

CITY OF MILLERSBURG
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2013

**CITY OF MILLERSBURG
Linn County, Oregon**

CITY OFFICIALS

June 30, 2013

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

TABLE OF CONTENTS

June 30, 2013

Page
Number

INTRODUCTORY SECTION

- Title Page
- City Officials
- Table of Contents

FINANCIAL SECTION

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds	19-20
Statement of Fiduciary Net Position	21
Notes to Basic Financial Statements	22-43
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	44-46
Other Supplementary Information – Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Street Fund	49
Street Reserve Fund	50
911 Excise Tax Fund.....	51
Sewer Construction Fund	52
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual –	
Sewer Utility Fund	53
Water Utility Fund.....	54

OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions	55
Schedule of Future Requirements for Retirement of Long-Term Debt	56

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor's Report Required by Oregon State Regulations	57-58
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FINANCIAL SECTION



KOONTZ, PERDUE, BLAZQUEZ & 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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Millersburg's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Millersburg, Linn County, Oregon as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 44 through 46, 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.

Other Information

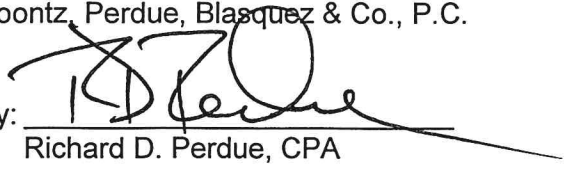
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Millersburg's basic financial statements. The combining statements, individual fund schedules, schedule of property tax transactions, and schedule of future requirements for retirement of long-term debt 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 as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 16, 2013 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

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

By: 
Richard D. Perdue, CPA

December 16, 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, 2013. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2013, total net position of the City of Millersburg amounted to \$33,104,677. Of this amount, \$26,428,086 was invested in capital assets, net of related debt. The remaining balance included \$1,111,220 restricted for system development, \$25,320 restricted for debt service, and \$5,540,051 of unrestricted net position.
- The City's total net position increased by \$948,566 during the current fiscal year.
- Overall revenues were \$4,171,883, which exceeded total expenditures of \$3,223,317 by \$948,566.

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 position presents information on all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 11 through 12 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 Fund, which is considered to be a major governmental fund. 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 13 through 16 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 position, statement of revenues, expenses, and changes in fund net position, 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 17 through 20 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 21 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 22 through 43 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 Fund. This required supplementary information can be found on pages 44 through 46 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 found on pages 47 through 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2013, the City's assets exceeded liabilities by \$33,104,677.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A large portion of the City's net position 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 Position

At the end of the current fiscal year, the City was able to report positive balances in all categories of net position. The City's net position increased by \$948,566 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets						
Current assets	\$ 3,347,149	\$ 2,685,120	\$ 2,515,207	\$ 2,338,354	\$ 5,862,356	\$ 5,023,474
Restricted assets	219,893	90,221	920,478	773,578	1,140,371	863,799
Net capital assets	<u>13,940,488</u>	<u>14,097,898</u>	<u>22,364,907</u>	<u>22,959,500</u>	<u>36,305,395</u>	<u>37,057,398</u>
Total assets	<u>17,507,530</u>	<u>16,873,239</u>	<u>25,800,592</u>	<u>26,071,432</u>	<u>43,308,122</u>	<u>42,944,671</u>
Liabilities						
Current liabilities	123,246	198,625	711,299	698,254	834,545	896,879
Noncurrent liabilities	<u>18,702</u>	<u>14,372</u>	<u>9,350,198</u>	<u>9,877,309</u>	<u>9,368,900</u>	<u>9,891,681</u>
Total liabilities	<u>141,948</u>	<u>212,997</u>	<u>10,061,497</u>	<u>10,575,563</u>	<u>10,203,445</u>	<u>10,788,560</u>
Net position						
Net investment in capital assets	13,940,488	14,097,898	12,487,598	12,576,411	26,428,086	26,674,309
Restricted for various purposes	216,062	106,260	920,478	773,578	1,136,540	879,838
Unrestricted	<u>3,209,032</u>	<u>2,456,084</u>	<u>2,331,019</u>	<u>2,145,880</u>	<u>5,540,051</u>	<u>4,601,964</u>
Total net position	<u>\$ 17,365,582</u>	<u>\$ 16,660,242</u>	<u>\$ 15,739,095</u>	<u>\$ 15,495,869</u>	<u>\$ 33,104,677</u>	<u>\$ 32,156,111</u>

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

City's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Program revenues						
General government	\$ 42,200	\$ 30,884	\$ -	\$ -	\$ 42,200	\$ 30,884
Highways and streets	416,577	56,672	-	-	416,577	56,672
Sewer utility	-	-	819,761	639,454	819,761	639,454
Water utility	-	-	996,208	653,405	996,208	653,405
Total program revenues	458,777	87,556	1,815,969	1,292,859	2,274,746	1,380,415
General revenues						
Property taxes	616,109	575,668	-	20,045	616,109	595,713
School excise tax	107,832	534	-	-	107,832	534
Franchise fees	816,516	829,949	-	-	816,516	829,949
Alcohol and cigarette taxes	18,873	20,301	-	-	18,873	20,301
Highway use tax	75,103	71,188	-	-	75,103	71,188
Intergovernmental	7,200	6,669	-	-	7,200	6,669
Unrestricted grants and contributions	22,772	30,690	-	-	22,772	30,690
Licenses and permits	131,307	128,807	-	-	131,307	128,807
Investment earnings	32,944	26,812	-	10	32,944	26,822
Loan payment reimbursement	-	-	38,413	17,500	38,413	17,500
Loan forgiveness	-	-	-	3,000,000	-	3,000,000
Miscellaneous	30,068	31,816	-	-	30,068	31,816
Total general revenues	1,858,724	1,722,434	38,413	3,037,555	1,897,137	4,759,989
Total revenues	2,317,501	1,809,990	1,854,382	4,330,414	4,171,883	6,140,404
Program expenses						
General government	1,390,012	1,421,539	-	-	1,390,012	1,421,539
Highways and streets	52,149	43,571	-	-	52,149	43,571
Sewer utility	-	-	940,633	766,376	940,633	766,376
Water utility	-	-	840,523	792,036	840,523	792,036
Total program expenses	1,442,161	1,465,110	1,781,156	1,558,412	3,223,317	3,023,522
Transfers	(170,000)	(553,049)	170,000	553,049	-	-
Change in net position	705,340	(208,169)	243,226	3,325,051	948,566	3,116,882
Net position - beginning	16,660,242	16,868,411	15,495,869	12,170,818	32,156,111	29,039,229
Net position - ending	\$ 17,365,582	\$ 16,660,242	\$ 15,739,095	\$ 15,495,869	\$ 33,104,677	\$ 32,156,111

