

CITY OF MILLERSBURG
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016

**CITY OF MILLERSBURG
Linn County, Oregon**

CITY OFFICIALS

June 30, 2016

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

Jim Lepin
3360 Lauren Avenue NE
Albany, Oregon 97321

CITY ADMINISTRATOR/RECORDER

Barbara Castillo
4222 Old Salem Road NE
Albany, Oregon 97321

CITY OF MILLERSBURG
Linn County, Oregon

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FINANCIAL SECTION

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, 2016, 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.

Opinions

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information on pages 4 through 10, 55, 56, and 57 through 60, 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, schedule of the proportionate share of the net pension liability, and schedule of contributions 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, schedule of the proportionate share of the net pension liability, or schedule of contributions 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 combining statements and individual fund schedules are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

The schedule of property tax transactions and schedule of future requirements for retirement of long-term debt have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 3, 2017 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

Albany, Oregon
February 3, 2017

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, 2016. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of the City of Millersburg amounted to \$40,043,519. Of this amount, \$30,711,796 was invested in capital assets, net of related debt. The remaining balance included \$2,425,556 restricted for system development, \$25,755 restricted for debt service, and \$6,880,412 of unrestricted net position.
- The City's total net position increased by \$1,251,391 during the current fiscal year.
- Overall revenues were \$5,349,623, which exceeded total expenditures of \$4,098,232 by \$1,251,391.

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

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

The basic governmental fund financial statements can be found on pages 14 through 17 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.

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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 18 through 21 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 22 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 23 through 54 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 the schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information for the General and Street Reserve Funds. This required supplementary information can be found on pages 55 through 60 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 61 through 66 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, 2016, the City's assets exceeded liabilities by \$40,043,519.

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 \$1,251,391 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets and deferred outflows of resources						
Current assets	\$ 4,590,686	\$ 4,579,294	\$ 3,009,553	\$ 3,317,854	\$ 7,600,239	\$ 7,897,148
Restricted assets	872,517	325,457	1,578,794	1,296,669	2,451,311	1,622,126
Net capital assets	16,777,761	16,866,261	22,164,201	21,524,754	38,941,962	38,391,015
Other assets	-	60,490	-	-	-	60,490
Deferred outflows of resources	49,560	25,157	-	-	49,560	25,157
Total assets and deferred outflows of resources	22,290,524	21,856,659	26,752,548	26,139,277	49,043,072	47,995,936
Liabilities and deferred inflows of resources						
Current liabilities	199,680	101,728	910,141	736,491	1,109,821	838,219
Noncurrent liabilities	200,583	18,702	7,641,291	8,230,166	7,841,874	8,248,868
Deferred inflows of resources	47,858	116,721	-	-	47,858	116,721
Total liabilities and deferred inflows of resources	448,121	237,151	8,551,432	8,966,657	8,999,553	9,203,808
Net position						
Net investment in capital assets	16,777,761	16,866,261	13,934,035	12,723,448	30,711,796	29,589,709
Restricted for various purposes	872,517	483,456	1,578,794	1,296,669	2,451,311	1,780,125
Unrestricted	4,192,125	4,269,791	2,688,287	3,152,503	6,880,412	7,422,294
Total net position	\$ 21,842,403	\$ 21,619,508	\$ 18,201,116	\$ 17,172,620	\$ 40,043,519	\$ 38,792,128

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	
	2016	2015	2016	2015	2016	2015
Program revenues						
General government	\$ 496,432	\$ 3,436,518	\$ -	\$ -	\$ 496,432	\$ 3,436,518
Highways and streets	346,186	170,016	-	-	346,186	170,016
Sewer utility	-	-	976,969	926,024	976,969	926,024
Water utility	-	-	1,205,804	1,152,306	1,205,804	1,152,306
Total program revenues	<u>842,618</u>	<u>3,606,534</u>	<u>2,182,773</u>	<u>2,078,330</u>	<u>3,025,391</u>	<u>5,684,864</u>
General revenues						
Franchise fees	866,052	893,192	-	-	866,052	893,192
Property taxes	645,416	632,354	-	-	645,416	632,354
School excise tax	212,506	179,351	-	-	212,506	179,351
Alcohol and cigarette taxes	24,056	21,276	-	-	24,056	21,276
Highway use tax	92,589	83,432	-	-	92,589	83,432
Unrestricted grants and contributions	17,512	24,785	-	-	17,512	24,785
Licenses and permits	269,182	202,695	-	-	269,182	202,695
Investment earnings	55,972	34,137	2,689	-	58,661	34,137
Intergovernmental - City of Albany agreement	-	-	37,888	36,531	37,888	36,531
Miscellaneous	<u>100,370</u>	<u>37,158</u>	<u>-</u>	<u>-</u>	<u>100,370</u>	<u>37,158</u>
Total general revenues	<u>2,283,655</u>	<u>2,108,380</u>	<u>40,577</u>	<u>36,531</u>	<u>2,324,232</u>	<u>2,144,911</u>
Total revenues	<u>3,126,273</u>	<u>5,714,914</u>	<u>2,223,350</u>	<u>2,114,861</u>	<u>5,349,623</u>	<u>7,829,775</u>
Program expenses						
General government	1,969,439	1,519,279	-	-	1,969,439	1,519,279
Highways and streets	51,208	55,573	-	-	51,208	55,573
Sewer utility	-	-	1,000,239	886,378	1,000,239	886,378
Water utility	-	-	1,077,346	826,899	1,077,346	826,899
Total program expenses	<u>2,020,647</u>	<u>1,574,852</u>	<u>2,077,585</u>	<u>1,713,277</u>	<u>4,098,232</u>	<u>3,288,129</u>
Transfers	<u>(882,731)</u>	<u>(590,000)</u>	<u>882,731</u>	<u>590,000</u>	<u>-</u>	<u>-</u>
Change in net position	222,895	3,550,062	1,028,496	991,584	1,251,391	4,541,646
Net position - beginning	<u>21,619,508</u>	<u>18,069,446</u>	<u>17,172,620</u>	<u>16,181,036</u>	<u>38,792,128</u>	<u>34,250,482</u>
Net position - ending	<u>\$ 21,842,403</u>	<u>\$ 21,619,508</u>	<u>\$ 18,201,116</u>	<u>\$ 17,172,620</u>	<u>\$ 40,043,519</u>	<u>\$ 38,792,128</u>

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 \$5,201,415, an increase of \$458,038 over the prior year. Of this amount, \$4,034,367 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 \$4,235,241, an increase of \$69,371 over the prior year.

The Street Reserve Fund, a major governmental fund, reported a fund balance of \$746,467, an increase of \$346,286 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 \$18,201,116 at year-end. Of this amount, \$13,934,035 was invested in capital assets, net of related debt. The remaining balance included \$1,553,039 restricted for system development, \$25,755 restricted for debt service, and \$2,688,287 of unrestricted net position.

