

CITY OF MILLERSBURG
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2008

**CITY OF MILLERSBURG
Linn County, Oregon**

CITY OFFICIALS

June 30, 2008

Mayor

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

Council Members

Linda Boyce
4441 Woods Road NE
Albany, Oregon 97321

Scott Cowan
2491 Millersburg Drive NE
Albany, Oregon 97321

Barry Holsworth
4231 Woods Road NE
Albany, Oregon 97321

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

City Administrator/Recorder

Barbara Castillo
4222 Old Salem Road NE
Albany, Oregon 97321

CITY OF MILLERSBURG
Linn County, Oregon

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FINANCIAL SECTION



Koontz & Perdue, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millersburg, Linn County, Oregon as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Millersburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millersburg as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 37 through 40 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Millersburg's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Koontz & Perdue, P.C.

By: A handwritten signature in black ink, appearing to be 'D. Koontz', written over a horizontal line.

Albany, Oregon
December 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the City of Millersburg, Linn County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2008, total net assets of the City of Millersburg amounted to \$26,072,672. Of this amount, \$19,067,109 was invested in capital assets, net of related debt. The remaining balance included \$650,553 restricted for system development charges and \$6,355,010 of unrestricted net assets.
- The City's total net assets increased by \$4,882,044 during the current fiscal year.
- Overall revenues were \$7,405,161, which exceeded expenditures of \$2,523,117 by \$4,882,044.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

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

□ **Governmental Funds**

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Street Reserve Funds, both of which are considered to be major governmental funds.

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

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

□ **Proprietary Funds**

Proprietary funds are used to account for a government's business-type activities. The City maintains two proprietary funds, which are enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water utility services.

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

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

□ **Fiduciary Funds**

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

The basic fiduciary fund financial statements can be found on pages 20 through 21 of this report.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential to a full understanding to the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General and Street Funds. This required supplementary information can be found on pages 37 through 40 of this report.

Combining and individual fund statements and schedules can be found immediately following the required supplementary information on pages 41 through 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. At June 30, 2008, the City's assets exceeded liabilities by \$26,072,672.

A large portion of the City's net assets reflects its investment in capital assets (i.e., property, plant, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2008, the City had \$19,067,109 invested in capital assets, net of related debt.

City's Net Assets

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$4,882,044 during the current fiscal year. This increase is primarily due to an increase in revenues.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed statement of net assets information is shown on the following page.

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 5,903,495	\$ 4,751,789	\$ 2,015,737	\$ 1,528,453	\$ 7,919,232	\$ 6,280,242
Net capital assets	<u>10,154,268</u>	<u>7,572,201</u>	<u>13,790,877</u>	<u>13,260,067</u>	<u>23,945,145</u>	<u>20,832,268</u>
Total assets	<u>16,057,763</u>	<u>12,323,990</u>	<u>15,806,614</u>	<u>14,788,520</u>	<u>31,864,377</u>	<u>27,112,510</u>
Liabilities						
Current liabilities	157,865	44,627	937,686	999,219	1,095,551	1,043,846
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>4,696,154</u>	<u>4,878,036</u>	<u>4,696,154</u>	<u>4,878,036</u>
Total liabilities	<u>157,865</u>	<u>44,627</u>	<u>5,633,840</u>	<u>5,877,255</u>	<u>5,791,705</u>	<u>5,921,882</u>
Net assets						
Invested in capital assets, net of related debt	10,154,268	7,572,201	8,912,841	8,208,235	19,067,109	15,780,436
Restricted for system development charges	245,017	207,371	405,536	268,442	650,553	475,813
Unrestricted	<u>5,500,613</u>	<u>4,499,791</u>	<u>854,397</u>	<u>434,588</u>	<u>6,355,010</u>	<u>4,934,379</u>
Total net assets	<u>\$ 15,899,898</u>	<u>\$ 12,279,363</u>	<u>\$ 10,172,774</u>	<u>\$ 8,911,265</u>	<u>\$ 26,072,672</u>	<u>\$ 21,190,628</u>

City's Changes in Net Assets

For the most part, increases in expenses closely parallel inflation and growth in the demand for services. Additionally, decreases in expenses from prior years can be directly attributed to a decrease in revenues in the governmental activities.

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

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Program revenues						
General government	\$ 76,511	\$ 191,013	\$ -	\$ -	\$ 76,511	\$ 191,013
Highways and streets	47,566	43,583	-	-	47,566	43,583
Sewer utility	-	-	647,907	581,597	647,907	581,597
Water utility	-	-	799,232	753,746	799,232	753,746
Total program revenues	<u>124,077</u>	<u>234,596</u>	<u>1,447,139</u>	<u>1,335,343</u>	<u>1,571,216</u>	<u>1,569,939</u>
General revenues						
Franchise fees	1,438,091	1,356,790	-	-	1,438,091	1,356,790
Alcohol and cigarette taxes	11,771	10,841	-	-	11,771	10,841
Licenses and permits	14,762	11,559	-	-	14,762	11,559
Investment earnings	296,508	217,816	2,686	54	299,194	217,870
Gain (loss) on sale of assets	614,494	-	-	-	614,494	-
Miscellaneous	78,458	150,479	-	418	78,458	150,897
Total general revenues	<u>2,454,084</u>	<u>1,747,485</u>	<u>2,686</u>	<u>472</u>	<u>2,456,770</u>	<u>1,747,957</u>
Total revenues	<u>2,578,161</u>	<u>1,982,081</u>	<u>1,449,825</u>	<u>1,335,815</u>	<u>4,027,986</u>	<u>3,317,896</u>
Program expenses						
General government	1,045,127	909,174	-	-	1,045,127	909,174
Highways and streets	39,774	20,339	-	-	39,774	20,339
Sewer utility	-	-	596,243	666,748	596,243	666,748
Water utility	-	-	841,973	814,051	841,973	814,051
Total program expenses	<u>1,084,901</u>	<u>929,513</u>	<u>1,438,216</u>	<u>1,480,799</u>	<u>2,523,117</u>	<u>2,410,312</u>
Transfers	<u>2,127,275</u>	<u>2,917,301</u>	<u>1,249,900</u>	<u>698,760</u>	<u>3,377,175</u>	<u>3,616,061</u>
Change in net assets	<u>3,620,535</u>	<u>3,969,869</u>	<u>1,261,509</u>	<u>553,776</u>	<u>4,882,044</u>	<u>4,523,645</u>
Net assets - beginning of year	<u>12,279,363</u>	<u>8,309,494</u>	<u>8,911,265</u>	<u>8,357,489</u>	<u>21,190,628</u>	<u>16,666,983</u>
Net assets - ending	<u>\$ 15,899,898</u>	<u>\$ 12,279,363</u>	<u>\$ 10,172,774</u>	<u>\$ 8,911,265</u>	<u>\$ 26,072,672</u>	<u>\$ 21,190,628</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,750,992, an increase of \$1,038,772 in comparison with the prior year. Of this amount, \$245,017 is reserved for system development charges and the remaining \$5,505,975 constitutes unreserved fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund amounted to \$3,931,773. The fund balance of the General Fund increased by \$576,552 during the current fiscal year.