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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.

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 \$3,397,401, an increase of \$868,519 over the prior year. Of this amount, \$3,099,565 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 \$3,099,565, an increase of \$738,464 over 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 position of the proprietary funds amounted to \$15,739,095 at year-end. Of this amount, \$12,487,598 was invested in capital assets, net of related debt. The remaining balance included \$895,158 restricted for system development, \$25,320 restricted for debt service, and \$2,331,019 of unrestricted net position.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts.

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, 2013 amounted to \$13,940,488 and \$22,364,907, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings and improvements, furniture and office equipment, equipment, infrastructure, utilities, sewer equipment, the joint water project, the joint wastewater project, and the wastewater wetlands project.

Additional information on the City's capital assets can be found in Note III-B on pages 33 through 36 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 \$9,877,309. 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 \$505,780 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-E on pages 37 through 38 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 2013-2014 premium for healthcare insurance increased by 21% in comparison with the 2012-2013 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 POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,217,520	\$ 2,278,867	\$ 5,496,387
Accounts receivable	71,435	236,340	307,775
Property taxes receivable	54,940	-	54,940
Due from other government agencies	<u>3,254</u>	<u>-</u>	<u>3,254</u>
Total current assets	3,347,149	2,515,207	5,862,356
Restricted assets			
Cash and cash equivalents	219,893	920,478	1,140,371
Land	2,622,557	188,953	2,811,510
Capital assets, net of accumulated depreciation	<u>11,317,931</u>	<u>22,175,954</u>	<u>33,493,885</u>
Total assets	<u>17,507,530</u>	<u>25,800,592</u>	<u>43,308,122</u>
LIABILITIES			
Current liabilities			
Accounts payable	59,851	1,695	61,546
Accrued payroll and taxes	7,552	240	7,792
Accrued interest payable	-	162,220	162,220
Accrued loan fees payable	-	20,033	20,033
School excise tax payable	55,843	-	55,843
Long-term liabilities, current portion	<u>-</u>	<u>527,111</u>	<u>527,111</u>
Total current liabilities	<u>123,246</u>	<u>711,299</u>	<u>834,545</u>
Noncurrent liabilities			
Compensated absences	18,702	-	18,702
Long-term liabilities, less current portion	<u>-</u>	<u>9,350,198</u>	<u>9,350,198</u>
Total noncurrent liabilities	<u>18,702</u>	<u>9,350,198</u>	<u>9,368,900</u>
Total liabilities	<u>141,948</u>	<u>10,061,497</u>	<u>10,203,445</u>
NET POSITION			
Net investment in capital assets	13,940,488	12,487,598	26,428,086
Restricted for:			
System development	216,062	895,158	1,111,220
Debt service	-	25,320	25,320
Unrestricted	<u>3,209,032</u>	<u>2,331,019</u>	<u>5,540,051</u>
Total net position	<u>\$ 17,365,582</u>	<u>\$ 15,739,095</u>	<u>\$ 33,104,677</u>

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, 2013

<u>Functions/Programs</u>	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities			
General government	\$ 1,390,012	\$ -	\$ 5,000
Highways and streets	52,149	-	-
Total governmental activities	\$ 1,442,161	\$ -	\$ 5,000
Business-type activities			
Sewer utility	\$ 940,633	\$ 585,968	\$ -
Water utility	840,523	767,165	-
Total business-type activities	\$ 1,781,156	\$ 1,353,133	\$ -
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			
Miscellaneous			
Total general revenues			
Transfers			
Change in net position			
Net position - beginning			
Net position - ending			

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,347,812)	\$ -	\$ (1,347,812)
<u>364,428</u>	<u>-</u>	<u>364,428</u>
<u>(983,384)</u>	<u>-</u>	<u>(983,384)</u>
-	(120,872)	(120,872)
<u>-</u>	<u>155,685</u>	<u>155,685</u>
<u>-</u>	<u>34,813</u>	<u>34,813</u>
616,109	-	616,109
107,832	-	107,832
816,516	-	816,516
18,873	-	18,873
75,103	-	75,103
7,200	-	7,200
22,772	-	22,772
131,307	-	131,307
32,944	-	32,944
-	38,413	38,413
<u>30,068</u>	<u>-</u>	<u>30,068</u>
<u>1,858,724</u>	<u>38,413</u>	<u>1,897,137</u>
<u>(170,000)</u>	<u>170,000</u>	<u>-</u>
705,340	243,226	948,566
<u>16,660,242</u>	<u>15,495,869</u>	<u>32,156,111</u>
<u>\$ 17,365,582</u>	<u>\$ 15,739,095</u>	<u>\$ 33,104,677</u>

