

CITY OF  
MILTON-FREEWATER, OREGON

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2014**

Prepared by:  
The City of Milton-Freewater  
Finance Department



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

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2014

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, 2014**

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**INTRODUCTORY SECTION**

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*CITY OF*

# *MILTON-FREEWATER*

P.O. Box 6, Milton-Freewater, Ore. 97862 • Phone (541) 938-5531 • FAX (541) 938-8224

*Since 1889*

February 27, 2015

Citizens of Milton-Freewater  
The Honorable Lewis Key, Mayor  
Members of City Council

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the City of Milton-Freewater, Oregon for the fiscal year ended June 30, 2014.

Management is responsible for the information contained within this report. We believe the data presented is accurate in all material respects, and presents all disclosures necessary for the reader to gain maximum understanding of the City's financial affairs.

This report was prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, reports include Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and the related Omnibus Statement No.37. This is the twelfth year of reporting under GASB Statement No. 34, the sixth year reporting under GASB Statement No.45 and the fourth year under GASB No. 54. Implementation of these GASB statements dramatically changed how the City's financial information is reported. Major changes include the following:

- 1) A narrative introduction, overview, and analysis now accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A.
- 2) Government-wide financial statements are now included to reflect the City as single unified entity. The government-wide statements report information in a manner similar to that of for-profit business entities and include all long-term assets and liabilities of the City.
- 3) Fund Financial Statements are now presented in detail for significant (major) funds and in total for (non) major funds.

This report consists of four parts:

1. Introductory Section: includes this letter of transmittal, the names of City Officials, and an organizational chart of the City's governmental structure.
2. Financial Section: includes the financial statements and supplemental data of the government accompanied by our independent auditor's opinion.

3. Statistical Section: includes a number of tables of un-audited data depicting the financial history of the government for the past 10 years, information on overlapping governments, demographic and all other miscellaneous information.
4. Audit Comments and Disclosures Required by State Regulations: includes audit comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations and auditor reports required under Governmental Auditing Standards.

## **GENERAL OVERVIEW**

Historically Milton-Freewater's economy has revolved around the area's agricultural activity. Orchards, irrigated row crops, and dry land fields provide raw materials for two major food processors. Grapes are becoming a major agricultural income for the valley. This area is producing wines that are being recognized world wide. Installation of new cold atmosphere storage facilities and new processing lines has also allowed local packers and processors to extend employment seasons up to nine or ten months. Sykes, a call center, has employment opportunities in the Milton-Freewater area with the possibility of approximately 450 jobs. It has helped the area be less dependent on agriculture as the main job base. Other major employers are the School District, Oregon Coalition of Child Development, and the City.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The economy of the Walla Walla Valley is insulated from the national economy due to the stable influence of high levels of agricultural and governmental employment. This relative stability gives the appearance of being counter-cyclical in that the area lags during periods of rapid national growth, but is not as severely affected during recessions.

**Agriculture** - Local apple growers continue to replace apples with grapes.

The controlled atmosphere apple storage facilities constructed have proven to be very successful in providing an extended period of time for the growers to market the product. There are plans for additional new wineries to open in the Milton-Freewater area this year. A new wine growing region –AVA- was designated this year which highlights the distinct nature of our region and is call “The Rocks” district of Milton-Freewater.

**Industry** – Industrial/commercial land is available on our South Hill. The “Business Park” zoned acreage has infrastructure and is shovel ready.

Food processing and packing continues to be an important part of the local economy. The industry continues to adjust to changing markets away from canned goods toward frozen and fresh products.

Overall, the Walla Walla Valley is well positioned for industrial growth outside the City limits, which is still close enough to benefit our community. With the addition of Sykes,

Milton-Freewater has experienced a large increase in jobs that are year-round and have a starting pay greater than minimum wage.

**Service and Retail** - The City has experienced a significant change with a number of new retail businesses during the last year. Those businesses that serve special market niches, that offer superior service, and that market effectively, will do well. The retail economy in the valley, as a whole, is stable.

**Housing** – Housing starts continue to be down, with a slumping real estate market.

**Health Services Industry** – Milton-Freewater has added a new niche of employment, that of the health services industry. A new kidney dialysis center was built & is open for business. Adding a dozen family wage jobs to our economy and providing a crucial health service to hundreds of patients.

**Government Employment** - This has historically been a stable to growing portion of the economy. However, the governmental trend towards staff reductions and less government has had an impact on this area of employment.

## **FINANCIAL OVERVIEW**

The long-term financial planning is to continue with council goals of:

- Continue to plan for the financial health & solvency of utilities
- Retain and build city's financial reserves
- Continue to explore secure but profitable investment strategies for the city's cash reserves

What is the financial health of the City of Milton-Freewater? Daily we hear about the budget shortfalls of the State of Oregon, school districts and local governments. Fortunately the City is in stable financial shape due to the foresight of the City Council, the City Budget Committee, City Manager and staff.

The City's 2014 budget is for \$28,275,719. An increase of \$871,381 from the prior years budget. This increase was from budgeting for capital outlay of \$2,130,418 for a new sewer plant improvements. Only \$24,632 was actually spent this budget year on the project. The plant improvements will be budgeted for and built in future years.

The City's net position at June 30, 2014 is \$40,604,012, a decrease of \$1,201,726. The City's cash, cash equivalents and investments as of June 30, 2014 were \$9,996,814, an increase of \$362,994.

## **MAJOR INITIATIVE**

The City of Milton-Freewater will be taking on an extremely large and comprehensive renovation and repair to the wastewater treatment plant. The \$3.305 million dollar project

has begun. Thankfully we were fortunate enough to bring home a \$2,000,000 dollar grant and a loan for the \$1.305 million dollar balance.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that:

(A) the cost of a control should not exceed the benefits likely to be derived; and (B) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluation occurs within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City of Milton-Freewater prepares and adopts an annual budget in accordance with the provision of the Oregon Revised Statutes (Local Budget Law, Chapter 294.305 through 294.565). The Local Budget Law provides legal standards for preparing, presenting, adopting and administering the City's annual budget. The City's Budget Committee is made up of the Council members and up to seven citizens appointed by Council. Public notices of Budget Committee meetings and the proposed budget are required by state statutes. This gives the public an opportunity to be heard. After revising the budget and hearing any citizen's comments, the Budget Committee sends the proposed budget and its recommendations to the Council. If the Council deems it necessary, the proposed budget may be revised by the City Council before adoption.

The Oregon Local Budget Law states that annual budgets may be presented by funds and program categories, and prohibits over expenditure in any category. The City Manager is responsible for the preparation of the annual budget, and the Finance Director is responsible for monitoring the budget for legal compliance. All appropriations are for the current fiscal year. Any unexpended appropriations lapse at the end of the fiscal year.

The following basis of accounting are followed for the respective funds:

### ACCOUNTING BASIS

Modified Accrual Basis

### APPLIED FUNDS

Governmental Fund Types  
General Fund  
Special Revenue Funds  
Debt Service Funds  
Capital Project Funds

Accrual Basis

Proprietary Fund Types  
Enterprise Funds  
Internal Service Funds

Proprietary funds are accounted for in a manner similar to accounting for a private enterprise. Therefore, the method of accounting used in these funds is the Accrual Basis since that is the method private enterprise uses. The Accrual Basis of accounting recognizes all expenses when incurred, revenues when they are earned rather than when they are received, and depreciates all capital assets. Governmental and Fiduciary funds are handled differently so the Modified Accrual Basis is used. Revenues are recognized when they become available and measurable, and expenditures are recognized when the fund liability is incurred, if measurable. (Exceptions include principal and interest on long-term notes where only the current portion is recognized.)

## **THE REPORTING ENTITY AND SERVICES**

The citizens of the cities of Milton and Freewater voted to become a single entity in November of 1950. Since that time, the City of Milton-Freewater has been operated on the council-manager form of government. The City Council consists of a Mayor and six Councilors, which took effect in January 1, 1995 with a city charter amendment. Before that time the number of Councilors was five. Council decisions are subject to Oregon State law and the State Constitution on statewide matters. The Council is presided over by the Mayor, who is an elected official, but has no vote in the council meeting except in cases of a tie vote. The Council appoints the Budget Committee, the Planning Commission, the Recreation Committee, and the Library Board. These committees serve in an advisory capacity, and make all recommendations to the Council for further action, with the exception of the Planning Commission. This Commission administers the provisions in the zoning and land development codes. However, all decisions made by the Planning Commission may be appealed to the City Council.

The Council also appoints the Municipal Court Judge, the City Attorney, and the City Manager. These officers answer directly to the Council.

The City Manager is responsible for day to day management of the City's programs and implements the Council's goals. It is the City Manager's responsibility to see that all ordinances and provisions of all franchises, leases, contracts, permits, and privileges granted by the City are observed. With the exception of the City Attorney and the Municipal Judge, the City Manager appoints all city officers and employees, and has general supervision and control over them to the end of obtaining the utmost efficiency from each of them.

This report includes all of the funds and accounts of the City. The Urban Renewal Agency (URA) is included as a blended component unit of the City's comprehensive annual financial report because the City Council and the URA's Board of Directors are one and the same. Therefore, the City Council has the ability to significantly impose its will over the URA.

The City provides the electric, water, sewer, and garbage services in addition to the usual municipal services. These include police and fire protection, street construction and maintenance, recreation programs and facilities, city parks and municipal golf course, municipal library, planning and zoning, and general administrative services.

### **Cash Management**

The City of Milton-Freewater pools the cash of all funds and invests the surplus cash in certificates of deposit, savings accounts and U.S. Treasury bills. Cash is also deposited in the Oregon State Investment Pool. Interest is disbursed to all funds based on each fund's cash contribution, interest earnings for 2014 were \$63,678, a decrease of \$820. The state pool's interest rate is only .005%. For fiscal year June 30, 2014, the majority of surplus cash was deposited in the Oregon State Investment Pool, Vision Capital Management Inc., five local banks and one local credit union.

### **Risk Management**

The City participates in a trust established in 1981, by the League of Oregon Cities and the Association of Oregon Counties to provide risk management services including insurance and loss control. This trust provides self-insurance pooling for workers compensation, general liability, auto liability, auto physical damage, and property damage. The City's deductibles on all policies are limited to only small amounts.

### **Urban Renewal Agency**

This component unit special revenue fund was created to improve property values, create jobs, and promote business expansion. The URA has accomplished the mission it was created for, increasing the assessed value of our city by over \$16,000,000. It has brought new businesses to town. It has granted hundreds of thousands of dollars in storefront façade improvements in our business districts. It has improved infrastructure to aid in the location of grocery stores, medical facilities and many other businesses.

The agency acts under a Board of Directors, which are the City Council members. Additional information regarding the component unit may be found in the Financial Statement Notes. The Agency will dissolve June 30<sup>th</sup>, 2015. As of June 30<sup>th</sup> 2014 it no longer receives property tax revenue. The URA returned \$8,914 to the county for prior years property tax revenues it received after June 30, 2014 The City's management strongly disagree with the opinion from the auditor. The city owes the payable to the county of \$74,628.

## **Other Information**

**Independent Audit** - The State of Oregon requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The firm, Dickey and Tremper, LLP was selected. This requirement has been complied with and the auditor's opinion has been included in this report.

## **Conclusion**

The City of Milton-Freewater is always looking for ways to improve the efficiency of its work force, and the quality of service to its citizens. An example is the \$1,262,325 in grant money received this year. The overall city is healthy financially with \$9,996,814 in cash and investments, an increase of \$362,994. Over the previous ten years we have replaced our sewer plant, updated two substations and instituted a replacement schedule for aging sewer & water lines. We also updated the City Hall Building and Fire Station buildings with grant funding.

## **Awards and Acknowledgments**

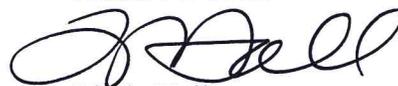
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Milton-Freewater, Oregon for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

A big thank you to the finance team and all members of the departments who assisted and contributed to its preparation of this years CAFR. We would also like to thank the Mayor, City Council, and Budget Committee for their interest and support in planning and conducting the financial operation of the City.

Respectfully submitted,



David Richmond  
Finance Director



Linda Hall  
City Manager

**CITY OF MILTON-FREEWATER  
OFFICIALS OF THE CITY  
AS OF JUNE 30, 2014**

MAYOR AND CITY COUNCIL MEMBERS:	(Elected to 4 year terms)	Terms Expire January 1,
Lewis Key	Mayor	2017
Orrin Lyon	Councilor    Ward 1	2015
Brad Humbert	Councilor    Ward 2	2017
Sam Hopkins-Hubbard	Councilor    Ward 3	2017
Jeff Anliker	Councilor    At Large	2017
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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

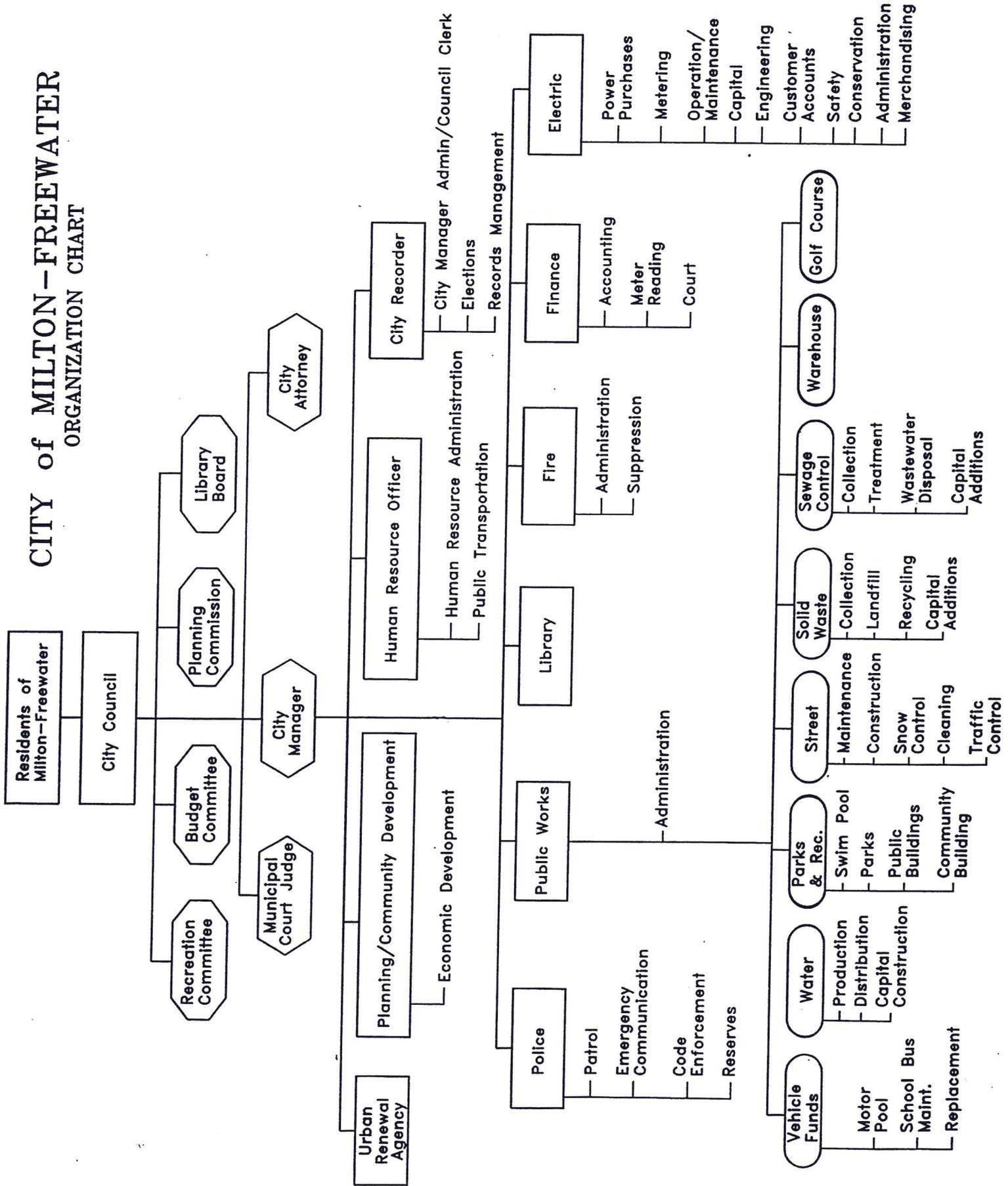
**City of Milton-Freewater  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# CITY of MILTON-FREEWATER ORGANIZATION CHART



**FINANCIAL SECTION**

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

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P.O. Box 1533  
Pendleton, OR 97801  
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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

### **Basis for Qualified Opinion on Governmental Activities and Aggregate Remaining Fund Information**

As discussed in Note III.G. to the financial statements management has not recorded a liability to refund taxes to the County treasurer for all monies remaining within the Urban Renewal Agency Fund unexpended after payment of all principal and interest on indebtedness has been accounted for, as required by ORS 457.450(3). Accounting principles generally accepted in the United States of America require that a liability be recorded, which would increase liabilities and expenditures and decrease net position and fund balance of the governmental activities and each major fund by \$629,169.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities and the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and aggregate remaining fund information of the City of Milton-Freewater, Oregon, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the City of Milton-Freewater, Oregon, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the City of Milton-Freewater Urban Renewal Agency (a component unit of the City of Milton-Freewater, Oregon), will continue as a going concern. As discussed in Note III.I to the financial statements, the Agency has paid off all debt and reached its maximum indebtedness limit as of June 30, 2014. These conditions raise substantial doubt about its ability to continue as a going concern. Management’s plans regarding those matters also are described in Notes III.G, H, and I. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Emphasis of Matter Regarding New Accounting Policy**

As described in Note I.F. during the year ended June 30, 2014, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 13 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milton-Freewater, Oregon's basic financial statements. 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 basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and Aggregate Remaining Fund Information", the combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are fairly stated in all material respects, in relation to the basic 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Milton-Freewater, Oregon's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 27, 2015, on our consideration of the City of Milton-Freewater's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

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

February 27, 2015



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the city of Milton-Freewater, Oregon presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2014. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report, Dickey and Tremper, LLP. Additional information outside the scope of this analysis can be found in the Letter of Transmittal. This is the twelfth year the City is reporting under the provisions of GASB Statement No. 34, sixth year under GASB Statement No. 45 and the fourth year under GASB Statement No.54.

### **Financial Highlights**

- The City's net position at June 30, 2014 is \$40,604,012. A decrease of \$1,201,726 from the prior year. The decrease is mainly due to fewer capital projects and a decrease in revenues including less surplus power sales.
- The General Fund's fund balance is \$234,009 at the end of the current fiscal year an increase of \$36,675 over last year. The increase was mainly due to increased property tax revenues. General Fund revenues were \$2,419,289.
- The City's cash, cash equivalents, and investments as of June 30, 2014 are \$9,996,814 an increase of \$362,994.
- The City's 2014 budget is \$28,275,719. An increase of \$871,381 from the prior years budget. This increase was from budgeting for capital outlay of \$2,130,418 for a new sewer plant digester. Only \$24,632 was actually spent this budget year on the project. The digester will be budgeted for and built in future years.

### **Overview of the Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other required supplementary information. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

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

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

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

- Finance
- Fire
- Library
- Human Resources
- Planning & Economic Development
- Police & Emergency Communications
- Public Works

The Business-type activities of the City include the following:

- Electric Utility
- Water Utility
- Sewer Utility
- Solid Waste Utility
- Golf Course

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Urban Renewal Agency (URA) for which the City is financially accountable. Although legally separate, the URA's governing body is identical to the City's, and because the services of the URA are exclusively for the benefit of the City, it is included as an integral part of the primary Government. This is the final year for the URA to receive property tax revenues. It will be dissolved by June 30, 2015. The URA's separately issued financial statements can be obtained from the City's Finance Director.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financials focus on the acquisition and use of current spendable resources, as well as the balances of spendable resources at the end of the fiscal year. The City maintains 10 individual governmental funds with the information presented separately for General, Special Revenue, Capital Project and Debt Service Funds. Please see the NOTES to FINANCIAL STATEMENTS for further explanation of each individual fund.

Proprietary funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains two different types of proprietary funds - enterprise and internal service funds. Enterprise funds are used to report the same

functions presented as business-type activities in the governmental-wide financial statements. The city uses internal service funds to account for warehouse, fleet management, and risk and benefits management. Please see the NOTES to FINANCIAL STATEMENTS for further explanation of each individual fund.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

**FUND-BASED FINANCIAL STATEMENTS**

**General Fund**

The General Fund ended the year with a fund balance of \$234,009. This is a \$36,675 increase compared to last year. This was a result of increased property taxes received. Revenues for fiscal 2014 were \$2,419,289 an increase of \$32,350 from previous year.

Franchise fees are a consistent revenue source for this fund, rather than property taxes. Since the franchise fees for the utilities are collected monthly based on that month's revenue, the City enjoys a relatively stable cash flow. It is not heavily dependent upon property tax revenues. Revenue sources are as follows:

Property Taxes	\$ 784,867	32.4%
Utility Tax	138,660	5.7%
Other Taxes	18,121	.8%
Intergovernmental	220,768	9.1%
Franchise Fees	873,574	36.1%
Fines and Licenses	133,787	5.5%
Services	138,633	5.7%
Interest	3,983	.2%
Miscellaneous	106,896	4.5%
Total	<u>\$2,419,289</u>	<u>100.0%</u>

Expenditures for the fiscal year were \$4,395,133.

The operation of the General Fund can be summarized as follows:

Beginning Fund Balance	\$ 197,334	
Revenues	2,419,289	
Transfers In	<u>2,142,259</u>	4,758,882
Expenditures	4,395,133	
Transfers Out	<u>129,740</u>	
Fund Balance June 30, 2014		<u>4,524,873</u> <u>\$ 234,009</u>

Expenditures were as follows:

General Government	\$1,285,641	29.3%
Public Safety	1,969,756	44.8%
Culture and Recreation	394,573	9.0%
Public Works	454,070	10.3%
Community Development	176,818	4.0%
Engineering	88,313	2.0%
Capital Outlay	25,962	.6%
Debt Service	0	%
Total	<u>\$4,395,133</u>	<u>100.0%</u>

### **Special Revenue Funds**

The City of Milton-Freewater has six Special Revenue Funds, including one component unit. Special Revenue funds are used to account for revenues from earmarked sources, which by law are designated to finance particular functions of the government. A description of these funds follows:

Street Fund. This fund controls those revenues which must be spent on streets, primarily from State gas tax revenues. Funds are used to assure that the 30 miles of the street system are maintained in a safe, clean, well-prepared manner. The Street Fund ended the year with a balance of \$344,439 an increase of \$86,808 from last year. This increase is mainly due to State of Oregon gas tax allocations.

Library Fund. In 1989, the voters approved a special library district to fund the libraries in our county. The Umatilla County Special Library District levies the taxes and distributes them to the libraries. This fund accounts for those and other library revenues.

Senior/Disabled Transportation Fund. The City has been running a senior citizen transportation program for over 30 years. The program allows seniors and disabled persons who live within city limits of Milton-Freewater to purchase an unlimited number of taxi tickets for \$1 each. The cost to seniors and disabled persons living outside the city limits is \$2 per ticket. This charge helps supplement the funds necessary to operate the program due to increased taxi contract costs. Revenues also come from several federal grants that pass through the state and state funds that pass through the county. The fund is also supported by a local Option tax approved by our citizens.

