

# **CITY OF MILTON-FREEWATER, OREGON**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2012

Prepared by:  
The City of Milton-Freewater  
Finance Department  
Luke Billings  
Accounting Supervisor  
and  
Dave Richmond  
Finance Director

**CITY OF MILTON-FREEWATER, OREGON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2012**

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## **INTRODUCTORY SECTION**

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**CITY OF MILTON-FREEWATER  
OFFICIALS OF THE CITY  
AS OF JUNE 30, 2012**

MAYOR AND CITY COUNCIL MEMBERS: (Elected to 4 year terms)			Terms Expire January 1,
Lewis Key	Mayor		2013
Orrin Lyon	Councilor	Ward 1	2015
Brad Humbert	Councilor	Ward 2	2013
Sam Hopkins-Hubbard	Councilor	Ward 3	2013
Jeff Anliker	Councilor	At Large	2013
Steve Irving	Councilor	At Large	2015
Ed Chesnut	Councilor	At Large	2015

APPOINTED OFFICIALS:

Linda Hall	City Manager
Sam Tucker	Municipal Judge
Doug Hojem of: Corey, Byler, Rew, Lorenzen & Hojem	City Attorney

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milton-Freewater  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morill*

President

*Jeffrey R. Enos*

Executive Director

**Insert organizational chart**

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Milton-Freewater, Oregon

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2012, on our consideration of the City of Milton-Freewater, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milton-Freewater, Oregon's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules, and the schedule of expenditures of federal awards 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections 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.

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**Dickey and Tremper, LLP**  
**Certified Public Accountants**

December 22, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 950,444	\$ 3,981,879	\$ 4,932,323
Investments	131,205	3,164,585	3,295,790
Receivables:			
Accounts, net	207,227	1,001,932	1,209,159
Fines and forfeitures, net	115,586	-	115,586
Property taxes	117,947	-	117,947
Weatherization loans	-	99,278	99,278
Internal balances	424,221	(424,221)	-
Inventories	-	519,063	519,063
Bond issuance costs	7,343	5,347	12,690
Restricted assets (temporary):			
Cash and cash equivalents	-	264,213	264,213
Investments	232,081	49,162	281,243
Capital assets:			
Land	337,290	753,069	1,090,359
Construction in progress	69,866	3,780,253	3,850,119
Depreciable assets, net of depreciation	15,274,926	13,783,543	29,058,469
<b>Total assets</b>	<b>17,868,136</b>	<b>26,978,103</b>	<b>44,846,239</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	148,150	287,785	435,935
Accrued interest payable	11,324	39,663	50,987
Deposits	3,960	-	3,960
Liabilities payable from restricted assets:			
Customer deposits	-	158,867	158,867
Long-term obligations:			
Due within one year	453,987	502,911	956,898
Due in more than one year	505,661	1,143,771	1,649,432
<b>Total liabilities</b>	<b>1,123,082</b>	<b>2,132,997</b>	<b>3,256,079</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,043,735	17,053,923	32,097,658
Restricted for:			
Highways and streets	187,796	-	187,796
System development	157	134,688	134,845
Debt service	44,128	43,500	87,628
Urban Renewal	486,327	-	486,327
Landfill closure costs	-	11,886	11,886
Unrestricted	982,911	7,601,109	8,584,020
<b>Net Assets</b>	<b>\$ 16,745,054</b>	<b>\$ 24,845,106</b>	<b>\$ 41,590,160</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 1,701,181	\$ 312,399	\$ 115,105	\$ 155,581	\$ (1,118,096)	\$ -	\$ (1,118,096)
Public safety	2,001,630	-	53,920	-	(1,947,710)	-	(1,947,710)
Culture and recreation	859,882	151,073	172,446	-	(536,363)	-	(536,363)
Public works	435,678	-	-	-	(435,678)	-	(435,678)
Community development	366,362	-	-	-	(366,362)	-	(366,362)
Engineering	84,639	-	-	-	(84,639)	-	(84,639)
Highways and streets	794,765	3,086	384,003	2,214,751	1,807,075	-	1,807,075
Interest on long-term obligations	29,673	-	-	-	(29,673)	-	(29,673)
<b>Total governmental activities</b>	<b>6,273,810</b>	<b>466,558</b>	<b>725,474</b>	<b>2,370,332</b>	<b>(2,711,446)</b>	<b>-</b>	<b>(2,711,446)</b>
<b>Business-type activities:</b>							
Electric	5,840,636	7,203,939	-	928,694	-	2,291,997	2,291,997
Water	625,270	1,173,701	-	435,737	-	984,168	984,168
Sewer	737,796	1,057,176	56,164	3,720	-	379,264	379,264
Solid waste	529,834	837,017	-	-	-	307,183	307,183
Golf course	198,861	190,951	-	-	-	(7,910)	(7,910)
<b>Total business-type activities</b>	<b>7,932,397</b>	<b>10,462,784</b>	<b>56,164</b>	<b>1,368,151</b>	<b>-</b>	<b>3,954,702</b>	<b>3,954,702</b>
<b>Total primary government</b>	<b>\$ 14,206,207</b>	<b>\$ 10,929,342</b>	<b>\$ 781,638</b>	<b>\$ 3,738,483</b>	<b>(2,711,446)</b>	<b>3,954,702</b>	<b>1,243,256</b>
<b>General revenues:</b>							
<b>Property taxes levied for:</b>							
General purposes					1,300,370	-	1,300,370
Debt service					102,450	-	102,450
Franchise and public services taxes					1,180,027	-	1,180,027
Interest and investment earnings					9,458	56,844	66,302
Miscellaneous					-	130,631	130,631
Transfers					1,908,008	(1,908,008)	-
<b>Total general revenues, special items, and transfers</b>					<b>4,500,313</b>	<b>(1,720,533)</b>	<b>2,779,780</b>
Change in net assets					1,788,867	2,234,169	4,023,036
Net assets, beginning					14,956,187	22,610,937	37,567,124
Net assets, ending					<b>\$ 16,745,054</b>	<b>\$ 24,845,106</b>	<b>\$41,590,160</b>

The notes to the basic financial statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

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### **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 accounted for in another fund. Principal sources of revenue are property taxes, utility taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation.

#### **Street Fund**

The Street Fund accounts for the cost of maintaining City streets and storm water drainage systems. The principal source of revenue is state gasoline taxes apportioned from the State of Oregon.

#### **Street Improvement Fund**

Accounts for revenues collected from street opening permits. The funds are used for the construction of any new streets or the reconstruction of existing streets.

**CITY OF MILTON-FREEWATER, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	General Fund	Street Fund	Street Improvement Fund	Other Governmental Funds	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 174,699	\$ 92,345	\$ 22,063	\$ 661,337	\$ 950,444
Investments	128,776	73,408	17,539	143,563	363,286
Receivables:					
Property taxes	59,097	-	-	58,850	117,947
Accounts	119,388	34,875	10,282	42,682	207,227
Fines and forfeitures, net	115,586	-	-	-	115,586
Advances to other funds	22,398	-	-	-	22,398
 Total assets	 <u>\$ 619,944</u>	 <u>\$ 200,628</u>	 <u>\$ 49,884</u>	 <u>\$ 906,432</u>	 <u>\$ 1,776,888</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 129,546	\$ 9,252	\$ 676	\$ 8,676	\$ 148,150
Deposits	3,960	-	-	-	3,960
Deferred revenue	174,683	3,580	-	53,260	231,523
Advances from other funds	-	-	-	22,276	22,276
 Total liabilities	 <u>308,189</u>	 <u>12,832</u>	 <u>676</u>	 <u>84,212</u>	 <u>405,909</u>
<b>FUND BALANCES</b>					
Restricted	157	187,796	-	530,455	718,408
Assigned	-	-	49,208	309,649	358,857
Unassigned	311,598	-	-	(17,884)	293,714
 Total fund balances	 <u>311,755</u>	 <u>187,796</u>	 <u>49,208</u>	 <u>822,220</u>	 <u>1,370,979</u>
 Total liabilities and fund balances	 <u>\$ 619,944</u>	 <u>\$ 200,628</u>	 <u>\$ 49,884</u>	 <u>\$ 906,432</u>	 <u>\$ 1,776,888</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MILTON-FREEWATER, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

<b>Fund balances - total governmental funds</b>	\$	1,370,979
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets and bond issuance costs used in governmental activities are not financial resources, and, therefore, are not reported in the funds		15,689,425
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		231,523
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.		(207,050)
Accrued other postemployment benefits are not due and payable in the current period, and, therefore, are not reported in the funds.		(114,251)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(11,324)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.		(638,347)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are classified as business-type activities in the Statement of Net Assets, but the governmental activities made payments to the internal service funds in excess of the actual expenses. As a result, the business-type activities owe the governmental activities for the overpayment.		424,099
		<hr style="width: 100%;"/>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>16,745,054</b>
		<hr style="width: 100%;"/>

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	General Fund	Street Fund	Street Improvement Fund	Other Governmental Funds	Totals
<b>REVENUES</b>					
Property taxes	\$ 736,769	\$ -	\$ -	\$ 665,803	\$ 1,402,572
Utility tax	136,094	-	-	-	136,094
Other taxes	24,000	-	-	-	24,000
Franchise fees	857,718	-	-	-	857,718
Licenses and fees	17,324	-	1,227	-	18,551
Charges for services	148,960	-	-	19,110	168,070
Intergovernmental	334,064	384,003	2,214,750	325,206	3,258,023
Fines and forfeitures	161,565	-	-	1,981	163,546
Interest on investments	3,328	1,053	80	4,999	9,460
Miscellaneous	95,881	1,859	-	5,668	103,408
<b>TOTAL REVENUES</b>	<u>2,515,703</u>	<u>386,915</u>	<u>2,216,057</u>	<u>1,022,767</u>	<u>6,141,442</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,443,558	-	-	171,093	1,614,651
Public safety	1,942,234	-	-	24,453	1,966,687
Culture and recreation	404,374	-	-	305,479	709,853
Public works	439,530	-	-	-	439,530
Community development	157,425	-	-	172,673	330,098
Engineering	82,675	-	-	-	82,675
Highways and streets	-	221,959	-	-	221,959
Capital outlay	39,331	-	2,203,938	96,896	2,340,165
Debt service	-	-	-	310,104	310,104
<b>TOTAL EXPENDITURES</b>	<u>4,509,127</u>	<u>221,959</u>	<u>2,203,938</u>	<u>1,080,698</u>	<u>8,015,722</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,993,424)</u>	<u>164,956</u>	<u>12,119</u>	<u>(57,931)</u>	<u>(1,874,280)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,034,951	-	-	123,263	2,158,214
Transfers out	(125,863)	(79,187)	-	(15,155)	(220,205)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,909,088</u>	<u>(79,187)</u>	<u>-</u>	<u>108,108</u>	<u>1,938,009</u>
<b>NET CHANGE IN FUND BALANCE</b>	(84,336)	85,769	12,119	50,177	63,729
<b>FUND BALANCE, Beginning</b>	<u>396,091</u>	<u>102,027</u>	<u>37,089</u>	<u>772,043</u>	<u>1,307,250</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 311,755</u>	<u>\$ 187,796</u>	<u>\$ 49,208</u>	<u>\$ 822,220</u>	<u>\$ 1,370,979</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MILTON-FREEWATER, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

**Net change in fund balance - governmental funds** \$ 63,729

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues 13,233

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

277,288

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds.

Change in compensated absences	(7,512)
Change in accrued interest payable	5,590
Amortization of bond discounts and issuance costs	(2,448)
Change in other postemployment benefits	(27,127)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense.

Capital asset additions	\$ 2,268,739	
Depreciation expense	<u>(759,815)</u>	1,508,924

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds are allocated between governmental and business - type activities.

(42,810)

**Change in net assets - governmental activities** **\$ 1,788,867**

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 717,000	\$ 717,000	\$ 736,769	\$ 19,769
Utility tax	120,500	120,500	136,094	15,594
Other taxes	19,000	19,000	24,000	5,000
Franchise fees	887,171	887,171	857,718	(29,453)
Licenses and fees	13,250	13,250	17,324	4,074
Charges for services	162,900	162,900	148,960	(13,940)
Intergovernmental	240,156	341,857	334,064	(7,793)
Fines and forfeitures	172,570	172,570	161,565	(11,005)
System development charges	400	400	-	(400)
Interest on investments	4,000	4,000	3,328	(672)
Miscellaneous	92,500	92,500	95,881	3,381
<b>TOTAL REVENUES</b>	<u>2,429,447</u>	<u>2,531,148</u>	<u>2,515,703</u>	<u>(15,445)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,378,766	1,503,967	1,443,558	60,409
Public safety	2,069,363	2,069,363	1,942,234	127,129
Culture and recreation	423,433	423,433	404,374	19,059
Public works	499,208	499,208	439,530	59,678
Community development	167,760	167,760	157,425	10,335
Engineering	97,059	97,059	82,675	14,384
Capital outlay	35,150	47,650	39,331	8,319
Contingency	104,151	68,151	-	68,151
<b>TOTAL EXPENDITURES</b>	<u>4,774,890</u>	<u>4,876,591</u>	<u>4,509,127</u>	<u>367,464</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,345,443)</u>	<u>(2,345,443)</u>	<u>(1,993,424)</u>	<u>352,019</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,034,951	2,034,951	2,034,951	-
Transfers out	(125,863)	(125,863)	(125,863)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,909,088</u>	<u>1,909,088</u>	<u>1,909,088</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(436,355)	(436,355)	(84,336)	352,019
<b>FUND BALANCE, Beginning</b>	<u>436,355</u>	<u>436,355</u>	<u>396,091</u>	<u>(40,264)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,755</u>	<u>\$ 311,755</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**STREET FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 312,000	\$ 312,000	\$ 384,003	\$ 72,003
Interest on investments	100	100	1,053	953
Miscellaneous	-	-	1,859	1,859
<b>TOTAL REVENUES</b>	<u>312,100</u>	<u>312,100</u>	<u>386,915</u>	<u>74,815</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personal services	124,823	124,823	108,443	16,380
Materials and services	125,475	125,475	113,516	11,959
Contingency	17,647	17,647	-	17,647
<b>TOTAL EXPENDITURES</b>	<u>267,945</u>	<u>267,945</u>	<u>221,959</u>	<u>45,986</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>44,155</u>	<u>44,155</u>	<u>164,956</u>	<u>120,801</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(79,187)	(79,187)	(79,187)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(79,187)</u>	<u>(79,187)</u>	<u>(79,187)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(35,032)	(35,032)	85,769	120,801
<b>FUND BALANCE, Beginning</b>	<u>35,032</u>	<u>35,032</u>	<u>102,027</u>	<u>66,995</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,796</u>	<u>\$ 187,796</u>

The notes to the basic financial statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

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### **Proprietary Funds**

The City of Milton-Freewater uses eleven Proprietary Funds comprised of six Enterprise Funds and five Internal Service Funds.

Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of the electric, water, sewer, solid waste, landfill and golf course facilities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

- **Electric**
- **Water**
- **Sewer**
- **Solid Waste**
- **Landfill Closure**
- **Golf Course**

For budgetary purposes (see budget schedules in Supplemental Information), the above funds are accounted for in the following separate funds:

- **All Electric Funds**
  - Electric
  - Electric Capital Replacement Reserve
  - Electric Operating and Maintenance Reserve
- **All Sewer Funds**
  - Sewer
  - Sewer Improvement

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis. The Internal Service Funds are eliminated for the Government-Wide Financial Statements and any residual assets and income and expenses from outside sources are combined with the Governmental and Business – Type Activities. The City's Internal Service Fund is as follows:

- **Warehouse Fund**
- **Vehicle Maintenance Fund**
- **Vehicle Replacement Fund**
- **Sick Leave Liability Fund**
- **Risk Management Fund**

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

	Business - Type Activities - Enterprise Funds					Total	Business- Type Activities - Internal Service Funds
	All Electric Funds	Water Fund	All Sewer Funds	Golf Fund	Other Enterprise Funds		
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,121,849	\$ 187,234	\$ 192,912	\$ -	\$ 195,520	\$ 3,697,515	\$ 284,364
Investments	2,480,528	149,235	153,351	-	155,423	2,938,537	226,048
Restricted cash and cash equivalents	158,867	25,500	18,000	-	-	202,367	-
Receivables:							
Accounts	612,236	171,063	121,435	1,076	87,220	993,030	8,902
Inventories	461,324	45,520	4,500	-	-	511,344	7,719
<b>Total current assets</b>	<b>6,834,804</b>	<b>578,552</b>	<b>490,198</b>	<b>1,076</b>	<b>438,163</b>	<b>8,342,793</b>	<b>527,033</b>
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	-	-	61,846	61,846	-
Restricted investments	-	-	-	-	49,162	49,162	-
Weatherization loans	99,278	-	-	-	-	99,278	-
Bond issuance costs	-	2,924	2,423	-	-	5,347	-
Capital assets:							
Land	112,628	16,313	512,442	61,686	50,000	753,069	-
Construction in progress	2,627,176	1,115,354	37,723	-	-	3,780,253	-
Depreciable assets, net of depreciation	6,493,618	2,678,343	3,271,290	252,247	38,830	12,734,328	1,049,215
<b>Total noncurrent assets</b>	<b>9,332,700</b>	<b>3,812,934</b>	<b>3,823,878</b>	<b>313,933</b>	<b>199,838</b>	<b>17,483,283</b>	<b>1,049,215</b>
<b>Total assets</b>	<b>\$ 16,167,504</b>	<b>\$ 4,391,486</b>	<b>\$ 4,314,076</b>	<b>\$ 315,009</b>	<b>\$ 638,001</b>	<b>\$ 25,826,076</b>	<b>\$ 1,576,248</b>
<b>LIABILITIES AND NET ASSETS</b>							
Current liabilities (unrestricted assets):							
Accounts payable	\$ 232,650	\$ 8,818	\$ 10,551	\$ 2,139	\$ 16,875	\$ 271,033	\$ 16,752
Accrued interest payable	-	21,802	3,967	13,197	-	38,966	697
Advances from other funds	-	-	-	122	-	122	-
Current portion of long-term debt	75,895	154,654	176,193	27,023	16,218	449,983	52,928
<b>Total current liabilities (unrestricted)</b>	<b>308,545</b>	<b>185,274</b>	<b>190,711</b>	<b>42,481</b>	<b>33,093</b>	<b>760,104</b>	<b>70,377</b>
Current liabilities (payable from restricted assets):							
Deposits	158,867	-	-	-	-	158,867	-
<b>Total current liabilities</b>	<b>467,412</b>	<b>185,274</b>	<b>190,711</b>	<b>42,481</b>	<b>33,093</b>	<b>918,971</b>	<b>70,377</b>
Long-term debt, net of current portion							
Due to Bonneville Power Administration	68,400	-	-	-	-	68,400	-
Landfill closure liability	-	-	-	-	99,122	99,122	-
Notes and contracts payable	-	629,780	-	197,799	-	827,579	47,265
Compensated absences payable	18,974	1,650	1,752	477	4,054	26,907	1,794
Other postemployment benefits	32,462	8,842	12,377	3,348	5,883	62,912	9,792
<b>Total non-current liabilities</b>	<b>119,836</b>	<b>640,272</b>	<b>14,129</b>	<b>201,624</b>	<b>109,059</b>	<b>1,084,920</b>	<b>58,851</b>
<b>Total liabilities</b>	<b>587,248</b>	<b>825,546</b>	<b>204,840</b>	<b>244,105</b>	<b>142,152</b>	<b>2,003,891</b>	<b>129,228</b>
Net assets:							
Invested in capital assets, net of related debt	9,233,422	3,032,175	3,652,270	91,021	88,830	16,097,718	956,205
Restricted for system development	-	100,453	34,235	-	-	134,688	-
Restricted for debt service	-	25,500	18,000	-	-	43,500	-
Restricted for landfill closure	-	-	-	-	11,886	11,886	-
Unrestricted	6,346,834	407,812	404,731	(20,117)	395,133	7,534,393	490,815
<b>Net assets</b>	<b>15,580,256</b>	<b>3,565,940</b>	<b>4,109,236</b>	<b>70,904</b>	<b>495,849</b>	<b>23,822,185</b>	<b>1,447,020</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,167,504</b>	<b>\$ 4,391,486</b>	<b>\$ 4,314,076</b>	<b>\$ 315,009</b>	<b>\$ 638,001</b>	<b>\$ 25,826,076</b>	<b>\$ 1,576,248</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MILTON-FREEWATER, OREGON**  
**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET ASSETS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

**Net assets - total enterprise funds** \$ 23,822,185

Amounts reported for business-type activities in the Statement of Net Assets are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. The internal service funds predominately serve the enterprise funds, so the assets and liabilities of the internal service funds are included in Business-Type Activities in the Statement of Net Assets as follows:

Cash and cash equivalents	\$ 284,364	
Investments	226,048	
Accounts receivable, net	8,902	
Inventories	7,719	
Internal balances	(424,099)	
Capital assets, net	1,049,215	
Accounts payable and accrued expenses	(16,752)	
Accrued interest payable	(697)	
Compensated absences payable	(8,977)	
Notes payable	(93,010)	
Other postemployment benefits	<u>(9,792)</u>	
		<u>1,022,921</u>

**Net assets of business - type activities** **\$ 24,845,106**

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Business - type Activities - Enterprise Funds</b>						Business- Type Activities - Internal Service Funds
	All Electric Funds	Water Fund	All Sewer Funds	Golf Funds	Other Enterprise Funds	Total	
<b>OPERATING REVENUES</b>							
Charges for services	\$ 7,122,509	\$ 1,156,541	\$ 1,056,771	\$ 190,951	\$ 824,230	\$ 10,351,002	\$ 643,235
Miscellaneous	81,430	17,160	406	-	12,787	111,783	61,930
<b>TOTAL OPERATING REVENUES</b>	<b>7,203,939</b>	<b>1,173,701</b>	<b>1,057,177</b>	<b>190,951</b>	<b>837,017</b>	<b>10,462,785</b>	<b>705,165</b>
<b>OPERATING EXPENSES</b>							
Personal services	872,477	167,563	301,710	61,514	193,324	1,596,588	311,134
Materials and services	4,582,464	189,711	221,806	94,133	330,547	5,418,661	275,047
Depreciation	291,273	207,256	194,638	25,803	1,023	719,993	150,290
<b>TOTAL OPERATING EXPENSES</b>	<b>5,746,214</b>	<b>564,530</b>	<b>718,154</b>	<b>181,450</b>	<b>524,894</b>	<b>7,735,242</b>	<b>736,471</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,457,725</b>	<b>609,171</b>	<b>339,023</b>	<b>9,501</b>	<b>312,123</b>	<b>2,727,543</b>	<b>(31,306)</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>							
Intergovernmental	-	-	5,010	-	-	5,010	-
Farm income	-	-	51,154	-	-	51,154	-
Gain on disposal of capital assets	-	-	-	-	-	-	1,927
Interest on investments	43,946	2,538	2,553	5	3,119	52,161	4,683
Interest expense	-	(44,829)	(13,307)	(15,852)	-	(73,988)	(5,972)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<b>43,946</b>	<b>(42,291)</b>	<b>45,410</b>	<b>(15,847)</b>	<b>3,119</b>	<b>34,337</b>	<b>638</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,501,671</b>	<b>566,880</b>	<b>384,433</b>	<b>(6,346)</b>	<b>315,242</b>	<b>2,761,880</b>	<b>(30,668)</b>
<b>CAPITAL CONTRIBUTIONS</b>							
Intergovernmental	803,352	256,339	-	-	-	1,059,691	-
System development charges	125,342	179,398	3,720	-	-	308,460	-
Capital asset transfers	-	30,000	-	-	-	30,000	-
<b>TRANSFERS</b>							
Transfers In	1,345,114	45,128	167,115	-	9,000	1,566,357	129,865
Transfers out	(2,050,357)	(487,471)	(543,404)	(100)	(204,586)	(3,285,918)	(348,313)
<b>CHANGE IN NET ASSETS</b>	<b>1,725,122</b>	<b>590,274</b>	<b>11,864</b>	<b>(6,446)</b>	<b>119,656</b>	<b>2,440,470</b>	<b>(249,116)</b>
<b>NET ASSETS, Beginning</b>	<b>13,855,134</b>	<b>2,975,666</b>	<b>4,097,372</b>	<b>77,350</b>	<b>376,193</b>	<b>21,381,715</b>	<b>1,696,136</b>
<b>NET ASSETS, Ending</b>	<b>\$ 15,580,256</b>	<b>\$ 3,565,940</b>	<b>\$ 4,109,236</b>	<b>\$ 70,904</b>	<b>\$ 495,849</b>	<b>\$ 23,822,185</b>	<b>\$ 1,447,020</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MILTON-FREEWATER, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

**Change in net assets - total enterprise funds** \$ 2,440,470

Amounts reported for business-type activities in the Statement of Activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of the internal service funds are allocated to business - type activities.

(206,301)

**Change in net assets of business - type activities** \$ 2,234,169

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Enterprise Funds					Totals	Business-Type Activities Internal Service Funds
	All Electric Funds	Water Fund	All Sewer Funds	Golf Fund	Other Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$7,201,430	\$1,151,722	\$1,051,417	\$196,457	\$824,441	\$10,425,467	\$121,433
Receipts from interfund services provided	-	-	-	-	-	-	583,732
Payments to suppliers	(4,269,914)	(111,441)	(208,749)	(120,495)	(168,609)	(4,879,208)	(393,345)
Payments to employees	(548,104)	(91,655)	(178,666)	(36,078)	(119,449)	(973,952)	(206,077)
Payments for interfund services used	(603,818)	(138,868)	(134,884)	-	(215,737)	(1,093,307)	-
Net cash provided from (used by) operating activities	<u>1,779,594</u>	<u>809,758</u>	<u>529,118</u>	<u>39,884</u>	<u>320,646</u>	<u>3,479,000</u>	<u>105,743</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Farm income	-	-	56,164	-	-	56,164	-
Transfers in	1,121,384	-	162,533	-	9,000	1,292,917	129,865
Transfers out	(2,050,357)	(487,471)	(543,404)	(100)	(204,586)	(3,285,918)	(74,874)
Net cash provided from (used by) non-capital financing activities	<u>(928,973)</u>	<u>(487,471)</u>	<u>(324,707)</u>	<u>(100)</u>	<u>(195,586)</u>	<u>(1,936,837)</u>	<u>54,991</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from intergovernmental revenue	803,352	256,339	-	-	-	1,059,691	-
Weatherization program	11,758	-	-	-	-	11,758	-
System development charges	125,342	179,398	3,720	-	-	308,460	-
Proceeds from sale of capital assets	-	-	-	-	-	-	1,927
Acquisition of capital assets	(1,590,056)	(602,206)	(23,983)	-	-	(2,216,245)	(37,898)
Principal paid on long-term obligations	(1,942)	(137,196)	(164,740)	(23,775)	-	(327,653)	(64,690)
Interest paid on long-term obligations	-	(45,086)	(14,666)	(17,240)	-	(76,992)	(7,303)
Net cash provided from (used by) capital and related financing activities	<u>(651,546)</u>	<u>(348,751)</u>	<u>(199,669)</u>	<u>(41,015)</u>	<u>-</u>	<u>(1,240,981)</u>	<u>(107,964)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Net sales (purchases) of investments	(21,841)	17,259	2,558	564	(51,066)	(52,526)	(17,708)
Interest on investments	43,946	2,538	2,553	5	3,119	52,161	4,683
Net cash provided (used) by investing activities	<u>22,105</u>	<u>19,797</u>	<u>5,111</u>	<u>569</u>	<u>(47,947)</u>	<u>(365)</u>	<u>(13,025)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	221,180	(6,667)	9,853	(662)	77,113	300,817	39,745
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>3,059,536</u>	<u>219,901</u>	<u>201,059</u>	<u>662</u>	<u>180,253</u>	<u>3,661,411</u>	<u>244,619</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$3,280,716</u>	<u>\$213,234</u>	<u>\$210,912</u>	<u>\$-</u>	<u>\$257,366</u>	<u>\$3,962,228</u>	<u>\$284,364</u>
<b>COMPRISED AS FOLLOWS</b>							
Cash and cash equivalents	\$3,121,849	\$187,734	\$192,912	\$-	\$195,520	\$3,698,015	\$284,364
Restricted cash and cash equivalents	158,867	25,500	18,000	-	61,846	264,213	-
	<u>\$3,280,716</u>	<u>\$213,234</u>	<u>\$210,912</u>	<u>\$-</u>	<u>\$257,366</u>	<u>\$3,962,228</u>	<u>\$284,364</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Enterprise Funds					Totals	Business-Type Activities Internal Service Funds
	All Electric Funds	Water Fund	All Sewer Funds	Golf Fund	Other Enterprise Funds		
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>							
Operating income (loss)	\$1,457,725	\$ 609,171	\$ 339,023	\$ 9,501	\$ 312,123	\$ 2,727,543	\$ (31,306)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	291,273	207,256	194,638	25,803	1,023	719,993	150,290
(Increase) decrease in assets:							
Receivables	91,450	(4,819)	(5,354)	5,506	211	86,994	(2,129)
Inventories	(5,292)	(392)	82	-	-	(5,602)	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	(46,604)	(4,929)	(4,864)	(1,469)	3,063	(54,803)	(14,621)
Deposits	(12,529)	-	-	-	-	(12,529)	-
Compensated absences payable	(4,138)	1,371	2,653	(252)	2,829	2,463	1,184
Other postemployment benefits	7,709	2,100	2,940	795	1,397	14,941	2,325
Net cash provided from operating activities	<u>\$1,779,594</u>	<u>\$ 809,758</u>	<u>\$ 529,118</u>	<u>\$ 39,884</u>	<u>\$ 320,646</u>	<u>\$ 3,479,000</u>	<u>\$ 105,743</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>							
Transfer of inventory between funds	\$ 223,730	\$ 45,128	\$ 4,582	\$ -	\$ -	\$ 273,440	\$(273,440)
Capital contribution from Urban Renewal fund	-	30,000	-	-	-	30,000	-
Total noncash investing, capital and financing activities	<u>\$ 223,730</u>	<u>\$ 75,128</u>	<u>\$ 4,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,440</u>	<u>\$(273,440)</u>

The notes to the basic financial statements are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF MILTON-FREEWATER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Milton-Freewater, Oregon (the City) was incorporated January 1, 1951. The City operates under a Council-City Manager form of government and provides the following services authorized by its charter: public safety (police and fire), streets, electric distribution, water distribution, sewage collection and treatment, refuse collection and disposal, public improvements, planning and zoning, recreation, and general administration services.

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the City is a primary government with the following includable component unit.

