

CITY OF MILLERSBURG
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2012

CITY OF MILLERSBURG
Linn County, Oregon

CITY OFFICIALS

June 30, 2012

MAYOR

C. Clayton Wood
5353 Woods Road NE
Albany, Oregon 97321

CITY COUNCIL

Scott Cowan
2491 Millersburg Drive NE
Albany, Oregon 97321

Lisa Metz-Dittmer
P.O. Box 3390
Albany, Oregon 97321

Darrin Lane
4639 Terri Lane NE
Albany, Oregon 97321

Jason Yutzie
3086 Yellowstone Place NE
Albany, Oregon 97321

CITY ADMINISTRATOR/RECORDER

Barbara Castillo
4222 Old Salem Road NE
Albany, Oregon 97321

CITY OF MILLERSBURG
Linn County, Oregon

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FINANCIAL SECTION



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable C. Clayton Wood, Mayor
and Members of the City Council
City of Millersburg
Albany, Oregon 97321

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millersburg, Linn County, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Millersburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

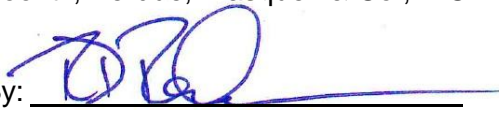
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millersburg, Linn County, Oregon as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 42 through 45, respectively, 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Millersburg's basic financial statements as a whole. The combining statements, individual fund schedules, and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates 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 basic financial statements taken as a whole.

Koontz, Perdue, Blasquez & Co., P.C.

By: 

Richard D. Perdue, CPA

Albany, Oregon
January 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the City of Millersburg, Linn County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2012, total net assets of the City of Millersburg amounted to \$32,156,111. Of this amount, \$26,674,309 was invested in capital assets, net of related debt. The remaining balance included \$854,664 restricted for system development, \$25,174 restricted for debt service, and \$4,601,964 of unrestricted net assets.
- The City's total net assets increased by \$3,116,882 during the current fiscal year.
- Overall revenues were \$6,140,404, which exceeded total expenditures of \$3,023,522 by \$3,116,882.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Millersburg's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and highways and streets. The business-type activities of the City include sewer and water utility services.

The government-wide financial statements can be found on pages 10 through 11 of this report.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the City of Millersburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on the balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Street Reserve Funds, both of which are considered to be major governmental funds. Data from the nonmajor governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Millersburg adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two individual enterprise funds.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its sewer and water utility services. Information is presented separately in the proprietary funds statement of net assets, statement of revenues, expenses, and changes in fund net assets, and statement of cash flows for the Sewer Utility and Water Utility Funds, both of which are considered to be major proprietary funds.

The City of Millersburg adopts an annual appropriated budget for all of its proprietary funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic proprietary fund financial statements can be found on pages 16 through 19 of this report.

□ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is the same as that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General and Street Reserve Funds. This required supplementary information can be found on pages 42 through 45 of this report.

The combining statements referred to earlier, in connection with the nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be on pages 46 through 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. At June 30, 2012, the City's assets exceeded liabilities by \$32,156,111.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A large portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net Assets

At the end of the current fiscal year, the City was able to report positive balances in all categories of net assets. The City's net assets increased by \$3,116,882 during the current fiscal year.

Condensed statement of net assets information is shown below.

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 2,685,120	\$ 3,531,150	\$ 2,338,354	\$ 2,020,609	\$ 5,023,474	\$ 5,551,759
Restricted assets	90,221	120,428	773,578	674,407	863,799	794,835
Net capital assets	14,097,898	13,294,680	22,959,500	23,396,346	37,057,398	36,691,026
Total assets	16,873,239	16,946,258	26,071,432	26,091,362	42,944,671	43,037,620
Liabilities						
Current liabilities	198,625	77,847	698,254	745,098	896,879	822,945
Noncurrent liabilities	14,372	-	9,877,309	13,175,446	9,891,681	13,175,446
Total liabilities	212,997	77,847	10,575,563	13,920,544	10,788,560	13,998,391
Net assets						
Invested in capital assets, net of related debt	14,097,898	13,294,680	12,576,411	9,781,024	26,674,309	23,075,704
Restricted for various purposes	106,260	120,428	773,578	674,407	879,838	794,835
Unrestricted	2,456,084	3,453,303	2,145,880	1,715,387	4,601,964	5,168,690
Total net assets	\$ 16,660,242	\$ 16,868,411	\$ 15,495,869	\$ 12,170,818	\$ 32,156,111	\$ 29,039,229

City's Changes in Net Assets

The condensed statement of activities information shown on the following page explains changes in net assets.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program revenues						
General government	\$ 30,884	\$ 19,200	\$ -	\$ -	\$ 30,884	\$ 19,200
Highways and streets	56,672	56,672	-	-	56,672	56,672
Sewer utility	-	-	639,454	698,629	639,454	698,629
Water utility	-	-	653,405	590,202	653,405	590,202
Total program revenues	<u>87,556</u>	<u>75,872</u>	<u>1,292,859</u>	<u>1,288,831</u>	<u>1,380,415</u>	<u>1,364,703</u>
General revenues						
Property taxes	575,668	62,329	20,045	624,831	595,713	687,160
School excise tax	534	528	-	-	534	528
Franchise fees	829,949	720,789	-	-	829,949	720,789
Alcohol and cigarette taxes	20,301	15,779	-	-	20,301	15,779
Highway use tax	71,188	58,015	-	-	71,188	58,015
Intergovernmental	6,669	-	-	-	6,669	-
Unrestricted grants and contributions	30,690	26,435	-	-	30,690	26,435
Licenses and permits	128,807	98,134	-	-	128,807	98,134
Investment earnings	26,812	26,963	10	10	26,822	26,973
Loan payment reimbursement	-	-	17,500	-	17,500	-
Loan forgiveness	-	-	3,000,000	-	3,000,000	-
Miscellaneous	31,816	30,080	-	-	31,816	30,080
Total general revenues	<u>1,722,434</u>	<u>1,039,052</u>	<u>3,037,555</u>	<u>624,841</u>	<u>4,759,989</u>	<u>1,663,893</u>
Total revenues	<u>1,809,990</u>	<u>1,114,924</u>	<u>4,330,414</u>	<u>1,913,672</u>	<u>6,140,404</u>	<u>3,028,596</u>
Program expenses						
General government	1,421,539	1,145,925	-	-	1,421,539	1,145,925
Highways and streets	43,571	38,117	-	-	43,571	38,117
Sewer utility	-	-	766,376	882,374	766,376	882,374
Water utility	-	-	792,036	780,650	792,036	780,650
Total program expenses	<u>1,465,110</u>	<u>1,184,042</u>	<u>1,558,412</u>	<u>1,663,024</u>	<u>3,023,522</u>	<u>2,847,066</u>
Transfers	<u>(553,049)</u>	<u>(1,100)</u>	<u>553,049</u>	<u>1,100</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(208,169)</u>	<u>(70,218)</u>	<u>3,325,051</u>	<u>251,748</u>	<u>3,116,882</u>	<u>181,530</u>
Net assets - beginning, as restated	<u>16,868,411</u>	<u>16,938,629</u>	<u>12,170,818</u>	<u>11,919,070</u>	<u>29,039,229</u>	<u>28,857,699</u>
Net assets - ending	<u>\$ 16,660,242</u>	<u>\$ 16,868,411</u>	<u>\$ 15,495,869</u>	<u>\$ 12,170,818</u>	<u>\$ 32,156,111</u>	<u>\$ 29,039,229</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,528,882, a decrease of \$1,048,935 in comparison with the prior year. Of this amount, \$2,344,712 constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported a fund balance of \$2,361,101, a decrease of \$520,890 in comparison with the prior year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the proprietary funds amounted to \$15,495,869 at year-end. Of this amount, \$12,576,411 was invested in capital assets, net of related debt. The remaining balance included \$748,404 restricted for system development, \$25,174 restricted for debt service, and \$2,145,880 of unrestricted net assets.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation transfers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2012 amounted to \$14,097,898 and \$22,959,500, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings and improvements, furniture and office equipment, equipment, infrastructure, utilities, sewer equipment, and the joint water and wastewater projects.

