

CITY OF MILLERSBURG
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2010

CITY OF MILLERSBURG
Linn County, Oregon

CITY OFFICIALS

June 30, 2010

MAYOR

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

CITY COUNCIL

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

TABLE OF CONTENTS

June 30, 2010

Page
Number

INTRODUCTORY SECTION

- Title Page
- City Officials
- Table of Contents

FINANCIAL SECTION

Independent Auditor's Report	1-2
Management's Discussion and Analysis.....	3-9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Assets – Proprietary Funds.....	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	17
Statement of Cash Flows – Proprietary Funds	18-19
Statement of Fiduciary Net Assets.....	20
Statement of Changes in Assets and Liabilities – Bravo Fund	21
Notes to Basic Financial Statements	22-41
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	42-44
Other Supplementary Information – Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	46
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Street Fund.....	47
Street Reserve Fund	48
Sewer Construction Fund.....	49
Schedule of Revenues, Expenses, and Changes in Fund Net Assets – Budget and Actual –	
Sewer Utility Fund	50
Water Utility Fund.....	51

OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions	52
Schedule of Future Requirements for Retirement of Long-Term Debt	53

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor's Report Required by Oregon State Regulations	54-55
---	-------

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

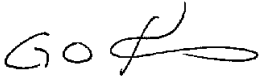
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, Linn County, Oregon as of June 30, 2010, and the respective changes in financial position and 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 42 through 44 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's basic financial statements. The combining and individual fund statements and schedules and other financial 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Koontz & Perdue, P.C.

By: 

Albany, Oregon
February 7, 2011

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, 2010. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2010, total net assets of the City of Millersburg amounted to \$28,857,699. Of this amount, \$23,846,010 was invested in capital assets, net of related debt. The remaining balance included \$643,814 restricted for system development and \$4,367,875 of unrestricted net assets.
- The City's total net assets increased by \$799,317 during the current fiscal year.
- Overall revenues were \$3,535,363, which exceeded expenditures of \$2,736,046 by \$799,317.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net 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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 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 the balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

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

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

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

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two individual enterprise funds.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its sewer and water utility services. Information is presented separately in the proprietary funds statement of net assets, statement of revenues, expenses, and changes in fund net assets, and statement of cash flows for the Sewer Utility and Water Utility Funds, both of which are considered to be major proprietary funds.

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

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

□ **Fiduciary Funds**

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

The basic fiduciary fund financial statements can be found on 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 of 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 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on pages 42 through 44 of this report.

The combining statements referred to earlier, in connection with the nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be on pages 45 through 51 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, 2010, the City's assets exceeded liabilities by \$28,857,699.

CITY OF MILLERSBURG
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

City's Net Assets

At the end of the current fiscal year, the City was able to report positive balances in all categories of net assets. The City's net assets increased by \$799,317 during the current fiscal year.

Condensed statement of net assets information is shown below.

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$ 3,247,711	\$ 3,166,846	\$ 1,440,350	\$ 2,116,163	\$ 4,688,061	\$ 5,283,009
Restricted assets	63,756	-	580,058	503,493	643,814	503,493
Net capital assets	13,682,287	14,040,947	20,490,220	19,590,309	34,172,507	33,631,256
Total assets	16,993,754	17,207,793	22,510,628	22,209,965	39,504,382	39,417,758
Liabilities						
Current liabilities	55,125	111,970	691,600	2,520,640	746,725	2,632,610
Noncurrent liabilities	-	-	9,899,958	8,726,766	9,899,958	8,726,766
Total liabilities	55,125	111,970	10,591,558	11,247,406	10,646,683	11,359,376
Net assets						
Invested in capital assets, net of related debt	13,682,287	14,040,947	10,163,723	8,673,415	23,846,010	22,714,362
Restricted for system development	63,756	-	580,058	503,493	643,814	503,493
Unrestricted	3,192,586	3,054,876	1,175,289	1,785,651	4,367,875	4,840,527
Total net assets	\$ 16,938,629	\$ 17,095,823	\$ 11,919,070	\$ 10,962,559	\$ 28,857,699	\$ 28,058,382

City's Changes in Net Assets

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Program revenues						
General government	\$ 22,600	\$ 39,600	\$ -	\$ -	\$ 22,600	\$ 39,600
Highways and streets	63,756	-	-	-	63,756	-
Sewer utility	-	-	682,219	667,984	682,219	667,984
Water utility	-	-	722,998	732,931	722,998	732,931
Total program revenues	<u>86,356</u>	<u>39,600</u>	<u>1,405,217</u>	<u>1,400,915</u>	<u>1,491,573</u>	<u>1,440,515</u>
General revenues						
Property taxes	-	-	829,176	782,090	829,176	782,090
School excise tax	558	435	-	-	558	435
Franchise fees	937,243	1,298,223	-	-	937,243	1,298,223
Cigarette taxes	1,678	1,685	-	-	1,678	1,685
Alcohol taxes	11,946	12,725	-	-	11,946	12,725
Highway use tax	47,744	42,432	-	-	47,744	42,432
Unrestricted grants and contributions	20,209	-	-	-	20,209	-
Licenses and permits	121,968	13,972	-	-	121,968	13,972
Investment earnings	33,949	155,864	5,400	-	39,349	155,864
Miscellaneous	33,919	105,385	-	-	33,919	105,385
Total general revenues	<u>1,209,214</u>	<u>1,630,721</u>	<u>834,576</u>	<u>782,090</u>	<u>2,043,790</u>	<u>2,412,811</u>
Total revenues	<u>1,295,570</u>	<u>1,670,321</u>	<u>2,239,793</u>	<u>2,183,005</u>	<u>3,535,363</u>	<u>3,853,326</u>
Program expenses						
General government	1,198,067	1,278,403	-	-	1,198,067	1,278,403
Highways and streets	54,697	44,947	-	-	54,697	44,947
Sewer utility	-	-	643,911	642,803	643,911	642,803
Water utility	-	-	839,371	898,299	839,371	898,299
Total program expenses	<u>1,252,764</u>	<u>1,323,350</u>	<u>1,483,282</u>	<u>1,541,102</u>	<u>2,736,046</u>	<u>2,864,452</u>
Transfers	<u>(200,000)</u>	<u>(100,000)</u>	<u>200,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Change in net assets	(157,194)	246,971	956,511	741,903	799,317	988,874
Net assets - beginning of year, as restated	<u>17,095,823</u>	<u>16,848,852</u>	<u>10,962,559</u>	<u>10,220,656</u>	<u>28,058,382</u>	<u>27,069,508</u>
Net assets - ending	<u>\$ 16,938,629</u>	<u>\$ 17,095,823</u>	<u>\$ 11,919,070</u>	<u>\$ 10,962,559</u>	<u>\$ 28,857,699</u>	<u>\$ 28,058,382</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 measurement of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,260,428, an increase of \$194,690 in comparison with the prior year. Of this amount, \$3,196,672 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, the General Fund reported a fund balance of \$2,642,272, an increase of \$136,788 in comparison with the prior year.