CITY OF MILLERSBURG
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,139,410	\$ 298,003	\$ 3,437,413
Accounts receivable	71,435	-	71,435
Property taxes receivable	54,940	-	54,940
Due from other government agencies	-	3,254	3,254
 Total assets	 \$ 3,265,785	 \$ 301,257	 \$ 3,567,042
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 56,430	\$ 3,421	\$ 59,851
Accrued payroll and taxes	7,552	-	7,552
School excise tax payable	55,843	-	55,843
 Total liabilities	 119,825	 3,421	 123,246
Deferred inflows of resources			
Unavailable revenue - property taxes	46,395	-	46,395
Fund balances			
Restricted	-	216,062	216,062
Assigned	-	81,774	81,774
Unassigned	3,099,565	-	3,099,565
 Total fund balances	 3,099,565	 297,836	 3,397,401
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 3,265,785	 \$ 301,257	 \$ 3,567,042

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 POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2013

Total fund balances \$ 3,397,401

Capital assets are not financial resources and are therefore not reported in the governmental funds:

Cost	16,881,910	
Accumulated depreciation	<u>(2,941,422)</u>	13,940,488

Property tax revenue is recognized in the net position 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.

46,395

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>(18,702)</u>
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Total net position **\$ 17,365,582**

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, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Franchise fees	\$ 816,516	\$ -	\$ 816,516
Property tax	617,548	-	617,548
School excise tax	107,832	-	107,832
Alcohol and cigarette taxes	18,873	-	18,873
Highway use tax	-	75,103	75,103
Intergovernmental	5,000	7,200	12,200
System development charges	37,200	109,802	147,002
Licenses and permits	131,307	-	131,307
State revenue sharing	22,772	-	22,772
Planning commission	5,000	-	5,000
Investment earnings	32,944	-	32,944
Rental income	15,656	-	15,656
Miscellaneous	9,412	-	9,412
	<u>1,820,060</u>	<u>192,105</u>	<u>2,012,165</u>
Total revenues			
EXPENDITURES			
Current			
Personnel services	296,310	-	296,310
Materials and services	578,403	63,150	641,553
Capital outlay	35,783	-	35,783
	<u>910,496</u>	<u>63,150</u>	<u>973,646</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>909,564</u>	<u>128,955</u>	<u>1,038,519</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,200	1,200
Transfers out	(171,100)	(100)	(171,200)
	<u>(171,100)</u>	<u>1,100</u>	<u>(170,000)</u>
Total other financing sources (uses)			
Net change in fund balances	738,464	130,055	868,519
Fund balances - beginning	<u>2,361,101</u>	<u>167,781</u>	<u>2,528,882</u>
Fund balances - ending	<u>\$ 3,099,565</u>	<u>\$ 297,836</u>	<u>\$ 3,397,401</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, 2013

Net change in fund balances		\$ 868,519
<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>		
Contributions of capital assets	306,775	
Less current year depreciation	<u>(464,185)</u>	(157,410)
<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 unavailable revenue - property taxes		(1,439)
<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>(4,330)</u>
Change in net position		<u>\$ 705,340</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,575,707	\$ 703,160	\$ 2,278,867
Accounts receivable	153,880	82,460	236,340
Due from other funds	2,231	-	2,231
Total current assets	1,731,818	785,620	2,517,438
Restricted assets			
Cash and cash equivalents	495,215	425,263	920,478
Land	109,566	79,387	188,953
Capital assets, net of accumulated depreciation	14,691,722	7,484,232	22,175,954
Total assets	17,028,321	8,774,502	25,802,823
LIABILITIES			
Current liabilities			
Accounts payable	1,207	488	1,695
Accrued payroll and taxes	-	240	240
Accrued interest payable	38,412	123,808	162,220
Accrued loan fees payable	20,033	-	20,033
Due to other funds	-	2,231	2,231
Long-term liabilities, current portion	291,712	235,399	527,111
Total current liabilities	351,364	362,166	713,530
Noncurrent liabilities			
Long-term liabilities, less current portion	5,716,568	3,633,630	9,350,198
Total liabilities	6,067,932	3,995,796	10,063,728
NET POSITION			
Net investment in capital assets	8,793,008	3,694,590	12,487,598
Restricted for:			
System development	469,895	425,263	895,158
Debt service	25,320	-	25,320
Unrestricted	1,672,166	658,853	2,331,019
Total net position	\$ 10,960,389	\$ 4,778,706	\$ 15,739,095

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 POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Enterprise Funds		Totals
	Sewer Utility	Water Utility	
Operating revenues			
Charges for services	\$ 585,968	\$ 767,165	\$ 1,353,133
Operating expenses			
Materials and services	214,820	246,638	461,458
Depreciation	537,146	373,529	910,675
Total operating expenses	751,966	620,167	1,372,133
Operating income (loss)	(165,998)	146,998	(19,000)
Nonoperating revenues (expenses)			
System development charges	74,273	72,481	146,754
Intergovernmental	38,413	-	38,413
Interest expense	(188,667)	(220,356)	(409,023)
Total nonoperating revenues (expenses)	(75,981)	(147,875)	(223,856)
Income (loss) before capital contributions and transfers	(241,979)	(877)	(242,856)
Capital contributions - infrastructure	156,562	159,520	316,082
Transfers in	100,000	70,000	170,000
Change in net position	14,583	228,643	243,226
Net position - beginning	10,945,806	4,550,063	15,495,869
Net position - ending	\$ 10,960,389	\$ 4,778,706	\$ 15,739,095

