

# QLife Network

## QualityLife Intergovernmental Agency

### AGENDA

<b>QLife Regular Board Meeting</b>
------------------------------------

**Thursday, October 31, 2013 Noon  
The Dalles City Hall, 313 Court Street  
2<sup>nd</sup> Floor Conference Room**

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of September 19, 2013 QLife Regular Board Meeting Minutes
5. Financial Reports
  - a. September Financial Reports
  - b. List of Disbursements since Last Meeting
6. Action Items
  - a. Acceptance of the Fiscal Year 2012-13 Financial Audit
  - b. Schedule tour of Wasco County data room
7. Reports
  - a. Update of Broadband Strategic Plan Implementation - Mobley
  - b. Aristo Operational Management Report – John Amery
8. Next Meeting Dates:
  - a. Regular Board Meeting November 28, 2013 Noon
9. Adjourn

# QLife Network

## QualityLife Intergovernmental Agency

### MINUTES

#### QLife Regular Board Meeting

**Thursday, September 19, 2013 Noon  
The Dalles City Hall, 313 Court Street  
2<sup>nd</sup> Floor Conference Room**

Call to Order - The meeting was called to order by President Hege at 12:12 p.m.

#### Roll Call

In attendance: Scott Hege, Erick Larson, Brian Ahier (via telephone)

Staff: Nolan Young, Izetta Grossman, Keith Mobley, John Amery, Jon Chavers

Absent: Bill Dick, Carolyn Wood

#### Approval of Agenda

Ahier asked that the Action item be moved up in the agenda. It was moved by Ahier and seconded by Larson to approve the agenda as amended. The motion carried unanimously, two absent

#### Approval of July 25, 2013 QLife Regular Board Meeting Minutes

It was moved by Larson and seconded by Hege to approve the minutes of the July 25, 2013 QLife Board meeting. The motion carried unanimously, two absent.

#### Action Items

Young reviewed the staff report regarding the Lease of Storage space from the City of The Dalles at the Public Works facility. After some discussion it was moved by Larson and seconded by Ahier to approve the Third Addendum to the Lease of space with the City of The Dalles. The motion passed unanimously, two absent.

#### Financial Reports

Young reviewed the July/August Financial Reports.

#### Reports

Young reviewed the update of 5 year Capital Improvement Plan. Hege asked about the status of the tagging project. Amery said the tags were ordered and working on a plan for installation. He said there was a cost savings if the contractor could apply the tags during other work.

Ahier asked Mobley if they could meet prior to the next meeting to work on the Broadband Strategic Plan implementation.

Amery reported that during the preliminary audit the issues on extrusion were not seen. It could be due to the timing, there hadn't been really cold weather yet, or it could be the issues aren't on going. Amery asked for the board authorization to delay the full audit until February or March, with tagging being done at the same time. Young asked if it would be better to schedule the annual audit in February each year? Amery said yes. It was the consensus to have the audit scheduled for February each year.

Ahier retired from the meeting at 12:32 p.m.

In response to a question Amery explained two different audits:

1. Commstructures Engineering does a visual walk through of all lines checking angles and vegetation, etc
2. NorthSky Contractor opens the boxes and physically inspects the equipment and lines.

In response to a question Amery said the redundancy had not been fully implemented. He believed there was a bug in the firmware and had trouble talking to the manufacturer due to time difference and language barrier, the resolution was taking longer than anticipated. He had been working on this issue for two months, and anticipated a couple more months. Larson asked if there was a warrantee and when would it be sensible to start over with another product. Amery felt he'd invested enough time with the current vendor to warrant continuing with them to resolve the issue.

Next Meeting Dates:  
Regular Board Meeting October 31, 2013 Noon

Adjourn  
Being no further business the meeting was adjourned at approximately 1 p.m.

Respectfully submitted:  
Izetta Grossman, recording secretary

Attest:

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Erick Larson, Secretary

TO: Qlife Board  
 Nolan Young, City Manager  
 FR: Kate Mast, Finance Director  
 RE: Financial Report for QLIFE – September 2013

**BANKING:**

QLife monies are deposited into a separate bank checking account. We opened a Money Market Account in December 2008 that we transfer excess funds into when possible to earn interest.

The information below is a comparison of budget to actual revenues and expenditures for the month just ended by fund. This information is not audited, but is reviewed by the Finance Department for clarity and budget compliance.

25% of the year has passed.