Proprietary Funds

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

Total net assets of the proprietary funds amounted to \$11,919,070 at year-end. Of this amount, \$10,163,723 was invested in capital assets, net of related debt. The remaining balance included \$580,058 restricted for system development and \$1,175,289 of unrestricted net assets.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2010 amounted to \$13,682,287 and \$20,490,220, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings and improvements, furniture and office equipment, equipment, infrastructure, utilities, and the joint water and wastewater projects.

Additional information on the City's capital assets can be found in Note III-B on pages 31 through 34 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$10,326,497. This amount represents a loan for the funding of public works payable to the Oregon Economic and Community Development Department, and a loan for wastewater treatment facilities payable to the City of Albany.

The City's total debt decreased by \$590,401 during the current fiscal year.

**CITY OF MILLERSBURG
Linn County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Additional information on the City's long-term debt can be found in Note III-E on pages 35 through 36 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

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

- The 2009-2010 premium for healthcare insurance increased by 18.42% in comparison with the 2008-2009 premium, and is expected to continue to increase in the coming years.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,182,145	\$ 1,161,256	\$ 4,343,401
Accounts receivable	62,312	223,406	285,718
Property taxes receivable	-	55,688	55,688
Due from other government agencies	3,254	-	3,254
Total current assets	3,247,711	1,440,350	4,688,061
Restricted assets			
Cash and cash equivalents	63,756	580,058	643,814
Capital assets, net of accumulated depreciation	13,682,287	20,490,220	34,172,507
Total assets	16,993,754	22,510,628	39,504,382
LIABILITIES			
Current liabilities			
Accounts payable	30,876	55,097	85,973
Payroll payable	9,479	240	9,719
Accrued interest payable	-	187,798	187,798
Accrued loan fees payable	-	21,926	21,926
School excise tax payable	10,684	-	10,684
Compensated absences	4,086	-	4,086
Long-term liabilities, current portion	-	426,539	426,539
Total current liabilities	55,125	691,600	746,725
Noncurrent liabilities			
Long-term liabilities, less current portion	-	9,899,958	9,899,958
Total noncurrent liabilities	-	9,899,958	9,899,958
Total liabilities	55,125	10,591,558	10,646,683
NET ASSETS			
Invested in capital assets, net of related debt	13,682,287	10,163,723	23,846,010
Restricted for system development	63,756	580,058	643,814
Unrestricted	3,192,586	1,175,289	4,367,875
Total net assets	\$ 16,938,629	\$ 11,919,070	\$ 28,857,699

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,198,067	\$ -	\$ 1,000	\$ 21,600
Highways and streets	54,697	-	-	63,756
Total governmental activities	\$ 1,252,764	\$ -	\$ 1,000	\$ 85,356
Business-type activities				
Sewer utility	\$ 643,911	\$ 641,181	\$ -	\$ 41,038
Water utility	839,371	687,471	-	35,527
Total business-type activities	\$ 1,483,282	\$ 1,328,652	\$ -	\$ 76,565

General revenues
Property taxes
School excise tax
Franchise fees
Cigarette taxes
Alcohol taxes
Highway use tax
Unrestricted grants and contributions
Licenses and permits
Investment earnings
Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets - beginning, as restated

Net assets - ending

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,175,467)	\$ -	\$ (1,175,467)
<u>9,059</u>	<u>-</u>	<u>9,059</u>
<u>(1,166,408)</u>	<u>-</u>	<u>(1,166,408)</u>
-	38,308	38,308
<u>-</u>	<u>(116,373)</u>	<u>(116,373)</u>
<u>-</u>	<u>(78,065)</u>	<u>(78,065)</u>
-	829,176	829,176
558	-	558
937,243	-	937,243
1,678	-	1,678
11,946	-	11,946
47,744	-	47,744
20,209	-	20,209
121,968	-	121,968
33,949	5,400	39,349
<u>33,919</u>	<u>-</u>	<u>33,919</u>
<u>1,209,214</u>	<u>834,576</u>	<u>2,043,790</u>
<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
(157,194)	956,511	799,317
<u>17,095,823</u>	<u>10,962,559</u>	<u>28,058,382</u>
<u>\$ 16,938,629</u>	<u>\$ 11,919,070</u>	<u>\$ 28,857,699</u>

CITY OF MILLERSBURG
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,627,904	\$ 617,997	\$ 3,245,901
Receivables	62,312	-	62,312
Due from other government agencies	<u>-</u>	<u>3,254</u>	<u>3,254</u>
 Total assets	 <u>\$ 2,690,216</u>	 <u>\$ 621,251</u>	 <u>\$ 3,311,467</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 27,781	\$ 3,095	\$ 30,876
Accrued payroll and taxes	9,479	-	9,479
School excise tax payable	<u>10,684</u>	<u>-</u>	<u>10,684</u>
 Total liabilities	 <u>47,944</u>	 <u>3,095</u>	 <u>51,039</u>
Fund balances			
Reserved for system development	-	63,756	63,756
Unreserved	<u>2,642,272</u>	<u>554,400</u>	<u>3,196,672</u>
 Total fund balances	 <u>2,642,272</u>	 <u>618,156</u>	 <u>3,260,428</u>
 Total liabilities and fund balances	 <u>\$ 2,690,216</u>	 <u>\$ 621,251</u>	 <u>\$ 3,311,467</u>

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

CITY OF MILLERSBURG
Linn County, Oregon

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

June 30, 2010

Total fund balances		\$ 3,260,428
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	15,315,630	
Accumulated depreciation	<u>(1,633,343)</u>	13,682,287
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences		<u>(4,086)</u>
Total net assets		<u>\$ 16,938,629</u>