The Sewer Utility Fund, a major proprietary fund, reported an ending net position of \$11,509,883, an increase of \$267,307 over the prior year.

The Water Utility Fund, a major proprietary fund, reported an ending net position of \$6,691,233, an increase of \$761,189 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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, 2016 amounted to \$16,777,761 and \$22,164,201, 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 34 through 37 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$8,230,166. 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 \$571,140 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-G on pages 39 through 40 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:

- Property tax revenue is expected to remain stable.
- Personnel costs are expected to increase due to new hires.
- The City expects to begin construction of the sewer lift station upgrade.

All of these factors were considered in preparing the 2016-2017 budget.

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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 4,377,975	\$ 2,786,789	\$ 7,164,764
Accounts receivable	77,128	286,926	364,054
Property taxes receivable	68,167	-	68,167
Due from other government agencies	3,254	-	3,254
Due from other funds	64,162	(64,162)	-
Total current assets	4,590,686	3,009,553	7,600,239
Restricted assets			
Cash and cash equivalents	872,517	1,578,794	2,451,311
Capital assets			
Land	5,622,557	188,953	5,811,510
Capital assets, net of accumulated depreciation	11,155,204	21,975,248	33,130,452
Total capital assets	16,777,761	22,164,201	38,941,962
Total assets	22,240,964	26,752,548	48,993,512
Deferred outflows of resources			
Net deferred outflow of pension related resources	49,560	-	49,560
Total assets and deferred outflows of resources	22,290,524	26,752,548	49,043,072

(Continued)

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2016

(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	\$ 151,513	\$ 169,642	\$ 321,155
Accrued payroll and taxes	10,557	2,440	12,997
Accrued interest payable	-	132,850	132,850
Accrued loan fees payable	-	16,334	16,334
School excise tax payable	37,610	-	37,610
Long-term liabilities, current portion	-	588,875	588,875
Total current liabilities	199,680	910,141	1,109,821
Noncurrent liabilities			
Compensated absences	18,702	-	18,702
Net pension liability	181,881	-	181,881
Long-term liabilities, less current portion	-	7,641,291	7,641,291
Total noncurrent liabilities	200,583	7,641,291	7,841,874
Total liabilities	400,263	8,551,432	8,951,695
Deferred inflows of resources			
Net deferred inflow of pension related resources	47,858	-	47,858
Total liabilities and deferred inflows of resources	448,121	8,551,432	8,999,553
NET POSITION			
Net investment in capital assets	16,777,761	13,934,035	30,711,796
Restricted for:			
System development	872,517	1,553,039	2,425,556
Debt service	-	25,755	25,755
Unrestricted	4,192,125	2,688,287	6,880,412
Total net position	\$ 21,842,403	\$ 18,201,116	\$ 40,043,519

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, 2016

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities				
General government	\$ 1,969,439	\$ -	\$ 70,600	\$ 425,832
Highways and streets	<u>51,208</u>	<u>-</u>	<u>212,520</u>	<u>133,666</u>
Total governmental activities	<u>\$ 2,020,647</u>	<u>\$ -</u>	<u>\$ 283,120</u>	<u>\$ 559,498</u>
Business-type activities				
Sewer utility	\$ 1,000,239	\$ 711,965	\$ 138,822	\$ 126,182
Water utility	<u>1,077,346</u>	<u>889,979</u>	<u>143,137</u>	<u>172,688</u>
Total business-type activities	<u>\$ 2,077,585</u>	<u>\$ 1,601,944</u>	<u>\$ 281,959</u>	<u>\$ 298,870</u>

General revenues
 Franchise fees
 Property taxes
 School excise tax
 Alcohol and cigarette taxes
 Highway use tax
 Unrestricted grants and contributions
 Licenses and permits
 Investment earnings
 Intergovernmental - City of Albany agreement
 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
\$ (1,473,007)	\$ -	\$ (1,473,007)
<u>294,978</u>	<u>-</u>	<u>294,978</u>
<u>(1,178,029)</u>	<u>-</u>	<u>(1,178,029)</u>
-	(23,270)	(23,270)
<u>-</u>	<u>128,458</u>	<u>128,458</u>
<u>-</u>	<u>105,188</u>	<u>105,188</u>
866,052	-	866,052
645,416	-	645,416
212,506	-	212,506
24,056	-	24,056
92,589	-	92,589
17,512	-	17,512
269,182	-	269,182
55,972	2,689	58,661
-	37,888	37,888
<u>100,370</u>	<u>-</u>	<u>100,370</u>
<u>2,283,655</u>	<u>40,577</u>	<u>2,324,232</u>
<u>(882,731)</u>	<u>882,731</u>	<u>-</u>
222,895	1,028,496	1,251,391
<u>21,619,508</u>	<u>17,172,620</u>	<u>38,792,128</u>
<u>\$ 21,842,403</u>	<u>\$ 18,201,116</u>	<u>\$ 40,043,519</u>

CITY OF MILLERSBURG
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,291,504	\$ 746,467	\$ 212,521	\$ 5,250,492
Accounts receivable	77,128	-	-	77,128
Property taxes receivable	68,167	-	-	68,167
Due from other government agencies	-	-	3,254	3,254
Due from other funds	56,908	-	7,254	64,162
 Total assets	\$ 4,493,707	\$ 746,467	\$ 223,029	\$ 5,463,203
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 148,191	\$ -	\$ 3,322	\$ 151,513
Accrued payroll and taxes	10,557	-	-	10,557
School excise tax payable	37,610	-	-	37,610
 Total liabilities	196,358	-	3,322	199,680
 Deferred inflows of resources				
Unavailable revenue - property taxes	62,108	-	-	62,108
 Fund balances				
Restricted	200,874	671,643	-	872,517
Assigned	-	74,824	219,707	294,531
Unassigned	4,034,367	-	-	4,034,367
 Total fund balances	4,235,241	746,467	219,707	5,201,415
 Total liabilities, deferred inflows of resources, and fund balances	\$ 4,493,707	\$ 746,467	\$ 223,029	\$ 5,463,203

