

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

Prepared by:
The City of Milton-Freewater
Finance Department

CITY OF MILTON-FREEWATER, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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

CITY OF MILTON-FREEWATER, OREGON
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CITY OF

MILTON-FREEWATER

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

January 26, 2018

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

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the City of Milton-Freewater, Oregon for the fiscal year ended June 30, 2017.

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

This report was prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and the related Omnibus Statement No.37. This is the fifteenth year of reporting under GASB Statement No. 34, the ninth year reporting under GASB Statement No.45, the seventh year under GASB No. 54 and the third year under GASB No. 68. Implementation of these GASB statements dramatically changed how the City's financial information is reported. Major changes include the following:

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

This report consists of four parts:

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

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

GENERAL OVERVIEW

Historically Milton-Freewater's economy has revolved around the area's diverse agricultural activity. Orchards, irrigated row crops, and dry land fields provide raw materials for two major food processors. Grapes are becoming a major agricultural income for the valley. This area is producing wines that are being recognized world wide. Sykes, a call center, has employment opportunities in the Milton-Freewater area with the possibility of approximately 450 jobs. It has helped the area be less dependent on agriculture as the main job base. Other major employers are the School District, Earl Brown & Sons, Oregon Coalition of Child Development, and the City.

ECONOMIC CONDITIONS AND OUTLOOK

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

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

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

Industry – Industrial/commercial land is available on our South Hill. The "Business Park" zoned acreage has infrastructure and is shovel ready. A new business to Milton-Freewater, Dunning Irrigation has constructed a new building in the Business Park and is open.

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

Overall, the Walla Walla Valley is well positioned for industrial growth outside the City limits, which is still close enough to benefit our community. With the addition of Sykes, Milton-Freewater has experienced a large increase in jobs that are year-round and have a

starting pay greater than minimum wage.

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

Housing – Housing starts are beginning to come back. Getting the City out of the Flood zone has helped. We are also seeing an advantage with our neighboring cities having housing shortages and housing prices climbing dramatically.

Health Services Industry –A kidney dialysis center was built & is open for business. This business added a dozen family wage jobs to our economy and is providing a crucial health service to hundreds of patients. Two new dental clinics have also opened and are doing well.

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

FINANCIAL OVERVIEW

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

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

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

The City's 2017-18 budget is for \$29,742,416. A decrease of \$2,411,509 from the prior year's budget total. There are no overall rate increases in Electric, Water, Sewer & Solid Waste funds in this budget.

The General Fund's balance is \$440,121 at the end of current fiscal year, a decrease of \$209,111 over last year. The decrease was mainly due to increased PERS rates & fewer grants. We are watching this trend with caution and are exploring ideas to stabilize PERS rates and increases.

The City's net position at June 30, 2017 is \$42,541,103, an increase of \$5,110,486. The increase is mainly due to increased capital projects. The City's cash, cash equivalents and investments as of June 30, 2017 were \$9,799,760, a decrease of \$306,011, mainly caused by increased spending on capital projects.

increased spending on capital projects.

MAJOR INITIATIVE

The City of Milton-Freewater took on an extremely large and comprehensive renovation and repair to the wastewater treatment plant. The \$4.4 million dollar project is completed. Thankfully we were fortunate enough to bring home \$2,623,154 in grant money and loans for the balance.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

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

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

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

<u>ACCOUNTING BASIS</u>	<u>APPLIED FUNDS</u>
Modified Accrual Basis	Governmental Fund Types General Fund Special Revenue Funds Debt Service Funds Capital Project Funds
Accrual Basis	Proprietary Fund Types Enterprise Funds Internal Service Funds

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

THE REPORTING ENTITY AND SERVICES

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

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

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

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

Cash Management

The City of Milton-Freewater pools the cash of all funds and invests the surplus cash in certificates of deposit, savings accounts and U.S. Treasury bills. Cash is also deposited in the Oregon State Investment Pool. Interest is disbursed to all funds based on each fund's cash contribution. Interest and investment earnings for 2017 were \$82,934. The state pool's interest rate was 1.45% at June 30th. For fiscal year June 30, 2017, the majority of surplus cash was deposited in the Oregon State Investment Pool, Vision Capital Management Inc., five local banks and one local credit union.

Risk Management

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

Other Information

Independent Audit - The State of Oregon requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The firm, The RBH Group, LLC, formerly Read & Bose, PC, was selected. This requirement has been complied with and the auditor's opinion has been included in this report.

Conclusion

The City of Milton-Freewater is always looking for ways to improve the efficiency of its work force, and the quality of service to its citizens. An example is the \$2,623,154 approved grant money for the sewer wastewater treatment facility project. The overall city is healthy financially with \$9,799,760 in cash and investments. Over the previous ten years we have replaced our sewer plant, updated two substations and instituted a replacement schedule for aging sewer & water lines. We also updated the City Hall Building and Fire Station buildings with grant funding.

Acknowledgments

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

Respectfully submitted,



David Richmond
Finance Director



Linda Hall
City Manager

CITY OF MILTON-FREEWATER, OREGON

Officials of the City

June 30, 2017

Mayor and City Councilor Members:

Term Expires

Lewis Key	Mayor		December 31, 2020
Orrin Lyon	Councilor	Ward 1	December 31, 2018
Brad Humbert	Councilor	Ward 2	December 31, 2020
Jeff Anliker	Councilor	Ward 3	December 31, 2020
Steve Irving	Councilor	At Large	December 31, 2018
Ed Chesnut	Councilor	At Large	December 31, 2018
Verl Pressnall	Councilor	At Large	December 31, 2020

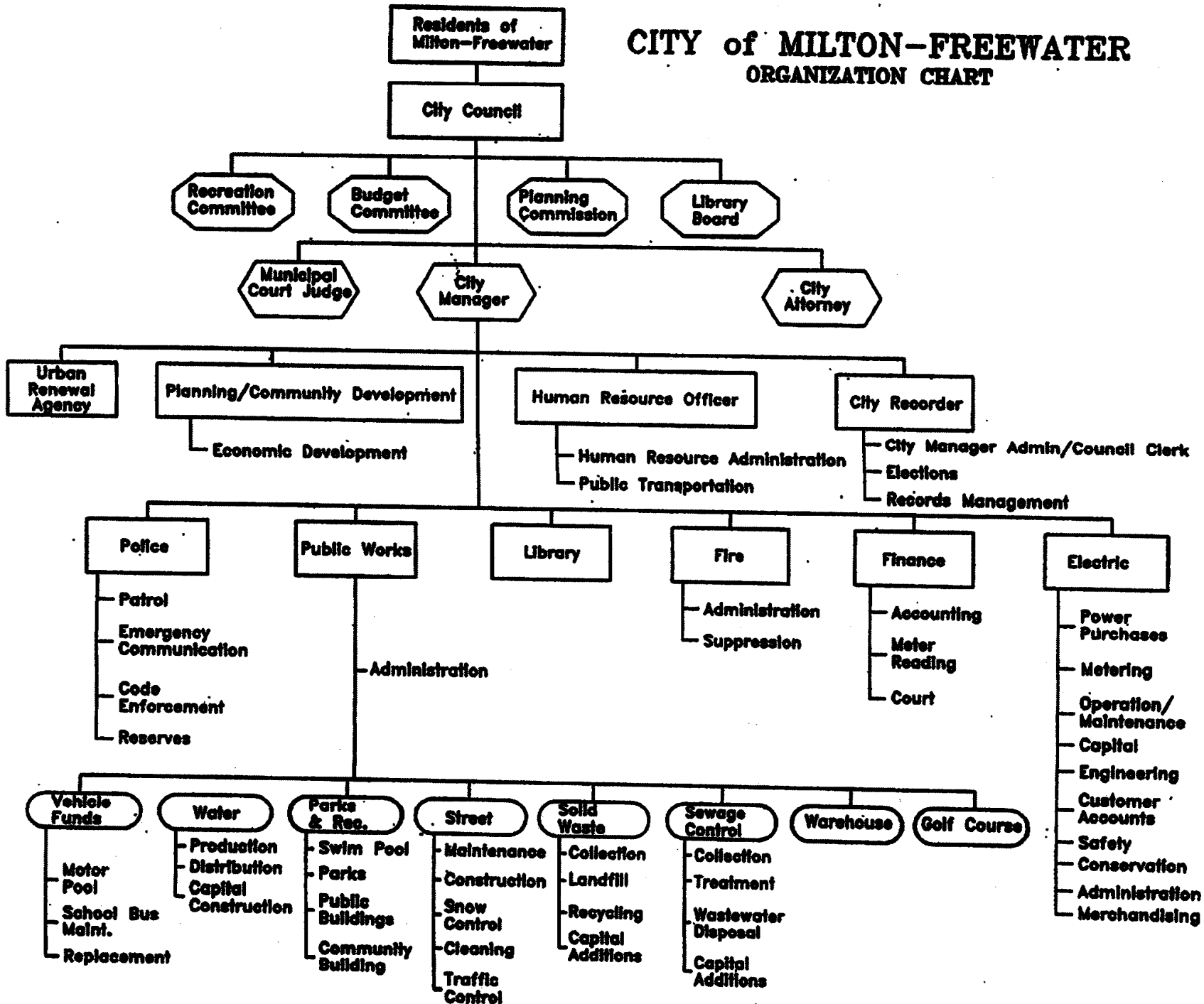
Appointed Officials:

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

AGENCY ADDRESS

Administrative Offices
722 South Main Street
Milton-Freewater, OR 97862

CITY of MILTON-FREEWATER ORGANIZATION CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton-Freewater, Oregon (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Street Improvement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As discussed in Note IV.L to the financial statements, the City engaged an outside expert to establish the estimated historical cost and related accumulated depreciation of its capital assets as of the beginning of the fiscal year ended June 30, 2017, which resulted in the restatement of previously reported amounts for the year ended June 30, 2016. In addition, the City changed its approach to estimating useful lives of its capital assets from a composite method to a method that assigns a useful life to individual capital assets, which also resulted in the restatement of previously reported amounts for the year ended June 30, 2016. Our opinions are not modified with respect to these matters.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and employee retirement pension benefits information (collectively, the required supplementary information) on pages 4 through 13 and pages 63 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

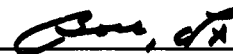
The combining and individual nonmajor fund financial statements and the budgetary comparison schedules are the responsibility of management and were derived from and

relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 24, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe our evaluation of internal control over financial reporting and the scope of our testing of compliance and the results of that testing and not to provide an opinion on the internal over financial reporting or on compliance.



A Member of
The RBH Group, LLC
Certified Public Accountants

Pendleton, Oregon
January 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the city of Milton-Freewater, Oregon presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2017. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report, The RBH Group, LLC. Additional information outside the scope of this analysis can be found in the Letter of Transmittal. This is the fifteenth year the City is reporting under the provisions of GASB Statement No. 34, ninth year under GASB Statement No. 45, seventh year under GASB Statement No.54 and the third year under GASB No.68.

Financial Highlights

- The City's net position at June 30, 2017 is \$42,541,103. An increase of \$5,110,486 from the prior year, due to increased capital projects.
- The General Fund's fund balance is \$440,121 at the end of the current fiscal year a decrease of \$209,111 over last year. The decrease was mainly due to increased PERS rates and fewer grants. General Fund revenues were \$2,686,950.
- The City's cash, cash equivalents, and investments as of June 30, 2017 are \$9,799,760 a decrease of \$306,011.
- The City's 2017-18 budget is for \$29,742,416. A decrease of \$2,411,509 from the prior years budget. There are no overall rate increases in Electric, Water, Sewer & Solid Waste Funds in this budget.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended

to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the following:

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

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

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

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

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

Proprietary funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains two different types of proprietary funds - enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The city uses internal service funds to account for warehouse, fleet management, and risk and benefits management. Please see the NOTES to FINANCIAL STATEMENTS for further explanation of each individual fund.

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

FUND-BASED FINANCIAL STATEMENTS

General Fund

The General Fund ended the year with a fund balance of \$440,121. This is a \$209,111 decrease compared to last year. This was mainly a result of increased PERS rates & decreased grants received. Revenues for fiscal 2017 were \$2,686,950.

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

Property Taxes	\$ 976,274	36.2%
Utility Tax	155,295	5.8%
Other Taxes	16,933	.6%
Intergovernmental	231,191	8.6%
Franchise Fees	950,318	35.2%
Fines and Licenses	130,575	4.8%
Services	117,152	4.3%
Interest	7,491	.8%
Miscellaneous	101,721	3.7%
Total	<u>\$2,686,950</u>	<u>100.0%</u>

Expenditures for the fiscal year were \$5,121,469.

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

Beginning Fund Balance	\$ 649,232	
Revenues	2,686,950	
Transfers In	<u>2,352,020</u>	5,688,202
Expenditures	5,121,469	
Transfers Out	<u>126,612</u>	
Fund Balance June 30, 2017		<u>5,248,081</u> <u>\$ 440,121</u>

Expenditures were as follows:

General Government	\$1,484,900	28.7%
Public Safety	2,256,565	43.8%
Culture and Recreation	423,983	8.7%
Public Works	540,436	9.4%
Community Development	279,864	6.7%
Engineering	77,839	1.5%
Capital Outlay	57,882	1.2%
Total	<u>\$5,121,469</u>	<u>100.0%</u>

Special Revenue Funds

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

Street Fund. This fund controls those revenues which must be spent on streets, primarily from State gas tax revenues. Funds are used to assure that the 30 miles of the street system are maintained in a safe, clean, well-prepared manner. The Street Fund ended the year with a balance of \$306,793 a decrease of \$9,451 from last year. This decrease is mainly due to street maintenance costs.

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

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

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

911 Fund. This fund accounts for 911 telephone tax revenue. The revenue can only be expended on 911 emergency services.

Capital Project Fund

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

Debt Service Fund

The City's General Obligation Bonded Debt at June 30, 2017 is zero. The General Obligation Bonded Debt for the Family Aquatic Center was paid in full in 2015.

New general obligation bonds with a value of over \$9,000,000 could be sold within the legal debt limit if approved by the voters.

Enterprise Funds

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

Electric Fund. The electric department is one of the oldest documented municipal systems still in operation in the United States. The hydro generating plant was first in service in 1888, and sold to the city of Milton about 1890. Daniel Franklin Brown was responsible for the

installation of the plant, and remained the electric supervisor for the City until 1903. It is interesting to note his monthly salary was \$50.00, and that his pay was docked for any time the electrical plant was not in production. Although none of the original equipment is now functional, the City still maintains the pioneer spirit of the original crew to bring its citizens low-cost dependable power.

Electric Funds financial comparison to last year is as follows:

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$7,691,692	\$7,281,450
Operating Expenses	7,193,019	7,361,093
Operating Income (Loss)	498,673	(79,643)
Non-operating		
Revenues (expenses)	36,043	19,319
Capital Contributions	124,079	124,679
Net Operating Transfers	<u>(1,040,064)</u>	<u>(1,049,785)</u>
Net Income (Loss)	<u>\$(381,269)</u>	<u>\$(985,430)</u>

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

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

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

Financial comparison to last year is as follows:

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$1,229,766	\$ 1,205,216
Operating Expenses	751,218	906,529
Operating Income (Loss)	478,548	298,687
Non-operating		
Revenues (expenses)	(8,177)	(15,766)
Capital Contributions	44,850	45,410
Net Operating Transfers	<u>(559,146)</u>	<u>(532,332)</u>
Net Income (Loss)	<u>\$(43,925)</u>	<u>\$(204,001)</u>

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

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$1,250,512	\$1,208,592
Operating Expenses	776,743	903,572
Operating Income (Loss)	473,769	305,020
Non-operating		
Revenues (expenses)	(32,330)	35,462
Capital Contributions	582,872	2,438,317
Net Operating Transfers	<u>(460,760)</u>	<u>(432,280)</u>
Net Income (Loss)	<u>\$ 563,550</u>	<u>\$2,346,519</u>

There is a \$5 a month per user infrastructure/utility surcharge fee that can be used by either the water or sewer fund. This year the water department received \$40,000 to use on well projects. The sewer fund received revenues of \$134,357 for payment of the sewer digester loan.