Proprietary Funds

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

At June 30, 2008, total net assets of the proprietary funds amounted to \$10,172,774. Of this amount, \$8,912,841 was invested in capital assets, net of related debt. The remaining balance included \$405,536 restricted for system development charges and \$852,151 of unrestricted net assets.

BUDGETARY HIGHLIGHTS

There were two budget resolutions adopted during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounted to \$23,945,145, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and office equipment, equipment, infrastructure, and utilities.

Major capital asset events during the current fiscal year included the following:

- City Hall expansion project
- Infrastructure donated by subdivision contractors
- Millersburg Drive development

Additional information on the City's capital assets can be found in Note III-B on pages 30 through 32 of this report.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Long-Term Debt

At the end of the current fiscal year, the City's total debt outstanding was \$4,878,036. This amount represents a loan payable to the Oregon Economic and Community Development Department and is specifically for the funding of public works.

The City's total debt decreased by \$173,796 during the current fiscal year. This change was due to debt payments made during the year. The City issued no new debt during the year.

Additional information on the City's long-term debt can be found in Note III-E on page 33 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

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

- In 2003, the Oregon Legislature made sweeping changes to the PERS system. That legislation has been appealed to the Oregon Supreme Court. If the courts rule in favor of the employees, the obligation to local government agencies could have a major impact in the budgetary process.
- The 2007-2008 premium for healthcare insurance decreased by 14% in comparison to the 2006-2007 premium. The worker's compensation rate for 2008 increased by 40% over the prior year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,911,115	\$ 1,314,265	\$ 5,225,380
Investments	1,384,481	516,755	1,901,236
Accounts receivable	118,941	184,717	303,658
Due from other government agencies	3,254	-	3,254
Due from other funds	485,704	-	485,704
Total current assets	5,903,495	2,015,737	7,919,232
Capital assets, net of accumulated depreciation	10,154,268	13,790,877	23,945,145
Total assets	16,057,763	15,806,614	31,864,377
LIABILITIES			
Current liabilities			
Due to other funds	-	485,704	485,704
Accounts payable	142,581	115,646	258,227
Payroll payable	9,922	240	10,162
Accrued interest payable	-	154,214	154,214
Compensated absences	5,362	-	5,362
Long-term liabilities, current portion	-	181,882	181,882
Total current liabilities	157,865	937,686	1,095,551
Noncurrent liabilities			
Long-term liabilities, less current portion	-	4,696,154	4,696,154
Total liabilities	157,865	5,633,840	5,791,705
NET ASSETS			
Invested in capital assets, net of related debt	10,154,268	8,912,841	19,067,109
Restricted for system development charges	245,017	405,536	650,553
Unrestricted	5,500,613	854,397	6,355,010
Total net assets	\$ 15,899,898	\$ 10,172,774	\$ 26,072,672

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

<u>Functions/Programs</u>	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities				
General government	\$ 1,045,127	\$ 76,511	\$ -	-
Highways and streets	39,774	-	47,566	3,377,175
Total governmental activities	\$ 1,084,901	\$ 76,511	\$ 47,566	\$ 3,377,175
Business-type activities				
Sewer utility	\$ 596,243	\$ 647,907	\$ -	\$ -
Water utility	841,973	799,232	-	-
Total business-type activities	\$ 1,438,216	\$ 1,447,139	\$ -	\$ -
General revenues				
Franchise fees				
Alcohol and cigarette taxes				
Licenses and permits				
Investment earnings				
Gain (loss) on sale of assets				
Miscellaneous				
Total general revenues				
Transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (968,616)	\$ -	\$ (968,616)
<u>3,384,967</u>	<u>-</u>	<u>3,384,967</u>
<u>2,416,351</u>	<u>-</u>	<u>2,416,351</u>
-	51,664	51,664
<u>-</u>	<u>(42,741)</u>	<u>(42,741)</u>
<u>-</u>	<u>8,923</u>	<u>8,923</u>
1,438,091	-	1,438,091
11,771	-	11,771
14,762	-	14,762
296,508	2,686	299,194
614,494	-	614,494
<u>78,458</u>	<u>-</u>	<u>78,458</u>
<u>2,454,084</u>	<u>2,686</u>	<u>2,456,770</u>
<u>(1,249,900)</u>	<u>1,249,900</u>	<u>-</u>
3,620,535	1,261,509	4,882,044
<u>12,279,363</u>	<u>8,911,265</u>	<u>21,190,628</u>
<u>\$ 15,899,898</u>	<u>\$ 10,172,774</u>	<u>\$ 26,072,672</u>