Drug Enforcement Fund. This fund's revenue source is from revenues received from other agencies for the City's participation in reducing drug crimes. There is currently very little activity in this fund.

Urban Renewal Agency. This component unit special revenue fund was created to improve property values, eliminate blight, create jobs, and promote business recruitment as well as expansion. The URA has accomplished the mission it was created for, increasing the assessed value of our city by over \$16,000,000. It has brought new businesses to town. It has granted hundreds of thousands of dollars in storefront façade improvements in our business districts. It has improved infrastructure to aid in the location of grocery stores, medical facilities and many other businesses.

The agency acts under a Board of Directors, which are the City Council members. Additional information regarding the component unit may be

found in the Financial Statement Notes. The Agency is planned to be dissolved June 30<sup>th</sup>, 2015. As of June 30<sup>th</sup> 2014 it no longer receives property tax revenue. The URA returned \$8,914 to the county for prior years property tax revenues it received after June 30, 2014. The City's management and council strongly disagree with the opinion from the auditor and sought a legal opinion from an attorney who specializes in URA statute and practices. The attorney Mr. Rob Sullivan has over 25 years experience in URA law. Mr. Sullivan issued two written opinions supporting the Agency's definition of maximum indebtedness. After several months' long discussion the auditor accepted one of the attorney's opinions. The city owes the payable to the county of \$74,628.

**Capital Project Fund**

Street Improvement Fund. This fund accounts for revenues from street opening permits, Oregon State STP allocations and grants which are used for major street repairs.

**Debt Service Fund**

The City's General Obligation Bonded Debt at June 30, 2014 is \$240,000. The General Obligation Bonded Debt is as follows:

Family Aquatic Center                      Issued 08/01/95                      240,000

Current bonded debt is 3% of the bonded debt allowable. The Family Aquatic Center bond issue was passed by voters May 16, 1995 and issued August 1, 1995 for \$1,500,000. Additional general obligation bonds with a value of \$9,050,833 could be sold within the legal debt limit if approved by the voters.

**Enterprise Funds**

The City operates four major utility services and a golf course in Milton-Freewater. These funds are operated like private enterprises, and the accounting reflects this. Following are the significant highlights for each.

Electric Fund. The electric department is one of the oldest documented municipal systems still in operation in the United States. The hydro generating plant was first in service in 1888, and sold to the city of Milton about 1890. Daniel Franklin Brown was responsible for the installation of the plant, and remained the electric supervisor for the City until 1903. It is interesting to note his monthly salary was \$50.00, and that his pay was docked for any time the electrical plant was not in production. Although none of the original equipment is now functional, the City still maintains the pioneer spirit of the original crew to bring its citizens low-cost dependable power.

Electric Funds financial comparison to last year is as follows:

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$7,018,129	\$6,884,263
Operating Expenses	6,858,947	6,165,708
Operating Income (Loss)	159,182	718,555
Non-operating		
Revenues (expenses)	102,082	184,986
Capital Contributions	124,248	123,062

Net Operating Transfers	<u>( 979,250)</u>	<u>( 920,547)</u>
Net Income (Loss)	<u>\$ ( 593,738)</u>	<u>\$ 106,056</u>

Electric Replacement Fund. This fund was created to set aside funds from the Electric Fund to pay for major replacement costs.

Electric Operating & Maintenance Fund. This fund was created to set aside funds from the Electric Fund to assure sufficient revenues are available to pay for unanticipated operating or maintenance costs.

Water Fund. The water system consists of seven City-owned wells and approximately 40 miles of mains.

Financial comparison to last year is as follows:

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$1,181,795	\$ 1,202,639
Operating Expenses	806,202	719,436
Operating Income (Loss)	375,593	483,203
Non-operating		
Revenues (expenses)	(17,362)	13,850
Capital Contributions	42,610	44,530
Net Operating Transfers	<u>(515,093)</u>	<u>(499,842)</u>
Net Income (Loss)	<u>\$ (114,252)</u>	<u>\$ 41,741</u>

Sewer Fund. The sewage control system consists of approximately 26 miles of gravity flow collector lines. The system has been in place since 1947. Sewer Funds financial comparison to last year is as follows:

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$1,060,794	\$1,041,234
Operating Expenses	801,779	750,442
Operating Income (Loss)	259,015	290,792
Non-operating		
Revenues (expenses)	53,906	46,924
Capital Contributions	136,380	157,547
Net Operating Transfers	<u>(401,080)</u>	<u>(392,302)</u>
Net Income (Loss)	<u>\$ 48,221</u>	<u>\$ 102,961</u>

There is a \$5 a month per user infrastructure/utility surcharge fee that can be used by either the water or sewer fund. For the past couple of years the water department used it for AMI water meter project. This year the sewer fund received the revenues for future payment of the sewer digester loan. The sewer fund received \$133,590 from this fee.

Sewer Improvement Fund This fund was created to set aside funds from the Sewer Fund to pay for system improvements that are currently taking place at the sewer treatment plant.

Solid Waste Fund. The Solid Waste Fund handles city-wide collection of solid waste, and the operation and maintenance of the landfill. The landfill is located about 3.2 miles west of the City. The landfill is only open to the public during clean up events in order to control waste tonnage.

Financial comparison to last year is as follows:

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$845,995	\$832,589
Operating Expenses	568,468	571,299
Operating Income (Loss)	277,527	261,290
Non-operating		
Revenues (Expenses)	2,932	3,606
Net Operating Transfers	<u>(212,333)</u>	<u>(205,842)</u>
Net Income (Loss)	<u>\$ 68,126</u>	<u>\$ 59,054</u>

Landfill Closure Fund. This fund was created to set aside funds from the Landfill Fund to pay for closure costs as required. The fund assets are now \$120,561, an increase of \$4,772.

Golf Course Fund. This is the twenty fifth year of operation of the Golf Course Fund as an enterprise fund. The course is an 18 hole par 60 located in the west center part of the City.

Financial comparison to last year is as follows:

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$177,351	\$193,373
Operating Expenses	178,374	202,067
Operating Income (Loss)	(1,023)	(8,694)
Non-operating	-0-	10,000
Revenues (Expenses)	17,190	(14,402)
Net Operating Transfers	<u>( 100)</u>	<u>( 100)</u>
Net Income (Loss)	<u>\$ 16,067</u>	<u>\$(13,196)</u>

#### **Internal Service Funds**

The City has five internal service funds. These funds are similar to enterprise funds because they are operated and accounted for like a private business. The only difference is the customers for these businesses are the different departments or funds of the City. Following are the highlights for each fund:

Warehouse Fund. The warehouse is located on Lamb Street and holds the inventory for all the utility funds. This fund was established to correctly allocate the costs of running the warehouse to those funds that use the service.

Vehicle Maintenance Fund. This fund tracks the cost of maintaining the city's vehicles, and allocates those costs to the actual users. All revenues from this fund are from intra-city charges with the exception of revenues generated by contracts to service buses operated by School District #7 and OCDC plus interest earned on cash balance. Vehicle rates are reviewed annually during budget preparation to ensure that all costs of maintaining the vehicles are charged accordingly to each user.

Vehicle Replacement Fund. Part of the rental rate charged on each vehicle is depreciation and an inflation factor for the vehicle. This portion of the rate is kept in this fund and used to replace the vehicles when

scheduled. This portion of the rent previously was included in the vehicle maintenance fund, but it was hard to keep the replacement funds separate from the repair funds. Consequently, some replacement money was used to make repairs to keep the rates low. This fund's purpose is to ensure that timely replacement of vehicles will be possible.

Sick Leave Liability Fund. Only sick leave earned in the current year is budgeted for. This leaves all the previous year's sick leave balance as a possible unfunded liability. This fund collects money to fund a portion of leaves that are not budgeted for. It is the intention of the City to let the interest accumulate, and add to the principal until the full amount of sick leave liability is covered. The fund equity is now \$102,844 a decrease of \$8,285.

Risk Management Fund. This fund's revenue source is primarily the reimbursement from City County Insurance that is in excess of funds needed to cover outstanding insurance liabilities. The fund equity is now \$60,537 a decrease of \$7,637.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets over time may serve as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$40,604,012 at the close of FY 2013-2014.

<b>City of Milton-Freewater Net Position</b>							Total Change
	Governmental Activities		Business-type Activities		Total		+ (-)
	2013	2014	2013	2014	2013	2014	
Current and other assets	\$ 2,201,349	\$ 2,301,501	9,323,062	9,490,891	\$ 11,524,411	\$ 11,792,392	\$ 267,981
Capital assets	15,316,718	14,475,561	17,641,582	16,905,537	32,958,300	31,381,098	(1,577,202)
Total assets	<u>\$ 17,518,067</u>	<u>\$ 16,777,062</u>	<u>\$ 26,964,644</u>	<u>\$ 26,396,428</u>	<u>\$ 44,482,711</u>	<u>\$ 43,173,490</u>	<u>\$ (1,309,221)</u>
Noncurrent liabilities	\$ 425,493	\$ 341,282	\$ 974,998	\$ 733,757	\$ 1,400,491	\$ 1,075,039	\$ (325,452)
Other liabilities	510,605	561,469	765,877	932,970	1,276,482	1,494,439	217,957
Total liabilities	<u>\$ 936,098</u>	<u>\$ 902,751</u>	<u>\$ 1,740,875</u>	<u>\$ 1,666,727</u>	<u>\$ 2,676,973</u>	<u>\$ 2,569,478</u>	<u>\$ (107,495)</u>
Net position:							
Invested in capital assets,							
net of related debt	\$ 14,877,601	\$ 14,235,561	\$ 16,766,176	\$ 16,365,814	\$ 31,643,777	\$ 30,601,375	\$ (1,042,402)
Restricted	888,353	914,197	278,904	486,665	1,167,257	1,400,862	233,605
Unrestricted	816,015	724,553	8,178,689	7,877,222	8,994,704	8,601,775	(392,929)
Total net position	<u>\$ 16,581,969</u>	<u>\$ 15,874,311</u>	<u>\$ 25,223,769</u>	<u>\$ 24,729,701</u>	<u>\$ 41,805,738</u>	<u>\$ 40,604,012</u>	<u>\$ (1,201,726)</u>

The largest portion of the City's net position (75%) reflects its investments in capital assets (i.e., land, buildings, infrastructure, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and consequently they are not available for current spending. Although the City's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3%) represents resources that are subject to external restrictions on how they may be used. The restricted position includes funds restricted for capital projects associated with system development/infrastructure of \$480,409, funds restricted to bike paths and street expenditures of \$344,439, funds restricted for Landfill closure costs of \$6,413, funds restricted for urban renewal of \$554,541 and funds restricted for debt service of \$15,060. The remaining balances are unrestricted net position of \$8,601,775 or 21% may be used to meet the City's ongoing obligations to citizens and creditors.

### City of Milton-Freewater's Change in Net Position

	Governmental Activities		Business-type Activities		Total		Total Change
	2013	2014	2013	2014	2013	2014	+ (-)
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 451,923	\$ 370,908	\$ 10,154,099	\$ 10,284,064	\$ 10,606,022	\$ 10,654,972	\$ 48,950
Operating grants and contributions	738,013	767,451	50,169	50,008	788,182	817,459	29,277
Capital grants and contributions	416,466	53,946	527,340	390,920	943,806	444,866	(498,940)
General revenues:							
Taxes	1,453,411	1,478,183	-	-	1,453,411	1,478,183	24,772
Franchise Fees	1,168,930	1,207,173	-	-	1,168,930	1,207,173	38,243
Other	9,343	11,403	172,048	158,513	181,391	169,916	(11,475)
Total revenues	\$ 4,238,086	\$ 3,889,064	\$ 10,903,656	\$ 10,883,505	\$ 15,141,742	\$ 14,772,569	\$ (369,173)
<b>Expenses:</b>							
General government	\$ 1,536,293	\$ 1,563,908	\$ -	\$ -	\$ 1,536,293	\$ 1,563,908	\$ 27,615
Public safety	2,070,078	2,011,173	-	-	2,070,078	2,011,173	(58,905)
Highways and streets	1,361,589	1,482,799	-	-	1,361,589	1,482,799	121,210
Culture and recreation	874,760	865,910	-	-	874,760	865,910	(8,850)
Community development	497,855	636,052	-	-	497,855	636,052	138,197
Refund of property taxes to County		74,628					74,628
Interest on long-term debt	25,582	14,971	-	-	25,582	14,971	(10,611)
Electric			6,239,208	6,936,488	6,239,208	6,936,488	697,280
Water	-	-	773,814	850,276	773,814	850,276	76,462
Sewer	-	-	758,503	803,378	758,503	803,378	44,875
Solid Waste	-	-	572,881	555,565	572,881	555,565	(17,316)
Golf Course	-	-	215,601	179,148	215,601	179,148	(36,453)
Total expenses	\$ 6,366,157	\$ 6,649,441	\$ 8,560,007	\$ 9,324,855	\$ 14,926,164	\$ 15,974,296	\$ 1,048,132
Increase in net assets before transfers	\$ (2,128,071)	\$ (2,760,377)	\$ 2,343,649	\$ 1,558,650	\$ 215,578	\$ (1,201,727)	\$ (1,417,305)
Transfers	1,964,986	2,052,719	(1,964,986)	(2,052,719)	-	-	-
Net position, July 1	16,745,054	16,581,969	24,845,106	25,223,769	41,590,160	41,805,738	215,578
Change in net position	(163,085)	(707,658)	378,663	(494,069)	215,578	(1,201,727)	(1,417,305)
Net position, June 30	\$ 16,581,969	\$ 15,874,311	\$ 25,223,769	\$ 24,729,700	\$ 41,805,738	\$ 40,604,011	\$ (1,201,727)

#### Governmental Activities

The City's Governmental Activities net position decreased \$707,658 from the prior year; this was mainly due to decreased revenues.

#### Business-type Activities

The City's Business Activities net position decreased \$494,068 from the prior year; this is mainly due to decreased revenues.

## **Budgetary Highlights**

The city's general fund revenues received for taxes are \$32,367 over budget. The general fund expenditures were \$494,724 under budget.

## **Capital Assets and Debt Administration**

The City's investment in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$30,601,375 (net of related debt). This investment in capital assets includes land, buildings, machinery and equipment, improvements and infrastructure.

As of June 30, 2014 the City had General Obligation Bond debt outstanding of \$240,000. General Obligation Bond debt is related to governmental activities and is funded by property taxes. The water fund has a note payable of \$515,823. These debts are funded by water revenues. Please see additional long-term debt activity information in the notes to financial statements, note E page numbers 46 through 49.

## **Economic Factors and Next Year's Budget and Rates**

The FY 2014-2015 budget total is \$30,032,736 for the City. This is an increase over last year's budget, but the primary reason for that increase is it includes grants totaling \$2,593,293. Factors that forced us to raise utility rates include BPA rate increase of 9% in energy purchases and 11% transmission rates. The sewer fund has a comprehensive renovation and repair to the wastewater treatment plant. This \$3.305 million dollar project has already begun. Thankfully we have a TWO MILLION DOLLAR GRANT to help fund this construction project. The DEQ is requiring us to construct several additional water monitoring wells at the landfill and also has increased tests and lab work which caused an increase in solid waste. The City still maintains some of the lowest utility rates in the Northwest.

Electric: 7% rate increase.

Water: No rate increase.

Solid Waste: 10% rate increase.

Sewer: 12% rate increase.

Golf Course: An average 3% rate increase.

## **Requests for Information**

As stated above, this is the twelfth year the City is reporting under GASB No.34, is the sixth year of reporting under GASB No. 45 and the fourth year reporting under GASB No.54. The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report or the City of Milton-Freewater Urban Renewal Agency report, please contact the City's finance director, Dave Richmond at 722 S. Main, Milton-Freewater, Oregon 97862.

**BASIC FINANCIAL STATEMENTS**

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**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 576,821	\$ 5,516,799	\$ 6,093,620
Investments	-	3,242,145	3,242,145
Receivables:			
Accounts, net	169,131	923,816	1,092,947
Fines and forfeitures, net	86,726	-	86,726
Property taxes	58,229	-	58,229
Weatherization loans	-	84,570	84,570
Internal balances	1,050,938	(1,050,938)	-
Inventories	-	473,106	473,106
Restricted assets (temporary):			
Cash and cash equivalents	12,502	256,760	269,262
Investments	347,154	44,633	391,787
Capital assets:			
Land	337,290	753,069	1,090,359
Construction in progress	130,599	87,864	218,463
Depreciable assets, net of depreciation	<u>14,007,672</u>	<u>16,064,604</u>	<u>30,072,276</u>
 Total assets	 <u>16,777,062</u>	 <u>26,396,428</u>	 <u>43,173,490</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	245,248	497,138	742,386
Accrued interest payable	5,625	15,204	20,829
Deposits	500	-	500
Liabilities payable from restricted assets:			
Customer deposits	-	180,832	180,832
Long-term obligations:			
Due within one year	310,096	239,796	549,892
Due in more than one year	<u>341,282</u>	<u>733,757</u>	<u>1,075,039</u>
 Total liabilities	 <u>902,751</u>	 <u>1,666,727</u>	 <u>2,569,478</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,235,561	16,365,814	30,601,375
Restricted for:			
Highways and streets	344,439	-	344,439
System development	157	480,252	480,409
Debt service	15,060	-	15,060
Urban Renewal	554,541	-	554,541
Landfill closure costs	-	6,413	6,413
Unrestricted	<u>724,553</u>	<u>7,877,222</u>	<u>8,601,775</u>
 Total net position	 <u>\$ 15,874,311</u>	 <u>\$ 24,729,701</u>	 <u>\$ 40,604,012</u>

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, 2014**

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	\$ 1,563,908	\$ 224,243	\$ 142,726	\$ 8,628	\$(1,188,311)	\$ -	\$(1,188,311)
Public safety	2,011,173	-	38,836	3,318	(1,969,019)	-	(1,969,019)
Culture and recreation	865,910	145,584	182,729	35,000	(502,597)	-	(502,597)
Public works	459,647	-	-	-	(459,647)	-	(459,647)
Community development	636,052	-	-	-	(636,052)	-	(636,052)
Engineering	90,451	-	-	-	(90,451)	-	(90,451)
Highways and streets	932,701	1,081	403,160	7,000	(521,460)	-	(521,460)
Interest on long-term obligations	<u>14,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,971)</u>	<u>-</u>	<u>(14,971)</u>
Total governmental activities	<u>6,574,813</u>	<u>370,908</u>	<u>767,451</u>	<u>53,946</u>	<u>(5,382,508)</u>	<u>-</u>	<u>(5,382,508)</u>
<b>Business-type activities:</b>							
Electric	6,936,488	7,018,128	-	184,713	-	266,353	266,353
Water	850,276	1,181,796	-	50,738	-	382,258	382,258
Sewer	803,378	1,060,795	50,008	136,380	-	443,805	443,805
Solid waste	555,565	845,996	-	-	-	290,431	290,431
Golf course	<u>179,148</u>	<u>177,350</u>	<u>-</u>	<u>19,089</u>	<u>-</u>	<u>17,291</u>	<u>17,291</u>
Total business-type activities	<u>9,324,855</u>	<u>10,284,065</u>	<u>50,008</u>	<u>390,920</u>	<u>-</u>	<u>1,400,138</u>	<u>1,400,138</u>
Total primary government	<u>\$15,899,668</u>	<u>\$10,654,973</u>	<u>\$ 817,459</u>	<u>\$ 444,866</u>	<u>(5,382,508)</u>	<u>1,400,138</u>	<u>(3,982,370)</u>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					1,366,983	-	1,366,983
Debt service					111,200	-	111,200
Franchise and public services taxes					1,207,173	-	1,207,173
Interest and investment earnings					11,403	56,716	68,119
Miscellaneous					-	97,797	97,797
Gain (loss) on sale of property					-	4,000	4,000
Special item:							
Refund of property taxes to County					(74,628)	-	(74,628)
Transfers					<u>2,052,719</u>	<u>(2,052,719)</u>	<u>-</u>
Total general revenues, special items, and transfers					<u>4,674,850</u>	<u>(1,894,206)</u>	<u>2,780,644</u>
Change in net position					(707,658)	(494,068)	(1,201,726)
Net position, beginning					<u>16,581,969</u>	<u>25,223,769</u>	<u>41,805,738</u>
Net position, ending					<u>\$15,874,311</u>	<u>\$24,729,701</u>	<u>\$40,604,012</u>

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.

**CITY OF MILTON-FREEWATER, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General Fund	Other Governmental Funds	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 163,225	\$ 426,098	\$ 589,323
Investments	96,869	250,285	347,154
Receivables:			
Property taxes	47,869	10,360	58,229
Accounts	89,208	79,923	169,131
Fines and forfeitures, net	86,726	-	86,726
Advances to other funds	30,645	628,846	659,491
 Total assets	 \$ 514,542	 \$ 1,395,512	 \$ 1,910,054
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 145,437	\$ 99,811	\$ 245,248
Deposits	500	-	500
Advances from other funds	-	30,645	30,645
 Total liabilities	 145,937	 130,456	 276,393
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	134,596	13,940	148,536
 Total deferred inflows of resources	 134,596	 13,940	 148,536
<b>FUND BALANCES</b>			
Nonspendable	30,645	628,846	659,491
Restricted	157	359,499	359,656
Assigned	-	369,572	369,572
Unassigned	203,207	(106,801)	96,406
 Total fund balances	 234,009	 1,251,116	 1,485,125
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 514,542	 \$ 1,395,512	 \$ 1,910,054

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 POSITION**  
**June 30, 2014**

**Fund balances - total governmental funds** \$ 1,485,125

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds 14,475,561

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements. 148,536

Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds. (237,620)

Accrued other postemployment benefits are not due and payable in the current period, and, therefore, are not reported in the funds. (173,758)

Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements. (5,625)

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. (240,000)

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. 422,092

**Net position of governmental activities** \$ 15,874,311

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	General Fund	Other Governmental Funds	Totals
<b>REVENUES</b>			
Property taxes	\$ 784,867	\$ 738,841	\$ 1,523,708
Utility tax	138,660	-	138,660
Other taxes	18,121	-	18,121
Franchise fees	873,574	-	873,574
Licenses and fees	14,321	1,015	15,336
Charges for services	138,633	20,283	158,916
Intergovernmental	220,768	768,821	989,589
Fines and forfeitures	119,466	2,395	121,861
Interest on investments	3,983	7,421	11,404
Miscellaneous	106,896	5,727	112,623
<b>TOTAL REVENUES</b>	<u>2,419,289</u>	<u>1,544,503</u>	<u>3,963,792</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,285,641	199,037	1,484,678
Public safety	1,969,756	24,354	1,994,110
Culture and recreation	394,573	329,887	724,460
Public works	454,070	-	454,070
Community development	176,818	247,922	424,740
Engineering	88,313	-	88,313
Highways and streets	-	232,899	232,899
Capital outlay	25,962	235,365	261,327
Debt service	-	213,817	213,817
<b>TOTAL EXPENDITURES</b>	<u>4,395,133</u>	<u>1,483,281</u>	<u>5,878,414</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,975,844)</u>	<u>61,222</u>	<u>(1,914,622)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,142,259	128,140	2,270,399
Transfers out	(129,740)	(87,940)	(217,680)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,012,519</u>	<u>40,200</u>	<u>2,052,719</u>
<b>SPECIAL ITEM</b>			
Refund of property taxes received	-	(74,628)	(74,628)
<b>NET CHANGE IN FUND BALANCE</b>	36,675	26,794	63,469
<b>FUND BALANCE, Beginning</b>	<u>197,334</u>	<u>1,224,322</u>	<u>1,421,656</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 234,009</u>	<u>\$ 1,251,116</u>	<u>\$ 1,485,125</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, 2014**

**Net change in fund balance - governmental funds** \$ 63,469

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 inflows (74,723)

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.