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

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

Financial comparison to last year is as follows:

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$956,558	\$914,084
Operating Expenses	689,103	702,468
Operating Income (Loss)	267,455	211,616
Non-operating		
Revenues (Expenses)	3,972	1,437
Net Operating Transfers	<u>(245,367)</u>	<u>(233,757)</u>
Net Income (Loss)	<u>\$ 26,060</u>	<u>\$(20,704)</u>

Landfill Closure Fund. This fund was created to set aside funds from the Landfill Fund to pay for closure costs as required. The fund assets are now \$134,818, an increase of \$5,012.

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

Financial comparison to last year is as follows:

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$150,424	\$168,655
Operating Expenses	154,166	200,911
Operating Income (Loss)	(3,742)	(32,256)
Non-operating	-0-	-0-
Revenues (Expenses)	(1,410)	(1,767)
Net Operating Transfers	<u>(100)</u>	<u>(100)</u>
Net Income (Loss)	<u>\$(5,252)</u>	<u>\$(34,123)</u>

Internal Service Funds

The City has five internal service funds. These funds are similar to enterprise funds because they are operated and accounted for like a

private business. The only difference is the customers for these businesses are the different departments or funds of the City. Following are the highlights for each fund:

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

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

Vehicle Replacement Fund. Part of the rental rate charged on each vehicle is depreciation and an inflation factor for the vehicle. This portion of the rate is kept in this fund and used to replace the vehicles when scheduled. This portion of the rent previously was included in the vehicle maintenance fund, but it was hard to keep the replacement funds separate from the repair funds. Consequently, some replacement money was used to make repairs to keep the rates low. This fund's purpose is to ensure that timely replacement of vehicles will be possible.

Sick Leave Liability Fund. Only sick leave earned in the current year is budgeted for. This leaves all the previous year's sick leave balance as a possible unfunded liability. This fund collects money to fund a portion of leaves that are not budgeted for. It is the intention of the City to let the interest accumulate, and add to the principal until the full amount of sick leave liability is covered. The fund equity is now \$48,277 an decrease of \$17,535.

Risk Management Fund. This fund's revenue source is primarily the reimbursement from City County Insurance that is in excess of funds needed to cover outstanding insurance liabilities. The fund equity is now \$31,983 a decrease of \$25,647. This was caused by sewer backup claims.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets over time may serve as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$42,541,103 at the close of FY17.

City of Milton-Freewater Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 2,319,050	\$ 2,255,620	\$ 10,040,585	\$ 9,555,255	\$ 12,359,635	\$ 11,810,875
Net Pension Asset						
Capital assets	13,520,875	19,735,512	19,460,087	19,272,156	32,980,962	39,007,668
Total assets	<u>\$ 15,839,925</u>	<u>\$ 21,991,132</u>	<u>\$ 29,500,672</u>	<u>\$ 28,827,411</u>	<u>\$ 45,340,597</u>	<u>\$ 50,818,543</u>
Deferred Outflows:						
Contributions to PERS	\$ 526,116	\$ 2,823,400	\$ 287,833	\$ 1,482,661	\$ 813,949	\$ 4,306,061
	<u>\$ 526,116</u>	<u>\$ 2,823,400</u>	<u>\$ 287,833</u>	<u>\$ 1,482,661</u>	<u>\$ 813,949</u>	<u>\$ 4,306,061</u>
Noncurrent liabilities	\$ 680,157	\$ 788,536	\$ 2,000,587	\$ 1,969,110	\$ 2,680,744	\$ 2,757,646
Other liabilities	2,580,786	5,805,214	2,590,883	3,585,886	5,171,669	9,391,100
Total liabilities	<u>\$ 3,260,943</u>	<u>\$ 6,593,750</u>	<u>\$ 4,591,470</u>	<u>\$ 5,554,996</u>	<u>\$ 7,852,413</u>	<u>\$ 12,148,746</u>
Deferred Inflows:						
Deferred pension differences	\$ 563,326	\$ 285,061	\$ 308,191	\$ 149,694	\$ 871,517	\$ 434,755
	<u>\$ 563,326</u>	<u>\$ 285,061</u>	<u>\$ 308,191</u>	<u>\$ 149,694</u>	<u>\$ 871,517</u>	<u>\$ 434,755</u>
Net position:						
Invested in capital assets, net of related debt	\$ 13,520,875	\$ 19,735,512	\$ 17,885,072	\$ 17,707,642	\$ 31,405,947	\$ 37,443,154
Restricted	701,706	677,401	1,019,402	1,194,673	1,721,108	1,872,074
Unrestricted	(1,680,809)	(2,477,192)	5,984,371	5,703,067	4,303,562	3,225,875
Total net position	<u>\$ 12,541,772</u>	<u>\$ 17,935,721</u>	<u>\$ 24,888,845</u>	<u>\$ 24,605,382</u>	<u>\$ 37,430,617</u>	<u>\$ 42,541,103</u>

The largest portion of the City's net position (88%) reflects its investments in capital assets (i.e., land, buildings, infrastructure, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and consequently they are not available for current spending. Although the City's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

During 2017 the City engaged the services of an appraisal firm to estimate the historical cost of City property, plant and equipment. The appraisal firm produce a detailed report of all capital assets owned by the City exceeding its capitalization threshold of \$5,000. In addition, the appraisal firm restated accumulated depreciation based on useful lives consistent with industry practice. Previously, the City used a composite depreciation method. Based on the report from the appraisal firm, the City restated beginning net position with a prior period adjustment as described on the following page.

An additional portion of the City's net position \$1,872,074 or (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balances are unrestricted net position of \$3,225,875 or 8% may be used to meet the City's ongoing obligations to citizens and creditors.

City of Milton-Freewater's Statement of Activities

	Governmental Activities		Business-type Activities		Total		Total Change
	2016	2017	2016	2017	2016	2017	+(-)
Revenues:							
Program revenues:							
Charges for services	\$ 413,214	\$ 336,902	\$ 10,777,997	\$ 11,229,565	\$ 11,191,211	\$ 11,566,467	\$ 375,256
Operating grants and contributions	816,892	879,631	50,457	49,387	867,349	929,018	61,669
Capital grants and contributions	131,953	242,893	2,608,406	751,801	2,740,359	994,694	(1,745,665)
General Revenues :Taxes	1,177,527	1,032,357	-	-	1,177,527	1,032,357	(145,170)
Franchise Fees	1,355,646	1,349,355	-	-	1,355,646	1,349,355	(6,291)
Other	9,161	15,033	119,222	146,228	128,383	161,261	32,878
Total revenues	\$ 3,904,393	\$ 3,856,171	\$ 13,556,082	\$ 12,176,981	\$ 17,460,475	\$ 16,033,152	\$ (1,427,323)
Expenses:							
General government	\$ 2,261,372	\$ 1,959,138	\$ -	\$ -	\$ 2,261,372	\$ 1,959,138	\$ (302,234)
Public safety	2,948,737	2,445,719	-	-	2,948,737	2,445,719	(503,018)
Highways and streets	1,578,825	1,925,865	-	-	1,578,825	1,925,865	347,040
Culture and recreation	1,038,372	866,425	-	-	1,038,372	866,425	(171,947)
Community development	432,463	381,356	-	-	432,463	381,356	(51,107)
Refund of property taxes to County	-	-	-	-	-	-	-
Interest on long-term debt	375	-	-	-	375	-	(375)
Electric	-	-	7,512,041	7,341,832	7,512,041	7,341,832	(170,209)
Water	-	-	951,888	785,710	951,888	785,710	(166,178)
Sewer	-	-	935,950	825,031	935,950	825,031	(110,919)
Solid Waste	-	-	704,310	659,339	704,310	659,339	(44,971)
Golf Course	-	-	202,147	151,474	202,147	151,474	(50,673)
Total expenses	\$ 8,260,144	\$ 7,578,503	\$ 10,306,336	\$ 9,763,386	\$ 18,566,480	\$ 17,341,889	\$ (1,224,591)
Increase in net assets before transfers	\$ (4,355,751)	\$ (3,722,332)	\$ 3,249,746	\$ 2,413,595	\$ (1,106,005)	\$ (1,308,737)	\$ (202,732)
Transfers	2,198,455	2,258,700	(2,198,455)	(2,258,700)	-	-	-
Net position, July 1	14,699,068	12,541,772	23,861,961	24,888,845	38,561,029	37,430,617	(1,130,412)
Change in net position	(2,157,296)	(1,463,632)	1,051,291	154,895	(1,106,005)	(1,308,737)	(202,732)
Prior Period Adjustment	-	6,857,581	(24,407)	(438,358)	(24,407)	6,419,223	6,394,816
Effect of Change for GASB 68	-	-	-	-	-	-	-
Net position, June 30	\$ 12,541,772	\$ 17,935,721	\$ 24,888,845	\$ 24,605,382	\$ 37,430,617	\$ 42,541,103	\$ 5,061,672

Governmental Activities

The City's Governmental Activities received \$1,122,524 in operating grants, capital grants and contributions.

Business-type Activities

The City's Business Activities \$801,188 in operating grants, capital grants and contributions.

Budgetary Highlights

Total grants received \$1,923,712. The general fund expenditures were \$382,975 under budget.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$37,443,154 (net of related debt). This investment in capital assets includes land, buildings, machinery and equipment, improvements and infrastructure.

As of June 30, 2017 the City General Obligation Bond is zero. The water fund has a note payable of \$138,067. These debts are funded by water revenues. Sewer fund wastewater improvement loans are \$1,426,447.

Economic Factors and Next Year's Budget and Rates

The FY 2017-2018 budget total is \$29,742,416 for the City. This is an \$2,411,509 decrease over last year's budget.

Electric: No rate increase.

Water: NO rate increase.

Solid Waste: No rate increase.

Sewer: NO rate increase.

Golf Course: An average 3% rate increase.

Requests for Information

As stated above, this is the fifteenth year the City is reporting under GASB No.34, is the ninth year of reporting under GASB No.45, the seventh year reporting under GASB No.54 and third year of GASB No.68. The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report please contact the City's finance director, Dave Richmond at 722 S. Main, Milton-Freewater, Oregon 97862.

BASIC FINANCIAL STATEMENTS

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 664,946	\$ 5,528,669	\$ 6,193,615
Investments	393,792	3,212,353	3,606,145
Receivables:			
Accounts, net	367,349	982,365	1,349,714
Fines and Forfeitures, net	88,809	-	88,809
Property taxes	67,584	-	67,584
Weatherization loans	-	100,492	100,492
Internal balances	673,140	(673,140)	-
Inventories	-	404,516	404,516
Capital assets:			
Land	352,290	753,069	1,105,359
Construction in progress	43,818	60,322	104,140
Depreciable assets, net of depreciation	19,339,404	18,458,765	37,798,169
Total assets	21,991,132	28,827,411	50,818,543
Deferred Outflows:			
Deferred outflows related to pension	2,823,400	1,482,661	4,306,061
Liabilities:			
Accounts payable and accrued expenses	392,191	369,822	762,013
Accrued interest payable	-	35,652	35,652
Customer deposits	-	182,742	182,742
Net pension liability	5,221,356	2,741,906	7,963,262
Long-term obligations:			
Due within one year	191,667	255,764	447,431
Due in more than one year	788,536	1,969,110	2,757,646
Total liabilities	6,593,750	5,554,996	12,148,746
Deferred inflows:			
Deferred pension differences	285,061	149,694	434,755
Net Position:			
Net investment in capital assets	19,735,512	17,707,642	37,443,154
Restricted for:			
Highways and streets	306,793	-	306,793
Culture and recreation	43,877	-	43,877
System development	1,208	1,190,737	1,191,945
Debt service	361	-	361
Urban renewal	325,162	-	325,162
Landfill closure costs	-	3,936	3,936
Unrestricted	(2,477,192)	5,703,067	3,225,875
Total net position	\$ 17,935,721	\$ 24,605,382	\$ 42,541,103

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

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental activities:							
General government	\$ 1,959,138	\$ 204,744	\$ 204,298	\$ 52,558	\$ (1,497,538)	\$ -	\$ (1,497,538)
Public safety	2,445,719	-	50,048	-	(2,395,671)	-	(2,395,671)
Culture and recreation	866,425	131,438	202,335	37,998	(494,654)	-	(494,654)
Public works	582,470	-	-	-	(582,470)	-	(582,470)
Community development	381,356	-	-	-	(381,356)	-	(381,356)
Engineering	83,747	-	-	-	(83,747)	-	(83,747)
Highways and streets	1,259,648	720	422,950	152,337	(683,641)	-	(683,641)
Total governmental activities	7,578,503	336,902	879,631	242,893	(6,119,077)	-	(6,119,077)
Business-type activities:							
Electric	7,341,832	7,691,692	-	124,079	-	473,939	473,939
Water	785,710	1,229,766	-	44,850	-	488,906	488,906
Sewer	825,031	1,201,125	49,387	582,872	-	1,008,353	1,008,353
Solid waste	659,339	956,558	-	-	-	297,219	297,219
Golf course	151,474	150,424	-	-	-	(1,050)	(1,050)
Total business-type activities	9,763,386	11,229,565	49,387	751,801	-	2,267,367	2,267,367
Total government	\$ 17,341,889	\$ 11,566,467	\$ 929,018	\$ 994,694	(6,119,077)	2,267,367	(3,851,710)
General revenues:							
Property taxes levied for:							
General purposes							
					1,032,357	-	1,032,357
Franchise and public service taxes							
					1,349,355	-	1,349,355
Interest and investment earnings							
					14,112	68,822	82,934
Miscellaneous							
					921	73,824	74,745
Gain (Loss) on sale of property							
					-	3,582	3,582
Transfers							
					2,258,700	(2,258,700)	-
Total general receipts and transfers							
					4,655,445	(2,112,472)	2,542,973
Change in net position							
					(1,463,632)	154,895	(1,308,737)
Net position - beginning as previously reported							
					12,541,772	24,888,845	37,430,617
Effect of change for property, plant and equipment corrections							
					6,857,581	(438,358)	6,419,223
Net position - beginning, as restated							
					19,399,353	24,450,487	43,849,840
Net position - ending							
					\$ 17,935,721	\$ 24,605,382	\$ 42,541,103

FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Principal sources of revenue are property taxes, utility taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation.