The accompanying notes are an integral part of the 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, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Franchise fees	\$ 937,243	\$ -	\$ 937,243
School excise tax	558	-	558
Cigarette taxes	1,678	-	1,678
Alcohol taxes	11,946	-	11,946
Highway use tax	-	47,744	47,744
System development charges	21,600	63,756	85,356
Licenses and permits	121,968	-	121,968
Intergovernmental	8,100	-	8,100
State revenue sharing	20,209	-	20,209
Investment earnings	33,949	-	33,949
Rental income	16,356	-	16,356
Miscellaneous	10,434	-	10,434
	<u>1,184,041</u>	<u>111,500</u>	<u>1,295,541</u>
EXPENDITURES			
Current			
Personal services	245,502	-	245,502
Materials and services	547,360	54,698	602,058
Capital outlay	53,291	-	53,291
	<u>846,153</u>	<u>54,698</u>	<u>900,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>337,888</u>	<u>56,802</u>	<u>394,690</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	101,100	101,100
Transfers out	(201,100)	(100,000)	(301,100)
	<u>(201,100)</u>	<u>1,100</u>	<u>(200,000)</u>
Net change in fund balances	136,788	57,902	194,690
Fund balances - beginning	<u>2,505,484</u>	<u>560,254</u>	<u>3,065,738</u>
Fund balances - ending	<u>\$ 2,642,272</u>	<u>\$ 618,156</u>	<u>\$ 3,260,428</u>

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, 2010

Net change in fund balances		\$ 194,690
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.		
Expenditures for capital assets	53,291	
Less current year depreciation	<u>(411,951)</u>	(358,660)
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>6,776</u>
Change in net assets		<u>\$ (157,194)</u>

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, 2010

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 803,652	\$ 357,604	\$ 1,161,256
Accounts receivable	171,517	51,889	223,406
Property taxes receivable	55,688	-	55,688
Due from other funds	2,231	-	2,231
Total current assets	1,033,088	409,493	1,442,581
Restricted assets			
Cash and cash equivalents	313,848	266,210	580,058
Capital assets, net of accumulated depreciation	12,132,637	8,357,583	20,490,220
Total assets	13,479,573	9,033,286	22,512,859
LIABILITIES			
Current liabilities			
Due to other funds	-	2,231	2,231
Accounts payable	1,115	53,982	55,097
Accrued interest payable	43,980	143,818	187,798
Accrued administrative loan fees payable	21,926	-	21,926
Accrued liabilities	-	240	240
Long-term liabilities, current portion	222,988	203,551	426,539
Total current liabilities	290,009	403,822	693,831
Noncurrent liabilities			
Long-term liabilities, less current portion	5,597,487	4,302,471	9,899,958
Total noncurrent liabilities	5,597,487	4,302,471	9,899,958
Total liabilities	5,887,496	4,706,293	10,593,789
NET ASSETS			
Invested in capital assets, net of related debt	6,312,162	3,851,561	10,163,723
Restricted for system development	313,848	266,210	580,058
Unrestricted	966,067	209,222	1,175,289
Total net assets	\$ 7,592,077	\$ 4,326,993	\$ 11,919,070

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, 2010

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Operating revenues			
Charges for services	\$ 641,181	\$ 687,471	\$ 1,328,652
Operating expenses			
Materials and services	242,980	220,367	463,347
Depreciation	335,025	364,795	699,820
Total operating expenses	578,005	585,162	1,163,167
Operating income (loss)	63,176	102,309	165,485
Nonoperating revenues (expenses)			
Property taxes	829,176	-	829,176
System development charges	41,038	35,527	76,565
Investment earnings	5,400	-	5,400
Interest expense	(65,906)	(254,209)	(320,115)
Total nonoperating revenues (expenses)	809,708	(218,682)	591,026
Income (loss) before transfers	872,884	(116,373)	756,511
Transfers in	100,000	100,000	200,000
Change in net assets	972,884	(16,373)	956,511
Net assets - beginning, as restated	6,619,193	4,343,366	10,962,559
Net assets - ending	\$ 7,592,077	\$ 4,326,993	\$ 11,919,070

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, 2010

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 665,534	\$ 670,581	\$ 1,336,115
Payments to suppliers	<u>(367,450)</u>	<u>(221,509)</u>	<u>(588,959)</u>
Net cash provided (used) by operating activities	<u>298,084</u>	<u>449,072</u>	<u>747,156</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from property taxes	<u>811,560</u>	<u>-</u>	<u>811,560</u>
Net cash provided (used) by noncapital financing activities	<u>811,560</u>	<u>-</u>	<u>811,560</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	41,038	35,527	76,565
Principal paid on capital debt	(2,000,000)	(190,132)	(2,190,132)
Interest paid on capital debt	-	(259,952)	(259,952)
Transfer from other funds	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Net cash provided (used) by capital and related financing activities	<u>(1,858,962)</u>	<u>(314,557)</u>	<u>(2,173,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>5,400</u>	<u>-</u>	<u>5,400</u>
Net cash provided (used) by investing activities	<u>5,400</u>	<u>-</u>	<u>5,400</u>
Net increase (decrease) in cash and cash equivalents	(743,918)	134,515	(609,403)
Cash and cash equivalents - beginning (including \$272,810 and \$230,683 in the Sewer Utility and Water Utility Funds, respectively, reported in restricted accounts)	<u>1,861,418</u>	<u>489,299</u>	<u>2,350,717</u>
Cash and cash equivalents - ending (including \$313,848 and \$266,210 in the Sewer Utility and Water Utility Funds, respectively, reported in restricted accounts)	<u>\$ 1,117,500</u>	<u>\$ 623,814</u>	<u>\$ 1,741,314</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, 2010

(Continued)

	Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 63,176	\$ 102,309	\$ 165,485
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	335,025	364,795	699,820
(Increase) decrease in accounts receivable	24,354	(16,890)	7,464
Increase (decrease) in accounts payable	(124,471)	(1,142)	(125,613)
Net cash provided (used) by operating activities	<u>\$ 298,084</u>	<u>\$ 449,072</u>	<u>\$ 747,156</u>
Noncash capital and related financing activities:			
Capital assets received in exchange for debt	\$ 1,599,731	\$ -	\$ 1,599,731

