege,
511 Washington Street
The Dalles OR 97058

Taner Elliott
397 Summit Ridge Drive
The Dalles OR 97058

AGENCY ADDRESS

Administrative Offices
313 Court Street
The Dalles OR 97058

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
QualityLife Intergovernmental Agency
The Dalles, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the QualityLife Intergovernmental Agency as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the QualityLife Intergovernmental Agency'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 accounting principles generally accepted in the United States of America; this includes 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 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 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 entity'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 entity'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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the QualityLife Intergovernmental Agency as of June 30, 2015, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, 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 management's discussion and analysis 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.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the QualityLife Intergovernmental Agency's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

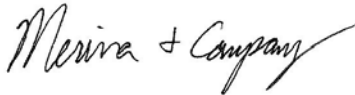
The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The officials of the agency 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 is.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated September 21, 2015, on our consideration of the QualityLife Intergovernmental Agency'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.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
September 21, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the QualityLife Intergovernmental Agency's (the 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 Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

STATEMENT OF NET POSITION

The Statement of Net Position focuses on the unrestricted net position of the Agency's proprietary activities. The Statement reflects all assets and liabilities for the Agency.

STATEMENT OF ACTIVITIES

The Statement of Revenues, Expenses and Changes in Net Position 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 Position at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 641,905	\$ 422,902
Capital assets, net of depreciation	<u>1,477,692</u>	<u>1,532,148</u>
Total assets	<u>2,119,597</u>	<u>1,955,050</u>
Liabilities		
Long-term liabilities	-	128,958
Other liabilities	<u>32,256</u>	<u>59,168</u>
Total liabilities	<u>32,256</u>	<u>188,126</u>
Net position		
Net investment in Capital Assets	1,477,692	1,472,995
Unrestricted (deficit)	<u>609,649</u>	<u>293,929</u>
Total net position	<u>\$ 2,087,341</u>	<u>\$ 1,766,924</u>

The net position of the Agency is primarily invested in capital assets, net of related debt. New construction is primarily related to Phase 4 of the WiFi Project and laterals for new customers.

A summarized version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Revenues		
Operating revenues	\$ 642,912	\$ 598,745
Capital grants and contributions	18,712	37,068
Other	<u>1,505</u>	<u>568</u>
Total revenues	<u>663,129</u>	<u>636,381</u>
Expenses		
Operating expenses	329,483	289,716
Other	13,075	36,936
Interest on long-term debt	<u>154</u>	<u>13,085</u>
Total expenses	<u>342,712</u>	<u>339,737</u>
Increase in net position	320,417	296,644
Net position - beginning	<u>1,766,924</u>	<u>1,470,280</u>
Net position - ending	<u>\$ 2,087,341</u>	<u>\$ 1,766,924</u>

Net position increased during the year by \$320,417 due to newly constructed capital assets financed by capital grants, and the reduction of debt during the year.

BUDGETARY HIGHLIGHTS

The original legal appropriations for the QLife General Fund totaled \$763,962 with a contingency of \$29,600. No changes to the original budget were made to this fund. Expenditures were \$169,297 under budget.

The original legal appropriations for the QLife Capital Fund totaled \$596,701 with a contingency and other uses of \$201,800. No changes to the original budget were made to this fund. Expenditures were \$390,696 under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015 the Agency had investment in capital assets, net of accumulated depreciation, \$1,477,692 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 Downtown WiFi Project Phase 4 is funded by contributions from QLife as well as other sources, and is being administered by the City of The Dalles, Oregon. The Agency made all of the agreed upon contributions to the project in FY13/14 in the amount of \$15,180. However, as the City has not yet completed the project, the Agency's contributions are considered "construction in progress" as of June 30, 2015. When the project is completed the entire capital asset will be in the ownership of the Agency.

Debt Outstanding

As of June 30, 2015, the Agency had no long-term debt outstanding. Payments in the amount of \$128,958 were made this year on the principal of the original amount of this debt.

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, and expanded their facilities in FY14/15.

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.