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, 2013

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 590,463	\$ 764,555	\$ 1,355,018
Payments to suppliers	<u>(214,365)</u>	<u>(246,608)</u>	<u>(460,973)</u>
Net cash provided (used) by operating activities	<u>376,098</u>	<u>517,947</u>	<u>894,045</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	<u>100,000</u>	<u>70,000</u>	<u>170,000</u>
Net cash provided (used) by noncapital financing activities	<u>100,000</u>	<u>70,000</u>	<u>170,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	74,273	72,481	146,754
Principal paid on capital debt	(284,572)	(221,208)	(505,780)
Interest paid on capital debt	(190,438)	(227,356)	(417,794)
Proceeds from intergovernmental loan repayment	<u>38,413</u>	<u>-</u>	<u>38,413</u>
Net cash provided (used) by capital and related financing activities	<u>(362,324)</u>	<u>(376,083)</u>	<u>(738,407)</u>
Net increase (decrease) in cash and cash equivalents	113,774	211,864	325,638
Cash and cash equivalents - beginning (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>
Cash and cash equivalents - ending (including \$495,215 and \$425,263 in the Sewer Utility and Water Utility Funds, respectively, reported in restricted accounts)	<u>\$ 2,070,922</u>	<u>\$ 1,128,423</u>	<u>\$ 3,199,345</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, 2013

(Continued)

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (165,998)	\$ 146,998	\$ (19,000)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	537,146	373,529	910,675
(Increase) decrease in accounts receivable	4,495	(2,610)	1,885
Increase (decrease) in accounts payable	455	30	485
Net cash provided (used) by operating activities	<u>\$ 376,098</u>	<u>\$ 517,947</u>	<u>\$ 894,045</u>
Noncash capital and related financing activities:			
Capital contributions - infrastructure	\$ 156,562	\$ 159,520	\$ 316,082

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<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, 2013

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 1,430 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 position 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 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, 2013

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 fund:

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.

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.

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.

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, 2013

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.

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, 2013

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, Deferred Outflows and Inflows of Resources, 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.

Uncollected property taxes are shown on the balance sheet of the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as unavailable revenue because they are not deemed available to finance operations of the current period.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

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.

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 long-term liabilities on the statement of net position. 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 position.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

6. Long-Term Obligations (Continued)

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.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and therefore will not be recognized as an inflow of resources until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Fund Equity

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

9. Fund Equity (Continued)

- 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. 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.

F. Reclassifications

Effective July 1, 2012, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Note I-D.8 provides a description of the effects of this statement on the City's financial statements.

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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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 personnel 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. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

B. Excess of Expenditures Over Appropriations

The City expended funds in excess of the amount appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2013:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Materials and services	\$ 611,663	\$ 649,716	\$ 38,053

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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

A. Deposits and Investments (Continued)

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.

Investments

As of June 30, 2013, the City had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 6,452,906

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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

A. Deposits and Investments (Continued)

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 an interest-bearing account and a noninterest-bearing account at US Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2013, the City's total deposits of \$185,741 were fully insured by the FDIC.

Deposits

The City's deposits and investments at June 30, 2013 are as follows:

Cash on hand	\$ 70
Demand deposits	183,782
Total investments	<u>6,452,906</u>
Total deposits and investments	<u>\$ 6,636,758</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

A. Deposits and Investments (Continued)

Deposits (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 3,139,410
Nonmajor governmental funds	<u>78,110</u>
Total governmental activities - unrestricted	<u>3,217,520</u>
Business-type activities - unrestricted	
Sewer Utility Fund	1,575,707
Water Utility Fund	<u>703,160</u>
Total business-type activities - unrestricted	<u>2,278,867</u>
Total unrestricted cash and investments	<u>5,496,387</u>
Governmental activities - restricted	
Nonmajor governmental funds	<u>219,893</u>
Business-type activities - restricted	
Sewer Utility Fund	495,215
Water Utility Fund	<u>425,263</u>
Total business-type activities - restricted	<u>920,478</u>
Total restricted cash and investments	<u>1,140,371</u>
Total cash and investments	<u>\$ 6,636,758</u>

Restricted cash is for system development and DEQ loan obligations.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 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>10,869,009</u>	<u>306,775</u>	<u>-</u>	<u>11,175,784</u>
Total capital assets being depreciated	<u>13,952,578</u>	<u>306,775</u>	<u>-</u>	<u>14,259,353</u>
Less accumulated depreciation for				
Buildings and improvements	(543,298)	(61,077)	-	(604,375)
Furniture and office equipment	(16,382)	(610)	-	(16,992)
Equipment	(109,098)	(5,051)	-	(114,149)
Infrastructure	<u>(1,808,459)</u>	<u>(397,447)</u>	<u>-</u>	<u>(2,205,906)</u>
Total accumulated depreciation	<u>(2,477,237)</u>	<u>(464,185)</u>	<u>-</u>	<u>(2,941,422)</u>
Total capital assets being depreciated, net	<u>11,475,341</u>	<u>(157,410)</u>	<u>-</u>	<u>11,317,931</u>
Governmental activities capital assets, net	<u>\$ 14,097,898</u>	<u>\$ (157,410)</u>	<u>\$ -</u>	<u>\$ 13,940,488</u>

(Continued)