**City of Milton-Freewater Urban Renewal Agency**

The City of Milton-Freewater Urban Renewal Agency (the Agency) is a blended component unit and is responsible for the urban growth and development within its boundaries. The Agency's governing body is the same as that of the City of Milton-Freewater's governing body, so the City has the ability to significantly impose its will of the Agency. Management of the Agency consists of those individuals responsible for the day-to-day operations of the City; and the Agency provides services wholly within the City boundaries with the intention of increasing tax revenues and employment. Therefore, the Agency is presented as a blended component unit and is grouped as a special revenue fund. Complete financial statements for the individual component unit may be obtained at the Milton-Freewater Urban Renewal Agency's office located at 722 S. Main, Milton-Freewater, OR 97862.

**B. Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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 are charges to customers for sales and services. Operating expenses for proprietary funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For proprietary funds, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Governmental Funds are funded by a variety of resources, which include Restricted, Committed, Assigned, and Unassigned sources. Unless specifically tracked, expenditures are assumed to begin with Restricted, Committed, Assigned, and lastly, Unassigned.

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 30 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

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. Principal sources of revenue are property taxes, utility taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations, public safety (police and fire), and culture and recreation.

The *Street Fund* accounts for the cost of maintaining City streets and storm water drainage systems. The principal source of revenue is state gasoline taxes apportioned from the State of Oregon.

The *Street Improvement* accounts for revenues collected from street opening permits. The funds are used for the construction of any new streets or the reconstruction of existing streets.

The City reports the following major proprietary funds:

The *Electric Funds* account for revenues and expenses related to the City's electric utility operations.

The *Water Fund* accounts for revenues and expenses related to the City's water utility operations.

The *Sewer Funds* account for revenues and expenses related to the City's sewer utility operations.

The *Golf Fund* accounts for revenues and expenses related to the City's golf course.

Additionally, the City reports *Internal Service Funds*. These funds account for operations that provide service to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The services provided include warehouse services for the utility funds, vehicle maintenance, vehicle replacement, sick leave coverage to cover the cost of part-time help needed to replace employees who are out on extended sick leave, and risk management.

The City also includes the following fund types as other governmental funds:

*Special revenue funds* are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted, nonspendable, or assigned to finance particular functions or activities. The purpose of each major Special Revenue Fund and its revenue, other than Street Fund disclosed above, is as following:

Library Fund – The Library Fund accounts for the operation of the City library. Principal sources of revenues are state grants, county library funds, library fines, donations, and transfers.

Senior/Disabled Transportation – accumulates revenue dedicated to both the senior/disabled transportation program, which provides taxi services to seniors or disabled persons and the intercity general ridership bus program, which provides transportation for any citizen to and from Walla Walla, Washington.

Drug Enforcement – accounts for revenue and expenditures from court forfeited illegal drug monies received through the participation with the Blue Mountain Enforcement Narcotics Team (BENT). Expenditures are reserved and limited to law enforcement use.

911 – Accounts for 911 telephone tax revenue. The revenues can only be expended on 911 emergency service expenditures.

Urban Renewal Agency – accounts for the City's urban renewal projects. Revenues are from property taxes and issuance of debt, and expenditures are for elimination of blighted conditions and urban development as defined in the City's Urban Renewal Plan.

*Debt service funds* account for the financial resources that are restricted, committed, or assigned to expenditure for payment made for principal and interest on long-term debt for governmental funds.

## **D. Assets, Liabilities and Equity**

### **1. Cash, Cash Equivalents, and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term investments with original maturities of three months or less from the date of acquisition.

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the Local

Government Investment Pool, U.S. Government and Agency Obligations, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments in the Local Government Investment Pool are stated at amortized cost, which approximates fair value. All other investments are reported at fair value.

## **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal loans”.

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. An allowance for uncollectible accounts has been established for the General Fund and represents the portion of receivables not expected to be collected.

## **3. Inventories and Prepaid Expenses**

Inventories in the Electric Fund, Water Fund, Sewer Fund, and Vehicle Maintenance Internal Service Fund are determined by physical count and are stated at the lower of average cost or market. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

## **4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets 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 when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

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>
Building and improvements	25 - 50
Machinery and equipment	5 - 20
Vehicles	3 - 20

## 5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 6. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation, holiday and sick pay benefits. Sick pay benefits in excess of 700 hours are payable to employees upon retirement. Employees have the choice whether to cash in sick pay benefits in excess of 700 hours or convert them into PERS. The City has chosen not to report a liability for potential sick leave payouts because the actual hours at retirement can vary greatly from the current amounts. All vacation and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Management concluded that 20% of the liability would report as long-term liability and the remaining as short-term liability.

Compensated absences are normally paid from the General, Street, Library, Electric, Water, Sewer, Solid Waste, Golf Course, and Internal Service funds.

## **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

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

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

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

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

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

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

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources. Fund balances by classification for the year ended June 30, 2012 were as follows:

	General Fund	Street Fund	Street Improvement Funds	Non-major Governmental Funds	Total Governmental Funds
<b>Fund Balance</b>					
<b>Restricted for:</b>					
Streets and Parks	\$ -	\$187,796	\$ -	\$ -	\$ 187,796
Debt Service	-	-	-	44,128	44,128
System Development	157	-	-	-	157
Urban Renewal	-	-	-	486,327	486,327
<b>Assigned to:</b>					
Streets	-	-	49,208	-	49,208
Transportation programs	-	-	-	309,640	309,640
Drug enforcement	-	-	-	9	9
<b>Unassigned:</b>	311,598	-	-	(17,884)	293,714
<b>Total Fund Balance</b>	<b>\$ 311,755</b>	<b>\$187,796</b>	<b>\$ 49,208</b>	<b>\$ 822,220</b>	<b>\$ 1,370,979</b>

## 8. Restricted Net Assets

Restrictions on net assets that are either imposed by creditors, grantors, laws or other regulations, or by enabling legislation are reported as restricted net assets.

## 9. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations,

and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the department level for the General Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, contingency, interfund transfers, debt service, and other uses.

Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain City Council authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2012, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

**B. Excess of Expenditures over Appropriations**

Expenditures exceeded appropriations in the following amounts:

Sewer Improvement Fund	
Capital Outlay	<u>\$ 2,283</u>

**C. Deficit Fund Balances**

Funds having a deficit fund balance at June 30, 2012 are as follows:

Library Fund	<u>\$ 3,801</u>
911 Fund	<u>\$ 14,083</u>
Golf Course Fund	<u>\$ 1,185</u>

Management expects the deficit fund balances to be reversed in future years by increasing Library District revenue and decreasing 911 Fund expenses.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2012. If bank deposits at year-end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists.

For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss.

The City's deposits are comprised of bank demand deposits and certificates of deposit. For the fiscal year ended June 30, 2012, the carrying amount of the City and Urban Renewal Agency's deposits, including certificates of deposit and money market accounts of \$1,259,179, was \$1,596,908 and the bank balance was \$1,852,278. All deposits are held in the name of the City or the City of Milton-Freewater Urban Renewal Agency (blended component unit). Of the bank balance, \$874,166 was covered by federal depository insurance and \$978,112 was collateralized under ORS 295.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

**Investments.** The City of Milton-Freewater has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

**Credit Risk.** State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

**Concentration of Credit Risk.** The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in mutual funds, external investment pools, other pooled investments or those issued and explicitly guaranteed by the U.S. Government. None of the City's investments were identified to be over 5 percent of total investments.

Interest Rate Risk. The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

The City of Milton-Freewater also invested funds in U.S. Government Obligations and time certificates of deposit. These investments are carried at fair value.

The City also had funds invested in money market accounts. These funds are collateralized by the underlying investments of the money market fund they are invested in and by additional collateral pool certificates.

Investments held by the City at June 30, 2012, and their remaining time to maturity, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	\$ 4,108,305
Time Certificates of Deposit	Less than 1 year	504,931
Money Market Investments	1 day	754,248
US Government Agency Obligations (Rating Aaa)	Less than 1 year	964,655
US Government Agency Obligations (Rating Aaa)	1 to 3 years	1,039,488
Corporate Bonds (Rating 50% AA, 50% A)	Less than 1 year	770,955
Corporate Bonds (Rating 19% AA, 65% A, 16% BBB+)	1 to 3 years	<u>297,004</u>
		8,439,586
Less amounts classified as cash equivalents		<u>(4,862,553)</u>
Total investments		<u>\$ 3,577,033</u>

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

Cash on hand	\$ 1,395
Carrying amounts of deposits	332,588
Local Government Investment Pool	4,108,305
Money Market Investments	<u>754,248</u>
Total cash and cash equivalents	<u>\$ 5,196,536</u>

Restricted cash and investments at June 30, 2012 consist of the following:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental activities:			
System development	\$ -	\$ 157	\$ 157
Streets	-	187,796	187,796
Debt service	-	44,128	44,128
	<u>-</u>	<u>232,081</u>	<u>232,081</u>
Business-type activities:			
Customer deposits	158,867	-	158,867
Debt service	43,500	-	43,500
Landfill closure costs	61,846	49,162	111,008
	<u>264,213</u>	<u>49,162</u>	<u>313,375</u>
Total restricted assets	<u>\$ 264,213</u>	<u>\$ 281,243</u>	<u>\$ 545,456</u>

## B. Receivables

Receivables as of fiscal year end for the governmental activities individual major funds and non-major funds in the aggregate are as follows:

	<u>General</u>	<u>Street</u>	<u>Street Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Property taxes	\$ 59,097	\$ -	-	\$ 58,850	\$ 117,947
Accounts	80,683	1,492	-	-	82,175
Intergovernmental	38,705	33,383	10,282	42,682	125,052
Fines and forfeitures	288,965	-	-	-	288,965
Allowance for doubtful accounts	(173,379)	-	-	-	(173,379)
	<u>\$ 294,071</u>	<u>\$ 34,875</u>	<u>\$ 10,282</u>	<u>\$ 101,532</u>	<u>\$ 440,760</u>

Receivables as of year-end for the business-type activities individual major funds, internal service funds classified as business-type activities and non-major funds in the aggregate are as follows:

	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Total</u>
Electric funds	\$ 519,525	\$ 92,711	\$ 612,236
Water fund	145,088	25,975	171,063
Sewer funds	121,435	-	121,435
Golf funds	1,076	-	1,076
Other enterprise funds	87,220	-	87,220
Internal service funds	8,902	-	8,902
Total accounts receivable	<u>\$ 883,246</u>	<u>\$ 118,686</u>	<u>\$ 1,001,932</u>

Uncollected property taxes in governmental funds are shown on the statement of net assets as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They

may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Umatilla County, and remittance to the City is made at periodic intervals.

For the fiscal year 2011-2012, the City levied property taxes for general services, bond repayment, and a local option tax for transportation services in the total amount of \$919,977. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$919,981. The tax rate for the fiscal year was \$3.7499 for the general levy, \$0.5214 for bond repayment, and \$0.2528 for the local option, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2011 was \$237,268,234. The City of Milton-Freewater Urban Renewal Agency, a blended component unit of the City, levied taxes at its maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$518,076.

Following is a summary of property tax transactions for the year ended June 30, 2012:

Combined Totals	Balances	2011-12 Levy	Interest	Collections	Balances
	July 1, 2011		Discounts and Adjustments		June 30, 2012
2011-12	\$ -	\$ 1,438,057	\$ (39,452)	\$ (1,335,556)	\$ 63,049
2010-11	56,878	-	902	(24,991)	32,789
2009-10	34,691	-	(27)	(14,095)	20,569
2008-09	19,469	-	345	(11,137)	8,677
2007-08	9,093	-	1,374	(8,580)	1,887
2006-07	784	-	(78)	(229)	477
2005-06	474	-	(18)	(242)	214
2004-05	241	-	7	(109)	139
2003-04	145	-	15	(36)	124
Prior years	685	-	261	(499)	447
	<u>\$ 122,460</u>	<u>\$ 1,438,057</u>	<u>\$ (36,671)</u>	<u>\$ (1,395,474)</u>	\$ 128,372
				Less July portion	(10,425)
					<u>\$ 117,947</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not considered necessary.

Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectible accounts has been established.

### C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 337,290	\$ -	\$ -	\$ 337,290
Construction in progress	<u>-</u>	<u>69,866</u>	<u>-</u>	<u>69,866</u>
Total capital assets, not being depreciated	<u>337,290</u>	<u>69,866</u>	<u>-</u>	<u>407,156</u>
Capital assets, being depreciated				
Machinery and equipment	71,276	-	-	71,276
Buildings and improvements	5,111,312	23,439	-	5,134,751
Infrastructure	<u>23,036,290</u>	<u>2,175,433</u>	<u>-</u>	<u>25,211,723</u>
Total capital assets, being depreciated	<u>28,218,878</u>	<u>2,198,872</u>	<u>-</u>	<u>30,417,750</u>
Accumulated depreciation for:				
Machinery and equipment	(58,248)	(20,174)	-	(78,422)
Buildings and improvements	(2,468,532)	(170,581)	-	(2,639,113)
Infrastructure	<u>(11,856,229)</u>	<u>(569,060)</u>	<u>-</u>	<u>(12,425,289)</u>
Total accumulated depreciation	<u>(14,383,009)</u>	<u>(759,815)</u>	<u>-</u>	<u>(15,142,824)</u>
Total capital assets, being depreciated, net	<u>13,835,869</u>	<u>1,439,057</u>	<u>-</u>	<u>15,274,926</u>
Governmental activities capital assets, net	<u>\$ 14,173,159</u>	<u>\$ 1,508,923</u>	<u>\$ -</u>	<u>\$ 15,682,082</u>

Depreciation expense for governmental activities is charged to governmental functions as follows:

General government	\$ 56,933
Public safety	1,883
Culture and recreation	131,939
Highways and streets	<u>569,060</u>
Total depreciation expense - governmental activities	<u>\$ 759,815</u>

Capital asset activity for the business-type activities for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 753,069	\$ -	\$ -	\$ 753,069
Construction in progress	<u>1,652,798</u>	<u>2,127,455</u>	<u>-</u>	<u>3,780,253</u>
Total capital assets, not being depreciated	<u>2,405,867</u>	<u>2,127,455</u>	<u>-</u>	<u>4,533,322</u>
Capital assets, being depreciated				
Machinery and equipment	3,234,001	37,898	(33,405)	3,238,494
Buildings and improvements	<u>23,984,960</u>	<u>118,790</u>	<u>-</u>	<u>24,103,750</u>
Total capital assets, being depreciated	<u>27,218,961</u>	<u>156,688</u>	<u>(33,405)</u>	<u>27,342,244</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,682,726)	(717,086)	-	(11,399,812)
Machinery and equipment	<u>(2,039,096)</u>	<u>(153,198)</u>	<u>33,405</u>	<u>(2,158,889)</u>
Total accumulated depreciation	<u>(12,721,822)</u>	<u>(870,284)</u>	<u>33,405</u>	<u>(13,558,701)</u>
Total capital assets, being depreciated, net	<u>14,497,139</u>	<u>(713,596)</u>	<u>-</u>	<u>13,783,543</u>
Business-type activities capital assets, net	<u>\$16,903,006</u>	<u>\$ 1,413,859</u>	<u>\$ -</u>	<u>\$18,316,865</u>

Depreciation expense for business-type activities is charged to functions as follows:

Electric	\$ 291,273
Water	207,256
Sewer	194,638
Solid Waste	1,023
Golf Course	25,804
Vehicle Replacement	<u>150,290</u>
Total depreciation expense - business-type activities	<u>\$ 870,284</u>

#### D. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The government-wide financial statements report deferred revenue only for amounts that have been received, but not earned. At the end of the current fiscal year, there was no unearned deferred revenue. The various components of unavailable deferred revenue reported in the governmental funds are as follows:

	General	Street	Other Governmental Funds	Totals
Property taxes	\$ 59,097	\$ -	\$ 53,260	\$ 112,357
Fines and forfeitures	115,586	-	-	115,586
Assessments / Accounts	-	3,580	-	3,580
	<u>\$ 174,683</u>	<u>\$ 3,580</u>	<u>\$ 53,260</u>	<u>\$ 231,523</u>

## E. Long-term Obligations

### 1. Bonds Payable – Governmental Activities

General Obligation Bonds recorded in the Governmental Activities consists of the refunding Family Aquatic Center Bonds, with interest rates ranging from 3.00% to 3.75%. The bonds are direct obligations and pledge the full faith and credit of the City. The City has made a covenant to levy an ad valorem tax, which, with other available funds, will be sufficient to pay principal and interest as the issue comes due. There are no reserve or sinking fund requirements.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2012-13	\$ 110,000	\$ 14,775
2013-14	110,000	10,925
2014-15	120,000	6,750
2015-16	120,000	2,250
	<u>\$ 460,000</u>	<u>\$ 34,700</u>

### 2. Notes Payable – Governmental Activities

### Urban Renewal Agency

The Urban Renewal Agency (URA) received a loan from Community Bank to refinance the original debt issued for the Sykes construction project in the amount of \$1,500,000. The loan requires annual payments from the Agency of \$186,698, including interest at 4.19% with final payment due December 1, 2012. The unpaid principal balance of the Community Bank loan at June 30, 2012 was \$178,347.