199,117

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 (9,775)

Change in accrued interest payable (271)

Expense of bond discounts and issuance costs (4,896)

Change in other postemployment benefits (33,834)

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

Capital asset additions \$ 43,720

Depreciation expense (884,877)

(841,157)

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.

(5,588)

**Change in net position - governmental activities** \$ (707,658)

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 752,500	\$ 752,500	\$ 784,867	\$ 32,367
Utility tax	122,500	122,500	138,660	16,160
Other taxes	18,000	18,000	18,121	121
Franchise fees	861,053	861,053	873,574	12,521
Licenses and fees	14,050	14,050	14,321	271
Charges for services	159,900	159,900	138,633	(21,267)
Intergovernmental	188,908	227,226	220,768	(6,458)
Fines and forfeitures	155,350	155,350	119,466	(35,884)
System development charges	400	400	-	(400)
Interest on investments	2,000	2,000	3,983	1,983
Miscellaneous	97,500	108,628	106,896	(1,732)
<b>TOTAL REVENUES</b>	<u>2,372,161</u>	<u>2,421,607</u>	<u>2,419,289</u>	<u>(2,318)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,411,143	1,438,643	1,285,641	153,002
Public safety	2,074,409	2,077,727	1,969,756	107,971
Culture and recreation	440,138	440,138	394,573	45,565
Public works	534,076	534,076	454,070	80,006
Community development	182,440	184,940	176,818	8,122
Engineering	104,855	104,855	88,313	16,542
Capital outlay	21,350	37,478	25,962	11,516
Contingency	72,000	72,000	-	72,000
<b>TOTAL EXPENDITURES</b>	<u>4,840,411</u>	<u>4,889,857</u>	<u>4,395,133</u>	<u>494,724</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,468,250)</u>	<u>(2,468,250)</u>	<u>(1,975,844)</u>	<u>492,406</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,142,259	2,142,259	2,142,259	-
Transfers out	(129,740)	(129,740)	(129,740)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,012,519</u>	<u>2,012,519</u>	<u>2,012,519</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(455,731)	(455,731)	36,675	492,406
<b>FUND BALANCE, Beginning</b>	<u>455,731</u>	<u>455,731</u>	<u>197,334</u>	<u>(258,397)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,009</u>	<u>\$ 234,009</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 Funds are 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 POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

	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	\$ 3,775,473	\$ 246,298	\$ 718,715	\$ 8,096	\$ 309,308	\$ 5,057,890	\$ 458,909
Investments	2,218,533	144,783	422,485	4,759	181,822	2,972,382	269,763
Restricted cash and cash equivalents	180,832	-	-	-	-	180,832	-
Receivables:							
Accounts	531,347	177,107	126,366	2,966	80,036	917,822	5,994
Inventories	437,955	22,493	4,112	-	-	464,560	8,546
Total current assets	<u>7,144,140</u>	<u>590,681</u>	<u>1,271,678</u>	<u>15,821</u>	<u>571,166</u>	<u>9,593,486</u>	<u>743,212</u>
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	-	-	75,928	75,928	-
Restricted investments	-	-	-	-	44,633	44,633	-
Weatherization loans	84,570	-	-	-	-	84,570	-
Capital assets:							
Land	112,628	16,313	512,442	61,686	50,000	753,069	-
Construction in progress	-	-	87,864	-	-	87,864	-
Depreciable assets, net of depreciation	8,572,409	3,465,337	2,882,016	201,249	33,593	15,154,604	910,000
Total noncurrent assets	<u>8,769,607</u>	<u>3,481,650</u>	<u>3,482,322</u>	<u>262,935</u>	<u>204,154</u>	<u>16,200,668</u>	<u>910,000</u>
Total assets	<u>15,913,747</u>	<u>4,072,331</u>	<u>4,754,000</u>	<u>278,756</u>	<u>775,320</u>	<u>25,794,154</u>	<u>1,653,212</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>							
	-	-	-	-	-	-	-
<b>LIABILITIES</b>							
Current liabilities (unrestricted assets):							
Accounts payable	427,796	25,669	14,341	3,670	7,514	478,990	18,148
Accrued interest payable	-	15,204	-	-	-	15,204	-
Advances from other funds	-	-	433,000	195,846	-	628,846	-
Current portion of long-term debt	78,610	127,238	3,057	1,635	21,114	231,654	8,142
Total current liabilities (unrestricted)	<u>506,406</u>	<u>168,111</u>	<u>450,398</u>	<u>201,151</u>	<u>28,628</u>	<u>1,354,694</u>	<u>26,290</u>
Current liabilities (payable from restricted assets):							
Deposits	180,832	-	-	-	-	180,832	-
Total current liabilities	<u>687,238</u>	<u>168,111</u>	<u>450,398</u>	<u>201,151</u>	<u>28,628</u>	<u>1,535,526</u>	<u>26,290</u>
Long-term debt, net of current portion							
Due to Bonneville Power Administration	65,346	-	-	-	-	65,346	-
Landfill closure liability	-	-	-	-	114,148	114,148	-
Notes and contracts payable	-	395,917	23,900	-	-	419,817	-
Compensated absences payable	19,653	1,834	765	409	5,278	27,939	2,036
Other postemployment benefits	48,934	13,039	18,516	3,422	9,711	93,622	10,849
Total non-current liabilities	<u>133,933</u>	<u>410,790</u>	<u>43,181</u>	<u>3,831</u>	<u>129,137</u>	<u>720,872</u>	<u>12,885</u>
Total liabilities	<u>821,171</u>	<u>578,901</u>	<u>493,579</u>	<u>204,982</u>	<u>157,765</u>	<u>2,256,398</u>	<u>39,175</u>
<b>DEFERRED INFLOW OF RESOURCES</b>							
	-	-	-	-	-	-	-
<b>NET POSITION</b>							
Net investment in capital assets	8,685,037	2,965,827	3,458,422	262,935	83,593	15,455,814	910,000
Restricted for system development	68,754	104,638	306,860	-	-	480,252	-
Restricted for landfill closure	-	-	-	-	6,413	6,413	-
Unrestricted	6,338,785	422,965	495,139	(189,161)	527,549	7,595,277	704,037
Total net position	<u>\$15,092,576</u>	<u>\$3,493,430</u>	<u>\$4,260,421</u>	<u>\$ 73,774</u>	<u>\$ 617,555</u>	<u>\$23,537,756</u>	<u>\$1,614,037</u>

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 POSITION**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

**Net position - total enterprise funds** \$ 23,537,756

Amounts reported for business-type activities in the Statement of Net Position 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 Position as follows:

Cash and cash equivalents	\$ 458,909	
Investments	269,763	
Accounts receivable, net	5,994	
Inventories	8,546	
Internal balances	(422,092)	
Capital assets, net	910,000	
Accounts payable and accrued expenses	(18,148)	
Compensated absences payable	(10,178)	
Other postemployment benefits	<u>(10,849)</u>	
		<u>1,191,945</u>

**Net position of business - type activities** \$ 24,729,701

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	<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	\$ 6,953,967	\$1,181,642	\$1,059,774	\$177,351	\$ 845,995	\$10,218,729	\$ 684,050
Miscellaneous	64,162	153	1,020	-	-	65,335	30,862
<b>TOTAL OPERATING REVENUES</b>	<u>7,018,129</u>	<u>1,181,795</u>	<u>1,060,794</u>	<u>177,351</u>	<u>845,995</u>	<u>10,284,064</u>	<u>714,912</u>
<b>OPERATING EXPENSES</b>							
Personal services	1,244,491	244,246	337,244	60,770	224,119	2,110,870	314,928
Materials and services	5,240,465	315,836	269,897	92,105	344,301	6,262,604	252,408
Depreciation	373,991	246,120	194,638	25,499	3,501	843,749	131,472
<b>TOTAL OPERATING EXPENSES</b>	<u>6,858,947</u>	<u>806,202</u>	<u>801,779</u>	<u>178,374</u>	<u>571,921</u>	<u>9,217,223</u>	<u>698,808</u>
<b>OPERATING INCOME (LOSS)</b>	<u>159,182</u>	<u>375,593</u>	<u>259,015</u>	<u>(1,023)</u>	<u>274,074</u>	<u>1,066,841</u>	<u>16,104</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>							
Farm income	-	-	50,008	-	-	50,008	-
Gain on disposal of capital assets	-	-	-	-	-	-	4,000
Interest on investments	41,617	3,053	3,898	2	3,704	52,274	4,442
Interest expense	-	(28,543)	-	(1,901)	-	(30,444)	(1,088)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>41,617</u>	<u>(25,490)</u>	<u>53,906</u>	<u>(1,899)</u>	<u>3,704</u>	<u>71,838</u>	<u>7,354</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	200,799	350,103	312,921	(2,922)	277,778	1,138,679	23,458
<b>CAPITAL CONTRIBUTIONS</b>							
Intergovernmental	60,465	8,128	-	19,089	-	87,682	-
System development charges	124,248	42,610	136,380	-	-	303,238	-
<b>TRANSFERS</b>							
Transfers in	105,958	-	198,095	-	9,000	313,053	136,785
Transfers out	(1,085,208)	(515,093)	(599,175)	(100)	(217,333)	(2,416,909)	(85,648)
<b>CHANGE IN NET POSITION</b>	(593,738)	(114,252)	48,221	16,067	69,445	(574,257)	74,595
<b>NET POSITION, Beginning</b>	<u>15,686,314</u>	<u>3,607,682</u>	<u>4,212,200</u>	<u>57,707</u>	<u>548,110</u>	<u>24,112,013</u>	<u>1,539,442</u>
<b>NET POSITION, Ending</b>	<u>\$15,092,576</u>	<u>\$3,493,430</u>	<u>\$4,260,421</u>	<u>\$ 73,774</u>	<u>\$ 617,555</u>	<u>\$23,537,756</u>	<u>\$ 1,614,037</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, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2014**

**Change in net position - total enterprise funds** \$ (574,257)

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.

80,189

**Change in net position of business - type activities** \$ (494,068)

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	Business-Type Activities - Enterprise Funds						Business-Type Activities Internal Service Funds
	All Electric Funds	Water Fund	All Sewer Funds	Golf Fund	Other Enterprise Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$7,047,117	\$1,177,042	\$1,054,510	\$ 175,594	\$852,369	\$10,306,632	\$ 119,469
Receipts from interfund services provided	-	-	-	-	-	-	605,807
Payments to suppliers	(4,847,199)	(267,393)	(254,777)	(99,947)	(201,932)	(5,671,248)	(366,746)
Payments to employees	(791,810)	(137,595)	(191,072)	(32,757)	(130,400)	(1,283,634)	(203,146)
Payments for interfund services used	(636,642)	(130,508)	(148,715)	(18,378)	(226,524)	(1,160,767)	-
Net cash provided from (used by) operating activities	<u>771,466</u>	<u>641,546</u>	<u>459,946</u>	<u>24,512</u>	<u>293,513</u>	<u>2,190,983</u>	<u>155,384</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Farm income	-	-	50,008	-	-	50,008	-
Transfers in	105,958	-	198,095	-	9,000	313,053	136,785
Transfers out	(1,085,208)	(515,093)	(599,175)	(100)	(217,333)	(2,416,909)	(85,648)
Net cash provided from (used by) non-capital financing activities	<u>(979,250)</u>	<u>(515,093)</u>	<u>(351,072)</u>	<u>(100)</u>	<u>(208,333)</u>	<u>(2,053,848)</u>	<u>51,137</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from intergovernmental revenue	60,465	8,128	-	19,089	-	87,682	-
Weatherization program	5,522	-	-	-	-	5,522	-
System development charges	124,248	42,610	136,380	-	-	303,238	-
Proceeds from issuance of debt	-	-	23,900	-	-	23,900	-
Proceeds from sale of capital assets	-	-	-	-	-	-	4,000
Interfund loan proceeds	-	-	433,000	180,757	-	613,757	-
Acquisition of capital assets	(55,493)	(48,533)	(25,509)	-	-	(129,535)	(109,636)
Principal paid on long-term obligations	(3,055)	(113,957)	-	(197,794)	-	(314,806)	(47,832)
Interest paid on long-term obligations	-	(31,760)	-	(13,611)	-	(45,371)	(1,625)
Net cash provided from (used by) capital and related financing activities	<u>131,687</u>	<u>(143,512)</u>	<u>567,771</u>	<u>(11,559)</u>	<u>-</u>	<u>544,387</u>	<u>(155,093)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Net sales (purchases) of investments	221,344	19,031	(236,199)	(4,759)	(15,036)	(15,619)	2,315
Interest on investments	41,617	3,053	3,898	2	3,704	52,274	4,442
Net Cash provided (used) by investing activities	<u>262,961</u>	<u>22,084</u>	<u>(232,301)</u>	<u>(4,757)</u>	<u>(11,332)</u>	<u>36,655</u>	<u>6,757</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	186,864	5,025	444,344	8,096	73,848	718,177	58,185
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>3,769,441</u>	<u>241,273</u>	<u>274,371</u>	<u>-</u>	<u>311,388</u>	<u>4,596,473</u>	<u>400,724</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$3,956,305</u>	<u>\$ 246,298</u>	<u>\$ 718,715</u>	<u>\$ 8,096</u>	<u>\$385,236</u>	<u>\$ 5,314,650</u>	<u>\$ 458,909</u>
<b>COMPRISED AS FOLLOWS</b>							
Cash and cash equivalents	\$3,775,473	\$ 246,298	\$ 718,715	\$ 8,096	\$309,308	\$ 5,057,890	\$ 458,909
Restricted cash and cash equivalents	180,832	-	-	-	75,928	256,760	-
	<u>\$3,956,305</u>	<u>\$ 246,298</u>	<u>\$ 718,715</u>	<u>\$ 8,096</u>	<u>\$385,236</u>	<u>\$ 5,314,650</u>	<u>\$ 458,909</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, 2014**

	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)	\$ 159,182	\$ 375,593	\$ 259,015	\$ (1,023)	\$274,074	\$ 1,066,841	\$ 16,104
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	373,991	246,120	194,638	25,499	3,501	843,749	131,472
(Increase) decrease in assets:							
Receivables	22,706	(4,753)	(6,284)	(1,757)	6,374	16,286	10,365
Inventories	(25,063)	6,634	755	-	-	(17,674)	(827)
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	211,358	16,288	4,528	702	5,222	238,098	(2,221)
Deposits	6,282	-	-	-	-	6,282	-
Compensated absences payable	9,952	315	3,433	411	3,370	17,481	(1,684)
Other postemployment benefits	13,058	1,349	3,861	680	972	19,920	2,175
Net cash provided from operating activities	<u>\$ 771,466</u>	<u>\$ 641,546</u>	<u>\$ 459,946</u>	<u>\$ 24,512</u>	<u>\$293,513</u>	<u>\$ 2,190,983</u>	<u>\$ 155,384</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, 2014**

**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 Position 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.

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 fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. 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 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, is as following:

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.

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.

*Capital Project funds* account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays including acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary 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 assets 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 Position. Bond premiums and discounts 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 expensed in the period incurred.

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, 2014 were as follows:

Fund Balance	General Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Advances to other funds	\$ 30,645	\$ 628,846	\$ 659,491
<b>Restricted for:</b>			
Streets and Parks	-	344,439	344,439
Debt Service		15,060	15,060
System Development	157	-	157
<b>Assigned to:</b>			
Streets	-	24,288	24,288
Transportation programs	-	345,275	345,275
Drug enforcement	-	9	9
<b>Unassigned:</b>	203,207	(106,801)	96,406
<b>Total Fund Balance</b>	<b>\$ 234,009</b>	<b>\$ 1,251,116</b>	<b>\$ 1,485,125</b>

## 8. Restricted Net Position

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

## E. 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.

## F. Recently Issued and Adopted Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement restricts the use of the term "deferred" to only those items designed as deferred outflow or deferred inflow of resources by the standards. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The statement was adopted in the current year, but had no effect except terminology changes to the statements.

## **G. Pending Accounting Pronouncements**

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB 27*. GASB 68 revises existing standards of financial reporting for most pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for fiscal years beginning after June 15, 2014.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are applied simultaneously with the provisions of Statement 68.

## **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, 2014, 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:

<b>Library Fund</b>	
Personal Services	<u>\$ 3,458</u>
<b>Senior/Disabled Transportation Fund</b>	
Personal Services	<u>\$ 1,286</u>
Materials and Services	<u>\$ 9,967</u>
<b>Electric Fund</b>	
Materials and Services	<u>\$ 89,536</u>
<b>Water Fund</b>	
Personal Services	<u>\$ 22,586</u>
<b>Golf Course Fund</b>	
Materials and Services	<u>\$ 170,393</u>
<b>Vehicle Replacement Fund</b>	
Debt Service	<u>\$ 567</u>

**C. Deficit Fund Balances**

Funds having a deficit fund balance at June 30, 2014 are as follows:

Library Fund	<u>\$ 21,709</u>
911 Fund	<u>\$ 10,787</u>
Golf Course Fund	<u>\$ 183,695</u>

Management expects the deficit fund balances to be reversed in future years by reducing salary expense 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, 2014. 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, 2014, the carrying amount of the City and Urban Renewal Agency's deposits, including certificates of deposit and money market accounts of \$1,250,530, was \$1,897,153 and the bank balance was \$2,228,277. 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, \$840,785 was covered by federal depository insurance and \$1,387,492 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, 2014, and their remaining time to maturity, are as follows:

Investment Type	Maturity	Fair Value
Local Government Investment Pool	1 day	\$ 4,960,054
Time Certificates of Deposit	Less than 1 year	495,720
Money Market Investments	1 day	754,810
US Government Agency Obligations (Rating Aaa)	Less than 1 year	1,357,179
US Government Agency Obligations (Rating Aaa)	1 to 3 years	694,710
Corporate Bonds (Rating 10% AA, 90% A)	Less than 1 year	504,076
Corporate Bonds (Rating 85% AA, 15% A)	1 to 3 years	582,247
		<u>9,348,796</u>
Less amounts classified as cash equivalents		<u>(5,714,864)</u>
Total investments		<u><u>\$ 3,633,932</u></u>

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

Cash on hand	\$ 1,395
Carrying amounts of deposits	646,623
Local Government Investment Pool	4,960,054
Money Market Investments	754,810
Total cash and cash equivalents	<u><u>\$ 6,362,882</u></u>

Restricted cash and investments at June 30, 2014 consist of the following:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental activities:			
System development	\$ -	\$ 157	\$ 157
Streets	12,502	331,937	344,439
Debt service	-	15,060	15,060
	<u>12,502</u>	<u>347,154</u>	<u>359,656</u>
Total governmental activities	<u>12,502</u>	<u>347,154</u>	<u>359,656</u>
Business-type activities:			
Customer deposits	180,832	-	180,832
Landfill closure costs	75,928	44,633	120,561
	<u>256,760</u>	<u>44,633</u>	<u>301,393</u>
Total business-type activities	<u>256,760</u>	<u>44,633</u>	<u>301,393</u>
Total restricted assets	<u>\$ 269,262</u>	<u>\$ 391,787</u>	<u>\$ 661,049</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>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Property taxes	\$ 47,869	\$ 10,360	\$ 58,229
Accounts	63,657	2,097	65,754
Intergovernmental	25,551	77,826	103,377
Fines and forfeitures	216,866	-	216,866
Allowance for doubtful accounts	(130,140)	-	(130,140)
	<u>\$223,803</u>	<u>\$ 90,283</u>	<u>\$ 314,086</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	\$ 519,333	\$ 12,014	\$ 531,347
Water fund	174,336	2,771	177,107
Sewer funds	122,866	3,500	126,366
Golf funds	2,966	-	2,966
Other enterprise funds	80,036	-	80,036
Internal service funds	5,994	-	5,994
Total accounts receivable	<u>\$ 905,531</u>	<u>\$ 18,285</u>	<u>\$ 923,816</u>

Uncollected property taxes in governmental funds are shown on the statement of net position 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 2013-2014, the City levied property taxes for general services, bond repayment, and a local option tax for transportation services in the total amount of \$966,370. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$966,322. The tax rate for the fiscal year was \$3.7499 for the general levy, \$0.5179 for bond repayment, and \$0.2377 for the local option, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2014 was \$252,318,776. 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 \$583,787. The Urban Renewal Agency no longer has legal authority to collect property taxes and taxes collected after June 30, 2014 were refunded.

Following is a summary of property tax transactions for the year ended June 30, 2014:

	Balances July 1, 2013	2013-14 Levy	Interest Discounts and Adjustments	Collections	Balances June 30, 2014
2013-14	\$ -	\$ 1,550,109	\$ (43,741)	\$ (1,454,396)	\$ 51,972
2012-13	52,785	-	851	(28,425)	25,211
2011-12	31,795	-	1,732	(20,632)	12,895
2010-11	20,033	-	2,850	(16,049)	6,834
2009-10	10,061	-	2,280	(10,954)	1,387
2008-09	2,234	-	466	(1,888)	812
2007-08	1,382	-	494	(1,707)	169
2006-07	209	-	1	(40)	170
2005-06	199	-	(41)	(36)	122
2004-05	132	-	15	(37)	110
Prior years	525	-	98	(220)	403
	<u>\$ 119,355</u>	<u>\$ 1,550,109</u>	<u>\$ (34,995)</u>	<u>\$ (1,534,384)</u>	<u>\$ 100,085</u>
				Less July Portion	(4,874)
				Less URA portion not to be collected	<u>(36,982)</u>
					<u>\$ 58,229</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, 2014, was as follows:

	Beginning Balance	Additions	Deletion	Ending Balance
Capital assets, not being depreciated				
Land	\$ 337,290	\$ -	\$ -	\$ 337,290
Construction in progress	107,884	22,715	-	130,599
Total capital assets, not being depreciated	<u>445,174</u>	<u>22,715</u>	<u>-</u>	<u>467,889</u>
Capital assets, being depreciated				
Machinery and equipment	115,791	-	-	115,791
Buildings and improvements	5,134,751	21,005	-	5,155,756
Infrastructure	25,538,408	-	-	25,538,408
Total capital assets, being depreciated	<u>30,788,950</u>	<u>21,005</u>	<u>-</u>	<u>30,809,955</u>
Accumulated depreciation for:				
Machinery and equipment	(97,699)	(9,419)	-	(107,118)
Buildings and improvements	(2,809,694)	(172,682)	-	(2,982,376)
Infrastructure	(13,010,013)	(702,776)	-	(13,712,789)
Total accumulated depreciation	<u>(15,917,406)</u>	<u>(884,877)</u>	<u>-</u>	<u>(16,802,283)</u>
Total capital assets, being depreciated, net	<u>14,871,544</u>	<u>(863,872)</u>	<u>-</u>	<u>14,007,672</u>
Governmental activities capital assets, net	<u>\$ 15,316,718</u>	<u>\$ (841,157)</u>	<u>\$ -</u>	<u>\$ 14,475,561</u>

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

General government	\$ 48,279
Public safety	1,883
Culture and recreation	131,939
Highways and streets	<u>702,776</u>
Total depreciation expense - governmental activities	<u><u>\$ 884,877</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Transfers & Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 753,069	\$ -	\$ -	\$ 753,069
Construction in progress	<u>62,355</u>	<u>25,509</u>	<u>-</u>	<u>87,864</u>
Total capital assets, not being depreciated	<u>815,424</u>	<u>25,509</u>	<u>-</u>	<u>840,933</u>
Capital assets, being depreciated				
Machinery and equipment	3,261,891	109,639	(15,960)	3,355,570
Buildings and improvements	<u>28,045,050</u>	<u>104,028</u>	<u>-</u>	<u>28,149,078</u>
Total capital assets, being depreciated	<u>31,306,941</u>	<u>213,667</u>	<u>(15,960)</u>	<u>31,504,648</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,177,036)	(838,363)	-	(13,015,399)
Machinery and equipment	<u>(2,303,747)</u>	<u>(136,858)</u>	<u>15,960</u>	<u>(2,424,645)</u>
Total accumulated depreciation	<u>(14,480,783)</u>	<u>(975,221)</u>	<u>15,960</u>	<u>(15,440,044)</u>
Total capital assets, being depreciated, net	<u>16,826,158</u>	<u>(761,554)</u>	<u>-</u>	<u>16,064,604</u>
Business-type activities capital assets, net	<u><u>\$17,641,582</u></u>	<u><u>\$ (736,045)</u></u>	<u><u>\$ -</u></u>	<u><u>\$16,905,537</u></u>

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

Electric	\$ 373,991
Water	246,120
Sewer	194,638
Solid Waste	3,501
Golf Course	25,499
Vehicle Replacement	<u>131,472</u>
Total depreciation expense - business-type activities	<u><u>\$ 975,221</u></u>

**D. Deferred Inflows of Resources**

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

The governmental funds report unavailable revenues from the following sources:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Property taxes	\$ 47,870	\$ 10,360	\$ 58,230
Fines and forfeitures	86,726	-	86,726
Assessments / Accounts	-	3,580	3,580
	<u>\$ 134,596</u>	<u>\$ 13,940</u>	<u>\$ 148,536</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
2014-15	\$ 120,000	\$ 6,750
2015-16	120,000	2,575
	\$ 240,000	\$ 9,325

## 2. Notes Payable – Governmental Activities

### Urban Renewal Agency

The City of Milton-Freewater Urban Renewal Agency received a loan from Community Bank to refinance the original debt issued for Sykes construction project in the amount of \$1,500,000. The loan maturity was scheduled to be December 31, 2012, but the loan terms were changed in the prior year and final payment was due June 30, 2014. The revised loan requires a final annual payment June 30, 2014 of \$92,935, including interest at 4.19%. The loan was paid in full at June 30, 2014.