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

CITY OF MILLERSBURG
Linn County, Oregon

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	<u>Agency Fund</u> <u>Bravo</u>
ASSETS	
Cash and cash equivalents	<u>\$ 596</u>
LIABILITIES	
Held in trust for other agencies	<u>\$ 596</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, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Cash and cash equivalents	<u>\$ 579</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 596</u>
LIABILITIES				
Held in trust for other agencies	<u>\$ 579</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 596</u>

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, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Incorporated in June of 1974, Millersburg sits in the heart of the fertile Willamette Valley. The tiny city offers a beautiful eleven-acre park with a large shelter for year-round use. It boasts of a volleyball court, a jogging path, a tennis court, and an outdoor basketball court. Two baseball fields, playground equipment, and horseshoe pits round out the park amenities. With a population of 1,215 and growing, Millersburg gives you that country feeling with big city facilities nearby. The City of Millersburg is governed by a mayor and four city council members.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Under the modified accrual basis, property taxes, franchise fees, licenses, interest, and special assessments have been recognized as revenues of the current fiscal period if received within 60 days of year-end. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

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

Additionally, the City reports the following governmental funds:

Special Revenue Funds

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

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

Capital Projects Fund

Sewer Construction Fund – The Sewer Construction Fund accounts for financial resources to be used for the acquisition and construction of sewer facilities. The primary source of revenue is investment earnings. Expenditures are primarily for sewer expansion.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major proprietary funds:

Enterprise Funds

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

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

The City reports the following fiduciary fund:

Agency Fund

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

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.

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

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

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

2. Accounts Receivable

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

3. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

4. Capital Assets

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

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

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

<u>Assets</u>	<u>Years</u>
Furniture and office equipment	5
Equipment	10
Infrastructure	25-40
Building improvements	50
Utilities	40-80

5. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as short-term liabilities on the statement of net assets. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

6. Long-Term Obligations

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

7. Retirement Plan

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

8. 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.

E. Reclassifications

Certain accounts, as reported in comparative statements in the management's discussion and analysis, have been reclassified for comparative purposes in order to conform to the presentation in the current year financial statements.

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, debt service, and capital outlay for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The city council may adopt a supplemental budget less than 10% of a fund's original budget at a regular city council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of Expenditures Over Appropriations

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, 2010:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Sewer Utility	Debt service	\$ -	\$ 2,000,000	\$ 2,000,000

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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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

A. Deposits and Investments (Continued)

Investments

As of June 30, 2010, the City had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 4,702,583

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. Oregon statute requires deposits in excess of amounts insured by the Federal Depository Insurance Corporation (FDIC) to be held in an institution listed as a qualified depository as a part of the Public Funds Collateralization Program, established under ORS 295. The City holds deposits at US Bank that are insured by the FDIC up to \$250,000. At June 30, 2010, \$41,577 of the City's bank balance of \$291,577 was uninsured.

Deposits

The City's deposits and investments at June 30, 2010 are as follows:

Cash on hand	\$ 70
Demand deposits	284,562
Total investments	4,702,583
Total deposits and investments	\$ 4,987,215

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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

A. Deposits and Investments (Continued)

Deposits (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,627,904
Nonmajor governmental funds	<u>554,241</u>
Total governmental activities - unrestricted	<u>3,182,145</u>
Business-type activities - unrestricted	
Sewer Utility Fund	803,652
Water Utility Fund	<u>357,604</u>
Total business-type activities - unrestricted	<u>1,161,256</u>
Total unrestricted cash and investments	<u>4,343,401</u>
Governmental activities - restricted	
Street Fund	<u>63,756</u>
Business-type activities - restricted	
Sewer Utility Fund	313,848
Water Utility Fund	<u>266,210</u>
Total business-type activities - restricted	<u>580,058</u>
Total restricted cash and investments	<u>643,814</u>
Total cash and investments	<u><u>\$ 4,987,215</u></u>

Restricted cash is for system development.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance, As Restated	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,622,557	\$ -	\$ -	\$ 2,622,557
Capital assets being depreciated				
Buildings and improvements	2,836,818	53,291	-	2,890,109
Furniture and office equipment	20,337	-	-	20,337
Equipment	147,147	-	-	147,147
Infrastructure	<u>9,635,480</u>	<u>-</u>	<u>-</u>	<u>9,635,480</u>
Total capital assets being depreciated	<u>12,639,782</u>	<u>53,291</u>	<u>-</u>	<u>12,693,073</u>
Less accumulated depreciation for				
Buildings and improvements	(360,680)	(59,942)	-	(420,622)
Furniture and office equipment	(14,555)	(609)	-	(15,164)
Equipment	(87,237)	(8,407)	-	(95,644)
Infrastructure	<u>(758,920)</u>	<u>(342,993)</u>	<u>-</u>	<u>(1,101,913)</u>
Total accumulated depreciation	<u>(1,221,392)</u>	<u>(411,951)</u>	<u>-</u>	<u>(1,633,343)</u>
Total capital assets being depreciated, net	<u>11,418,390</u>	<u>(358,660)</u>	<u>-</u>	<u>11,059,730</u>
Governmental capital assets, net	<u>\$ 14,040,947</u>	<u>\$ (358,660)</u>	<u>\$ -</u>	<u>\$ 13,682,287</u>

(Continued)

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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