Street Improvement Fund

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

CITY OF MILTON-FREEWATER, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 210,051	\$ 104,201	\$ 350,694	\$ 664,946
Investments	120,345	62,638	210,809	393,792
Receivables:				
Property taxes	63,912	-	3,672	67,584
Accounts	118,336	152,437	96,576	367,349
Fines and forfeitures, net	88,809	-	-	88,809
Advances to other funds	187,699	-	-	187,699
Total assets	<u>\$ 789,152</u>	<u>\$ 319,276</u>	<u>\$ 661,751</u>	<u>\$ 1,770,179</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 186,697	\$ 166,025	\$ 39,469	\$ 392,191
Interfund payables	-	-	-	-
Total liabilities	<u>186,697</u>	<u>166,025</u>	<u>39,469</u>	<u>392,191</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	162,334	152,337	6,607	321,278
Total deferred inflows of resources	<u>162,334</u>	<u>152,337</u>	<u>6,607</u>	<u>321,278</u>
FUND BALANCES (DEFICIT)				
Restricted	326,370	-	351,031	677,401
Assigned	113,751	914	264,644	379,309
Total fund balances	<u>440,121</u>	<u>914</u>	<u>615,675</u>	<u>1,056,710</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 789,152</u>	<u>\$ 319,276</u>	<u>\$ 661,751</u>	<u>\$ 1,770,179</u>

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

CITY OF MILTON-FREEWATER, OREGON
RECONCILIATION TO THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Fund balances - total governmental funds \$ 1,056,710

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

PERS net pension asset, deferred outflows of resources arising from contributions paid, and deferred inflows arising from changes in proportionate share of earnings in the current year are not financial resources in governmental funds, but are reported in the Statement of Net Position	(5,221,356)
Net pension liability	(5,221,356)
Deferred outflows after measurement date	2,823,400
Deferred inflows of assumed and actual investment earnings and City's proportionate share	(285,061)
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	19,735,512
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.	67,584
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	253,694
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(239,584)
Accrued other postemployment benefits are not due and payable in the current period, and, therefore, are not reported in the funds.	(367,327)
PERS accrued transition liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.	(373,292)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are classified as business-type activities in the Statement of Net Assets, but the governmental activities made payments to the internal service funds in excess of the actual expenses. As a result, the business-type activities owe the governmental activities for the overpayment.	485,441

Net position of governmental activities \$ 17,935,721

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

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	Street Improvement Fund	Other Governmental Funds	Totals
REVENUES				
Property taxes	\$ 976,274	\$ -	\$ 58,921	\$ 1,035,195
Utility tax	155,295	-	-	155,295
Other taxes	16,933	-	-	16,933
Franchise fees	950,318	-	-	950,318
Licenses and fees	15,896	720	-	16,616
Charges for services	117,152	-	11,049	128,201
Intergovernmental	231,191	-	899,705	1,130,896
Fines and forfeitures	114,679	-	4,307	118,986
System development charges	-	-	-	-
Interest on investments	7,491	2,158	4,463	14,112
Miscellaneous	101,721	-	11,900	113,621
Total revenues	2,686,950	2,878	990,345	3,680,173
EXPENDITURES				
Current:				
General government	1,484,900	-	332,804	1,817,704
Public safety	2,256,565	-	23,610	2,280,175
Culture and recreation	423,983	-	329,499	753,482
Public works	540,436	-	-	540,436
Community development	279,864	-	-	279,864
Engineering	77,839	-	-	77,839
Highways and streets	-	-	284,137	284,137
Capital outlay	57,882	309,884	2,887	370,652
Debt service	-	-	-	-
Total Expenditures	5,121,469	309,884	972,936	6,404,289
REVENUES OVER (UNDER) EXPENDITURES	(2,434,519)	(307,006)	17,409	(2,724,116)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,352,020	60,000	125,012	2,537,032
Transfers out	(126,612)	-	(151,720)	(278,332)
Total other financing sources (uses)	2,225,408	60,000	(26,708)	2,258,700
NET CHANGE IN FUND BALANCE	(209,111)	(247,006)	(9,299)	(465,416)
FUND BALANCE (DEFICIT), Beginning	649,232	247,920	624,974	1,522,126
FUND BALANCE (DEFICIT), Ending	\$ 440,121	\$ 914	\$ 615,675	\$ 1,056,710

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

CITY OF MILTON-FREEWATER, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Net change in fund balance - governmental funds **\$ (465,416)**

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

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

Court fine receivables	(31,650)
Property tax receivables	(2,838)
State revenue sharing receivable	20,151
State transit fund exchange agreement funds	152,337

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

Change in compensated absences	37,274
Change in other postemployment benefits	(139,556)
Change in PERS transition liability	23,722

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

Capital asset additions	136,899
Depreciation expense	(779,843)

Current year PERS pension expense related to change in the net pension liability is reported as an expense in the Statement of Activities but is not recorded as an expenditure in the governmental funds.

(464,635)

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

49,923

Change in net position of governmental activities

\$ (1,463,632)

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,000,145	\$ 1,000,145	\$ 976,274	\$ (23,871)
Utility tax	139,000	139,000	155,295	16,295
Other taxes	12,500	12,500	16,933	4,433
Franchise fees	939,443	939,443	950,318	10,875
Licenses and fees	13,600	13,600	15,896	2,296
Charges for services	148,200	148,200	117,152	(31,048)
Intergovernmental	200,115	255,340	231,191	(24,149)
Fines and forfeitures	143,500	143,500	114,679	(28,821)
System development charges	200	200	-	(200)
Interest on investments	8,418	25,014	7,491	(17,523)
Miscellaneous	90,100	98,050	101,721	3,671
TOTAL REVENUES	<u>2,695,221</u>	<u>2,774,992</u>	<u>2,686,950</u>	<u>(88,042)</u>
EXPENDITURES				
Current:				
General government	1,510,862	1,544,062	1,484,900	59,162
Public safety	2,290,113	2,295,113	2,256,565	38,548
Culture and recreation	470,569	470,569	423,983	46,586
Public works	589,491	589,491	540,436	49,055
Community development	300,142	300,142	279,864	20,278
Engineering	85,066	85,066	77,839	7,227
Capital outlay	48,513	118,378	57,882	60,496
Contingency	129,917	101,623	-	101,623
TOTAL EXPENDITURES	<u>5,424,673</u>	<u>5,504,444</u>	<u>5,121,469</u>	<u>382,975</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,729,452)</u>	<u>(2,729,452)</u>	<u>(2,434,519)</u>	<u>294,933</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Transfers in	2,352,020	2,352,020	2,352,020	-
Transfers out	(126,612)	(126,612)	(126,612)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,225,408</u>	<u>2,225,408</u>	<u>2,225,408</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(504,044)</u>	<u>(504,044)</u>	<u>(209,111)</u>	<u>294,933</u>
FUND BALANCE, Beginning	<u>504,044</u>	<u>504,044</u>	<u>649,232</u>	<u>145,188</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 440,121</u>	<u>\$ 440,121</u>

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

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and fees	\$ 500	\$ 500	\$ 720	\$ 220
Intergovernmental	158,703	158,703	-	(158,703)
Interest on investments	400	400	2,158	1,758
TOTAL REVENUES	<u>159,603</u>	<u>159,603</u>	<u>2,878</u>	<u>(156,725)</u>
EXPENDITURES				
Capital outlay	321,519	321,519	309,884	11,635
Contingency	-	-	-	-
TOTAL EXPENDITURES	<u>321,519</u>	<u>321,519</u>	<u>309,884</u>	<u>11,635</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(161,916)</u>	<u>(161,916)</u>	<u>(307,006)</u>	<u>(145,090)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(101,916)</u>	<u>(101,916)</u>	<u>(247,006)</u>	<u>(145,090)</u>
FUND BALANCE, Beginning	<u>101,916</u>	<u>101,916</u>	<u>247,920</u>	<u>146,004</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 914</u>	<u>\$ 914</u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

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

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

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

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

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

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

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

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>				Business-Type	
	All Electric Funds	Water Fund	All Sewer Funds	Other Enterprise Funds	Totals	Activities - Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,304,879	\$ 193,506	\$ 778,967	\$ 442,205	\$ 4,719,557	\$ 390,392
Investments	1,622,284	-	-	265,818	1,888,102	234,673
Restricted cash and cash equivalents	182,743	-	-	-	182,743	-
Receivables:						
Accounts	581,348	157,622	143,277	93,453	975,700	6,665
Inventories	366,165	28,016	4,044	-	398,225	6,291
Total current assets	<u>6,057,419</u>	<u>379,144</u>	<u>926,288</u>	<u>801,476</u>	<u>8,164,327</u>	<u>638,021</u>
Noncurrent assets:						
Restricted cash and cash equivalents	-	290	151,485	84,202	235,977	-
Restricted investments	367,522	116,494	554,946	50,616	1,089,578	-
Weatherization loans	100,492	-	-	-	100,492	-
Capital assets:						
Land	112,628	16,313	512,442	111,686	753,069	-
Construction in progress	39,753	-	20,569	-	60,322	-
Depreciable assets, net of depreciation	6,872,137	4,397,805	5,974,606	16,917	17,261,465	1,197,300
Total noncurrent assets	<u>7,492,532</u>	<u>4,530,902</u>	<u>7,214,048</u>	<u>263,421</u>	<u>19,500,903</u>	<u>1,197,300</u>
Total assets	<u>13,549,951</u>	<u>4,910,046</u>	<u>8,140,336</u>	<u>1,064,897</u>	<u>27,665,230</u>	<u>1,835,321</u>
DEFERRED OUTFLOW OF RESOURCES						
Deferred outflows related to pension	825,671	146,530	188,471	172,725	1,333,397	149,264
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	290,437	13,846	15,248	18,611	338,142	31,680
Accrued interest payable	-	4,084	30,520	1,048	35,652	-
Current portion of long-term debt	47,956	138,067	38,229	24,725	248,977	6,787
Total current liabilities (unrestricted)	338,393	155,997	83,997	44,384	622,771	38,467
Current liabilities (payable from restricted assets):						
Deposits	182,742	-	-	-	182,742	-
Total current liabilities	<u>521,135</u>	<u>155,997</u>	<u>83,997</u>	<u>44,384</u>	<u>805,513</u>	<u>38,467</u>
Noncurrent liabilities						
Advances from other funds	-	-	-	187,699	187,699	-
Long-term debt, net of current portion:						
Due to Bonneville Power Administration	56,035	-	-	-	56,035	-
Landfill closure liability	-	-	-	130,882	130,882	-
Notes and contracts payable	-	-	1,390,458	-	1,390,458	-
Net pension liability	1,526,925	270,981	348,540	319,424	2,465,870	276,036
Transition liability	106,594	19,561	28,112	24,428	178,695	28,957
Compensated absences payable	11,989	-	560	6,182	18,731	1,697
Other postemployment benefits	86,748	16,154	21,627	21,276	145,805	17,850
Total noncurrent liabilities	<u>1,788,291</u>	<u>306,696</u>	<u>1,789,297</u>	<u>689,891</u>	<u>4,574,175</u>	<u>324,540</u>
Total liabilities	<u>2,309,426</u>	<u>462,693</u>	<u>1,873,294</u>	<u>734,275</u>	<u>5,379,688</u>	<u>363,007</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred pension differences	83,363	14,794	19,030	17,438	134,625	15,069
NET POSITION						
Net investment in capital assets	7,024,518	4,276,051	5,081,170	128,603	16,510,342	1,197,300
Restricted for system development	367,522	116,784	706,431	-	1,190,737	-
Restricted for landfill closure	-	-	-	3,936	3,936	-
Unrestricted	4,590,793	186,254	648,882	353,370	5,779,299	409,209
Total net position	<u>\$ 11,982,833</u>	<u>\$ 4,579,089</u>	<u>\$ 6,436,483</u>	<u>\$ 485,909</u>	<u>\$ 23,484,314</u>	<u>\$ 1,606,509</u>

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

CITY OF MILTON-FREEWATER, OREGON
RECONCILIATION OF THE PROPRIETARY STATEMENT OF NET POSITION
TO THE STATEMENT OF NET POSITION
June 30, 2017

Net position - total enterprise funds **\$ 23,484,314**

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

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

Cash and cash equivalents	\$ 390,392	
Investments	234,673	
Accounts receivable, net	6,665	
Inventories	6,291	
Internal balances	(485,441)	
Capital assets, net	1,197,300	
Deferred outflows - contributions to PERS	149,264	
Accounts payable and accrued expenses	(31,680)	
Compensated absences	(8,484)	
Deferred inflows - pension differences	(15,069)	
Net pension liability	(276,036)	
PERS transition liability	(28,957)	
Other postemployment benefits	(17,850)	
	1,121,068	1,121,068

Net position of business-type activities **\$ 24,605,382**

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Totals	Business-Type Activities - Internal Service Funds
	All Electric Funds	Water Fund	All Sewer Funds	Other Enterprise Funds		
OPERATING REVENUES						
Charges for services	\$ 7,642,088	\$ 1,227,839	\$ 1,201,021	\$ 1,106,982	\$ 11,177,930	\$ 716,000
Farm income	-	-	49,387	-	49,387	-
Miscellaneous	49,604	1,927	104	-	51,635	31,700
Total operating revenues	7,691,692	1,229,766	1,250,512	1,106,982	11,278,952	747,700
OPERATING EXPENSES						
Personal services	1,567,144	272,242	356,545	345,327	2,541,258	307,321
Materials and services	5,374,736	331,347	301,405	503,121	6,510,609	280,263
Depreciation	251,139	147,629	118,793	786	518,347	163,901
Total operating expenses	7,193,019	751,218	776,743	849,234	9,570,214	751,485
OPERATING INCOME (LOSS)	498,673	478,548	473,769	257,748	1,708,738	(3,785)
NON-OPERATING INCOME (EXPENSES)						
Gain on disposal of capital assets	-	-	-	-	-	3,582
Interest on investments	43,503	3,014	10,590	6,296	63,403	5,419
Interest expense	(7,460)	(11,191)	(42,920)	(2,722)	(64,293)	(1,348)
Total non-operating income (expenses)	36,043	(8,177)	(32,330)	3,574	(890)	7,653
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	534,716	470,371	441,439	261,322	1,707,848	3,868
CAPITAL CONTRIBUTIONS						
Intergovernmental	-	-	430,879	-	430,879	-
System development charges	124,079	44,850	151,993	-	320,922	-
TRANSFERS						
Transfers in	10,444	-	135,544	9,000	154,988	136,785
Transfers out	(1,050,508)	(559,146)	(596,304)	(250,467)	(2,456,425)	(94,048)
CHANGE IN NET POSITION	(381,269)	(43,925)	563,551	19,855	158,212	46,605
NET POSITION, Beginning	13,361,660	3,127,250	6,641,563	641,495	23,771,968	1,552,396
Restatement	(997,558)	1,495,764	(768,631)	(175,441)	(445,866)	7,508
NET POSITION, Beginning of, as restated	12,364,102	4,623,014	5,872,932	466,054	23,326,102	1,559,904
NET POSITION, Ending	\$ 11,982,833	\$ 4,579,089	\$ 6,436,483	\$ 485,909	\$ 23,484,314	\$ 1,606,509

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

CITY OF MILTON-FREEWATER, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Change in net position - total enterprise funds \$ 158,212

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

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

(3,319)

