

UMATILLA MORROW RADIO
AND DATA DISTRICT
Pendleton, Oregon

Financial Statements and
Independent Auditors' Report

June 30, 2012

UMATILLA MORROW RADIO AND DATA DISTRICT

Board of Directors

	<u>TERM EXPIRES</u>
Michael Roxbury	June 30, 2013
Kathleen Lieuallen	June 30, 2013
Keith Kennedy	June 30, 2013
Kenneth Matlack	June 30, 2013
Marc Rogelstad	June 30, 2015

REGISTERED AGENT:

Shawn Halsey, District Administrator
4700 NW Pioneer Place
Pendleton, Oregon 97801

Telephone 541-966-3774

UMATILLA MORROW RADIO AND DATA DISTRICT

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June 30, 2012

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CERTIFIED PUBLIC ACCOUNTANTS

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BETSY J. BENNETT, C.P.A.
ADAM M. BARNETT, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Umatilla Morrow Radio and Data District
Pendleton, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of Umatilla Morrow Radio and Data District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

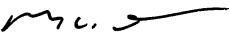
As discussed in Note 1, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and each major fund of Umatilla Morrow Radio and Data District as of June 30, 2012, and the respective changes in financial position - modified cash basis and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Board of Directors
Umatilla Morrow Radio and Data District
Page two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Umatilla Morrow Radio and Data District's financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Property Tax Transactions and Outstanding Balances is the responsibility of management and was derived from and relate directly to the underlying accounting 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.

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
November 27, 2012

UMATILLA MORROW RADIO AND DATA DISTRICT

Statement of Net Assets and Governmental Funds Balance Sheet

-- Modified Cash Basis

June 30, 2012

	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Net Assets</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 585,393	\$ -	\$ 585,393
Depreciable capital assets, net	-	30,975	30,975
Total assets	<u>\$ 585,393</u>	<u>\$ 30,975</u>	<u>\$ 616,368</u>
<u>LIABILITIES:</u>			
Credit cards payable	\$ 5,009	\$ -	\$ 5,009
Lease obligation due within one year	-	8,975	8,975
Lease obligation due in more than one year	-	21,075	21,075
Total liabilities	<u>5,009</u>	<u>30,050</u>	<u>35,059</u>
<u>FUND BALANCES / NET ASSETS:</u>			
Unassigned	<u>580,384</u>	<u>(580,384)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 585,393</u>		
Net assets:			
Unrestricted		<u>581,309</u>	<u>581,309</u>
		<u>\$ 30,975</u>	<u>\$ 616,368</u>
Total net assets			

See accompanying independent auditors' report
and notes to financial statements.

UMATILLA MORROW RADIO AND DATA DISTRICT

**Statement of Activities and Governmental Funds Revenues, Expenditures, and
Changes in Fund Balances -- Modified Cash Basis
Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES:</u>			
Communication system operations:			
Personal services	\$ 89,550	\$ -	\$ 89,550
Materials and services	229,758	-	229,758
Capital Outlay	30,975	(30,975)	-
Debt Service	1,020	(925)	95
Total expenditures/expenses	<u>351,303</u>	<u>(31,900)</u>	<u>319,403</u>
<u>PROGRAM REVENUES:</u>			
Charges for services	16,500	-	16,500
Net program expense	<u>334,803</u>	<u>(31,900)</u>	<u>302,903</u>
<u>GENERAL REVENUES:</u>			
Property taxes	881,156	-	881,156
Investment income	749	-	749
Miscellaneous	2,307	-	2,307
Total general revenues	<u>884,212</u>	<u>-</u>	<u>884,212</u>
<u>OTHER FINANCING SOURCES:</u>			
Capital lease proceeds	30,975	(30,975)	-
<u>CHANGE IN NET ASSETS</u>	580,384	925	581,309
<u>FUND BALANCE / NET ASSETS:</u>			
Beginning of the year	-	-	-
End of the year	<u>\$ 580,384</u>	<u>\$ 925</u>	<u>\$ 581,309</u>

See accompanying independent auditor's report
and notes to financial statements.