CITY OF MILLERSBURG
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,151,478	\$ 1,142,860	\$ 616,777	\$ 3,911,115
Investments	1,326,303	-	58,178	1,384,481
Receivables	118,941	-	-	118,941
Due from other funds	485,704	-	-	485,704
Due from other governmental agencies	-	-	3,254	3,254
Total assets	<u>\$ 4,082,426</u>	<u>\$ 1,142,860</u>	<u>\$ 678,209</u>	<u>\$ 5,903,495</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 140,731	\$ -	\$ 1,850	\$ 142,581
Accrued payroll and taxes	9,922	-	-	9,922
Total liabilities	150,653	-	1,850	152,503
Fund balances				
Reserved for system development charges	-	245,017	-	245,017
Unreserved	3,931,773	897,843	676,359	5,505,975
Total fund balances	3,931,773	1,142,860	676,359	5,750,992
Total liabilities and fund balances	<u>\$ 4,082,426</u>	<u>\$ 1,142,860</u>	<u>\$ 678,209</u>	<u>\$ 5,903,495</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

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

June 30, 2008

Total fund balances		\$ 5,750,992
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	11,048,428	
Accumulated depreciation	<u>(894,160)</u>	10,154,268
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental fund but rather is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences		<u>(5,362)</u>
Total net assets		<u>\$ 15,899,898</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Licenses and permits	\$ 27,392	\$ -	\$ -	\$ 27,392
Intergovernmental	28,508	-	46,566	75,074
Franchise fees	1,438,091	-	-	1,438,091
Charges for services	-	37,485	63,911	101,396
Investment earnings	296,980	-	302	297,282
Contributions and donations	-	1,103,375	-	1,103,375
Miscellaneous	672,406	-	-	672,406
Total revenues	2,463,377	1,140,860	110,779	3,715,016
EXPENDITURES				
Current				
Personal services	226,053	-	-	226,053
Materials and services	793,577	-	58,519	852,096
Capital outlay	334,195	14,000	-	348,195
Total expenditures	1,353,825	14,000	58,519	1,426,344
Excess (deficiency) of revenues over (under) expenditures	1,109,552	1,126,860	52,260	2,288,672
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	283,100	283,100
Transfers out	(533,000)	-	(1,000,000)	(1,533,000)
Total other financing sources (uses)	(533,000)	-	(716,900)	(1,249,900)
Net change in fund balances	576,552	1,126,860	(664,640)	1,038,772
Fund balances - beginning	3,355,221	16,000	1,340,999	4,712,220
Fund balances - ending	\$ 3,931,773	\$ 1,142,860	\$ 676,359	\$ 5,750,992

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

CITY OF MILLERSBURG
Linn County, Oregon

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

For the Year Ended June 30, 2008

Net change in fund balances \$ 1,038,772

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Contributions of capital assets	2,273,779	
Expenditures for capital assets	623,096	
Less current year depreciation	<u>(314,808)</u>	2,582,067

Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.

Compensated absences		<u>(304)</u>
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Change in net assets \$ 3,620,535

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2008

	Enterprise Funds		Totals
	Sewer Utility	Water Utility	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 972,635	\$ 341,630	\$ 1,314,265
Investments	59,128	457,627	516,755
Accounts receivable	146,503	38,214	184,717
Total current assets	1,178,266	837,471	2,015,737
Capital assets, net of accumulated depreciation	4,734,447	9,056,430	13,790,877
Total assets	5,912,713	9,893,901	15,806,614
LIABILITIES			
Current liabilities			
Due to other funds	-	485,704	485,704
Accounts payable	115,646	-	115,646
Accrued interest payable	-	154,214	154,214
Accrued liabilities	-	240	240
Long-term liabilities, current portion	-	181,882	181,882
Total current liabilities	115,646	822,040	937,686
Noncurrent liabilities			
Long-term liabilities, less current portion	-	4,696,154	4,696,154
Total liabilities	115,646	5,518,194	5,633,840
NET ASSETS			
Invested in capital assets, net of related debt	4,734,447	4,178,394	8,912,841
Restricted for system development charges	210,469	195,067	405,536
Unrestricted	852,151	-	852,151
Total net assets	\$ 5,797,067	\$ 4,375,707	\$ 10,172,774

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

CITY OF MILLERSBURG
Linn County, Oregon

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Enterprise Funds		Totals
	Sewer Utility	Water Utility	
Operating revenues			
Charges for services	\$ 647,907	\$ 799,232	\$ 1,447,139
Operating expenses			
Materials and services	494,129	200,564	694,693
Capital outlay	-	4,025	4,025
Depreciation	102,113	367,077	469,190
Total operating expenses	596,242	571,666	1,167,908
Operating income (loss)	51,665	227,566	279,231
Nonoperating revenues (expenses)			
Interest expense	-	(270,308)	(270,308)
Miscellaneous revenue	-	2,379	2,379
Investment earnings	307	-	307
Total nonoperating revenue (expense)	307	(267,929)	(267,622)
Income (loss) before transfers	51,972	(40,363)	11,609
Transfers in	1,000,000	250,000	1,250,000
Transfers out	(100)	-	(100)
Change in net assets	1,051,872	209,637	1,261,509
Net assets - beginning	4,745,195	4,166,070	8,911,265
Net assets - ending	\$ 5,797,067	\$ 4,375,707	\$ 10,172,774

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Enterprise Funds		Totals
	Sewer Utility	Water Utility	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 637,288	\$ 726,777	\$ 1,364,065
Payments to suppliers	<u>(484,387)</u>	<u>(213,745)</u>	<u>(698,132)</u>
Net cash provided (used) by operating activities	<u>152,901</u>	<u>513,032</u>	<u>665,933</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	1,000,000	250,000	1,250,000
Transfer to other funds	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Net cash provided (used) by noncapital financing activities	<u>999,900</u>	<u>250,000</u>	<u>1,249,900</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,000,000)	-	(1,000,000)
Principal payments	-	(173,796)	(173,796)
Interest paid	<u>-</u>	<u>(270,308)</u>	<u>(270,308)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,000,000)</u>	<u>(444,104)</u>	<u>(1,444,104)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	<u>2,933</u>	<u>22,702</u>	<u>25,635</u>
Net cash provided (used) by investing activities	<u>2,933</u>	<u>22,702</u>	<u>25,635</u>
Net increase (decrease) in cash and cash equivalents	155,734	341,630	497,364
Cash and cash equivalents - beginning	<u>816,901</u>	<u>-</u>	<u>816,901</u>
Cash and cash equivalents - ending	<u>\$ 972,635</u>	<u>\$ 341,630</u>	<u>\$ 1,314,265</u>