Change in net position of business-type activities

\$ 154,893

CITY OF MILTON-FREEWATER, OREGON
STATEMENT OF OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	All Electric Funds	Water Fund	All Sewer Funds	Other Enterprise Funds	Totals	Business-Type Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 7,670,584	\$ 1,231,237	\$ 1,254,983	\$ 1,111,345	\$ 11,268,149	\$ 70,657
Receipts from interfund services provided	-	-	-	-	-	682,428
Payments to suppliers	(4,738,380)	(220,547)	(134,458)	(232,062)	(5,325,447)	(269,817)
Payments to employees	(1,421,791)	(263,394)	(326,335)	(321,933)	(2,333,453)	(335,018)
Payments for interfund services used	(716,843)	(117,536)	(163,362)	(257,365)	(1,255,106)	-
Net cash provided from (used by) operating activities	793,570	629,760	630,828	299,985	2,354,143	148,250
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances from other funds	-	-	-	5,338	5,338	-
Transfers in	10,444	-	135,544	9,000	154,988	136,785
Transfers out	(1,050,508)	(559,146)	(596,304)	(250,467)	(2,456,425)	(94,048)
Net cash provided from (used by) non-capital financing activities	(1,040,064)	(559,146)	(460,760)	(236,129)	(2,296,099)	42,737
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from intergovernmental revenue	-	-	726,080	-	726,080	-
Weatherization program	11,818	-	-	-	11,818	-
System development charges	124,079	44,850	151,993	-	320,922	-
Proceeds from issuance of debt	-	-	121,447	-	121,447	-
Acquisition of capital assets	(60,947)	(61,029)	(895,228)	(8,300)	(1,025,504)	(358,424)
Principal paid on long-term obligations	-	(131,948)	-	-	(131,948)	-
Interest paid on long-term obligations	(7,460)	(15,094)	(49,847)	(2,980)	(75,381)	(1,348)
Net cash provided from (used by) capital and related financing activities	67,490	(163,221)	54,445	(11,280)	(52,566)	(359,772)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net sales (purchases) of investments	291,764	51,371	(30,087)	12,667	325,715	96,300
Interest on investments	43,503	3,015	10,590	6,296	63,404	5,419
Net Cash provided (used) by investing activities	335,267	54,386	(19,497)	18,963	389,119	101,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	156,263	(38,221)	205,016	71,539	394,597	(67,066)
CASH AND CASH EQUIVALENTS, Beginning	3,331,359	232,017	725,436	454,868	4,743,680	457,458
CASH AND CASH EQUIVALENTS, Ending	\$ 3,487,622	\$ 193,796	\$ 930,452	\$ 526,407	\$ 5,138,277	\$ 390,392
COMPRISED AS FOLLOWS						
Cash and cash equivalents	3,304,879	193,506	778,967	442,205	4,719,557	390,392
Restricted cash and cash equivalents	182,743	290	151,485	84,202	418,720	-
	\$ 3,487,622	\$ 193,796	\$ 930,452	\$ 526,407	\$ 5,138,277	\$ 390,392
Reconciliation of operating income (loss) to net cash provided						
Operating income (loss)	\$ 498,673	\$ 478,548	\$ 473,769	\$ 257,748	\$ 1,708,738	\$ (3,785)
Adjustments to reconcile operating income(loss) to net cash						
Depreciation	251,139	147,629	118,793	786	518,347	163,901
(Increase) decrease in assets:						
Receivables	(27,374)	1,471	4,471	4,363	(17,069)	5,386
Deferred pension differences	158,671	21,108	25,340	18,786	223,905	(28,620)
Inventories	52,840	(757)	(11)	-	52,072	2,255
Increase (decrease) in liabilities:						
Deposits	6,267	-	-	-	6,267	-
Accounts payable and accrued expenses	(133,327)	(5,979)	3,597	13,694	(122,015)	8,261
Compensated absences payable	(31,444)	(9,355)	1,653	4,465	(34,681)	(3,337)
PERS transition liability	(6,937)	(1,231)	(1,584)	(1,452)	(11,204)	(1,254)
Other postemployment benefits	25,063	(1,674)	4,801	1,595	29,785	5,443
Net cash provided from operating activities	\$ 793,571	\$ 629,760	\$ 630,829	\$ 299,985	\$ 2,354,145	\$ 148,250

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MILTON-FREEWATER
NOTES TO THE BASIC FINANCIAL
STATEMENTS JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the City is a primary government without any includable component units.

B. Government – Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is

incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

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

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, utility taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations, public safety (police and fire), and culture and recreation.

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

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

Capital Project funds account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays including acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds. The City's only Capital Project Fund is the Street Improvement Fund, which is reported as a major fund.

D. Assets, Liabilities and Equity

1. Cash, Cash Equivalents, and Investments

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

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

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

2. Receivables and Payables

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

The City has authorized interfund borrowing and commingling of cash. As a result of commingling of cash accounts, if certain special revenue funds are in a deficit balance, and other funds have adequate cash amounts to cover these deficits, there will be a short-term or long-term borrowing situation.

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

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

3. Inventories and Prepaid Expenses

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. \$65,641 of interest was incurred during the year, of which \$15,035 was 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>
Plant in service/Infrastructure	15 – 70
Building and improvements	10 – 50
Machinery and equipment	5 – 20
Vehicles	3 – 20
Software	5 – 20

5. Long-Term Obligations

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

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

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation, holiday and sick pay benefits. Sick pay benefits in excess of 700 hours are payable to employees upon retirement. Employees have the choice whether to cash in sick pay benefits in excess of 700 hours or convert them into PERS. The City has chosen not to report a liability for potential sick leave payouts because the actual hours at retirement can vary greatly from the current amounts. All vacation and holiday pay

is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Management concluded that 20% of the liability would report as long-term liability and the remaining as short-term liability.

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

7. Fund Equity

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

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

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

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

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

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

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

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources.

8. Restricted Net Position

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

E. Estimates

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

F. Adoption of new GASB Pronouncements

During the fiscal year ended June 30, 2017, the City implemented the following GASB pronouncements:

GASB Statement No. 77 “Tax Abatement Disclosures” was issued in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 was implemented for the City for fiscal year ending June 30, 2017, however, the City has not entered into any tax abatement agreements as of the end of the fiscal year, so no amounts have been disclosed.

G. Pending Accounting Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2017:

GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. GASB 75 replaces the requirements of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended. The scope of the statement addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement is effective for fiscal years beginning after June 15, 2017 and the effect on the City’s financial statements has not yet been determined.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the department level for the General Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, contingency, interfund transfers, debt service, and other uses.

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

During the year ended June 30, 2017, appropriation increases and transfers were approved. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amounts:

Senior/Disabled Transportation Fund	
Personal Services	<u>\$ 277</u>
Water Fund	
Capital Outlay	<u>\$ 16,843</u>
Solid Waste Fund	
Materials and Services	<u>\$ 20,232</u>
Golf Course Fund	
Materials and Services	<u>\$ 2,176</u>
Warehouse Fund	
Materials and Services	<u>\$ 3,118</u>

C. Deficit Fund Balances

Funds having a deficit fund balance at June 30, 2017 are as follows:

Golf Course Fund	<u>\$(191,919)</u>
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Management expects the deficit fund balances to be reversed in future years by requiring interest only payments on the golf course loan.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2017. If bank deposits at year-end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists.

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

The City's deposits are comprised of bank demand deposits and certificates of deposit. For the fiscal year ended June 30, 2017, the carrying amount of the City deposits, including certificates of deposit and money market accounts was \$1,517,635 and the bank balance was \$1,601,465. All deposits are held in the name of the City. Of the bank balance, \$751,147 was covered by federal depository insurance and \$850,318 was collateralized under ORS 295.

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

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

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

Fair Value Hierarchy. Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities, that each Fund has the ability to access.

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not yet active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatiles, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgement exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has recorded its investments at fair value, and primarily uses the Market Approach to value each security. The City applies fair market value updates to its securities on a daily basis. Security pricing is provided by a third-party, and is reported daily to the City by its custodian bank. Assets are categorized by asset type, which is a key component of determining hierarchy levels. Asset types allowable per the City’s investment policy generally fall within hierarchy level 1 and 2.

The City has the following recurring fair value measurements as of June 30, 2017:

	Totals as of 6/30/2017	Fair Value Measurements Using			Cost Measurement Using
		Quoted Prices in Active Markets for Identical Assets Level One	Significant Other Observable Inputs Level Two	Significant Unobservable Inputs Level Three	Not measured at Fair Value
Investments Measured at Fair Value:					
US Government Agency Obligations	\$ 2,213,133	\$ 2,213,133	\$ -	\$ -	\$ -
Corporate Bonds	896,442	-	896,442	-	-
Time/Interest Bearing Deposits	1,002,451	-	-	-	1,002,451
Local Government Investment Pool	5,177,439	-	-	-	5,177,439
Total investments	\$ 9,289,465	\$ 2,213,133	\$ 896,442	\$ -	\$ 6,179,890

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

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

Interest Rate Risk. The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. The City of Milton-Freewater also invested funds in U.S. Government Obligations and time certificates of deposit. These investments are carried at fair value.

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

Investments held by the City at June 30, 2017, and their remaining time to maturity, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	\$ 5,177,439
Money Market Investments	1 day	505,881
US Government Agency Obligations (Rating Aaa)	Less than 1 year	426,728
US Government Agency Obligations (Rating Aaa)	1 to 3 years	1,786,405
Corporate Bonds (Rating 100% AA, 0% A)	Less than 1 year	307,482
Corporate Bonds (Rating 100% AA, 0% A)	1 to 3 years	588,960
		<u>8,792,895</u>
Less amounts classified as cash equivalents		<u>(5,683,320)</u>
Total subject to investment risk		3,109,575
Time Certificates of Deposit	Less than 1 year	<u>496,570</u>
Total investments for financial reporting purposes		<u>\$ 3,606,145</u>

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

Carrying amounts of deposits	510,295
Local Government Investment Pool	5,177,439
Money Market Investments	<u>505,881</u>
Total cash and cash equivalents	<u>\$ 6,193,615</u>

Restricted cash and investments at June 30, 2017 consist of the following:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental activities			
System development	\$ -	\$ 1,208	\$ 1,208
Streets	181,254	108,955	290,209
Debt service	225	136	361
Urban Renewal	<u>182,340</u>	<u>-</u>	<u>182,340</u>
Total governmental activities	<u>363,819</u>	<u>110,299</u>	<u>474,118</u>
Business-type activities:			
Customer deposits	182,743	-	182,743
System development	151,775	1,038,962	1,190,737
Landfill closure costs	<u>84,202</u>	<u>50,616</u>	<u>134,818</u>
Total business-type activities	<u>418,720</u>	<u>1,089,578</u>	<u>1,508,298</u>
Total restricted assets	<u>\$ 782,539</u>	<u>\$ 1,199,877</u>	<u>\$ 1,982,416</u>

B. Receivables

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

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Property taxes	\$ 63,912	\$ -	\$ 3,672	\$ 67,584
Accounts	118,336	152,437	96,576	367,349
Fines and Forfeitures	222,022	-	-	222,022
Allowance for doubtful accounts	<u>(133,213)</u>	<u>-</u>	<u>-</u>	<u>(133,213)</u>
Total receivables	<u>\$ 271,057</u>	<u>\$ 152,437</u>	<u>\$ 100,248</u>	<u>\$ 523,742</u>

Uncollected property taxes in governmental funds are shown on the statement of net position as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Umatilla County, and remittance to the City is made at periodic intervals.

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

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

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Transfers & Deletions	Prior Period Adjustments	Ending Balance
Capital assets, not being depreciated					
Land	\$ 337,290	\$ -	\$ -	\$ -	\$ 337,290
Easements	15,000	-	-	-	15,000
Construction in progress	39,423	43,818	(39,423)	-	43,818
Total capital assets, not being depreciated	391,713	43,818	(39,423)	-	396,108
Capital assets, being depreciated					
Machinery and equipment	121,544	93,079	39,423	229,386	483,432
Buildings and improvements	5,162,729	-	-	39,250	5,201,979
Infrastructure	26,298,504	-	-	-	26,298,504
Total capital assets, being depreciated	31,582,777	93,079	39,423	268,636	31,983,915
Accumulated depreciation for:					
Machinery and equipment	(116,079)	(35,872)	-	(136,957)	(288,908)
Buildings and improvements	(3,311,433)	(85,636)	-	17,843	(3,379,226)
Infrastructure	(15,026,101)	(658,335)	-	6,708,059	(8,976,377)
Total accumulated depreciation	(18,453,613)	(779,843)	-	6,588,945	(12,644,511)
Total capital assets, being depreciated, net	13,129,164	(686,764)	39,423	6,857,581	19,339,404
Governmental activities capital assets, net	\$ 13,520,877	\$ (642,946)	\$ -	\$ 6,857,581	\$ 19,735,512

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

General Government	\$ 43,402
Public Safety	11,341
Culture and recreation	66,765
Highways and streets	658,335
Total depreciation expense - governmental activities	<u>\$ 779,843</u>

Capital asset activity for the business-type activities for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Transfers & Deletions	Prior Period Adjustments	Ending Balance
Capital assets, not being depreciated					
Land	\$ 753,069	\$ -	\$ -	\$ -	\$ 753,069
Construction in progress	3,810,170	60,322	(3,810,170)	-	60,322
Total capital assets, not being depreciated	4,563,239	60,322	(3,810,170)	-	813,391
Capital assets, being depreciated					
Machinery and equipment	3,780,778	384,883	55,594	1,720,565	5,941,820
Buildings and improvements	28,433,077	502,044	3,104,607	698,047	32,737,775
Total capital assets, being depreciated	32,213,855	886,927	3,160,201	2,418,612	38,679,595
Accumulated depreciation for:					
Machinery and equipment	(2,576,270)	(201,482)	193,115	(1,635,810)	(4,220,447)
Buildings and improvements	(14,740,736)	(480,766)	442,279	(1,221,160)	(16,000,383)
Total accumulated depreciation	(17,317,006)	(682,248)	635,394	(2,856,970)	(20,220,830)
Total capital assets, being depreciated, net	14,896,849	204,679	3,795,595	(438,358)	18,458,765
Governmental activities capital assets, net	\$ 19,460,088	\$ 265,001	\$ (14,575)	\$ (438,358)	\$ 19,272,156

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

Electric	\$ 251,139
Water	147,629
Sewer	118,793
Solid Waste	786
Vehicle Replacement	163,901
Total depreciation expense - business-type activities	<u>\$ 682,248</u>

D. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the period when the City recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

In addition to liabilities, the Statement of Net Position and or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Other than deferred

inflows related to pensions (see discussion below) the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. This item is captioned “unavailable revenue” and is reported only in the governmental fund balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The governmental funds report unavailable revenues from the following sources:

	General Fund	Street Improvement Fund	Other Governmental Funds	Totals
Property taxes	\$ 53,374	\$ -	\$ 3,027	\$ 56,401
Fines and forfeitures	88,809	-	-	88,809
Assessments / Accounts	20,151	152,337	3,580	176,068
	<u>\$ 162,334</u>	<u>\$ 152,337</u>	<u>\$ 6,607</u>	<u>\$ 321,278</u>

Pensions

Substantially all of the City's employees are participants in the Oregon Public Employees Retirement System (OPERS), a statewide cost-sharing multi-employer defined benefit pension plan. Contributions to OPERS are made on a current basis as required by the plan.

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

E. Long-term Obligations

1. Bonds Payable – Governmental Activities

General Obligation Bonds recorded in the Governmental Activities consists of the refunding Family Aquatic Center Bonds, with interest rates ranging from 3.00% to 3.75%. The bonds are direct obligations and pledged the full faith and credit of the City. The City has made a covenant to levy an ad valorem tax, which, with other available funds, will be sufficient to pay principal and interest as the issue comes due. There are no reserve or sinking fund requirements. The bond was paid in full at June 30, 2017.

2. Notes Payable – Business - Type Activities – Water Fund

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

Future maturities are as follows:

Year Ending	Principal	Interest
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 138,067</u>	<u>\$ 7,041</u>
	<u>\$ 138,067</u>	<u>\$ 7,041</u>

3. Notes Payable – Business – Type Activities – Sewer Fund

On December 9, 2013 the City entered into an agreement with the Oregon Infrastructure Finance Authority (IFA) for a wastewater improvement grant reimbursement loan for a total of \$3,305,000. Of the total, \$2,000,000 is grant monies and the remaining \$1,305,000 is a cost reimbursement loan to the City. The debt carries an interest rate of 3.95% per annum and is payable from Sewer Fund revenues in annual installments over 25 years. Principal payments begin December 1, 2017.

Future maturities are as follows:

Year Ending	Principal	Interest
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 31,547	\$ 51,548
2019	32,793	50,301
2020	34,089	49,006
2021	35,435	47,660
2022	36,835	46,260
2023-2027	207,183	208,290
2028-2032	251,465	164,009
2033-2037	305,210	110,263
2038-2042	<u>370,443</u>	<u>45,031</u>
	<u>\$ 1,305,000</u>	<u>\$ 772,368</u>

On July 13, 2015 the City entered into a second agreement with the Oregon Infrastructure Finance Authority (IFA) for additional funds to complete their wastewater improvement project. The City drew down an additional \$121,447 from this loan. The debt carries an interest rate of 1% per annum and is payable from Sewer Fund revenues in annual installments over 25 years. Principal payments begin December 1, 2017.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2018	\$ 4,442	\$ 1,073
2019	4,344	1,170
2020	4,388	1,127
2021	4,432	1,083
2022	4,476	1,038
2023-2027	23,061	4,512
2028-2032	24,236	3,335
2033-2037	25,474	2,099
2038-2042	26,594	799
	<u>\$ 121,447</u>	<u>\$ 16,236</u>

4. Interfund Note Payable

The City’s former Urban Renewal Agency issued an interfund note payable to pay off existing external debt and refinance previous improvements at the Golf Course that benefitted the community.