Each fund exceptions narrative has four possible paragraphs; 1 - is the beginning balance, 2 - is new revenues, 3 - is expenditures and 4 - if present, is budget changes.

**Operations (600):**

**BUDGET COMPARISONS**

	<u>July 1, 2013 to September 30, 2013</u>			
	<b>Budget</b>	<b>Actual</b>	<b>Percentage</b>	
Beginning Balance	\$ 97,223	\$ 93,286	96.0%	* see below
Revenues	\$ 624,979	\$ 155,377	24.8%	
Expenditures	\$ 400,269	\$ 22,059	5.5%	
Transfers to Capital/Debt Fund	\$ 321,933	\$ 87,800	27.3%	
Cash at Month End	\$ 92,413.76			

**Exceptions:**

- 1) Beginning Balance: \* *The Beginning Balance figures used here are estimated and have NOT been audited.*
- 2) Revenues:
- 3) Expenditures:
- 4) Budget Changes: No budget changes have been made to this fund this fiscal year.

**CAPITAL (601):**

**BUDGET COMPARISONS**

	<u>July 1, 2013 to September 30, 2013</u>			
	<b>Budget</b>	<b>Actual</b>	<b>Percentage</b>	
Beginning Balance	\$ 123,736	\$ 141,124	114.0%	* see below
Transfers In	\$ 321,933	\$ 87,800	27.3%	
Revenues	\$ 32,500	\$ 0	0.0%	
M&S / Capital Outlay / Other	\$ 249,377	\$ 21,185	8.5%	
Debt Expenditures	\$ 228,792	\$ 45,976	20.1%	
Cash at Month End	\$ 161,782.53			

**Exceptions:**

- 1) **Beginning Balance:** \* *The Beginning Balance figures used here are estimated and have **NOT** been audited.*
- 2) **Revenues:**
- 3) **Expenditures:**
  - a. The Customer Connections line item has been over-expended by \$550.12 due to mis-coding of some customer costs that should be posted to the Secondary Lines (new customer costs).
  - b. The Lines, Maint & Supplies line item budget is \$4,000. We have ordered three new spools of fiber for service lines costing \$14,780. This exceeds the budget by \$10,780. We did not anticipate this need when the budget was prepared, but we are OK because we have over \$17,000 in addition Beginning Fund Balance and contingency of \$52,877.
  - c. The Capital Outlay line item for 'Primary' has no budget, but has been over-expended by \$1,516.25 due to some of the costs for the St. Mary's projects that were late, and so incurred in this fiscal year.
- 4) **Budget Changes:** No budget changes have been made to this fund this fiscal year.

City of The Dalles

FUND 600 QUALITYLIFE AGENCY FUND

ACCOUNT	DESCRIPTION	***** ESTIMATED	CURRENT ACTUAL	***** %REV	***** ESTIMATED	YEAR-TO-DATE ACTUAL	***** %REV	ANNUAL ESTIMATE	UNREALIZED BALANCE
300	BEGINNING BALANCE								
300 00 00		8,101	.00		24,303	93,286.21	384	97,223	3,936.79
300 **		8,101	.00		24,303	93,286.21	384	97,223	3,936.79
300 ***	BEGINNING BALANCE	8,101	.00		24,303	93,286.21		97,223	3,936.79
340	CHARGES FOR SERVICES								
344	UTILITY SERVICES								
10 00	UTILITY SERVICE CHARGES	47,685	47,915.00	101	143,055	139,645.00	98	572,229	432,584.00
15 00	LSN CREDITS	0	.00		0	.00		0	.00
20 00	CONNECT CHARGES	187	900.00	481	561	900.00	160	2,250	1,350.00
344 **	UTILITY SERVICES	47,872	48,815.00	102	143,616	140,545.00	98	574,479	433,934.00
340 ***	CHARGES FOR SERVICES	47,872	48,815.00		143,616	140,545.00		574,479	433,934.00
360	OTHER REVENUES								
361	INTEREST REVENUES								
00 00	INTEREST REVENUES	25	18.85	75	75	57.80	77	300	242.20
361 **	INTEREST REVENUES	25	18.85	75	75	57.80	77	300	242.20
369	OTHER MISC REVENUES								
00 00	OTHER MISC REVENUES	16	.00		48	.00		200	200.00
20 00	E-RATE REIMBURSEMENT	4,166	14,774.40	355	12,498	14,774.40	118	50,000	35,225.60
369 **	OTHER MISC REVENUES	4,182	14,774.40	353	12,546	14,774.40	118	50,200	35,425.60
360 ***	OTHER REVENUES	4,207	14,793.25		12,621	14,832.20		50,500	35,667.80
390	OTHER FINANCING SOURCES								
392	SALE OF FIXED ASSETS								
00 00	SALE OF FIXED ASSETS	0	.00		0	.00		0	.00
392 **	SALE OF FIXED ASSETS	0	.00		0	.00		0	.00
390 ***	OTHER FINANCING SOURCES	0	.00		0	.00		0	.00
FUND TOTAL	QUALITYLIFE AGENCY FUND	60,180	63,608.25		180,540	248,663.41		722,202	473,538.59