(Continued)

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2008

(Continued)

	Enterprise Funds		Totals
	Sewer Utility	Water Utility	
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 51,665	\$ 227,566	\$ 279,231
Adjustments to reconcile operating loss to net cash cash provided (used) by operating activities			
Depreciation expense	102,113	367,077	469,190
(Increase) decrease in			
Accounts receivable	(10,620)	(2,249)	(12,869)
Intergovernmental receivable	-	(70,206)	(70,206)
Increase (decrease) in			
Accounts payable	9,743	(839)	8,904
Payroll liabilities	-	(8,317)	(8,317)
Net cash provided (used) by operating activities	\$ 152,901	\$ 513,032	\$ 665,933
Noncash investing, capital, and financing activities			
Changes in fair value of investments	\$ 307	\$ 2,379	\$ 2,686

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

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

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

BRAVO FUND

For the Year Ended June 30, 2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Cash and cash equivalents	\$ 579	\$ -	\$ -	\$ 579
LIABILITIES				
Held in trust for other agencies	\$ 579	\$ -	\$ -	\$ 579

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Incorporated in June of 1974, Millersburg sits in the heart of the fertile Willamette Valley. The tiny city offers a beautiful eleven acre park with a large shelter for year-round use. It boasts of a volleyball court, a jogging path, a tennis court, and an outdoor basketball court. Two baseball fields, playground equipment, and horseshoe pits round out the park amenities. With a population of 1030 and growing, Millersburg gives you that country feeling with big city facilities close at hand. The City of Millersburg is governed by a mayor and four council members.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 Financial Statement Presentation

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Interest revenue and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

Special Revenue Fund

Street Reserve Fund – The Street Reserve Fund is used to accumulate resources for future construction of streets.

Additionally, the City reports the following governmental funds:

Special Revenue Fund

Street Fund – The Street Fund is used to account for the State Highway Use Tax revenues. Expenditures are for street lighting and repairs, as allowed by Oregon statutes.

Capital Projects Funds

Sewer Construction Fund – The Sewer Construction Fund accounts for financial resources to be used for the acquisition and construction of sewer facilities.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major proprietary funds:

Enterprise Funds

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

Water Utility Fund – The Water Utility Fund is used to account for the activities of the City's water utilities. The primary source of revenue is transfers from other funds. Expenditures are primarily for construction of the waterline and acquisition of capital assets.

The City reports the following fiduciary fund:

Agency Fund

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

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

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

The City reports deferred revenue on the balance sheet of the governmental funds. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

D. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

2. Accounts Receivable

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

3. Capital Assets

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

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

Major capital 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 asset constructed.

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

<u>Assets</u>	<u>Years</u>
Furniture and office equipment	5
Equipment	10
Buildings improvements	50
Utilities	40-80

4. Long-Term Obligations

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

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

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The city council legally adopts the budget by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, and debt service for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The city council at a regular city council meeting may adopt supplemental budgets less than 10% of a fund's original budget. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

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

B. Excess of Expenditures Over Appropriations

During the year ended June 30, 2008, the City had expenditures in excess of appropriations in the categories listed below.

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Materials and services	\$ 753,400	\$ 758,349	\$ 4,949
Water Utility	Debt service	450,421	452,421	2,000

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

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

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

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

Credit Risk

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

Investments

As of June 30, 2008, the City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	-	\$ 4,436,374
Federal Home Loan Bank	-	<u>1,901,236</u>
Total investments		<u>\$ 6,337,610</u>

Interest Rate Risk

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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

A. Deposits and Investments (Continued)

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 70% of the City's investments are in the Local Government Investment Pool and the remaining 30% are in a Piper Jaffray investment portfolio.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties. As of June 30, 2008, \$1,401,237 of the City's investments was exposed to custodial credit risk.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. Oregon statute requires collateralization of deposits in excess of amounts insured by the Federal Depository Insurance Corporation. As of June 30, 2008, \$441,008 of the City's bank balance of \$791,008 was exposed to custodial credit risk.

Deposits

The City's cash, cash equivalents, and investments at June 30, 2008 consisted of the following:

Checking accounts	\$ 789,006
Oregon Local Government Investment Pool	4,436,374
Federal Home Loan Bank	1,901,236
Total deposits and investments	\$ 7,126,616

Cash and investments by fund:

	Cash and Cash Equivalents	Investments	Totals
Governmental activities			
General Fund	\$ 2,151,478	\$ 1,326,303	\$ 3,477,781
Street Reserve Fund	1,142,860	-	1,142,860
Street Fund	611,359	49,813	661,172
Sewer Construction Fund	5,418	8,365	13,783
Total governmental activities	3,911,115	1,384,481	5,295,596
Business-type activities			
Sewer Utility Fund	972,635	59,128	1,031,763
Water Utility Fund	341,630	457,627	799,257
Total business-type activities	1,314,265	516,755	1,831,020
Total cash and investments	\$ 5,225,380	\$ 1,901,236	\$ 7,126,616