## 3. 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
2015	\$ 119,906	\$ 26,063
2016	125,902	20,067
2017	131,948	13,771
2018	138,067	7,041
	\$ 515,823	\$ 66,942

## 4. Notes Payable – Business – Type Activities – Sewer Fund

On December 9, 2013 the City entered into an agreement with the Oregon Infrastructure Finance Authority (IFA) for a wastewater improvement grant reimbursement loan for a total of \$3,305,000. Of the total, \$2,000,000 is grant monies and the remaining \$1,305,000 is a cost reimbursement loan to the City. The City submits disbursement requests for costs incurred to the State and receives a draw

down on their loan balance. At June 30, 2014 the City has drawn down \$23,900 in cost reimbursements leaving a balance of \$1,281,100. Amortization of the loan is not yet available.

#### **5. 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 loan was paid in full at June 30, 2014.

#### **6. 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. The loan was paid in full at June 30, 2014.

#### **7. 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 \$65,346 was outstanding as of June 30, 2014.

#### **8. 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 \$114,148 reported as landfill closure liability in the landfill closure fund at June 30, 2014, 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 \$229,864 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 indexed for inflation. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The current landfill capacity used is 33.18% and the City expects to close the landfill in the year 2075, which means a remaining estimated life of 61 years.

## 9. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 350,000	\$ -	\$ 110,000	\$ 240,000	\$ 120,000
Notes Payable	89,117	-	89,117	-	-
Total debt	439,117	-	199,117	240,000	120,000
Other postemployment benefits	139,924	33,834	-	173,758	-
Compensated absences	227,845	9,931	156	237,620	190,096
Governmental activity Long-term obligations	<u>\$ 806,886</u>	<u>\$ 43,765</u>	<u>\$ 199,273</u>	<u>\$ 651,378</u>	<u>\$ 310,096</u>
<b>Business - type activities:</b>					
Notes Payable	\$ 875,406	\$ 23,900	\$ 359,583	\$ 539,723	\$ 119,906
Weatherization Program - Due to BPA	68,400	-	3,054	65,346	-
Landfill Closure Liability	110,695	3,453	-	114,148	-
Total debt	1,054,501	27,353	362,637	719,217	119,906
Other postemployment benefits	82,376	22,098	-	104,474	-
Compensated absences	134,067	17,479	1,684	149,862	119,890
Business-type activity Long-term obligations	<u>\$ 1,270,944</u>	<u>\$ 66,930</u>	<u>\$ 364,321</u>	<u>\$ 973,553</u>	<u>\$ 239,796</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 \$2,052,719.

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

	Transfers In	Transfers Out
<b>Governmental activities:</b>		
General	\$ 2,142,259	\$ 129,740
Other governmental funds	128,140	87,940
<b>Business-type activities:</b>		
Electric	105,958	1,085,208
Water	-	515,093
Sewer	198,095	599,175
Golf Course	-	100
Other enterprise funds	9,000	217,333
Internal service funds	136,785	85,648
	<u>\$ 2,720,237</u>	<u>\$ 2,720,237</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; transfers to subsidize the Warehouse fund; 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 .24% 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 \$296,064 for the year ended June 30, 2014.

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 65 active members in its plan on August 1, 2012, 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 \$39,810 and amortization of the UAAL of \$72,550. 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 2013-14, the City's explicit benefit payments were \$37,481.

Normal cost at year end	\$ 39,810
Interest on net OPEB obligation	7,780
One year's amortization of UAAL	72,550
Adjustment to annual required contribution	<u>(26,729)</u>
Annual OPEB cost (expense)	93,411
Contributions made (Explicit benefit payments)	<u>(37,481)</u>
Increase in net OPEB obligation	55,930
Net OPEB obligation - beginning of year	<u>222,299</u>
Net OPEB obligation - end of year	<u><u>\$ 278,229</u></u>

**Funding Policy.** The City has elected to not prefund the actuarially determined future cost amount of \$278,229. 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 Position.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013 and 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributions</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 93,411	40%	\$ 278,229
6/30/2012	69,567	49%	186,955
6/30/2011	66,781	34%	142,563

**Funded Status and Funding Progress.** As of August 1, 2012, the most recent actuarial valuation date, the plan was considered unfunded. The actuarial accrued liability for benefits was \$584,642, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$584,642. The covered payroll (annual payroll of active employees covered by the plan) was \$3,923,232 and the ratio of UAAL to the covered payroll was 14.9%.

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 plan include a general inflation rate of 2.75%, a 3.5% investment return and discount rate; an increase in health costs of 7.25% in the current year and trending down to 5.5% in future years; and retirement rates used by Oregon PERS for its December 31, 2011, actuarial valuation. 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.

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 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 Accrued 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)
8/1/2012	\$ -	\$ 584,642	\$ 584,642	0%	\$ 3,923,232	14.9%
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 21.83% for police and fire and 14.22% for other 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 15.63% of covered payroll for police and fire employees and 12.9% 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, 2014, 2013, and 2012 were \$789,840, \$801,449, and \$809,581 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, 2014. Major projects in progress at June 30, 2014 are as follows:

The EPA Storm Water project has incurred costs of \$130,599 as of June 30, 2014. The total estimated cost is approximately \$1,058,180. The cost to the city is \$476,180, which is an estimated 27% complete.

The sewer portion of the SCADA system upgrades has incurred costs of \$13,740. The total estimated cost is approximately \$30,000, which is an estimated 46% complete. The project completion is currently on hold.

The City is working on a plan with the DEQ to tear out the old sewer digester and replace it with two new ones. The total cost of the project is estimated at \$3.305 million. The City has been awarded a grant of \$2 million and a loan for the remaining \$1.305 million. Costs incurred as of June 30, 2014 were \$74,124 and construction has not started.

## **G. Commitments and Contingencies**

The City has several construction in process projects open at year end, noted above.

The Urban Renewal Agency loaned the City of Milton-Freewater \$628,846, which has not been treated as expenditures of tax increment funds and is not included in the calculation of maximum indebtedness. The auditor's opinion is that under ORS 457.450(3), the \$628,846 in loans receivable from the City should be considered unexpended from the special fund and be required to be turned over to the County treasurer. In addition, there was \$323 cash remaining in the Urban Renewal Agency Fund which may also be subject to repayment to the County for a total of \$629,169. The City and Urban Renewal Agency disagree that these monies are required to be refunded and has not reported a liability.

The City is facing forced annexation of property within the Urban Growth Boundary due to a case of contaminated water on the property. The City planned to submit its settlement plan to Oregon Health Authority (OHA) in September of 2014. The City feels its position to be strong and the proposal reasonable, but the outcome cannot be reasonably predicted.

## **H. Special Item**

The Urban Renewal Agency (a component of the City of Milton-Freewater) overspent their maximum indebtedness limit by \$74,628 during the 2013-14 fiscal year and has accrued a liability for the refund of property taxes to the county. The Agency no longer has authority to collect further property taxes, and all taxes collected after June 30, 2014 have been refunded. The item is unusual in nature, infrequent in occurrence, and under the control of management.

## **I. Going Concern**

The City of Milton-Freewater Urban Renewal Agency paid off all debt as of June 30, 2014 and has reached its maximum indebtedness limit. The Urban Renewal Agency no longer has legal authority to collect property taxes and all taxes collected after June 30, 2014 have been refunded. Management expects the Agency to discontinue operations during the 2014-15 fiscal year.

## **J. Subsequent Events**

The City purchased a new Bucket Truck from Terex Utilities, Inc. for a total of \$168,195. The Bucket truck being replaced is being kept by the city as they feel it still has use and value.

The City purchased a new sewer truck from Big Truck & Equipment Sales for a total of \$89,000.

The City received a grant totaling \$160,000 for a paving project after year end. The project was awarded to Central Washington Asphalt and has been completed. The City paid them in total \$159,985.

## **K. Related Party**

The Milton-Freewater Urban Renewal Agency loaned \$433,000 to the City's Sewer Fund for the sewer digester project and \$195,846 to the Golf Fund to pay off existing external debt and refinance previous improvements that benefitted the community. The loans are to be repaid to the Agency over a period of five years and include interest of 3.5% on the Sewer loan and 1% on the Golf loan.

The Milton-Freewater Urban Renewal Agency paid the City \$208,930 for administrative services during the year.



**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:

- *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.
- *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.

**Capital Project Funds**– Accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds. Funds included in this category are:

- *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.

**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, 2014**

	Special Revenue					
	Street	Library	Senior/ Disabled Transportation	Drug Enforcement	911	Urban Renewal Agency
<b>ASSETS</b>						
Cash and cash equivalents	\$ 205,792	\$ -	\$ 195,286	\$ 6	\$ -	\$ 323
Investments	120,972	-	114,795	3	-	-
Receivables:						
Property taxes	-	-	3,656	-	-	-
Accounts	32,843	-	38,189	-	8,240	-
Advances to other funds	-	-	-	-	-	628,846
<b>Total assets</b>	<b><u>\$ 359,607</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 351,926</u></b>	<b><u>\$ 9</u></b>	<b><u>\$ 8,240</u></b>	<b><u>\$ 629,169</u></b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 11,588	\$ 10,091	\$ 2,995	\$ -	\$ -	\$ 74,628
Advances from other funds	-	11,618	-	-	19,027	-
<b>Total liabilities</b>	<b><u>11,588</u></b>	<b><u>21,709</u></b>	<b><u>2,995</u></b>	<b><u>-</u></b>	<b><u>19,027</u></b>	<b><u>74,628</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	3,580	-	3,656	-	-	-
Total deferred inflows of resources	<u>3,580</u>	<u>-</u>	<u>3,656</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	-	-	-	-	-	628,846
Restricted	344,439	-	-	-	-	-
Assigned	-	-	345,275	9	-	-
Unassigned	-	(21,709)	-	-	(10,787)	(74,305)
<b>Total fund balances</b>	<b><u>344,439</u></b>	<b><u>(21,709)</u></b>	<b><u>345,275</u></b>	<b><u>9</u></b>	<b><u>(10,787)</u></b>	<b><u>554,541</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 359,607</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 351,926</u></b>	<b><u>\$ 9</u></b>	<b><u>\$ 8,240</u></b>	<b><u>\$ 629,169</u></b>

See auditor's report.

Capital Projects	Debt Service			
Street Improvement	Debt Service	Special Assessments	Totals	
\$ 15,554	\$ 8,910	\$ 227	\$	426,098
9,143	5,238	134		250,285
-	6,704	-		10,360
100	551	-		79,923
-	-	-		628,846
<u>\$ 24,797</u>	<u>\$ 21,403</u>	<u>\$ 361</u>	<u>\$</u>	<u>1,395,512</u>
\$ 509	\$ -	\$ -	\$	99,811
-	-	-		30,645
<u>509</u>	<u>-</u>	<u>-</u>		<u>130,456</u>
-	6,704	-		13,940
-	6,704	-		13,940
-	-	-		628,846
-	14,699	361		359,499
24,288	-	-		369,572
-	-	-		(106,801)
<u>24,288</u>	<u>14,699</u>	<u>361</u>		<u>1,251,116</u>
<u>\$ 24,797</u>	<u>\$ 21,403</u>	<u>\$ 361</u>	<u>\$</u>	<u>1,395,512</u>

See auditor's report.

**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, 2014**

	Special Revenue Funds					
	Street	Library	Senior/ Disabled Transportation	Drug Enforcement	911	Urban Renewal Agency
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ 59,328	\$ -	\$ -	\$ 571,016
Licenses and fees	-	-	-	-	-	-
Charges for services	67	5,675	14,541	-	-	-
Intergovernmental	403,160	182,730	142,726	-	33,205	-
Fines and forfeitures	-	2,395	-	-	-	-
Interest on investments	1,780	65	2,057	-	-	3,274
Miscellaneous	-	5,727	-	-	-	-
<b>TOTAL REVENUES</b>	<u>405,007</u>	<u>196,592</u>	<u>218,652</u>	<u>-</u>	<u>33,205</u>	<u>574,290</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	199,037	-	-	-
Public safety	-	-	-	-	24,354	-
Culture and recreation	-	329,887	-	-	-	-
Community development	-	-	-	-	-	247,922
Highways and streets	232,899	-	-	-	-	-
Capital outlay	-	707	-	-	2,185	207,421
Debt service	-	-	-	-	-	92,892
<b>TOTAL EXPENDITURES</b>	<u>232,899</u>	<u>330,594</u>	<u>199,037</u>	<u>-</u>	<u>26,539</u>	<u>548,235</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>172,108</u>	<u>(134,002)</u>	<u>19,615</u>	<u>-</u>	<u>6,666</u>	<u>26,055</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	128,140	-	-	-	-
Transfers out	<u>(85,300)</u>	<u>(240)</u>	<u>-</u>	<u>-</u>	<u>(2,400)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(85,300)</u>	<u>127,900</u>	<u>-</u>	<u>-</u>	<u>(2,400)</u>	<u>-</u>
<b>SPECIAL ITEM</b>						
Refund of property taxes to County	-	-	-	-	-	(74,628)
<b>NET CHANGE IN FUND BALANCE</b>	86,808	(6,102)	19,615	-	4,266	(48,573)
<b>FUND BALANCE, Beginning</b>	<u>257,631</u>	<u>(15,607)</u>	<u>325,660</u>	<u>9</u>	<u>(15,053)</u>	<u>603,114</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 344,439</u>	<u>\$ (21,709)</u>	<u>\$ 345,275</u>	<u>\$ 9</u>	<u>\$ (10,787)</u>	<u>\$ 554,541</u>

See auditor's report.

Capital Projects	Debt Service		
Street Improvement	Debt Service	Special Assessments	Totals
\$ -	\$ 108,497	\$ -	\$ 738,841
1,015	-	-	1,015
-	-	-	20,283
7,000	-	-	768,821
-	-	-	2,395
208	37	-	7,421
-	-	-	5,727
<u>8,223</u>	<u>108,534</u>	<u>-</u>	<u>1,544,503</u>
-	-	-	199,037
-	-	-	24,354
-	-	-	329,887
-	-	-	247,922
-	-	-	232,899
25,052	-	-	235,365
-	<u>120,925</u>	<u>-</u>	<u>213,817</u>
<u>25,052</u>	<u>120,925</u>	<u>-</u>	<u>1,483,281</u>
<u>(16,829)</u>	<u>(12,391)</u>	<u>-</u>	<u>61,222</u>
-	-	-	128,140
-	-	-	<u>(87,940)</u>
-	-	-	<u>40,200</u>
-	-	-	<u>(74,628)</u>
(16,829)	(12,391)	-	26,794
<u>41,117</u>	<u>27,090</u>	<u>361</u>	<u>1,224,322</u>
<u>\$ 24,288</u>	<u>\$ 14,699</u>	<u>\$ 361</u>	<u>\$ 1,251,116</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 POSITION**  
**NON-MAJOR ENTERPRISE FUNDS**  
**June 30, 2014**

	Solid Waste	Landfill Closure	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 309,308	\$ -	\$ 309,308
Investments	181,822	-	181,822
Receivables:			
Accounts	80,036	-	80,036
Total current assets	571,166	-	571,166
Noncurrent assets:			
Restricted cash and cash equivalents	-	75,928	75,928
Restricted investments	-	44,633	44,633
Capital assets:			
Land	50,000	-	50,000
Depreciable assets, net of depreciation	33,593	-	33,593
Total noncurrent assets	83,593	120,561	204,154
Total assets	654,759	120,561	775,320
<b>DEFERRED OUTFLOW OF RESOURCES</b>	-	-	-
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	7,514	-	7,514
Current portion of long-term debt	21,114	-	21,114
Total current liabilities	28,628	-	28,628
Long-term debt, net of current portion:			
Landfill closure liability	-	114,148	114,148
Compensated absences payable	5,278	-	5,278
Other postemployment benefits	9,711	-	9,711
Total non-current liabilities	14,989	114,148	129,137
Total liabilities	43,617	114,148	157,765
<b>DEFERRED INFLOW OF RESOURCES</b>	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	83,593	-	83,593
Restricted for landfill closure	-	6,413	6,413
Unrestricted	527,549	-	527,549
Total net position	\$ 611,142	\$ 6,413	\$ 617,555

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	Solid Waste	Landfill Closure	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 845,995	\$ -	\$ 845,995
<b>TOTAL OPERATING REVENUES</b>	<u>845,995</u>	<u>-</u>	<u>845,995</u>
<b>OPERATING EXPENSES</b>			
Personal services	224,119	-	224,119
Materials and services	340,848	3,453	344,301
Depreciation	3,501	-	3,501
<b>TOTAL OPERATING EXPENSES</b>	<u>568,468</u>	<u>3,453</u>	<u>571,921</u>
<b>OPERATING INCOME (LOSS)</b>	<u>277,527</u>	<u>(3,453)</u>	<u>274,074</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest on investments	2,932	772	3,704
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>2,932</u>	<u>772</u>	<u>3,704</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>280,459</u>	<u>(2,681)</u>	<u>277,778</u>
<b>TRANSFERS</b>			
Transfers In	5,000	4,000	9,000
Transfers out	(217,333)	-	(217,333)
<b>TOTAL TRANSFERS</b>	<u>(212,333)</u>	<u>4,000</u>	<u>(208,333)</u>
<b>CHANGE IN NET POSITION</b>	68,126	1,319	69,445
<b>NET POSITION, Beginning</b>	<u>543,016</u>	<u>5,094</u>	<u>548,110</u>
<b>NET POSITION, Ending</b>	<u>\$ 611,142</u>	<u>\$ 6,413</u>	<u>\$ 617,555</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	Solid Waste	Landfill Closure	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 852,369	\$ -	\$ 852,369
Payments to suppliers	(201,932)	-	(201,932)
Payments to employees	(130,400)	-	(130,400)
Payments for interfund services used	(226,524)	-	(226,524)
Net cash provided from (used by) operating activities	<u>293,513</u>	<u>-</u>	<u>293,513</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	5,000	4,000	9,000
Transfers out	(217,333)	-	(217,333)
Net cash provided from (used by) non-capital financing activities	<u>(212,333)</u>	<u>4,000</u>	<u>(208,333)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net sales (purchases) of investments	(17,227)	2,191	(15,036)
Interest on investments	2,932	772	3,704
Net cash provided (used) by investing activities	<u>(14,295)</u>	<u>2,963</u>	<u>(11,332)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	66,885	6,963	73,848
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	242,423	68,965	311,388
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 309,308</u>	<u>\$ 75,928</u>	<u>\$ 385,236</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>			
Operating income (loss)	\$ 277,527	\$ (3,453)	\$ 274,074
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	3,501	-	3,501
(Increase) decrease in assets:			
Receivables	6,374	-	6,374
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	1,769	3,453	5,222
Compensated absences payable	3,370	-	3,370
Other postemployment benefits	972	-	972
Net cash provided from (used by) operating activities	<u>\$ 293,513</u>	<u>\$ -</u>	<u>\$ 293,513</u>

See auditor's report.