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, 2016

Total fund balances		\$ 5,201,415
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	21,209,281	
Accumulated depreciation	<u>(4,431,520)</u>	16,777,761
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.		62,108
Net pension assets and liabilities are not available for the current period and are therefore not reported in the governmental funds.		(181,881)
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		(18,702)
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		49,560
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		<u>(47,858)</u>
Total net position		<u>\$ 21,842,403</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Franchise fees	\$ 866,052	\$ -	\$ -	\$ 866,052
Property tax	642,954	-	-	642,954
School excise tax	212,506	-	-	212,506
Alcohol and cigarette taxes	24,056	-	-	24,056
Highway use tax	-	-	92,589	92,589
State revenue sharing	17,512	-	-	17,512
Planning commission	26,050	-	-	26,050
System development charges	69,600	346,186	-	415,786
Licenses and permits	269,182	-	-	269,182
Grant revenue	1,000	-	-	1,000
Investment earnings	55,972	-	-	55,972
Rental property income	62,224	-	-	62,224
Miscellaneous	<u>12,096</u>	<u>-</u>	<u>-</u>	<u>12,096</u>
 Total revenues	 <u>2,259,204</u>	 <u>346,186</u>	 <u>92,589</u>	 <u>2,697,979</u>
EXPENDITURES				
Current				
General government	1,306,002	-	-	1,306,002
Highways and streets	<u>-</u>	<u>-</u>	<u>51,208</u>	<u>51,208</u>
 Total expenditures	 <u>1,306,002</u>	 <u>-</u>	 <u>51,208</u>	 <u>1,357,210</u>
Excess (deficiency) of revenues over (under) expenditures	 <u>953,202</u>	 <u>346,186</u>	 <u>41,381</u>	 <u>1,340,769</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	100	1,000	1,100
Transfers out	<u>(883,831)</u>	<u>-</u>	<u>-</u>	<u>(883,831)</u>
 Total other financing sources (uses)	 <u>(883,831)</u>	 <u>100</u>	 <u>1,000</u>	 <u>(882,731)</u>
 Net change in fund balances	 69,371	 346,286	 42,381	 458,038
Fund balances - beginning	<u>4,165,870</u>	<u>400,181</u>	<u>177,326</u>	<u>4,743,377</u>
Fund balances - ending	<u>\$ 4,235,241</u>	<u>\$ 746,467</u>	<u>\$ 219,707</u>	<u>\$ 5,201,415</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, 2016

Net change in fund balances	\$ 458,038
Amounts reported for governmental activities in the statement of activities are different because:	
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.	
Contributions of capital assets	425,832
Less current year depreciation	<u>(514,332)</u> (88,500)
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.	
Change in unavailable revenue - property taxes	2,462
Changes in the net pension assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.	
	<u>(149,105)</u>
Change in net position	<u>\$ 222,895</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, 2016

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,052,092	\$ 734,697	\$ 2,786,789
Accounts receivable	189,052	97,874	286,926
Due from other funds	<u>2,231</u>	<u>-</u>	<u>2,231</u>
Total current assets	<u>2,243,375</u>	<u>832,571</u>	<u>3,075,946</u>
Restricted assets			
Cash and cash equivalents	<u>827,525</u>	<u>751,269</u>	<u>1,578,794</u>
Capital assets			
Land	109,566	79,387	188,953
Capital assets, net of accumulated depreciation	<u>13,551,105</u>	<u>8,424,143</u>	<u>21,975,248</u>
Total capital assets	<u>13,660,671</u>	<u>8,503,530</u>	<u>22,164,201</u>
Total assets	<u>16,731,571</u>	<u>10,087,370</u>	<u>26,818,941</u>
LIABILITIES			
Current liabilities			
Accounts payable	61,743	107,899	169,642
Accrued payroll liabilities	-	2,440	2,440
Accrued interest payable	32,766	100,084	132,850
Accrued loan fees payable	16,334	-	16,334
Due to other funds	-	66,393	66,393
Long-term liabilities, current portion	<u>314,466</u>	<u>274,409</u>	<u>588,875</u>
Total current liabilities	425,309	551,225	976,534
Noncurrent liabilities			
Long-term liabilities, less current portion	<u>4,796,379</u>	<u>2,844,912</u>	<u>7,641,291</u>
Total liabilities	<u>5,221,688</u>	<u>3,396,137</u>	<u>8,617,825</u>
NET POSITION			
Net investment in capital assets	8,549,826	5,384,209	13,934,035
Restricted for:			
System development	801,770	751,269	1,553,039
Debt service	25,755	-	25,755
Unrestricted	<u>2,132,532</u>	<u>555,755</u>	<u>2,688,287</u>
Total net position	<u>\$ 11,509,883</u>	<u>\$ 6,691,233</u>	<u>\$ 18,201,116</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Operating revenues			
Charges for services	\$ 711,965	\$ 889,979	\$ 1,601,944
Operating expenses			
Materials and services	282,472	469,062	751,534
Depreciation	556,692	428,151	984,843
Total operating expenses	839,164	897,213	1,736,377
Operating income (loss)	(127,199)	(7,234)	(134,433)
Nonoperating revenues (expenses)			
System development charges	138,822	143,137	281,959
Intergovernmental - City of Albany agreement	37,888	-	37,888
Interest revenue	2,689	-	2,689
Interest expense	(161,075)	(180,133)	(341,208)
Total nonoperating revenues (expenses)	18,324	(36,996)	(18,672)
Income (loss) before capital contributions and transfers	(108,875)	(44,230)	(153,105)
Capital contributions - infrastructure	126,182	172,688	298,870
Transfers in	250,000	632,731	882,731
Change in net position	267,307	761,189	1,028,496
Net position - beginning	11,242,576	5,930,044	17,172,620
Net position - ending	\$ 11,509,883	\$ 6,691,233	\$ 18,201,116

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, 2016

	Enterprise Funds		Totals
	Sewer Utility	Water Utility	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 699,830	\$ 889,979	\$ 1,589,809
Payments to suppliers	<u>(225,043)</u>	<u>(359,302)</u>	<u>(584,345)</u>
Net cash provided (used) by operating activities	<u>474,787</u>	<u>530,677</u>	<u>1,005,464</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest revenue	2,689	-	2,689
Transfers from other funds	<u>250,000</u>	<u>632,731</u>	<u>882,731</u>
Net cash provided (used) by noncapital financing activities	<u>252,689</u>	<u>632,731</u>	<u>885,420</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	138,822	143,137	281,959
Capital asset purchases	-	(1,325,420)	(1,325,420)
Principal paid on capital debt	(306,653)	(264,487)	(571,140)
Interest paid on capital debt	(137,584)	(188,502)	(326,086)
Loan fees paid on capital debt	(26,396)	-	(26,396)
Proceeds from intergovernmental agreement	<u>37,888</u>	<u>-</u>	<u>37,888</u>
Net cash provided (used) by capital and related financing activities	<u>(293,923)</u>	<u>(1,635,272)</u>	<u>(1,929,195)</u>
Net increase (decrease) in cash and cash equivalents	433,553	(471,864)	(38,311)
Cash and cash equivalents - beginning (including \$688,537 and \$608,132 in the Sewer Utility and Water Utility Funds, respectively, reported in restricted accounts)	<u>2,446,064</u>	<u>1,957,830</u>	<u>4,403,894</u>
Cash and cash equivalents - ending (including \$827,525, and \$751,269 in the Sewer Utility and Water Utility Funds, respectively, reported in restricted accounts)	<u>\$ 2,879,617</u>	<u>\$ 1,485,966</u>	<u>\$ 4,365,583</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, 2016

(Continued)

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (127,199)	\$ (7,234)	\$ (134,433)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	556,692	428,151	984,843
(Increase) decrease in accounts receivable	(12,135)		(12,135)
Increase (decrease) in:			
Accrued payroll	-	2,440	2,440
Accounts payable	<u>57,429</u>	<u>107,320</u>	<u>164,749</u>
Net cash provided (used) by operating activities	<u>\$ 474,787</u>	<u>\$ 530,677</u>	<u>\$ 1,005,464</u>
Noncash capital and related financing activities:			
Capital contributions - infrastructure	\$ 126,182	\$ 172,688	\$ 298,870

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Agency Fund</u> <u>Bravo</u>
ASSETS	
Cash and cash equivalents	\$ <u>598</u>
LIABILITIES	
Held in trust for other agencies	\$ <u>598</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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Millersburg have been prepared in accordance 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 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 1,620 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, 2016

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

Special Revenue Fund

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

Additionally, the City reports the following nonmajor governmental funds:

Special Revenue Fund

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

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, 2016

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.