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

B. Capital Assets (Continued)

(Continued)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 188,953	\$ -	\$ -	\$ 188,953
Construction in progress	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,188,953</u>	<u>-</u>	<u>4,000,000</u>	<u>188,953</u>
Capital assets being depreciated				
Utilities	8,671,659	316,082	-	8,987,741
Sewer equipment	5,022	-	-	5,022
Joint water project	7,089,879	-	-	7,089,879
Joint wastewater project	8,656,846	-	-	8,656,846
Wastewater wetlands project	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
Total capital assets being depreciated	<u>24,423,406</u>	<u>4,316,082</u>	<u>-</u>	<u>28,739,488</u>
Less accumulated depreciation for				
Utilities	(2,833,806)	(200,807)	-	(3,034,613)
Sewer equipment	(5,022)	-	-	(5,022)
Joint water project	(1,890,634)	(283,594)	-	(2,174,228)
Joint wastewater project	(923,397)	(346,274)	-	(1,269,671)
Wastewater wetlands project	<u>-</u>	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Total accumulated depreciation	<u>(5,652,859)</u>	<u>(910,675)</u>	<u>-</u>	<u>(6,563,534)</u>
Total capital assets being depreciated, net	<u>18,770,547</u>	<u>3,405,407</u>	<u>-</u>	<u>22,175,954</u>
Business-type activities capital assets, net	<u>\$ 22,959,500</u>	<u>\$ 3,405,407</u>	<u>\$ 4,000,000</u>	<u>\$ 22,364,907</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

B. Capital Assets (Continued)

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 2,622,557	\$ -	\$ 2,622,557
Buildings and improvements	2,916,085	(604,375)	2,311,710
Furniture and office equipment	20,337	(16,992)	3,345
Equipment	147,147	(114,149)	32,998
Infrastructure	11,175,784	(2,205,906)	8,969,878
Total governmental capital assets	16,881,910	(2,941,422)	13,940,488
Business-type activities			
Land	188,953	-	188,953
Utilities	8,987,741	(3,034,613)	5,953,128
Sewer equipment	5,022	(5,022)	-
Joint water project	7,089,879	(2,174,228)	4,915,651
Joint wastewater project	8,656,846	(1,269,671)	7,387,175
Wastewater wetlands project	4,000,000	(80,000)	3,920,000
Total business-type capital assets	28,928,441	(6,563,534)	22,364,907
Total capital assets	\$ 45,810,351	\$ (9,504,956)	\$ 36,305,395

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

Governmental activities	
General government	\$ 464,185
Business-type activities	
Sewer utility	\$ 537,146
Water utility	373,529
Total business-type activities	\$ 910,675

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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, 2013. The City of Millersburg and the City of Albany have specific ownership interest as defined in the intergovernmental agreement.

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
	Nonmajor Governmental Funds	Sewer Utility Fund	Water Utility Fund	
Transfers out:				
General Fund	\$ 1,100	\$ 100,000	\$ 70,000	\$ 171,100
Nonmajor governmental funds	100	-	-	100
Total	\$ 1,200	\$ 100,000	\$ 70,000	\$ 171,200

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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:

Nonmajor governmental funds:

Street Fund: To fund street and road repair expenditures and future street construction.

Street Reserve Fund: To fund future street construction 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Compensated absences	\$ 14,372	\$ 4,330	\$ -	\$ 18,702

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:

	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities							
Loans payable							
OECDD	5.25%	\$ 6,044,000	\$ 4,090,237	\$ -	\$ 221,208	\$ 3,869,029	\$ 235,399
City of Albany #1	3.14%	3,125,007	2,714,671	-	118,497	2,596,174	122,246
City of Albany #2	2.9%	3,041,674	2,603,181	-	116,075	2,487,106	119,466
DEQ loan	-	4,000,000	975,000	-	50,000	925,000	50,000
Total business-type activities		\$ 16,210,681	\$ 10,383,089	\$ -	\$ 505,780	\$ 9,877,309	\$ 527,111

The Water Utility and Sewer Utility Funds have traditionally been used to liquidate long-term liabilities.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

E. Long-Term Liabilities (Continued)

2. Loan Payable – OECDD

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.

3. Loans 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.

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 Fund (CWSRF) to finance Phase 1 of the Wastewater Wetlands 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.

5. Future Maturities of Long-Term Liabilities

Fiscal Year Ending June 30	Loans		
	Principal	Interest and Fees	Total
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	617,120	283,515	900,635
2019-2023	3,464,153	1,022,262	4,486,415
2024-2028	2,812,141	312,648	3,124,789
2029-2032	747,877	19,407	767,284
Total	<u>\$ 9,877,309</u>	<u>\$ 2,997,006</u>	<u>\$ 12,874,315</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:			
Restricted for:			
System development	\$ -	\$ 216,062	\$ 216,062
Assigned to:			
Street maintenance	-	67,991	67,991
Sewer construction	-	13,783	13,783
Unassigned	3,099,565	-	3,099,565
Total fund balances	\$ 3,099,565	\$ 297,836	\$ 3,397,401

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, 2013

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, 2013 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, 2011, 2012, and 2013 were equal to the required contribution for each year.

Annual pension expenses/expenditures are summarized as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2011	\$ 12,597	100%
2012	\$ 31,650	100%
2013	\$ 32,386	100%

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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, 2011, 2012, and 2013 were \$549, \$989, and \$1,005, respectively, which equaled the required contributions each year.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

D. 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.

E. 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. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its fiscal year ending June 30, 2014. This statement moves some items from the assets and liabilities sections to the deferred outflows and deferred inflows sections of the statements.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its fiscal year ending June 30, 2014. This statement improves accounting and financial reporting by resolving conflicting guidance that could diminish the consistency of financial reporting, and thereby enhances the usefulness of the financial reports.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, will be effective for the City beginning with its fiscal year ending June 30, 2015. This statement replaces the requirements for GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria.

F. Subsequent Events

Management has evaluated subsequent events through December 16, 2013, which was the date that the financial statements were available to be issued.

1. Knox Butte Avenue

The City entered into a contract for the Knox Butte Avenue waterline to be replaced and road to be repaved. The contract in the amount of \$122,925 began in July 2013 and was completed in August 2013.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

F. Subsequent Events (Continued)

2. Power Alternative Study

The City has taken the initiative to undergo a feasibility study to purchase power for customers of the City by creating a municipally owned utility district. The study is currently in preliminary stages, but is hoped to be completed by the end of the calendar year. At the time these financial statements were prepared, the results and effects that the district would have on the City were unknown.