UMATILLA MORROW RADIO AND DATA DISTRICT

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
(Arising from Cash Transactions)
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property taxes	\$ 810,000	\$ 810,000	\$ 881,156	\$ 71,156
Grants	700,000	700,000	-	(700,000)
User fees	16,500	16,500	16,500	-
Interest and miscellaneous	-	-	3,056	3,056
Total revenues	<u>1,526,500</u>	<u>1,526,500</u>	<u>900,712</u>	<u>(625,788)</u>
<u>EXPENDITURES:</u>				
Communication system operations:				
Personal services	174,200	174,200	89,550	84,650
Materials and services	393,500	393,500	229,758	163,742
Capital outlay	893,000	893,000	30,975	862,025
Debt service	-	-	1,020	(1,020)
Operating contingency	61,800	61,800	-	61,800
Total expenditures	<u>1,522,500</u>	<u>1,522,500</u>	<u>351,303</u>	<u>1,171,197</u>
<u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Capital lease proceeds	-	-	30,975	30,975
<u>EXCESS OF REVENUES</u>				
<u>OVER EXPENDITURES</u>	4,000	4,000	580,384	576,384
<u>FUND BALANCE,</u>				
<u>BEGINNING OF YEAR</u>	-	-	-	-
<u>FUND BALANCE,</u>				
<u>END OF YEAR</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 580,384</u>	<u>\$ 576,384</u>

See accompanying independent auditor's report
and notes to financial statements.

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements

June 30, 2012

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting entity:

The District incorporated in 2010 for the purpose of operating and maintaining a common communication system available to emergency services agencies in Umatilla and Morrow Counties. The District is governed by five board members elected to four year terms.

The District has determined that no outside agency meets the criteria to be included as a component unit in the District's financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements (the statement of net assets and the statement of activities) are reported using the economic resources measurement focus. The governmental fund financial statements (the fund balance sheets and the statement of revenues, expenditures, and changes in fund balances) are reported on the current financial resources measurement focus. The District uses the modified cash basis of accounting for preparation of financial statements and budgeting. Under the modified cash basis of accounting, revenues and related assets are not recorded until they are received and expenditures are not recorded until disbursement has been made. The District deems a disbursement to have been made and an expenditure is recorded when a credit card is tendered to pay for a transaction.

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The difference between governmental fund assets and liabilities is reported as fund balance.

The District uses only one fund, the General Fund, to account for all operations of the District.

Budget procedures:

A budget is prepared in accordance with the cash basis of accounting and legal requirements set forth in the Oregon Local Budget Law. Budget amounts shown in the financial statements include the original and supplemental budget amounts and all appropriation transfers approved by the Board of Directors.

The District employs the following procedures in establishing the budgetary data reflected in the financial statements.

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements

June 30, 2012

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Budget procedures (continued):

The appointed budget officer develops a proposed budget for submission to the budget committee appointed by the Board of Directors. The operating budget includes proposed expenditures and the means for financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years.

After the proposed budget is prepared, the budget officer publishes a "Notice of Budget Committee Meeting" in at least one newspaper of general circulation. At the budget committee meeting, the budget message is delivered explaining the proposed budget and any significant changes in the District's financial position. The budget committee meets thereafter as many times as necessary until the budget document is completed.

After approval by the budget committee and the required public hearing, and prior to July 1, the budget is adopted by the Board of Directors, and appropriations are enacted by resolution. Appropriations control expenditures in broad categories as required by Oregon Local Budget Law. Detailed classifications of budgeted expenditures are used for administrative control purposes. Budget appropriations lapse at year end.

The District is not allowed to modify the budget without action by the governing body. The governing body is authorized to modify the original budget appropriation ordinance in the following ways:

- a. Transfer of budget appropriations within a fund are authorized by resolution of the governing body.
- b. Budget revisions that increase total expenditures in any fund require a supplemental budget to be adopted. If a supplemental budget increases a fund's expenditures by less than 10%, the District can adopt it by publishing a notice seven days before a meeting is held to pass the adoption resolution. If a supplemental budget increases a fund's expenditures by more than 10%, the District must follow the same procedures in adopting a supplemental budget as those to adopt an original budget.

During the year the District did not adopt any supplemental budgets.

Budget overexpenditure:

Oregon state local budget laws prohibit overexpenditure of budget appropriations. The District overexpended its budget as follows during the year ended June 30, 2012:

Debt service	<u>\$ 1,020</u>
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Investment policy:

District monies are invested as allowed by Oregon Statute. Presently all investments are in demand deposits.

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements

June 30, 2012

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital assets:

The District capitalizes individual assets that cost more than \$6,000 and have an estimated useful life in excess of one year.

Donated fixed assets are not recorded on the statement of net assets under the modified cash basis of accounting. The District received donated radio equipment in 2010 valued at \$8.9 million.