Interfund notes payable transactions for the year are as follows:

Original Amount	Outstanding June 30, 2016	Decrease	Outstanding June 30, 2017
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Golf course irrigation system note, interest at 1%, principal and interest due annually on August 1, due 2020

\$ 195,846	\$ 141,774	\$ -	\$ 141,774
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The Golf Course loan was intended to be repaid to the Agency over a period of five years and include interest of 1%. Due to the Golf Course Fund’s deficit fund balance, the Council has deferred principal payments on the loan until at least the fiscal year ending June 30, 2019. Interest only payments on this loan are required until the Fund’s deficit is resolved.

Future scheduled maturities on the Golf Course loan are as follows:

Year Ending June 30	Principal	Interest
2018	\$ -	\$ 1,418
2019	27,439	1,418
2020	27,714	1,143
2021	86,621	866
	<u>\$ 141,774</u>	<u>\$ 4,845</u>

5. Weatherization Program

The City was involved in two residential weatherization programs in past years. The funds for the program were supplied by BPA in the form of advances, which are noninterest bearing, and are liens against the property weatherized. They are repayable to BPA when the property is sold. At the conclusion of the program on December 31, 1982, approximately \$580,925 had been expended under this program, of which \$56,035 was outstanding as of June 30, 2017.

6. Landfill Closure and Post-Closure Care Cost

The Oregon Department of Environmental Quality (ODEQ) issues guidance to enable the City to estimate the future costs to close and monitor its solid waste landfill site when it is eventually closed. State and federal laws and regulations require the City to place a final cover on its solid waste landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City moves a portion of these closure and post-closure care costs to a reserve fund set up to accrue funds necessary to pay expenses when the landfill is closed. The \$130,882 reported as landfill closure liability in the landfill closure fund at June 30, 2017, represents the cumulative amount reported-to-date based on the use of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$360,817 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2006 indexed for inflation. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The ODEQ regulations allow for compliance with landfill financial assurance requirements by meeting a financial test, with which the City complies. The current landfill capacity used is 36.27% and the City expects to close the landfill in the year 2075, which means a remaining estimated life of 58 years.

7. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Other postemployment benefits	\$ 227,771	\$ 139,556	\$ -	\$ 367,327	\$ -
Net pension liability (asset)	2,181,171	3,040,185	-	5,221,356	-
PERS transition liability	397,015	-	23,723	373,292	-
Compensated absences	276,857	-	37,273	239,584	191,668
Governmental activity Long-term obligations	<u>\$3,082,814</u>	<u>\$3,179,741</u>	<u>\$ 60,996</u>	<u>\$ 6,201,559</u>	<u>\$ 191,668</u>
Business-type activities:					
Notes Payable	\$1,575,015	\$ 121,447	\$ 131,948	\$ 1,564,514	\$ 174,056
Weatherization Program-Due to BPA	56,035	-	-	56,035	-
Landfill Closure Liability	124,917	5,965	-	130,882	-
Total debt	1,755,967	127,412	131,948	1,751,431	174,056
Other postemployment benefits	128,427	35,228	-	163,655	-
Net pension liability (asset)	1,193,297	1,548,609	-	2,741,906	-
PERS transition liability	220,110	-	12,458	207,652	-
Compensated absences	140,154	-	38,018	102,136	81,709
Business-type activity Long-term obligations	<u>\$3,437,955</u>	<u>\$1,711,249</u>	<u>\$ 182,424</u>	<u>\$ 4,966,780</u>	<u>\$ 255,765</u>

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Golf Course	\$ 141,774
General	Golf Course	<u>45,925</u>
	Total	<u>\$ 187,699</u>

As described in note E.4, the \$141,774 is evidenced by a promissory note between the City’s former Urban Renewal Agency and the Golf Course Fund. The remaining balance is due to periodic cash flow needs of the Golf Course related to its current deficit fund balance.

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the business-type activities and transfers into the governmental activities in the amount of \$2,258,700.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ 2,352,020	\$ 126,612
Street Improvement	60,000	-
Other governmental funds	125,012	151,720
Business-type activities		
Electric	10,444	1,050,508
Water	-	559,146
Sewer	135,544	596,304
Other enterprise funds	9,000	250,467
Internal service funds	<u>136,785</u>	<u>94,048</u>
	<u>\$ 2,828,805</u>	<u>\$ 2,828,805</u>

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

G. Fund Balance Classifications

Fund balances by classification for the year ended June 30, 2017 were as follows:

	General Fund	Street Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
Fund Balance				
Restricted for:				
Streets and Parks	\$ -	\$ -	\$ 306,793	\$ 306,793
Library	-	-	43,877	43,877
Urban Renewal	325,162	-	-	325,162
Debt Service	-	-	361	361
System Development	1,208	-	-	1,208
Assigned to:				
General Government	113,751	-	-	113,751
Streets	-	914	-	914
Transportation programs	-	-	245,054	245,054
911 Service	-	-	19,581	19,581
Drug enforcement	-	-	9	9
Unassigned:	-	-	-	-
Total Fund Balance	<u>\$ 440,121</u>	<u>\$ 914</u>	<u>\$ 615,675</u>	<u>\$ 1,056,710</u>

IV. Other Information

A. Risk Management

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

B. Power Sales and Exchange Contracts

The City has a 30-year and 50-year Power Sales contract with Public Utility District No. 2 of Grant County, Washington, for purchases of power generated from the Priest Rapids Hydroelectric Project on the Columbia River. Under the terms of these contracts, the City had agreed to purchase .24% of the Priest Rapids Development output for 30 years, and 7% of the Wanapum Development output until October 31, 2009. The cost of the power purchased from the two developments is determined based on the percentage purchased applied to the "Annual Power Costs" as defined in the contracts. Power available from the contracts is sold to the Bonneville Power Administration. Revenue from surplus power sales amounted to \$338,516 for the year ended June 30, 2017.

Effective November 1, 2009, the Priest Rapids Hydro Electric Project and Wanapum Development were combined as the Priest Rapids Project, and the City has agreed to purchase 1.2% of the total output. The agreement will remain in effect until the earlier of April 1, 2052, or

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

C. Energy Northwest Project 2

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

In return, BPA will credit the payments made by the participating utilities to Energy Northwest against billing by BPA for power and certain other services rendered by BPA under the power sales contracts, or will pay for such project capability in cash.

D. Payable to a Defined Benefit Pension Plan - Oregon Public Employees Retirement System Transition Liability

Long-term payables assessed to an individual employer, such as the City, upon transitioning from one multiple-employer pension plan to another are recognized separately from liabilities for the plan's net pension liability. Starting in 2001 the State of Oregon has allowed local governments to join the State and Local Government Rate Pool (SLGRP), a pool that includes state agencies as well as local governments. When the City joined the SLGRP there was an excess unfunded actuarial liability attributable to the agent multiple employer plan in which it previously participated, and this excess represents a long-term payable from the City to the SLGRP. The liability is amortized over a fixed period ending December 31, 2027. The City is charged interest based upon the Oregon PERS Board assumed earnings rate (currently 7.50%). The required payments, based on an actuarial study, are intended to result in the elimination of the transition liability within the approved amortization period. The pooled rate for the City is adjusted up or down by an amount sufficient to meet the amortization schedule requirements.

E. Other Postemployment Benefits

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

The City is also required by Oregon Revised Statute 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. All medical or dental coverage offered to its employees and retirees are community rated. As a consequence of this community rating, prior to the current year, the City did not have to record an implicit employer OPEB subsidy related to its retiree medical or dental coverage. Effective July 1, 2016 new professional standards require the City to record a liability for the implicit subsidy.

Funding Policy. The City collects insurance premiums from all retirees each month and deposits them in the General Fund. The City then pays healthcare insurance premiums for all retirees at the appropriate rate for each family classification. The City had 9 retired members and 65 active members in its plan on July 1, 2017, the date of its actuarial valuation. The annual required contribution (ARC) to the plan includes the employer's pay- as you-go amount and an additional amount calculated to prefund future benefits.

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

The City's ARC is made up of normal cost of \$105,643 and amortization of the UAAL of \$207,982. The Actuarial Accrued Liability is the present value of benefits that are attributed to past service only. The portion attributed to future service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age. The normal cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. Normal costs are increased from the valuation date to the fiscal year end dates using a combination of the discount rate and health cost trend assumptions.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan. For fiscal year 2016-17, the City's explicit benefit payments were \$38,357.

Normal cost at year end	\$ 105,643
Plus: Amortization of UAAL	<u>207,982</u>
Annual Required Contribution (ARC)	<u>\$ 313,625</u>
Plus: Interest on prior year Net OPEB Obligation	12,467
Less: Adjustment to ARC	<u>42,830</u>
Annual OPEB Cost	<u>\$ 283,262</u>
Less: Explicit Benefit Payments	38,357
Less: Implicit Benefit Payments	<u>70,121</u>
Increase in Net OPEB Obligation	<u>\$ 174,784</u>
Net OPEB Obligation - July 1, 2016	<u>356,198</u>
Net OPEB Obligation - June 30, 2017	<u>\$ 530,982</u>

Funding Policy. The City has elected to not prefund the actuarially determined future cost amount of \$530,982. The City funds the benefits on a pay-as-you-go basis. Since the total annual contribution in the current year was less than the Annual Required Contribution, a liability is presented on the City's Statement of Net Position.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016 and 2015 was as follows:

Fiscal Year End	Annual OPEB Cost	Percent of Annual	
		OPEB Cost Contributions	Net OPEB Obligation
06/30/2017	\$ 283,262	38%	\$ 530,982
06/30/2016	61,313	59%	356,198
06/30/2015	94,455	44%	330,873

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the plan was considered unfunded. The actuarial accrued liability for benefits was \$1,729,708, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,729,708. The covered payroll (annual payroll of active employees covered by the plan) was \$4,048,202 and the ratio of UAAL to the covered payroll was 42.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject

to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shown below presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Assumptions used in calculating the actuarial liabilities associated with the City’s plan include a general inflation rate of 2.50%, a 3.50% investment return and discount rate; an increase in health costs of 7.50% in the current year and a variable rate of between 6.00% and 5.00% in future years; and retirement rates used by Oregon PERS for its December 31, 2015, actuarial valuation. The Projected Unit Credit Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability. Amortization of the UAAL is calculated as a level percentage of payroll over a rolling period of fifteen years. Payroll was assumed to increase 3.50% per year for this purpose.

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

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

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) age (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a/c)
07/01/2016	\$ -	\$ 1,729,708	\$ 1,729,708	0%	\$ 4,048,202	42.7%
08/01/2014	\$ -	\$ 485,757	\$ 485,757	0%	\$ 3,987,926	12.2%
08/01/2012	\$ -	\$ 584,642	\$ 584,642	0%	\$ 3,923,232	14.9%

In prior years, the OPEB liability was determined based on explicit employer benefits. For the year ended June 30, 2017, due to a change in actuarial standards, the liability includes both a component for explicit employer benefits and a component for implicit employer subsidy.

PERS Retirement Health Insurance Account

Plan Description. The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy. 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 RHIA 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. Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.53% Tier 1 and Tier 2 payroll and 0.45% of OPSRP annual covered payroll. The Oregon PERS Board of Trustees sets the employer contributions rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a closed period not to exceed 30 years. The City's contributions to RHIA for the year ended June 30, 2017 are included in the PERS annual pension amount.

F. Defined Benefit Pension Plan – Public Employees Retirement System

1. Plan Description

Substantially all City employees are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost sharing, multiple employer Defined Benefit Pension Plan, Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS 238, is closed for new members hired on or after August 29, 2003.

The Pension Program established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

<http://www.oregon.gov/pers/emp/Pages/Actuarial-Financial-Information.aspx>

2. Benefits Provided

Tier One/Tier Two Retirement Benefit

Pension Benefits.

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees,

1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. A member is considered vested and will be eligible at a minimum retirement age for a service retirement allowance if he or she has had contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits.

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

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

Disability Benefits.

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefit regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes.

After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

OPSRP Pension Program

Pension Benefits.

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

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

- For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

Death Benefits.

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

Disability Benefits.

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

Benefit Changes After Retirement.

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits.

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

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

Death Benefits.

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

Recordkeeping.

OPERS contracts with VOYA Financial to maintain IAP participant records.

3. Contributions

PERS funding policy for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 totaled \$976,781, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 19.06 percent for Tier One/Tier Two General Service Member, 21.77 percent for Tier One/Tier Two Police and Fire, 12.68 percent for OPSRP Pension Program General Service Members, 16.79 percent for OPSRP Pension Program Police and Fire Members, and 6 percent of OPSRP Individual Account Program, which the City pays on the employee's behalf. Rates will increase starting July 1, 2017 to 23.21 percent for Tier One/Tier Two General Service Member, 27.40 percent for Tier One/Tier Two Police and Fire, 15.58 percent for OPSRP Pension Program General Service Members and 20.35 percent for OPSRP Pension Program Police and Fire Members

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

At June 30, 2017, the City reported a liability of \$7,963,262 for its proportionate share of the OPERS net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.05304%, which is a decrease of 0.00573% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense (income) of \$1,340,435. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 263,460	\$ -
Changes of assumptions	1,698,372	-
Net difference between projected and actual earnings on investments	1,573,206	-
Changes in proportion	-	355,826
Differences between employer contributions and proportionate share of contributions	99,100	78,929
Total (prior to post-MD contributions)	<u>3,634,138</u>	<u>434,755</u>
Contributions subsequent to the MD	<u>671,923</u>	<u>-</u>
 Total	 <u>\$ 4,306,061</u>	 <u>\$ 434,755</u>

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

<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
Amortization Period		Amortization Period	
FY2018	\$ 1,498,387	FY2018	\$ 109,526
FY2019	826,464	FY2019	\$ 109,526
FY2020	826,464	FY2020	\$ 108,435
FY2021	826,464	FY2021	\$ 85,753
FY2022	328,280	FY2022	\$ 21,515
Total	<u>\$ 4,306,061</u>	Total	<u>\$ 434,755</u>

Actuarial assumptions.

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality rate</p>

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

Long-Term Expected Rate of Return.

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Intermediate -Term Bonds	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large Cap US Equities	15.75%	6.70%
Mid Cap US Equities	1.31%	6.99%
Small Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	<u>100%</u>	

Assumed Inflation - Mean

2.50%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the

Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate.

The discount rate used to measure the total pension liability was 7.50% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 12,858,013	\$ 7,963,262	\$ 3,872,107

Pension Plan Fiduciary Net Position.

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

Changes in Plan Provisions During the Measurement Period

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.5% and lowering the assumed inflation to 2.5%. In addition, the healthy mortality assumption was changed to reflect an update mortality improvement scale for all groups, and assumptions for merit increases, unused sick leave, and vacation pay were updated.

The change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date.

At its July 28, 2017 meeting, the PERS Board lowered the assumed earnings rate to 7.2%. For member transactions, this rate will take effect January 1, 2018. The current assumed earnings rate is 7.5% and has been in effect for member transactions since January 1, 2016.

G. Construction in Progress

The City is committed under various construction and purchase contracts at June 30, 2017. Major projects in progress at June 30, 2017 are as follows:

The City received a donation of playground equipment during the year, which had not been installed as of June 30, 2017. The value of the donated equipment was \$37,998. The equipment is expected to be installed during the fiscal year ending June 30, 2018.

The City has started renovating and updating the electrical system at the old cannery building that will be used for the new school in town. Costs incurred through June 30, 2017 totaled \$39,753.