Future maturities of the Governmental Activities notes payable are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	<u>\$ 178,347</u>	<u>\$ 7,528</u>

### **3. Bonds Payable – Business-Type Activities – Water Fund**

In January of 2005, the outstanding portion of the Water Revenue Bonds originally issued in 1993, were refunded and replaced by refunding revenue bonds. The bond principal is payable annually and the interest is payable semiannually with interest at 3.75%. Final payment is due May 1, 2013.

The bond issue is not a general obligation of the City, but is payable from net revenue of the Water Fund. The City has made a covenant to set aside and pay from net revenue of the water system into a debt service account, an amount equal to the annual reserve requirement to pay principal and interest as the issue comes due. Future maturities of the bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	<u>\$ 40,000</u>	<u>\$ 1,500</u>

### **4. Bonds Payable – Business-Type Activities – Sewer Fund**

In January of 2005, the outstanding portion of the Sewer Revenue Bonds originally issued in 1993, were refunded and replaced by refunding revenue bonds. The bond principal is payable annually and the interest is payable semiannually with interest at 3.75%. Final payment is due May 1, 2013.

The bond issue is not a general obligation of the City, but is payable from net revenue of the Sewer Fund. The City has made a covenant to set aside and pay from net revenue of the sewer system into a debt service account, an amount equal to the

annual reserve requirement to pay principal and interest as the issue comes due. Future maturities of the bonds are as follows:

Year Ending June 30	Principal	Interest
2013	<u>\$ 25,000</u>	<u>\$ 938</u>

**5. Notes Payable – Business - Type Activities – Water Fund**

On June 30, 1999, the City had entered into an agreement with Bank of New York to borrow \$1,852,500 for a special public works loan for the construction of a high elevation water tower. The debt carries an interest rate of 5.01% per annum and is payable from Water Fund revenues in annual installments over 20 years. Future maturities are as follows:

June 30	Principal	Interest
2013	\$ 108,055	\$ 37,163
2014	113,957	31,761
2015	119,906	26,063
2016	125,902	20,067
2017	131,948	13,771
2018	<u>138,067</u>	<u>7,041</u>
	<u>\$ 737,835</u>	<u>\$ 135,866</u>

**6. Notes Payable – Business - Type Activities – Sewer Fund**

On October 10, 2002, the City entered into an agreement with the Community Bank of Milton-Freewater to borrow \$1,200,000 for the construction of phase III of the sewer plant improvement project. The debt carries an interest rate of 4.49% with 10 annual payments of \$152,533 and is payable from Sewer Fund revenues.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2013	<u>\$ 144,185</u>	<u>\$ 6,572</u>

**7. Notes Payable – Business - Type Activities – Golf Course Fund**

The City entered into an unsecured agreement to fund the construction of an irrigation project in the amount of \$363,268 for the golf course. This note was refinanced with Baker Boyer Bank in 2003 and requires semi-annual payments in the amount of \$17,022, including principal and interest at 4.56%. The final payment is due November 20, 2019. Future maturities of the Golf Course notes payable are as follows:

Year Ending June 30	Principal	Interest
2013	\$ 25,113	\$ 15,901
2014	26,904	14,109
2015	28,823	12,190
2016	30,879	10,134
2017	33,082	7,932
2018-19	78,111	8,616
	<u>\$ 222,912</u>	<u>\$ 68,882</u>

#### 8. Notes Payable – Business - Type Activities – Internal Service Fund

The City financed the purchase of a utility line truck for \$182,080 with US Bank on August 24, 2010. The debt carries an interest rate of 4.47% with 10 semi-annual payments of \$24,728.

Future maturities of the combined Internal Service Fund notes payable are as follows:

Year Ending June 30	Utility Line Truck	
	Principal	Interest
2013	\$ 45,745	\$ 3,712
2014	47,265	1,625
	<u>\$ 93,010</u>	<u>\$ 5,337</u>

#### 9. Weatherization Program

The City was involved in two residential weatherization programs in past years. The funds for the program were supplied by BPA in the form of advances, which are noninterest bearing, and are liens against the property weatherized. They are repayable to BPA when the property is sold. At the conclusion of the program on December 31, 1982, approximately \$580,925 had been expended under this program, of which \$68,400 was outstanding as of June 30, 2012.

#### 10. Landfill Closure and Post-Closure Care Cost

The Oregon Department of Environmental Quality (ODEQ) issues guidance to enable the City to estimate the future costs to close and monitor its solid waste landfill site when it is eventually closed. State and federal laws and regulations require the City to place a final cover on its solid waste landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure.

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City moves a portion of these closure and post-closure care costs to a reserve fund set up to accrue funds necessary to pay expenses when the landfill is closed. The \$99,122 reported as landfill closure liability in the landfill closure fund at June 30, 2012, represents the cumulative amount reported-to-date based on the use of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$218,529 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The current landfill capacity used is 31.18% and the City expects to close the landfill in the year 2075, which means a remaining estimated life of 63 years.

## 11. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 565,000	\$ -	\$ 105,000	\$ 460,000	\$ 110,000
Notes Payable	350,635	-	172,288	178,347	178,347
Total debt	915,635	-	277,288	638,347	288,347
Other postemployment benefits	87,124	27,127	-	114,251	-
Compensated absences	199,539	207,050	199,539	207,050	165,640
Governmental activity Long-term obligations	<u>\$ 1,202,298</u>	<u>\$234,177</u>	<u>\$ 476,827</u>	<u>\$ 959,648</u>	<u>\$ 453,987</u>
<b>Business - type activities:</b>					
Revenue Bonds Payable	\$ 125,000	\$ -	\$ 60,000	\$ 65,000	\$ 65,000
Notes Payable	1,528,345	-	330,401	1,197,944	323,098
Weatherization Program - Due to BPA	70,343	-	1,943	68,400	-
Landfill Closure Liability	95,956	3,166	-	99,122	-
Total debt	1,819,644	3,166	392,344	1,430,466	388,098
Other postemployment benefits	55,438	17,266	-	72,704	-
Compensated absences	139,868	143,512	139,868	143,512	114,813
Business-type activity Long-term obligations	<u>\$ 2,014,950</u>	<u>\$163,944</u>	<u>\$ 532,212</u>	<u>\$ 1,646,682</u>	<u>\$ 502,911</u>

## F. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the business-type activities and transfers into the governmental activities in the amount of \$1,908,008.

A reconciliation of transfers in the fund financial statements is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ 2,034,951	\$ 125,863
Street	-	79,187
Other governmental funds	123,263	15,155
Business-type activities:		
Electric	1,345,114	2,050,357
Water	45,128	487,471
Sewer	167,115	543,404
Golf Course	-	100
Other enterprise funds	9,000	204,586
Internal service funds	129,865	348,313
	<u>\$ 3,854,436</u>	<u>\$ 3,854,436</u>

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. Transfers between funds include transfers to the internal service funds to provide services and to fund the sick leave liability fund; transfers to the general fund for accounting, billing and general administration; a transfer to the library as an ongoing operating subsidy; transfer of prior year inventory balances from the Warehouse Fund to the utility funds; transfers to repay capital improvement expenditures; and transfers to the electric fund related to the operation of the warehouse and shop.

#### **IV. Other Information**

##### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; and errors and omissions for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

##### **B. Power Sales and Exchange Contracts**

The City has a 30-year and 50-year Power Sales contract with Public Utility District No. 2 of Grant County, Washington, for purchases of power generated from the Priest Rapids Hydroelectric Project on the Columbia River. Under the terms of these contracts, the City has agreed to purchase .35% of the Priest Rapids Development output for 30 years, and .7% of the Wanapum Development output until October 31, 2009. The cost of the power purchased from the two developments is determined based on the percentage purchased applied to the "Annual Power Costs" as defined in the contracts. Power available from the contracts is sold to the Bonneville Power Administration. Revenue from surplus power sales amounted to \$643,970 for the year ended June 30, 2012.

Effective November 1, 2009, the Priest Rapids Hydro Electric Project and Wanapum Development were combined as the Priest Rapids Project, and the City have agreed to purchase 1.2% of the total output. The agreement will remain in effect until the earlier of

April 1, 2052, or such time as Grant PUD no longer has authority to market Priest Rapids projects. The new agreement represents a 30% decrease in the Wanapum Development portion of the contract. In addition, the City will share in the surplus (non-firm) portion, whether it is a positive or negative (shortage) amount based on Bonneville projections.

### **C. Energy Northwest Project 2**

Energy Northwest has a project for a nuclear generating plant, referred to as Energy Northwest (formerly known as Washington Public Power Supply System Nuclear) Project 2. The City, together with other BPA preference customers, executed agreements with BPA and Energy Northwest to purchase a portion of the electric power and energy capability of this project. Pursuant to this agreement, certain BPA preference customers, including the City, will make payments to Energy Northwest for their proportionate share of the annual cost of this project, including debt service payments. The participating utilities have assigned their share of the project capabilities to BPA. The power and energy from the project become part of the power and energy made available to the City and other BPA preference customers under the terms of their respective power sales contracts with BPA. In return, BPA will credit the payments made by the participating utilities to Energy Northwest against billing by BPA for power and certain other services rendered by BPA under the power sales contracts, or will pay for such project capability in cash.

### **D. Other Postemployment Benefits**

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. For employees retiring after July 1, 1991, the City provides a medical plan for employees who are eligible for and receive an Oregon State PERS retirement benefit, except employees who retire on disability. The City pays 50% of the employee only premium for a specified medical benefit plan from the date of retirement until the employee is eligible for Medicare coverage at age 65. GASB Statement No. 45 is applicable to the City for this explicit benefit. This plan is not a stand-alone plan and therefore does not issue its own financial statements.

The City is also required by Oregon Revised Statute 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. All medical or dental coverage offered to its employees and retirees are community rated. As a consequence of this community rating, the City does not have an implicit employer OPEB subsidy related to its retiree medical or dental coverage.

**Funding Policy.** The City collects insurance premiums from all retirees each month and deposits them in the General Fund. The City then pays healthcare insurance premiums for all retirees at the appropriate rate for each family classification. The City had 8 retired members and 66 active members in its plan on August 1, 2010, the date of its actuarial valuation. The annual required contribution (ARC) to the plan includes the employer's pay-as-you-go amount and an additional amount calculated to prefund future benefits.

**Annual OPEB Costs and Net OPEB Obligation.** The City's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (UAAL) over a period of not more than 30 years.

The City's ARC is made up of normal cost of \$32,545 and amortization of the UAAL of \$38,221. The Actuarial Accrued Liability is the present value of benefits that are attributed to past service only. The portion attributed to future service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age. The normal cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. Normal costs are increased from the valuation date to the fiscal year end dates using a combination of the discount rate and health cost trend assumptions. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan. For fiscal year 2011-12, the City's explicit benefit payments were \$22,389.

Normal cost at year end	\$ 32,545
Interest on net OPEB obligation	5,703
One year's amortization of UAAL	38,221
Adjustment to annual required contribution	<u>(9,688)</u>
Annual OPEB cost (expense)	66,781
Contributions made (Explicit benefit payments)	<u>(22,389)</u>
Increase in net OPEB obligation	44,392
Net OPEB obligation - beginning of year	<u>142,563</u>
Net OPEB obligation - end of year	<u><u>\$ 186,955</u></u>

**Funding Policy.** The City has elected to not prefund the actuarially determined future cost amount of \$186,955. The City funds the benefits on a pay-as-you-go basis. Since the total annual contribution in the current year was less than the Annual Required Contribution, a liability is presented on the City's Statement of Net Assets.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2011 and 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributions	Net OPEB Obligation
6/30/2012	\$ 66,781	30%	\$ 186,955
6/30/2011	74,795	30%	142,563
6/30/2010	70,825	30%	90,075

**Funded Status and Funding Progress.** As of August 1, 2010, the most recent actuarial valuation date, the plan was considered unfunded. The actuarial accrued liability for benefits was \$522,941, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$522,941. The covered payroll (annual payroll of active employees covered by the plan) was \$3,870,262 and the ratio of UAAL to the covered payroll was 13.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shown below presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Assumptions used in calculating the actuarial liabilities associated with the City's health plan include a 4.0% investment return, inflation rate, and discount rate; an increase in health costs of 8.5% in the first year (August 1, 2011 premiums compared to August 1, 2010, premiums), 7.5% for the second year, 6.5% for the third year, 6.0% for the 4<sup>th</sup> through 23<sup>rd</sup> year, 5.5% for the 24<sup>th</sup> through 47<sup>th</sup> year, and 5.0% thereafter; and retirement rates used by Oregon PERS for its December 31, 2009, actuarial valuation.

Retirement age for active employees was estimated based on PERS retirement rates. The marital status of members at the calculation date was assumed to continue through retirement. Non-group-specific age-based turnover data from GASB 45 were used as the basis for assigning the probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

The Projected Unit Credit Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability. Amortization of the UAAL is calculated as a level percentage of

payroll over a rolling period of fifteen years. Payroll was assumed to increase 3.75% per year for this purpose.

The City's Plan is deemed to be "unfunded" in accordance with the relevant GASB statements. The table below presents a schedule of funding progress for the most recent actuarial valuations for the City's postretirement health plans.

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a/c)
8/1/2010	\$ -	\$ 522,941	\$ 522,941	0%	\$ 3,870,262	13.5%
8/1/2008	\$ -	\$ 481,140	\$ 481,140	0%	\$ 3,708,764	13.0%

## E. Defined Benefit Pension Plan – Public Employees Retirement System

### 1. Plan Description

The City of Milton-Freewater contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost sharing, multiple employer Defined Benefit Pension Plan, administrated by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

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

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

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, by calling 1-503-598-7377, or by accessing the PERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

### 2. Funding Policy

Plan members are required to contribute 6% of their annual covered salary, which the City pays on their behalf. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 13.89% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 15.42% of covered payroll for police and fire employees and 12.71% for all others. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2012, 2011, and 2010 were \$809,581, \$609,395, and \$589,261 respectively, equal to the required contributions each year.