Additional information on the City's capital assets can be found in Note III-B on pages 31 through 34 of this report.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$10,383,089. This amount represents a loan for the funding of public works payable to the Oregon Economic and Community Development Department, loans for wastewater treatment facilities payable to the City of Albany, and a loan for the Wastewater Wetlands Project payable to the Department of Environmental Quality. The City's total debt decreased by \$3,232,233 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-E on pages 35 through 36 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of the following circumstance that could affect its future financial health:

- The 2012-2013 premium for healthcare insurance increased by 21% in comparison with the 2011-2012 premium, and is expected to continue to increase in the coming years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: City of Millersburg, 4222 Old Salem Road NE, Albany, Oregon 97321.

BASIC FINANCIAL STATEMENTS

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,536,247	\$ 2,100,129	\$ 4,636,376
Cash with agent	10,681	-	10,681
Accounts receivable	73,780	238,225	312,005
Property taxes receivable	61,158	-	61,158
Due from other government agencies	3,254	-	3,254
Total current assets	2,685,120	2,338,354	5,023,474
Restricted assets			
Cash and cash equivalents	90,221	773,578	863,799
Capital assets, net of accumulated depreciation	14,097,898	22,959,500	37,057,398
Total assets	16,873,239	26,071,432	42,944,671
LIABILITIES			
Current liabilities			
Accounts payable	102,660	1,210	103,870
Accrued payroll payable	11,915	240	12,155
Accrued interest payable	-	170,991	170,991
Accrued loan fees payable	-	20,033	20,033
School excise tax payable	84,050	-	84,050
Long-term liabilities, current portion	-	505,780	505,780
Total current liabilities	198,625	698,254	896,879
Noncurrent liabilities			
Compensated absences	14,372	-	14,372
Long-term liabilities, less current portion	-	9,877,309	9,877,309
Total noncurrent liabilities	14,372	9,877,309	9,891,681
Total liabilities	212,997	10,575,563	10,788,560
NET ASSETS			
Invested in capital assets, net of related debt	14,097,898	12,576,411	26,674,309
Restricted for:			
System development	106,260	748,404	854,664
Debt service	-	25,174	25,174
Unrestricted	2,456,084	2,145,880	4,601,964
Total net assets	\$ 16,660,242	\$ 15,495,869	\$ 32,156,111

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities				
General government	\$ 1,421,539	\$ -	\$ 1,000	\$ 29,884
Highways and streets	43,571	-	-	56,672
Total governmental activities	\$ 1,465,110	\$ -	\$ 1,000	\$ 86,556
Business-type activities				
Sewer utility	\$ 766,376	\$ 593,901	\$ -	\$ 45,553
Water utility	792,036	599,919	-	53,486
Total business-type activities	\$ 1,558,412	\$ 1,193,820	\$ -	\$ 99,039
General revenues				
Property taxes				
School excise tax				
Franchise fees				
Alcohol and cigarette taxes				
Highway use tax				
Intergovernmental				
Unrestricted grants and contributions				
Licenses and permits				
Investment earnings				
Loan payment reimbursement				
Loan forgiveness				
Miscellaneous				
Total general revenues				
Transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,390,655)	\$ -	\$ (1,390,655)
<u>13,101</u>	<u>-</u>	<u>13,101</u>
<u>(1,377,554)</u>	<u>-</u>	<u>(1,377,554)</u>
-	(126,922)	(126,922)
<u>-</u>	<u>(138,631)</u>	<u>(138,631)</u>
<u>-</u>	<u>(265,553)</u>	<u>(265,553)</u>
575,668	20,045	595,713
534	-	534
829,949	-	829,949
20,301	-	20,301
71,188	-	71,188
6,669	-	6,669
30,690	-	30,690
128,807	-	128,807
26,812	10	26,822
-	17,500	17,500
-	3,000,000	3,000,000
<u>31,816</u>	<u>-</u>	<u>31,816</u>
<u>1,722,434</u>	<u>3,037,555</u>	<u>4,759,989</u>
<u>(553,049)</u>	<u>553,049</u>	<u>-</u>
(208,169)	3,325,051	3,116,882
<u>16,868,411</u>	<u>12,170,818</u>	<u>29,039,229</u>
<u>\$ 16,660,242</u>	<u>\$ 15,495,869</u>	<u>\$ 32,156,111</u>

CITY OF MILLERSBURG
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,458,337	\$ 64,127	\$ 104,004	\$ 2,626,468
Cash with agent	10,681	-	-	10,681
Accounts receivable	73,780	-	-	73,780
Property taxes receivable	61,158	-	-	61,158
Due from other government agencies	-	-	3,254	3,254
	<u>\$ 2,603,956</u>	<u>\$ 64,127</u>	<u>\$ 107,258</u>	<u>\$ 2,775,341</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 99,056	\$ -	\$ 3,604	\$ 102,660
Deferred revenue	47,834	-	-	47,834
Accrued payroll and taxes	11,915	-	-	11,915
School excise tax payable	84,050	-	-	84,050
	<u>242,855</u>	<u>-</u>	<u>3,604</u>	<u>246,459</u>
Fund balances				
Restricted	-	-	106,260	106,260
Assigned	-	64,127	13,783	77,910
Unassigned	2,361,101	-	(16,389)	2,344,712
	<u>2,361,101</u>	<u>64,127</u>	<u>103,654</u>	<u>2,528,882</u>
Total fund balances	<u>2,361,101</u>	<u>64,127</u>	<u>103,654</u>	<u>2,528,882</u>
Total liabilities and fund balances	<u>\$ 2,603,956</u>	<u>\$ 64,127</u>	<u>\$ 107,258</u>	<u>\$ 2,775,341</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2012

Total fund balances		\$ 2,528,882
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	16,575,135	
Accumulated depreciation	<u>(2,477,237)</u>	14,097,898
Property tax revenue is recognized in the net assets of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		47,834
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences		<u>(14,372)</u>
Total net assets		<u>\$ 16,660,242</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Franchise fees	\$ 829,949	\$ -	\$ -	\$ 829,949
Taxes				
Property tax	527,834	-	-	527,834
School excise tax	534	-	-	534
Alcohol and cigarette taxes	20,301	-	-	20,301
Highway use tax	-	-	71,188	71,188
Intergovernmental	1,000	-	6,669	7,669
System development charges	29,884	14,168	42,504	86,556
Licenses and permits	128,807	-	-	128,807
State revenue sharing	30,690	-	-	30,690
Planning commission	4,700	-	-	4,700
Investment earnings	26,812	-	-	26,812
Rental income	17,056	-	-	17,056
Miscellaneous	10,060	-	-	10,060
	<u>1,627,627</u>	<u>14,168</u>	<u>120,361</u>	<u>1,762,156</u>
EXPENDITURES				
Current				
Personal services	289,600	-	-	289,600
Materials and services	668,557	-	50,921	719,478
Capital outlay	-	1,248,964	-	1,248,964
	<u>958,157</u>	<u>1,248,964</u>	<u>50,921</u>	<u>2,258,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>669,470</u>	<u>(1,234,796)</u>	<u>69,440</u>	<u>(495,886)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	989,290	1,000	990,290
Transfers out	(1,190,360)	(52,049)	(300,930)	(1,543,339)
	<u>(1,190,360)</u>	<u>937,241</u>	<u>(299,930)</u>	<u>(553,049)</u>
Net change in fund balances	(520,890)	(297,555)	(230,490)	(1,048,935)
Fund balances - beginning, as restated	<u>2,881,991</u>	<u>361,682</u>	<u>334,144</u>	<u>3,577,817</u>
Fund balances - ending	<u>\$ 2,361,101</u>	<u>\$ 64,127</u>	<u>\$ 103,654</u>	<u>\$ 2,528,882</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