## 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 warehouse services 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 POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2014**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 81,900	\$ 156,264	\$ 117,850	\$ 64,770	\$ 38,125	\$ 458,909
Investments	48,143	91,858	69,276	38,074	22,412	269,763
Receivables:						
Accounts	-	5,994	-	-	-	5,994
Inventories	-	8,546	-	-	-	8,546
Total current assets	<u>130,043</u>	<u>262,662</u>	<u>187,126</u>	<u>102,844</u>	<u>60,537</u>	<u>743,212</u>
Noncurrent assets:						
Capital assets:						
Depreciable assets, net of depreciation	-	-	910,000	-	-	910,000
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>910,000</u>	<u>-</u>	<u>-</u>	<u>910,000</u>
Total assets	<u>130,043</u>	<u>262,662</u>	<u>1,097,126</u>	<u>102,844</u>	<u>60,537</u>	<u>1,653,212</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	2,120	16,028	-	-	-	18,148
Current portion of long-term debt	1,776	6,366	-	-	-	8,142
Total current liabilities	3,896	22,394	-	-	-	26,290
Long-term debt, net of current portion						
Compensated absences payable	444	1,592	-	-	-	2,036
Other postemployment benefits	1,769	9,080	-	-	-	10,849
Total liabilities	<u>6,109</u>	<u>33,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,175</u>
<b>DEFERRED INFLOW OF RESOURCES</b>						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	-	-	910,000	-	-	910,000
Unrestricted	123,934	229,596	187,126	102,844	60,537	704,037
Total net position	<u>\$ 123,934</u>	<u>\$ 229,596</u>	<u>\$ 1,097,126</u>	<u>\$ 102,844</u>	<u>\$ 60,537</u>	<u>\$1,614,037</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ 540,890	\$ 143,160	\$ -	\$ -	\$ 684,050
Miscellaneous	263	-	-	-	30,599	30,862
<b>TOTAL OPERATING REVENUES</b>	<u>263</u>	<u>540,890</u>	<u>143,160</u>	<u>-</u>	<u>30,599</u>	<u>714,912</u>
<b>OPERATING EXPENSES</b>						
Personal services	78,469	220,328	-	16,131	-	314,928
Materials and services	21,946	191,332	459	-	38,671	252,408
Depreciation	-	-	131,472	-	-	131,472
<b>TOTAL OPERATING EXPENSES</b>	<u>100,415</u>	<u>411,660</u>	<u>131,931</u>	<u>16,131</u>	<u>38,671</u>	<u>698,808</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(100,152)</u>	<u>129,230</u>	<u>11,229</u>	<u>(16,131)</u>	<u>(8,072)</u>	<u>16,104</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>						
Gain (loss) on disposal of capital assets	-	-	4,000	-	-	4,000
Interest on investments	826	1,365	1,096	720	435	4,442
Interest expense	-	-	(1,088)	-	-	(1,088)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>826</u>	<u>1,365</u>	<u>4,008</u>	<u>720</u>	<u>435</u>	<u>7,354</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(99,326)</u>	<u>130,595</u>	<u>15,237</u>	<u>(15,411)</u>	<u>(7,637)</u>	<u>23,458</u>
<b>TRANSFERS</b>						
Transfers in	129,659	-	-	7,126	-	136,785
Transfers out	(23,356)	(62,292)	-	-	-	(85,648)
<b>TOTAL TRANSFERS</b>	<u>106,303</u>	<u>(62,292)</u>	<u>-</u>	<u>7,126</u>	<u>-</u>	<u>51,137</u>
<b>CHANGE IN NET POSITION</b>	6,977	68,303	15,237	(8,285)	(7,637)	74,595
<b>NET POSITION, Beginning</b>	<u>116,957</u>	<u>161,293</u>	<u>1,081,889</u>	<u>111,129</u>	<u>68,174</u>	<u>1,539,442</u>
<b>NET POSITION, Ending</b>	<u>\$ 123,934</u>	<u>\$ 229,596</u>	<u>\$ 1,097,126</u>	<u>\$ 102,844</u>	<u>\$ 60,537</u>	<u>\$1,614,037</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 263	\$ 88,607	\$ -	\$ -	\$ 30,599	\$ 119,469
Receipts from interfund services provided	-	462,647	143,160	-	-	605,807
Payments to suppliers	(48,807)	(271,849)	(459)	(2,671)	(42,960)	(366,746)
Payments to employees	(51,769)	(137,917)	-	(13,460)	-	(203,146)
Net cash provided from (used by) operating activities	<u>(100,313)</u>	<u>141,488</u>	<u>142,701</u>	<u>(16,131)</u>	<u>(12,361)</u>	<u>155,384</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	129,659	-	-	7,126	-	136,785
Transfers out	(23,356)	(62,292)	-	-	-	(85,648)
Net cash provided from (used by) non-capital financing activities	<u>106,303</u>	<u>(62,292)</u>	<u>-</u>	<u>7,126</u>	<u>-</u>	<u>51,137</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from sale of capital assets	-	-	4,000	-	-	4,000
Acquisition of capital assets	-	-	(109,636)	-	-	(109,636)
Principal paid on long-term obligations	-	-	(47,832)	-	-	(47,832)
Interest paid on long-term obligations	-	-	(1,625)	-	-	(1,625)
Net cash provided from (used by) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(155,093)</u>	<u>-</u>	<u>-</u>	<u>(155,093)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net sales (purchases) of investments	1,690	(24,097)	10,964	6,866	6,892	2,315
Interest on investments	826	1,365	1,096	720	435	4,442
Net cash provided (used by) investing activities	<u>2,516</u>	<u>(22,732)</u>	<u>12,060</u>	<u>7,586</u>	<u>7,327</u>	<u>6,757</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,506	56,464	(332)	(1,419)	(5,034)	58,185
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>73,394</u>	<u>99,800</u>	<u>118,182</u>	<u>66,189</u>	<u>43,159</u>	<u>400,724</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 81,900</u>	<u>\$ 156,264</u>	<u>\$ 117,850</u>	<u>\$ 64,770</u>	<u>\$ 38,125</u>	<u>\$ 458,909</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>						
Operating income (loss)	\$ (100,152)	\$ 129,230	\$ 11,229	\$ (16,131)	\$ (8,072)	\$ 16,104
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	-	-	131,472	-	-	131,472
(Increase) decrease in assets:						
Receivables	-	10,365	-	-	-	10,365
Inventories	-	(827)	-	-	-	(827)
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	303	1,765	-	-	(4,289)	(2,221)
Compensated absences payable	(819)	(865)	-	-	-	(1,684)
Other postemployment benefits	355	1,820	-	-	-	2,175
Net cash provided from (used by) operating activities	<u>\$ (100,313)</u>	<u>\$ 141,488</u>	<u>\$ 142,701</u>	<u>\$ (16,131)</u>	<u>\$ (12,361)</u>	<u>\$ 155,384</u>

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 position, 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 Urban Renewal Agency 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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>EXPENDITURES</b>				
City council	\$ 40,294	\$ 40,294	\$ 34,303	\$ 5,991
City manager	136,810	136,810	125,873	10,937
City recorder	141,512	141,512	133,592	7,920
City attorney	25,000	25,000	15,158	9,842
Municipal court	141,576	141,576	133,126	8,450
Finance department	814,330	826,830	745,956	80,874
Planning	182,690	185,190	176,818	8,372
Police department	1,753,504	1,756,822	1,662,380	94,442
Fire department	321,155	321,155	307,376	13,779
Public works	990,714	1,006,842	872,128	134,714
City hall	115,971	130,971	100,110	30,861
Civil engineering	104,855	104,855	88,313	16,542
Contingency	72,000	72,000	-	72,000
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,840,411</u>	<u>\$ 4,889,857</u>	<u>\$ 4,395,133</u>	<u>\$ 494,724</u>

See auditor's report.

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

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**Governmental Funds**

**Special Revenue Funds**

- Street
- 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**  
**STREET FUND**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 500	\$ 500	\$ 67	\$ (433)
Intergovernmental revenue	360,000	360,000	403,160	43,160
Interest on investments	<u>1,000</u>	<u>1,000</u>	<u>1,780</u>	<u>780</u>
<b>TOTAL REVENUES</b>	<u>361,500</u>	<u>361,500</u>	<u>405,007</u>	<u>43,507</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personal services	140,785	140,785	118,256	22,529
Materials and services	129,198	129,198	114,643	14,555
Contingency	<u>70,602</u>	<u>70,602</u>	<u>-</u>	<u>70,602</u>
<b>TOTAL EXPENDITURES</b>	<u>340,585</u>	<u>340,585</u>	<u>232,899</u>	<u>107,686</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>20,915</u>	<u>20,915</u>	<u>172,108</u>	<u>151,193</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(85,300)</u>	<u>(85,300)</u>	<u>(85,300)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(85,300)</u>	<u>(85,300)</u>	<u>(85,300)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(64,385)	(64,385)	86,808	151,193
<b>FUND BALANCE, Beginning</b>	<u>64,385</u>	<u>64,385</u>	<u>257,631</u>	<u>193,246</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,439</u>	<u>\$ 344,439</u>

See auditor's report.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 5,715	\$ 5,715	\$ 5,675	\$ (40)
Intergovernmental	183,778	183,778	182,730	(1,048)
Fines and forfeitures	2,219	2,219	2,395	176
Interest on investments	183	183	65	(118)
Miscellaneous	7,284	7,284	5,727	(1,557)
<b>TOTAL REVENUES</b>	<u>199,179</u>	<u>199,179</u>	<u>196,592</u>	<u>(2,587)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Personal services	294,991	294,991	298,449	(3,458)
Materials and services	36,000	36,000	31,438	4,562
Capital outlay	1,088	1,088	707	381
Contingency	1,500	1,500	-	1,500
<b>TOTAL EXPENDITURES</b>	<u>333,579</u>	<u>333,579</u>	<u>330,594</u>	<u>2,985</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(134,400)</u>	<u>(134,400)</u>	<u>(134,002)</u>	<u>398</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	128,140	128,140	128,140	-
Transfers out	(240)	(240)	(240)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>127,900</u>	<u>127,900</u>	<u>127,900</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(6,500)	(6,500)	(6,102)	398
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>6,500</u>	<u>6,500</u>	<u>(15,607)</u>	<u>(22,107)</u>
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,709)</u>	<u>\$ (21,709)</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 54,500	\$ 54,500	\$ 59,328	\$ 4,828
Charges for services	14,050	14,050	14,541	491
Intergovernmental	119,500	119,500	142,726	23,226
Interest on investments	2,400	2,400	2,057	(343)
Miscellaneous	50	50	-	(50)
<b>TOTAL REVENUES</b>	<u>190,500</u>	<u>190,500</u>	<u>218,652</u>	<u>28,152</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Personal services	76,384	76,384	77,670	(1,286)
Materials and services	111,400	111,400	121,367	(9,967)
Contingency	<u>242,716</u>	<u>242,716</u>	<u>-</u>	<u>242,716</u>
<b>TOTAL EXPENDITURES</b>	<u>430,500</u>	<u>430,500</u>	<u>199,037</u>	<u>231,463</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(240,000)</u>	<u>(240,000)</u>	<u>19,615</u>	<u>259,615</u>
<b>NET CHANGE IN FUND BALANCE</b>	(240,000)	(240,000)	19,615	259,615
<b>FUND BALANCE, Beginning</b>	<u>240,000</u>	<u>240,000</u>	<u>325,660</u>	<u>85,660</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 345,275</u></u>	<u><u>\$ 345,275</u></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, 2014**

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

See auditor's report.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 33,205	\$ (1,795)
<b>TOTAL REVENUES</b>	<u>35,000</u>	<u>35,000</u>	<u>33,205</u>	<u>(1,795)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Materials and services	25,850	25,850	24,354	1,496
Capital outlay	<u>6,750</u>	<u>6,750</u>	<u>2,185</u>	<u>4,565</u>
<b>TOTAL EXPENDITURES</b>	<u>32,600</u>	<u>32,600</u>	<u>26,539</u>	<u>6,061</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,400</u>	<u>2,400</u>	<u>6,666</u>	<u>4,266</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(2,400)</u>	<u>(2,400)</u>	<u>(2,400)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,400)</u>	<u>(2,400)</u>	<u>(2,400)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	4,266	4,266
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>-</u>	<u>-</u>	<u>(15,053)</u>	<u>(15,053)</u>
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,787)</u>	<u>\$ (10,787)</u>

See auditor's report.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 514,000	\$ 514,000	\$ 571,016	\$ 57,016
Interest on investments	<u>2,000</u>	<u>2,000</u>	<u>3,274</u>	<u>1,274</u>
<b>TOTAL REVENUES</b>	<u>516,000</u>	<u>516,000</u>	<u>574,290</u>	<u>58,290</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Personal services	208,934	208,934	208,930	4
Materials and services	92,500	92,500	38,992	53,508
Capital outlay	1,051,500	1,051,500	207,421	844,079
Debt service	96,693	96,693	92,892	3,801
Contingency	<u>120,373</u>	<u>120,373</u>	<u>-</u>	<u>120,373</u>
<b>TOTAL EXPENDITURES</b>	<u>1,570,000</u>	<u>1,570,000</u>	<u>548,235</u>	<u>1,021,765</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,054,000)	(1,054,000)	26,055	1,080,055
<b>SPECIAL ITEM</b>				
Refund of property taxes to County	<u>-</u>	<u>-</u>	<u>(74,628)</u>	<u>(74,628)</u> *
<b>NET CHANGE IN FUND BALANCE</b>	(1,054,000)	(1,054,000)	(48,573)	1,005,427
<b>FUND BALANCE, Beginning</b>	<u>1,054,000</u>	<u>1,054,000</u>	<u>603,114</u>	<u>(450,886)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,541</u>	<u>\$ 554,541</u>

\* Exempt from Oregon Budget Law

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Licenses and fees	\$ 440	\$ 440	\$ 1,015	\$ 575
Intergovernmental	614,018	614,018	7,000	(607,018)
Interest on investments	<u>100</u>	<u>100</u>	<u>208</u>	<u>108</u>
<b>TOTAL REVENUES</b>	<u>614,558</u>	<u>614,558</u>	<u>8,223</u>	<u>(606,335)</u>
<b>EXPENDITURES</b>				
Capital outlay	614,018	614,018	25,052	588,966
Contingency	<u>7,098</u>	<u>7,098</u>	-	<u>7,098</u>
<b>TOTAL EXPENDITURES</b>	<u>621,116</u>	<u>621,116</u>	<u>25,052</u>	<u>596,064</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,558)</u>	<u>(6,558)</u>	<u>(16,829)</u>	<u>(10,271)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(6,558)	(6,558)	(16,829)	(10,271)
<b>FUND BALANCE, Beginning</b>	<u>6,558</u>	<u>6,558</u>	<u>41,117</u>	<u>34,559</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,288</u>	<u>\$ 24,288</u>

See auditor's report.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 101,000	\$ 101,000	\$ 108,497	\$ 7,497
Interest on investments	-	-	37	37
<b>TOTAL REVENUES</b>	<u>101,000</u>	<u>101,000</u>	<u>108,534</u>	<u>7,534</u>
<b>EXPENDITURES</b>				
Debt service	<u>122,925</u>	<u>122,925</u>	<u>120,925</u>	<u>2,000</u>
<b>TOTAL EXPENDITURES</b>	<u>122,925</u>	<u>122,925</u>	<u>120,925</u>	<u>2,000</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(21,925)</u>	<u>(21,925)</u>	<u>(12,391)</u>	<u>9,534</u>
<b>NET CHANGE IN FUND BALANCE</b>	(21,925)	(21,925)	(12,391)	9,534
<b>FUND BALANCE, Beginning</b>	<u>32,000</u>	<u>32,000</u>	<u>27,090</u>	<u>(4,910)</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ 10,075</u></u>	<u><u>\$ 10,075</u></u>	<u><u>\$ 14,699</u></u>	<u><u>\$ 4,624</u></u>

See auditor's report.

**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, 2014**

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

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Surplus power sales	\$ 231,851	\$ 231,851	\$ 296,064	\$ 64,213
Charges for services	6,467,575	6,467,575	6,657,903	190,328
System development charges	123,030	123,030	124,248	1,218
Weatherization loan repayments	16,000	16,000	12,690	(3,310)
Interest on investments	15,000	15,000	14,408	(592)
Miscellaneous	60,717	64,314	64,162	(152)
<b>TOTAL REVENUES</b>	<u>6,914,173</u>	<u>6,917,770</u>	<u>7,169,475</u>	<u>251,705</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	1,304,431	1,304,431	1,221,481	82,950
Materials and services	4,935,465	4,939,062	5,028,598	(89,536)
Capital outlay	364,016	364,016	279,376	84,640
Contingency	1,449,121	1,449,121	-	1,449,121
<b>TOTAL EXPENDITURES</b>	<u>8,053,033</u>	<u>8,056,630</u>	<u>6,529,455</u>	<u>1,527,175</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,138,860)</u>	<u>(1,138,860)</u>	<u>640,020</u>	<u>1,778,880</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,444	10,444	10,444	-
Transfers out	(1,085,208)	(1,085,208)	(1,085,208)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,074,764)</u>	<u>(1,074,764)</u>	<u>(1,074,764)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,213,624)	(2,213,624)	(434,744)	1,778,880
<b>FUND BALANCE, Beginning</b>	<u>2,213,624</u>	<u>2,213,624</u>	<u>2,700,365</u>	<u>486,741</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,265,621</u>	<u>\$ 2,265,621</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 12,000	\$ 12,000	\$ 10,758	\$ (1,242)
<b>TOTAL REVENUES</b>	<u>12,000</u>	<u>12,000</u>	<u>10,758</u>	<u>(1,242)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>12,000</u>	<u>12,000</u>	<u>10,758</u>	<u>(1,242)</u>
<b>NET CHANGE IN FUND BALANCE</b>	12,000	12,000	10,758	(1,242)
<b>FUND BALANCE, Beginning</b>	<u>1,635,702</u>	<u>1,635,702</u>	<u>1,639,993</u>	<u>4,291</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,647,702</u>	<u>\$ 1,647,702</u>	<u>\$ 1,650,751</u>	<u>\$ 3,049</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 OPERATING AND MAINTENANCE RESERVE FUND**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 54,621	\$ 54,621	\$ 60,465	\$ 5,844
Interest on investments	<u>19,000</u>	<u>19,000</u>	<u>16,451</u>	<u>(2,549)</u>
<b>TOTAL REVENUES</b>	<u>73,621</u>	<u>73,621</u>	<u>76,916</u>	<u>3,295</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>73,621</u>	<u>73,621</u>	<u>76,916</u>	<u>3,295</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>95,514</u>	<u>95,514</u>	<u>95,514</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>95,514</u>	<u>95,514</u>	<u>95,514</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	169,135	169,135	172,430	3,295
<b>FUND BALANCE, Beginning</b>	<u>2,393,418</u>	<u>2,393,418</u>	<u>2,446,710</u>	<u>53,292</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ 2,562,553</u></u>	<u><u>\$ 2,562,553</u></u>	<u><u>\$ 2,619,140</u></u>	<u><u>\$ 56,587</u></u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL ELECTRIC FUNDS  
For the Fiscal Year Ended June 30, 2014**

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

Electric	\$ 2,265,621
Electric Capital Replacement Reserve	1,650,751
Electric Operating and Maintenance Reserve	<u>2,619,140</u>
	6,535,512

Adjustments:

Capital assets, net of depreciation	8,685,037
Weatherization loans receivable	84,570
Compensated absences	(98,263)
Due to Bonneville Power Administration	(65,346)
Other postemployment benefits	<u>(48,934)</u>

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

\$ 15,092,576

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 1,173,500	\$ 1,173,500	\$ 1,181,642	\$ 8,142
Intergovernmental	-	9,000	8,128	(872)
System development charges	42,000	42,000	42,610	610
Interest on investments	1,000	1,000	3,053	2,053
Miscellaneous	-	-	153	153
<b>TOTAL REVENUES</b>	<u>1,216,500</u>	<u>1,225,500</u>	<u>1,235,586</u>	<u>10,086</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	247,920	247,920	242,583	5,337
Materials and services	293,250	293,250	315,836	(22,586)
Capital outlay	28,200	63,200	48,534	14,666
Debt service	145,718	145,718	145,718	-
Contingency	<u>186,159</u>	<u>160,159</u>	<u>-</u>	<u>160,159</u>
<b>TOTAL EXPENDITURES</b>	<u>901,247</u>	<u>910,247</u>	<u>752,671</u>	<u>157,576</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>315,253</u>	<u>315,253</u>	<u>482,915</u>	<u>167,662</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(515,093)</u>	<u>(515,093)</u>	<u>(515,093)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(515,093)</u>	<u>(515,093)</u>	<u>(515,093)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(199,840)	(199,840)	(32,178)	167,662
<b>FUND BALANCE, Beginning</b>	<u>199,840</u>	<u>199,840</u>	<u>597,187</u>	<u>397,347</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	565,009	<u>\$ 565,009</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			3,481,650	
Compensated absences			(9,163)	
Accrued interest payable			(15,204)	
Long-term debt			(515,823)	
Other postemployment benefits			<u>(13,039)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 3,493,430</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 1,017,000	\$ 1,017,000	\$ 1,059,774	\$ 42,774
Intergovernmental	5,010	5,010	-	(5,010)
System development charges	137,916	137,916	133,590	(4,326)
Interest on investments	1,000	1,000	1,616	616
Miscellaneous	32,900	32,900	51,028	18,128
<b>TOTAL REVENUES</b>	<u>1,193,826</u>	<u>1,193,826</u>	<u>1,246,008</u>	<u>52,182</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	331,961	331,961	329,950	2,011
Materials and services	262,270	291,270	269,897	21,373
Contingency	95,162	66,162	-	66,162
<b>TOTAL EXPENDITURES</b>	<u>689,393</u>	<u>689,393</u>	<u>599,847</u>	<u>89,546</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>504,433</u>	<u>504,433</u>	<u>646,161</u>	<u>141,728</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(599,175)	(599,175)	(599,175)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(599,175)</u>	<u>(599,175)</u>	<u>(599,175)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(94,742)	(94,742)	46,986	141,728
<b>FUND BALANCE, Beginning</b>	<u>94,742</u>	<u>94,742</u>	<u>432,186</u>	<u>337,444</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,172</u>	<u>\$ 479,172</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 IMPROVEMENT FUND**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
System development charges	\$ 1,000	\$ 1,000	\$ 2,790	\$ 1,790
Interest on investments	<u>800</u>	<u>800</u>	<u>2,282</u>	<u>1,482</u>
<b>TOTAL REVENUES</b>	<u>1,800</u>	<u>1,800</u>	<u>5,072</u>	<u>3,272</u>
<b>EXPENDITURES</b>				
Capital outlay	2,696,665	2,696,665	25,509	2,671,156
Contingency	<u>99,998</u>	<u>99,998</u>	<u>-</u>	<u>99,998</u>
<b>TOTAL EXPENDITURES</b>	<u>2,796,663</u>	<u>2,796,663</u>	<u>25,509</u>	<u>2,771,154</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,794,863)</u>	<u>(2,794,863)</u>	<u>(20,437)</u>	<u>2,774,426</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,500,000	2,500,000	23,900	(2,476,100)
Transfers in	<u>198,095</u>	<u>198,095</u>	<u>198,095</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,698,095</u>	<u>2,698,095</u>	<u>221,995</u>	<u>(2,476,100)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(96,768)	(96,768)	201,558	298,326
<b>FUND BALANCE, Beginning</b>	<u>96,768</u>	<u>96,768</u>	<u>143,607</u>	<u>46,839</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,165</u>	<u>\$ 345,165</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL SEWER FUNDS  
For the Fiscal Year Ended June 30, 2014**

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

Sewer	\$ 479,172
Sewer Improvement	<u>345,165</u>
	824,337

Adjustments:

Capital assets, net of depreciation	3,482,322
Compensated absences	(3,822)
Long-term debt	(23,900)
Other postemployment benefits	<u>(18,516)</u>