FUND 600 QUALITYLIFE AGENCY FUND		DEPT/DIV 9500 OTHER USES/		*****CURRENT*****		*****YEAR-TO-DATE*****		*****		ANNUAL UNENCUMB.		%	
SUB	OBJ	DESCRIPTION	BUDGET	ACTUAL	%EXP	BUDGET	ACTUAL	%EXP	ENCUMBR.	BUDGET	BALANCE	BUDGT	BDGT
60		OLIFE FUND											
600		OTHER USES											
	05	OTHER											
	81 91	OLIFE CAPITAL FUND	26827	29266.64	109	80481	87799.92	109	.00	321933	234133.08	27	
	83 10	ESD E-RATE	4166	.00	0	12498	.00	0	.00	50000	50000.00	0	
	05 **	OTHER	30993	29266.64	94	92979	87799.92	94	.00	371933	284133.08	24	
	06	CONTINGENCY / UAFB											
	88 00	CONTINGENCY	2270	.00	0	6810	.00	0	.00	27247	27247.00	0	
	89 00	UNAPROPRIATED ENDING BAL	4163	.00	0	12489	.00	0	.00	49957	49957.00	0	
	06 **	CONTINGENCY / UAFB	6433	.00	0	19299	.00	0	.00	77204	77204.00	0	
600 **	**	OTHER USES	37426	29266.64	78	112278	87799.92	78	.00	449137	361337.08	20	
60 **	**	QLIFE FUND	37426	29266.64	78	112278	87799.92	78	.00	449137	361337.08	20	
DIV 9500	TOTAL	*****	37426	29266.64	78	112278	87799.92	78	.00	449137	361337.08	20	
DEPT 95	TOTAL	*****	37426	29266.64	78	112278	87799.92	78	.00	449137	361337.08	20	
FUND 600	TOTAL	*****	60168	44136.83	73	180504	109858.90	61	.00	722202	612343.10	15	

City of The Dalles

ACCOUNT	DESCRIPTION	***** ESTIMATED	CURRENT ACTUAL	***** %REV	***** ESTIMATED	YEAR-TO-DATE ACTUAL	***** %REV	ANNUAL ESTIMATE	UNREALIZED BALANCE
FUND 601	QLIFE CAPITAL FUND								
300	BEGINNING BALANCE								
300 00 00		10,311	.00		30,933	141,124.01	456	123,736	17,388.01-
300 **		10,311	.00		30,933	141,124.01	456	123,736	17,388.01-
300 ***	BEGINNING BALANCE	10,311	.00		30,933	141,124.01		123,736	17,388.01-
330	INTERGOVERNMENTAL REVENUE								
331	FEDERAL REVENUES	0	.00		0	.00		0	.00
331 **	FEDERAL REVENUES	0	.00		0	.00		0	.00
331 ***	FEDERAL REVENUES	0	.00		0	.00		0	.00
330	INTERGOVERNMENTAL REVENUE								
340	CHARGES FOR SERVICES								
344	UTILITY SERVICES	2,708	.00		8,124	.00		32,500	32,500.00
344 20 00	CONNECT CHARGES	2,708	.00		8,124	.00		32,500	32,500.00
344 **	UTILITY SERVICES	2,708	.00		8,124	.00		32,500	32,500.00
344 ***	CHARGES FOR SERVICES	2,708	.00		8,124	.00		32,500	32,500.00
360	OTHER REVENUES								
369	OTHER MISC REVENUES	0	.00		0	.00		0	.00
00 00	OTHER MISC REVENUES	0	.00		0	.00		0	.00
10 00	ENTERPRISE ZONE PAYMENT	0	.00		0	.00		0	.00
369 **	OTHER MISC REVENUES	0	.00		0	.00		0	.00
369 ***	OTHER REVENUES	0	.00		0	.00		0	.00
390	OTHER FINANCING SOURCES								
391	OPERATING TRANSFERS IN	0	.00		0	.00		0	.00
40 00	IF PMT FROM OTHER FUNDS	26,827	29,266.64	109	80,481	87,799.92	109	321,933	234,133.08
90 01	QLIFE OPERATING FUND	26,827	29,266.64	109	80,481	87,799.92	109	321,933	234,133.08
391 **	OPERATING TRANSFERS IN	26,827	29,266.64	109	80,481	87,799.92	109	321,933	234,133.08
393	PROCEEDS- LT LIABILITIES								
10 00	LOAN/BOND PROCEEDS	0	.00		0	.00		0	.00
393 **	PROCEEDS- LT LIABILITIES	0	.00		0	.00		0	.00
390	OTHER FINANCING SOURCES	26,827	29,266.64		80,481	87,799.92		321,933	234,133.08
FUND TOTAL	QLIFE CAPITAL FUND	39,846	29,266.64		119,538	228,923.93		478,169	249,245.07