B. Capital Assets (Continued)

(Continued)	<u>Beginning Balance, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 79,387	\$ 109,566	\$ -	\$ 188,953
Construction in progress	<u>7,220,744</u>	<u>-</u>	<u>7,220,744</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,300,131</u>	<u>109,566</u>	<u>7,220,744</u>	<u>188,953</u>
Capital assets being depreciated				
Utilities	8,526,747	-	-	8,526,747
Sewer equipment	5,022	-	-	5,022
Joint water project	7,089,879	-	-	7,089,879
Joint wastewater project	<u>-</u>	<u>8,710,909</u>	<u>-</u>	<u>8,710,909</u>
Total capital assets being depreciated	<u>15,621,648</u>	<u>8,710,909</u>	<u>-</u>	<u>24,332,557</u>
Less accumulated depreciation for				
Utilities	(2,286,599)	(183,934)	-	(2,470,533)
Sewer equipment	(5,022)	-	-	(5,022)
Joint water project	(1,039,849)	(283,595)	-	(1,323,444)
Joint wastewater project	<u>-</u>	<u>(232,291)</u>	<u>-</u>	<u>(232,291)</u>
Total accumulated depreciation	<u>(3,331,470)</u>	<u>(699,820)</u>	<u>-</u>	<u>(4,031,290)</u>
Total capital assets being depreciated, net	<u>12,290,178</u>	<u>8,011,089</u>	<u>-</u>	<u>20,301,267</u>
Business-type activities capital assets, net	<u>\$ 19,590,309</u>	<u>\$ 8,120,655</u>	<u>\$ 7,220,744</u>	<u>\$ 20,490,220</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 2,622,557	\$ -	\$ 2,622,557
Buildings and improvements	2,890,109	(420,622)	2,469,487
Furniture and office equipment	20,337	(15,164)	5,173
Equipment	147,147	(95,644)	51,503
Infrastructure	<u>9,635,480</u>	<u>(1,101,913)</u>	<u>8,533,567</u>
Total governmental capital assets	<u>15,315,630</u>	<u>(1,633,343)</u>	<u>13,682,287</u>
Business-type activities			
Land	188,953	-	188,953
Utilities	8,526,747	(2,470,533)	6,056,214
Sewer equipment	5,022	(5,022)	-
Joint water project	7,089,879	(1,323,444)	5,766,435
Joint wastewater project	<u>8,710,909</u>	<u>(232,291)</u>	<u>8,478,618</u>
Total business-type capital assets	<u>24,521,510</u>	<u>(4,031,290)</u>	<u>20,490,220</u>
Total capital assets	<u>\$ 39,837,140</u>	<u>\$ (5,664,633)</u>	<u>\$ 34,172,507</u>

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

Governmental activities	
General government	<u>\$ 411,951</u>
Business-type activities	
Sewer utility	\$ 335,025
Water utility	<u>364,795</u>
Total business-type activities	<u>\$ 699,820</u>

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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 Environmental Protection Agency (EPA) guidance;
- Following completion of construction, new buildings shall be tested for radon;
- The property owner shall maintain the radon control system in proper working order; and
- The property owner shall monitor indoor air in buildings on property.

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:			
	Nonmajor Governmental Funds	Sewer Utility Fund	Water Utility Fund	Total
Transfers out:				
General Fund	\$ 1,100	\$ 100,000	\$ 100,000	\$ 201,100
Street Fund	100,000	-	-	100,000
Total	\$ 101,100	\$ 100,000	\$ 100,000	\$ 301,100

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

Street Fund: To fund street and road repair expenditures.

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

Sewer Utility Fund: To fund the cost of constructing the joint wastewater project.

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, 2010

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

D. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 10,862	\$ 762	\$ 7,538	\$ 4,086

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

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rate	Original Amount	Beginning Balance, As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Loans payable							
OECD	5.25%	\$ 6,044,000	\$ 4,696,154	\$ -	\$ 190,132	\$ 4,506,022	\$ 203,551
City of Albany #1	3.14%	3,152,579	3,152,579	815,863	1,000,000	2,968,442	112,380
City of Albany #2	2.90%	3,068,165	3,068,165	783,868	1,000,000	2,852,033	110,608
Total business-type activities		\$ 12,264,744	\$ 10,916,898	\$ 1,599,731	\$ 2,190,132	\$ 10,326,497	\$ 426,539

2. Loan Payable – OECD

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

3. Loan Payable – City of Albany

The City of Millersburg signed two loan agreements with the City of Albany as part of an intergovernmental agreement to finance the construction costs for wastewater treatment facilities. The two loans were signed on August 17, 2007, with payments and interest due semiannually on April 1 and October 1 through 2029. The loans were financed at different interest rates. In addition to interest, the City must pay an administrative loan fee equal to 0.50% of the outstanding balance. Payments on the loan are generally made from the Sewer Utility Fund.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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

E. Long-Term Debt (Continued)

4. Future Maturities of Long-Term Liabilities

Fiscal Year Ending June 30	Loans		
	Principal	Interest	Total
2011	\$ 426,539	\$ 424,216	\$ 850,755
2012	442,009	406,488	848,497
2013	457,977	387,821	845,798
2014	479,376	368,447	847,823
2015	501,226	348,073	849,299
2016-2020	2,846,036	1,399,158	4,245,194
2021-2025	3,513,726	721,482	4,235,208
2026-2030	<u>1,659,608</u>	<u>127,951</u>	<u>1,787,559</u>
Total	<u>\$ 10,326,497</u>	<u>\$ 4,183,636</u>	<u>\$ 14,510,133</u>

IV. OTHER INFORMATION

A. Risk Management

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

B. Related Party

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

IV. OTHER INFORMATION (Continued)

C. Retirement Plan

1. Oregon Public Employees Retirement System

Plan Description

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

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

Funding Policy

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and OPSRP rates in effect for the year ended June 30, 2010 were 0.74% and 0.84%, 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.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

IV. OTHER INFORMATION (Continued)

C. Retirement Plan (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual Pension Cost

The City's contributions to PERS for the three years ended June 30, 2008, 2009, and 2010 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>
2008	\$ 25,493	100%
2009	\$ 25,434	100%
2010	\$ 12,198	100%

D. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and requires 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, 2010

IV. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

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

Plan Description (Continued)

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.29% of covered payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The City's contributions to RHIA for the years ended June 30, 2008, 2009, and 2010 were \$405, \$508, and \$549, respectively, which equaled the required contributions each year.

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

IV. OTHER INFORMATION (Continued)

E. Restatements

Net Assets

Beginning net assets were restated as follows to reflect the correction of capital asset balances due to omission in the prior year financial statements:

Government-Wide Statements	Governmental Activities	Business-Type Activities
Net assets - beginning, as previously reported	\$ 16,941,653	\$ 10,914,677
Adjustment for correction of fixed asset values	154,170	47,882
Net assets - beginning, as restated	\$ 17,095,823	\$ 10,962,559

Fund Net Assets

Beginning fund net assets were restated as follows to reflect the correction of capital asset balances due to omission in the prior year financial statements:

GAAP Basis Statements	Sewer Utility Fund	Water Utility Fund
Fund net assets - beginning, as previously reported	\$ 6,604,339	\$ 4,310,338
Adjustment for correction of fixed asset values	14,854	33,028
Fund net assets - beginning, as restated	\$ 6,619,193	\$ 4,343,366

F. Contingent Liability

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

CITY OF MILLERSBURG
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

IV. OTHER INFORMATION (Continued)

G. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncement that has a future effective date that will impact future financial presentations. Management has not currently determined what impact implementation of the following statement will have on future financial statements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its fiscal year ending June 30, 2011. This statement establishes new classifications for governmental fund balances and clearer definitions for governmental fund types.