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

\$ 4,260,421

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 777,000	\$ 777,000	\$ 845,995	\$ 68,995
Interest on investments	<u>1,600</u>	<u>1,600</u>	<u>2,932</u>	<u>1,332</u>
<b>TOTAL REVENUES</b>	<u>778,600</u>	<u>778,600</u>	<u>848,927</u>	<u>70,327</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	249,825	249,825	219,777	30,048
Materials and services	340,310	355,310	333,073	22,237
Capital outlay	12,000	12,000	7,775	4,225
Contingency	<u>53,241</u>	<u>38,241</u>	<u>-</u>	<u>38,241</u>
<b>TOTAL EXPENDITURES</b>	<u>655,376</u>	<u>655,376</u>	<u>560,625</u>	<u>94,751</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>123,224</u>	<u>123,224</u>	<u>288,302</u>	<u>165,078</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	5,000	5,000	-
Transfers out	<u>(217,333)</u>	<u>(217,333)</u>	<u>(217,333)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(212,333)</u>	<u>(212,333)</u>	<u>(212,333)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(89,109)	(89,109)	75,969	165,078
<b>FUND BALANCE, Beginning</b>	<u>89,109</u>	<u>89,109</u>	<u>487,683</u>	<u>398,574</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	563,652	<u>\$ 563,652</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			83,593	
Compensated absences			(26,392)	
Other postemployment benefits			<u>(9,711)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 611,142</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ 600	\$ 600	\$ 772	\$ 172
<b>TOTAL REVENUES</b>	<u>600</u>	<u>600</u>	<u>772</u>	<u>172</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>600</u>	<u>600</u>	<u>772</u>	<u>172</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>	4,600	4,600	4,772	172
<b>FUND BALANCE, Beginning</b>	<u>108,409</u>	<u>108,409</u>	<u>115,789</u>	<u>7,380</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 113,009</u>	<u>\$ 113,009</u>	120,561	<u>\$ 7,552</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Landfill closure liability			<u>(114,148)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 6,413</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)**  
**GOLF COURSE FUND**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 205,667	\$ 205,667	\$ 177,351	\$ (28,316)
Intergovernmental	-	20,000	19,089	(911)
Interest on investments	-	-	2	2
<b>TOTAL REVENUES</b>	<u>205,667</u>	<u>225,667</u>	<u>196,442</u>	<u>(29,225)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	78,062	83,062	59,680	23,382
Materials and services	90,116	105,116	92,105	13,011
Debt service	<u>41,013</u>	<u>41,013</u>	<u>211,406</u>	<u>(170,393)</u>
<b>TOTAL EXPENDITURES</b>	<u>209,191</u>	<u>229,191</u>	<u>363,191</u>	<u>(134,000)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,524)</u>	<u>(3,524)</u>	<u>(166,749)</u>	<u>(163,225)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>
<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>	(3,624)	(3,624)	(166,849)	(163,225)
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>3,624</u>	<u>3,624</u>	<u>(16,846)</u>	<u>(20,470)</u>
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ -</u>	<u>\$ -</u>	(183,695)	<u>\$ (183,695)</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			262,935	
Compensated absences			(2,044)	
Other postemployment benefits			<u>(3,422)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 73,774</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ 400	\$ 400	\$ 826	\$ 426
Miscellaneous	200	200	263	63
<b>TOTAL REVENUES</b>	<u>600</u>	<u>600</u>	<u>1,089</u>	<u>489</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	84,491	84,491	78,931	5,560
Materials and services	25,048	25,048	21,946	3,102
Capital outlay	2,000	2,000	-	2,000
Contingency	25,425	25,425	-	25,425
<b>TOTAL EXPENDITURES</b>	<u>136,964</u>	<u>136,964</u>	<u>100,877</u>	<u>36,087</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(136,364)</u>	<u>(136,364)</u>	<u>(99,788)</u>	<u>36,576</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	129,659	129,659	129,659	-
Transfers out	(23,356)	(23,356)	(23,356)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>106,303</u>	<u>106,303</u>	<u>106,303</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(30,061)	(30,061)	6,515	36,576
<b>FUND BALANCE, Beginning</b>	<u>30,061</u>	<u>30,061</u>	<u>121,408</u>	<u>91,347</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	127,923	<u>\$ 127,923</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Compensated absences			(2,220)	
Other postemployment benefits			<u>(1,769)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 123,934</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Charges for services	\$ 529,828	\$ 529,828	\$ 540,890	\$ 11,062
Interest on investments	<u>650</u>	<u>650</u>	<u>1,365</u>	<u>715</u>
<b>TOTAL REVENUES</b>	<u>530,478</u>	<u>530,478</u>	<u>542,255</u>	<u>11,777</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	232,682	232,682	219,372	13,310
Materials and services	246,210	246,210	191,332	54,878
Contingency	<u>32,291</u>	<u>32,291</u>	<u>-</u>	<u>32,291</u>
<b>TOTAL EXPENDITURES</b>	<u>511,183</u>	<u>511,183</u>	<u>410,704</u>	<u>100,479</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>19,295</u>	<u>19,295</u>	<u>131,551</u>	<u>112,256</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(62,292)</u>	<u>(62,292)</u>	<u>(62,292)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(62,292)</u>	<u>(62,292)</u>	<u>(62,292)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(42,997)	(42,997)	69,259	112,256
<b>FUND BALANCE, Beginning</b>	<u>42,997</u>	<u>42,997</u>	<u>177,375</u>	<u>134,378</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	246,634	<u>\$ 246,634</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Compensated absences			(7,958)	
Other postemployment benefits			<u>(9,080)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 229,596</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 143,161	\$ 143,161	\$ 143,160	\$ (1)
Interest on investments	<u>650</u>	<u>650</u>	<u>1,096</u>	<u>446</u>
<b>TOTAL REVENUES</b>	<u>143,811</u>	<u>143,811</u>	<u>144,256</u>	<u>445</u>
<b>EXPENDITURES</b>				
Capital outlay	130,000	130,000	106,095	23,905
Debt service	<u>48,890</u>	<u>48,890</u>	<u>49,457</u>	<u>(567)</u>
<b>TOTAL EXPENDITURES</b>	<u>178,890</u>	<u>178,890</u>	<u>155,552</u>	<u>23,338</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(35,079)</u>	<u>(35,079)</u>	<u>(11,296)</u>	<u>23,783</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>NET CHANGE IN FUND BALANCE</b>	(35,079)	(35,079)	(11,296)	23,783
<b>FUND BALANCE, Beginning</b>	<u>132,197</u>	<u>132,197</u>	<u>198,422</u>	<u>66,225</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 97,118</u>	<u>\$ 97,118</u>	187,126	<u>\$ 90,008</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			<u>910,000</u>	
<b>NET POSITION, Ending</b>			<u>\$ 1,097,126</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)**  
**SICK LEAVE LIABILITY FUND**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ 700	\$ 700	\$ 720	\$ 20
Miscellaneous	3,600	3,600	-	(3,600)
<b>TOTAL REVENUES</b>	<u>4,300</u>	<u>4,300</u>	<u>720</u>	<u>(3,580)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	45,000	45,000	16,131	28,869
Contingency	71,426	71,426	-	71,426
<b>TOTAL EXPENDITURES</b>	<u>116,426</u>	<u>116,426</u>	<u>16,131</u>	<u>100,295</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(112,126)</u>	<u>(112,126)</u>	<u>(15,411)</u>	<u>96,715</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,126	7,126	7,126	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>7,126</u>	<u>7,126</u>	<u>7,126</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(105,000)	(105,000)	(8,285)	96,715
<b>FUND BALANCE, Beginning</b>	<u>105,000</u>	<u>105,000</u>	<u>111,129</u>	<u>6,129</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,844</u>	<u>\$ 102,844</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 400	\$ 400	\$ 435	\$ 35
Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>30,599</u>	<u>23,099</u>
<b>TOTAL REVENUES</b>	<u>7,900</u>	<u>7,900</u>	<u>31,034</u>	<u>23,134</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	<u>72,900</u>	<u>72,900</u>	<u>38,671</u>	<u>34,229</u>
<b>TOTAL EXPENDITURES</b>	<u>72,900</u>	<u>72,900</u>	<u>38,671</u>	<u>34,229</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(65,000)</u>	<u>(65,000)</u>	<u>(7,637)</u>	<u>57,363</u>
<b>NET CHANGE IN FUND BALANCE</b>	(65,000)	(65,000)	(7,637)	57,363
<b>FUND BALANCE, Beginning</b>	<u>65,000</u>	<u>65,000</u>	<u>68,174</u>	<u>3,174</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,537</u></u>	<u><u>\$ 60,537</u></u>

See auditor's report.



## **OTHER FINANCIAL SCHEDULES**

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**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2014**

	Balances July 1, 2013	2013-14 Levy	Interest Discounts and Adjustments	Collections	Balances June 30, 2014
<b>City General</b>					
2013-14	\$ -	\$ 796,381	\$ (22,477)	\$ (747,203)	\$ 26,701
2012-13	27,420	-	426	(14,750)	13,096
2011-12	16,693	-	886	(10,809)	6,770
2010-11	10,348	-	1,472	(8,290)	3,530
2009-10	5,365	-	1,215	(5,841)	739
2008-09	1,216	-	254	(1,028)	442
2007-08	769	-	275	(950)	94
2006-07	119	-	1	(23)	97
2005-06	114	-	(24)	(20)	70
2004-05	83	-	9	(23)	69
Prior years	320	-	74	(132)	262
	<u>\$ 62,447</u>	<u>\$ 796,381</u>	<u>\$ (17,889)</u>	<u>\$ (789,069)</u>	<u>\$ 51,870</u>
<b>City Bond</b>					
2013-14	\$ -	\$ 109,990	(3,104)	\$ (103,198)	\$ 3,688
2012-13	3,917	-	61	(2,107)	1,871
2011-12	2,322	-	123	(1,503)	942
2010-11	1,406	-	200	(1,126)	480
2009-10	766	-	174	(834)	106
2008-09	178	-	37	(150)	65
2007-08	123	-	44	(152)	15
2006-07	20	-	-	(4)	16
2005-06	20	-	(4)	(4)	12
2004-05	15	-	1	(4)	12
Prior years	59	-	16	(27)	48
	<u>\$ 8,826</u>	<u>\$ 109,990</u>	<u>\$ (2,452)</u>	<u>\$ (109,109)</u>	<u>\$ 7,255</u>
<b>City Local Option</b>					
2013-14	\$ -	\$ 59,951	(1,683)	\$ (56,258)	\$ 2,010
2012-13	2,136	-	64	(1,180)	1,020
2011-12	1,326	-	115	(903)	538
2010-11	841	-	120	(674)	287
2009-10	448	-	102	(488)	62
2008-09	104	-	22	(88)	38
2007-08	68	-	23	(83)	8
2006-07	11	-	-	(2)	9
2005-06	10	-	(2)	(2)	6
	<u>\$ 4,944</u>	<u>\$ 59,951</u>	<u>\$ (1,239)</u>	<u>\$ (59,678)</u>	<u>\$ 3,978</u>
<b>Urban Renewal Agency</b>					
2013-14	\$ -	\$ 583,787	\$ (16,477)	\$ (547,737)	\$ 19,573
2012-13	19,312	-	300	(10,388)	9,224
2011-12	11,454	-	608	(7,417)	4,645
2010-11	7,438	-	1,058	(5,959)	2,537
2009-10	3,482	-	789	(3,791)	480
2008-09	736	-	153	(622)	267
2007-08	422	-	152	(522)	52
2006-07	59	-	-	(11)	48
2005-06	55	-	(11)	(10)	34
2004-05	34	-	5	(10)	29
Prior years	146	-	8	(61)	93
	<u>\$ 43,138</u>	<u>\$ 583,787</u>	<u>\$ (13,415)</u>	<u>\$ (576,528)</u>	<u>\$ 36,982</u>
2013-14	\$ -	\$ 1,550,109	\$ (43,741)	\$ (1,454,396)	\$ 51,972
2012-13	52,785	-	851	(28,425)	25,211
2011-12	31,795	-	1,732	(20,632)	12,895
2010-11	20,033	-	2,850	(16,049)	6,834
2009-10	10,061	-	2,280	(10,954)	1,387
2008-09	2,234	-	466	(1,888)	812
2007-08	1,382	-	494	(1,707)	169
2006-07	209	-	1	(40)	170
2005-06	199	-	(41)	(36)	122
2004-05	132	-	15	(37)	110
Prior years	525	-	98	(220)	403
	<u>\$ 119,355</u>	<u>\$ 1,550,109</u>	<u>\$ (34,995)</u>	<u>\$ (1,534,384)</u>	<u>\$ 100,085</u>
				Less July portion	(4,874)
				Less URA portion not to be collected	(36,982)
					<u>\$ 58,229</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF OUTSTANDING DEBT PRINCIPAL**  
**AND INTEREST TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2014**

	Interest Rates	Date of Issue	Principal				Interest Matured and Paid
			Outstanding July 1, 2013	Issued	Matured and Paid	Outstanding June 30, 2014	
<b>Governmental Funds</b>							
Bonds payable:							
Aquatic Center (1995)	3.00-3.75%	1/1/2005	\$ 350,000	\$ -	\$ 110,000	\$ 240,000	\$ 10,925
Other:							
Urban Renewal Loan	4.19%	12/2/2002	89,117	-	89,117	-	3,775
Total governmental funds			<u>\$ 439,117</u>	<u>\$ -</u>	<u>\$ 199,117</u>	<u>\$ 240,000</u>	<u>\$ 14,700</u>
<b>Proprietary Funds</b>							
Electric Fund:							
Weatherization program:							
Due to Bonneville Power Administration	N/A	N/A	\$ 68,400	\$ -	\$ 3,054	\$ 65,346	\$ -
Water Fund:							
Notes payable:							
Special Public Works Fund	5.01%	10/15/1997	629,780	-	113,957	515,823	31,761
Sewer Fund:							
Notes payable:							
Oregon Infrastructure Finance Authority	N/A	12/9/2013	-	23,900	-	23,900	-
Golf Course Fund:							
Notes payable:							
Golf Course Irrigation	6.91%	10/30/2002	197,794	-	197,794	-	13,612
Landfill Closure Fund:							
Landfill closure and post-closure care cost:							
Landfill closure liability	N/A	N/A	110,695	3,453	-	114,148	-
Vehicle Replacement Fund (Internal Service):							
Notes payable:							
Utility Line Truck	4.47%	8/24/2010	47,832	-	47,832	-	1,625
Total Vehicle Replacement Fund			<u>47,832</u>	<u>-</u>	<u>47,832</u>	<u>-</u>	<u>1,625</u>
Total proprietary funds			<u>\$ 1,054,501</u>	<u>\$ 27,353</u>	<u>\$ 362,637</u>	<u>\$ 719,217</u>	<u>\$ 46,998</u>

See auditor's report.

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF GOVERNMENTAL FUNDS**  
**FUTURE DEBT SERVICE REQUIREMENTS**  
**June 30, 2014**

<u>Year of Maturity</u>	Aquatic Center Bonds	
	Principal	Interest
2014-15	\$ 120,000	\$ 6,750
2015-16	120,000	2,575
	\$ 240,000	\$ 9,325

**CITY OF MILTON-FREEWATER, OREGON  
 SCHEDULE OF WATER FUND  
 FUTURE DEBT SERVICE REQUIREMENTS  
 June 30, 2014**

Year of Maturity	Water Revenue Bonds	
	Principal	Interest
2015	\$ 119,906	\$ 26,063
2016	125,902	20,067
2017	131,948	13,771
2018	138,067	7,041
	\$ 515,823	\$ 66,942

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.

**CITY OF  
MILTON-FREEWATER, OREGON  
Net Position By Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Governmental Activities:</b>				
Invested in capital assets, net of related debt	\$ 14,235,561	\$ 14,877,601	\$ 15,043,735	\$ 13,257,524
Restricted	914,197	888,353	718,408	599,177
Unrestricted	<u>724,553</u>	<u>816,015</u>	<u>982,911</u>	<u>1,099,486</u>
Total governmental activities net position	<u><u>15,874,311</u></u>	<u><u>16,581,969</u></u>	<u><u>16,745,054</u></u>	<u><u>14,956,187</u></u>
<b>Business-Type Activities:</b>				
Invested in capital assets, net of related debt	16,365,814	16,766,176	17,053,923	15,249,661
Restricted	486,665	278,904	190,074	232,381
Unrestricted	<u>7,877,222</u>	<u>8,178,689</u>	<u>7,601,109</u>	<u>7,128,895</u>
Total business-type activities net position	<u><u>24,729,701</u></u>	<u><u>25,223,769</u></u>	<u><u>24,845,106</u></u>	<u><u>22,610,937</u></u>
<b>Primary Government:</b>				
Invested in capital assets, net of related debt	30,601,375	31,643,777	32,097,658	28,507,185
Restricted	1,400,862	1,167,257	908,482	831,558
Unrestricted	<u>8,601,775</u>	<u>8,994,704</u>	<u>8,584,020</u>	<u>8,228,381</u>
Total primary government net position	<u><u>\$ 40,604,012</u></u>	<u><u>\$ 41,805,738</u></u>	<u><u>\$ 41,590,160</u></u>	<u><u>\$ 37,567,124</u></u>

Source: Current and prior year's financial statements

**CITY OF  
MILTON-FREEWATER, OREGON  
Net Position By Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 12,956,309	\$ 13,019,252	\$ 13,409,887	\$ 13,623,188	\$ 2,543,618	\$ 2,299,816
149,320	138,612	228,857	226,614	307,474	179,706
1,417,615	1,403,808	1,343,655	1,346,305	1,478,835	1,194,785
<u>14,523,244</u>	<u>14,561,672</u>	<u>14,982,399</u>	<u>15,196,107</u>	<u>4,329,927</u>	<u>3,674,307</u>
14,107,359	14,282,526	14,330,794	14,635,455	14,206,320	13,411,322
588,617	278,651	152,567	136,235	43,506	120,564
6,500,134	6,484,719	6,190,992	5,317,813	5,031,743	6,174,562
<u>21,196,110</u>	<u>21,045,896</u>	<u>20,674,353</u>	<u>20,089,503</u>	<u>19,281,569</u>	<u>19,706,448</u>
27,063,668	27,301,778	27,740,681	28,258,643	16,749,938	15,711,138
737,937	417,263	381,424	362,849	350,980	300,270
7,917,749	7,888,527	7,534,647	6,664,118	6,510,578	7,369,347
<u>\$ 35,719,354</u>	<u>\$ 35,607,568</u>	<u>\$ 35,656,752</u>	<u>\$ 35,285,610</u>	<u>\$ 23,611,496</u>	<u>\$ 23,380,755</u>

**CITY OF  
MILTON-FREEWATER, OREGON  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services, fees and fines				
General government	\$ 224,243	\$ 288,704	\$ 312,399	\$ 320,798
Public safety	-	-	-	-
Culture and recreation	145,584	161,121	151,073	165,173
Highways and streets	1,081	2,098	3,086	1,415
Operating grants and contributions	767,451	738,013	725,474	765,733
Capital grants and contributions	53,946	416,466	2,370,332	752,305
Total governmental activities program revenues	<u>1,192,305</u>	<u>1,606,402</u>	<u>3,562,364</u>	<u>2,005,424</u>
Business-type activities:				
Charges for services:				
Electric	7,018,128	6,884,263	7,203,939	7,387,021
Water	1,181,796	1,202,639	1,173,701	1,140,830
Sewer	1,060,795	1,041,235	1,057,176	1,071,331
Solid Waste	845,996	832,589	837,017	817,558
Internal Service-Primarily Business Activity	-	-	-	-
Golf Course	177,350	193,373	190,951	191,720
Operating grants	50,008	50,169	56,164	46,901
Capital grants	390,920	527,340	1,368,151	1,116,586
Total business-type activities program revenues	<u>10,724,993</u>	<u>10,731,608</u>	<u>11,887,099</u>	<u>11,771,947</u>
Total primary government program revenues	<u>11,917,298</u>	<u>12,338,010</u>	<u>15,449,463</u>	<u>13,777,371</u>
<b>Expenses</b>				
Governmental activities:				
General government	1,563,908	1,536,293	1,701,181	1,521,458
Public safety	2,011,173	2,070,078	2,001,630	1,901,921
Culture and recreation	865,910	874,760	859,882	860,232
Public Works	459,647	449,596	435,678	412,988
Community development	636,052	497,855	366,362	420,496
Engineering	90,451	91,313	84,639	93,821
Highways and streets	932,701	820,680	794,765	762,496
Interest on long term obligations	14,971	25,582	29,673	40,587
Total governmental activities expenses	<u>6,574,813</u>	<u>6,366,157</u>	<u>6,273,810</u>	<u>6,013,999</u>
Business-type activities:				
Electric	6,936,488	6,239,208	5,840,636	6,538,922
Water	850,276	773,814	625,270	598,092
Sewer	803,378	758,503	737,796	722,683
Solid Waste	555,565	572,881	529,834	540,571
Internal Service-Primarily Business Activity	-	-	-	-
Interest on long-term debt	-	-	-	-
Golf Course	179,148	215,601	198,861	200,082
Total business-type activities expenses	<u>9,324,855</u>	<u>8,560,007</u>	<u>7,932,397</u>	<u>8,600,350</u>
Total primary government expenses	<u>15,899,668</u>	<u>14,926,164</u>	<u>14,206,207</u>	<u>14,614,349</u>
<b>Net Expense</b>				
Governmental activities	(5,382,508)	(4,759,755)	(2,711,446)	(4,008,575)
Business-type activities	1,400,138	2,171,601	3,954,702	3,171,597
Total primary government net expense	<u>\$ (3,982,370)</u>	<u>\$ (2,588,154)</u>	<u>\$ 1,243,256</u>	<u>\$ (836,978)</u>

Source: Current and prior years' financial statements

**CITY OF  
MILTON-FREEWATER, OREGON  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 317,543	\$ 282,068	\$ 300,264	\$ 338,403	\$ 459,678	\$ 657,764
-	-	-	-	-	2,948
164,955	179,344	179,336	161,176	6,912	118,899
1,566	2,474	4,202	4,658	1,290	331,162
766,730	625,306	695,400	611,763	607,290	7,088
400,587	57,041	190,343	2,337	177,984	56,883
<u>1,651,381</u>	<u>1,146,233</u>	<u>1,369,545</u>	<u>1,118,337</u>	<u>1,253,154</u>	<u>1,174,744</u>
7,062,297	7,486,043	7,766,193	7,666,402	7,172,754	7,266,534
1,226,003	1,081,237	961,705	1,033,422	964,561	945,447
1,085,906	937,239	886,495	889,841	811,741	915,262
696,771	705,561	741,034	718,629	605,060	615,438
-	-	-	-	-	648,227
188,902	193,389	203,991	201,844	221,805	222,139
163,058	145,737	69,927	95,250	97,155	-
319,571	284,747	192,695	15,430	12,790	-
<u>10,742,508</u>	<u>10,833,953</u>	<u>10,822,040</u>	<u>10,620,818</u>	<u>9,885,866</u>	<u>10,613,047</u>
<u>12,393,889</u>	<u>11,980,186</u>	<u>12,191,585</u>	<u>11,739,155</u>	<u>11,139,020</u>	<u>11,787,791</u>
1,684,411	1,458,365	1,434,156	1,494,171	1,416,699	1,291,928
1,869,621	1,799,292	1,784,873	1,739,275	1,713,001	1,583,356
823,165	813,730	793,248	762,352	753,175	737,164
379,547	402,648	453,936	479,320	452,336	486,041
307,894	351,811	245,011	232,011	231,463	189,015
87,327	102,087	90,824	86,640	98,072	88,270
771,716	822,064	839,492	827,076	313,067	295,039
51,744	62,312	73,703	82,301	89,758	95,155
<u>5,975,425</u>	<u>5,812,309</u>	<u>5,715,243</u>	<u>5,703,146</u>	<u>5,067,571</u>	<u>4,765,968</u>
6,757,182	6,755,311	6,599,764	6,365,441	6,214,210	6,024,162
708,500	680,785	701,894	698,792	689,559	552,325
732,834	763,202	718,428	694,720	687,225	612,321
531,957	485,584	551,509	477,394	459,666	443,527
-	-	-	-	-	608,622
-	-	-	-	-	162,769
209,560	227,542	217,298	213,284	218,593	196,944
<u>8,940,033</u>	<u>8,912,424</u>	<u>8,788,893</u>	<u>8,449,631</u>	<u>8,269,253</u>	<u>8,600,670</u>
<u>14,915,458</u>	<u>14,724,733</u>	<u>14,504,136</u>	<u>14,152,777</u>	<u>13,336,824</u>	<u>13,366,638</u>
(4,324,044)	(4,666,076)	(4,345,698)	(4,584,809)	(3,814,417)	(3,591,224)
1,802,475	1,921,529	2,033,147	2,171,187	1,616,613	2,012,377
<u>\$ (2,521,569)</u>	<u>\$ (2,744,547)</u>	<u>\$ (2,312,551)</u>	<u>\$ (2,413,622)</u>	<u>\$ (2,197,804)</u>	<u>\$ (1,578,847)</u>