**QLIFE - LISTING OF FINANCIAL TRANSACTIONS**

FUND: OPERATING 600  
 FISCAL YEAR: 2013-14

PERIOD DETAIL FROM: 9/11/2013 TO: 10/18/2013

Revenue:	Billed as of	<b>9/20/2013 Connects</b>	450.00
		9/20/2013 Monthly	47,665.00
	QLife Monthly Billings	<b>BILLING DONE ON THE 20TH</b>	

TOTAL: **48,115.00**

CODE	Expenditures:		
600.6000.660.34.30	Aristo	General oversite August	1,560.09
600.6000.660.34.30	Aristo	General oversite July	2,435.46
600.6000.660.34.30	Aristo	Retainer - July/Aug	4,000.00
600.6000.660.32.10	Merina & Company	Audit	2,500.00
600.6000.660.41.40	NWC PUD	Electric	38.12
600.6000.660.58.10	Anzac	Lunch	90.00
600.6000.660.53.30	Gorge.net	Phone	35.04
600.6000.660.34.10	Commstructures	Engineering	1,052.50
600.9500.600.83.10	District 21	E rate	14,774.40
600.6000.660.69.60	Oregon Trail	Pole Bond	1,600.00
600.6000.660.69.70	City of The Dalles	ROW	1,437.45
600.6000.660.69.50	State of Oregon	Ethics Commission	309.65
600.6000.660.32.20	Keith Mobley	Legal	345.00
600.6000.660.41.40	NWC PUD	Electric	36.00
600.6000.660.44.10	City of The Dalles	Rent and services	5,524.17
TOTAL:			<b>35,737.88</b>

FUND: CAPITAL 601  
 FISCAL YEAR: 2013-14

PERIOD DETAIL FROM: 9/11/2013 TO: 10/18/2013

Revenue:

TOTAL:

CODE	Expenditures:		
	Columbia State Bank	Commercial Loan/Interest	11,494.11
601.6000.660.76.20	Aristo	LSN Connect august	82.80
601.6000.660.76.20	Aristo	LSN Connect august	2,278.34
601.6000.660.76.20	Aristo	DFW august	296.01
601.6000.660.76.20	Aristo	LSN Connect july	549.33
601.6000.660.76.20	Aristo	DFW-july	295.32
601.6000.660.76.20	Aristo	Northstate august	1,047.72
601.6000.660.76.20	NorthSky	Northstate august	8,357.00
601.6000.660.76.20	NorthSky	DFW	3,127.00
601.6000.660.43.86	Electromark	Tags	766.27
601.6000.660.76.20	NWC PUD	Overheads/Engineering	6,662.41
601.6000.660.76.20	Northsky	DFW	2,306.50
601.6000.660.76.20	Wasco County	NSA Permit	1,071.00
TOTAL:			<b>38,333.81</b>

October 16, 2013

To the Board of Directors  
QualityLife Intergovernmental Agency

We have audited the financial statements of the business-type activities of QualityLife Intergovernmental Agency for the year ended June 30, 2013. Professional standards (for Certified Public Accountants) require that we provide you with information about our responsibilities under general accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 14, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by QualityLife Intergovernmental Agency are described in Note I to the financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Agency's financial statements was:

Management's estimate of the accumulated depreciation is based on historical cost and straight-line depreciation. We evaluated the key factors and assumptions used to develop the accumulated depreciation amount in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Capital Assets in Note II.C to the financial statements summarizes the changes in capital assets for the year ended June 30, 2013.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were noted during the audit.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 16, 2013.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We did not note any audit findings or issues during our audit.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

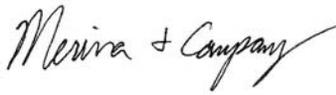
## Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and management of QualityLife Intergovernmental Agency and is not intended to be and should not be used by anyone other than these specified parties.