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, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Franchise fees	\$ 540,000	\$ 278,863	\$ 818,863	\$ (2,347)	\$ 816,516
Intergovernmental					
Property tax	580,000	53,006	633,006	(15,458)	617,548
School excise tax	18,000	89,832	107,832	-	107,832
State alcohol and cigarette tax	12,515	6,358	18,873	-	18,873
Grants	10,000	(5,000)	5,000	-	5,000
Planning commission	3,000	2,000	5,000	-	5,000
Total intergovernmental	623,515	146,196	769,711	(15,458)	754,253
Special assessments					
Park system development charges	3,600	33,600	37,200	-	37,200
Licenses and permits	2,000	129,307	131,307	-	131,307
State revenue sharing	20,000	2,772	22,772	-	22,772
Investment earnings	22,000	10,944	32,944	-	32,944
Other income					
Rental property income	16,000	(344)	15,656	-	15,656
Miscellaneous	5,500	3,912	9,412	-	9,412
Total miscellaneous	21,500	3,568	25,068	-	25,068
Total revenues	1,232,615	605,250	1,837,865	(17,805)	1,820,060
EXPENDITURES					
Current					
Personnel services					
Administrator	65,000	4,945	69,945	-	69,945
Assistant city recorder	37,000	(212)	36,788	-	36,788
Maintenance personnel	97,000	(457)	96,543	-	96,543
Utility clerk	20,000	(18,003)	1,997	1,699	3,696
Payroll taxes	32,000	(14,200)	17,800	(6,062)	11,738
PERS retirement	40,000	(7,614)	32,386	-	32,386
Supplemental medical benefit	8,000	(726)	7,274	481	7,755
Disability insurance	3,000	(1,500)	1,500	-	1,500
Dental and vision insurance	7,000	(594)	6,406	-	6,406
Medical insurance	30,000	(447)	29,553	-	29,553
Total personnel services ⁽¹⁾	339,000	(38,808)	300,192	(3,882)	296,310

(Continued)

⁽¹⁾ Appropriation level

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, 2013

(Continued)

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
EXPENDITURES (Continued)					
Current (continued)					
Materials and services					
Planning consultants - general	\$ 70,000	\$ (2,372)	\$ 67,628	\$ (167)	\$ 67,461
Planning consultants - engineering	65,000	(26,131)	38,869	(4,025)	34,844
Conventions and training	6,000	(5,760)	240	-	240
Dues and subscriptions	7,000	(1,077)	5,923	1,219	7,142
Telephone	7,000	(3,542)	3,458	(240)	3,218
Office supplies	15,000	(2,769)	12,231	478	12,709
City rental expense	3,000	5,046	8,046	100	8,146
City attorney	60,000	(39,040)	20,960	(1,413)	19,547
Legal services	5,000	(675)	4,325	-	4,325
Bonding and insurance	17,000	(15,606)	1,394	-	1,394
Economic Development					
Commission	25,000	-	25,000	-	25,000
Parks and recreation	10,000	(1,931)	8,069	-	8,069
Park supplies and maintenance	30,000	(9,200)	20,800	219	21,019
Park development	-	2,505	2,505	-	2,505
Accounting and audit	40,000	(29,108)	10,892	-	10,892
Printing and advertising	4,000	898	4,898	(875)	4,023
Travel and meals	5,000	13	5,013	144	5,157
Library services	3,000	(584)	2,416	-	2,416
Bids publication	500	(500)	-	-	-
Property taxes	6,000	(351)	5,649	-	5,649
Community support	50,000	(4,050)	45,950	20,000	65,950
Linn County contracted	72,243	-	72,243	-	72,243
SPWF grant payment	10,000	-	10,000	-	10,000
Contracted services	27,000	(14,198)	12,802	310	13,112
Call-A-Ride	6,000	(2,956)	3,044	-	3,044
City hall maintenance and supplies	30,000	(20,186)	9,814	619	10,433
City hall utilities	15,000	(4,938)	10,062	(18)	10,044
Cemetery maintenance	500	(500)	-	-	-
Economic development	3,000	(3,000)	-	-	-
Elections	100	(100)	-	-	-
School excise tax	17,820	117,141	134,961	(93,537)	41,424
Building permits	1,500	101,024	102,524	5,873	108,397
Total materials and services ⁽¹⁾	<u>611,663</u>	<u>38,053</u>	<u>649,716</u>	<u>(71,313)</u>	<u>578,403</u>

(Continued)

⁽¹⁾ Appropriation level

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, 2013

(Continued)

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
EXPENDITURES (Continued)					
Capital outlay					
Equipment	\$ 10,000	\$ (10,000)	\$ -	\$ -	\$ -
Improvements	20,000	9,583	29,583	-	29,583
Buildings	100	(100)	-	-	-
Land	5,000	(5,000)	-	-	-
Airport improvement	100	(100)	-	-	-
Well development	30,000	(23,800)	6,200	-	6,200
Office equipment and furnishings	10,000	(10,000)	-	-	-
Total capital outlay ⁽¹⁾	<u>75,200</u>	<u>(39,417)</u>	<u>35,783</u>	<u>-</u>	<u>35,783</u>
Contingency	<u>170,000</u>	<u>(170,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,195,863</u>	<u>(210,172)</u>	<u>985,691</u>	<u>(75,195)</u>	<u>910,496</u>
Excess (deficiency) of revenues over (under) expenditures	36,752	815,422	852,174	57,390	909,564
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(171,100)</u>	<u>-</u>	<u>(171,100)</u>	<u>-</u>	<u>(171,100)</u>
Net change in fund balance	<u>(134,348)</u>	<u>815,422</u>	<u>681,074</u>	<u>57,390</u>	<u>738,464</u>
Fund balance - beginning	<u>134,348</u>	<u>2,323,988</u>	<u>2,458,336</u>	<u>(97,235)</u>	<u>2,361,101</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,139,410</u>	<u>\$ 3,139,410</u>	<u>\$ (39,845)</u>	<u>\$ 3,099,565</u>