H. Commitments

1. Clean Water State Revolving Fund Loan

On September 24, 2009, the City of Millersburg signed an agreement with the Department of Environmental Quality (DEQ) for a Clean Water State Revolving Fund Loan (CWSRF). This loan was intended to finance Phase I of the Wastewater Wetlands Project, which is a joint project between the City of Millersburg and the City of Albany. The \$4,000,000 loan calls for a 20-year repayment period commencing after the completion date. The loan requires the City of Millersburg to comply with certain loan covenants. If the City meets these requirements, 75% of the loan will be forgiven. The funds shall be disbursed on a reimbursement basis. The CWSRF Loan is subject to audit under OMB Circular A-133. As required by the debt agreement, the project was started in March 2010. The City of Albany provided the financing for project costs incurred prior to July 2010, and the City of Millersburg's commitment for project costs began on July 1, 2010. The project is expected to be completed by March 2011.

I. Subsequent Events

Management has evaluated subsequent events through February 7, 2011, which was the date that the financial statements were available to be issued.

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, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Licenses and permits	\$ 2,000	\$ 119,968	\$ 121,968	\$ -	\$ 121,968
Special assessments					
Park system development charges	1,200	20,400	21,600	-	21,600
Intergovernmental					
School excise tax	-	55,769	55,769	(55,211)	558
State liquor tax	8,045	3,901	11,946	-	11,946
State cigarette tax	1,500	178	1,678	-	1,678
Grants	1,000	-	1,000	-	1,000
Planning commission	3,000	4,100	7,100	-	7,100
Total intergovernmental	13,545	63,948	77,493	(55,211)	22,282
Franchise fees	1,084,500	(127,287)	957,213	(19,970)	937,243
State revenue sharing	9,000	11,209	20,209	-	20,209
Investment earnings	72,500	(38,551)	33,949	-	33,949
Miscellaneous					
Miscellaneous	6,000	4,434	10,434	-	10,434
Rental property income	16,000	356	16,356	-	16,356
Total miscellaneous	22,000	4,790	26,790	-	26,790
Total revenues	1,204,745	54,477	1,259,222	(75,181)	1,184,041
EXPENDITURES					
Current					
Personal services					
Administrator	57,600	340	57,940	(5,756)	52,184
Assistant city recorder	34,000	(1,307)	32,693	-	32,693
Maintenance personnel	90,000	2,587	92,587	1,101	93,688
Utility clerk	20,000	(5,829)	14,171	-	14,171
Payroll taxes	20,000	(11,062)	8,938	2,219	11,157
PERS retirement	40,000	(27,802)	12,198	-	12,198
Supplemental medical benefit	6,200	172	6,372	(517)	5,855
Disability insurance	3,000	(374)	2,626	-	2,626
Dental and vision insurance	6,000	(584)	5,416	-	5,416
Medical insurance	30,000	(14,486)	15,514	-	15,514
Total personal services ⁽¹⁾	306,800	(58,345)	248,455	(2,953)	245,502

(Continued)

⁽¹⁾ Appropriation level

CITY OF MILLERSBURG
Linn County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2010

(Continued)

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
EXPENDITURES (Continued)					
Current (continued)					
Materials and services					
Planning consultants - general	\$ 65,000	\$ (22,479)	\$ 42,521	\$ 86	\$ 42,607
Planning consultants - engineering	350,000	(240,020)	109,980	5,573	115,553
Conventions and training	6,000	(3,143)	2,857	-	2,857
Dues and subscriptions	6,000	405	6,405	(5)	6,400
Telephone	6,500	(1,601)	4,899	(64)	4,835
Office supplies	15,000	(2,036)	12,964	(342)	12,622
City rental expense	5,000	(4,331)	669	-	669
City attorney	60,000	(36,220)	23,780	(1,415)	22,365
Legal services	5,000	(5,000)	-	-	-
Bonding and insurance	16,000	(1,562)	14,438	-	14,438
Economic Development Commission	25,000	(11,076)	13,924	6	13,930
Parks and recreation	10,000	(4,005)	5,995	-	5,995
Park supplies and maintenance	30,000	4,125	34,125	8,272	42,397
Park development	75,000	(68,161)	6,839	-	6,839
Accounting and audit	9,000	3,370	12,370	-	12,370
Printing and advertising	4,000	(756)	3,244	(1,379)	1,865
Travel and meals	6,000	(2,090)	3,910	13	3,923
Library services	3,000	(631)	2,369	-	2,369
Bids publication	500	(500)	-	-	-
Community support	50,000	(31,964)	18,036	58	18,094
Linn County contracted	62,000	1,006	63,006	-	63,006
Contracted services	27,000	83,237	110,237	4,331	114,568
Call-A-Ride	11,000	(8,769)	2,231	639	2,870
City hall maintenance and supplies	32,000	(14,614)	17,386	(1,495)	15,891
City hall utilities	15,000	(6,698)	8,302	(42)	8,260
Cemetery maintenance	500	(500)	-	-	-
Economic development	3,000	9,637	12,637	-	12,637
Elections	100	(100)	-	-	-
School excise tax	-	87,587	87,587	(87,587)	-
Total materials and services ⁽¹⁾	<u>897,600</u>	<u>(276,889)</u>	<u>620,711</u>	<u>(73,351)</u>	<u>547,360</u>

(Continued)

⁽¹⁾ Appropriation level

CITY OF MILLERSBURG
Linn County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2010

(Continued)

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
EXPENDITURES (Continued)					
Capital outlay					
Equipment	\$ 30,000	\$ (29,590)	\$ 410	\$ -	\$ 410
Improvements	100,000	(20,044)	79,956	(27,175)	52,781
Buildings	100	(100)	-	-	-
Land	5,000	(5,000)	-	-	-
Airport improvement	100	(100)	-	-	-
Office equipment and furnishings	<u>25,000</u>	<u>(24,900)</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total capital outlay ⁽¹⁾	<u>160,200</u>	<u>(79,734)</u>	<u>80,466</u>	<u>(27,175)</u>	<u>53,291</u>
Contingency	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,464,600</u>	<u>(514,968)</u>	<u>949,632</u>	<u>(103,479)</u>	<u>846,153</u>
Excess (deficiency) of revenues over (under) expenditures	(259,855)	569,445	309,590	28,298	337,888
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(201,100)</u>	<u>-</u>	<u>(201,100)</u>	<u>-</u>	<u>(201,100)</u>
Net change in fund balance	(460,955)	569,445	108,490	28,298	136,788
Fund balance - beginning	<u>2,097,807</u>	<u>421,607</u>	<u>2,519,414</u>	<u>(13,930)</u>	<u>2,505,484</u>
Fund balance - ending	<u>\$ 1,636,852</u>	<u>\$ 991,052</u>	<u>\$ 2,627,904</u>	<u>\$ 14,368</u>	<u>\$ 2,642,272</u>