H. Tax Abatement Disclosures

The City can enter into property tax abatement agreements with local businesses under one program:

Strategic Investment Program (SIP) – this program was authorized by the Oregon Legislature in 1993 under ORS 285C.600 to increase Oregon’s ability to attract capital-intensive industry. Projects approved for an urban SIP must pay full property taxes on the first \$100 million invested, in addition to an annual community service fee up to \$2 million and other negotiated fees. Rural SIP agreements required full property taxes on the first \$25 million. The City has no active SIP agreements as of June 30, 2017.

I. Commitments and Contingencies

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

J. Related Party

In prior years, the Milton-Freewater Urban Renewal Agency loaned \$195,846 to the Golf Fund to pay off existing external debt and refinance previous improvements that benefitted the community. The loan was to be repaid to the Agency over a period of five years and include interest of 1%. The outstanding balance on these loan as of June 30, 2017 was \$141,774. In addition, the Golf Fund owes the General Fund \$1,048 in accrued interest on the loan.

K. Subsequent Events

The City awarded a contract to purchase a new Toro Greensmaster 3250D in the amount of \$33,852.

The City awarded a contract to purchase a new Toro Groundsmaster 3500 in the amount of \$31,931.

The City awarded a contract to purchase a new Chevy Tahoe 4WD Police Pursuit vehicle in the amount of \$34,020.

The City awarded a contract to purchase a new data recording system in the amount of \$20,750.

The City awarded a contract to purchase a new two-position console in the amount of \$63,013.

The City awarded a contract to purchase a used CAT 623E in the amount of \$32,995.

L. Correction of an Error and Change in Accounting Method

Subsequent to the year ended June 30, 2016, the City hired an appraisal firm to perform a historical cost analysis of its capital assets. In prior years the City calculated depreciation on a composite basis and did not have detailed records of all its capital assets sufficient to allow for accurate tracking of individual assets. The total impact on the statements of net position at July 1, 2016 results in an increase in net investment in capital assets of \$6,419,223 and an increase in net position of \$6,419,223.

Depreciation expense in the prior year using the composite method was \$819,389 for governmental activities and \$999,931 for business-type activities. For the current year, depreciation expense was \$779,843 for governmental activities and \$682,248 for business-type activities.

The overall impact of adjustments resulting from the actuarial study is primarily due to a reduction in accumulated depreciation for governmental activities. The lower accumulated depreciation reflects the longer lives for individually identified components of the infrastructure as compared to the useful lives used under the composite method. Accumulated depreciation for governmental activities was reduced by \$6,588,945, while the investment in capital assets increased by \$268,634, for a combined increase in net position of \$6,857,581. For business-type activities, accumulated depreciation was increased by \$2,856,965, while the investment in capital assets increased by \$2,418,607, for a combined decrease in net position of \$438,358.

Comparative prior year financial statements were not prepared to reflect the above described changes as this would have been cost and administratively prohibitive.

Net position has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning (as originally reported)	\$12,541,772	\$24,888,845	\$37,430,617
Cumulative effect of correction of an error and change in accounting method	6,857,581	(438,358)	6,419,223
Net position - beginning (as restated)	\$19,399,353	\$24,450,487	\$43,849,840

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON-FREEWATER, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

**Oregon Public Employees Retirement System - Schedule of the City's Contributions
Last Three Fiscal Years¹**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2017	\$ 671,923	\$ 671,923	\$ -	\$ 4,309,636	15.59%
2016	631,981	631,981	-	4,048,202	15.61%
2015	497,983	497,983	-	3,987,926	12.49%
2014	560,334	560,334	-	3,923,232	14.28%

¹ 10-year trend information required by GASB 68 will be presented prospectively

**Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Oregon Public Employees Retirement System
Last Three Fiscal Years¹**

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.05304%	\$ 7,963,262	\$ 4,309,636	184.78%	80.50%
2016	0.05877%	3,374,468	4,048,202	83.36%	91.90%
2015	0.06235%	(1,413,247)	3,987,926	-35.44%	103.60%
2014	0.06235%	3,181,701	3,923,232	81.10%	91.97%

¹ 10-year trend information required by GASB 68 will be presented prospectively

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON-FREEWATER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. Senate Bill 822 lowered the COLA from 2% to 1.5% for recipients who do not pay Oregon income tax because they are not residents of Oregon.

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

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

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012, 2014, and 2016 Experience Study for the System, which were published on September 18, 2013, September 23, 2015, and July 26, 2017. These reports can be found at:

<http://www.oregon.gov/PERS/Pages/Financials/Actuarial-Presentations-and-Reports.aspx>

SUPPLEMENTAL INFORMATION

COMBINING STATEMENTS

Non-Major Governmental Funds

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

- *Street Fund* – The Street Fund accounts for the cost of maintaining City streets and storm water drainage systems. The principal source of revenue is state gasoline taxes apportioned from the State of Oregon.
- *Library Fund* – The Library Fund accounts for the operation of the City library. Principal sources of revenues are state grants, county library funds, library fines, donations, and transfers.
- *Senior/Disabled Transportation* – Accumulates revenue dedicated to both the senior/disabled transportation program, which provides taxi services to seniors or disabled persons and the intercity general ridership bus program, which provides transportation for any citizen to and from Walla Walla, Washington.
- *Drug Enforcement* – Accounts for revenue and expenditures from court forfeited illegal drug monies received through the participation with the Blue Mountain Enforcement Narcotics Team (BENT). Expenditures are reserved and limited to law enforcement use.
- *911* – Accounts for 911 telephone tax revenue. The revenues can only be expended on 911 emergency service expenditures.

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

- *Special Assessment* – Accounts for revenue from residents and payments on Local Improvement District debt the City has incurred to financial institutions, to help provide construction capital for residents.

CITY OF MILTON-FREEWATER, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Special Revenue		
	Street	Library	Senior/ Disabled Transportation
ASSETS			
Cash and cash equivalents	\$ 181,254	\$ 34,956	\$ 127,401
Investments	108,955	21,013	76,583
Receivables:			
Property taxes	-	-	3,672
Accounts	37,496	2,530	47,613
Total assets	\$ 327,705	\$ 58,499	\$ 255,269
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 17,332	\$ 14,622	\$ 7,188
Interfund payables	-	-	-
Total liabilities	17,332	14,622	7,188
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,580	-	3,027
Total deferred inflows of resources	3,580	-	3,027
FUND BALANCES (DEFICIT)			
Restricted	306,793	43,877	-
Assigned	-	-	245,054
Total fund balances	306,793	43,877	245,054
Total liabilities, deferred inflows of resources, and fund balances	\$ 327,705	\$ 58,499	\$ 255,269

See auditor's report.

<u>Special Revenue</u>		<u>Debt Service</u>	
<u>Drug Enforcement</u>	<u>911</u>	<u>Special Assessments</u>	<u>Totals</u>
\$ 6	\$ 6,852	\$ 225	\$ 350,694
3	4,119	136	210,809
-	-	-	3,672
-	8,937	-	96,576
<u>\$ 9</u>	<u>\$ 19,908</u>	<u>\$ 361</u>	<u>\$ 661,751</u>
\$ -	\$ 327	\$ -	\$ 39,469
-	-	-	-
-	327	-	39,469
-	-	-	6,607
-	-	-	6,607
-	-	361	351,031
9	19,581	-	264,644
9	19,581	361	615,675
<u>\$ 9</u>	<u>\$ 19,908</u>	<u>\$ 361</u>	<u>\$ 661,751</u>

See auditor's report.

CITY OF MILTON-FREEWATER, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Special Revenue		
	Street	Library	Senior/ Disabled Transportation
REVENUES			
Property taxes	\$ -	\$ -	\$ 58,921
Licenses and fees	-	-	-
Charges for services	-	5,625	5,424
Intergovernmental	422,950	202,335	238,906
Fines and forfeitures	-	4,307	-
Interest on investments	2,295	390	1,703
Miscellaneous	921	10,979	-
Total revenues	426,166	223,636	304,954
EXPENDITURES			
Current:			
General government	-	-	332,804
Public safety	-	-	-
Culture and recreation	-	329,499	-
Highways and streets	284,137	-	-
Capital outlay	-	2,326	560
Debt service	-	-	-
Total Expenditures	284,137	331,825	333,364
REVENUES OVER (UNDER) EXPENDITURES	142,029	(108,189)	(28,410)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	125,012	-
Transfers out	(151,480)	(240)	-
Total other financing sources (uses)	(151,480)	124,772	-
NET CHANGE IN FUND BALANCE	(9,451)	16,583	(28,410)
FUND BALANCE (DEFICIT), Beginning	316,244	27,294	273,464
FUND BALANCE (DEFICIT), Ending	\$ 306,793	\$ 43,877	\$ 245,054

Special Revenue		Debt Service	
Drug Enforcement	911	Special Assessments	Totals
\$ -	\$ -	\$ -	\$ 58,921
-	-	-	-
-	-	-	11,049
-	35,514	-	899,705
-	-	-	4,307
-	75	-	4,463
-	-	-	11,900
-	35,589	-	990,345
-	-	-	332,804
-	23,610	-	23,610
-	-	-	329,499
-	-	-	284,137
-	-	-	2,886
-	-	-	-
-	23,610	-	972,936
-	11,979	-	17,409
-	-	-	125,012
-	-	-	(151,720)
-	-	-	(26,708)
-	11,979	-	(9,299)
9	7,602	361	624,974
\$ 9	\$ 19,581	\$ 361	\$ 615,675

COMBINING STATEMENTS

Non-Major Enterprise Funds

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

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

CITY OF MILTON-FREEWATER, OREGON
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
June 30, 2017

	Solid Waste	Landfill Closure	Golf Course	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 442,205	\$ -	\$ -	\$ 442,205
Investments	265,818	-	-	265,818
Receivables:				
Accounts	93,453	-	-	93,453
Total current assets	801,476	-	-	801,476
Noncurrent assets:				
Restricted cash and cash equivalents	-	84,202	-	84,202
Restricted investments	-	50,616	-	50,616
Capital assets:				
Land	50,000	-	61,686	111,686
Depreciable assets, net of depreciation	16,917	-	-	16,917
Total noncurrent assets	66,917	134,818	61,686	263,421
Total assets	868,393	134,818	61,686	1,064,897
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to pension	145,163	-	27,562	172,725
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	14,391	-	4,220	18,611
Accrued interest payable	-	-	1,048	1,048
Current portion of long-term debt	22,141	-	2,584	24,725
Total current liabilities	36,532	-	7,852	44,384
Advances from other funds	-	-	187,699	187,699
Long-term debt, net of current portion:				
Landfill closure liability	-	130,882	-	130,882
Net pension liability	268,454	-	50,970	319,424
Transition liability	18,713	-	5,715	24,428
Compensated absences payable	5,536	-	646	6,182
Other postemployment benefits	21,222	-	54	21,276
Total noncurrent liabilities	313,925	130,882	245,084	689,891
Total liabilities	350,457	130,882	252,936	734,275
DEFERRED INFLOWS OF RESOURCES				
Deferred pension differences	14,655	-	2,783	17,438
NET POSITION				
Net investment in capital assets	66,917	-	61,686	128,603
Restricted for landfill closure	-	3,936	-	3,936
Unrestricted	581,527	-	(228,157)	353,370
Total net position	\$ 648,444	\$ 3,936	\$ (166,471)	\$ 485,909

See auditor's report.

CITY OF MILTON-FREEWATER, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2017

	<u>Solid Waste</u>	<u>Landfill Closure</u>	<u>Golf Course</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 956,558	\$ -	\$ 150,424	\$ 1,106,982
Total operating revenues	<u>956,558</u>	<u>-</u>	<u>150,424</u>	<u>1,106,982</u>
OPERATING EXPENSES				
Personal services	291,634	-	53,693	345,327
Materials and services	396,683	5,965	100,473	503,121
Depreciation	786	-	-	786
Total operating expenses	<u>689,103</u>	<u>5,965</u>	<u>154,166</u>	<u>849,234</u>
OPERATING INCOME (LOSS)	<u>267,455</u>	<u>(5,965)</u>	<u>(3,742)</u>	<u>257,748</u>
NON-OPERATING INCOME (EXPENSES)				
Interest on investments	5,284	1,012	-	6,296
Interest expense	(1,312)	-	(1,410)	(2,722)
Total non-operating income (expenses)	<u>3,972</u>	<u>1,012</u>	<u>(1,410)</u>	<u>3,574</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>271,427</u>	<u>(4,953)</u>	<u>(5,152)</u>	<u>261,322</u>
TRANSFERS				
Transfers in	5,000	4,000	-	9,000
Transfers out	(250,367)	-	(100)	(250,467)
Total transfers	<u>(245,367)</u>	<u>4,000</u>	<u>(100)</u>	<u>(241,467)</u>
CHANGE IN NET POSITION	26,060	(953)	(5,252)	19,855
NET POSITION, Beginning	<u>644,918</u>	<u>4,889</u>	<u>(8,312)</u>	<u>641,495</u>
Restatement	<u>(22,534)</u>	<u>-</u>	<u>(152,907)</u>	<u>(175,441)</u>
NET POSITION, Beginning of, as restated	<u>622,384</u>	<u>4,889</u>	<u>(161,219)</u>	<u>466,054</u>
NET POSITION, Ending	<u>\$ 648,444</u>	<u>\$ 3,936</u>	<u>\$ (166,471)</u>	<u>\$ 485,909</u>

See auditor's report.

CITY OF MILTON-FREEWATER, OREGON
COMBINING STATEMENT OF OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2017

	Solid Waste	Landfill Closure	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 960,571	\$ -	\$ 150,774	\$ 1,111,345
Payments to suppliers	(152,584)	-	(79,478)	(232,062)
Payments to employees	(265,739)	-	(56,194)	(321,933)
Payments for interfund services used	(238,693)	-	(18,672)	(257,365)
Net cash provided from (used by) operating activities	<u>303,555</u>	<u>-</u>	<u>(3,570)</u>	<u>299,985</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	-	-	5,338	5,338
Transfers in	5,000	4,000	-	9,000
Transfers out	(250,367)	-	(100)	(250,467)
Net cash provided from (used by) non-capital financing activities	<u>(245,367)</u>	<u>4,000</u>	<u>5,238</u>	<u>(236,129)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(8,300)	-	-	(8,300)
Principal paid on long-term obligations	-	-	-	-
Interest paid on long-term obligations	(1,312)	-	(1,668)	(2,980)
Net cash provided from (used by) capital and related financing activities	<u>(9,612)</u>	<u>-</u>	<u>(1,668)</u>	<u>(11,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sales (purchases) of investments	8,792	3,875	-	12,667
Interest on investments	5,284	1,012	-	6,296
Net Cash provided (used) by investing activities	<u>14,076</u>	<u>4,887</u>	<u>-</u>	<u>18,963</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,652	8,887	-	71,539
CASH AND CASH EQUIVALENTS, Beginning	<u>379,553</u>	<u>75,315</u>	<u>-</u>	<u>454,868</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 442,205</u>	<u>\$ 84,202</u>	<u>\$ -</u>	<u>\$ 526,407</u>
Reconciliation of operating income (loss) to net cash provided				
Operating income (loss)	\$ 267,455	\$ (5,965)	\$ (3,742)	\$ 257,748
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:				
Depreciation	786	-	-	786
(Increase) decrease in assets:				
Receivables	4,013	-	350	4,363
Deferred pension differences	17,730	-	1,056	18,786
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	5,406	5,965	2,323	13,694
Compensated absences payable	2,934	-	1,531	4,465
PERS transition liability	(1,220)	-	(232)	(1,452)
Other postemployment benefits	6,451	-	(4,856)	1,595
Net cash provided from operating activities	<u>\$ 303,555</u>	<u>\$ -</u>	<u>\$ (3,570)</u>	<u>\$ 299,985</u>

See auditor's report.