**CITY OF  
MILTON-FREEWATER, OREGON  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

(continued)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>General Revenues and Other Changes in Net Position</b>				
General revenues:				
Property taxes levied for:				
General purposes	\$ 1,366,983	\$ 1,345,542	\$ 1,300,370	\$ 1,306,981
Debt service	111,200	107,869	102,450	98,765
Franchise and public service taxes	1,207,173	1,168,930	1,180,027	1,118,199
Interest and investment earnings	11,403	9,343	9,458	9,376
Miscellaneous	-	-	-	-
Refund of property taxes to county	(74,628)	-	-	-
Transfers	2,052,719	1,964,986	1,908,008	1,908,197
Total governmental activities	<u>4,674,850</u>	<u>4,596,670</u>	<u>4,500,313</u>	<u>4,441,518</u>
Business-type activities:				
Interest and investment earnings	56,716	55,155	56,844	68,562
Miscellaneous	101,797	116,893	130,631	82,865
Transfers	(2,052,719)	(1,964,986)	(1,908,008)	(1,908,197)
Total business-type activities	<u>(1,894,206)</u>	<u>(1,792,938)</u>	<u>(1,720,533)</u>	<u>(1,756,770)</u>
Total primary government	<u>2,780,644</u>	<u>2,803,732</u>	<u>2,779,780</u>	<u>2,684,748</u>
<b>Change in Net Position</b>				
Governmental activities	(707,658)	(163,085)	1,788,867	432,943
Business-type activities	(494,068)	378,663	2,234,169	1,414,827
Total primary government change in net position	<u>(1,201,726)</u>	<u>215,578</u>	<u>4,023,036</u>	<u>1,847,770</u>
<b>Net Position Beginning</b>				
Governmental activities	16,581,969	16,745,054	14,956,187	14,523,244
Business-type activities	25,223,769	24,845,106	22,610,937	21,196,110
Total primary government net position-beginning	<u>41,805,738</u>	<u>41,590,160</u>	<u>37,567,124</u>	<u>35,719,354</u>
<b>Net Position Ending</b>				
Governmental activities	15,874,311	16,581,969	16,745,054	14,956,187
Business-type activities	24,729,701	25,223,769	24,845,106	22,610,937
<b>Total Primary Government Net Position</b>	<u>\$ 40,604,012</u>	<u>\$ 41,805,738</u>	<u>\$ 41,590,160</u>	<u>\$ 37,567,124</u>

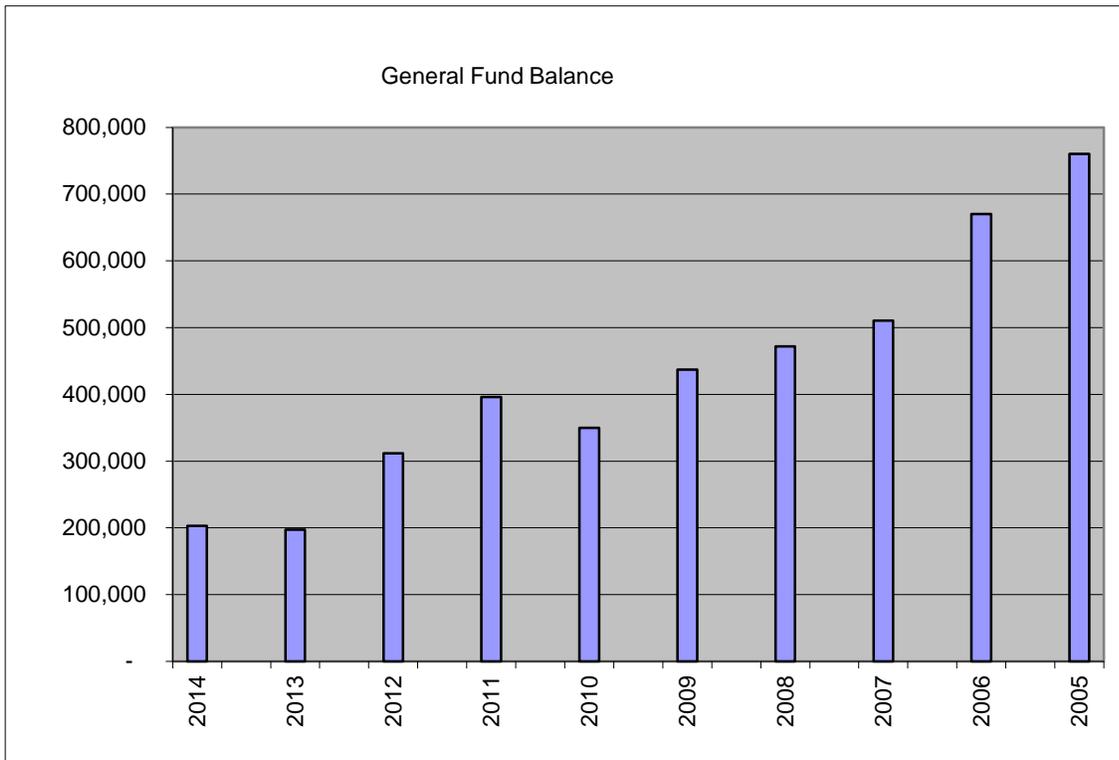
Source: Current and prior years' financial statements

**CITY OF  
MILTON-FREEWATER, OREGON  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,220,853	\$ 1,149,719	\$ 1,097,027	\$ 1,033,468	\$ 1,010,518	\$ 974,613
100,702	99,308	107,325	108,953	112,722	128,358
1,112,511	1,133,425	1,076,014	1,061,733	1,009,023	842,368
12,720	34,599	49,745	54,694	46,532	33,455
-	-	7,302	-	-	-
-	-	-	-	-	-
<u>1,838,830</u>	<u>1,828,298</u>	<u>1,794,577</u>	<u>1,693,056</u>	<u>1,645,886</u>	<u>1,676,659</u>
<u>4,285,616</u>	<u>4,245,349</u>	<u>4,131,990</u>	<u>3,951,904</u>	<u>3,824,681</u>	<u>3,655,453</u>
105,100	210,793	239,948	249,689	184,381	-
81,469	67,519	106,332	80,114	60,165	-
<u>(1,838,830)</u>	<u>(1,828,298)</u>	<u>(1,794,577)</u>	<u>(1,693,056)</u>	<u>(1,645,886)</u>	<u>(1,676,659)</u>
<u>(1,652,261)</u>	<u>(1,549,986)</u>	<u>(1,448,297)</u>	<u>(1,363,253)</u>	<u>(1,401,340)</u>	<u>(1,676,659)</u>
<u>2,633,355</u>	<u>2,695,363</u>	<u>2,683,693</u>	<u>2,588,651</u>	<u>2,423,341</u>	<u>1,978,794</u>
(38,428)	(420,727)	(213,708)	(632,905)	10,264	64,229
150,214	371,543	584,850	807,934	215,273	335,718
<u>111,786</u>	<u>(49,184)</u>	<u>371,142</u>	<u>175,029</u>	<u>225,537</u>	<u>399,947</u>
14,561,672	14,982,399	15,196,107	15,829,012	4,319,663	3,610,078
<u>21,045,896</u>	<u>20,674,353</u>	<u>20,089,503</u>	<u>19,281,569</u>	<u>19,066,296</u>	<u>19,370,730</u>
<u>35,607,568</u>	<u>35,656,752</u>	<u>35,285,610</u>	<u>35,110,581</u>	<u>23,385,959</u>	<u>22,980,808</u>
14,523,244	14,561,672	14,982,399	15,196,107	4,329,927	3,674,307
<u>21,196,110</u>	<u>21,045,896</u>	<u>20,674,353</u>	<u>20,089,503</u>	<u>19,281,569</u>	<u>19,706,448</u>
<u>\$ 35,719,354</u>	<u>\$ 35,607,568</u>	<u>\$ 35,656,752</u>	<u>\$ 35,285,610</u>	<u>\$ 23,611,496</u>	<u>\$ 23,380,755</u>

**CITY OF  
MILTON-FREEWATER, OREGON**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund				
Nonspendable	\$ 30,645			
Committed	157	\$ 157	\$ 157	\$ 157
Assigned	203,207	197,180	311,598	395,933
Total general fund	<u>\$ 234,009</u>	<u>\$ 197,337</u>	<u>\$ 311,755</u>	<u>\$ 396,090</u>
All Other Governmental Funds				
Nonspendable	\$628,846	\$0	\$0	\$0
Restricted	359,499	888,196	718,251	599,020
Committed	0	0	0	0
Assigned	369,572	366,786	358,857	328,465
Unassigned	(106,801)	(30,663)	(17,884)	(16,325)
Total all other governmental funds	<u>\$1,251,116</u>	<u>\$1,224,319</u>	<u>\$1,059,224</u>	<u>\$911,160</u>
Total governmental funds	<u>\$ 1,485,125</u>	<u>\$ 1,421,656</u>	<u>\$ 1,370,979</u>	<u>\$ 1,307,250</u>



Source: Current and prior years' financial statements

**CITY OF  
MILTON-FREEWATER, OREGON  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 157	\$ 3,375	\$ 3,375	\$ 2,875	\$ 2,875	\$ 2,875
349,936	436,921	472,003	510,590	670,055	760,314
<u>\$ 350,093</u>	<u>\$ 440,296</u>	<u>\$ 475,378</u>	<u>\$ 513,465</u>	<u>\$ 672,930</u>	<u>\$ 763,189</u>
\$87,033	\$106,128	\$124,311	\$134,404	\$147,299	\$153,630
62,130	29,109	101,171	89,335	157,300	26,078
0	0	0	0	0	0
0	0	0	0	0	0
624,427	546,065	466,294	393,832	256,242	344,791
<u>\$773,590</u>	<u>\$681,302</u>	<u>\$691,776</u>	<u>\$617,571</u>	<u>\$560,841</u>	<u>\$524,499</u>
<u><u>\$ 1,123,683</u></u>	<u><u>\$ 1,121,598</u></u>	<u><u>\$ 1,167,154</u></u>	<u><u>\$ 1,131,036</u></u>	<u><u>\$ 1,233,771</u></u>	<u><u>\$ 1,287,688</u></u>

**CITY OF  
MILTON-FREEWATER, OREGON**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>			
Taxes/special assessments	\$1,680,489	\$1,610,543	\$1,562,666
Intergovernmental	989,589	1,323,223	3,258,023
Franchise Fees	873,574	851,657	857,718
Licenses and Fines	137,197	174,527	182,097
Charges for services	158,916	178,220	168,070
Interest on Investments	11,404	9,344	9,460
Miscellaneous Revenues	112,623	98,839	103,408
Total revenues	<u>3,963,792</u>	<u>4,246,353</u>	<u>6,141,442</u>
<b>Expenditures</b>			
Current:			
General Government	1,484,678	1,454,853	1,614,651
Public safety	1,994,110	2,046,083	1,966,687
Culture and recreation	724,460	734,084	709,853
Public Works	454,070	438,464	439,530
Community development	424,740	400,848	330,098
Engineering	88,313	91,372	82,675
Highways and streets	232,899	234,738	221,959
Capital outlay	261,327	531,886	2,340,165
Debt service (principle)	199,117	199,230	276,985
(interest)	14,700	29,104	33,119
Total expenditures	<u>5,878,414</u>	<u>6,160,662</u>	<u>8,015,722</u>
Revenues over (under) expenditures	<u>(1,914,622)</u>	<u>(1,914,309)</u>	<u>(1,874,280)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of refunding bonds	-	-	-
Bond discount and issue costs	-	-	-
Issuance of debt	-	-	-
Payments to refund bonds	-	-	-
Sale of assets			
Transfers in	2,270,399	2,185,651	2,158,214
Transfers out	(217,680)	(220,665)	(220,205)
Total other financing sources (uses)	<u>2,052,719</u>	<u>1,964,986</u>	<u>1,938,009</u>
Refund of property taxes received	(74,628)		
Net change in fund balances	<u>\$ 63,469</u>	<u>\$ 50,677</u>	<u>\$ 63,729</u>
Debt service as a percentage of noncapital expenditures	<u>3.8%</u>	<u>4.1%</u>	<u>5.5%</u>

Source: Current and prior years' financial statements

**CITY OF  
MILTON-FREEWATER, OREGON**  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$1,540,352	\$1,466,365	\$ 1,378,479	\$ 1,342,420	\$ 1,279,486	\$ 1,269,333	\$ 1,225,499
1,659,343	1,300,145	824,597	1,020,054	740,424	914,983	726,804
837,455	831,770	842,884	810,960	799,743	752,795	718,441
195,409	187,921	140,489	189,247	209,085	197,783	188,695
181,935	176,726	187,846	199,301	184,853	143,389	140,796
9,374	12,723	34,600	49,745	54,695	46,532	33,455
101,598	97,187	99,030	88,938	114,980	114,385	118,449
<u>4,525,466</u>	<u>4,072,837</u>	<u>3,507,925</u>	<u>3,700,665</u>	<u>3,383,266</u>	<u>3,439,200</u>	<u>3,152,139</u>
1,432,935	1,691,005	1,401,182	1,476,112	1,417,419	1,366,044	1,295,386
1,880,750	1,890,608	1,768,188	1,747,759	1,707,119	1,680,570	1,581,989
701,349	667,680	663,924	665,945	621,921	611,648	642,610
400,545	387,814	390,486	458,169	460,190	424,157	451,878
322,942	288,081	319,423	232,559	207,917	230,978	189,015
92,394	85,643	100,872	87,269	85,749	97,436	88,270
193,877	211,027	261,259	279,323	256,218	258,954	295,039
908,342	381,653	148,754	193,998	108,446	217,227	4,150
272,822	275,049	264,137	249,815	239,887	274,918	241,586
44,147	54,025	63,554	75,502	91,233	105,830	96,858
<u>6,250,103</u>	<u>5,932,585</u>	<u>5,381,779</u>	<u>5,466,451</u>	<u>5,196,099</u>	<u>5,267,762</u>	<u>4,886,781</u>
<u>(1,724,637)</u>	<u>(1,859,748)</u>	<u>(1,873,854)</u>	<u>(1,765,786)</u>	<u>(1,812,833)</u>	<u>(1,828,562)</u>	<u>(1,734,642)</u>
-	-	-	-	-	-	1,105,000
-	-	-	-	-	-	(24,478)
-	-	-	-	-	64,000	-
-	-	-	-	-	-	(1,095,000)
-	-	-	7,328	-	-	-
2,156,204	2,200,958	2,096,815	2,046,118	1,966,569	1,921,442	1,887,014
(248,007)	(339,128)	(268,517)	(251,541)	(256,471)	(275,556)	(210,355)
<u>1,908,197</u>	<u>1,861,830</u>	<u>1,828,298</u>	<u>1,801,905</u>	<u>1,710,098</u>	<u>1,709,886</u>	<u>1,662,181</u>
<u>\$ 183,560</u>	<u>\$ 2,082</u>	<u>\$ (45,556)</u>	<u>\$ 36,119</u>	<u>\$ (102,735)</u>	<u>\$ (118,676)</u>	<u>\$ (72,461)</u>
<u>5.9%</u>	<u>5.9%</u>	<u>6.3%</u>	<u>6.2%</u>	<u>6.5%</u>	<u>7.5%</u>	<u>6.9%</u>

**CITY OF  
MILTON-FREEWATER, OREGON  
Program Revenues by Function/Program  
Last Ten Fiscal Years  
(accrual basis of accounting)**

<b>Function/Program</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Governmental activities</b>					
General government	\$ 375,597	\$ 409,228	\$ 583,085	\$ 503,066	\$ 663,384
Public safety	42,154	68,892	53,920	143,896	172,171
Culture and recreation	363,313	340,123	323,519	327,138	330,529
Community development	-	-	-	-	-
Highways and streets	411,241	788,159	2,601,840	1,031,324	485,297
<b>Total governmental activities</b>	<b>1,192,305</b>	<b>1,606,402</b>	<b>3,562,364</b>	<b>2,005,424</b>	<b>1,651,381</b>
<b>Business-type activities</b>					
Electric	7,202,841	7,150,618	8,132,633	8,021,010	7,286,311
Water	1,232,534	1,296,077	1,609,438	1,622,032	1,405,206
Sewer	1,247,183	1,248,951	1,117,060	1,119,627	1,165,318
Solid Waste	845,996	832,589	837,017	817,558	696,771
Internal Service-Prim Bus	-	-	-	-	-
Golf Course	196,439	203,373	190,951	191,720	188,902
<b>Total business-type activities</b>	<b>10,724,993</b>	<b>10,731,608</b>	<b>11,887,099</b>	<b>11,771,947</b>	<b>10,742,508</b>
<b>Total Primary government</b>	<b>\$11,917,298</b>	<b>\$12,338,010</b>	<b>\$15,449,463</b>	<b>\$13,777,371</b>	<b>\$12,393,889</b>

Source: Current and prior years' financial statements

**CITY OF  
MILTON-FREEWATER, OREGON  
Program Revenues by Function/Program  
Last Ten Fiscal Years  
(accrual basis of accounting)**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 381,121	\$ 533,546	\$ 452,941	\$ 575,662	\$ 657,764
54,394	77,954	48,524	80,844	10,036
342,984	349,249	307,242	149,817	142,867
10,528				
357,206	408,796	309,630	446,831	364,077
1,146,233	1,369,545	1,118,337	1,253,154	1,174,744
7,644,906	7,766,193	7,706,442	7,215,673	7,266,534
1,234,728	1,087,613	1,039,987	970,841	945,447
1,055,369	1,023,209	953,916	872,487	915,262
705,561	741,034	718,629	605,060	615,438
-	-	-	-	648,227
193,389	203,991	201,844	221,805	222,139
10,833,953	10,822,040	10,620,818	9,885,866	10,613,047
\$ 11,980,186	\$ 12,191,585	\$ 11,739,155	\$ 11,139,020	\$ 11,787,791

**CITY OF  
MILTON-FREEWATER,  
OREGON**  
Tax Revenues by Source, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

<u>Year</u>	<u>Property Taxes</u>	<u>Transient Room Taxes</u>	<u>Utility Taxes</u>
<b>2005</b>	1,097,930	0	123,927
<b>2006</b>	1,124,626	0	126,518
<b>2007</b>	1,144,601	0	133,326
<b>2008</b>	1,211,508	0	130,106
<b>2009</b>	1,229,522	14,637	133,564
<b>2010</b>	1,318,530	20,094	127,741
<b>2011</b>	1,400,910	9,476	129,966
<b>2012</b>	1,402,572	24,000	136,094
<b>2013</b>	1,462,014	14,430	134,099
<b>2014</b>	1,523,708	18,121	138,660

Source: Current and prior years' financial statements

**CITY OF  
MILTON-FREEWATER, OREGON  
Assessed Valuation and Actual Values of Taxable Property \*  
Last Ten Fiscal Years**

<b>Year</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Real Market Value</b>
<b>2005</b>	190,727,000	4.41	235,614,887
<b>2006</b>	195,879,000	4.72	245,434,167
<b>2007</b>	207,031,000	5.9	250,342,850
<b>2008</b>	207,366,000	5.9	262,743,760
<b>2009</b>	215,951,000	5.95	307,370,747
<b>2010</b>	224,018,690	6.01	325,731,595
<b>2011</b>	229,968,793	6.14	317,670,003
<b>2012</b>	237,268,234	6.06	312,506,993
<b>2013</b>	242,266,716	6.12	309,694,430
<b>2014</b>	252,318,776	6.16	310,240,684

**CITY OF  
MILTON-FREEWATER, OREGON**  
Property Tax Rates - Direct And Overlapping Governments  
(Per \$1,000 of Assessed Valuation)  
Last Ten Fiscal Years

DIRECT					OVERLAPPING						
Year	City of M-F General	City of M-F Bond	City of M-F Local Option	URA	Total Direct Tax Rate	Umatilla County	BMCC	School District No. 7	Misc Small Districts	Total Overlap Tax Rate	Total Tax Rate
2005	2.21	0.44	0.00	1.76	4.41	2.85	0.96	4.79	1.55	10.15	14.56
2006	2.51	0.44	0.00	1.77	4.72	2.85	0.96	4.79	1.53	10.13	14.85
2007	3.38	0.50	0.25	1.78	5.91	2.73	0.87	4.20	1.07	8.87	14.78
2008	3.38	0.50	0.25	1.78	5.91	2.73	0.87	4.20	1.07	8.87	14.78
2009	3.24	0.47	0.28	1.96	5.95	2.69	0.83	4.14	1.08	8.74	14.69
2010	3.21	0.46	0.27	2.08	6.02	2.66	0.83	4.10	1.06	8.65	14.67
2011	3.15	0.43	0.26	2.30	6.14	2.61	0.82	4.03	1.05	8.51	14.65
2012	3.18	0.44	0.25	2.19	6.06	2.63	0.81	4.07	1.74	9.25	15.31
2013	3.18	0.45	0.25	2.24	6.12	2.62	0.81	4.06	1.95	9.44	15.56
2014	3.16	0.44	0.24	2.32	6.16	2.57	0.81	5.04	1.91	10.33	16.49

**CITY OF  
MILTON-FREEWATER, OREGON**  
**Direct And Overlapping Governmental Activities Debt**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
<b><u>DIRECT:</u></b>			
City of Milton-Freewater	<u>\$240,000</u>	100%	<u>\$240,000</u>
<b><u>OVERLAPPING:</u></b>			
Umatilla County	15,820,000	2%	31,640
School District #7	11,969,414	42%	5,027,153
M-F Water control District	2,680,000	65%	1,742,000
Blue Mountain CC	<u>9,720,000</u>	3%	<u>407,850</u>
Total Overlapping	<u>40,189,414</u>		<u>7,208,643</u>
Total Direct& Overlapping	<u><u>\$40,429,414</u></u>		<u><u>\$7,448,643</u></u>

Source:  
Information provided by the Umatilla County Tax Assessor's Office

Note:  
Overlapping debt is debt of various public organizations whose geographic area overlaps City of Milton-Freewater boundaries. This schedule estimates the portion of other public organization debt that certain taxpayers in Milton-Freewater are responsible for. In order to be responsible for the overlapping debt, taxpayers must reside within both Milton-Freewater city limits and the boundaries of the other public organization which has incurred the debt.

**CITY OF  
MILTON-FREEWATER, OREGON  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

<b>Fiscal Year Ended June 30,</b>	<b>Tax Levy for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Percentage of Levy</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
<b>2005</b>	820,048	773,631	94.34%	46,349	819,980	99.99%
<b>2006</b>	827,814	769,520	92.96%	58,183	827,703	99.99%
<b>2007</b>	842,086	784,195	93.13%	57,459	841,654	99.95%
<b>2008</b>	853,438	798,519	93.56%	54,193	852,712	99.91%
<b>2009</b>	862,492	796,538	92.35%	64,988	861,526	99.89%
<b>2010</b>	881,496	817,453	92.73%	62,864	880,317	99.87%
<b>2011</b>	910,660	841,495	92.40%	67,748	909,243	99.84%
<b>2012</b>	919,981	854,410	92.87%	34,208	888,618	96.59%
<b>2013</b>	939,891	883,872	94.04%	18,037	901,909	95.96%
<b>2014</b>	966,322	906,661	93.83%	-	906,661	93.83%

Note: For comparability purposes, the above amounts do not include the tax levy for the City of Milton-Freewater Urban Renewal Agency, which is a blended component unit of the City. In addition, 2006 includes the new special levy for the City's transportation program.