⁽¹⁾ Appropriation level

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF MILLERSBURG
Linn County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	Street Fund	Street Reserve Fund	Sewer Construction Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 349,304	\$ 254,910	\$ 13,783	\$ 617,997
Due from other government agencies	3,254	-	-	3,254
 Total assets	 \$ 352,558	 \$ 254,910	 \$ 13,783	 \$ 621,251
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,095	\$ -	\$ -	\$ 3,095
Fund balances				
Reserved for system development	63,756	-	-	63,756
Unreserved	285,707	254,910	13,783	554,400
 Total fund balances	 349,463	 254,910	 13,783	 618,156
 Total liabilities and fund balances	 \$ 352,558	 \$ 254,910	 \$ 13,783	 \$ 621,251

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, 2010

	Street Fund	Street Reserve Fund	Sewer Construction Fund	Total Nonmajor Governmental Funds
REVENUES				
Highway use tax	\$ 47,744	\$ -	\$ -	\$ 47,744
System development charges	63,756	-	-	63,756
Total revenues	111,500	-	-	111,500
EXPENDITURES				
Current				
Materials and services	54,698	-	-	54,698
Excess (deficiency) of revenues over (under) expenditures	56,802	-	-	56,802
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	100,100	-	101,100
Transfers out	(100,000)	-	-	(100,000)
Total other financing sources (uses)	(99,000)	100,100	-	1,100
Net change in fund balances	(42,198)	100,100	-	57,902
Fund balances - beginning	391,661	154,810	13,783	560,254
Fund balances - ending	\$ 349,463	\$ 254,910	\$ 13,783	\$ 618,156

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, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Intergovernmental					
Highway use tax	\$ 44,000	\$ 3,744	\$ 47,744	\$ -	\$ 47,744
Special assessments					
Street system development charges	<u>7,000</u>	<u>56,756</u>	<u>63,756</u>	<u>-</u>	<u>63,756</u>
Total revenues	<u>51,000</u>	<u>60,500</u>	<u>111,500</u>	<u>-</u>	<u>111,500</u>
EXPENDITURES					
Current					
Materials and services	126,440	(69,941)	56,499	(1,801)	54,698
Contingency	<u>196,850</u>	<u>(196,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>323,290</u>	<u>(266,791)</u>	<u>56,499</u>	<u>(1,801)</u>	<u>54,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(272,290)</u>	<u>327,291</u>	<u>55,001</u>	<u>1,801</u>	<u>56,802</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,000	-	1,000	-	1,000
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>(99,000)</u>	<u>-</u>	<u>(99,000)</u>	<u>-</u>	<u>(99,000)</u>
Net change in fund balance	(371,290)	327,291	(43,999)	1,801	(42,198)
Fund balance - beginning	<u>371,290</u>	<u>22,013</u>	<u>393,303</u>	<u>(1,642)</u>	<u>391,661</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 349,304</u>	<u>\$ 349,304</u>	<u>\$ 159</u>	<u>\$ 349,463</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, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital outlay	<u>75,100</u>	<u>(75,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(75,100)	75,100	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>100,100</u>	<u>-</u>	<u>100,100</u>	<u>-</u>	<u>100,100</u>
Net change in fund balance	25,000	75,100	100,100	-	100,100
Fund balance - beginning	<u>110,000</u>	<u>44,810</u>	<u>154,810</u>	<u>-</u>	<u>154,810</u>
Fund balance - ending	<u>\$ 135,000</u>	<u>\$ 119,910</u>	<u>\$ 254,910</u>	<u>\$ -</u>	<u>\$ 254,910</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, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital outlay	<u>13,832</u>	<u>(13,832)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(13,832)	13,832	-	-	-
Fund balance - beginning	<u>13,832</u>	<u>(49)</u>	<u>13,783</u>	-	<u>13,783</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 13,783</u>	<u>\$ 13,783</u>	<u>\$ -</u>	<u>\$ 13,783</u>

CITY OF MILLERSBURG
Linn County, Oregon

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

SEWER UTILITY FUND

For the Year Ended June 30, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Charges for services					
User fees	\$ 629,000	\$ 36,534	\$ 665,534	\$ (24,353)	\$ 641,181
Hookup fees	<u>4,142</u>	<u>36,896</u>	<u>41,038</u>	<u>-</u>	<u>41,038</u>
Total charges for services	633,142	73,430	706,572	(24,353)	682,219
Property taxes	734,532	77,028	811,560	17,616	829,176
Investment earnings	<u>100</u>	<u>5,300</u>	<u>5,400</u>	<u>-</u>	<u>5,400</u>
Total revenues	<u>1,367,774</u>	<u>155,758</u>	<u>1,523,532</u>	<u>(6,737)</u>	<u>1,516,795</u>
EXPENSES					
Current					
Materials and services					
Contracted services	-	6,639	6,639	-	6,639
Repairs and maintenance	50,000	1,573	51,573	580	52,153
Sewer treatment plant	400,000	(90,762)	309,238	(125,050)	184,188
Miscellaneous	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total materials and services ⁽¹⁾	500,000	(132,550)	367,450	(124,470)	242,980
Debt service	-	2,000,000	2,000,000	(1,934,094)	65,906
Depreciation expense	-	-	-	335,025	335,025
Capital outlay	2,000,000	(400,269)	1,599,731	(1,599,731)	-
Contingency	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>2,700,000</u>	<u>1,267,181</u>	<u>3,967,181</u>	<u>(3,323,270)</u>	<u>643,911</u>
Excess (deficiency) of revenues over (under) expenses	(1,332,226)	(1,111,423)	(2,443,649)	3,316,533	872,884
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	1,599,731	1,599,731	(1,599,731)	-
Transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total other financing sources (uses)	<u>100,000</u>	<u>1,599,731</u>	<u>1,699,731</u>	<u>(1,599,731)</u>	<u>100,000</u>
Change in net assets	(1,232,226)	488,308	(743,918)	1,716,802	972,884
Net assets - beginning, as restated	<u>1,670,638</u>	<u>190,780</u>	<u>1,861,418</u>	<u>4,757,775</u>	<u>6,619,193</u>
Net assets - ending	<u>\$ 438,412</u>	<u>\$ 679,088</u>	<u>\$ 1,117,500</u>	<u>\$ 6,474,577</u>	<u>\$ 7,592,077</u>