If you should have any questions or comments, we will be pleased to discuss this report with you at your convenience.

Very truly yours,

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

Merina & Company, LLP  
Certified Public Accountants and Consultants

**QUALITYLIFE  
INTERGOVERNMENTAL AGENCY**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2013**

# QUALITYLIFE INTERGOVERNMENTAL AGENCY

## Annual Financial Report For the Fiscal Year Ended June 30, 2013

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**OFFICIALS OF THE AGENCY**

**QUALITYLIFE INTERGOVERNMENTAL AGENCY**

**OFFICIALS OF THE AGENCY**

**AS OF JUNE 30, 2013**

**BOARD OF DIRECTORS**

Scott Hege, President  
511 Washington Street  
The Dalles OR 97058

Bill Dick  
2520 E 14th Street  
The Dalles OR 97058

Erick Larson  
1700 E 19th Street  
The Dalles OR 97058

Carolyn Wood  
1709 Liberty Way  
The Dalles OR 97058

Brian Ahier  
1126 E 8th Street  
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**

Board of Directors  
QualityLife Intergovernmental Agency  
The Dalles, Oregon

We have audited the accompanying financial statements of the business-type activities of QualityLife Intergovernmental Agency, as of and for the year ended June 30, 2013, 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 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 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 an opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of QualityLife Intergovernmental Agency, as of and for the year ended June 30, 2013, and the respective changes in financial position and, where applicable, 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*

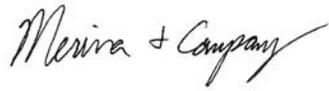
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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 the 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 an opinion on the financial statements that collectively comprise the QualityLife Intergovernmental Agency's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section 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 it.

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

Merina & Company, LLP  
West Linn, Oregon  
October 16, 2013

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **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 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 Statements reflect 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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current and other assets	\$ 276,616	\$ 377,801
Capital assets, net of depreciation	<u>1,581,230</u>	<u>1,535,186</u>
Total assets	<u>1,857,846</u>	<u>1,912,987</u>
<b>Liabilities</b>		
Long-term liabilities	344,555	567,168
Other liabilities	<u>43,011</u>	<u>100,108</u>
Total liabilities	<u>387,566</u>	<u>667,276</u>
<b>Net position</b>		
Invested in capital assets, net of debt	1,423,183	1,276,607
Unrestricted (deficit)	<u>47,097</u>	<u>(30,896)</u>
Total net position	<u>\$ 1,470,280</u>	<u>\$ 1,245,711</u>

The net position of the Agency is primarily invested in capital assets, net of related debt. New construction is primarily related to laterals for new customers and St. Mary's redundancy project.

A summarized version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Operating revenues	\$ 536,950	\$ 465,262
Capital grants and contributions	99,608	85,576
Other	<u>229</u>	<u>318</u>
Total revenues	<u>636,787</u>	<u>551,156</u>
<b>Expenses</b>		
Operating expenses	342,847	264,315
Other	44,323	35,438
Interest on long-term debt	<u>25,048</u>	<u>36,816</u>
Total expenses	<u>412,218</u>	<u>336,569</u>
<b>Increase in net position</b>		
Net position - beginning	<u>1,245,711</u>	<u>1,031,124</u>
Net position - ending	<u>\$ 1,470,280</u>	<u>\$ 1,245,711</u>

Net position increased during the year by \$224,569 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 \$619,538 with a contingency of \$45,000. Changes to the original appropriations were made via a supplemental budget that increased the E-Rate expenditures to cover additional E-Rate payments received. Expenditures were \$90,776 under budget.

The original legal appropriations for the QLife Capital Fund totaled \$617,468 with a contingency and other uses of \$190,209. Changes to the original appropriations were made via a supplemental budget that increased the Capital Outlay category, and budget amendments that provided for further increases to the Capital Outlay category. Expenditures were \$168,388 under budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### *Capital Assets*

As of June 30, 2013 the Agency had investment in capital assets, net of accumulated depreciation, \$1,581,230 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. QLife provided an additional \$52,000 for expansion of the public WiFi system this year. The Bisector project, estimated at \$343,550, had work in progress costs of \$334,050 as of June 30, 2013.