Net change in fund balances		\$ (1,048,935)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	1,233,529	
Less current year depreciation	<u>(430,311)</u>	803,218
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized when levied.</p>		
Change in deferred revenue		47,834
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences		<u>(10,286)</u>
Change in net assets		<u>\$ (208,169)</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2012

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,536,352	\$ 563,777	\$ 2,100,129
Accounts receivable	158,375	79,850	238,225
Due from other funds	<u>2,231</u>	<u>-</u>	<u>2,231</u>
Total current assets	1,696,958	643,627	2,340,585
Restricted assets			
Cash and cash equivalents	420,796	352,782	773,578
Capital assets, net of accumulated depreciation	<u>15,181,872</u>	<u>7,777,628</u>	<u>22,959,500</u>
Total assets	<u>17,299,626</u>	<u>8,774,037</u>	<u>26,073,663</u>
LIABILITIES			
Current liabilities			
Accounts payable	752	458	1,210
Accrued payroll payable	-	240	240
Accrued interest payable	40,183	130,808	170,991
Accrued loan fees payable	20,033	-	20,033
Due to other funds	-	2,231	2,231
Long-term liabilities, current portion	<u>284,572</u>	<u>221,208</u>	<u>505,780</u>
Total current liabilities	345,540	354,945	700,485
Noncurrent liabilities			
Long-term liabilities, less current portion	<u>6,008,280</u>	<u>3,869,029</u>	<u>9,877,309</u>
Total liabilities	<u>6,353,820</u>	<u>4,223,974</u>	<u>10,577,794</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,889,020	3,687,391	12,576,411
Restricted for:			
System development	395,622	352,782	748,404
Debt service	25,174	-	25,174
Unrestricted	<u>1,635,990</u>	<u>509,890</u>	<u>2,145,880</u>
Total net assets	<u>\$ 10,945,806</u>	<u>\$ 4,550,063</u>	<u>\$ 15,495,869</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Operating revenues			
Charges for services	<u>\$ 593,901</u>	<u>\$ 599,919</u>	<u>\$ 1,193,820</u>
Operating expenses			
Materials and services	126,059	192,392	318,451
Depreciation	<u>454,207</u>	<u>367,331</u>	<u>821,538</u>
Total operating expenses	<u>580,266</u>	<u>559,723</u>	<u>1,139,989</u>
Operating income (loss)	<u>13,635</u>	<u>40,196</u>	<u>53,831</u>
Nonoperating revenues (expenses)			
Property taxes	20,045	-	20,045
System development charges	45,553	53,486	99,039
Loan forgiveness	3,000,000	-	3,000,000
Investment earnings	10	-	10
Intergovernmental	17,500	-	17,500
Interest expense	<u>(186,110)</u>	<u>(232,313)</u>	<u>(418,423)</u>
Total nonoperating revenues (expenses)	<u>2,896,998</u>	<u>(178,827)</u>	<u>2,718,171</u>
Income (loss) before contributions and transfers	2,910,633	(138,631)	2,772,002
Contributed capital	-	52,049	52,049
Transfers in	<u>1,000</u>	<u>500,000</u>	<u>501,000</u>
Change in net assets	2,911,633	413,418	3,325,051
Net assets - beginning, as restated	<u>8,034,173</u>	<u>4,136,645</u>	<u>12,170,818</u>
Net assets - ending	<u>\$ 10,945,806</u>	<u>\$ 4,550,063</u>	<u>\$ 15,495,869</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 617,103	\$ 567,836	\$ 1,184,939
Payments to suppliers	<u>(184,935)</u>	<u>(235,984)</u>	<u>(420,919)</u>
Net cash provided (used) by operating activities	<u>432,168</u>	<u>331,852</u>	<u>764,020</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from property taxes	20,045	-	20,045
Transfers from other funds	<u>1,000</u>	<u>500,000</u>	<u>501,000</u>
Net cash provided (used) by noncapital financing activities	<u>21,045</u>	<u>500,000</u>	<u>521,045</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	45,553	53,486	99,039
Proceeds from long-term obligations	232,643	-	232,643
Principal paid on capital debt	(252,642)	(212,234)	(464,876)
Interest paid on capital debt	(189,675)	(239,029)	(428,704)
Purchase of capital assets	(232,643)	(100,000)	(332,643)
Proceeds from intergovernmental loan repayment	<u>17,500</u>	<u>-</u>	<u>17,500</u>
Net cash provided (used) by capital and related financing activities	<u>(379,264)</u>	<u>(497,777)</u>	<u>(877,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>10</u>	<u>-</u>	<u>10</u>
Net cash provided (used) by investing activities	<u>10</u>	<u>-</u>	<u>10</u>

(Continued)

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2012

(Continued)

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Net increase (decrease) in cash and cash equivalents	\$ 73,959	\$ 334,075	\$ 408,034
Cash and cash equivalents - beginning (including \$375,111 and \$299,296 in the Sewer Utility and Water Utility Funds, respectively, reported in restricted accounts)	<u>1,883,189</u>	<u>582,484</u>	<u>2,465,673</u>
Cash and cash equivalents - ending (including \$420,796 and \$352,782 in the Sewer Utility and Water Utility Funds, respectively, reported in restricted accounts)	<u>\$ 1,957,148</u>	<u>\$ 916,559</u>	<u>\$ 2,873,707</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 13,635	\$ 40,196	\$ 53,831
Adjustments to reconcile operating loss to net cash cash provided (used) by operating activities:			
Depreciation expense	454,207	367,331	821,538
(Increase) decrease in accounts receivable	23,202	(32,083)	(8,881)
Increase (decrease) in accounts payable	<u>(58,876)</u>	<u>(43,592)</u>	<u>(102,468)</u>
Net cash provided (used) by operating activities	<u>\$ 432,168</u>	<u>\$ 331,852</u>	<u>\$ 764,020</u>
Noncash capital and related financing activities:			
DEQ loan forgiveness	\$ 3,000,000	\$ -	\$ 3,000,000
Reduction in DEQ loan balance	(3,000,000)	-	(3,000,000)
Transfers of capital assets from other funds	-	52,049	52,049

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	<u>Agency Fund</u> <u>Bravo</u>
ASSETS	
Cash and cash equivalents	<u>\$ 579</u>
LIABILITIES	
Held in trust for other agencies	<u>\$ 579</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Millersburg have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

Incorporated in June of 1974, Millersburg sits in the heart of the fertile Willamette Valley. The tiny city offers a beautiful eleven-acre park with a large shelter for year-round use. It boasts of a volleyball court, a jogging path, a tennis court, and an outdoor basketball court. Two baseball fields, playground equipment, and horseshoe pits round out the park amenities. With a population of 1,375 and growing, Millersburg gives you that country feeling with big city facilities nearby. The City of Millersburg is governed by a mayor and four city council members.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recorded only when payment is due.

Under the modified accrual basis, property taxes, franchise fees, licenses, interest, and special assessments have been recognized as revenues of the current fiscal period if received within 60 days of year-end. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the City’s primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. The primary sources of revenue are licenses and permits, property taxes, franchise fees, and state revenues. Expenditures are primarily for administration.