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,833,786	\$ 6,531	\$ 33,480	\$ 1,806,837
Construction in progress	39,275	465,272	25,475	479,072
Total capital assets not being depreciated	1,873,061	471,803	58,955	2,285,909
Capital assets being depreciated				
Buildings and improvements	1,274,684	191,482	-	1,466,166
Furniture and office equipment	30,051	-	-	30,051
Equipment	126,766	-	-	126,766
Infrastructure	4,846,991	2,292,545	-	7,139,536
Total capital assets being depreciated	6,278,492	2,484,027	-	8,762,519
Less accumulated depreciation for				
Buildings and improvements	(295,620)	(29,841)	-	(325,461)
Furniture and office equipment	(30,051)	-	-	(30,051)
Equipment	(71,972)	(7,025)	-	(78,997)
Infrastructure	(181,709)	(277,942)	-	(459,651)
Total accumulated depreciation	(579,352)	(314,808)	-	(894,160)
Total depreciated capital assets, net	5,699,140	2,169,219	-	7,868,359
Governmental capital assets, net	\$ 7,572,201	\$ 2,641,022	\$ 58,955	\$ 10,154,268
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Capital assets being depreciated				
Utilities	5,152,028	-	-	5,152,028
Sewer equipment	5,022	-	-	5,022
Joint water project	7,169,266	-	-	7,169,266
Water line	3,336,839	-	-	3,336,839
Total capital assets being depreciated	15,663,155	-	-	15,663,155
Less accumulated depreciation for				
Sewer utilities	(1,315,468)	(102,113)	-	(1,417,581)
Sewer equipment	(5,022)	-	-	(5,022)
Joint water project	(477,951)	(286,771)	-	(764,722)
Water line	(604,647)	(80,306)	-	(684,953)
Total accumulated depreciation	(2,403,088)	(469,190)	-	(2,872,278)
Total depreciated capital assets, net	13,260,067	(469,190)	-	12,790,877
Business-type activities capital assets, net	\$ 13,260,067	\$ 530,810	\$ -	\$ 13,790,877

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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

B. Capital Assets (Continued)

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 1,806,837	\$ -	\$ 1,806,837
Construction in progress	479,072	-	479,072
Buildings and improvements	1,466,166	(325,461)	1,140,705
Furniture and office equipment	30,051	(30,051)	-
Equipment	126,766	(78,997)	47,769
Infrastructure	7,139,536	(459,651)	6,679,885
Total governmental capital assets	11,048,428	(894,160)	10,154,268
Business-type activities			
Construction in progress	1,000,000	-	1,000,000
Sewer equipment	5,022	(5,022)	-
Utilities	8,488,867	(2,102,534)	6,386,333
Joint water project	7,169,266	(764,722)	6,404,544
Total business-type capital assets	15,663,155	(2,872,278)	13,790,877
Total capital assets	\$ 26,711,583	\$ (3,766,438)	\$ 23,945,145

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

Governmental activities	
General government	\$ 314,808
Business-type activities	
Sewer utility	\$ 102,113
Water utility	367,077
Total business-type activities	\$ 469,190

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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

B. Capital Assets (Continued)

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

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

C. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental and proprietary funds.

Interfund transfers during the year consisted of:

	Transfers in:			Total
	Nonmajor Governmental Fund	Sewer Utility Fund	Water Utility Fund	
Transfers out:				
General Fund	\$ 283,000	\$ -	\$ 250,000	\$ 533,000
Sewer Utility Fund	100	-	-	100
Nonmajor governmental fund	-	1,000,000	-	1,000,000
Total	\$ 283,100	\$ 1,000,000	\$ 250,000	\$ 1,533,100

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

Street Fund: To fund street and road repair expenditures.

Sewer Construction Fund: To fund sewer construction expenditures.

Sewer Utility Fund: To fund the cost of sewer utility expansions.

Water Utility Fund: To fund the cost of constructing the joint water project.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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

D. Construction Commitments

The City began the Albany/Millersburg Joint Wastewater Project on August 14, 2007. As of June 30, 2008, the City had a remaining commitment to the City of Albany.

Project	Spent to Date	Remaining Commitment
Albany/Millersburg Joint Wastewater Project	<u>\$ 1,000,000</u>	<u>\$ 6,000,000</u>

E. Long-Term Debt

1. Changes in Long-Term Debt

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities							
Loan payable	5.25%	<u>\$ 6,044,000</u>	<u>\$ 5,051,832</u>	<u>\$ -</u>	<u>\$ 173,796</u>	<u>\$ 4,878,036</u>	<u>\$ 181,882</u>

2. Loan Payable

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

3. Future Maturities of Long-Term Debt

Fiscal Year Ending June 30	Loan		
	Principal	Interest	Total
2009	\$ 181,882	\$ 269,500	\$ 451,382
2010	190,132	259,952	450,084
2011	203,551	249,970	453,521
2012	212,234	239,029	451,263
2013	221,208	227,356	448,564
2014-2018	1,318,718	938,753	2,257,471
2019-2023	1,721,913	532,395	2,254,308
2024-2025	<u>828,398</u>	<u>70,535</u>	<u>898,933</u>
Total	<u>\$ 4,878,036</u>	<u>\$ 2,787,490</u>	<u>\$ 7,665,526</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

IV. OTHER INFORMATION

A. Risk Management

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

B. Related Party

A member of the city council, Linda Boyce, is also employed by the City as assistant city recorder.

C. Retirement Plans

1. Oregon Public Employees Retirement System

Plan Description

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

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7277, or by accessing the PERS website at <http://oregon.gov/PERS/>.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

IV. OTHER INFORMATION (Continued)

C. Retirement Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Funding Policy

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF, OPSRP, and OPSRP Fire and Police rates in effect for the year ended June 30, 2008 were 10.56%, 11.03%, and 14.30%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The City has elected to pay the required employee contribution of 6% of covered payroll.

Annual Pension Cost

The City's contributions to PERS for the three years ended June 30, 2006, 2007, and 2008 were equal to the required contribution for each year.