The City also maintains the following fund for which there was no activity in the current year:

Special Revenue Fund

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

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 of 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, 2016

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.

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, 2016

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	5-10
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, 2016

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. The City has one item that qualifies for reporting in this category, which is deferred amounts related to pensions. These amounts are deferred and recognized as outflows of resources when the City recognizes pension expenses/expenditures. Deferred outflows of amounts related to pensions are included in the government-wide statement of net position.

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 two items that qualify for reporting in this category, which are unavailable revenue from property taxes and deferred amounts related to pensions. Unavailable revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amount becomes available. Unavailable revenue from property taxes is reported in the balance sheet. Deferred amounts related to pensions are deferred and recognized as inflows of resources in the period when the City recognizes pension income. Deferred inflows of amounts related to pensions are included in the government-wide statement of net position.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Deferred Outflows and Inflows of Resources (Continued)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.
- 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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. 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, capital outlay, and contingency 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 and one approved appropriation transfer.

B. Improper Appropriation Categories for a Transfer

The City passed an appropriation resolution, which used the budget line item instead of the correct appropriation category as required by ORS 294.463.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Cash Equivalents

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

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

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

Credit Risk

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

Investments

As of June 30, 2016, the City had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 9,665,803

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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

A. Cash and Cash Equivalents (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

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

The City holds accounts at US Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. At June 30, 2016, the City's total deposits of \$22,521 were fully insured by the FDIC.

Deposits

The City's deposits and investments at June 30, 2016 are as follows:

Cash on hand	\$ 70
Checking accounts	(52,354)
Savings accounts	2,556
Total investments	<u>9,665,803</u>
Total deposits and investments	<u>\$ 9,616,075</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

A. Cash and Cash Equivalents (Continued)

Deposits (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 4,090,630
Street Reserve Fund	74,824
Nonmajor governmental funds	<u>212,521</u>
Total governmental activities - unrestricted	<u>4,377,975</u>
Business-type activities - unrestricted	
Sewer Utility Fund	2,052,092
Water Utility Fund	<u>734,697</u>
Total business-type activities - unrestricted	<u>2,786,789</u>
Total unrestricted cash and investments	<u>7,164,764</u>
Governmental activities - restricted	
General Fund	200,874
Street Reserve Fund	<u>671,643</u>
Total governmental activities - restricted	<u>872,517</u>
Business-type activities - restricted	
Sewer Utility Fund	827,525
Water Utility Fund	<u>751,269</u>
Total business-type activities - restricted	<u>1,578,794</u>
Total restricted cash and investments	<u>2,451,311</u>
Total cash and investments	<u>\$ 9,616,075</u>

Restricted cash is for system development and DEQ loan obligations.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	\$ 5,622,557	\$ -	\$ -	\$ 5,622,557
Capital assets being depreciated				
Buildings and improvements	2,922,611	-	-	2,922,611
Furniture and office equipment	20,337	-	-	20,337
Equipment	147,147	-	-	147,147
Infrastructure	<u>12,070,797</u>	<u>425,832</u>	<u>-</u>	<u>12,496,629</u>
Total capital assets being depreciated	<u>15,160,892</u>	<u>425,832</u>	<u>-</u>	<u>15,586,724</u>
Less accumulated depreciation for				
Buildings and improvements	(726,636)	(61,174)	-	(787,810)
Furniture and office equipment	(18,210)	(609)	-	(18,819)
Equipment	(124,241)	(5,046)	-	(129,287)
Infrastructure	<u>(3,048,101)</u>	<u>(447,503)</u>	<u>-</u>	<u>(3,495,604)</u>
Total accumulated depreciation	<u>(3,917,188)</u>	<u>(514,332)</u>	<u>-</u>	<u>(4,431,520)</u>
Total capital assets being depreciated, net	<u>11,243,704</u>	<u>(88,500)</u>	<u>-</u>	<u>11,155,204</u>
Governmental activities capital assets, net	<u>\$ 16,866,261</u>	<u>\$ (88,500)</u>	<u>\$ -</u>	<u>\$ 16,777,761</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
(Continued)				
Business-type activities				
Capital assets not being depreciated				
Land	\$ 188,953	\$ -	\$ -	\$ 188,953
Capital assets being depreciated				
Utilities	10,021,283	1,624,290	-	11,645,573
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>4,000,000</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
Total capital assets being depreciated	<u>29,773,030</u>	<u>1,624,290</u>	<u>-</u>	<u>31,397,320</u>
Less accumulated depreciation for				
Utilities	(3,488,570)	(274,974)	-	(3,763,544)
Sewer equipment	(5,022)	-	-	(5,022)
Joint water project	(2,741,418)	(283,595)	-	(3,025,013)
Joint wastewater project	(1,962,219)	(346,274)	-	(2,308,493)
Wastewater wetlands project	<u>(240,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>(320,000)</u>
Total accumulated depreciation	<u>(8,437,229)</u>	<u>(984,843)</u>	<u>-</u>	<u>(9,422,072)</u>
Total capital assets being depreciated, net	<u>21,335,801</u>	<u>639,447</u>	<u>-</u>	<u>21,975,248</u>
Business-type activities capital assets, net	<u>\$ 21,524,754</u>	<u>\$ 639,447</u>	<u>\$ -</u>	<u>\$ 22,164,201</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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	\$ 5,622,557	\$ -	\$ 5,622,557
Buildings and improvements	2,922,611	(787,810)	2,134,801
Furniture and office equipment	20,337	(18,819)	1,518
Equipment	147,147	(129,287)	17,860
Infrastructure	<u>12,496,629</u>	<u>(3,495,604)</u>	<u>9,001,025</u>
Total governmental capital assets	<u>21,209,281</u>	<u>(4,431,520)</u>	<u>16,777,761</u>
Business-type activities			
Land	188,953	-	188,953
Utilities	11,645,573	(3,763,544)	7,882,029
Sewer equipment	5,022	(5,022)	-
Joint water project	7,089,879	(3,025,013)	4,064,866
Joint wastewater project	8,656,846	(2,308,493)	6,348,353
Wastewater wetlands project	<u>4,000,000</u>	<u>(320,000)</u>	<u>3,680,000</u>
Total business-type capital assets	<u>31,586,273</u>	<u>(9,422,072)</u>	<u>22,164,201</u>
Total capital assets	<u>\$ 52,795,554</u>	<u>\$(13,853,592)</u>	<u>\$ 38,941,962</u>

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

Governmental activities	
General government	<u>\$ 514,332</u>
Business-type activities	
Sewer utility	\$ 556,692
Water utility	<u>428,151</u>
Total business-type activities	<u>\$ 984,843</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 portions of the cannibal process equipment associated with the Joint Wastewater Treatment Plant are temporarily impaired at June 30, 2016. The City of Millersburg and the City of Albany have specific ownership interest as defined in the intergovernmental agreement.