Capital assets are comprehensively reported in the government-wide financial statements. Maintenance and repairs are charged to expenditures in the fund incurred and are not capitalized. Upon disposal, the cost and applicable accumulated depreciation are removed from the respective account, and the resulting gain or loss is recorded in operations. Depreciation of fixed assets is computed on the straight-line method, over the estimated useful life of the asset.

Property taxes:

Umatilla County and Morrow County assess and collect taxes for the District. Property taxes are billed in October of each year. Unpaid personal and real property taxes become liens against the property on January 1 and July 1, respectively. Property taxes are payable in three installments due November 15, February 15, and May 15. A 3% discount is allowed for full payment by November 15. Interest at 16% annually is charged for late payments.

The 2011-2012 tax levies were adopted June 7, 2011. The levies are within the available tax base.

Use of estimates:

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes:

The District is a municipal corporation exempt from federal and state income tax.

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements

June 30, 2012

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Net assets:

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by laws or regulations.

Fund Balance:

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

Fund balance is reported as committed when the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the Board approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

When the option is available to use restricted or unrestricted resources for any purpose, the District expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the District expends committed resources before assigned resources, and assigned resources before unassigned resources.

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements

June 30, 2012

NOTE 2 -- CASH AND INVESTMENTS:

Cash consisted of:

Checking account, Banner Bank	\$ 230,346
Savings accounts, Banner Bank	355,047
Total cash	<u>\$ 585,393</u>

Custodial Credit Risk - Cash:

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. Public officials verify that deposit amounts in excess of deposit insurance limits are only maintained at qualified depositories. ORS 295 requires the qualified depository to pledge collateral against any public funds deposits in excess of deposit insurance amounts.

As of June 30, 2012, the total bank balance was \$585,393. Of these deposits, \$250,000 was covered by federal depository insurance. The District maintains its funds at a financial institution deemed to be a qualified depository by the Office of the State Treasurer. As a result, the District's remaining deposits in excess of federal deposit insurance are considered by management to be fully collateralized.

NOTE 3 -- RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

NOTE 4 -- RELATED PARTY TRANSACTIONS:

The District provides access to voice and data communications systems to law enforcement and other emergency service agencies throughout Umatilla and Morrow Counties of Oregon. Members of the Board of Directors are employees of agencies served by the District.

NOTE 5 -- CAPITAL ASSETS:

A summary of changes in capital assets during the year follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Equipment and vehicles	\$ -	\$ 30,975	\$ -	\$ 30,975
Less accumulated depreciation	-	-	-	-
Total capital assets, net	<u>\$ -</u>	<u>\$ 30,975</u>	<u>\$ -</u>	<u>\$ 30,975</u>

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements
June 30, 2012

NOTE 6 -- CHANGES IN DEBT:

Short-term debt:

During the fiscal year ended June 30, 2012 the District maintained an operating line of credit with a local bank. Proceeds from advances under this line of credit were deposited in the General Fund and utilized to fund District operations for the time period from the beginning of its fiscal year to the time of property tax receipts from Umatilla County, typically the third week of November each year.

Short-term debt activity for fiscal year ended June 30, 2012 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Operating line of credit	\$ -	\$ 7,228	\$ (7,228)	\$ -

Long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2011 Auto Leasing Specialists, LLC - Capital Lease	\$ -	\$ 30,975	\$ (925)	\$ 30,050	\$ 8,975

Long-term debt consisted of the following:

Lease Purchase Agreements

During June 2012, the District entered into a three-year capital lease agreement for the purpose of financing a four-wheel drive vehicle for District use. The contract is payable in \$925 monthly installments beginning July 2012 and ending June 2015. Stated interest rate of 5.0% as provided by the lease agreement.

Following is a schedule of future minimum lease payments under these agreements, together with the net present value of the minimum lease payments as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 8,975	\$ 1,194	\$ 10,169
2014	10,273	821	11,094
2015	10,802	295	11,097
	<u>\$ 30,050</u>	<u>\$ 2,310</u>	<u>\$ 32,360</u>

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes to Basic Financial Statements

June 30, 2012

NOTE 7 – DEFINED BENEFIT PENSION PLAN:

A. Plan Description

The District is a participating employer in the Oregon Public Employees Retirement System (“PERS”), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member’s IAP, not the member’s PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (“OPERB”). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.state.or.us.

B. Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan. The employer is required by ORS 238.225 to contribute at an actuarially determined rate, currently 14.78%. The contribution requirements for plan members and the employer are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes to Basic Financial Statements

June 30, 2012

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued):

C. Annual Pension Cost

The District elects to pay the employees' required contributions. For 2012, the District's annual pension cost of \$13,265 was equal to the District's required and actual contributions. Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL are amortized as a level percentage of combined valuation payroll over a closed 20 year period. The District uses the market value of assets method to determine the asset valuation. The actuarial assumptions included: (a) 8% investment return compounded annually on member's regular account balances and 8.5% compounded annually on member's variable account balances; (b) future general wage inflation of 3.75% per year; (c) healthcare cost inflation graded from 7.0% in 2009 to 4.5% in 2029; (d) consumer price inflation of 2.75% per year.

D. Trend Information

Because the District was established in 2010, and hired its first employee in 2011, no trend information is available.

NOTE 8 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN:

Retirement Health Insurance Account (RHIA)

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements
June 30, 2012

NOTE 8 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN (continued):

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contribution to RHIA for the year ended June 30, 2012 was \$376, which equaled the required contribution for the year.

NOTE 9 -- TERMINATION BENEFITS:

The District provides compensation to the District Administrator in the event of termination other than for cause. The District has agreed to pay one month's salary for each year the District Administrator has been employed with the District at the time of termination. Additionally, the District pays accrued and unused vacation benefits to all employees upon separation from service.

Under the modified cash basis of accounting, expenditures are not recorded until the disbursement has been made. Accordingly, no liability or expenditure will be recorded until a disbursement is made upon termination.

NOTE 10 -- RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS:

Total governmental fund balances	\$ 580,384
Capital assets used in the governmental activities are not financial resources, and therefore are not reported in the governmental funds balance sheet.	30,975
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the fund financial statements.	<u>(30,050)</u>
Total governmental net assets	<u>\$ 581,309</u>

UMATILLA MORROW RADIO AND DATA DISTRICT

Notes To Basic Financial Statements

June 30, 2012

**NOTE 11-- RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES:**

Net change in governmental fund balances	\$ 580,384
Capital lease proceeds are recorded as other financing sources in the general fund, but proceeds are added to liabilities in the statement of net assets.	(30,975)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Expenditures for capital assets	30,975
Repayment of principal of loans and capital leases are an expenditure in the general fund, but repayment reduces liabilities in the statement of net assets. This is the amount by which debt payments exceed the current interest expense.	<u>925</u>
Change in net assets of governmental activities	<u><u>\$ 581,309</u></u>

NOTE 12 -- SUBSEQUENT EVENTS:

The District has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would materially effect the financial statements.

SUPPLEMENTAL INFORMATION

UMATILLA MORROW RADIO AND DATA DISTRICT

Schedule of Property Tax Transactions and Outstanding Balances
Year Ended June 30, 2012

<u>Years Ended June 30,</u>	<u>Property Taxes Receivable June 30, 2011</u>	<u>Current Levy Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Adjustments</u>	<u>Interest Charges</u>	<u>Cash Collections</u>	<u>Property Taxes Receivable June 30, 2012</u>
Umatilla County 2012	\$ -	\$ 703,171	\$ (17,623)	\$ (1,865)	\$ 194	\$ (653,048)	\$ 30,829
Morrow County 2012		235,564	(6,396)	(249)	-	(224,421)	4,498
	<u>\$ -</u>	<u>\$ 938,735</u>	<u>\$ (24,019)</u>	<u>\$ (2,114)</u>	<u>\$ 194</u>	<u>\$ (877,469)</u>	<u>\$ 35,327</u>

Note: The District's first tax year was 2012.

REVENUES RECORDED:

Tax collections (above)	\$ 877,469
Other adjustments	3,687
Revenues recorded	<u>\$ 881,156</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Umatilla Morrow Radio and Data District
Pendleton, Oregon

We have audited the basic financial statements of the Umatilla Morrow Radio and Data District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. 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 Umatilla Morrow Radio and Data District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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

- Budget overexpenditures are reported in Note 1.

OAR 162-10-0230 Internal Control

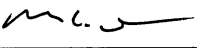
In planning and performing our audit, we considered Umatilla Morrow Radio and Data District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Umatilla Morrow Radio and Data District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Umatilla Morrow Radio and Data District'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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 above.

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

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
Hermiston, Oregon
November 27, 2012