Special Revenue Fund

Street Reserve Fund – The Street Reserve Fund is used to accumulate resources for future construction of streets. The primary source of revenue is street frontage fees. Expenditures are primarily for street construction.

Additionally, the City reports the following nonmajor governmental funds:

Special Revenue Funds

Street Fund – The Street Fund accounts for state highway use tax revenues. Expenditures are for street lighting and repairs, as allowed by Oregon statutes.

911 Excise Tax Fund – The 911 Excise Tax Fund derives its revenue from excise taxes. Expenditures are for 911 emergency services.

Capital Projects Fund

Sewer Construction Fund – The Sewer Construction Fund accounts for financial resources to be used for the acquisition and construction of sewer facilities. The primary source of revenue is investment earnings. Expenditures are primarily for sewer expansion.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

Enterprise Funds

Sewer Utility Fund – The Sewer Utility Fund accounts for the activities of the City's sewer utilities. The primary source of revenue is user charges. Expenditures are primarily for the operation of the utility and acquisition of capital assets.

Water Utility Fund – The Water Utility Fund accounts for the activities of the City's water utilities. The primary source of revenue is user charges. Expenditures are primarily for the construction of the waterline and acquisition of capital assets.

The City reports the following fiduciary fund:

Agency Fund

Bravo Fund – The Bravo Fund accounts for the activities to curtail vandalism within the City of Millersburg. This fund has no equity, has assets equal to liabilities, and does not include revenues and expenditures for general operations of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

D. Assets, Liabilities, and Equity

1. Deposits and Investments

The City'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.

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Accounts Receivable

Receivables of the enterprise funds are recorded as revenue as earned. An allowance for doubtful accounts is not recorded, as the City believes the sewer and water utility bills to be highly collectible.

3. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and office equipment	5
Equipment	10-20
Building improvements	20-50
Infrastructure	25-40
Utilities	25-80

5. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as short-term liabilities on the statement of net assets. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Retirement Plan

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

8. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

The City has not formally adopted a minimum fund balance policy.

E. Reclassifications

Certain accounts, as reported in comparative statements in the management's discussion and analysis, have been reclassified for comparative purposes in order to conform to the presentation in the current year financial statements.

F. 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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, capital projects, and enterprise funds. All funds are budgeted on the cash basis of accounting.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The city council legally adopts the budget by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, debt service, and capital outlay for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The city council may adopt a supplemental budget less than 10% of a fund's original budget at a regular city council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation transfers.

B. Appropriation Categories

The City combined two appropriation categories into one budget category in one fund in their budget documents, which is in violation of ORS 294.435. Budgetary appropriations should contain one amount and be categorized by organizational unit or, when an organizational unit or program does not apply, by personal services, materials and services, debt service, capital outlay, transfers, and contingency.

C. Excess of Expenditures Over Appropriations

The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2012:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Sewer Utility	Capital outlay	\$ -	\$ 232,743	\$ 232,743

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

D. Publication of Budget

The City's resolution adopting the budget did not match the local budget form for one fund, which is in violation of ORS 294.466 and ORS 294.386. A municipal corporation imposing taxes, fees, or charges paid on a pass-through basis to another municipal corporation shall include it in its budget and appropriate the estimated amount.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Millersburg maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City has not adopted an investment policy regarding credit risk; however, investments comply with the state statutes.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2012, the City had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 5,233,836</u>

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The City holds a noninterest-bearing account at US Bank, for which deposits are fully insured by the FDIC temporary liquidity guarantee program. In addition, the City holds an interest-bearing account at US Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2012, the City's total deposits of \$267,602 were fully insured by the FDIC.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits

The City's deposits and investments at June 30, 2012 are as follows:

Cash on hand	\$ 70
Demand deposits	266,269
Total investments	<u>5,233,836</u>
 Total deposits and investments	 <u><u>\$ 5,500,175</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,458,337
Street Reserve Fund	64,127
Nonmajor governmental funds	<u>13,783</u>
 Total governmental activities - unrestricted	 <u>2,536,247</u>

Business-type activities - unrestricted	
Sewer Utility Fund	1,536,352
Water Utility Fund	<u>563,777</u>
 Total business-type activities - unrestricted	 <u>2,100,129</u>

Total unrestricted cash and investments	<u>4,636,376</u>
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Governmental activities - restricted	
Nonmajor governmental funds	<u>90,221</u>

Business-type activities - restricted	
Sewer Utility Fund	420,796
Water Utility Fund	<u>352,782</u>
 Total business-type activities - restricted	 <u>773,578</u>

Total restricted cash and investments	<u>863,799</u>
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Total cash and investments	<u><u>\$ 5,500,175</u></u>
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Restricted cash is for system development and DEQ loan obligations.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,622,557	\$ -	\$ -	\$ 2,622,557
Capital assets being depreciated				
Buildings and improvements	2,916,085	-	-	2,916,085
Furniture and office equipment	20,337	-	-	20,337
Equipment	147,147	-	-	147,147
Infrastructure	<u>9,635,480</u>	<u>1,233,529</u>	-	<u>10,869,009</u>
Total capital assets being depreciated	<u>12,719,049</u>	<u>1,233,529</u>	-	<u>13,952,578</u>
Less accumulated depreciation for				
Buildings and improvements	(482,194)	(61,104)	-	(543,298)
Furniture and office equipment	(15,773)	(609)	-	(16,382)
Equipment	(104,053)	(5,045)	-	(109,098)
Infrastructure	<u>(1,444,906)</u>	<u>(363,553)</u>	-	<u>(1,808,459)</u>
Total accumulated depreciation	<u>(2,046,926)</u>	<u>(430,311)</u>	-	<u>(2,477,237)</u>
Total capital assets being depreciated, net	<u>10,672,123</u>	<u>803,218</u>	-	<u>11,475,341</u>
Governmental activities capital assets, net	<u>\$ 13,294,680</u>	<u>\$ 803,218</u>	<u>\$ -</u>	<u>\$ 14,097,898</u>

(Continued)

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
(Continued)				
Business-type activities				
Capital assets not being depreciated				
Land	\$ 188,953	\$ -	\$ -	\$ 188,953
Construction in progress	<u>3,767,357</u>	<u>232,643</u>	<u>-</u>	<u>4,000,000</u>
Total capital assets not being depreciated	<u>3,956,310</u>	<u>232,643</u>	<u>-</u>	<u>4,188,953</u>
Capital assets being depreciated				
Utilities	8,519,610	152,049	-	8,671,659
Sewer equipment	5,022	-	-	5,022
Joint water project	7,089,879	-	-	7,089,879
Joint wastewater project	<u>8,656,846</u>	<u>-</u>	<u>-</u>	<u>8,656,846</u>
Total capital assets being depreciated	<u>24,271,357</u>	<u>152,049</u>	<u>-</u>	<u>24,423,406</u>
Less accumulated depreciation for				
Utilities	(2,642,137)	(191,669)	-	(2,833,806)
Sewer equipment	(5,022)	-	-	(5,022)
Joint water project	(1,607,039)	(283,595)	-	(1,890,634)
Joint wastewater project	<u>(577,123)</u>	<u>(346,274)</u>	<u>-</u>	<u>(923,397)</u>
Total accumulated depreciation	<u>(4,831,321)</u>	<u>(821,538)</u>	<u>-</u>	<u>(5,652,859)</u>
Total capital assets being depreciated, net	<u>19,440,036</u>	<u>(669,489)</u>	<u>-</u>	<u>18,770,547</u>
Business-type activities capital assets, net	<u>\$ 23,396,346</u>	<u>\$ (436,846)</u>	<u>\$ -</u>	<u>\$ 22,959,500</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