Annual pension expenses/expenditures are summarized as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2006	\$ 20,807	100%
2007	\$ 28,740	100%
2008	\$ 25,493	100%

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

IV. OTHER INFORMATION (Continued)

D. Restatements

Fund Restatements

In prior years, accrual items, such as payables, receivables, capital assets, and debt were reported in the budget basis actual columns in the fund financial statements. The City budgets on the cash basis of accounting. Beginning budget basis individual fund balances in the General, Street, and Sewer Construction Funds and net assets in the Sewer Utility and Water Utility Funds were restated as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Sewer Construction Fund</u>	<u>Sewer Utility Fund</u>	<u>Water Utility Fund</u>
Beginning equity, July 1, 2007, as previously reported	\$ 3,244,000	\$ 325,819	\$ 1,013,087	\$ 4,221,667	\$ 2,536,315
Adjustment to remove accrual items and capital assets	<u>16,823</u>	<u>(225)</u>	<u>545</u>	<u>(3,343,066)</u>	<u>(2,544,489)</u>
Beginning equity, July 1, 2007, as restated	<u>\$ 3,260,823</u>	<u>\$ 325,594</u>	<u>\$ 1,013,632</u>	<u>\$ 878,601</u>	<u>\$ (8,174)</u>

E. Contingent Liability

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILLERSBURG
Linn County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Licenses and permits	\$ 17,045	\$ 17,045	\$ 25,233
Intergovernmental			
State liquor tax	8,000	8,000	997
State cigarette tax	1,500	1,500	(18)
Planning commission	<u>6,000</u>	<u>6,000</u>	<u>9,767</u>
Total intergovernmental	<u>15,500</u>	<u>15,500</u>	<u>10,746</u>
Franchise fees	<u>973,500</u>	<u>973,500</u>	<u>478,128</u>
Earnings from investments	<u>140,000</u>	<u>140,000</u>	<u>150,086</u>
Miscellaneous			
Miscellaneous	5,000	5,000	652,336
Industrial property rental income	<u>16,000</u>	<u>16,000</u>	<u>70</u>
Total miscellaneous	<u>21,000</u>	<u>21,000</u>	<u>652,406</u>
Total revenues	<u>1,167,045</u>	<u>1,167,045</u>	<u>1,316,599</u>
EXPENDITURES			
Current			
Personal services			
Recorder	57,600	57,600	(6,794)
Office assistant	34,000	34,000	(6,559)
Maintenance personnel	70,000	70,000	7,667
Part time help	60,000	60,000	(48,327)
Payroll taxes	20,000	20,000	(8,448)
PERS retirement	40,000	40,000	(14,507)
Supplemental medical benefit	6,200	6,200	(1,470)
Disability insurance	2,000	2,000	(405)
Dental and vision insurance	6,000	6,000	(1,515)
Medical insurance	<u>30,000</u>	<u>30,000</u>	<u>(21,096)</u>
Total personal services	<u>325,800</u>	<u>325,800</u>	<u>(101,454)</u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 42,278	\$ (14,886)	\$ 27,392
8,997	1,113	10,110
1,482	149	1,631
<u>15,767</u>	<u>-</u>	<u>15,767</u>
<u>26,246</u>	<u>1,262</u>	<u>28,508</u>
<u>1,451,628</u>	<u>(13,537)</u>	<u>1,438,091</u>
<u>290,086</u>	<u>6,894</u>	<u>296,980</u>
657,336	(1,000)	656,336
<u>16,070</u>	<u>-</u>	<u>16,070</u>
<u>673,406</u>	<u>(1,000)</u>	<u>672,406</u>
<u>2,483,644</u>	<u>(21,267)</u>	<u>2,463,377</u>
50,806	-	50,806
27,441	-	27,441
77,667	1,707	79,374
11,673	-	11,673
11,552	-	11,552
25,493	-	25,493
4,730	-	4,730
1,595	-	1,595
4,485	-	4,485
<u>8,904</u>	<u>-</u>	<u>8,904</u>
<u>224,346</u>	<u>1,707</u>	<u>226,053</u>

(Continued)

CITY OF MILLERSBURG
Linn County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2008

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
Materials and services			
Planning consultants - general	\$ 65,000	\$ 65,000	\$ (18,274)
Planning consultants - engineering	140,000	234,000	106,137
Conventions and training	6,000	6,000	(943)
Dues and subscriptions	5,000	5,000	693
Telephone	6,500	6,500	(1,051)
Office supplies	15,000	15,000	(8,652)
City rental expense	5,000	5,000	(2,763)
City attorney	48,000	48,000	24,440
Legal services	5,000	5,000	(3,735)
Bonding and insurance	16,000	16,000	(7,548)
Economic Development Commission	25,000	25,000	-
Parks and recreation	10,000	10,000	(3,388)
Park supplies and maintenance	35,000	35,000	(19,159)
Park development	70,000	70,000	(502)
Accounting and audit	9,000	9,000	(1,975)
Printing and advertising	4,000	4,000	358
Travel and meals	6,000	6,000	(1,943)
Library services	3,000	3,000	(1,522)
Bids publication	300	300	841
Community support	50,000	50,000	(8,881)
Linn County contracted	60,000	60,000	(2,075)
Contracted services	25,000	25,000	(17,453)
City Hall maintenance and supplies	30,000	30,000	(14,224)
City Hall utilities	15,000	15,000	(9,390)
Property taxes	2,000	2,000	(625)
Cemetery maintenance	500	500	(500)
Economic development	3,000	3,000	(2,817)
Elections	100	100	(100)
	659,400	753,400	4,949
Total materials and services			

Budget Basis	Actual		GAAP Basis
	Adjustments		
\$ 46,726	\$ 475		\$ 47,201
340,137	40,244		380,381
5,057	-		5,057
5,693	(597)		5,096
5,449	885		6,334
6,348	(944)		5,404
2,237	-		2,237
72,440	(1,180)		71,260
1,265	-		1,265
8,452	-		8,452
25,000	-		25,000
6,612	-		6,612
15,841	(2,341)		13,500
69,498	-		69,498
7,025	-		7,025
4,358	890		5,248
4,057	-		4,057
1,478	-		1,478
1,141	-		1,141
41,119	-		41,119
57,925	-		57,925
7,547	2,542		10,089
15,776	(353)		15,423
5,610	(241)		5,369
1,375	-		1,375
-	-		-
183	-		183
-	(4,152)		(4,152)
<u>758,349</u>	<u>35,228</u>		<u>793,577</u>

(Continued)

CITY OF MILLERSBURG
Linn County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2008