⁽¹⁾ Appropriation level

OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF MILLERSBURG
Linn County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue Funds		
	Street	Street Reserve	911 Excise Tax
ASSETS			
Cash and cash equivalents	\$ 219,893	\$ 64,327	\$ -
Due from other government agencies	3,254	-	-
Total assets	\$ 223,147	\$ 64,327	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,421	\$ -	\$ -
Fund balances			
Restricted for system development	216,062	-	-
Assigned to:			
Street maintenance	3,664	64,327	-
Sewer construction	-	-	-
Total fund balances	219,726	64,327	-
Total liabilities and fund balances	\$ 223,147	\$ 64,327	\$ -

<u>Capital Projects Fund Sewer Construction</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 13,783	\$ 298,003
<u>-</u>	<u>3,254</u>
<u>\$ 13,783</u>	<u>\$ 301,257</u>
<u>\$ -</u>	<u>\$ 3,421</u>
-	216,062
-	67,991
<u>13,783</u>	<u>13,783</u>
<u>13,783</u>	<u>297,836</u>
<u>\$ 13,783</u>	<u>\$ 301,257</u>

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, 2013

	Special Revenue Funds		
	Street	Street Reserve	911 Excise Tax
REVENUES			
Highway use tax	\$ 75,103	\$ -	\$ -
Intergovernmental	-	-	7,200
System development charges	109,802	-	-
Total revenues	184,905	-	7,200
EXPENDITURES			
Current			
Materials and services	55,950	-	7,200
Excess (deficiency) of revenues over (under) expenditures	128,955	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	1,000	200	-
Transfers out	(100)	-	-
Total other financing sources (uses)	900	200	-
Net change in fund balances	129,855	200	-
Fund balances - beginning	89,871	64,127	-
Fund balances - ending	\$ 219,726	\$ 64,327	\$ -

Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Sewer Construction</u>	
\$ -	\$ 75,103
-	7,200
-	<u>109,802</u>
-	192,105
-	<u>63,150</u>
-	<u>128,955</u>
-	1,200
-	<u>(100)</u>
-	<u>1,100</u>
-	130,055
<u>13,783</u>	<u>167,781</u>
<u>\$ 13,783</u>	<u>\$ 297,836</u>

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, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Highway use tax	\$ 58,000	\$ 17,103	\$ 75,103	\$ -	\$ 75,103
System development charges	-	109,802	109,802	-	109,802
Total revenues	<u>58,000</u>	<u>126,905</u>	<u>184,905</u>	<u>-</u>	<u>184,905</u>
EXPENDITURES					
Current					
Materials and services	90,580	(34,447)	56,133	(183)	55,950
Contingency	<u>6,920</u>	<u>(6,920)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>97,500</u>	<u>(41,367)</u>	<u>56,133</u>	<u>(183)</u>	<u>55,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,500)</u>	<u>168,272</u>	<u>128,772</u>	<u>183</u>	<u>128,955</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,000	-	1,000	-	1,000
Transfers out	<u>(100)</u>	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Total other financing sources (uses)	<u>900</u>	<u>-</u>	<u>900</u>	<u>-</u>	<u>900</u>
Net change in fund balance	(38,600)	168,272	129,672	183	129,855
Fund balance - beginning	<u>38,600</u>	<u>51,621</u>	<u>90,221</u>	<u>(350)</u>	<u>89,871</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 219,893</u>	<u>\$ 219,893</u>	<u>\$ (167)</u>	<u>\$ 219,726</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, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 18,000	\$ (18,000)	\$ -	\$ -	\$ -
EXPENDITURES					
Capital outlay	<u>56,200</u>	<u>(56,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(38,200)	38,200	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>200</u>
Net change in fund balance	(38,000)	38,200	200	-	200
Fund balance - beginning	<u>38,000</u>	<u>26,127</u>	<u>64,127</u>	<u>-</u>	<u>64,127</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 64,327</u>	<u>\$ 64,327</u>	<u>\$ -</u>	<u>\$ 64,327</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, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Intergovernmental	\$ 7,200	\$ -	\$ 7,200	\$ -	\$ 7,200
EXPENDITURES					
Current					
Materials and services	<u>7,200</u>	<u>-</u>	<u>7,200</u>	<u>-</u>	<u>7,200</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, 2013

	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>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(13,783)	13,783	-	-	-
Fund balance - beginning	<u>13,783</u>	<u>-</u>	<u>13,783</u>	<u>-</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 POSITION -
BUDGET AND ACTUAL