Capital assets are reported on the statement of net assets as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 2,622,557	\$ -	\$ 2,622,557
Buildings and improvements	2,916,085	(543,298)	2,372,787
Furniture and office equipment	20,337	(16,382)	3,955
Equipment	147,147	(109,098)	38,049
Infrastructure	10,869,009	(1,808,459)	9,060,550
Total governmental capital assets	16,575,135	(2,477,237)	14,097,898
Business-type activities			
Land	188,953	-	188,953
Construction in progress	4,000,000	-	4,000,000
Utilities	8,671,659	(2,833,806)	5,837,853
Sewer equipment	5,022	(5,022)	-
Joint water project	7,089,879	(1,890,634)	5,199,245
Joint wastewater project	8,656,846	(923,397)	7,733,449
Total business-type capital assets	28,612,359	(5,652,859)	22,959,500
Total capital assets	\$ 45,187,494	\$ (8,130,096)	\$ 37,057,398

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities	
General government	\$ 430,311
Business-type activities	
Sewer utility	\$ 454,207
Water utility	367,331
Total business-type activities	\$ 821,538

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

1. Restrictions

It has been determined that one of the parcels of the land owned by the City of Millersburg contains elevated levels of radium. The following restrictions have been placed on the parcel as part of Environmental Protection Easement:

- No portion of the property shall be used for residential purposes;
- Buildings and other enclosed structures shall be designed and constructed consistent with Environmental Protection Agency (EPA) guidance;
- Following completion of construction, new buildings shall be tested for radon;
- The property owner shall maintain the radon control system in proper working order; and
- The property owner shall monitor indoor air in buildings on property.

2. Temporary Impairment

It has been determined that the vertical loop reactor and cannibal process equipment associated with the Joint Wastewater Treatment Plant are temporarily impaired at June 30, 2012. See Note IV-G.1 for additional information.

C. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental and proprietary funds. Interfund transfers during the year consisted of:

	Transfers in:				Total
	Street Reserve Fund	Nonmajor Governmental Funds	Sewer Utility Fund	Water Utility Fund	
Transfers out:					
General Fund	\$ 688,360	\$ 1,000	\$ 1,000	\$ 500,000	\$ 1,190,360
Nonmajor governmental funds	<u>300,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,930</u>
Total	<u>\$ 989,290</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 500,000</u>	<u>\$ 1,491,290</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Interfund Transfers (Continued)

The principal purposes of the interfund transfers in were as follows:

Street Reserve Fund: To fund future street construction expenditures.

Nonmajor governmental fund:

Street Fund: To fund street and road repair expenditures.

Sewer Utility Fund: To fund the cost of constructing the joint wastewater/wetlands project, including the operation and maintenance.

Water Utility Fund: To fund the cost of constructing the joint water treatment plant, including the operation and maintenance.

D. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 4,086	\$ 10,286	-	\$ 14,372

The General Fund has traditionally been used to liquidate compensated absences liabilities.

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Loans payable							
OECD	5.25%	\$ 6,044,000	\$ 4,302,471	-	\$ 212,234	\$ 4,090,237	\$ 221,208
City of Albany #1	3.14%	3,125,007	2,829,532	-	114,861	2,714,671	118,497
City of Albany #2	2.90%	3,041,674	2,715,962	-	112,781	2,603,181	116,075
DEQ loan		4,000,000	3,767,357	232,643	3,025,000	975,000	50,000
Total business-type activities		\$ 16,210,681	\$ 13,615,322	\$ 232,643	\$ 3,464,876	\$ 10,383,089	\$ 505,780

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Liabilities (Continued)

2. Loan Payable – OECD

The 2001 Special Public Works Fund Loan through the Oregon Economic and Community Development Department was signed on August 27, 1999, with interest at 5.25% due annually on December 1 through the year 2024. The proceeds were used for water system improvements. Payments on the loan are generally made from the Water Utility Fund.

3. Loan Payable – City of Albany

The City of Millersburg signed two loan agreements with the City of Albany as part of an intergovernmental agreement to finance the construction costs for wastewater treatment facilities. Both loans were signed on August 17, 2007, with payments and interest due semiannually on April 1 and October 1 through 2029. In addition to interest, the City must pay an administrative loan fee equal to 0.50% of the outstanding balance. Payments on the loan are generally made from the Sewer Utility Fund.

4. Loan Payable – DEQ CWSRF

The City of Millersburg signed a loan agreement with the Oregon Department of Environmental Quality (DEQ) Clean Water State Revolving Loan (CWSRF) to finance Phase 1 of the Wastewater Wetland Project. The project was completed in July 2011 and the final loan amount was determined to be \$4,000,000. Due to the City's compliance with the requirements of the CWSRF loan agreement, \$3,000,000 principal forgiveness outlined in Article 1 of the loan agreement took place, leaving the City with \$1,000,000 to be repaid to DEQ. The City of Millersburg's ownership percentage constitutes 10% of the total project cost. Payment and fees are due semiannually on February 1 and August 1 through 2031. Payments on the loan are generally made from the Sewer Utility Fund. See Note IV-G.1 for additional information.

5. Future Maturities of Long-Term Liabilities

Fiscal Year Ending June 30	Loans		
	Principal	Interest and Fees	Total
2013	\$ 505,780	\$ 391,205	\$ 896,985
2014	527,111	371,649	898,760
2015	548,892	351,094	899,986
2016	571,140	329,520	900,660
2017	588,875	306,911	895,786
2018-2022	3,334,173	1,158,473	4,492,646
2023-2027	3,141,378	433,144	3,574,522
2028-2032	1,165,740	46,215	1,211,955
Total	<u>\$ 10,383,089</u>	<u>\$ 3,388,211</u>	<u>\$ 13,771,300</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:				
Restricted for:				
System development	\$ -	\$ -	\$ 106,260	\$ 106,260
Assigned for:				
Street maintenance and upgrades	-	64,127	-	64,127
Sewer construction	-	-	13,783	13,783
Unassigned	<u>2,361,101</u>	<u>-</u>	<u>(16,389)</u>	<u>2,344,712</u>
Total fund balances	<u>\$ 2,361,101</u>	<u>\$ 64,127</u>	<u>\$ 103,654</u>	<u>\$ 2,528,882</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plan

1. Oregon Public Employees Retirement System

Plan Description

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

IV. OTHER INFORMATION (Continued)

B. Retirement Plan (Continued)

1. Oregon Public Employees Retirement System (Continued)

Plan Description (Continued)

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Funding Policy

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and OPSRP rates in effect for the year ended June 30, 2012 were 12.76% and 10.53%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The City has elected to pay the required employee contribution of 6% of covered payroll.

Annual Pension Cost

The City's contributions to PERS for the three years ended June 30, 2010, 2011, and 2012 were equal to the required contribution for each year.

Annual pension expenses/expenditures are summarized as follows:

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>
2010	\$ 12,198	100%
2011	\$ 12,597	100%
2012	\$ 31,650	100%

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

IV. OTHER INFORMATION (Continued)

C. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment 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 PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

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.