CITY OF  
MILTON-FREEWATER, OREGON  
Principal Taxpayers  
January 1, 2005 to January 1, 2014

**Tax Year 2013-2014**

<b>Taxpayer</b>	<b>Real Property Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
Earl Brown & Sons	\$ 10,018,790	1	3.87%
Cold Mountain Storage LLC	6,448,470	2	2.49%
Sykes Realty Inc	4,126,700	3	1.59%
Charter Communications	3,612,900	4	1.39%
Stadelman Fruit, Co.	2,981,680	5	1.15%
Milton-Freewater Holdings LLC	2,739,000	6	1.06%
Freewater Oregon LLC	2,419,490	7	0.93%
Key Meadowbrook Village	2,418,090	8	0.93%
Verizon Wireless VAW LLC	2,234,000	9	0.86%
Cub Investors LLC	1,824,360	10	0.70%
	<u>\$ 28,804,690</u>		<u>11.11%</u>
Total Assessed Valuation	<u>\$ 259,202,958</u>		

**Tax year 2004-2005**

<b>Taxpayer</b>	<b>Real Property Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
Sykes Enterprise	\$ 6,399,570	1	3.74%
Earl E Brown & Sons	4,564,080	2	2.81%
G Miller	4,059,260	3	2.47%
Chiquita Processed Foods LLC	3,207,100	4	1.51%
Blue Mountain Growers, Inc.	3,010,850	5	1.83%
Charter Communications	2,663,710	6	1.95%
US West Communications, Inc.	2,480,168	7	1.27%
Watermill Foods, Inc.	2,081,080	8	1.23%
Key Meadowbrook Village	2,025,330	9	1.23%
Four Bears Holding, Limited	1,852,220	10	1.10%
	<u>\$ 32,343,368</u>		<u>12.48%</u>
Total Assessed Valuation	<u>\$ 170,133,725</u>		

**CITY OF  
MILTON-FREEWATER, OREGON  
Ratios of Outstanding Debt By Type  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment	Loans Payable	Revenue Bonds	Loans Payable			
2005	1,105,000	41,444	1,297,717	435,000	3,000,070	5,879,231	N/A	904
2006	1,020,000	31,767	1,171,641	385,000	2,760,808	5,369,216	N/A	821
2007	935,000	21,966	1,129,603	335,000	2,553,940	4,975,509	N/A	756
2008	850,000	15,021	861,514	285,000	2,428,589	4,440,124	N/A	678
2009	760,000	7,602	696,167	235,000	2,126,268	3,825,037	N/A	581
2010	665,000	-	524,132	185,000	1,798,344	3,172,476	N/A	485
2011	565,000	-	350,635	125,000	1,639,570	2,680,205	N/A	380
2012	460,000	-	178,650	65,000	1,297,978	2,001,628	N/A	284
2013	350,000	-	89,184	-	875,405	1,314,589	N/A	186
2014	240,000	-	0	-	605,069	845,069	N/A	120

Note: N/A Information at City level not available.

Source: Current and prior years' financial Statements, Department of Commerce- Bureau of Economic Analysis, Center for Population Research and Census at Portland State University.

**CITY OF  
MILTON-FREEWATER, OREGON  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Gross Bonded Debt</b>	<b>Total Taxable Assessed Value (000)'s</b>	<b>Percentage of Debt to Value of Property</b>	<b>Net Bonded Debt Per Capita</b>
2005	6,500	1,105,000	190,727	0.58%	170
2006	6,540	1,020,000	195,879	0.52%	156
2007	6,585	935,000	207,031	0.48%	142
2008	6,550	850,000	207,366	0.44%	130
2009	6,580	760,000	215,951	0.39%	116
2010	6,545	665,000	224,051	0.34%	102
2011	7,045	565,000	229,968	0.29%	80
2012	7,055	460,000	237,268	0.24%	65
2013	7,050	350,000	242,266	0.18%	50
2014	7,060	240,000	252,318	0.13%	34

Source: Current and prior years' financial statements, Umatilla County Department of Assessment and Taxation, Center for Population Research and Census at Portland State University

**CITY OF  
MILTON-FREEWATER, OREGON  
Legal Debt Margin Information  
Last Ten fiscal Years  
(unaudited)**

ORS 287.004 provides a debt limit on general obligation bonds of 3% of the real market value of all taxable property within the City's boundaries.

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Real market value	\$ 310,240,684	\$ 309,694,430	\$ 312,506,993	\$ 317,670,003
Debt limit rate	3%	3%	3%	3%
Debt limit	9,307,221	9,290,833	9,375,210	9,530,100
Less general bonded debt June 30,	240,000	350,000	460,000	565,000
Legal debt margin	<u>\$ 9,067,221</u>	<u>\$ 8,940,833</u>	<u>\$ 8,915,210</u>	<u>\$ 8,965,100</u>
 Total net bonded debt applicable to the limit as a percentage of debt limit	 0.08%	 0.11%	 0.15%	 0.18%

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 325,731,595	\$ 307,370,747	\$ 262,743,760	\$ 250,342,850	\$ 245,434,167	\$ 235,614,887
3%	3%	3%	3%	3%	3%
9,771,948	9,221,122	7,882,313	7,510,286	7,363,025	7,068,447
665,000	760,000	850,000	935,000	1,020,000	1,105,000
\$ 9,106,948	\$ 8,461,122	\$ 7,032,313	\$ 6,575,286	\$ 6,343,025	\$ 5,963,447

0.20%

0.25%

0.32%

0.37%

0.42%

0.47%

**CITY OF  
MILTON-FREEWATER, OREGON  
Demographic and Economic Statistics  
Last Ten Fiscal Years and Last Seven Decades**

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
<b>2005</b>	6,500	2,012	\$13,382	7.90%
<b>2006</b>	6,540	2,050	N/A	6.80%
<b>2007</b>	6,585	1,985	\$14,353	6.10%
<b>2008</b>	6,550	1,978	N/A	6.18%
<b>2009</b>	6,580	2,050	\$13,101	8.80%
<b>2010</b>	6,545	2,002	\$14,712	9.60%
<b>2011</b>	7,045	2,050	\$15,643	10.10%
<b>2012</b>	7,055	2,008	\$16,355	8.35%
<b>2013</b>	7,050	2,061	\$16,682	8.50%
<b>2014</b>	7,060	2,002	\$16,752	8.45%

N/A Information at City level not available.  
Unemployment Rate is at the Umatilla County level.

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
<b>1960</b>	4,110	N/A	\$ N/A	9.50%
<b>1970</b>	4,150	1,332	\$2,806	12.90%
<b>1980</b>	5,086	1,214	5,653	13.70%
<b>1985</b>	5,820	1,370	N/A	12.10%
<b>1990</b>	5,533	1,309	9,130	9.70%
<b>2000</b>	6,495	1,939	14,280	6.20%
<b>2010</b>	6,545	2,002	14,712	9.60%

N/A Information at City level not available.

**CITY OF  
MILTON-FREEWATER, OREGON  
Principal Employers  
Current Year and Nine Years Ago**

<b>2013-14</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>%</b>
Sykes	464	1	35
Earl Brown and Sons (seasonal)	221	2	16
M-F Unified School District	200	3	22
Oregon Coalition of Child Develop.	104	4	8
City of Milton-Freewater	80	5	6
	1069		

**2004-05**

Information for 2003-04 is not readily available.

**CITY OF  
MILTON-FREEWATER, OREGON  
Full Time Equivalent City Employees  
by Function/Program and Bargaining Unit  
Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Governmental activities:</b>				
General government	26.66	27.23	27.04	27.19
Public safety and justice	19.68	19.86	19.93	19.93
Community services	0.70	0.70	0.70	0.70
Streets and highways	1.80	1.80	1.80	1.80
Library	3.93	3.93	3.93	3.93
<b>Total governmental activities</b>	<b>52.77</b>	<b>53.52</b>	<b>53.4</b>	<b>53.55</b>
<b>Business-type activities:</b>				
Water	2.63	2.63	2.63	2.63
Wastewater	3.45	3.45	3.45	3.45
Sanitation	2.84	2.84	2.84	2.84
Golf Course	1.94	1.94	1.94	1.94
Electric	9.70	9.70	9.70	9.70
<b>Total business-type activities</b>	<b>20.56</b>	<b>20.56</b>	<b>20.56</b>	<b>20.56</b>
<b>Total primary government budgeted FTE</b>	<b>73.33</b>	<b>74.08</b>	<b>73.96</b>	<b>74.11</b>
<b>City of Milton-Freewater Employees</b>				
Management and exempt	12.69	12.69	12.69	12.69
Temporary employees	61	61	61	61
<b>Total Employees in Six Bargaining Units (Clerical, Teamsters, Police, Linemen, Dept Heads, Supervisory/Tech)</b>	<b>86.02</b>	<b>86.77</b>	<b>86.65</b>	<b>86.80</b>
Volunteer employees	30	33	42	42

**CITY OF  
MILTON-FREEWATER, OREGON  
Full Time Equivalent City Employees  
by Function/Program and Bargaining Unit  
Last Ten Fiscal Years**

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
27.34	28.14	28.37	27.63	29.51	29.72
19.93	19.43	19.93	19.18	21.70	18.20
0.75	0.75	0.60	0.60	0.55	0.20
1.80	2.28	2.28	2.28	2.28	2.31
3.93	3.85	3.85	3.85	4.35	4.5
<u>53.75</u>	<u>54.45</u>	<u>55.03</u>	<u>53.54</u>	<u>58.39</u>	<u>54.93</u>
2.63	2.63	2.63	2.63	2.53	2.53
3.45	3.27	3.10	3.10	3.10	3.10
2.84	2.54	2.71	2.71	2.71	2.71
1.94	1.94	1.94	1.94	1.94	2.24
9.60	9.60	9.60	9.60	9.62	9.62
<u>20.46</u>	<u>19.98</u>	<u>19.98</u>	<u>19.98</u>	<u>19.9</u>	<u>20.20</u>
<u>74.21</u>	<u>74.43</u>	<u>75.01</u>	<u>73.52</u>	<u>78.29</u>	<u>75.13</u>
<u>12.69</u>	<u>12.69</u>	<u>12.41</u>	<u>12.41</u>	<u>8.11</u>	<u>8.11</u>
<u>61</u>	<u>61</u>	<u>47</u>	<u>50</u>	<u>48</u>	<u>49</u>
<u>86.90</u>	<u>87.12</u>	<u>87.42</u>	<u>85.93</u>	<u>86.40</u>	<u>83.24</u>
<u>42</u>	<u>43</u>	<u>48</u>	<u>49</u>	<u>43.6</u>	<u>49</u>

**CITY OF  
MILTON-FREEWATER, OREGON  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

<b>FUNCTION/PROGRAM</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Governmental Activities:</b>				
<b>Public Safety and Justice</b>				
<b>Police (1)</b>				
Calls for service	5,613	7,712	5,730	5,788
Number of arrests	661	696	666	774
<b>Municipal Court</b>				
Traffic Cases (Non-Criminal)	535	645	675	785
Traffic Cases (Criminal)	32	39	33	37
Criminal Cases	198	131	71	82
Other Violations	62	53	65	74
<b>Library</b>				
Number of registered borrowers	4,604	4,248	4,308	4,069
Total circulation	41,467	42,177	46,365	54,211
Public programs	168	94	116	93
Program attendance	1,199	899	915	1,178
Books added	4,172	7,573	1,443	9,913
<b>Business-type Activities:</b>				
<b>Water</b>				
Average active metered connections	2,732	2,715	2,682	2,687
Average daily water consumption**	1,138,455	1,387,285	1,224,094	1,226,548

(1) Police statistics are for the calendar year.

**CITY OF  
MILTON-FREEWATER, OREGON  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
5,833	6,357	6,531	6,578	6,933	7,259
762	596	847	1,044	1,134	1,342
717	579	665	986	1,079	1,121
122	68	68	133	130	155
96	89	103	87	73	151
69	54	33	65	127	1,486
4,483	4,526	4,588	4,861	6,887	6,444
58,105	53,821	48,136	52,468	50,855	47,638
100	120	145	88	135	109
1,440	2,077	2,833	1,573	1,962	2,362
24,379	2,390	2,682	2,370	2,956	6,521
2,774	2,766	2,798	2,765	2,809	2,804
1,471,902	1,454,449	1,427,167	1,547,790	1,533,710	1,738,600

**CITY OF  
MILTON-FREEWATER, OREGON**  
Capital Asset and Infrastructure Statistics by Function/Program  
Last Ten Fiscal Years

<b>FUNCTION/PROGRAM</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Governmental Activities</b>				
<b>General Government</b>				
Buildings owned-all structures	37	37	37	37
Vehicles/Equip (i.e. trailers, mowers)	23	23	23	23
Vehicles (i.e. cars & pick ups)-excluding police	18	18	18	18
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	17	17	17	17
Heavy Equipment (i.e. CAT, grader, etc.)	8	8	8	8
<b>Public Safety and Justice</b>				
Police				
Vehicular patrol units/code enforcment	8	7	7	7
Fire				
Vehicular apparatus units	8	8	8	8
<b>Streets and Highways</b>				
Miles of streets maintained by City:				
Paved	30.20	30.20	30.20	25.25
Unpaved	0.00	0.00	0.00	4.95
Bridges and underpasses	0	0	0	0
<b>Business-type Activities</b>				
<b>Water</b>				
Miles of water lines (estimated)	36.87	36.87	36.87	36.87
Reservoirs	3	3	3	3
Water treatment plant	0	0	0	0
Wells	7	7	7	7
<b>Wastewater</b>				
<b>Treatment plant</b>				
Miles of sewer lines (estimated)	28.23	28.23	28.23	28.23
Lift Stations	2	2	2	2
<b>Electric</b>				
Substations	3	3	3	3
Miles of power lines (underground)	14	14	14	14
Miles of power lines (above ground)	80	80	80	80

Source: City of Milton-Freewater Departments

**CITY OF  
MILTON-FREEWATER, OREGON**  
Capital Asset and Infrastructure Statistics by Function/Program  
Last Ten Fiscal Years

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>35</u>
23	23	23	23	22	24
17	17	17	17	17	16
16	16	16	16	15	15
8	7	6	5	5	5
<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
8	7	7	7	7	7
<u>25.25</u>	<u>24.75</u>	<u>24.75</u>	<u>24.50</u>	<u>24.50</u>	<u>24.50</u>
4.95	5.45	5.45	5.70	5.70	5.70
0	0	0	0	0	0
<u>36.87</u>	<u>36.87</u>	<u>36.87</u>	<u>36.87</u>	<u>36.87</u>	<u>36.12</u>
3	3	3	3	3	3
0	0	0	0	0	0
7	7	7	7	7	7
<u>28.23</u>	<u>28.23</u>	<u>28.23</u>	<u>28.23</u>	<u>28.23</u>	<u>28.23</u>
2	2	2	2	2	2
<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
14	14	14	14	14	14
80	80	80	80	80	80



**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, 2014, and have issued our report thereon dated February 27, 2015. 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 2013-2014 budget in the following amounts:

<b>Library Fund</b>	
Personal Services	\$ <u>3,458</u>
<b>Senior/Disabled Transportation Fund</b>	
Personal Services	\$ <u>1,286</u>
Materials and Services	\$ <u>9,967</u>
<b>Electric Fund</b>	
Materials and Services	\$ <u>89,536</u>
<b>Water Fund</b>	
Personal Services	\$ <u>22,586</u>
<b>Golf Course Fund</b>	
Materials and Services	\$ <u>170,393</u>
<b>Vehicle Replacement Fund</b>	
Debt Service	\$ <u>567</u>

For the 2014-2015 budget, several non-operating funds were appropriated with operating contingency when only operating funds are allowed a general operating contingency according Oregon Budget Law. The City had also appropriated reserve funds, which is not allowed under Oregon Budget Law.

The City of Milton-Freewater's Urban Renewal Agency overspent their maximum indebtedness limit by \$74,628 during the 2013-14 fiscal year and has accrued a liability for the refund of property taxes to the County. The Agency no longer has authority to collect further property taxes, and all taxes collected after June 30, 2014 have been refunded.

The Urban Renewal Agency loaned the City of Milton-Freewater \$628,846, which has not been treated as expenditures of tax increment funds and are not included in the calculation of maximum indebtedness. Under ORS 457.450(3), it is our opinion that the \$628,846 in loans receivable from the City should be considered unexpended from the special fund and be required to be turned over to the County treasurer. In addition, there was \$323 in cash remaining at year end, which would also be required to be turned over to the County treasurer for a total of \$629,169. The City and Urban Renewal Agency disagree that these monies are required to be refunded and has decided not to report a liability for the amount.

**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 February 27, 2015.

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*  
Dickey and Tremper, LLP  
February 27, 2015



Dickey and Tremper, LLP  
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**INDEPENDENT AUDITOR'S 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milton-Freewater, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Milton-Freewater, Oregon's basic financial statements and have issued our report thereon dated February 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Milton-Freewater, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Milton-Freewater, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Milton-Freewater, Oregon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the

accompanying schedule of findings and responses as 2014-001, 2014-002, and 2014-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

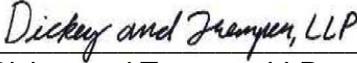
As part of obtaining reasonable assurance about whether the City of Milton-Freewater, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as 2014-003.

### **City of Milton-Freewater, Oregon's Response to Findings**

City of Milton-Freewater, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Milton-Freewater, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
\_\_\_\_\_  
Dickey and Tremper, LLP  
Certified Public Accountants

Pendleton, Oregon  
February 27, 2015

**CITY OF MILTON-FREEWATER, OREGON  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Fiscal Year Ended June 30, 2014**

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

**Financial Statements**

- 01 The auditor's report expresses a Qualified Opinion on the basic financial statements of the City of Milton-Freewater.
- 02 Three material weaknesses in internal control were discovered by the audit of the basic financial statements of the City of Milton-Freewater. The deficiencies described below as 2014-001, 2014-002, and 2014-003 are reported as material weaknesses.
- 03 One instance of noncompliance material to the financial statements of the City of Milton-Freewater was required to be reported in accordance with *Government Auditing Standards*.

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

MATERIAL WEAKNESSES

**2014-001**

*Condition and criteria:* The City's controls over the fiscal year-end reporting of capital assets and long-term debt activity rely largely on manual schedules to reconcile the activity. Capital asset and debt schedules were not prepared prior to the commencement of audit fieldwork and had to be created during the audit. Management did not perform sufficient procedures to determine which assets should be capitalized and there were errors found in the initial schedules prepared. In addition, there is no secondary review of the schedules, which increases the risk of misstatement.

*Effect:* Significant adjustments were required to correct asset additions and the schedules to properly report the City's capital asset and debt activity.

*Cause:* Capital asset and debt schedules are done through a manual process, which increases the risk of human error. Timing did not allow for a proper analysis of capital asset additions; communication between departments; or a secondary review prior to presenting the schedules to the auditor.

*Auditor's recommendation:* We recommend that management review its year-end reporting of capital assets and long-term debt to incorporate additional oversight and secondary review of staff work. We further recommend that the City incorporate procedures to analyze expenses to determine which items should be capitalized in accordance with the City's capitalization policy and which items should not. This analysis should include identifying individual asset additions (or projects), communicating with other City departments, reviewing the City Council minutes, and separately listing each asset in the detail section of

the capital asset records for proper tracking purposes. Management should also consider hiring a consultant to assist in these areas or obtain additional training.

*Management's response:* Management will update asset schedules monthly and make every attempt to ensure that each department submits additions/deletions of the capital assets into the finance director in a timely manner. At the end of the year the capital asset and long-term schedules will be thoroughly reviewed by the finance director checking with each department and then double checked by the accounting supervisor.

## **2014-002**

*Condition and criteria:* The Urban Renewal Agency Board of Directors approved increasing the maximum grant award for the Storefront Improvement Grant program to \$25,000. The grant application and instruction sheets were not updated to reflect the increased amount and there were inconsistencies in the award process. We found a few applications that were limited to \$20,000 and one project that allowed for roofing costs that were disallowed in another application. The discussion at the meeting increasing the maximum award amount also indicated that management would request Board approval if a special case exceeded the \$25,000 maximum. We found grants to one applicant financing roofing costs and improvements to three storefronts for a total of \$97,774 and management was unable to provide documentation of special approval by the Board. The grant program instructions and application also require the City to receive proof of payment of costs in order to reimburse the property owner and has a space for planning department approval. The applications tested did not have a planning department approval to ensure the project meets all applicable codes and several projects did not provide proof of payment of the costs reimbursed by the Agency. Management relied on visual inspection of the projects in lieu of proof of payment.

*Effect:* The Urban Renewal grant program lacks consistency and incomplete records are being kept when compared to the written requirements of the program. This increases the risk of improper reimbursements to property owners.

*Cause:* The Urban Renewal Agency was winding up operations and management was working to disburse funds as quickly as possible to get the most benefit for the community.

*Auditor's recommendation:* It was suggested to management that the grant program be cleaned up with more review and documentation, and to follow the written procedures of approval and award limits in order for the program to be more transparent. We also suggested that management obtain proof of payment for the grants monies disbursed to ensure compliance with the program.

*Management's response:* As the auditor notes, city staff was working under a tight timeframe to get as many grant dollars into the community before the deadline of June 30, 2014, and the subsequent sunset of the URA's grant programs. The increase in the suggested grant cap, from \$3,000 to \$25,000, came as a late change to the program, at the request of the newly formed civic group, Milton-Freewater Downtown Alliance. Some property owners were slow in getting their paperwork completed and submitted to our Community Development department, and rather than cancel the grant award, we took visual inspection and photos of the work completed as proof that the project was complete. Regarding the \$97,774, this total was three individual grants for three different storefronts on

South Main, which happen to be owned by the same individual. The additional \$22,774 was from a different source in the URA budget that allows for special projects, unanticipated at the time the budget was formulated. This was spent on repairing the roof to the historic "Opera House" on South Main at the encouragement of the Downtown Alliance and several local citizens who feared without the roof intact the historic building would be lost. Council and the URA Board were fully aware of this expenditure. All monies can be and are fully accounted for.

### **2014-003**

*Condition and criteria:* The Agency overspent their maximum indebtedness limit by \$74,628 during the 2013-14 fiscal year and has accrued a liability for the refund of property taxes to the county. The Urban Renewal Agency also loaned the City of Milton-Freewater \$628,846, which has not been treated as expenditures of tax increment funds and are not included in the calculation of maximum indebtedness. Under ORS 457.450(3), it is our opinion that the \$628,846 in loans receivable from the City should be considered unexpended from the special fund and be required to be turned over to the County treasurer. In addition, there was \$323 in cash remaining at year end, which would also be required to be turned over to the County treasurer for a total of \$629,169. The City and Urban Renewal Agency disagree that these monies are required to be refunded and has decided not to report a liability for the amount.

*Effect:* An adjustment was required to record a liability and expenditure for the refund of property taxes to the County of \$74,628, which was material to the financial statements. There were also other adjustments required to reclassify the loan activity and to remove any additional property taxes receivable. Refund of the additional \$629,169 has not been reported and is material to the financial statements resulting in a qualified opinion for the City.

*Cause:* The City's maximum indebtedness level is considerably low compared to other similar governments and was tracked manually by management. Management's schedule tracking maximum indebtedness was not updated until after the end of the fiscal year. In addition, there was not a clear consensus on the calculation of the Agency's spending towards maximum indebtedness.

*Auditor's recommendation:* We recommend that the City and Urban Renewal Agency work closely with their attorney and the County to resolve the situation and to ensure that once monies are refunded to the County that the City receives a proper allocation of the amount prorated by the County treasurer back to the taxing districts in which the area, or part thereof, is located.

*Management's response:* As noted, the City and URA disagree with the audit finding regarding the status of the loans.