COMBINING STATEMENTS

Internal Service Funds

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

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

CITY OF MILTON-FREEWATER, OREGON
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2017

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 41,034	\$ 201,635	\$ 89,907	\$ 30,196	\$ 27,620	\$ 390,392
Investments	24,667	121,206	54,045	18,152	16,603	234,673
Receivables:						
Accounts	-	6,665	-	-	-	6,665
Inventories	-	6,291	-	-	-	6,291
Total current assets	<u>65,701</u>	<u>335,797</u>	<u>143,952</u>	<u>48,348</u>	<u>44,223</u>	<u>638,021</u>
Noncurrent assets:						
Capital assets:						
Depreciable assets, net of depreciation	-	-	1,197,300	-	-	1,197,300
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,197,300</u>	<u>-</u>	<u>-</u>	<u>1,197,300</u>
Total assets	<u>65,701</u>	<u>335,797</u>	<u>1,341,252</u>	<u>48,348</u>	<u>44,223</u>	<u>1,835,321</u>
DEFERRED OUTFLOW OF RESOURCES						
Deferred outflows related to pension	60,450	88,814	-	-	-	149,264
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	3,833	15,536	-	71	12,240	31,680
Current portion of long-term debt	2,220	4,567	-	-	-	6,787
Total current liabilities	<u>6,053</u>	<u>20,103</u>	<u>-</u>	<u>71</u>	<u>12,240</u>	<u>38,467</u>
Long-term debt, net of current portion:						
Compensated absences payable	556	1,141	-	-	-	1,697
Net pension liability	111,792	164,244	-	-	-	276,036
Transition liability	8,362	20,595	-	-	-	28,957
Other postemployment benefits	3,060	14,790	-	-	-	17,850
Total noncurrent liabilities	<u>123,770</u>	<u>200,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,540</u>
Total liabilities	<u>129,823</u>	<u>220,873</u>	<u>-</u>	<u>71</u>	<u>12,240</u>	<u>363,007</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred pension differences	6,103	8,966	-	-	-	15,069
NET POSITION						
Net investment in capital assets	-	-	1,197,300	-	-	1,197,300
Unrestricted	(9,775)	194,772	143,952	48,277	31,983	409,209
Total net position	<u>\$ (9,775)</u>	<u>\$ 194,772</u>	<u>\$ 1,341,252</u>	<u>\$ 48,277</u>	<u>\$ 31,983</u>	<u>\$ 1,606,509</u>

CITY OF MILTON-FREEWATER, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2017

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
OPERATING REVENUES						
Charges for services	\$ -	\$ 528,538	\$ 187,462	\$ -	\$ -	\$ 716,000
Miscellaneous	304	3,164	-	-	28,232	31,700
Total operating revenues	<u>304</u>	<u>531,702</u>	<u>187,462</u>	<u>-</u>	<u>28,232</u>	<u>747,700</u>
OPERATING EXPENSES						
Personal services	93,302	188,856	-	25,163	-	307,321
Materials and services	63,742	162,232	-	-	54,289	280,263
Depreciation	-	-	163,901	-	-	163,901
Total operating expenses	<u>157,044</u>	<u>351,088</u>	<u>163,901</u>	<u>25,163</u>	<u>54,289</u>	<u>751,485</u>
OPERATING INCOME (LOSS)	<u>(156,740)</u>	<u>180,614</u>	<u>23,561</u>	<u>(25,163)</u>	<u>(26,057)</u>	<u>(3,785)</u>
NON-OPERATING INCOME (EXPENSES)						
Gain on sale of capital assets	-	-	3,582	-	-	3,582
Interest on investments	797	2,146	1,564	502	410	5,419
Interest expense	(546)	(802)	-	-	-	(1,348)
Total non-operating income (expenses)	<u>251</u>	<u>1,344</u>	<u>5,146</u>	<u>502</u>	<u>410</u>	<u>7,653</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(156,489)</u>	<u>181,958</u>	<u>28,707</u>	<u>(24,661)</u>	<u>(25,647)</u>	<u>3,868</u>
TRANSFERS						
Transfers in	129,659	-	-	7,126	-	136,785
Transfers out	(25,559)	(68,489)	-	-	-	(94,048)
Total transfers	<u>104,100</u>	<u>(68,489)</u>	<u>-</u>	<u>7,126</u>	<u>-</u>	<u>42,737</u>
CHANGE IN NET POSITION	<u>(52,389)</u>	<u>113,469</u>	<u>28,707</u>	<u>(17,535)</u>	<u>(25,647)</u>	<u>46,605</u>
NET POSITION, Beginning	<u>42,614</u>	<u>81,303</u>	<u>1,305,037</u>	<u>65,812</u>	<u>57,630</u>	<u>1,552,396</u>
Restatement	<u>-</u>	<u>-</u>	<u>7,508</u>	<u>-</u>	<u>-</u>	<u>7,508</u>
NET POSITION, Beginning of, as restated	<u>42,614</u>	<u>81,303</u>	<u>1,312,545</u>	<u>65,812</u>	<u>57,630</u>	<u>1,559,904</u>
NET POSITION, Ending	<u>\$ (9,775)</u>	<u>\$ 194,772</u>	<u>\$ 1,341,252</u>	<u>\$ 48,277</u>	<u>\$ 31,983</u>	<u>\$ 1,606,509</u>

CITY OF MILTON-FREEWATER, OREGON
COMBINING STATEMENT OF OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2017

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 304	\$ 42,122	\$ -	\$ -	\$ 28,231	\$ 70,657
Receipts from interfund services provided	-	494,966	187,462	-	-	682,428
Payments to suppliers	(66,307)	(160,311)	-	-	(43,199)	(269,817)
Payments to employees	(85,666)	(224,260)	-	(25,092)	-	(335,018)
Net cash provided from (used by) operating activities	<u>(151,669)</u>	<u>152,517</u>	<u>187,462</u>	<u>(25,092)</u>	<u>(14,968)</u>	<u>148,250</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	129,659	-	-	7,126	-	136,785
Transfers out	(25,559)	(68,489)	-	-	-	(94,048)
Net cash provided from (used by) non-capital financing activities	<u>104,100</u>	<u>(68,489)</u>	<u>-</u>	<u>7,126</u>	<u>-</u>	<u>42,737</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of capital assets	-	-	-	-	-	-
Acquisition of capital assets	-	-	(358,424)	-	-	(358,424)
Principal paid on long-term obligations	-	-	-	-	-	-
Interest paid on long-term obligations	(546)	(802)	-	-	-	(1,348)
Net cash provided from (used by) capital and related financing activities	<u>(546)</u>	<u>(802)</u>	<u>(358,424)</u>	<u>-</u>	<u>-</u>	<u>(359,772)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Net sales (purchases) of investments	22,777	(21,519)	77,496	9,474	8,072	96,300
Interest on investments	797	2,146	1,564	502	410	5,419
Net Cash provided (used) by investing activities	<u>23,574</u>	<u>(19,373)</u>	<u>79,060</u>	<u>9,976</u>	<u>8,482</u>	<u>101,719</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,541)	63,853	(91,902)	(7,990)	(6,486)	(67,066)
CASH AND CASH EQUIVALENTS, Beginning	<u>65,575</u>	<u>137,782</u>	<u>181,809</u>	<u>38,186</u>	<u>34,106</u>	<u>457,458</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 41,034</u>	<u>\$ 201,635</u>	<u>\$ 89,907</u>	<u>\$ 30,196</u>	<u>\$ 27,620</u>	<u>\$ 390,392</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities						
Operating income (loss)	\$ (156,740)	\$ 180,614	\$ 23,561	\$ (25,163)	\$ (26,057)	\$ (3,785)
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:						
Depreciation	-	-	163,901	-	-	163,901
(Increase) decrease in assets:						
Receivables	-	5,386	-	-	-	5,386
Deferred pension differences	7,792	(36,412)	-	-	-	(28,620)
Inventories	-	2,255	-	-	-	2,255
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	(2,565)	(334)	-	71	11,089	8,261
Compensated absences payable	(383)	(2,954)	-	-	-	(3,337)
PERS Transition liability	(508)	(746)	-	-	-	(1,254)
Other postemployment benefits	735	4,708	-	-	-	5,443
Net cash provided from operating activities	<u>\$ (151,669)</u>	<u>\$ 152,517</u>	<u>\$ 187,462</u>	<u>\$ (25,092)</u>	<u>\$ (14,968)</u>	<u>\$ 148,250</u>

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

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

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

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

**CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL, BY DEPARTMENT:
GENERAL FUND
For the Fiscal Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
City council	\$ 27,671	\$ 27,671	\$ 24,363	\$ 3,308
City manager	361,869	361,869	347,209	14,660
City attorney	20,000	20,000	5,888	14,112
Municipal court	153,025	153,025	139,428	13,597
Finance department	817,784	850,984	845,330	5,654
Planning	300,942	304,857	283,779	21,078
Police department	1,972,855	2,033,805	1,980,087	53,718
Fire department	343,276	343,276	315,141	28,135
Public works	1,077,060	1,087,060	974,015	113,045
City hall	134,708	134,708	125,873	8,835
Civil engineering	85,566	85,566	80,356	5,210
Contingency	129,917	101,623	-	101,623
TOTAL EXPENDITURES	<u>\$ 5,424,673</u>	<u>\$ 5,504,444</u>	<u>\$ 5,121,469</u>	<u>\$ 382,975</u>

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

Governmental Funds

Special Revenue Funds

- Street
- Library
- Senior/Disabled Transportation
- Drug Enforcement
- 911

Debt Service Funds

- Special Assessment

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	369,000	369,000	422,950	53,950
Interest on investments	1,000	1,000	2,295	1,295
Miscellaneous	-	-	921	921
TOTAL REVENUES	<u>370,000</u>	<u>370,000</u>	<u>426,166</u>	<u>56,166</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	178,000	178,000	161,682	16,318
Materials and services	140,163	140,163	122,455	17,708
Contingency	78,173	78,173	-	78,173
TOTAL EXPENDITURES	<u>396,336</u>	<u>396,336</u>	<u>284,137</u>	<u>112,199</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(26,336)</u>	<u>(26,336)</u>	<u>142,029</u>	<u>168,365</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(151,480)	(151,480)	(151,480)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(151,480)</u>	<u>(151,480)</u>	<u>(151,480)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(177,816)	(177,816)	(9,451)	168,365
FUND BALANCE, Beginning	177,816	177,816	316,244	138,428
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,793</u>	<u>\$ 306,793</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 5,625	\$ 5,625	\$ 5,625	\$ -
Intergovernmental	191,538	191,538	202,335	10,797
Fines and forfeitures	3,000	3,000	4,307	1,307
Interest on investments	20	20	390	370
Miscellaneous	6,500	7,300	10,979	3,679
TOTAL REVENUES	<u>206,683</u>	<u>207,483</u>	<u>223,636</u>	<u>16,153</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Personal services	302,405	302,405	296,160	6,245
Materials and services	34,050	34,850	33,339	1,511
Capital outlay	2,000	2,500	2,326	174
Contingency	12,756	12,256	-	12,256
TOTAL EXPENDITURES	<u>351,211</u>	<u>352,011</u>	<u>331,825</u>	<u>20,186</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(144,528)</u>	<u>(144,528)</u>	<u>(108,189)</u>	<u>36,339</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	125,012	125,012	125,012	-
Transfers out	(240)	(240)	(240)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>124,772</u>	<u>124,772</u>	<u>124,772</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(19,756)	(19,756)	16,583	36,339
FUND BALANCE, Beginning	<u>19,756</u>	<u>19,756</u>	<u>27,294</u>	<u>7,538</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,877</u>	<u>\$ 43,877</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR/DISABLED TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 54,500	\$ 54,500	\$ 58,921	\$ 4,421
Charges for services	11,000	11,000	5,424	(5,576)
Intergovernmental	431,553	431,553	238,906	(192,647)
Interest on investments	1,500	1,500	1,703	203
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>498,553</u>	<u>498,553</u>	<u>304,954</u>	<u>(193,599)</u>
EXPENDITURES				
Current:				
General government:				
Personal services	109,709	121,369	121,646	(277)
Materials and services	223,850	223,850	211,158	12,692
Capital outlay	191,000	191,000	560	190,440
Contingency	183,994	172,334	-	172,334
TOTAL EXPENDITURES	<u>708,553</u>	<u>708,553</u>	<u>333,364</u>	<u>375,189</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(210,000)</u>	<u>(210,000)</u>	<u>(28,410)</u>	<u>181,590</u>
NET CHANGE IN FUND BALANCE	<u>(210,000)</u>	<u>(210,000)</u>	<u>(28,410)</u>	<u>181,590</u>
FUND BALANCE, Beginning	<u>210,000</u>	<u>210,000</u>	<u>273,464</u>	<u>63,464</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,054</u>	<u>\$ 245,054</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRUG ENFORCEMENT FUND
For the Fiscal Year Ended June 30, 2017

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

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
911 FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 35,500	\$ 35,500	\$ 35,514	\$ 14
Interest on investments	-	-	75	75
TOTAL REVENUES	<u>35,500</u>	<u>35,500</u>	<u>35,589</u>	<u>89</u>
EXPENDITURES				
Current:				
Public safety:				
Materials and services	32,700	32,700	23,610	9,090
Capital outlay	2,800	2,800	-	2,800
TOTAL EXPENDITURES	<u>35,500</u>	<u>35,500</u>	<u>23,610</u>	<u>11,890</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>11,979</u>	<u>11,979</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>11,979</u>	<u>11,979</u>
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>7,602</u>	<u>7,602</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,581</u>	<u>\$ 19,581</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL ASSESSMENT FUND
For the Fiscal Year Ended June 30, 2017

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

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

Proprietary Funds

Enterprise Funds

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

Internal Service Fund

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

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ELECTRIC FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Surplus power sales	\$ 221,550	\$ 221,550	\$ 338,516	\$ 116,966
Charges for services	7,460,183	7,460,183	7,303,571	(156,612)
System development charges	122,280	122,280	124,079	1,799
Weatherization loan repayments	12,000	12,000	33,119	21,119
Interest on investments	8,000	8,000	10,046	2,046
Miscellaneous	59,398	59,398	48,826	(10,572)
TOTAL REVENUES	<u>7,883,411</u>	<u>7,883,411</u>	<u>7,858,157</u>	<u>(25,254)</u>
EXPENDITURES				
Current:				
Personal services	1,501,447	1,567,807	1,471,125	96,682
Materials and services	5,549,829	5,549,829	5,196,481	353,348
Capital outlay	311,100	311,100	217,850	93,250
Contingency	1,326,671	1,260,311	-	1,260,311
TOTAL EXPENDITURES	<u>8,689,047</u>	<u>8,689,047</u>	<u>6,885,456</u>	<u>1,803,591</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(805,636)</u>	<u>(805,636)</u>	<u>972,701</u>	<u>1,778,337</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,444	10,444	10,444	-
Transfers out	(1,050,508)	(1,050,508)	(1,050,508)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,040,064)</u>	<u>(1,040,064)</u>	<u>(1,040,064)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,845,700)	(1,845,700)	(67,363)	1,778,337
FUND BALANCE, Beginning	1,845,700	1,845,700	1,627,363	(218,337)
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,560,000</u>	<u>\$ 1,560,000</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ELECTRIC CAPITAL REPLACEMENT RESERVE FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 9,500	\$ 9,500	\$ 12,802	\$ 3,302
TOTAL REVENUES	<u>9,500</u>	<u>9,500</u>	<u>12,802</u>	<u>3,302</u>
EXPENDITURES				
Materials and services	-	-	-	-
Capital outlay	1,675,000	1,675,000	-	1,675,000
TOTAL EXPENDITURES	<u>1,675,000</u>	<u>1,675,000</u>	<u>-</u>	<u>1,675,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,665,500)</u>	<u>(1,665,500)</u>	<u>12,802</u>	<u>1,678,302</u>
NET CHANGE IN FUND BALANCE	<u>(1,665,500)</u>	<u>(1,665,500)</u>	<u>12,802</u>	<u>1,678,302</u>
FUND BALANCE, Beginning	<u>1,665,500</u>	<u>1,665,500</u>	<u>1,667,687</u>	<u>2,187</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,680,489</u>	<u>\$ 1,680,489</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ELECTRIC OPERATING AND MAINTENANCE RESERVE FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 15,000	\$ 15,000	\$ 20,655	\$ 5,655
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>20,655</u>	<u>5,655</u>
EXPENDITURES				
Personal services	-	-	-	-
Capital outlay	2,700,500	2,700,500	-	2,700,500
TOTAL EXPENDITURES	<u>2,700,500</u>	<u>2,700,500</u>	<u>-</u>	<u>2,700,500</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,685,500)</u>	<u>(2,685,500)</u>	<u>20,655</u>	<u>2,706,155</u>
NET CHANGE IN FUND BALANCE	(2,685,500)	(2,685,500)	20,655	2,706,155
FUND BALANCE, Beginning	<u>2,685,500</u>	<u>2,685,500</u>	<u>2,690,619</u>	<u>5,119</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,711,274</u>	<u>\$ 2,711,274</u>