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
 - Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

QUALITYLIFE INTERGOVERNMENTAL AGENCY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2015

ASSETS

Current assets:		
Cash and cash equivalents	\$	582,154
Accounts receivables, net		<u>59,751</u>
Total current assets		641,905
Capital assets:		
Construction in progress		15,180
Depreciable assets, net of depreciation		<u>1,462,512</u>
Total capital assets, net		<u>1,477,692</u>
Total assets	\$	<u><u>2,119,597</u></u>

LIABILITIES AND NET POSITION

LIABILITIES:

Current liabilities:		
Accounts payable	\$	<u>32,256</u>
Total liabilities		<u>32,256</u>

NET POSITION:

Net investment in capital assets		1,477,692
Unrestricted (deficit)		<u>609,649</u>
Total net position		<u>2,087,341</u>
Total liabilities and net position	\$	<u><u>2,119,597</u></u>

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

**QUALITYLIFE INTERGOVERNMENTAL AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 For the Fiscal Year Ended June 30, 2015**

	<u>QualityLife Operations</u>
OPERATING REVENUES:	
Charges for services	\$ 642,912
Total operating revenues	<u>642,912</u>
OPERATING EXPENSES:	
Materials and services	269,334
Depreciation	<u>60,149</u>
Total operating expenses	<u>329,483</u>
Operating income (loss)	313,429
NON-OPERATING INCOME (EXPENSE):	
Interest on investment	1,505
Grants and contributions	18,712
Grant expense	(13,075)
Interest expense	<u>(154)</u>
Total non-operating income (expenses)	<u>6,988</u>
Change in net position	320,417
NET POSITION, BEGINNING	<u>1,766,924</u>
NET POSITION, ENDING	<u><u>\$ 2,087,341</u></u>

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

QUALITYLIFE INTERGOVERNMENTAL AGENCY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 629,232
Cash paid to suppliers and others	(295,695)
	<hr/>
Net cash provided (used) by operating activities	333,537
	<hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grants and contributions	18,712
Purchase of capital assets	(5,692)
Grant expenses	(13,075)
Principal payments on debt	(128,958)
Interest on long-term obligations	(705)
	<hr/>
Net cash provided (used) by capital and related financing activities	(129,718)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	1,505
	<hr/>
Net cash provided (used) by investing activities	1,505
	<hr/>
Net increase (decrease) in cash and cash equivalents	205,324

CASH AND CASH EQUIVALENTS, BEGINNING

376,830

CASH AND CASH EQUIVALENTS, ENDING

\$ 582,154

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 313,429
Adjustments	
Depreciation	60,149
Decrease (increase) in:	
Accounts receivable	(13,680)
Increase (decrease) in:	
Accounts payable and accrued expenses	(26,361)
	<hr/>
Net cash provided (used) by operating activities	<u><u>\$ 333,537</u></u>

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

QUALITYLIFE INTERGOVERNMENTAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Fund Structure

The QualityLife Intergovernmental Agency (the Agency), is a joint venture of Wasco County, Oregon and the City of The Dalles, Oregon. 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 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 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 those activities 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 - Enterprise	Principal Revenue Source	Primary Expenditure Purpose
General	Membership and service fees	General operating expenses
Capital Projects	Grants, City General Fund Contributions, and Charges for Services	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 Receivables

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, 2015.

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	30-50 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 Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets 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 position consists of net earnings 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 position consists of all other net earnings 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

Custodial credit risk - deposits. This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2015, none of the Agency's bank balances were exposed to custodial credit risk. 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, 2015 from user charges.

C. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
General					
Capital Assets, non-depreciable:					
Construction in progress	\$ 15,180	\$ -	\$ -	\$ -	\$ 15,180
Total capital assets, non-depreciable	<u>15,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,180</u>
Capital assets, depreciable:					
Fiber optic loop	1,979,604	-	-	-	1,979,604
Equipment	78,581	5,692	-	-	84,273
Software licenses	7,011	-	-	-	7,011
Total capital assets, depreciable	<u>2,065,196</u>	<u>5,692</u>	<u>-</u>	<u>-</u>	<u>2,070,888</u>
Less accumulated depreciation for:					
Fiber optic loop	(465,683)	(59,529)	-	-	(525,212)
Equipment	(78,581)	-	-	-	(78,581)
Software licenses	(3,963)	(620)	-	-	(4,583)
Total accumulated depreciation	<u>(548,227)</u>	<u>(60,149)</u>	<u>-</u>	<u>-</u>	<u>(608,376)</u>
Net depreciable capital assets	<u>1,516,969</u>	<u>(54,457)</u>	<u>-</u>	<u>-</u>	<u>1,462,512</u>
Net capital assets	<u>\$ 1,532,149</u>	<u>\$ (54,457)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,477,692</u>

D. Long-Term Obligations

Outstanding debt and transactions for the year ended June 30, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
Columbia State Bank - payable in monthly installments of \$11,494, including interest at 5 percent, beginning June 13, 2008. Final payment is due May 13, 2018.	\$ 128,957	\$ -	\$ (128,957)	\$ -	\$ -
Total Business	<u>\$ 128,957</u>	<u>\$ -</u>	<u>\$ (128,957)</u>	<u>\$ -</u>	<u>\$ -</u>

E. Related Party Transactions

The City of The Dalles, Oregon appoints two members and Wasco County, Oregon appoints two members of the QualityLife Intergovernmental Agency Board of Directors. The fifth member is appointed by the other four. The City also provides administrative and other services, rental of office space and pass through of grant revenues to the Agency. The County also provides space and technical services for GIS and fiber management. During the year, the Agency had the following related party transactions.