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
Capital outlay			
Equipment	\$ 60,000	\$ 60,000	\$ (60,000)
Improvements	1,100,000	1,100,000	(833,135)
Buildings	100	100	(100)
Land	100	100	6,431
Airport improvement	100	100	(100)
Office equipment and furnishings	20,000	20,000	(20,000)
Total capital outlay	1,180,300	1,180,300	(906,904)
Contingency	100,000	6,000	(6,000)
Total expenditures	2,265,500	2,265,500	(1,009,409)
Excess (deficiency) of revenues over (under) expenditures	(1,098,455)	(1,098,455)	2,326,008
OTHER FINANCING SOURCES (USES)			
Transfers out	(533,000)	(533,000)	-
Net change in fund balance	(1,631,455)	(1,631,455)	2,326,008
Fund balance - beginning, as restated	1,631,455	1,631,455	1,629,369
Fund balance - ending	\$ -	\$ -	\$ 3,955,377

Actual		
Budget Basis	Adjustments	GAAP Basis
\$ -	\$ -	\$ -
266,865	60,799	327,664
-	-	-
6,531	-	6,531
-	-	-
-	-	-
<u>273,396</u>	<u>60,799</u>	<u>334,195</u>
-	-	-
<u>1,256,091</u>	<u>97,734</u>	<u>1,353,825</u>
<u>1,227,553</u>	<u>-</u>	<u>1,109,552</u>
<u>(533,000)</u>	<u>-</u>	<u>(533,000)</u>
694,553	(127,919)	576,552
<u>3,260,824</u>	<u>94,397</u>	<u>3,355,221</u>
<u>\$ 3,955,377</u>	<u>\$ (33,522)</u>	<u>\$ 3,931,773</u>

CITY OF MILLERSBURG
Linn County, Oregon

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

STREET RESERVE FUND

For the Year Ended June 30, 2008

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Charges for services	\$ 134,500	\$ (97,015)	\$ 37,485	\$ 37,485
Contributions and donations	<u>-</u>	<u>1,103,375</u>	<u>1,103,375</u>	<u>1,103,375</u>
Total revenues	134,500	1,006,360	1,140,860	1,140,860
EXPENDITURES				
Capital outlay	<u>1,253,875</u>	<u>(1,239,875)</u>	<u>14,000</u>	<u>14,000</u>
Excess (deficiency) of revenues over (under) expenditures	(1,119,375)	2,246,235	1,126,860	1,126,860
Fund balance - beginning	<u>1,119,375</u>	<u>(1,103,375)</u>	<u>16,000</u>	<u>16,000</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,142,860</u>	<u>\$ 1,142,860</u>	<u>\$ 1,142,860</u>

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF MILLERSBURG
Linn County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue Fund Street	Capital Projects Fund Sewer Construction	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 611,359	\$ 5,418	\$ 616,777
Investments	49,813	8,365	58,178
Receivables	3,254	-	3,254
Total assets	\$ 664,426	\$ 13,783	\$ 678,209
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,850	\$ -	\$ 1,850
Fund balances			
Unreserved	662,576	13,783	676,359
Total liabilities and fund balances	\$ 664,426	\$ 13,783	\$ 678,209

CITY OF MILLERSBURG
Linn County, Oregon

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	<u>Special Revenue Fund Street</u>	<u>Capital Projects Fund Sewer Construction</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Charges for services	\$ 63,911	\$ -	\$ 63,911
Intergovernmental	46,566	-	46,566
Investment earnings	<u>259</u>	<u>43</u>	<u>302</u>
Total revenues	110,736	43	110,779
EXPENDITURES			
Materials and services	<u>58,519</u>	<u>-</u>	<u>58,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,217</u>	<u>43</u>	<u>52,260</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	283,000	100	283,100
Transfers out	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing sources (uses)	<u>283,000</u>	<u>(999,900)</u>	<u>(716,900)</u>
Net change in fund balances	335,217	(999,857)	(664,640)
Fund balances - beginning	<u>327,359</u>	<u>1,013,640</u>	<u>1,340,999</u>
Fund balances - ending	<u>\$ 662,576</u>	<u>\$ 13,783</u>	<u>\$ 676,359</u>

CITY OF MILLERSBURG
Linn County, Oregon

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

STREET FUND

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Intergovernmental			
Highway use tax	\$ 40,000	\$ 40,000	\$ 6,566
Special assessments			
Street SDC	46,000	46,000	17,911
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>86,000</u>	<u>86,000</u>	<u>24,477</u>
EXPENDITURES			
Current			
Materials and services	354,500	360,500	(302,297)
Contingency	<u>58,200</u>	<u>52,200</u>	<u>(52,200)</u>
Total expenditures	<u>412,700</u>	<u>412,700</u>	<u>(354,497)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(326,700)</u>	<u>(326,700)</u>	<u>378,974</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>283,000</u>	<u>283,000</u>	<u>-</u>
Net change in fund balance	(43,700)	(43,700)	378,974
Fund balance - beginning, as restated	<u>43,700</u>	<u>43,700</u>	<u>281,894</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,868</u>

Budget Basis	Actual		GAAP Basis
		Adjustments	
\$ 46,566	\$ -	\$ 46,566	
63,911	-	63,911	
<u>-</u>	<u>259</u>	<u>259</u>	
<u>110,477</u>	<u>259</u>	<u>110,736</u>	
58,203	316	58,519	
<u>-</u>	<u>-</u>	<u>-</u>	
<u>58,203</u>	<u>316</u>	<u>58,519</u>	
<u>52,274</u>	<u>(57)</u>	<u>52,217</u>	
<u>283,000</u>	<u>-</u>	<u>283,000</u>	
335,274	(57)	335,217	
<u>325,594</u>	<u>1,765</u>	<u>327,359</u>	
<u>\$ 660,868</u>	<u>\$ 1,708</u>	<u>\$ 662,576</u>	

CITY OF MILLERSBURG
Linn County, Oregon

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

SEWER CONSTRUCTION FUND

For the Year Ended June 30, 2008

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ 43
EXPENDITURES				
Capital outlay	<u>13,822</u>	<u>(13,822)</u>	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>13,822</u>	<u>(13,822)</u>	-	<u>43</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100	-	100	-
Transfers out	<u>(1,000,000)</u>	-	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net change in fund balance	(986,078)	(13,822)	(999,900)	43
Fund balance - beginning, as restated	<u>1,013,722</u>	<u>(90)</u>	<u>1,013,632</u>	<u>8</u>
Fund balance - ending	<u>\$ 27,644</u>	<u>\$ (13,912)</u>	<u>\$ 13,732</u>	<u>\$ 51</u>