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2016 is as follows:

	Due from:
	Water Utility Fund
Due to:	
General Fund	\$ 56,908
Nonmajor governmental funds	7,254
Sewer Utility Fund	2,231
Total	\$ 66,393

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

C. Interfund Receivables and Payables (Continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. 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:				
	Street Reserve Fund	Nonmajor Governmental Funds	Sewer Utility Fund	Water Utility Fund	Total
Transfers out:					
General Fund	\$ 100	\$ 1,000	\$ 250,000	\$ 632,731	\$ 883,831

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

Street Reserve Fund: To fund future street construction expenditures.

Nonmajor governmental funds:

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

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

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

E. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 18,702	\$ -	\$ -	\$ 18,702

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

F. Leasing Arrangements as Lessor

The City of Millersburg has entered into a leasing arrangement that qualifies as an operating lease with a tenant for rental and use of four land parcels, with a cost basis of \$1,348,690, owned by the City. The lease term is from September 15, 2015 to September 14, 2016, and has been renewed through September 14, 2017. Half of the annual rent for each land parcel was due with the lessee's bid (June 2014); therefore, the revenue is considered earned upon receipt. The remaining half is due upon contract expiration.

The City of Millersburg has assumed a leasing arrangement that qualifies as an operating lease with a tenant for rental and use of a 63-acre land parcel, with a cost basis of \$3,055, owned by the City. The lease term is from September 27, 2013 to September 26, 2017, with an option to renew. The rent is due on September 27 of each year.

Future minimum rents under the terms of the lease agreements in effect as of June 30, 2016 are estimated to be as follows:

Year Ending June 30	Lease Payments
2017	\$ 53,420
2018	21,710
	\$ 75,130

G. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Loans payable							
OECD	5.52%	\$ 6,044,000	\$ 3,383,808	\$ -	\$ 264,487	\$ 3,119,321	\$ 274,409
City of Albany #1	3.14%	2,940,870	2,347,813	-	130,106	2,217,707	134,223
City of Albany #2	2.9%	2,825,542	2,244,685	-	126,547	2,118,138	130,243
DEQ loan	-	4,000,000	825,000	-	50,000	775,000	50,000
Total business-type activities		\$ 15,810,412	\$ 8,801,306	\$ -	\$ 571,140	\$ 8,230,166	\$ 588,875

The Sewer Utility and Water Utility Funds have traditionally been used to liquidate long-term liabilities. Interest and fees charged to the City during the year ended June 30, 2016 amounted to \$159,855 and \$188,502, respectively.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

G. Long-Term Liabilities (Continued)

2. Loan Payable – OECD

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

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. The City meets the requirement of the covenant to maintain a loan reserve account in which the amount is equal to half of the average annual debt service.

5. Future Maturities of Long-Term Liabilities

Fiscal Year Ending June 30	Loans		
	Principal	Interest and Fees	Total
2017	\$ 588,875	\$ 328,591	\$ 917,466
2018	617,120	303,871	920,991
2019	640,896	277,759	918,655
2020	665,228	250,499	915,727
2021	690,135	222,068	912,203
2022-2026	3,455,183	629,996	4,085,179
2027-2031	1,547,729	99,047	1,646,776
2032	<u>25,000</u>	<u>125</u>	<u>25,125</u>
Total	<u>\$ 8,230,166</u>	<u>\$ 2,111,956</u>	<u>\$ 10,342,122</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

H. Constraints on Fund Balances

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

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:				
Restricted for:				
Park improvements	\$ 200,874	\$ -	\$ -	\$ 200,874
System development	-	671,643	-	671,643
Assigned to:				
Street maintenance	-	74,824	205,924	280,748
Sewer construction	-	-	13,783	13,783
Unassigned	<u>4,034,367</u>	<u>-</u>	<u>-</u>	<u>4,034,367</u>
Total fund balances	<u>\$ 4,235,241</u>	<u>\$ 746,467</u>	<u>\$ 219,707</u>	<u>\$ 5,201,415</u>

IV. OTHER INFORMATION

A. Risk Management

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

B. Pension Plan

1. Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available comprehensive annual financial report and actuarial valuation, both of which can be obtained at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided

a. Tier One/Tier Two Retirement Benefit (ORS Chapter 238)

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

a. Tier One/Tier Two Retirement Benefit (ORS Chapter 238) (Continued)

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes after Retirement

After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.630, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

b. OPSRP Pension Program (Defined Benefit)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

b. OPSRP Pension Program (Defined Benefit) (Continued)

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50% of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement

Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

c. OPSRP Individual Account Program (IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

c. OPSRP Individual Account Program (IAP) (Continued)

Death Benefits

Upon the death of a non-retired member, the beneficiary receives, in a lump sum, the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

3. Contributions

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$29,676, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 17.35% for Tier One/Tier Two general service members, 11.36% for OPSRP Pension Program general service members, and 6% for OPSRP IAP.

C. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$181,881 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan, relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.0032%, which increased from its proportion of 0.0027% measured as of June 30, 2014.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

C. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2016, the City recognized pension expense (income) of \$149,105. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,808	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	38,126
Changes in proportion	8,571	-
Differences between employer contributions and proportionate share of contributions	1,505	9,732
Total (prior to post measurement date contributions)	19,884	47,858
Contributions subsequent to the measurement date	29,676	-
Total	\$ 49,560	\$ 47,858

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2017	\$ 34,271	\$ 20,403
2018	4,595	20,403
2019	4,595	20,403
2020	4,428	(14,235)
2021	1,671	884
	\$ 49,560	\$ 47,858

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions

The employer contribution rates effective July 1, 2013 through June 30, 2015, and effective July 1, 2015 through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75%
Long-Term Expected Rate of Return	7.75%
Discount Rate	7.75%
Projected Salary Increases	3.75% overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even-numbered years. The methods and assumptions shown above are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

E. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013, the Public Employees Retirement System Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment of the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	32.50 %	42.50 %	37.50 %
Private Equity	16.00 %	24.00 %	20.00 %
Real Estate	9.50 %	15.50 %	12.50 %
Alternative Equity	0.00 %	10.00 %	10.00 %
Opportunity Portfolio	0.00 %	3.00 %	<u>0.00 %</u>
Total			<u>100.00 %</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

E. Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00 %	3.70 %
Intermediate-Term Bonds	3.00 %	4.10 %
High Yield Bonds	1.80 %	6.66 %
Large Cap US Equities	11.65 %	7.20 %
Mid Cap US Equities	3.88 %	7.30 %
Small Cap US Equities	2.27 %	7.45 %
Developed Foreign Equities	14.21 %	6.90 %
Emerging Foreign Equities	5.49 %	7.40 %
Private Equities	20.00 %	8.26 %
Opportunity Funds / Absolute Return	5.00 %	6.01 %
Real Estate (Property)	13.75 %	6.51 %
Real Estate (REITS)	2.50 %	6.76 %
Commodities	<u>1.25 %</u>	6.07 %
 Total	 <u>100.00 %</u>	
 Assumed Inflation - Mean		 2.75 %

F. Depletion Date Projection

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

F. Depletion Date Projection (Continued)

The following circumstances justify an alternative evaluation for sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the net position is always projected to be sufficient to cover benefit payments and administrative expenses.

G. Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 438,964	\$ 181,881	\$ (34,772)

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

I. Pension Plan Net Position

Detailed information about the pension plan's net position is available in the separately issued OPERS financial report.

J. Changes in Plan Provisions During the Measurement Period

On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective periods of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms was reflected in the current valuation.

K. Changes in Plan Provision Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

L. 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/>.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

L. Other Post-Employment Benefits (Continued)

1. Retirement Health Insurance Account (RHIA) (Continued)

Plan Description (Continued)

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 0.59% 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, 2014, 2015, and 2016 were \$1,266, \$1,180, and \$1,295, respectively, which equaled the required contributions each year.

M. Related Party Transactions

The City leases a home to the City Administrator/Recorder. The lease receipts from the related party transactions were \$8,400 for the year ended June 30, 2016.

N. Contingent Liabilities

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

O. 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves the usefulness of information about postemployment benefits other than pensions (OPEB) reported in state and local governments' financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement amends the scope and applicability of GASB Statement No. 68 and establishes requirements for recognition and measurement of pension expenses, expenditures, liabilities, note disclosures, and required supplementary information.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement Nos. 67, 68, and 73*, will be effective for the City beginning with its fiscal year ending June 30, 2017. The requirements of this statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

P. Subsequent Events

Management has evaluated subsequent events through February 3, 2017, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net position liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00316786%	\$ 181,881	\$ 199,970	90.95%	103.60%
2015	0.00266861%	(60,490)	216,885	(27.89)%	103.60%
2014	0.00266861%	136,183	203,274	66.99%	91.97%

Changes in Benefit Terms

On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective periods of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms was reflected in the current valuation, but not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ended June 30, 2015 and 2014.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/mercerc_reports.aspx

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2016	\$ 29,676	\$ 29,676	-	\$ 219,492	13.52%
2015	23,234	23,234	-	199,970	11.62%
2014	26,978	26,978	-	216,885	12.44%

Changes in Benefit Terms

On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

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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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Franchise fees	\$ 662,000	\$ 204,052	\$ 866,052	\$ -	\$ 866,052
Property tax	582,000	61,944	643,944	(990)	642,954
Intergovernmental					
School excise tax	150,000	62,506	212,506	-	212,506
Alcohol and cigarette taxes	16,030	8,026	24,056	-	24,056
State revenue sharing	20,000	(2,488)	17,512	-	17,512
Grant revenue	-	1,000	1,000	-	1,000
Planning commission	3,000	23,050	26,050	-	26,050
Total intergovernmental	189,030	92,094	281,124	-	281,124
Special assessments					
Park system development charges	14,400	55,200	69,600	-	69,600
Licenses and permits	100,000	169,182	269,182	-	269,182
Investment earnings	26,000	29,972	55,972	-	55,972
Other income					
Rental property income	51,000	11,224	62,224	-	62,224
Miscellaneous	5,500	6,596	12,096	-	12,096
Total other income	56,500	17,820	74,320	-	74,320
Total revenues	1,629,930	630,264	2,260,194	(990)	2,259,204
EXPENDITURES					
Current					
Personnel services					
Administrator	75,000	(2,658)	72,342	-	72,342
Assistant city recorder	50,000	(3,800)	46,200	-	46,200
Maintenance personnel	105,000	(19,048)	85,952	3,005	88,957
Office assistant	20,000	(17,984)	2,016	-	2,016
Payroll taxes	28,000	(9,089)	18,911	-	18,911
PERS retirement	45,000	(14,758)	30,242	13,659	43,901
Supplemental medical benefit	3,600	-	3,600	-	3,600
Disability insurance	3,000	(1,501)	1,499	-	1,499
Dental and vision insurance	7,000	(1,643)	5,357	-	5,357
Medical insurance	40,000	818	40,818	-	40,818
Total personnel services ⁽¹⁾	376,600	(69,663)	306,937	16,664	323,601

(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, 2016

(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	\$ 65,000	\$ (138,506)	\$ (73,506)	\$ 117,314	\$ 43,808
Planning consultants - engineering	90,000	167,411	257,411	(139,042)	118,369
Conventions and training	6,000	(6,000)	-	-	-
Dues and subscriptions	8,000	(144)	7,856	1,702	9,558
Telephone	7,000	(3,667)	3,333	(281)	3,052
Office supplies	15,000	(6,349)	8,651	(1,164)	7,487
City rental expense	15,000	(7,462)	7,538	-	7,538
City attorney	150,000	(94,055)	55,945	(7,234)	48,711
Legal services	5,000	27,348	32,348	1,597	33,945
Justice court	5,000	(5,000)	-	-	-
Bonding and insurance	27,000	4,558	31,558	-	31,558
Economic Development Commission	30,000	-	30,000	-	30,000
Parks and recreation	10,000	(1,296)	8,704	-	8,704
Park supplies and maintenance	30,000	3,400	33,400	(1,337)	32,063
Accounting and audit	40,000	(27,624)	12,376	625	13,001
Printing and advertising	5,000	(2,328)	2,672	1,160	3,832
Travel and meals	5,000	(2,018)	2,982	(86)	2,896
Library services	3,000	(1,097)	1,903	-	1,903
Bids publication	500	(500)	-	-	-
Property taxes	7,000	(323)	6,677	-	6,677
Community support	60,000	(34,112)	25,888	-	25,888
Linn County contracted sheriff	84,000	(370)	83,630	-	83,630
Contracted services	70,000	(47,015)	22,985	112	23,097
Call-A-Ride	6,000	(4,219)	1,781	-	1,781
City hall maintenance and supplies	30,000	(12,781)	17,219	160	17,379
City hall utilities	15,000	(6,644)	8,356	873	9,229
Economic development	3,000	(3,000)	-	-	-
School excise tax	130,000	69,922	199,922	10,458	210,380
Building permits	150,000	75,466	225,466	(17,551)	207,915
Total materials and services ⁽¹⁾	<u>1,071,500</u>	<u>(56,405)</u>	<u>1,015,095</u>	<u>(32,694)</u>	<u>982,401</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, 2016