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.50% of covered OPSRP 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 within 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 30 years. The City's contributions to RHIA for the years ended June 30, 2010, 2011, and 2012 were \$549, \$549, and \$989, respectively, which equaled the required contributions each year.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

IV. OTHER INFORMATION (Continued)

D. Restatements

Net Assets

Beginning net assets were restated as follows:

Government-Wide Statements	Governmental Activities	Business-Type Activities
Net assets - beginning, as originally reported	\$ 16,806,082	\$ 12,233,147
To correct beginning balance of receivables	62,329	(62,329)
Net assets - beginning, as restated	\$ 16,868,411	\$ 12,170,818

Fund Balance and Fund Net Assets

Beginning fund balance was restated as follows:

GAAP Basis Statements	General Fund
Fund balance - beginning, as originally reported	\$ 2,819,662
To correct beginning balance of receivables	62,329
Fund balance - beginning, as restated	\$ 2,881,991

Beginning fund net assets were restated as follows:

GAAP Basis Statements	Sewer Utility Fund
Net assets - beginning, as originally reported	\$ 8,096,502
To correct beginning balance of receivables	(62,329)
Net assets - beginning, as restated	\$ 8,034,173

E. Contingent Liability

The City of Millersburg owns a parcel of land that has been determined to contain elevated levels of radium. The restrictions placed on the City related to the parcel are disclosed in Note III-B.1 of this report.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

IV. OTHER INFORMATION (Continued)

F. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the City beginning with its fiscal year ending June 30, 2013, though earlier application is encouraged. This statement will standardize the presentation of deferred outflows and inflows of resources and their effects on net position.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the City beginning with its fiscal year ending June 30, 2013, though earlier application is encouraged. This statement incorporates into the GASB's authoritative literature, certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, issued on or before November 30, 1989 that does not conflict with or contradict GASB pronouncements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, will be effective for the City beginning with its fiscal year ending June 30, 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

G. Subsequent Events

Management has evaluated subsequent events through January 14, 2013, which was the date that the financial statements were available to be issued.

1. Capital Assets

As discussed in Note III-E.4, the City of Millersburg signed a loan agreement with the Oregon Department of Environmental Quality (DEQ) Clean Water State Revolving Loan (CWSRF) to finance Phase I of the Wastewater Wetlands Project. While the project was completed in July 2011, the related capital asset was not placed in service until July 1, 2012.

As discussed in Note III-B.2, the City Council of Albany, by motion, authorized the City Manager to execute the "Settlement Agreement and Mutual Release" between the City of Albany and Siemens Industry, Inc. for the vertical loop reactor and cannibal process equipment. On October 4, 2012, Siemens Industry, Inc. wired \$4,750,000 to the City of Albany's bank account to complete the settlement. The City of Millersburg and the City of Albany have specific ownership interest as defined in the intergovernmental agreement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Licenses and permits	\$ 2,000	\$ 2,000	\$ 126,807
Special assessments			
Park system development charges	<u>3,600</u>	<u>3,600</u>	<u>26,284</u>
Intergovernmental			
Property tax	550,000	550,000	16,157
School excise tax	18,000	18,000	35,352
State alcohol and cigarette tax	12,530	12,530	7,771
Planning commission	3,000	3,000	1,700
Grants	<u>-</u>	<u>-</u>	<u>1,000</u>
Total intergovernmental	<u>583,530</u>	<u>583,530</u>	<u>61,980</u>
Franchise fees	<u>537,000</u>	<u>537,000</u>	<u>288,851</u>
State revenue sharing	<u>20,000</u>	<u>20,000</u>	<u>10,690</u>
Investment earnings	<u>30,000</u>	<u>30,000</u>	<u>(3,188)</u>
Other income			
Rental property income	16,000	16,000	1,056
Miscellaneous	<u>9,000</u>	<u>9,000</u>	<u>1,060</u>
Total miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>2,116</u>
Total revenues	<u>1,201,130</u>	<u>1,201,130</u>	<u>513,540</u>
EXPENDITURES			
Current			
Personal services			
Administrator	60,000	60,000	(199)
Assistant city recorder	37,000	37,000	(9,200)
Maintenance personnel	95,000	95,000	(7,663)
Utility clerk	20,000	20,000	2,399
Payroll taxes	32,000	32,000	(9,162)
PERS retirement	40,000	40,000	(8,350)
Supplemental medical benefit	10,000	10,000	(323)
Disability insurance	3,000	3,000	(1,500)
Dental and vision insurance	7,000	7,000	135
Medical insurance	<u>26,000</u>	<u>26,000</u>	<u>(6,537)</u>
Total personal services ⁽¹⁾	<u>330,000</u>	<u>330,000</u>	<u>(40,400)</u>

⁽¹⁾ Appropriation level

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 128,807	\$ -	\$ 128,807
29,884	-	29,884
566,157	(38,323)	527,834
53,352	(52,818)	534
20,301	-	20,301
4,700	-	4,700
1,000	-	1,000
645,510	(91,141)	554,369
825,851	4,098	829,949
30,690	-	30,690
26,812	-	26,812
17,056	-	17,056
10,060	-	10,060
27,116	-	27,116
1,714,670	(87,043)	1,627,627
59,801	-	59,801
27,800	-	27,800
87,337	-	87,337
22,399	-	22,399
22,838	-	22,838
31,650	-	31,650
9,677	-	9,677
1,500	-	1,500
7,135	-	7,135
19,463	-	19,463
289,600	-	289,600

(Continued)

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
EXPENDITURES (Continued)			
Current (continued)			
Materials and services			
Planning consultants - general	\$ 70,000	\$ 70,000	\$ (32,148)
Planning consultants - engineering	65,000	65,000	76,224
Conventions and training	6,000	6,000	(3,321)
Dues and subscriptions	7,000	7,000	(763)
Telephone	7,000	7,000	(3,769)
Office supplies	15,000	15,000	(1,116)
City rental expense	3,000	3,000	(1,806)
City attorney	60,000	60,000	(44,900)
Legal services	5,000	5,000	(4,560)
Bonding and insurance	17,000	17,000	9,097
Economic Development Commission	25,000	25,000	-
Parks and recreation	10,000	10,000	(2,064)
Park supplies and maintenance	30,000	30,000	(10,251)
Park development	-	-	1,449
Accounting and audit	40,000	40,000	(26,074)
Printing and advertising	4,000	4,000	(1,518)
Travel and meals	5,000	5,000	1,246
Library services	3,000	3,000	(760)
Bids publication	500	500	(500)
Property taxes	6,000	6,000	760
Community support	50,000	50,000	(1,431)
Linn County contracted	68,803	68,803	-
Contracted services	27,000	27,000	74,181
Call-A-Ride	11,000	11,000	(8,529)
City hall maintenance and supplies	30,000	30,000	(20,165)
City hall utilities	15,000	15,000	(4,093)
Cemetery maintenance	500	500	(500)
Economic development	3,000	3,000	(2,952)
Elections	100	100	(100)
School excise tax	17,820	17,820	(17,820)
Building permits	1,500	1,500	19,746
Total materials and services ⁽¹⁾	<u>603,223</u>	<u>603,223</u>	<u>(6,437)</u>

⁽¹⁾ Appropriation level

		Actual			
Budget				GAAP	
Basis		Adjustments		Basis	
\$	37,852	\$	538	\$	38,390
	141,224		271		141,495
	2,679		-		2,679
	6,237		-		6,237
	3,231		154		3,385
	13,884		(84)		13,800
	1,194		-		1,194
	15,100		1,235		16,335
	440		-		440
	26,097		-		26,097
	25,000		-		25,000
	7,936		-		7,936
	19,749		(214)		19,535
	1,449		-		1,449
	13,926		(2,720)		11,206
	2,482		-		2,482
	6,246		124		6,370
	2,240		-		2,240
	-		-		-
	6,760		-		6,760
	48,569		-		48,569
	68,803		-		68,803
	101,181		-		101,181
	2,471		(658)		1,813
	9,835		282		10,117
	10,907		(6,002)		4,905
	-		-		-
	48		-		48
	-		-		-
	-		65,330		65,330
	21,246		13,515		34,761
	<u>596,786</u>		<u>71,771</u>		<u>668,557</u>

(Continued)