SEWER UTILITY FUND

For the Year Ended June 30, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Charges for services					
User fees	\$ 622,000	\$ (31,538)	\$ 590,462	\$ (4,494)	\$ 585,968
System development charges	<u>22,310</u>	<u>51,963</u>	<u>74,273</u>	<u>-</u>	<u>74,273</u>
Total charges for services	644,310	20,425	664,735	(4,494)	660,241
Investment earnings	100	(100)	-	-	-
Intergovernmental	38,413	(38,413)	-	38,413	38,413
Miscellaneous	<u>-</u>	<u>38,413</u>	<u>38,413</u>	<u>(38,413)</u>	<u>-</u>
Total revenues	<u>682,823</u>	<u>20,325</u>	<u>703,148</u>	<u>(4,494)</u>	<u>698,654</u>
EXPENSES					
Current					
Materials and services ⁽¹⁾					
Sewer treatment plant	288,400	(74,035)	214,365	455	214,820
Depreciation expense	-	-	-	537,146	537,146
Debt service	475,010	-	475,010	(286,343)	188,667
Capital outlay	15,000	(15,000)	-	-	-
Contingency	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>978,410</u>	<u>(289,035)</u>	<u>689,375</u>	<u>251,258</u>	<u>940,633</u>
Excess (deficiency) of revenues over (under) expenses	<u>(295,587)</u>	<u>309,360</u>	<u>13,773</u>	<u>(255,752)</u>	<u>(241,979)</u>
OTHER FINANCING SOURCES (USES)					
Contributed capital - infrastructure	-	-	-	156,562	156,562
Transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total other financing sources (uses)	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>156,562</u>	<u>256,562</u>
Change in net position	(195,587)	309,360	113,773	(99,190)	14,583
Net position - beginning	<u>195,587</u>	<u>1,761,562</u>	<u>1,957,149</u>	<u>8,988,657</u>	<u>10,945,806</u>
Net position - ending	<u>\$ -</u>	<u>\$ 2,070,922</u>	<u>\$ 2,070,922</u>	<u>\$ 8,889,467</u>	<u>\$ 10,960,389</u>

⁽¹⁾ Appropriation level

CITY OF MILLERSBURG
Linn County, Oregon

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

WATER UTILITY FUND

For the Year Ended June 30, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Charges for services					
User fees	\$ 728,000	\$ 36,555	\$ 764,555	\$ 2,610	\$ 767,165
System development charges	<u>20,710</u>	<u>51,771</u>	<u>72,481</u>	<u>-</u>	<u>72,481</u>
Total revenues	<u>748,710</u>	<u>88,326</u>	<u>837,036</u>	<u>2,610</u>	<u>839,646</u>
EXPENSES					
Current					
Materials and services ⁽¹⁾					
Repairs and maintenance	320,000	(73,392)	246,608	30	246,638
Depreciation expense	-	-	-	373,529	373,529
Debt service	448,564	-	448,564	(228,208)	220,356
Contingency	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>968,564</u>	<u>(273,392)</u>	<u>695,172</u>	<u>145,351</u>	<u>840,523</u>
Excess (deficiency) of revenues over (under) expenses	<u>(219,854)</u>	<u>361,718</u>	<u>141,864</u>	<u>(142,741)</u>	<u>(877)</u>
OTHER FINANCING SOURCES (USES)					
Contributed capital - infrastructure	-	-	-	159,520	159,520
Transfers in	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Total other financing sources (uses)	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>159,520</u>	<u>229,520</u>
Change in net position	(149,854)	361,718	211,864	16,779	228,643
Net position - beginning	<u>149,854</u>	<u>766,705</u>	<u>916,559</u>	<u>3,633,504</u>	<u>4,550,063</u>
Net position - ending	<u>\$ -</u>	<u>\$ 1,128,423</u>	<u>\$ 1,128,423</u>	<u>\$ 3,650,283</u>	<u>\$ 4,778,706</u>

⁽¹⁾ Appropriation level

OTHER FINANCIAL SCHEDULES

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2013

Tax Year	Taxes Receivable July 1, 2012	2012-2013 Levy	Adjustments	Collections	Taxes Receivable June 30, 2013
2012-2013	\$ -	\$ 636,053	\$ (20,598)	\$ 590,970	\$ 24,485
2011-2012	25,692	-	(589)	11,502	13,601
2010-2011	18,411	-	(1,222)	6,388	10,801
2009-2010	11,812	-	(192)	6,386	5,234
2008-2009	5,243	-	(108)	4,316	819
Subtotal - Prior	61,158	-	(2,111)	28,592	30,455
Total	\$ 61,158	\$ 636,053	\$ (22,709)	619,562	\$ 54,940
Add:					
Other taxes and interest				2,763	
Undistributed taxes with county, July 1, 2012				10,681	
Total available				633,006	
Less: Turnovers to City				(633,006)	
Undistributed taxes with county, June 30, 2013				\$ -	

**CITY OF MILLERSBURG
Linn County, Oregon**

**SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF
LONG-TERM DEBT**

For the Year Ended June 30, 2013

Fiscal Year	Total Requirement All Issues			OECD Special Works Fund Loan		
	Principal	Interest and Fees	Total	Principal	Interest	Total
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
2022-2023	747,100	147,304	894,404	380,483	68,000	448,483
Thereafter	3,560,018	332,055	3,892,073	828,398	70,536	898,934
Total	\$ 9,877,309	\$ 2,997,006	\$ 12,874,315	\$ 3,869,029	\$ 1,541,687	\$ 5,410,716

Fiscal Year	City of Albany Loan #1			City of Albany Loan #2		
	Principal	Interest	Total	Principal	Interest	Total
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
2022-2023	161,813	41,001	202,814	154,804	35,928	190,732
Thereafter	1,184,085	134,179	1,318,264	1,122,535	117,215	1,239,750
Total	\$ 2,596,174	\$ 750,230	\$ 3,346,404	\$ 2,487,106	\$ 659,964	\$ 3,147,070

Fiscal Year	DEQ Loan		
	Principal	Fees	Total
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
2022-2023	50,000	2,375	52,375
Thereafter	425,000	10,125	435,125
Total	\$ 925,000	\$ 45,125	\$ 970,125

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



KOONTZ, PERDUE, BLAZQUEZ & 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, 2013, and have issued our report thereon dated December 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether 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 expended funds in excess of the amount appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2013.

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Materials and services	\$ 611,663	\$ 649,716	\$ 38,053

2. 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 December 16, 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.

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December 16, 2013