(Continued)

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
EXPENDITURES (Continued)					
Capital outlay					
Equipment	\$ 20,000	\$ (20,000)	\$ -	\$ -	\$ -
Improvements	10,000	(10,000)	-	-	-
Land	100	(100)	-	-	-
Park	30,000	(30,000)	-	-	-
Office equipment and furnishings	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital outlay ⁽¹⁾	<u>70,100</u>	<u>(70,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingency	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,018,200</u>	<u>(696,168)</u>	<u>1,322,032</u>	<u>(16,030)</u>	<u>1,306,002</u>
Excess (deficiency) of revenues over (under) expenditures	(388,270)	1,326,432	938,162	15,040	953,202
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(751,100)</u>	<u>-</u>	<u>(751,100)</u>	<u>(132,731)</u>	<u>(883,831)</u>
Net change in fund balance	(1,139,370)	1,326,432	187,062	(117,691)	69,371
Fund balance - beginning	<u>3,742,486</u>	<u>361,955</u>	<u>4,104,441</u>	<u>61,429</u>	<u>4,165,870</u>
Fund balance - ending	<u>\$ 2,603,116</u>	<u>\$ 1,688,387</u>	<u>\$ 4,291,503</u>	<u>\$ (56,262)</u>	<u>\$ 4,235,241</u>

⁽¹⁾ Appropriation level

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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 88,000	\$ 258,186	\$ 346,186	\$ -	\$ 346,186
EXPENDITURES					
Capital outlay	<u>417,265</u>	<u>(417,265)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(329,265)	675,451	346,186	-	346,186
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
Net change in fund balance	(329,165)	675,451	346,286	-	346,286
Fund balance - beginning	<u>329,165</u>	<u>71,016</u>	<u>400,181</u>	<u>-</u>	<u>400,181</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 746,467</u>	<u>\$ 746,467</u>	<u>\$ -</u>	<u>\$ 746,467</u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF MILLERSBURG
Linn County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Fund Street	Capital Projects Fund Sewer Construction	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 198,738	\$ 13,783	\$ 212,521
Due from other government agencies	3,254	-	3,254
Due from other funds	7,254	-	7,254
Total assets	\$ 209,246	\$ 13,783	\$ 223,029
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,322	\$ -	\$ 3,322
Fund balances			
Assigned to:			
Street maintenance	205,924	-	205,924
Sewer construction	-	13,783	13,783
Total fund balances	205,924	13,783	219,707
Total liabilities and fund balances	\$ 209,246	\$ 13,783	\$ 223,029

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, 2016

	<u>Special Revenue Fund Street</u>	<u>Capital Projects Fund Sewer Construction</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Highway use tax	\$ 92,589	\$ -	\$ 92,589
EXPENDITURES			
Current			
Highways and streets	<u>51,208</u>	-	<u>51,208</u>
Excess (deficiency) of revenues over (under) expenditures	41,381	-	41,381
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,000</u>	-	<u>1,000</u>
Net change in fund balances	42,381	-	42,381
Fund balances - beginning	<u>163,543</u>	<u>13,783</u>	<u>177,326</u>
Fund balances - ending	<u>\$ 205,924</u>	<u>\$ 13,783</u>	<u>\$ 219,707</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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
	<u>Budget</u>	<u>Over (Under)</u>	<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
REVENUES					
Highway use tax	<u>\$ 75,000</u>	<u>\$ 17,589</u>	<u>\$ 92,589</u>	<u>\$ -</u>	<u>\$ 92,589</u>
EXPENDITURES					
Current					
Materials and services	115,700	(62,650)	53,050	(1,842)	51,208
Contingency	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>195,700</u>	<u>(142,650)</u>	<u>53,050</u>	<u>(1,842)</u>	<u>51,208</u>
Excess (deficiency) of revenues over (under) expenditures	(120,700)	160,239	39,539	1,842	41,381
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net change in fund balance	(119,700)	160,239	40,539	1,842	42,381
Fund balance - beginning	<u>161,533</u>	<u>(3,335)</u>	<u>158,198</u>	<u>5,345</u>	<u>163,543</u>
Fund balance - ending	<u>\$ 41,833</u>	<u>\$ 156,904</u>	<u>\$ 198,737</u>	<u>\$ 7,187</u>	<u>\$ 205,924</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, 2016

	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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Charges for services					
User fees	\$ 595,000	\$ 104,829	\$ 699,829	\$ 12,136	\$ 711,965
System development charges	62,000	76,822	138,822	-	138,822
Interest revenue	-	2,689	2,689	-	2,689
Total charges for services	657,000	184,340	841,340	12,136	853,476
Intergovernmental - City of Albany agreement	38,000	(112)	37,888	-	37,888
Total revenues	695,000	184,228	879,228	12,136	891,364
EXPENSES					
Current					
Materials and services ⁽¹⁾					
Sewer treatment plant	285,000	(52,842)	232,158	50,314	282,472
Depreciation expense	-	-	-	556,692	556,692
Debt service	471,125	(492)	470,633	(309,558)	161,075
Capital outlay	602,000	(609,115)	(7,115)	7,115	-
Contingency	700,000	(700,000)	-	-	-
Total expenses	2,058,125	(1,362,449)	695,676	304,563	1,000,239
Excess (deficiency) of revenues over (under) expenses	(1,363,125)	1,546,677	183,552	(292,427)	(108,875)
OTHER FINANCING SOURCES (USES)					
Contributed capital - infrastructure	-	-	-	126,182	126,182
Transfers in	250,000	-	250,000	-	250,000
Total other financing sources (uses)	250,000	-	250,000	126,182	376,182
Change in net position	(1,113,125)	1,546,677	433,552	(166,245)	267,307
Net position - beginning	2,385,955	60,109	2,446,064	8,796,512	11,242,576
Net position - ending	\$ 1,272,830	\$ 1,606,786	\$ 2,879,616	\$ 8,630,267	\$ 11,509,883