The pension liability (asset) was determined in accordance with Government Accounting Standards Board Statement No. 27 and 50. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero.

#### **F. Construction in Progress**

The City is committed under various construction contracts at June 30, 2012. Major projects in progress at June 30, 2012 are as follows:

The HB 2001 project C-244 is approximately % completed. Costs incurred to date are \$69,641.

The EPA Storm Water project is approximately % completed. Costs incurred to date are \$225.

The AMI project is approximately % completed. Costs incurred to date are \$2,127,455.

#### **G. Subsequent Events**

In July, 2012, the City approved bid award to Humbert Asphalt, Inc for paving and overlay of various city streets, contract #244, for a total cost of \$369,902.50.

## **SUPPLEMENTAL INFORMATION**

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## COMBINING STATEMENTS

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### Non-Major Governmental Funds

**Special Revenue Funds** - These funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

- *Library Fund* – The Library Fund accounts for the operation of the City library. Principal sources of revenues are state grants, county library funds, library fines, donations, and transfers.
- *Senior/Disabled Transportation* – accumulates revenue dedicated to both the senior/disabled transportation program, which provides taxi services to seniors or disabled persons and the intercity general ridership bus program, which provides transportation for any citizen to and from Walla Walla, Washington.
- *Drug Enforcement* – accounts for revenue and expenditures from court forfeited illegal drug monies received through the participation with the Blue Mountain Enforcement Narcotics Team (BENT). Expenditures are reserved and limited to law enforcement use.
- *911* – Accounts for 911 telephone tax revenue. The revenues can only be expended on 911 emergency service expenditures.
- *Urban Renewal Agency* – accounts for the City's urban renewal projects. Revenues are from property taxes and issuance of debt, and expenditures are for elimination of blighted conditions and urban development as defined in the City's Urban Renewal Plan.

**Debt Service Funds** – These funds account for revenues and expenditures related to the repayment of long-term indebtedness. Funds included in this category are:

- *Debt Service* – accounts for the accumulation of resources for, and the repayment of, general obligation bonds relating to the remodeling of the Family Aquatic Center.
- *Special Assessment* – accounts for revenue from residents and payments on Local Improvement District debt the City has incurred to financial institutions, to help provide construction capital for residents.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**

	Special Revenue				
	Library	Senior/ Disabled Transportation	Drug Enforcement	911	Urban Renewal Agency
<b>ASSETS</b>					
Cash and cash equivalents	\$ 676	\$ 156,008	\$ 5	\$ -	\$ 480,737
Investments	538	124,014	4	-	-
Receivables:					
Property taxes	-	4,751	-	-	45,832
Accounts	1,908	30,901	-	8,663	-
Assessments	-	-	-	-	-
 Total assets	<u>\$ 3,122</u>	<u>\$ 315,674</u>	<u>\$ 9</u>	<u>\$ 8,663</u>	<u>\$ 526,569</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 6,923	\$ 1,283	\$ -	\$ 470	\$ -
Deferred revenue	-	4,751	-	-	40,242
Advances from other funds	-	-	-	22,276	-
 Total liabilities	<u>6,923</u>	<u>6,034</u>	<u>-</u>	<u>22,746</u>	<u>40,242</u>
<b>FUND BALANCES (DEFICIT)</b>					
Restricted	-	-	-	-	486,327
Assigned	-	309,640	9	-	-
Unassigned	<u>(3,801)</u>	<u>-</u>	<u>-</u>	<u>(14,083)</u>	<u>-</u>
 Total fund balances	<u>(3,801)</u>	<u>309,640</u>	<u>9</u>	<u>(14,083)</u>	<u>486,327</u>
 Total liabilities and fund balances	<u>\$ 3,122</u>	<u>\$ 315,674</u>	<u>\$ 9</u>	<u>\$ 8,663</u>	<u>\$ 526,569</u>

Debt Service

<u>Debt Service</u>	<u>Special Assessments</u>	<u>Totals</u>
\$ 23,710	\$ 201	661,337
18,847	160	143,563
8,267	-	58,850
1,210	-	42,682
-	-	-
<u>\$ 52,034</u>	<u>\$ 361</u>	<u>\$ 906,432</u>
\$ -	\$ -	\$ 8,676
8,267	-	53,260
-	-	22,276
<u>8,267</u>	<u>-</u>	<u>84,212</u>
43,767	361	530,455
-	-	309,649
-	-	(17,884)
<u>43,767</u>	<u>361</u>	<u>822,220</u>
<u>\$ 52,034</u>	<u>\$ 361</u>	<u>\$ 906,432</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Special Revenue				Urban Renewal Agency
	Library	Senior/ Disabled Transportation	Drug Enforcement	911	
<b>REVENUES</b>					
Property taxes	\$ -	\$ 58,627	\$ -	\$ -	\$ 504,593
Charges for services	5,940	13,170	-	-	-
Intergovernmental	172,447	115,105	-	37,654	-
Fines and forfeitures	1,981	-	-	-	-
Interest on investments	178	2,267	-	-	2,361
Miscellaneous	5,468	200	-	-	-
<b>TOTAL REVENUES</b>	<u>186,014</u>	<u>189,369</u>	<u>-</u>	<u>37,654</u>	<u>506,954</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	171,093	-	-	-
Public safety	-	-	-	24,453	-
Culture and recreation	305,479	-	-	-	-
Community development	-	-	-	-	172,673
Capital outlay	-	-	-	3,404	93,492
Debt service	-	-	-	-	186,698
<b>TOTAL EXPENDITURES</b>	<u>305,479</u>	<u>171,093</u>	<u>-</u>	<u>27,857</u>	<u>452,863</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(119,465)</u>	<u>18,276</u>	<u>-</u>	<u>9,797</u>	<u>54,091</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	123,263	-	-	-	-
Transfers out	(240)	-	-	(14,915)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>123,023</u>	<u>-</u>	<u>-</u>	<u>(14,915)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,558	18,276	-	(5,118)	54,091
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>(7,359)</u>	<u>291,364</u>	<u>9</u>	<u>(8,965)</u>	<u>432,236</u>
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ (3,801)</u>	<u>\$ 309,640</u>	<u>\$ 9</u>	<u>\$ (14,083)</u>	<u>\$ 486,327</u>

See auditor's report.

Debt Service

Debt Service	Special Assessments	Totals
\$ 102,583	\$ -	\$ 665,803
-	-	19,110
-	-	325,206
-	-	1,981
193	-	4,999
-	-	5,668
<u>102,776</u>	<u>-</u>	<u>1,022,767</u>
-	-	171,093
-	-	24,453
-	-	305,479
-	-	172,673
-	-	96,896
<u>123,406</u>	<u>-</u>	<u>310,104</u>
<u>123,406</u>	<u>-</u>	<u>1,080,698</u>
<u>(20,630)</u>	<u>-</u>	<u>(57,931)</u>
-	-	123,263
<u>-</u>	<u>-</u>	<u>(15,155)</u>
<u>-</u>	<u>-</u>	<u>108,108</u>
(20,630)	-	50,177
<u>64,397</u>	<u>361</u>	<u>772,043</u>
<u>\$ 43,767</u>	<u>\$ 361</u>	<u>\$ 822,220</u>

See auditor's report.

## COMBINING STATEMENTS

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### Non-Major Enterprise Funds

**Enterprise Funds** – Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of facilities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included in this category are:

- *Solid Waste* – accounts for the City's solid waste program, collection of solid waste from residents, and the operation of the City's landfill.
- *Landfill Closure* – accounts for a reserve to fund anticipated closure and post-closure care costs for the City's landfill.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**June 30, 2012**

<b>ASSETS</b>	Solid Waste	Landfill Closure	Total
Current assets:			
Cash and cash equivalents	\$ 195,520	\$ -	\$ 195,520
Investments	155,423	-	155,423
Receivables:			
Accounts	87,220	-	87,220
<b>Total current assets</b>	<b>438,163</b>	<b>-</b>	<b>438,163</b>
Noncurrent assets:			
Restricted cash and cash equivalents	-	61,846	61,846
Restricted investments	-	49,162	49,162
Capital assets:			
Land	50,000	-	50,000
Depreciable assets, net of depreciation	38,830	-	38,830
<b>Total noncurrent assets</b>	<b>88,830</b>	<b>111,008</b>	<b>199,838</b>
<b>Total assets</b>	<b>\$ 526,993</b>	<b>\$ 111,008</b>	<b>\$ 638,001</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 16,875	\$ -	\$ 16,875
Current portion of long-term debt	16,218	-	16,218
<b>Total current liabilities</b>	<b>33,093</b>	<b>-</b>	<b>33,093</b>
Long-term debt, net of current portion:			
Landfill closure liability	-	99,122	99,122
Compensated absences payable	4,054	-	4,054
Other postemployment benefits	5,883	-	5,883
<b>Total non-current liabilities</b>	<b>9,937</b>	<b>99,122</b>	<b>109,059</b>
<b>Total liabilities</b>	<b>43,030</b>	<b>99,122</b>	<b>142,152</b>
Net assets:			
Invested in capital assets, net of related debt	88,830	-	88,830
Restricted for landfill closure	-	11,886	11,886
Unrestricted	395,133	-	395,133
<b>Total net assets</b>	<b>483,963</b>	<b>11,886</b>	<b>495,849</b>
<b>Total liabilities and net assets</b>	<b>\$ 526,993</b>	<b>\$ 111,008</b>	<b>\$ 638,001</b>

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Solid Waste	Landfill Closure	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 824,230	\$ -	\$ 824,230
Miscellaneous	12,787	-	12,787
<b>TOTAL OPERATING REVENUES</b>	<u>837,017</u>	<u>-</u>	<u>837,017</u>
<b>OPERATING EXPENSES</b>			
Personal services	193,324	-	193,324
Materials and services	327,380	3,167	330,547
Depreciation	1,023	-	1,023
<b>TOTAL OPERATING EXPENSES</b>	<u>521,727</u>	<u>3,167</u>	<u>524,894</u>
<b>OPERATING INCOME (LOSS)</b>	<u>315,290</u>	<u>(3,167)</u>	<u>312,123</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest on investments	2,269	850	3,119
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>2,269</u>	<u>850</u>	<u>3,119</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>317,559</u>	<u>(2,317)</u>	<u>315,242</u>
<b>TRANSFERS</b>			
Transfers In	5,000	4,000	9,000
Transfers out	(204,586)	-	(204,586)
<b>TOTAL TRANSFERS</b>	<u>(199,586)</u>	<u>4,000</u>	<u>(195,586)</u>
<b>CHANGE IN NET ASSETS</b>	117,973	1,683	119,656
<b>NET ASSETS, Beginning</b>	<u>365,990</u>	<u>10,203</u>	<u>376,193</u>
<b>NET ASSETS, Ending</b>	<u>\$ 483,963</u>	<u>\$ 11,886</u>	<u>\$ 495,849</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Solid Waste	Landfill Closure	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 824,441	\$ -	\$ 824,441
Payments to suppliers	(168,609)	-	(168,609)
Payments to employees	(119,449)	-	(119,449)
Payments for interfund services used	<u>(215,737)</u>	<u>-</u>	<u>(215,737)</u>
Net cash provided from (used by) operating activities	<u>320,646</u>	<u>-</u>	<u>320,646</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	5,000	4,000	9,000
Transfers out	<u>(204,586)</u>	<u>-</u>	<u>(204,586)</u>
Net cash provided from (used by) non-capital financing activities	<u>(199,586)</u>	<u>4,000</u>	<u>(195,586)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net sales (purchases) of investments	(50,732)	(334)	(51,066)
Interest on investments	<u>2,269</u>	<u>850</u>	<u>3,119</u>
Net cash provided (used) by investing activities	<u>(48,463)</u>	<u>516</u>	<u>(47,947)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	72,597	4,516	77,113
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>122,923</u>	<u>57,330</u>	<u>180,253</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 195,520</u>	<u>\$ 61,846</u>	<u>\$ 257,366</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>			
Operating income (loss)	\$ 315,290	\$ (3,167)	\$ 312,123
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	1,023	-	1,023
(Increase) decrease in assets:			
Receivables	211	-	211
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(104)	3,167	3,063
Compensated absences payable	2,829	-	2,829
Other postemployment benefits	<u>1,397</u>	<u>-</u>	<u>1,397</u>
Net cash provided from (used by) operating activities	<u>\$ 320,646</u>	<u>\$ -</u>	<u>\$ 320,646</u>

## COMBINING STATEMENTS

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### Internal Service Funds

**Internal Service Funds** – These funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis. Funds included in this category are:

- *Warehouse* – provides for materials and supplies for the water, sewer and electric utilities and to maintain some items for other City departments.
- *Vehicle Maintenance* – provides for the maintenance of the vehicles and equipment used by all departments.
- *Vehicle Replacement* – accounts for the accumulation of necessary capital revenues to purchase replacement vehicles for the City fleet as required.
- *Sick Leave Liability*– accounts for resources set-aside to cover costs of part-time help needed to replace employees who are out on extended sick leave or family leave issues. It also provides funds for sick-leave payout for retiring employees who qualify.
- *Risk Management* – accounts for unanticipated unemployment and insurance costs and claims.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2012**