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
EXPENDITURES (Continued)			
Capital outlay			
Equipment	\$ 10,000	\$ 10,000	\$ (10,000)
Improvements	20,000	20,000	(20,000)
Buildings	100	100	(100)
Land	5,000	5,000	(5,000)
Airport improvement	100	100	(100)
Well development	30,000	30,000	(30,000)
Office equipment and furnishings	10,000	10,000	(10,000)
Total capital outlay ⁽¹⁾	75,200	75,200	(75,200)
Contingency	100,000	60,000	(60,000)
Total expenditures	1,108,423	1,068,423	(182,037)
Excess (deficiency) of revenues over (under) expenditures	92,707	132,707	695,577
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,150,360)	(1,190,360)	-
Net change in fund balance	(1,057,653)	(1,057,653)	695,577
Fund balance - beginning, as restated	2,607,633	2,607,633	212,779
Fund balance - ending	\$ 1,549,980	\$ 1,549,980	\$ 908,356

⁽¹⁾ Appropriation level

	Actual		
Budget Basis	Adjustments	GAAP Basis	
\$ -	\$ -	\$ -	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
886,386	71,771	958,157	
828,284	(158,814)	669,470	
(1,190,360)	-	(1,190,360)	
(362,076)	(158,814)	(520,890)	
2,820,412	61,579	2,881,991	
<u>\$ 2,458,336</u>	<u>\$ (97,235)</u>	<u>\$ 2,361,101</u>	

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

STREET RESERVE FUND

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
System development charges	\$ 10,000	\$ 10,000	\$ 4,168
EXPENDITURES			
Capital outlay	<u>1,264,300</u>	<u>1,304,300</u>	<u>(3,287)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,254,300)</u>	<u>(1,294,300)</u>	<u>7,455</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	949,290	989,290	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>949,290</u>	<u>989,290</u>	<u>-</u>
Net change in fund balance	(305,010)	(305,010)	7,455
Fund balance - beginning	<u>305,010</u>	<u>305,010</u>	<u>56,672</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 64,127</u></u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 14,168	\$ -	\$ 14,168
<u>1,301,013</u>	<u>(52,049)</u>	<u>1,248,964</u>
<u>(1,286,845)</u>	<u>52,049</u>	<u>(1,234,796)</u>
989,290	-	989,290
<u>-</u>	<u>(52,049)</u>	<u>(52,049)</u>
<u>989,290</u>	<u>-</u>	<u>937,241</u>
(297,555)	-	(297,555)
<u>361,682</u>	<u>-</u>	<u>361,682</u>
<u>\$ 64,127</u>	<u>\$ -</u>	<u>\$ 64,127</u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF MILLERSBURG
Linn County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	Street Fund	911 Excise Tax Fund	Sewer Construction Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 90,221	\$ -	\$ 13,783	\$ 104,004
Due from other government agencies	3,254	-	-	3,254
 Total assets	 \$ 93,475	 \$ -	 \$ 13,783	 \$ 107,258
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,604	\$ -	\$ -	\$ 3,604
Fund balances				
Restricted for system development	106,260	-	-	106,260
Assigned for sewer construction	-	-	13,783	13,783
Unassigned	(16,389)	-	-	(16,389)
 Total fund balances	 89,871	 -	 13,783	 103,654
 Total liabilities and fund balances	 \$ 93,475	 \$ -	 \$ 13,783	 \$ 107,258

CITY OF MILLERSBURG
Linn County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	Street Fund	911 Excise Tax Fund	Sewer Construction Fund	Total Nonmajor Governmental Funds
REVENUES				
Highway use tax	\$ 71,188	\$ -	\$ -	\$ 71,188
System development charges	42,504	-	-	42,504
Intergovernmental	-	6,669	-	6,669
Total revenues	113,692	6,669	-	120,361
EXPENDITURES				
Current				
Materials and services	44,252	6,669	-	50,921
Excess (deficiency) of revenues over (under) expenditures	69,440	-	-	69,440
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	-	-	1,000
Transfers out	(300,930)	-	-	(300,930)
Total other financing sources (uses)	(299,930)	-	-	(299,930)
Net change in fund balances	(230,490)	-	-	(230,490)
Fund balances - beginning	320,361	-	13,783	334,144
Fund balances - ending	\$ 89,871	\$ -	\$ 13,783	\$ 103,654

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

STREET FUND

For the Year Ended June 30, 2012

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Taxes					
Highway use tax	\$ 54,000	\$ 17,188	\$ 71,188	\$ -	\$ 71,188
System development charges	-	42,504	42,504	-	42,504
Total revenues	<u>54,000</u>	<u>59,692</u>	<u>113,692</u>	<u>-</u>	<u>113,692</u>
EXPENDITURES					
Current					
Materials and services	78,540	(34,565)	43,975	277	44,252
Contingency	<u>26,460</u>	<u>(26,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>105,000</u>	<u>(61,025)</u>	<u>43,975</u>	<u>277</u>	<u>44,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,000)</u>	<u>120,717</u>	<u>69,717</u>	<u>(277)</u>	<u>69,440</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,000	-	1,000	-	1,000
Transfers out	<u>(300,930)</u>	<u>-</u>	<u>(300,930)</u>	<u>-</u>	<u>(300,930)</u>
Total other financing sources (uses)	<u>(299,930)</u>	<u>-</u>	<u>(299,930)</u>	<u>-</u>	<u>(299,930)</u>
Net change in fund balance	(350,930)	120,717	(230,213)	(277)	(230,490)
Fund balance - beginning	<u>350,930</u>	<u>(30,496)</u>	<u>320,434</u>	<u>(73)</u>	<u>320,361</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 90,221</u>	<u>\$ 90,221</u>	<u>\$ (350)</u>	<u>\$ 89,871</u>

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

911 EXCISE TAX FUND

For the Year Ended June 30, 2012

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Intergovernmental	\$ 7,200	\$ (531)	\$ 6,669	\$ -	\$ 6,669
EXPENDITURES					
Current					
Materials and services	<u>7,200</u>	<u>(531)</u>	<u>6,669</u>	<u>-</u>	<u>6,669</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SEWER CONSTRUCTION FUND

For the Year Ended June 30, 2012

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital outlay	<u>13,783</u>	<u>(13,783)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(13,783)	13,783	-	-	-
Fund balance - beginning	<u>13,783</u>	-	<u>13,783</u>	-	<u>13,783</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 13,783</u>	<u>\$ 13,783</u>	<u>\$ -</u>	<u>\$ 13,783</u>

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

SEWER UTILITY FUND

For the Year Ended June 30, 2012

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Charges for services					
User fees	\$ 641,000	\$ (23,897)	\$ 617,103	\$ (23,202)	\$ 593,901
System development charges	6,693	38,860	45,553	-	45,553
Total charges for services	647,693	14,963	662,656	(23,202)	639,454
Property taxes	-	20,045	20,045	-	20,045
Loan forgiveness	-	-	-	3,000,000	3,000,000
Investment earnings	100	(90)	10	-	10
Intergovernmental	-	17,500	17,500	-	17,500
Total revenues	647,793	52,418	700,211	2,976,798	3,677,009
EXPENSES					
Current					
Materials and services					
Repairs and maintenance	13,900	(13,900)	-	-	-
Sewer treatment plant	180,000	4,835	184,835	(58,776)	126,059
Miscellaneous	80,000	(80,000)	-	-	-
Total materials and services ⁽¹⁾	273,900	(89,065)	184,835	(58,776)	126,059
Debt service	678,000	(235,684)	442,316	(256,206)	186,110
Depreciation expense	-	-	-	454,207	454,207
Capital outlay	-	232,743	232,743	(232,743)	-
Contingency	200,000	(200,000)	-	-	-
Total expenses	1,151,900	(292,006)	859,894	(93,518)	766,376
Excess (deficiency) of revenues over (under) expenses	(504,107)	344,424	(159,683)	3,070,316	2,910,633
OTHER FINANCING SOURCES (USES)					
Loan proceeds	244,500	(11,857)	232,643	(232,643)	-
Transfers in	1,000	-	1,000	-	1,000
Total other financing sources (uses)	245,500	(11,857)	233,643	(232,643)	1,000
Change in net assets	(258,607)	332,567	73,960	2,837,673	2,911,633
Net assets - beginning, as restated	1,789,418	93,771	1,883,189	6,150,984	8,034,173
Net assets - ending	\$ 1,530,811	\$ 426,338	\$ 1,957,149	\$ 8,988,657	\$ 10,945,806