(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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Charges for services			
User fees	\$ 790,000	\$ 790,000	\$ 99,979
System development charges	<u>60,000</u>	<u>60,000</u>	<u>83,137</u>
Total revenues	<u>850,000</u>	<u>850,000</u>	<u>183,116</u>
EXPENSES			
Current			
Materials and services ⁽¹⁾			
Repairs and maintenance	425,000	425,000	(63,257)
Depreciation expense	-	-	-
Debt service	454,000	454,000	(1,011)
Capital outlay	1,100,000	1,230,000	(37,311)
Contingency	<u>200,000</u>	<u>70,000</u>	<u>(70,000)</u>
Total expenses	<u>2,179,000</u>	<u>2,179,000</u>	<u>(171,579)</u>
Excess (deficiency) of revenues over (under) expenses	<u>(1,329,000)</u>	<u>(1,329,000)</u>	<u>354,695</u>
OTHER FINANCING SOURCES (USES)			
Contributed capital - infrastructure	-	-	-
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Change in net position	(829,000)	(829,000)	354,695
Net position - beginning	<u>1,989,130</u>	<u>1,989,130</u>	<u>(31,206)</u>
Net position - ending	<u>\$ 1,160,130</u>	<u>\$ 1,160,130</u>	<u>\$ 323,489</u>

⁽¹⁾ Appropriation level

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 889,979	\$ -	\$ 889,979
<u>143,137</u>	<u>-</u>	<u>143,137</u>
<u>1,033,116</u>	<u>-</u>	<u>1,033,116</u>
361,743	107,319	469,062
-	428,151	428,151
452,989	(272,856)	180,133
1,192,689	(1,192,689)	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>2,007,421</u>	<u>(930,075)</u>	<u>1,077,346</u>
<u>(974,305)</u>	<u>930,075</u>	<u>(44,230)</u>
-	172,688	172,688
<u>500,000</u>	<u>132,731</u>	<u>632,731</u>
<u>500,000</u>	<u>305,419</u>	<u>805,419</u>
(474,305)	1,235,494	761,189
<u>1,957,924</u>	<u>3,972,120</u>	<u>5,930,044</u>
<u>\$ 1,483,619</u>	<u>\$ 5,207,614</u>	<u>\$ 6,691,233</u>

OTHER FINANCIAL SCHEDULES

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2016

Tax Year	Taxes Receivable July 1, 2015	2015-2016 Levy	Adjustments	Collections	Taxes Receivable June 30, 2016
2015-2016	\$ -	\$ 660,638	\$ (17,878)	\$ 618,434	\$ 24,326
2014-2015	24,449	-	(99)	9,903	14,447
2013-2014	15,080	-	(203)	4,546	10,331
2012-2013	11,475	-	(238)	4,691	6,546
2011-2012	6,530	-	(233)	1,962	4,335
2010-2011	4,599	-	(366)	86	4,147
2009-2010	4,384	-	(337)	153	3,894
Prior	178	-	(4)	33	141
Subtotal - Prior	66,695	-	(1,480)	21,374	43,841
Total	\$ 66,695	\$ 660,638	\$ (19,358)	639,808	\$ 68,167
Add:					
Other taxes and interest				4,136	
Undistributed taxes with county, July 1, 2015				-	
Total available				643,944	
Less: Turnovers to City				(643,944)	
Undistributed taxes with county, June 30, 2016				\$ -	

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

For the Year Ended June 30, 2016

Fiscal Year	Total Requirement All Issues			OECD Special Works Fund Loan		
	Principal	Interest and Fees	Total	Principal	Interest	Total
2016-2017	\$ 588,875	\$ 328,591	\$ 917,466	\$ 274,409	\$ 173,956	\$ 448,365
2017-2018	617,120	303,871	920,991	294,601	158,863	453,464
2018-2019	640,896	277,759	918,655	310,080	142,660	452,740
2019-2020	665,228	250,499	915,727	325,860	125,606	451,466
2020-2021	690,135	222,068	912,203	341,956	107,683	449,639
2021-2022	720,794	192,012	912,806	363,534	88,448	451,982
2022-2023	747,100	160,420	907,520	380,483	68,000	448,483
2023-2024	779,082	127,542	906,624	402,823	46,597	449,420
2024-2025	811,771	93,066	904,837	425,575	23,939	449,514
2025-2026	396,436	56,956	453,392	-	-	-
Thereafter	<u>1,572,729</u>	<u>99,172</u>	<u>1,671,901</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,230,166</u>	<u>\$ 2,111,956</u>	<u>\$ 10,342,122</u>	<u>\$ 3,119,321</u>	<u>\$ 935,752</u>	<u>\$ 4,055,073</u>

Fiscal Year	City of Albany Loan #1			City of Albany Loan #2		
	Principal	Interest and Fees	Total	Principal	Interest and Fees	Total
2016-2017	\$ 134,223	\$ 79,680	\$ 213,903	\$ 130,243	\$ 71,080	\$ 201,323
2017-2018	138,471	74,760	213,231	134,048	66,623	200,671
2018-2019	142,853	69,686	212,539	137,963	62,038	200,001
2019-2020	147,374	64,451	211,825	141,994	57,317	199,311
2020-2021	152,038	59,050	211,088	146,141	52,460	198,601
2021-2022	156,850	53,478	210,328	150,410	47,461	197,871
2022-2023	161,813	47,730	209,543	154,804	42,315	197,119
2023-2024	166,934	41,800	208,734	159,325	37,020	196,345
2024-2025	172,217	35,683	207,900	163,979	31,569	195,548
2025-2026	177,667	29,372	207,039	168,769	25,959	194,728
Thereafter	<u>667,267</u>	<u>50,284</u>	<u>717,551</u>	<u>630,462</u>	<u>44,388</u>	<u>674,850</u>
Total	<u>\$ 2,217,707</u>	<u>\$ 605,974</u>	<u>\$ 2,823,681</u>	<u>\$ 2,118,138</u>	<u>\$ 538,230</u>	<u>\$ 2,656,368</u>

Fiscal Year	DEQ Loan		
	Principal	Fees	Total
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
2023-2024	50,000	2,125	52,125
2024-2025	50,000	1,875	51,875
2025-2026	50,000	1,625	51,625
Thereafter	<u>275,000</u>	<u>4,500</u>	<u>279,500</u>
Total	<u>\$ 775,000</u>	<u>\$ 32,000</u>	<u>\$ 807,000</u>

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



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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of the City of Millersburg as of and for the year ended June 30, 2016, and have issued our report thereon dated February 3, 2017. 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

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

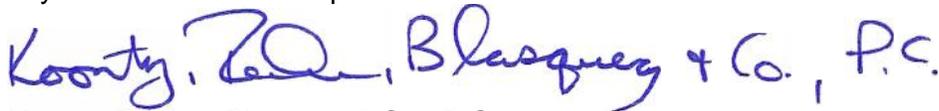
In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

1. The City passed an appropriation resolution, which used the budget line item instead of the correct appropriation category as required by ORS 294.463.
2. The nature of the City's engineering contract changed under ORS 279, which required the renewed contract to be subject to bidding requirements. In addition, the City did not receive three informal bids as required by Oregon statutes for a second contract implemented by the City during the year.

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 February 3, 2017.

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.

February 3, 2017