### *Debt Outstanding*

As of June 30, 2013, the Agency had \$344,555 in long-term debt outstanding. A portion of this debt in the amount of \$3,446 was borrowed to finance the construction of the fiber optic loop. The remaining amount was used to refinance prior conduit debt and construction. Payments in the amount of \$222,613 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. FY12/13 was the end of the annual \$50,000 Enterprise Zone funds we received for seven years. Google, the search engine, started operations in new facilities in the City in 2006, and will be expanding their facilities in FY13/14.

## **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, 2013**

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**ASSETS**

Current assets:		
Cash and cash equivalents	\$	219,153
Accounts receivables, net		<u>57,463</u>
Total current assets		276,616
Capital assets:		
Construction in progress		334,050
Depreciable assets, net of depreciation		<u>1,247,180</u>
Total capital assets, net		<u>1,581,230</u>
Total assets	\$	<u><u>1,857,846</u></u>

**LIABILITIES AND NET POSITION**

**LIABILITIES:**

Current liabilities:		
Accounts payable	\$	42,339
Accrued interest payable		672
Current portion of long-term debt		<u>123,506</u>
Total current liabilities		166,517
Long-term obligations, less current portion		<u>221,049</u>
Total liabilities		<u>387,566</u>

**NET POSITION:**

Invested in capital assets, net of related debt		1,423,183
Unrestricted (deficit)		<u>47,097</u>
Total net position		<u>1,470,280</u>
Total liabilities and net position	\$	<u><u>1,857,846</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 FUND NET POSITION  
 For the Fiscal Year Ended June 30, 2013**

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	<u>QualityLife Operations</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 536,950
Total operating revenues	<u>536,950</u>
<b>OPERATING EXPENSES:</b>	
Material and services	284,102
Depreciation	<u>58,745</u>
Total operating expenses	<u>342,847</u>
Operating income (loss)	194,103
<b>NON-OPERATING INCOME (EXPENSE):</b>	
Interest on investment	229
Grants and contributions	99,608
Grant expense	(44,323)
Interest expense	<u>(25,048)</u>
Total non-operating income (expenses)	<u>30,466</u>
Change in net position	224,569
<b>NET POSTION, BEGINNING</b>	<u>1,245,711</u>
<b>NET POSITION, ENDING</b>	<u><u>\$ 1,470,280</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, 2013**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 512,666
Cash paid to suppliers and others	(340,076)
	<hr/>
Net cash provided (used) by operating activities	172,590
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Grants and contributions	99,608
Purchase of capital assets	(104,789)
Grant expenses	(44,323)
Principal payments on debt	(222,613)
Interest on long-term obligations	(26,171)
	<hr/>
Net cash provided (used) by capital and related financing activities	(298,288)
	<hr/>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	229
	<hr/>
Net cash provided (used) by investing activities	229
	<hr/>
Net increase (decrease) in cash and cash equivalents	(125,469)

**CASH AND CASH EQUIVALENTS, BEGINNING**

344,622

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**CASH AND CASH EQUIVALENTS, ENDING**

\$ 219,153

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**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 194,103
Adjustments	
Depreciation	58,745
Decrease (increase) in:	
Accounts receivable	(24,284)
Increase (decrease) in:	
Accounts payable and accrued expenses	(55,974)
	<hr/>
Net cash provided (used) by operating activities	\$ 172,590
	<hr/> <hr/>

*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, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Fund Structure**

The 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 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:

<b>Fund Type - Enterprise</b>	<b>Principal Revenue Source</b>	<b>Primary Expenditure Purpose</b>
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, 2013.

**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: investment in capital assets, net of related debt; restricted net position; and unrestricted net position.

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 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, 2013, 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, 2013 from user charges.