(1) Appropriation level

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, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Charges for services					
User fees	\$ 660,000	\$ 10,581	\$ 670,581	\$ 16,890	\$ 687,471
Connection fees	<u>4,142</u>	<u>31,385</u>	<u>35,527</u>	<u>-</u>	<u>35,527</u>
Total revenues	<u>664,142</u>	<u>41,966</u>	<u>706,108</u>	<u>16,890</u>	<u>722,998</u>
EXPENSES					
Current					
Materials and services					
Repairs and maintenance	353,000	(131,491)	221,509	(1,142)	220,367
Depreciation expense	-	-	-	364,795	364,795
Debt service	450,084	-	450,084	(195,875)	254,209
Capital outlay	100,000	(100,000)	-	-	-
Contingency	<u>322,291</u>	<u>(322,291)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,225,375</u>	<u>(553,782)</u>	<u>671,593</u>	<u>167,778</u>	<u>839,371</u>
Excess (deficiency) of revenues over (under) expenses	(561,233)	595,748	34,515	(150,888)	(116,373)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Change in net assets	(461,233)	595,748	134,515	(150,888)	(16,373)
Net assets - beginning, as restated	<u>461,233</u>	<u>28,066</u>	<u>489,299</u>	<u>3,854,067</u>	<u>4,343,366</u>
Net assets - ending	<u>\$ -</u>	<u>\$ 623,814</u>	<u>\$ 623,814</u>	<u>\$ 3,703,179</u>	<u>\$ 4,326,993</u>

OTHER FINANCIAL SCHEDULES

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2010

Tax Year	Taxes Receivable July 1, 2009	2009-2010 Levy	Adjustments	Collections	Taxes Receivable June 30, 2010
2009-2010	\$ -	\$ 855,538	\$ (24,183)	\$ 794,459	\$ 36,896
2008-2009	<u>38,072</u>	<u>-</u>	<u>(1,793)</u>	<u>17,487</u>	<u>18,792</u>
Total	<u>\$ 38,072</u>	<u>\$ 855,538</u>	<u>\$ (25,976)</u>	811,946	<u>\$ 55,688</u>
Add:					
Other taxes and interest				(386)	
Undistributed taxes with county, July 1, 2009				<u>-</u>	
Total available				811,560	
Less: Turnovers to City				<u>(811,560)</u>	
Undistributed taxes with county, June 30, 2010				<u>\$ -</u>	

CITY OF MILLERSBURG
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF
LONG-TERM DEBT

For the Year Ended June 30, 2010

Fiscal Year	Total Requirement All Issues			OECD Special Works Fund Loan		
	Principal	Interest	Total	Principal	Interest	Total
2010-2011	\$ 426,539	\$ 424,216	\$ 850,755	\$ 203,551	\$ 249,970	\$ 453,521
2011-2012	442,009	406,488	848,497	212,234	239,029	451,263
2012-2013	457,977	387,821	845,798	221,208	227,356	448,564
2013-2014	479,376	368,447	847,823	235,399	215,190	450,589
2014-2015	501,226	348,073	849,299	249,822	202,243	452,065
2015-2016	523,545	326,678	850,223	264,487	188,502	452,989
2016-2017	541,353	304,246	845,599	274,409	173,956	448,365
2017-2018	569,672	281,026	850,698	294,601	158,863	453,464
2018-2019	593,528	256,446	849,974	310,080	142,660	452,740
2019-2020	617,938	230,762	848,700	325,860	125,606	451,466
Thereafter	5,173,334	849,433	6,022,767	1,914,371	334,667	2,249,038
Total	\$ 10,326,497	\$ 4,183,636	\$ 14,510,133	\$ 4,506,022	\$ 2,258,042	\$ 6,764,064

Fiscal Year	City of Albany Loan #1			City of Albany Loan #2		
	Principal	Interest	Total	Principal	Interest	Total
2010-2011	\$ 112,380	\$ 92,334	\$ 204,714	\$ 110,608	\$ 81,912	\$ 192,520
2011-2012	115,937	88,777	204,714	113,838	78,682	192,520
2012-2013	119,606	85,108	204,714	117,163	75,357	192,520
2013-2014	123,391	81,323	204,714	120,586	71,934	192,520
2014-2015	127,296	77,418	204,714	124,108	68,412	192,520
2015-2016	131,325	73,389	204,714	127,733	64,787	192,520
2016-2017	135,480	69,234	204,714	131,464	61,056	192,520
2017-2018	139,767	64,947	204,714	135,304	57,216	192,520
2018-2019	144,191	60,523	204,714	139,257	53,263	192,520
2019-2020	148,754	55,960	204,714	143,324	49,196	192,520
Thereafter	1,670,315	274,478	1,944,793	1,588,648	240,288	1,828,936
Total	\$ 2,968,442	\$ 1,023,491	\$ 3,991,933	\$ 2,852,033	\$ 902,103	\$ 3,754,136

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



Koontz & Perdue, P.C.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

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

We have audited the basic financial statements of the City of Millersburg as of and for the year ended June 30, 2010, and have issued our report thereon dated February 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Millersburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Accounting records

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294)

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

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

1. The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The overexpenditure occurred due to debt service payments being budgeted erroneously as capital outlay. In addition, there were capital outlay amounts not included in the budget. These categories have been properly reported, but resulted in an overexpenditure for budgetary purposes. The following appropriations were over-expended for the fiscal year ended June 30, 2010:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Sewer Utility	Debt service	\$ -	\$ 2,000,000	\$ 2,000,000

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City’s 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’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated February 7, 2011.

This report is intended solely for the information and use of the city council and management of the City of Millersburg and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.

Koontz & Perdue, P.C.

Koontz & Perdue, P.C.

February 7, 2011