Charges for services revenue from:

City of The Dalles	\$ 9,840
Wasco County	\$ 16,560

Expenses for administrative and other services from:

City of The Dalles	
Administration	\$ 24,643
Rent Expense to City of The Dalles	\$ 7,752
Right of Way Fees to City of The Dalles	\$ 18,645
Wasco County	
Computer & GIS Services	\$ 4,470

In addition, at June 30, 2015, the City owes \$820 and the County owes \$2,760 to the Agency for services received. The Agency also owes the City \$8,901 for current year rent and charges of administrative services rendered, and \$1,602 for right-of-way fees.

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 Downtown WiFi Project Phase 4 is funded by contributions from the Agency as well as other sources, and is being administered by the City of The Dalles, Oregon. The Agency has made all of the agreed upon contributions to the project in the amount of \$15,180. However, as the City has not yet completed the project, the Agency's contributions are considered "construction in progress" as of June 30, 2015. When the project is completed the entire capital asset will be in the ownership of the Agency.

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SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- General Fund
- Capital Projects Fund

**QUALITYLIFE INTERGOVERNMENTAL AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 629,919	\$ 629,919	\$ 625,305	\$ (4,614)
Interest on investments	500	500	1,505	1,005
Miscellaneous	50,200	50,200	18,712	(31,488)
Total revenues	<u>680,619</u>	<u>680,619</u>	<u>645,522</u>	<u>(35,097)</u>
EXPENDITURES:				
Materials and services	281,457	281,457	192,993	88,464
Capital outlay	20,000	20,000	5,692	14,308
Other	50,000	50,000	13,075	36,925
Contingency	29,600	29,600	-	29,600
Total expenditures	<u>381,057</u>	<u>381,057</u>	<u>211,760</u>	<u>169,297</u>
Revenues over (under) expenditures	299,562	299,562	433,762	134,200
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(382,905)</u>	<u>(382,905)</u>	<u>(382,905)</u>	<u>-</u>
Total other financing sources (uses)	<u>(382,905)</u>	<u>(382,905)</u>	<u>(382,905)</u>	<u>-</u>
Net changes in fund balances	(83,343)	(83,343)	50,857	134,200
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>138,143</u>	<u>138,143</u>	<u>180,966</u>	<u>42,823</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 54,800</u>	<u>\$ 54,800</u>	231,823	<u>\$ 177,023</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital projects fund balance			377,826	
Capital assets			<u>1,477,692</u>	
NET POSITION AT END OF YEAR			<u>\$ 2,087,341</u>	

**QUALITYLIFE INTERGOVERNMENTAL AGENCY
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 30,000	\$ 30,000	\$ 17,607	\$ (12,393)
Total revenues	30,000	30,000	17,607	(12,393)
EXPENDITURES:				
Materials and services	23,000	23,000	6,664	16,336
Capital outlay	239,113	239,113	69,677	169,436
Debt service:				
Principal	129,425	129,425	128,958	467
Interest	3,363	3,363	706	2,657
Contingency	201,800	201,800	-	201,800
Total expenditures	596,701	596,701	206,005	390,696
Revenues over (under) expenditures	(566,701)	(566,701)	(188,398)	378,303
OTHER FINANCING SOURCES (USES):				
Transfers in	382,905	382,905	382,905	-
Total other financing sources (uses)	382,905	382,905	382,905	-
Net changes in fund balances	(183,796)	(183,796)	194,507	378,303
FUND BALANCE, BEGINNING BUDGETARY BASIS	183,796	183,796	183,319	(477)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 377,826	\$ 377,826

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**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the QualityLife Intergovernmental Agency, as of and for the year ended June 30, 2015 and have issued our report thereon dated September 21, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether QualityLife Intergovernmental Agency'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 the 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 statement 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294). The Agency is exempt due to ORS 279.
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Agency does not have highway revenues.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Agency does not have any elected officials collecting or receiving money.

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

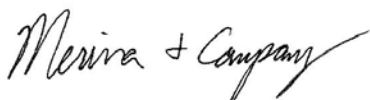
OAR 162-10-0230 Internal Control

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Board of Directors, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
September 21, 2015