(1) Appropriation level

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL

WATER UTILITY FUND

For the Year Ended June 30, 2012

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Charges for services					
User fees	\$ 575,000	\$ (7,163)	\$ 567,837	\$ 32,082	\$ 599,919
System development charges	<u>6,000</u>	<u>47,486</u>	<u>53,486</u>	<u>-</u>	<u>53,486</u>
Total revenues	<u>581,000</u>	<u>40,323</u>	<u>621,323</u>	<u>32,082</u>	<u>653,405</u>
EXPENSES					
Current					
Materials and services					
Repairs and maintenance	260,000	(24,016)	235,984	(43,592)	192,392
Depreciation expense	-	-	-	367,331	367,331
Debt service	451,263	-	451,263	(218,950)	232,313
Capital outlay	185,675	(85,675)	100,000	(100,000)	-
Contingency	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,096,938</u>	<u>(309,691)</u>	<u>787,247</u>	<u>4,789</u>	<u>792,036</u>
Excess (deficiency) of revenues over (under) expenses	<u>(515,938)</u>	<u>350,014</u>	<u>(165,924)</u>	<u>27,293</u>	<u>(138,631)</u>
OTHER FINANCING SOURCES (USES)					
Contributed capital	-	-	-	52,049	52,049
Transfers in	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>52,049</u>	<u>552,049</u>
Change in net assets	(15,938)	350,014	334,076	79,342	413,418
Net assets - beginning	<u>595,340</u>	<u>(12,857)</u>	<u>582,483</u>	<u>3,554,162</u>	<u>4,136,645</u>
Net assets - ending	<u>\$ 579,402</u>	<u>\$ 337,157</u>	<u>\$ 916,559</u>	<u>\$ 3,633,504</u>	<u>\$ 4,550,063</u>

OTHER FINANCIAL SCHEDULES

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2012

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2011</u>	<u>2011-2012 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2012</u>
2011-2012	\$ -	\$ 612,648	\$ (20,170)	\$ 566,785	\$ 25,692
2010-2011	32,849	-	(3,285)	11,153	18,411
2009-2010	18,922	-	(3,607)	3,503	11,812
2008-2009	<u>10,557</u>	<u>-</u>	<u>(152)</u>	<u>5,162</u>	<u>5,243</u>
Subtotal - Prior	<u>62,328</u>	<u>-</u>	<u>(7,044)</u>	<u>19,818</u>	<u>35,466</u>
Total	<u>\$ 62,328</u>	<u>\$ 612,648</u>	<u>\$ (27,214)</u>	586,603	<u>\$ 61,158</u>

Add:

Other taxes and interest

-

Undistributed taxes with county, July 1, 2011

-

Total available

586,603

Less: Turnovers to City

(575,922)

Undistributed taxes with county, June 30, 2012

\$ 10,681

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF
LONG-TERM DEBT

For the Year Ended June 30, 2012

Fiscal Year	Total Requirement All Issues			OECD Special Works Fund Loan		
	Principal	Interest	Total	Principal	Interest	Total
2012-2013	\$ 505,780	\$ 391,205	\$ 896,985	\$ 221,208	\$ 227,356	\$ 448,564
2013-2014	527,111	371,649	898,760	235,399	215,190	450,589
2014-2015	548,892	351,094	899,986	249,822	202,243	452,065
2015-2016	571,140	329,520	900,660	264,487	188,502	452,989
2016-2017	588,875	306,911	895,786	274,409	173,956	448,365
2017-2018	617,120	283,515	900,635	294,601	158,863	453,464
2018-2019	640,896	258,765	899,661	310,080	142,660	452,740
2019-2020	665,228	232,909	898,137	325,860	125,606	451,466
2020-2021	690,135	205,925	896,060	341,956	107,683	449,639
2021-2022	720,794	177,359	898,153	363,534	88,448	451,982
Thereafter	4,307,118	479,359	4,786,477	1,208,881	138,536	1,347,417
Total	\$ 10,383,089	\$ 3,388,211	\$ 13,771,300	\$ 4,090,237	\$ 1,769,043	\$ 5,859,280

Fiscal Year	City of Albany Loan #1			City of Albany Loan #2		
	Principal	Interest	Total	Principal	Interest	Total
2012-2013	\$ 118,497	\$ 84,317	\$ 202,814	\$ 116,075	\$ 74,657	\$ 190,732
2013-2014	122,246	80,568	202,814	119,466	71,266	190,732
2014-2015	126,115	76,699	202,814	122,955	67,777	190,732
2015-2016	130,106	72,708	202,814	126,547	64,185	190,732
2016-2017	134,223	68,591	202,814	130,243	60,489	190,732
2017-2018	138,471	64,343	202,814	134,048	56,684	190,732
2018-2019	142,853	59,961	202,814	137,963	52,769	190,732
2019-2020	147,374	55,440	202,814	141,994	48,738	190,732
2020-2021	152,038	50,776	202,814	146,141	44,591	190,732
2021-2022	156,850	45,964	202,814	150,410	40,322	190,732
Thereafter	1,345,898	175,180	1,521,078	1,277,339	153,143	1,430,482
Total	\$ 2,714,671	\$ 834,547	\$ 3,549,218	\$ 2,603,181	\$ 734,621	\$ 3,337,802

Fiscal Year	DEQ Loan		
	Principal	Fees	Total
2012-2013	\$ 50,000	\$ 4,875	\$ 54,875
2013-2014	50,000	4,625	54,625
2014-2015	50,000	4,375	54,375
2015-2016	50,000	4,125	54,125
2016-2017	50,000	3,875	53,875
2017-2018	50,000	3,625	53,625
2018-2019	50,000	3,375	53,375
2019-2020	50,000	3,125	53,125
2020-2021	50,000	2,875	52,875
2021-2022	50,000	2,625	52,625
Thereafter	475,000	12,500	487,500
Total	\$ 975,000	\$ 50,000	\$ 1,025,000

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable C. Clayton Wood, Mayor
and Members of the City Council
City of Millersburg
Albany, Oregon 97321

We have audited the basic financial statements of the City of Millersburg as of and for the year ended June 30, 2012, and have issued our report thereon dated January 14, 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 the City of Millersburg'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 162-010-0000 through 162-010-0320 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:

Accounting records

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Highway revenues used for public highways, roads, and streets

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 City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

1. The City combined two appropriation categories into one budget category, which is in violation of ORS 294.435.
2. The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2012.

Fund	Function	Appropriations	Expenditures	Excess
Sewer Utility	Capital outlay	\$ -	\$ 232,743	\$ 232,743

3. The City’s resolution adopting the budget did not match the local budget form for one fund, which is in violation of ORS 294.466 and ORS 294.386.
4. The City was not in compliance with the provisions of ORS 279B.070 pertaining to the awarding of public contracts and construction for public improvements.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated January 14, 2013.

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

Koontz, Perdue, Blasquez & Co., P.C.

Koontz, Perdue, Blasquez & Co., P.C.

January 14, 2013