<b>ASSETS</b>	<u>Warehouse</u>	<u>Vehicle Maintenance</u>	<u>Vehicle Replacement</u>	<u>Sick Leave Liability</u>	<u>Risk Management</u>	<u>Total</u>
<b>Current assets:</b>						
Cash and cash equivalents	\$ 65,536	\$ 71,404	\$ 66,007	\$ 56,982	\$ 24,435	\$ 284,364
Investments	52,096	56,762	52,471	45,296	19,423	226,048
<b>Receivables:</b>						
Accounts	-	6,786	-	-	2,116	8,902
Inventories	-	7,719	-	-	-	7,719
<b>Total current assets</b>	<u>117,632</u>	<u>142,671</u>	<u>118,478</u>	<u>102,278</u>	<u>45,974</u>	<u>527,033</u>
<b>Noncurrent assets:</b>						
<b>Capital assets:</b>						
Depreciable assets, net of depreciation	-	-	1,049,215	-	-	1,049,215
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>1,049,215</u>	<u>-</u>	<u>-</u>	<u>1,049,215</u>
<b>Total assets</b>	<u>\$ 117,632</u>	<u>\$ 142,671</u>	<u>\$ 1,167,693</u>	<u>\$ 102,278</u>	<u>\$ 45,974</u>	<u>\$ 1,576,248</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,786	\$ 13,783	\$ -	\$ -	\$ 1,183	\$ 16,752
Accrued interest payable	-	-	697	-	-	697
Current portion of long-term debt	1,209	5,974	45,745	-	-	52,928
<b>Total current liabilities</b>	2,995	19,757	46,442	-	1,183	70,377
<b>Long-term debt, net of current portion</b>						
Notes and contracts payable	-	-	47,265	-	-	47,265
Compensated absences payable	301	1,493	-	-	-	1,794
Other postemployment benefits	3,320	6,472	-	-	-	9,792
<b>Total liabilities</b>	<u>6,616</u>	<u>27,722</u>	<u>93,707</u>	<u>-</u>	<u>1,183</u>	<u>129,228</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	-	-	956,205	-	-	956,205
Unrestricted	111,016	114,949	117,781	102,278	44,791	490,815
<b>Total net assets</b>	<u>111,016</u>	<u>114,949</u>	<u>1,073,986</u>	<u>102,278</u>	<u>44,791</u>	<u>1,447,020</u>
<b>Total liabilities and net assets</b>	<u>\$ 117,632</u>	<u>\$ 142,671</u>	<u>\$ 1,167,693</u>	<u>\$ 102,278</u>	<u>\$ 45,974</u>	<u>\$ 1,576,248</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ 490,592	\$ 152,643	\$ -	\$ -	\$ 643,235
Miscellaneous	1,643	-	-	-	60,287	61,930
<b>TOTAL OPERATING REVENUES</b>	<u>1,643</u>	<u>490,592</u>	<u>152,643</u>	<u>-</u>	<u>60,287</u>	<u>705,165</u>
<b>OPERATING EXPENSES</b>						
Personal services	69,514	212,303	-	29,317	-	311,134
Materials and services	21,350	212,991	-	-	40,706	275,047
Depreciation	-	-	150,290	-	-	150,290
<b>TOTAL OPERATING EXPENSES</b>	<u>90,864</u>	<u>425,294</u>	<u>150,290</u>	<u>29,317</u>	<u>40,706</u>	<u>736,471</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(89,221)</u>	<u>65,298</u>	<u>2,353</u>	<u>(29,317)</u>	<u>19,581</u>	<u>(31,306)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>						
Gain (loss) on disposal of capital assets	-	-	1,927	-	-	1,927
Interest on investments	1,659	948	685	959	432	4,683
Interest expense	-	-	(5,972)	-	-	(5,972)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>1,659</u>	<u>948</u>	<u>(3,360)</u>	<u>959</u>	<u>432</u>	<u>638</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(87,562)</u>	<u>66,246</u>	<u>(1,007)</u>	<u>(28,358)</u>	<u>20,013</u>	<u>(30,668)</u>
<b>TRANSFERS</b>						
Transfers in	121,739	-	-	8,126	-	129,865
Transfers out	(289,636)	(58,677)	-	-	-	(348,313)
<b>TOTAL TRANSFERS</b>	<u>(167,897)</u>	<u>(58,677)</u>	<u>-</u>	<u>8,126</u>	<u>-</u>	<u>(218,448)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(255,459)</u>	<u>7,569</u>	<u>(1,007)</u>	<u>(20,232)</u>	<u>20,013</u>	<u>(249,116)</u>
<b>NET ASSETS, Beginning</b>	<u>366,475</u>	<u>107,380</u>	<u>1,074,993</u>	<u>122,510</u>	<u>24,778</u>	<u>1,696,136</u>
<b>NET ASSETS, Ending</b>	<u>\$ 111,016</u>	<u>\$ 114,949</u>	<u>\$ 1,073,986</u>	<u>\$ 102,278</u>	<u>\$ 44,791</u>	<u>\$ 1,447,020</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 1,643	\$ 59,503	\$ -	\$ -	\$ 60,287	\$ 121,433
Receipts from interfund services provided	-	431,089	152,643	-	-	583,732
Payments to suppliers	(49,032)	(301,768)	-	-	(42,545)	(393,345)
Payments to employees	(43,735)	(133,025)	-	(29,317)	-	(206,077)
Net cash provided from (used by) operating activities	(91,124)	55,799	152,643	(29,317)	17,742	105,743
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	121,739	-	-	8,126	-	129,865
Transfers out	(16,197)	(58,677)	-	-	-	(74,874)
Net cash provided from (used by) non-capital financing activities	105,542	(58,677)	-	8,126	-	54,991
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from sale of capital assets	-	-	1,927	-	-	1,927
Acquisition of capital assets	-	-	(37,898)	-	-	(37,898)
Principal paid on long-term obligations	-	-	(64,690)	-	-	(64,690)
Interest paid on long-term obligations	-	-	(7,303)	-	-	(7,303)
Net cash provided from (used by) capital and related financing activities	-	-	(107,964)	-	-	(107,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net sales (purchases) of investments	(5,385)	3,076	(18,842)	11,053	(7,610)	(17,708)
Interest on investments	1,659	948	685	959	432	4,683
Net cash provided (used by) investing activities	(3,726)	4,024	(18,157)	12,012	(7,178)	(13,025)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	10,692	1,146	26,522	(9,179)	10,564	39,745
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	54,844	70,258	39,485	66,161	13,871	244,619
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 65,536</u>	<u>\$ 71,404</u>	<u>\$ 66,007</u>	<u>\$ 56,982</u>	<u>\$ 24,435</u>	<u>\$ 284,364</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>						
Operating income (loss)	\$ (89,221)	\$ 65,298	\$ 2,353	\$ (29,317)	\$ 19,581	\$ (31,306)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	-	-	150,290	-	-	150,290
(Increase) decrease in assets:						
Receivables	-	(13)	-	-	(2,116)	(2,129)
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	(3,337)	(11,561)	-	-	277	(14,621)
Compensated absences payable	646	538	-	-	-	1,184
Other postemployment benefits	788	1,537	-	-	-	2,325
Net cash provided from (used by) operating activities	<u>\$ (91,124)</u>	<u>\$ 55,799</u>	<u>\$ 152,643</u>	<u>\$ (29,317)</u>	<u>\$ 17,742</u>	<u>\$ 105,743</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>						
Transfer of inventory between funds	(273,440)	-	-	-	-	(273,440)

See auditor's report.

## **BUDGETARY COMPARISON SCHEDULES**

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Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the City's General Fund and any major special revenue fund (currently only the Street Fund) is presented as the third of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.

**SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL, BY DEPARTMENT**

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▪ **General Fund**

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL, BY DEPARTMENT:**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
City council	\$ 43,121	\$ 43,121	\$ 36,081	\$ 7,040
City manager	129,787	129,787	127,311	2,476
Assistant city manager	130,722	130,722	129,435	1,287
City attorney	30,000	30,000	13,742	16,258
Municipal court	142,037	154,037	153,661	376
Finance department	794,353	805,853	783,468	22,385
Planning	168,010	168,010	157,551	10,459
Police department	1,715,297	1,715,297	1,623,232	92,065
Fire department	354,816	354,816	319,002	35,814
Public works	952,141	964,641	878,992	85,649
City hall	113,396	215,097	203,977	11,120
Civil engineering	97,059	97,059	82,675	14,384
Contingency	104,151	68,151	-	68,151
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,774,890</b>	<b>\$ 4,876,591</b>	<b>\$ 4,509,127</b>	<b>\$ 367,464</b>

**SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Governmental Funds**

**Special Revenue Funds**

- Library
- Senior/Disabled Transportation
- Drug Enforcement
- 911
- Urban Renewal Agency

**Capital Projects Fund**

- Street improvement

**Debt Service Funds**

- Debt Service
- Special Assessment

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**LIBRARY FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 5,625	\$ 5,625	\$ 5,940	\$ 315
Intergovernmental	174,032	174,032	172,447	(1,585)
Fines and forfeitures	3,389	3,389	1,981	(1,408)
Interest on investments	80	80	178	98
Miscellaneous	9,422	9,422	5,468	(3,954)
<b>TOTAL REVENUES</b>	<u>192,548</u>	<u>192,548</u>	<u>186,014</u>	<u>(6,534)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Personal services	269,726	269,726	269,207	519
Materials and services	37,050	37,050	36,272	778
Capital outlay	1,500	1,500	-	1,500
Contingency	16,552	16,552	-	16,552
<b>TOTAL EXPENDITURES</b>	<u>324,828</u>	<u>324,828</u>	<u>305,479</u>	<u>19,349</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(132,280)</u>	<u>(132,280)</u>	<u>(119,465)</u>	<u>12,815</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	123,263	123,263	123,263	-
Transfers out	(240)	(240)	(240)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>123,023</u>	<u>123,023</u>	<u>123,023</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,257)	(9,257)	3,558	12,815
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>9,257</u>	<u>9,257</u>	<u>(7,359)</u>	<u>(16,616)</u>
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,801)</u>	<u>\$ (3,801)</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SENIOR/DISABLED TRANSPORTATION FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 56,000	\$ 56,000	\$ 58,627	\$ 2,627
Charges for services	12,000	12,000	13,170	1,170
Intergovernmental	95,500	95,500	115,105	19,605
Interest on investments	2,400	2,400	2,267	(133)
Miscellaneous	50	50	200	150
<b>TOTAL REVENUES</b>	<u>165,950</u>	<u>165,950</u>	<u>189,369</u>	<u>23,419</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Personal services	71,742	71,742	70,002	1,740
Materials and services	105,900	105,900	101,091	4,809
Contingency	<u>188,308</u>	<u>188,308</u>	<u>-</u>	<u>188,308</u>
<b>TOTAL EXPENDITURES</b>	<u>365,950</u>	<u>365,950</u>	<u>171,093</u>	<u>194,857</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(200,000)</u>	<u>(200,000)</u>	<u>18,276</u>	<u>218,276</u>
<b>NET CHANGE IN FUND BALANCE</b>	(200,000)	(200,000)	18,276	218,276
<b>FUND BALANCE, Beginning</b>	<u>200,000</u>	<u>200,000</u>	<u>291,364</u>	<u>91,364</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,640</u>	<u>\$ 309,640</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DRUG ENFORCEMENT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCE, Beginning</b>	-	-	9	9
<b>FUND BALANCE, Ending</b>	\$ -	\$ -	\$ 9	\$ 9

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**911 FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 31,000	\$ 34,188	\$ 37,654	\$ 3,466
Interest on investments	400	400	-	(400)
<b>TOTAL REVENUES</b>	<u>31,400</u>	<u>34,588</u>	<u>37,654</u>	<u>3,066</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Materials and services	22,000	25,188	24,453	735
Capital outlay	3,500	3,500	3,404	96
<b>TOTAL EXPENDITURES</b>	<u>25,500</u>	<u>28,688</u>	<u>27,857</u>	<u>831</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,900</u>	<u>5,900</u>	<u>9,797</u>	<u>3,897</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(14,915)	(14,915)	(14,915)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(14,915)</u>	<u>(14,915)</u>	<u>(14,915)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,015)	(9,015)	(5,118)	3,897
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>9,015</u>	<u>9,015</u>	<u>(8,965)</u>	<u>(17,980)</u>
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,083)</u>	<u>\$ (14,083)</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**URBAN RENEWAL AGENCY FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 502,000	\$ 502,000	\$ 504,593	\$ 2,593
Interest on investments	1,500	1,500	2,361	861
<b>TOTAL REVENUES</b>	<u>503,500</u>	<u>503,500</u>	<u>506,954</u>	<u>3,454</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Personal services	161,976	161,976	161,974	2
Materials and services	22,400	22,400	10,699	11,701
Capital outlay	480,000	480,000	93,492	386,508
Debt service	186,705	186,705	186,698	7
Contingency	46,419	46,419	-	46,419
<b>TOTAL EXPENDITURES</b>	<u>897,500</u>	<u>897,500</u>	<u>452,863</u>	<u>444,637</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(394,000)</u>	<u>(394,000)</u>	<u>54,091</u>	<u>448,091</u>
<b>NET CHANGE IN FUND BALANCE</b>	(394,000)	(394,000)	54,091	448,091
<b>FUND BALANCE, Beginning</b>	<u>394,000</u>	<u>394,000</u>	<u>432,236</u>	<u>38,236</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,327</u>	<u>\$ 486,327</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**STREET IMPROVEMENT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Licenses and fees	\$ 200	\$ 200	\$ 1,227	\$ 1,027
Intergovernmental	3,049,091	3,049,091	2,214,750	(834,341)
Interest on investments	-	-	80	80
<b>TOTAL REVENUES</b>	<u>3,049,291</u>	<u>3,049,291</u>	<u>2,216,057</u>	<u>(833,234)</u>
<b>EXPENDITURES</b>				
Capital outlay	3,049,091	3,049,091	2,203,938	845,153
Contingency	<u>5,609</u>	<u>5,609</u>	-	<u>5,609</u>
<b>TOTAL EXPENDITURES</b>	<u>3,054,700</u>	<u>3,054,700</u>	<u>2,203,938</u>	<u>850,762</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,409)</u>	<u>(5,409)</u>	<u>12,119</u>	<u>17,528</u>
<b>NET CHANGE IN FUND BALANCE</b>	(5,409)	(5,409)	12,119	17,528
<b>FUND BALANCE, Beginning</b>	<u>5,409</u>	<u>5,409</u>	<u>37,089</u>	<u>31,680</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,208</u>	<u>\$ 49,208</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 96,500	\$ 96,500	\$ 102,583	\$ 6,083
Interest on investments	100	100	193	93
<b>TOTAL REVENUES</b>	<u>96,600</u>	<u>96,600</u>	<u>102,776</u>	<u>6,176</u>
<b>EXPENDITURES</b>				
Debt service	<u>123,410</u>	<u>123,410</u>	<u>123,406</u>	<u>4</u>
<b>TOTAL EXPENDITURES</b>	<u>123,410</u>	<u>123,410</u>	<u>123,406</u>	<u>4</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(26,810)</u>	<u>(26,810)</u>	<u>(20,630)</u>	<u>6,180</u>
<b>NET CHANGE IN FUND BALANCE</b>	(26,810)	(26,810)	(20,630)	6,180
<b>FUND BALANCE, Beginning</b>	<u>86,675</u>	<u>86,675</u>	<u>64,397</u>	<u>(22,278)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 59,865</u>	<u>\$ 59,865</u>	<u>\$ 43,767</u>	<u>\$ (16,098)</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL ASSESSMENT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCE, Beginning</b>	-	-	361	361
<b>FUND BALANCE, Ending</b>	\$ -	\$ -	\$ 361	\$ 361

**SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Proprietary Funds**

**Enterprise Funds**

- All Electric Funds
  - Electric
  - Electric Capital Replacement Reserve
  - Electric Operating and Maintenance Reserve
- Water Fund
- All Sewer Funds
  - Sewer
  - Sewer Improvement
- Solid Waste
- Landfill Closure
- Golf Course

**Internal Service Fund**

- Warehouse
- Vehicle Maintenance
- Vehicle Replacement
- Sick Leave Liability
- Risk Management