### C. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>General</b>					
<b>Capital Assets, non-depreciable:</b>					
Construction in progress	\$ 229,261	\$ 104,789	\$ -		\$ 334,050
Total capital assets, non-depreciable	<u>229,261</u>	<u>104,789</u>		<u>-</u>	<u>334,050</u>
<b>Capital assets, depreciable:</b>					
Fiber optic loop	1,645,553	-	-		1,645,553
Equipment	78,581	-	-	-	78,581
Software licenses	7,011	-	-	-	7,011
Total capital assets, depreciable	<u>1,731,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731,145</u>
<b>Less accumulated depreciation for:</b>					
Fiber optic loop	(361,471)	(52,106)	-	-	(413,577)
Equipment	(61,026)	(6,019)	-	-	(67,045)
Software licenses	(2,723)	(620)	-	-	(3,343)
Total accumulated depreciation	<u>(425,220)</u>	<u>(58,745)</u>	<u>-</u>	<u>-</u>	<u>(483,965)</u>
Net depreciable capital assets	<u>1,305,925</u>	<u>(58,745)</u>	<u>-</u>	<u>-</u>	<u>1,247,180</u>
<b>Net capital assets</b>	<u>\$ 1,535,186</u>	<u>\$ 46,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,581,230</u>

#### D. Long-Term Obligations

Outstanding debt and transactions for the year ended June 30, 2013 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
<b>Business Type Activities:</b>					
Oregon Investment Board - payable in semi-annual installments of \$3,515, including interest at 4 percent. Final payment is due December 30, 2012.	\$ 3,446	\$ -	\$ (3,446)	\$ -	\$ -
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.	<u>563,722</u>	<u>-</u>	<u>(219,167)</u>	<u>344,555</u>	<u>123,506</u>
Total Business	<u>\$ 567,168</u>	<u>\$ -</u>	<u>\$ (222,613)</u>	<u>\$ 344,555</u>	<u>\$ 123,506</u>

Future maturities of long-term obligations as of June 30, 2013 are as follows:

Year Ending June 30,	<u>Columbia State Bank</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$123,506	\$ 14,423
2015	129,825	8,104
2016	<u>91,224</u>	<u>1,737</u>
Total	<u>\$344,555</u>	<u>\$ 24,264</u>

#### 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 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. Wasco 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	\$ 16,866
Wasco County	\$ 4,543
Rent expense to the City of The Dalles:	\$ 5,244

In addition, at June 30, 2013, the City owes \$820 and Wasco County owes \$2,760 to the Agency for services received. The Agency also owes the City \$6,406 for current year rent and charges of administrative services rendered, and \$1,359 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 Agency was in progress of constructing improvements on the Bisector Project at June 30, 2013. Costs incurred to date are \$334,050, with total estimated costs of \$343,550. The project was considered 97% complete.

#### **H. Subsequent Events**

The Agency follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 165, "Subsequent Events" (ASC 855). ASC 855 established new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through October 16, 2013, the date on which the financial statements were issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

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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, 2013**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ 528,600	\$ 528,600	\$ 520,380	\$ (8,220)
Interest on investments	500	500	229	(271)
Miscellaneous	40,000	50,000	44,458	(5,542)
Total revenues	<u>569,100</u>	<u>579,100</u>	<u>565,067</u>	<u>(14,033)</u>
<b>EXPENDITURES:</b>				
Materials and service	198,694	198,694	178,595	20,099
Capital outlay	20,000	20,000	-	20,000
Other	40,000	50,000	44,323	5,677
Contingency	45,000	45,000	-	45,000
Total expenditures	<u>303,694</u>	<u>313,694</u>	<u>222,918</u>	<u>90,776</u>
Revenues over (under) expenditures	265,406	265,406	342,149	76,743
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(315,844)</u>	<u>(315,844)</u>	<u>(315,844)</u>	<u>-</u>
Total other financing sources (uses)	<u>(315,844)</u>	<u>(315,844)</u>	<u>(315,844)</u>	<u>-</u>
Net changes in fund balances	(50,438)	(50,438)	26,305	76,743
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	<u>50,438</u>	<u>50,438</u>	<u>66,849</u>	<u>16,411</u>
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>\$ 93,154</u>	<u><u>\$ 93,154</u></u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital projects fund balance			141,123	
Capital assets			1,581,230	
Accrued interest payable			(672)	
Long-term debt			<u>(344,555)</u>	
<b>NET POSITION AT END OF YEAR</b>			<u><u>\$ 1,470,280</u></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, 2013**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ 32,500	\$ 42,500	\$ 16,570	\$ (25,930)
Miscellaneous	50,000	50,000	55,150	5,150
Total revenues	82,500	92,500	71,720	(20,780)
<b>EXPENDITURES:</b>				
Materials and service	18,000	18,000	6,036	11,964
Capital outlay	159,475	221,475	204,260	17,215
Debt service:				
Principal	215,444	215,444	222,613	(7,169)
Interest	34,340	34,340	26,171	8,169
Contingency	190,209	138,209	-	138,209
Total expenditures	617,468	627,468	459,080	168,388
Revenues over (under) expenditures	(534,968)	(534,968)	(387,360)	147,608
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	315,844	315,844	315,844	-
Total other financing sources (uses)	315,844	315,844	315,844	-
Net changes in fund balances	(219,124)	(219,124)	(71,516)	147,608
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	219,124	219,124	212,639	(6,485)
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	\$ -	\$ -	\$ 141,123	\$ 141,123