CITY OF MILLERSBURG
Linn County, Oregon

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

SEWER UTILITY FUND

For the Year Ended June 30, 2008

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Charges for services					
User fees	\$ 476,000	\$ 67,586	\$ 543,586	\$ 10,619	\$ 554,205
Hookup fees	62,000	30,386	92,386	-	92,386
Liens	-	1,316	1,316	-	1,316
Total charges for services	538,000	99,288	637,288	10,619	647,907
Investment earnings	100	(100)	-	-	-
Total revenues	538,100	99,188	637,288	10,619	647,907
EXPENSES					
Current					
Materials and services					
Contracted services	459,000	9,550	468,550	(1)	468,549
Repairs and maintenance	40,000	(24,163)	15,837	9,743	25,580
Miscellaneous	200,000	(200,000)	-	-	-
Total materials and services	699,000	(214,613)	484,387	9,742	494,129
Capital outlay	1,000,000	-	1,000,000	(1,000,000)	-
Depreciation expense	-	-	-	102,113	102,113
Contingency	150,000	(150,000)	-	-	-
Total expenses	1,849,000	(364,613)	1,484,387	(888,145)	596,242
Excess (deficiency) of revenues over (under) expenses	(1,310,900)	463,801	(847,099)	898,764	51,665
OTHER FINANCING SOURCES (USES)					
Transfers in	1,000,000	-	1,000,000	-	1,000,000
Transfers out	(100)	-	(100)	-	(100)
Unrealized gain on investments	-	-	-	307	307
Total other financing sources (uses)	999,900	-	999,900	307	1,000,207
Change in net assets	(311,000)	463,801	152,801	899,071	1,051,872
Net assets - beginning, as restated	311,000	567,601	878,601	3,866,594	4,745,195
Net assets - ending	\$ -	\$ 1,031,402	\$ 1,031,402	\$ 4,765,665	\$ 5,797,067

CITY OF MILLERSBURG
Linn County, Oregon

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

WATER UTILITY FUND

For the Year Ended June 30, 2008

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Charges for services					
User fees	\$ 712,130	\$ 84,854	\$ 796,984	\$ 2,248	\$ 799,232
Miscellaneous revenue	-	-	-	2,379	2,379
Total revenues	<u>712,130</u>	<u>84,854</u>	<u>796,984</u>	<u>4,627</u>	<u>801,611</u>
EXPENSES					
Materials and services					
Repairs and maintenance	225,000	(23,598)	201,402	(838)	200,564
Capital outlay	100,000	(25,769)	74,231	(70,206)	4,025
Debt service	450,421	2,000	452,421	(182,113)	270,308
Depreciation expense	-	-	-	367,077	367,077
Contingency	<u>70,924</u>	<u>(70,924)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>846,345</u>	<u>(94,693)</u>	<u>728,054</u>	<u>113,920</u>	<u>841,974</u>
Excess (deficiency) of revenues over (under) expenses	(134,215)	179,547	68,930	(109,293)	(40,363)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Change in net assets	115,785	179,547	318,930	(109,293)	209,637
Net assets - beginning, as restated	<u>(115,785)</u>	<u>107,611</u>	<u>(8,174)</u>	<u>4,174,244</u>	<u>4,166,070</u>
Net assets - ending	<u>\$ -</u>	<u>\$ 310,756</u>	<u>\$ 310,756</u>	<u>\$ 254,698</u>	<u>\$ 4,375,707</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS
OF OREGON MUNICIPAL CORPORATIONS

For the Year Ended June 30, 2008

Oregon Administrative Rules 162-10-050 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required comments and disclosures not included in preceding sections of this report are set forth as follows.

Statement of Accountability for Independently Elected Officials (OAR 162-10-140)

The City has no independently elected officials who receive or disburse money.

Accounting and Internal Control Systems (OAR 162-10-230)

In general, the condition of the accounting records and the accounting and internal control systems were adequate for audit purposes. However, we noted certain matters that we have reported to the city council of the City of Millersburg in a separate letter dated December 18, 2008.

Collateral (OAR 162-10-240)

Our audit of the City disclosed instances of noncompliance pertaining to the amount and adequacy of collateral pledged to secure the deposit of public funds.

Indebtedness (OAR 162-10-250)

The City has no outstanding bonded debt.

Budget (OAR 162-10-260)

The City's compliance with the provisions of the Oregon Revised Statutes as they apply to the preparation, adoption, and execution of the annual budget for the 2007-2008 fiscal year and the preparation and adoption of the annual budget for the 2008-2009 fiscal year was reviewed. Except as noted below, our review showed that there was substantial compliance with the statutes.

1. Execution

The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over expended for the fiscal year ended June 30, 2008.

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Materials and services	\$ 753,400	\$ 758,349	\$ 4,949
Water Utility	Debt service	450,421	452,421	2,000

Insurance and Fidelity Bonds (OAR 162-10-270)

The City's insurance and fidelity bond coverage was reviewed and found to be in compliance with the Oregon Statutes relating thereto. We do not express an opinion as to the adequacy of insurance coverage, since we are not trained in this regard.

Programs Funded From Outside Sources (OAR 162-10-280 and OAR 162-10-290)

Our audit of the City disclosed compliance with the laws and regulations pertaining to programs funded partially or wholly by other governmental agencies.

Highway Funds (OAR 162-10-295)

The City has complied with requirements related to dedicated state highway funds exclusively for road, bike path, and footpath uses, as provided in the Oregon Revised Statutes.

Investments (OAR 162-10-300)

Our audit of the City disclosed compliance with the statutes applicable to the investment of public funds.

Public Contracts and Purchasing (OAR 162-10-310)

The City is in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements, except as noted below.

1. Architectural Services

The City violated ORS 279C.050 by not seeking at least three informally solicited competitive price quotes or competitive proposals from prospective contractors.