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ELECTRIC FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Surplus power sales	\$ 202,440	\$ 401,165	\$ 643,970	\$ 242,805
Charges for services	6,719,916	6,818,511	6,478,539	(339,972)
System development charges	125,850	125,850	125,342	(508)
Weatherization loan repayments	18,000	18,000	21,823	3,823
Interest on investments	11,000	11,000	12,879	1,879
Miscellaneous	64,850	64,850	81,430	16,580
<b>TOTAL REVENUES</b>	<u>7,142,056</u>	<u>7,439,376</u>	<u>7,363,983</u>	<u>(75,393)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	1,240,352	1,240,352	1,207,828	32,524
Materials and services	5,166,516	5,265,111	4,589,274	675,837
Capital outlay	1,260,345	1,459,070	1,256,077	202,993
Contingency	1,022,110	1,022,110	-	1,022,110
<b>TOTAL EXPENDITURES</b>	<u>8,689,323</u>	<u>8,986,643</u>	<u>7,053,179</u>	<u>1,933,464</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,547,267)</u>	<u>(1,547,267)</u>	<u>310,804</u>	<u>1,858,071</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,255,014	1,255,014	1,219,264	(35,750)
Transfers out	(1,058,787)	(1,058,787)	(1,058,787)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>196,227</u>	<u>196,227</u>	<u>160,477</u>	<u>(35,750)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,351,040)	(1,351,040)	471,281	1,822,321
<b>FUND BALANCE, Beginning</b>	<u>1,351,040</u>	<u>1,351,040</u>	<u>2,001,221</u>	<u>650,181</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,472,502</u>	<u>\$ 2,472,502</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ELECTRIC CAPITAL REPLACEMENT RESERVE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 16,174	\$ 16,174	\$ 12,657	\$ (3,517)
<b>TOTAL REVENUES</b>	<u>16,174</u>	<u>16,174</u>	<u>12,657</u>	<u>(3,517)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>16,174</u>	<u>16,174</u>	<u>12,657</u>	<u>(3,517)</u>
<b>NET CHANGE IN FUND BALANCE</b>	16,174	16,174	12,657	(3,517)
<b>FUND BALANCE, Beginning</b>	<u>1,600,200</u>	<u>1,600,200</u>	<u>1,616,071</u>	<u>15,871</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,616,374</u>	<u>\$ 1,616,374</u>	<u>\$ 1,628,728</u>	<u>\$ 12,354</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ELECTRIC OPERATING AND MAINTENANCE RESERVE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 652,321	\$ 652,321	\$ 803,352	\$ 151,031
Interest on investments	25,000	25,000	18,410	(6,590)
<b>TOTAL REVENUES</b>	<u>677,321</u>	<u>677,321</u>	<u>821,762</u>	<u>144,441</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>677,321</u>	<u>677,321</u>	<u>821,762</u>	<u>144,441</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	125,850	125,850	125,850	-
Transfers out	(991,570)	(991,570)	(991,570)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(865,720)</u>	<u>(865,720)</u>	<u>(865,720)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(188,399)	(188,399)	(43,958)	144,441
<b>FUND BALANCE, Beginning</b>	<u>2,082,648</u>	<u>2,082,648</u>	<u>2,386,015</u>	<u>303,367</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,894,249</u>	<u>\$ 1,894,249</u>	<u>\$ 2,342,057</u>	<u>\$ 447,808</u>

**CITY OF MILTON-FREEWATER, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL ELECTRIC FUNDS  
For the Fiscal Year Ended June 30, 2012**

<b>BUDGETARY BASIS FUND BALANCE (NON-GAAP):</b>	
Electric	\$ 2,472,502
Electric Capital Replacement Reserve	1,628,728
Electric Operating and Maintenance Reserve	<u>2,342,057</u>
	6,443,287
Adjustments:	
Capital assets, net of depreciation	9,233,422
Weatherization loans receivable	99,278
Compensated absences	(94,869)
Due to Bonneville Power Administration	(68,400)
Other postemployment benefits	<u>(32,462)</u>
<b>GENERALLY ACCEPTED ACCOUNTING  PRINCIPLES BASIS (GAAP) NET ASSETS</b>	<u><u>\$ 15,580,256</u></u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WATER FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,180,500	\$ 1,180,500	\$ 1,156,541	\$ (23,959)
Intergovernmental	380,834	380,834	256,339	(124,495)
System development charges	180,416	180,416	179,398	(1,018)
Interest on investments	2,000	2,000	2,538	538
Miscellaneous	-	16,505	17,160	655
<b>TOTAL REVENUES</b>	<u>1,743,750</u>	<u>1,760,255</u>	<u>1,611,976</u>	<u>(148,279)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	313,089	313,089	254,762	58,327
Materials and services	299,890	299,890	269,152	30,738
Capital outlay	465,000	481,500	432,095	49,405
Debt service	182,281	182,286	182,282	4
Contingency	185,681	185,681	-	185,681
<b>TOTAL EXPENDITURES</b>	<u>1,445,941</u>	<u>1,462,446</u>	<u>1,138,291</u>	<u>324,155</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>297,809</u>	<u>297,809</u>	<u>473,685</u>	<u>175,876</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000	40,000	45,128	5,128
Transfers out	(487,471)	(487,471)	(487,471)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(447,471)</u>	<u>(447,471)</u>	<u>(442,343)</u>	<u>5,128</u>
<b>NET CHANGE IN FUND BALANCE</b>	(149,662)	(149,662)	31,342	181,004
<b>FUND BALANCE, Beginning</b>	<u>149,662</u>	<u>149,662</u>	<u>538,392</u>	<u>388,730</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	569,734	<u>\$ 569,734</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			3,810,010	
Bond discount and issuance costs			2,924	
Compensated absences			(8,249)	
Accrued interest payable			(21,802)	
Long-term debt			(777,835)	
Other postemployment benefits			(8,842)	
<b>NET ASSETS, Ending</b>			<u>\$ 3,565,940</u>	

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SEWER FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,017,000	\$ 1,017,000	\$ 1,056,771	\$ 39,771
Intergovernmental	5,010	5,010	5,010	-
Interest on investments	1,600	1,600	1,865	265
Miscellaneous	45,400	45,400	51,560	6,160
<b>TOTAL REVENUES</b>	<u>1,069,010</u>	<u>1,069,010</u>	<u>1,115,206</u>	<u>46,196</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	296,997	296,997	296,115	882
Materials and services	243,136	243,136	221,806	21,330
Debt service	26,875	26,875	26,875	-
Contingency	38,354	38,354	-	38,354
<b>TOTAL EXPENDITURES</b>	<u>605,362</u>	<u>605,362</u>	<u>544,796</u>	<u>60,566</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>463,648</u>	<u>463,648</u>	<u>570,410</u>	<u>106,762</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	5,000	4,582	(418)
Transfers out	(543,404)	(543,404)	(543,404)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(538,404)</u>	<u>(538,404)</u>	<u>(538,822)</u>	<u>(418)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(74,756)	(74,756)	31,588	106,344
<b>FUND BALANCE, Beginning</b>	<u>74,756</u>	<u>74,756</u>	<u>435,675</u>	<u>360,919</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 467,263</u>	<u>\$ 467,263</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SEWER IMPROVEMENT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 1,500	\$ 7,800	\$ 3,720	\$ (4,080)
Interest on investments	1,200	1,200	688	(512)
<b>TOTAL REVENUES</b>	<u>2,700</u>	<u>9,000</u>	<u>4,408</u>	<u>(4,592)</u>
<b>EXPENDITURES</b>				
Capital outlay	10,000	21,700	23,983	(2,283)
Debt service	152,534	152,534	152,533	1
Contingency	5,462	62	-	62
<b>TOTAL EXPENDITURES</b>	<u>167,996</u>	<u>174,296</u>	<u>176,516</u>	<u>(2,220)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(165,296)</u>	<u>(165,296)</u>	<u>(172,108)</u>	<u>(6,812)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	162,533	162,533	162,533	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>162,533</u>	<u>162,533</u>	<u>162,533</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,763)	(2,763)	(9,575)	(6,812)
<b>FUND BALANCE, Beginning</b>	<u>2,763</u>	<u>2,763</u>	<u>21,959</u>	<u>19,196</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,384</u>	<u>\$ 12,384</u>

**CITY OF MILTON-FREEWATER, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL SEWER FUNDS  
For the Fiscal Year Ended June 30, 2012**

**BUDGETARY BASIS FUND BALANCE (NON-GAAP):**

Sewer	\$ 467,263
Sewer Improvement	<u>12,384</u>
	479,647

**Adjustments:**

Capital assets, net of depreciation	3,821,455
Bond discount and issuance costs	2,423
Compensated absences	(8,760)
Accrued interest payable	(3,967)
Long-term debt	(169,185)
Other postemployment benefits	<u>(12,377)</u>

**GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES BASIS (GAAP) NET ASSETS**

**\$ 4,109,236**

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SOLID WASTE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 771,100	\$ 771,100	\$ 824,230	\$ 53,130
Interest on investments	1,600	1,600	2,269	669
Miscellaneous	-	12,800	12,787	(13)
<b>TOTAL REVENUES</b>	<u>772,700</u>	<u>785,500</u>	<u>839,286</u>	<u>53,786</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	225,452	225,452	189,097	36,355
Materials and services	328,833	341,633	317,758	23,875
Capital outlay	12,000	12,000	9,623	2,377
Contingency	50,741	50,741	-	50,741
<b>TOTAL EXPENDITURES</b>	<u>617,026</u>	<u>629,826</u>	<u>516,478</u>	<u>113,348</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>155,674</u>	<u>155,674</u>	<u>322,808</u>	<u>167,134</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	5,000	5,000	-
Transfers out	(204,586)	(204,586)	(204,586)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(199,586)</u>	<u>(199,586)</u>	<u>(199,586)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(43,912)	(43,912)	123,222	167,134
<b>FUND BALANCE, Beginning</b>	<u>43,912</u>	<u>43,912</u>	<u>298,066</u>	<u>254,154</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	421,288	<u>\$ 421,288</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			88,830	
Compensated absences			(20,272)	
Other postemployment benefits			(5,883)	
<b>NET ASSETS, Ending</b>			<u>\$ 483,963</u>	

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**LANDFILL CLOSURE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ 1,000	\$ 1,000	\$ 850	\$ (150)
<b>TOTAL REVENUES</b>	<u>1,000</u>	<u>1,000</u>	<u>850</u>	<u>(150)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,000</u>	<u>1,000</u>	<u>850</u>	<u>(150)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	5,000	5,000	4,850	(150)
<b>FUND BALANCE, Beginning</b>	<u>99,409</u>	<u>99,409</u>	<u>106,158</u>	<u>6,749</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 104,409</u>	<u>\$ 104,409</u>	111,008	<u>\$ 6,599</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Landfill closure liability			<u>(99,122)</u>	
<b>NET ASSETS, Ending</b>			<u>\$ 11,886</u>	

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GOLF COURSE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 206,337	\$ 206,337	\$ 190,951	\$ (15,386)
Interest on investments	50	50	5	(45)
<b>TOTAL REVENUES</b>	<u>206,387</u>	<u>206,387</u>	<u>190,956</u>	<u>(15,431)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	71,890	71,890	60,972	10,918
Materials and services	95,727	95,727	94,133	1,594
Debt service	41,014	41,014	41,013	1
Contingency	1,552	1,552	-	1,552
<b>TOTAL EXPENDITURES</b>	<u>210,183</u>	<u>210,183</u>	<u>196,118</u>	<u>14,065</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,796)</u>	<u>(3,796)</u>	<u>(5,162)</u>	<u>(1,366)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(100)	(100)	(100)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,896)	(3,896)	(5,262)	(1,366)
<b>FUND BALANCE, Beginning</b>	<u>3,896</u>	<u>3,896</u>	<u>4,077</u>	<u>181</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	(1,185)	<u>\$ (1,185)</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			313,933	
Compensated absences			(2,387)	
Accrued interest payable			(13,197)	
Long-term debt			(222,912)	
Other postemployment benefits			(3,348)	
<b>NET ASSETS, Ending</b>			<u>\$ 70,904</u>	

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WAREHOUSE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ 200	\$ 200	\$ 1,659	\$ 1,459
Miscellaneous	100	100	1,643	1,543
<b>TOTAL REVENUES</b>	<u>300</u>	<u>300</u>	<u>3,302</u>	<u>3,002</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	73,857	73,857	68,080	5,777
Materials and services	23,564	23,564	21,350	2,214
Capital outlay	2,000	2,000	-	2,000
Contingency	20,543	20,543	-	20,543
<b>TOTAL EXPENDITURES</b>	<u>119,964</u>	<u>119,964</u>	<u>89,430</u>	<u>30,534</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(119,664)</u>	<u>(119,664)</u>	<u>(86,128)</u>	<u>33,536</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	121,739	121,739	121,739	-
Transfers out	(320,676)	(320,676)	(289,636)	31,040
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(198,937)</u>	<u>(198,937)</u>	<u>(167,897)</u>	<u>31,040</u>
<b>NET CHANGE IN FUND BALANCE</b>	(318,601)	(318,601)	(254,025)	64,576
<b>FUND BALANCE, Beginning</b>	<u>318,601</u>	<u>318,601</u>	<u>369,871</u>	<u>51,270</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	115,846	<u>\$ 115,846</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Compensated absences			(1,510)	
Other postemployment benefits			<u>(3,320)</u>	
<b>NET ASSETS, Ending</b>			<u>\$ 111,016</u>	

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**VEHICLE MAINTENANCE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 482,907	\$ 482,907	\$ 490,592	\$ 7,685
Interest on investments	1,000	1,000	948	(52)
<b>TOTAL REVENUES</b>	<u>483,907</u>	<u>483,907</u>	<u>491,540</u>	<u>7,633</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	214,149	214,149	210,227	3,922
Materials and services	242,410	242,410	212,991	29,419
Contingency	46,272	46,272	-	46,272
<b>TOTAL EXPENDITURES</b>	<u>502,831</u>	<u>502,831</u>	<u>423,218</u>	<u>79,613</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(18,924)</u>	<u>(18,924)</u>	<u>68,322</u>	<u>87,246</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(58,677)	(58,677)	(58,677)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(58,677)</u>	<u>(58,677)</u>	<u>(58,677)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(77,601)	(77,601)	9,645	87,246
<b>FUND BALANCE, Beginning</b>	<u>77,601</u>	<u>77,601</u>	<u>119,243</u>	<u>41,642</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	128,888	<u>\$ 128,888</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Compensated absences			(7,467)	
Other postemployment benefits			<u>(6,472)</u>	
<b>NET ASSETS, Ending</b>			<u>\$ 114,949</u>	

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**VEHICLE REPLACEMENT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 152,643	\$ 152,643	\$ 152,643	\$ -
Interest on investments	1,200	1,200	685	(515)
<b>TOTAL REVENUES</b>	<u>153,843</u>	<u>153,843</u>	<u>153,328</u>	<u>(515)</u>
<b>EXPENDITURES</b>				
Current:				
Capital outlay	51,200	51,200	37,898	13,302
Debt service	72,070	72,070	71,993	77
<b>TOTAL EXPENDITURES</b>	<u>123,270</u>	<u>123,270</u>	<u>109,891</u>	<u>13,379</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>30,573</u>	<u>30,573</u>	<u>43,437</u>	<u>12,864</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	1,927	1,927
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>1,927</u>	<u>1,927</u>
<b>NET CHANGE IN FUND BALANCE</b>	30,573	30,573	45,364	14,791
<b>FUND BALANCE, Beginning</b>	<u>19,008</u>	<u>19,008</u>	<u>73,114</u>	<u>54,106</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 49,581</u>	<u>\$ 49,581</u>	118,478	<u>\$ 68,897</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			1,049,215	
Accrued interest payable			(697)	
Long-term debt			<u>(93,010)</u>	
<b>NET ASSETS, Ending</b>			<u>\$ 1,073,986</u>	

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SICK LEAVE LIABILITY FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ 1,200	\$ 1,200	\$ 959	\$ (241)
Miscellaneous	5,000	5,000	-	(5,000)
<b>TOTAL REVENUES</b>	<u>6,200</u>	<u>6,200</u>	<u>959</u>	<u>(5,241)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	45,000	45,000	29,317	15,683
Contingency	86,836	86,836	-	86,836
<b>TOTAL EXPENDITURES</b>	<u>131,836</u>	<u>131,836</u>	<u>29,317</u>	<u>102,519</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(125,636)</u>	<u>(125,636)</u>	<u>(28,358)</u>	<u>97,278</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,126	8,126	8,126	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>8,126</u>	<u>8,126</u>	<u>8,126</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(117,510)	(117,510)	(20,232)	97,278
<b>FUND BALANCE, Beginning</b>	117,510	117,510	122,510	5,000
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,278</u>	<u>\$ 102,278</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**RISK MANAGEMENT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 150	\$ 150	\$ 432	\$ 282
Miscellaneous	6,000	6,000	60,287	54,287
<b>TOTAL REVENUES</b>	<u>6,150</u>	<u>6,150</u>	<u>60,719</u>	<u>54,569</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	40,924	40,924	40,706	218
<b>TOTAL EXPENDITURES</b>	<u>40,924</u>	<u>40,924</u>	<u>40,706</u>	<u>218</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(34,774)</u>	<u>(34,774)</u>	<u>20,013</u>	<u>54,787</u>
<b>NET CHANGE IN FUND BALANCE</b>	(34,774)	(34,774)	20,013	54,787
<b>FUND BALANCE, Beginning</b>	<u>34,774</u>	<u>34,774</u>	<u>24,778</u>	<u>(9,996)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,791</u>	<u>\$ 44,791</u>