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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 QualityLife Intergovernmental Agency, as of and for the year ended June 30, 2013 and have issued our report thereon dated October 16, 2013. 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 grant agreements, 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).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).

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*.

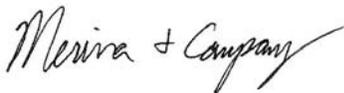
## OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered QualityLife Intergovernmental Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the QualityLife Intergovernmental Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the QualityLife Intergovernmental Agency's internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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  
October 16, 2013

**Q-Life Network  
Broadband Strategic Plan  
A Report – October 24, 2013**

Q-Life Network is an assumed business name of the QualityLife Intergovernmental Agency, created in 2001. The governmental partners are Wasco County and the City of The Dalles.

The agency was created to increase the availability of broadband as an economic development asset. When the fiber loop around The Dalles was completed, it served the city, the county, the school district, the community college, and the medical community. With those “anchor tenants,” the ability to retire indebtedness became a reality.

Q-Life Network is a middle-mile provider only, and has no employees. Necessary services are contracted by a five-member board of directors, with two appointed by the city, two by the county, and one at-large.

A strategic plan was developed in 2002, and when the opportunity to develop a new plan surfaced, the board authorized an application. That application was one of four selected in the first round, the plan was developed under the leadership of Nancy Jesuale and NetCity, was accepted by the board, and adopted by the city and the county earlier this year.

Efforts to implement the plan are now underway. Carrie Pipinich, on behalf of the Mid-Columbia Economic Development District, and Keith Mobley, on behalf of Q-Life Network, are working together to identify situations and individuals who might benefit by the organization of a work group around strategies and tactics found in the new plan.

They are working with Brian Ahier, a Q-Life Network board member and expert on health information technology to “initiate a pilot program to test assumptions and develop best practices for using broadband to improve healthcare and educational outcomes.” Brian is a national expert on health information technology with a focus on health data exchange. He is President of Advanced Health Information Exchange Resources, LLC, which provides consulting services to a variety of industry clients. He serves on the Consumer Technology Workgroup of the HIT Standards Committee. He was previously Health IT Evangelist at Mid-Columbia Medical Center in The Dalles.

Organizational efforts are also underway to “assist fruit growers and other local businesses to adopt broadband-enabled strategies to compete in global markets.” Local orchardists are experimenting with technology developed at Washington State University that will allow in-orchard yield and picker monitoring over wireless networks. Data is gathered using bracelets with bar codes, weighing is attributed to the bar code, and quantity and quality information is assembled and gathered centrally before the cherries leave the orchard.

Bridging the Columbia River with broadband is being led by an initiative underway through the Mid-Columbia Economic Development District. MCEDD received a 2013 Innovation Award from the National Association of Development Organizations Research Foundation for its Klickitat-Skamania Local Technology Planning Team project. They are developing a public Internet hot spot inventory, working with communities and internet service providers to increase internet accessibility throughout the counties, and conducting broadband technology training for businesses and residents utilizing a newly developed mobile laptop lab. Lessons learned and products being developed just across the river will be useful in local work to “deploy an effective public awareness and outreach campaign that articulates broadband benefits and value.”

Finally, Q-Life Network plans to assemble a team that would “market the business and quality-of-life benefits of The Dalles and Wasco County as a ‘connected community’ to large employers with a telecommuting workforce.

The strategic objective of our plan is to: “Leverage current technology planning efforts in our region, the region’s broadband infrastructure and our investment in middle-mile fiber plant to enhance our region’s economic vitality and quality of life.”

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Aristo Networks LLC  
Technical Management Report  
By  
John Amery  
10/22/2013

Items of Discussion:

1. No known Qlife outages this month (even though we were apparently blamed for an outage by one of our customers)
2. Working with electronics vendor on Failover challenges.