## **OTHER FINANCIAL SCHEDULES**

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**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2012**

	Balances July 1, 2011	2011-12 Levy	Interest Discounts and Adjustments	Collections	Balances June 30, 2012
<b>City General</b>					
2011-12	\$ -	\$ 755,022	\$ (20,717)	\$ (701,202)	\$ 33,103
2010-11	29,380	-	466	(12,909)	16,937
2009-10	18,499	-	(14)	(7,517)	10,968
2008-09	10,597	-	188	(6,062)	4,723
2007-08	5,059	-	765	(4,774)	1,050
2006-07	447	-	(45)	(130)	272
2005-06	270	-	(11)	(137)	122
2004-05	151	-	4	(68)	87
2003-04	87	-	9	(22)	74
Prior years	408	-	150	(285)	273
	<u>\$ 64,898</u>	<u>\$ 755,022</u>	<u>\$ (19,205)</u>	<u>\$ (733,106)</u>	<u>\$ 67,609</u>
<b>City Bond</b>					
2011-12	\$ -	\$ 104,994	\$ (2,881)	\$ (97,510)	\$ 4,603
2010-11	3,992	-	63	(1,754)	2,301
2009-10	2,641	-	(2)	(1,073)	1,566
2008-09	1,549	-	28	(886)	691
2007-08	811	-	122	(765)	168
2006-07	75	-	(7)	(22)	46
2005-06	48	-	(2)	(24)	22
2004-05	27	-	1	(12)	16
2003-04	16	-	2	(4)	14
Prior years	79	-	33	(61)	51
	<u>\$ 9,238</u>	<u>\$ 104,994</u>	<u>\$ (2,643)</u>	<u>\$ (102,111)</u>	<u>\$ 9,478</u>
<b>City Local Option</b>					
2011-12	\$ -	\$ 59,965	\$ (1,638)	\$ (55,698)	\$ 2,629
2010-11	2,388	-	38	(1,049)	1,377
2009-10	1,544	-	(1)	(627)	916
2008-09	909	-	16	(520)	405
2007-08	445	-	66	(419)	92
2006-07	40	-	(3)	(13)	24
2005-06	25	-	-	(14)	11
	<u>\$ 5,351</u>	<u>\$ 59,965</u>	<u>\$ (1,522)</u>	<u>\$ (58,340)</u>	<u>\$ 5,454</u>
<b>Urban Renewal Agency</b>					
2011-12	\$ -	\$ 518,076	\$ (14,216)	\$ (481,146)	\$ 22,714
2010-11	21,118	-	335	(9,279)	12,174
2009-10	12,007	-	(10)	(4,878)	7,119
2008-09	6,414	-	113	(3,669)	2,858
2007-08	2,778	-	421	(2,622)	577
2006-07	222	-	(23)	(64)	135
2005-06	131	-	(5)	(67)	59
2004-05	63	-	2	(29)	36
2003-04	42	-	4	(10)	36
Prior years	198	-	78	(153)	123
	<u>\$ 42,973</u>	<u>\$ 518,076</u>	<u>\$ (13,301)</u>	<u>\$ (501,917)</u>	<u>\$ 45,831</u>
<b>Total</b>	<u>\$ 122,460</u>	<u>\$ 1,438,057</u>	<u>\$ (36,671)</u>	<u>\$ (1,395,474)</u>	<u>\$ 128,372</u>
				Less July portion	(10,425)
					<u>\$ 117,947</u>

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF OUTSTANDING DEBT PRINCIPAL**  
**AND INTEREST TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2012**

	Interest Rates	Date of Issue	Principal				Interest Matured and Paid
			Outstanding July 1, 2011	Issued	Matured and Paid	Outstanding June 30, 2012	
<b><u>Governmental Funds</u></b>							
Bonds payable:							
Aquatic Center (1995)	3.00-3.75%	5/1/2005	\$ 565,000	\$ -	\$ 105,000	\$ 460,000	\$ 18,406
Other:							
Urban Renewal Loan	4.19%	12/2/2002	350,635	-	172,288	178,347	14,410
Total governmental funds			<u>\$ 915,635</u>	<u>\$ -</u>	<u>\$ 277,288</u>	<u>\$ 638,347</u>	<u>\$ 32,816</u>
<b><u>Proprietary Funds</u></b>							
Electric Fund:							
Weatherization program:							
Due to Bonneville Power Administration	N/A	N/A	\$ 70,343	\$ -	\$ 1,943	\$ 68,400	\$ -
Water Fund:							
Bonds payable:							
Water revenue bonds	3.75%	1/26/2005	75,000	-	35,000	40,000	2,813
Notes payable:							
Special Public Works Fund	5.01%	10/15/1997	840,031	-	102,196	737,835	42,273
Total Water Fund			<u>915,031</u>	<u>-</u>	<u>137,196</u>	<u>777,835</u>	<u>45,086</u>
Sewer Fund:							
Bonds payable:							
Sewer revenue bonds	3.75%	1/26/2005	50,000	-	25,000	25,000	1,875
Notes payable:							
Sewer Phase III	4.49%	10/10/2002	283,926	-	139,741	144,185	12,792
Total Sewer Fund			<u>333,926</u>	<u>-</u>	<u>164,741</u>	<u>169,185</u>	<u>14,667</u>
Golf Course Fund:							
Notes payable:							
Golf Course Irrigation	6.91%	10/30/2002	246,686	-	23,774	222,912	17,239
Landfill Closure Fund:							
Landfill closure and post-closure care cost:							
Landfill closure liability	N/A	N/A	95,956	3,166	-	99,122	-
Vehicle Replacement Fund (Internal Service):							
Notes payable:							
Fire Truck	7.66%	12/5/2002	20,376	-	20,376	-	1,622
Utility Line Truck	4.47%	8/24/2010	137,325	-	44,315	93,010	5,682
Total Vehicle Replacement Fund			<u>157,701</u>	<u>-</u>	<u>64,691</u>	<u>93,010</u>	<u>7,304</u>
Total proprietary funds			<u>\$ 1,819,643</u>	<u>\$ 3,166</u>	<u>\$ 392,345</u>	<u>\$ 1,430,464</u>	<u>\$ 84,296</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON  
SCHEDULE OF GOVERNMENTAL FUNDS  
FUTURE DEBT SERVICE REQUIREMENTS  
June 30, 2012**

Year of Maturity	Aquatic Center Bonds		Urban Renewal Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012-13	\$ 110,000	\$ 14,775	\$ 178,347	\$ 7,528	\$ 288,347	\$ 22,303
2013-14	110,000	10,925	-	-	110,000	10,925
2014-15	120,000	6,750	-	-	120,000	6,750
2015-16	120,000	2,250	-	-	120,000	2,250
	<u>\$ 460,000</u>	<u>\$ 34,700</u>	<u>\$ 178,347</u>	<u>\$ 7,528</u>	<u>\$ 638,347</u>	<u>\$ 42,228</u>

**CITY OF MILTON-FREEWATER, OREGON  
SCHEDULE OF WATER FUND  
FUTURE DEBT SERVICE REQUIREMENTS  
June 30, 2012**

Year of Maturity	Water Revenue Bonds		Special Public Works Fund Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012-13	\$ 40,000	\$ 1,500	\$ 108,055	\$ 37,163	\$ 148,055	\$ 38,663
2013-14	-	-	113,957	31,761	113,957	31,761
2014-15	-	-	119,906	26,063	119,906	26,063
2015-16	-	-	125,902	20,067	125,902	20,067
2016-17	-	-	131,948	13,771	131,948	13,771
2017-18	-	-	138,067	7,041	138,067	7,041
	<u>\$ 40,000</u>	<u>\$ 1,500</u>	<u>\$ 737,835</u>	<u>\$ 135,866</u>	<u>\$ 777,835</u>	<u>\$ 137,366</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON  
 SCHEDULE OF SEWER FUND  
 FUTURE DEBT SERVICE REQUIREMENTS  
 June 30, 2012**

Year of Maturity	Sewer Revenue Bonds		Sewer Phase III Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012-13	\$ 25,000	\$ 938	\$ 144,185	\$ 6,572	\$ 169,185	\$ 7,510
	<u>\$ 25,000</u>	<u>\$ 938</u>	<u>\$ 144,185</u>	<u>\$ 6,572</u>	<u>\$ 169,185</u>	<u>\$ 7,510</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON  
 SCHEDULE OF GOLF COURSE FUND  
 FUTURE DEBT SERVICE REQUIREMENTS  
 June 30, 2012**

Year of Maturity	Golf Course Irrigation Note Payable	
	Principal	Interest
2012-13	\$ 25,113	\$ 15,901
2013-14	26,904	14,109
2014-15	28,823	12,190
2015-16	30,879	10,134
2016-17	33,082	7,932
2017-18	35,441	5,572
2018-19	42,670	3,044
	<u>\$ 222,912</u>	<u>\$ 68,882</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON  
 SCHEDULE OF VEHICLE REPLACEMENT FUND  
 FUTURE DEBT SERVICE REQUIREMENTS  
 June 30, 2012**

<u>Year of Maturity</u>	Utility Line Truck Note Payable	
	Principal	Interest
2012-13	\$ 45,745	\$ 3,712
2014-15	47,265	1,625
	\$ 93,010	\$ 5,337

See auditor's report.

## **STATISTICAL SECTION**

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## **STATISTICAL SECTION (UNAUDITED)**

This part of the City of Milton-Freewater's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health. This section contains the following tables and information.

- ◆ **Financial Trends** – These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.
- ◆ **Revenue Capacity** – These schedules contain information to help the reader assess the City's most significant local revenue sources; property taxes, charges for services and business taxes.
- ◆ **Debt Capacity** – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
- ◆ **Economic and Demographic Information** – These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.
- ◆ **Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information contained in these schedules is derived from the comprehensive annual financial report for the relevant year. Note that the City implemented Governmental Accounting Standards Board Statement No. 34 in 2003; therefore schedules presenting government-wide information include only information beginning in that fiscal year and going forward.

**REPORTS OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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## **Independent Auditor's Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Milton-Freewater as of and for the year ended June 30, 2012, and have issued our report thereon dated December 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Milton-Freewater financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **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 of Milton-Freewater was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

Expenditures exceeded appropriations for the 2011-2012 budget in the following amounts:

Sewer Improvement Fund	
Capital Outlay	<u>\$ 2,283</u>

The City acquired a certificate deposit on September 9, 2010 at a rate of 2.5% for 36 months. This investment is an exception to ORS 294.135, which established a time limit of 18 months. The Certificate will be held to maturity. In addition, three bonds were repurchased during the year below the rating stipulated in the investment policy.

For the 2012-2013 budget, several non-operating funds were appropriated with operating contingency when only operating funds are allowed one appropriation for a general operating contingency according Oregon Budget Law.

**OAR 162-10-0230 Internal Control**

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

We noted certain matters that we reported to management of City of Milton-Freewater, Oregon, in a separate letter dated December 22, 2012.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of City of Milton-Freewater and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Dickey and Tremper, LLP

December 22, 2012

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 22, 2012

To the Honorable Mayor and  
Members of the City Council  
City of Milton-Freewater, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton-Freewater, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City of Milton-Freewater, Oregon's basic financial statements and have issued our report thereon dated December 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Milton-Freewater, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Milton-Freewater, Oregon, in a separate letter date December 22, 2012.

This report is intended solely for the information and use of the Mayor and Members of City Council, management of the City of Milton-Freewater, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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**Dickey and Tremper, LLP**  
**Certified Public Accountants**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

December 22, 2012

To the Governing Body of the City of Milton-Freewater, Oregon:

**Compliance**

We have audited the compliance of the City of Milton-Freewater with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that that could have a direct and material effect on each of City of Milton-Freewater. The City of Milton-Freewater's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Milton-Freewater's management. Our responsibility is to express an opinion on the City of Milton-Freewater's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal occurred. An audit includes examining, on a test basis, evidence about the City of Milton-Freewater's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Milton-Freewater's compliance with those requirements.

In our opinion the City of Milton-Freewater complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

Management of the City of Milton-Freewater is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Milton-Freewater's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Milton-Freewater's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the City Council, management of the City of Milton-Freewater, Oregon, Federal awarding agencies, pass-through agencies, the Secretary of State, Division of Audits, and the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

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**Dickey and Tremper, LLP**  
**Certified Public Accountants**

**CITY OF MILTON-FREEWATER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/Pass-through Grantor</u>	<u>Indentity Number</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Passed through Oregon Department of Transportation			
Elderly and Persons with Disabilities 5310	26112	20.513	\$ 46,699
Rural and Small Urban Areas 5311	25828	20.509	19,130
Intercity 5311(f)	25900	20.509	<u>14,776</u>
TOTAL U.S. Department of Transportation			<u>80,605</u>
U.S. Department of Housing and Urban Development			
Oregon Economic and Community Development		14.228	<u>155,581</u>
Department of Transportation:			
TSS Seatbelt Grant	OP-10-45-08	20.600	<u>1,770</u>
Department of Justice:			
Passed through Eastern Oregon Drug Task Force	98-007	16.579	<u>4,498</u>
U.S. Department of Energy			
Passed through State of Oregon Department of Energy			
EPA Stormwater		66.202	69,641
Passed through Battelle Memorial Institute			
Electricity Delivery and Energy Reliability (Recovery Act - Smart Grid Demonstrations)		81.122	<u>1,059,691</u> **
TOTAL U.S. Department of Energy			<u>1,129,332</u>
TOTAL EXPENDITURES OF FEDERAL FUNDS			<u>\$ 1,371,786</u>

\*\* Signifies Major Program

**CITY OF MILTON-FREEWATER, OREGON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Fiscal Year Ended June 30, 2012**

**Note A – Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Milton-Freewater and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**CITY OF MILTON-FREEWATER, OREGON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Fiscal Year Ended June 30, 2012**

There were no prior year audit findings to report

**CITY OF MILTON-FREEWATER, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2012**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

- 01 The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Milton-Freewater.
- 02 No significant deficiencies in internal control were discovered by the audit of the basic financial statements of the City of Milton-Freewater.
- 03 No instances of noncompliance material to the financial statements of the City of Milton-Freewater, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**Federal Awards**

- 04 No material weaknesses or significant deficiencies in internal control over compliance for major federal programs were disclosed by the audit.
- 05 The auditor's report on compliance for the major federal program for the City of Milton-Freewater expresses an unqualified opinion.
- 06 The audit did not disclose any audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133.
- 07 The programs tested as major program was:
  - Electricity Delivery and Energy Reliability (ARRA Smart Grid)      CFDA # 81.122
- 08 The threshold for distinguishing Types A and B programs was \$300,000.
- 09 The City of Milton-Freewater was not determined to be a low-risk auditee.

**SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None