**CITY OF MILTON-FREEWATER, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL ELECTRIC FUNDS
For the Fiscal Year Ended June 30, 2017**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Electric	\$ 1,560,000
Electric Capital Replacement Reserve	1,680,489
Electric Operating and Maintenance Reserve	<u>2,711,274</u>
	5,951,763

Adjustments:

Capital assets, net of depreciation	7,024,517
Weatherization loans receivable	100,492
Compensated absences	(59,945)
PERS transition liability	(106,594)
Net pension liability	(1,526,925)
Deferred outflows related to pension	825,671
Deferred pension differences	(83,363)
Due to Bonneville Power Administration	(56,035)
Other Postemployment benefits	<u>(86,748)</u>

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

\$ 11,982,833

CITY OF MILTON-FREewater, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,278,500	\$ 1,278,500	\$ 1,227,839	\$ (50,661)
Intergovernmental	-	-	-	-
System development charges	42,000	42,000	44,850	2,850
Interest on investments	1,500	1,500	3,014	1,514
Miscellaneous	-	-	1,927	1,927
TOTAL REVENUES	<u>1,322,000</u>	<u>1,322,000</u>	<u>1,277,630</u>	<u>(44,370)</u>
EXPENDITURES				
Current:				
Personal services	291,230	291,230	282,799	8,431
Materials and services	353,194	353,194	317,451	35,743
Capital outlay	40,000	40,000	56,843	(16,843)
Debt service	145,719	145,719	145,719	-
Contingency	314,039	314,039	-	314,039
TOTAL EXPENDITURES	<u>1,144,182</u>	<u>1,144,182</u>	<u>802,812</u>	<u>341,370</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>177,818</u>	<u>177,818</u>	<u>474,818</u>	<u>297,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(559,146)	(559,146)	(559,146)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(559,146)</u>	<u>(559,146)</u>	<u>(559,146)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(381,328)	(381,328)	(84,328)	297,000
FUND BALANCE, Beginning	381,328	381,328	566,410	185,082
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>482,082</u>	<u>\$ 482,082</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			4,414,118	
Compensated absences			-	
PERS transition liability			(19,561)	
Accrued interest payable			(4,084)	
Net pension liability			(270,981)	
Deferred outflows related to pension			146,530	
Deferred pension differences			(14,794)	
Long-term debt			(138,067)	
Other postemployment benefits			(16,154)	
NET POSITION, Ending			<u>\$ 4,579,089</u>	

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,154,925	\$ 1,154,925	\$ 1,201,020	\$ 46,095
System development charges	135,544	135,544	134,358	(1,186)
Interest on investments	1,300	1,300	4,560	3,260
Miscellaneous	46,000	46,000	49,492	3,492
TOTAL REVENUES	<u>1,337,769</u>	<u>1,337,769</u>	<u>1,389,430</u>	<u>51,661</u>
EXPENDITURES				
Current:				
Personal services	337,750	337,750	331,573	6,177
Materials and services	315,654	315,654	303,231	12,423
Contingency	437,244	437,244	-	437,244
TOTAL EXPENDITURES	<u>1,090,648</u>	<u>1,090,648</u>	<u>634,804</u>	<u>455,844</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>247,121</u>	<u>247,121</u>	<u>754,626</u>	<u>507,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(596,304)</u>	<u>(596,304)</u>	<u>(596,304)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(596,304)</u>	<u>(596,304)</u>	<u>(596,304)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(349,183)</u>	<u>(349,183)</u>	<u>158,322</u>	<u>507,505</u>
FUND BALANCE, Beginning	<u>349,183</u>	<u>349,183</u>	<u>756,921</u>	<u>407,738</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,243</u>	<u>\$ 915,243</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
System development charges	\$ 2,000	\$ 2,000	\$ 17,635	\$ 15,635
Intergovernmental	2,230,115	2,230,115	430,879	(1,799,236)
Interest on investments	2,500	2,500	6,030	3,530
TOTAL REVENUES	<u>2,234,615</u>	<u>2,234,615</u>	<u>454,544</u>	<u>(1,780,071)</u>
EXPENDITURES				
Capital outlay	3,916,206	3,916,206	419,996	3,496,210
Debt service	125,595	125,595	63,179	62,416
Contingency	-	-	-	-
TOTAL EXPENDITURES	<u>4,041,801</u>	<u>4,041,801</u>	<u>483,175</u>	<u>3,558,626</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,807,186)</u>	<u>(1,807,186)</u>	<u>(28,631)</u>	<u>1,778,555</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,259,399	1,259,399	121,447	(1,137,952)
Transfers in	135,544	135,544	135,544	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,394,943</u>	<u>1,394,943</u>	<u>256,991</u>	<u>(1,137,952)</u>
NET CHANGE IN FUND BALANCE	<u>(412,243)</u>	<u>(412,243)</u>	<u>228,360</u>	<u>640,603</u>
FUND BALANCE, Beginning	<u>412,243</u>	<u>412,243</u>	<u>473,869</u>	<u>61,626</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 702,229</u>	<u>\$ 702,229</u>

**CITY OF MILTON-FREEWATER, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2017**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Sewer	\$ 915,243
Sewer Improvement	<u>702,229</u>
	1,617,472

Adjustments:

Capital assets, net of depreciation	6,507,616
Compensated absences	(2,800)
PERS transition liability	(28,112)
Accrued interest payable	(30,520)
Net pension liability	(348,540)
Deferred outflows related to pension	188,471
Deferred pension differences	(19,030)
Long-term debt	(1,426,447)
Other Postemployment benefits	<u>(21,627)</u>

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

\$ 6,436,483

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SOLID WASTE FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 834,600	\$ 834,600	\$ 956,558	\$ 121,958
Interest on investments	1,800	1,800	5,284	3,484
TOTAL REVENUES	<u>836,400</u>	<u>836,400</u>	<u>961,842</u>	<u>125,442</u>
EXPENDITURES				
Current:				
Personal services	297,500	297,500	267,051	30,449
Materials and services	356,766	356,766	376,998	(20,232)
Capital outlay	70,000	70,000	27,985	42,015
Contingency	316,150	316,150	-	316,150
TOTAL EXPENDITURES	<u>1,040,416</u>	<u>1,040,416</u>	<u>672,034</u>	<u>368,382</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(204,016)</u>	<u>(204,016)</u>	<u>289,808</u>	<u>493,824</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
Transfers out	<u>(250,367)</u>	<u>(250,367)</u>	<u>(250,367)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(245,367)</u>	<u>(245,367)</u>	<u>(245,367)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(449,383)	(449,383)	44,441	493,824
FUND BALANCE, Beginning	<u>449,383</u>	<u>449,383</u>	<u>742,644</u>	<u>293,261</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>787,085</u>	<u>\$ 787,085</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			66,917	
Compensated absences			(27,677)	
PERS transition liability			(18,713)	
Net pension liability			(268,454)	
Deferred outflows related to pension			145,163	
Deferred pension differences			(14,655)	
Other postemployment benefits			<u>(21,222)</u>	
NET POSITION, Ending			<u>\$ 648,444</u>	

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LANDFILL CLOSURE FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 600	\$ 600	\$ 1,012	\$ 412
TOTAL REVENUES	<u>600</u>	<u>600</u>	<u>1,012</u>	<u>412</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>600</u>	<u>600</u>	<u>1,012</u>	<u>412</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	4,600	4,600	5,012	412
FUND BALANCE, Beginning	<u>127,550</u>	<u>127,550</u>	<u>129,806</u>	<u>2,256</u>
FUND BALANCE, Ending	<u>\$ 132,150</u>	<u>\$ 132,150</u>	<u>134,818</u>	<u>\$ 2,668</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Landfill closure liability			<u>(130,882)</u>	
NET POSITION, Ending			<u>\$ 3,936</u>	

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GOLF COURSE FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 178,990	\$ 178,990	\$ 150,423	\$ (28,567)
Interest on investments	-	-	-	-
TOTAL REVENUES	<u>178,990</u>	<u>178,990</u>	<u>150,423</u>	<u>(28,567)</u>
EXPENDITURES				
Current:				
Personal services	78,472	78,472	56,443	22,029
Materials and services	98,297	98,297	100,473	(2,176)
Debt service	1,418	1,418	1,418	-
Contingency	703	703	-	703
TOTAL EXPENDITURES	<u>178,890</u>	<u>178,890</u>	<u>158,334</u>	<u>20,556</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>100</u>	<u>100</u>	<u>(7,911)</u>	<u>(8,011)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	(8,011)	(8,011)
FUND BALANCE, Beginning	-	-	(183,908)	(183,908)
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	(191,919)	<u>\$ (191,919)</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			61,686	
Compensated absences			(3,230)	
PERS transition liability			(5,715)	
Accrued interest payable			(1,048)	
Net pension liability			(50,970)	
Deferred outflows related to pension			27,562	
Deferred pension differences			(2,783)	
Other postemployment benefits			<u>(54)</u>	
NET POSITION, Ending			<u>\$ (166,471)</u>	

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WAREHOUSE FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 200	\$ 200	\$ 797	\$ 597
Miscellaneous	100	100	305	205
TOTAL REVENUES	<u>300</u>	<u>300</u>	<u>1,102</u>	<u>802</u>
EXPENDITURES				
Current:				
Personal services	89,450	89,450	86,213	3,237
Materials and services	60,624	60,624	63,742	(3,118)
Capital outlay	2,000	2,000	-	2,000
Contingency	22,748	22,748	-	22,748
TOTAL EXPENDITURES	<u>174,822</u>	<u>174,822</u>	<u>149,955</u>	<u>24,867</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(174,522)</u>	<u>(174,522)</u>	<u>(148,853)</u>	<u>25,669</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	129,659	129,659	129,659	-
Transfers out	(25,559)	(25,559)	(25,559)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>104,100</u>	<u>104,100</u>	<u>104,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(70,422)</u>	<u>(70,422)</u>	<u>(44,753)</u>	<u>25,669</u>
FUND BALANCE, Beginning	<u>70,422</u>	<u>70,422</u>	<u>106,621</u>	<u>36,199</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>61,868</u>	<u>\$ 61,868</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Compensated absences			(2,776)	
PERS transition liability			(8,362)	
Net pension liability			(111,792)	
Deferred outflows related to pension			60,450	
Deferred pension differences			(6,103)	
Other postemployment benefits			(3,060)	
NET POSITION, Ending			<u>\$ (9,775)</u>	

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
VEHICLE MAINTENANCE FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 522,738	\$ 522,738	\$ 528,538	\$ 5,800
Interest on investments	1,000	1,000	2,146	1,146
Miscellaneous	-	-	3,164	3,164
TOTAL REVENUES	<u>523,738</u>	<u>523,738</u>	<u>533,848</u>	<u>10,110</u>
EXPENDITURES				
Current:				
Personal services	256,958	256,958	225,062	31,896
Materials and services	245,300	245,300	162,232	83,068
Contingency	104,787	104,787	-	104,787
TOTAL EXPENDITURES	<u>607,045</u>	<u>607,045</u>	<u>387,294</u>	<u>219,751</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(83,307)</u>	<u>(83,307)</u>	<u>146,554</u>	<u>229,861</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(68,489)</u>	<u>(68,489)</u>	<u>(68,489)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(68,489)</u>	<u>(68,489)</u>	<u>(68,489)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(151,796)	(151,796)	78,065	229,861
FUND BALANCE, Beginning	<u>151,796</u>	<u>151,796</u>	<u>242,197</u>	<u>90,401</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>320,262</u>	<u>\$ 320,262</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Compensated absences			(5,708)	
PERS transition liability			(20,595)	
Net pension liability			(164,244)	
Deferred outflows related to pension			88,814	
Deferred pension differences			(8,967)	
Other postemployment benefits			<u>(14,790)</u>	
NET POSITION, Ending			<u>\$ 194,772</u>	

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
VEHICLE REPLACEMENT FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 187,462	\$ 187,462	\$ 187,462	\$ -
Interest on investments	500	500	1,564	1,064
Miscellaneous	500	500	-	(500)
TOTAL REVENUES	<u>188,462</u>	<u>188,462</u>	<u>189,026</u>	<u>564</u>
EXPENDITURES				
Capital outlay	376,815	376,815	358,424	18,391
TOTAL EXPENDITURES	<u>376,815</u>	<u>376,815</u>	<u>358,424</u>	<u>18,391</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(188,353)</u>	<u>(188,353)</u>	<u>(169,398)</u>	<u>18,955</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(188,353)	(188,353)	(169,398)	18,955
FUND BALANCE, Beginning	<u>269,883</u>	<u>269,883</u>	<u>313,350</u>	<u>43,467</u>
FUND BALANCE, Ending	<u>\$ 81,530</u>	<u>\$ 81,530</u>	<u>143,952</u>	<u>\$ 62,422</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			<u>1,197,300</u>	
NET POSITION, Ending			<u>\$ 1,341,252</u>	

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SICK LEAVE LIABILITY FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 300	\$ 300	\$ 502	\$ 202
Miscellaneous	1,200	1,200	-	(1,200)
TOTAL REVENUES	<u>1,500</u>	<u>1,500</u>	<u>502</u>	<u>(998)</u>
EXPENDITURES				
Current:				
Personal services	70,682	70,682	25,163	45,519
Materials and services	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Contingency	-	-	-	-
TOTAL EXPENDITURES	<u>70,682</u>	<u>70,682</u>	<u>25,163</u>	<u>45,519</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(69,182)</u>	<u>(69,182)</u>	<u>(24,661)</u>	<u>44,521</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,126	7,126	7,126	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,126</u>	<u>7,126</u>	<u>7,126</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(62,056)</u>	<u>(62,056)</u>	<u>(17,535)</u>	<u>44,521</u>
FUND BALANCE, Beginning	<u>62,056</u>	<u>62,056</u>	<u>65,812</u>	<u>3,756</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,277</u>	<u>\$ 48,277</u>

CITY OF MILTON-FREEWATER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RISK MANAGEMENT FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 300	\$ 300	\$ 410	\$ 110
Miscellaneous	10,000	10,000	28,232	18,232
TOTAL REVENUES	<u>10,300</u>	<u>10,300</u>	<u>28,642</u>	<u>18,342</u>
EXPENDITURES				
Current:				
Personal services	-	-	-	-
Materials and services	83,800	83,800	54,289	29,511
TOTAL EXPENDITURES	<u>83,800</u>	<u>83,800</u>	<u>54,289</u>	<u>29,511</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(73,500)</u>	<u>(73,500)</u>	<u>(25,647)</u>	<u>47,853</u>
NET CHANGE IN FUND BALANCE	(73,500)	(73,500)	(25,647)	47,853
FUND BALANCE, Beginning	<u>73,500</u>	<u>73,500</u>	<u>57,630</u>	<u>(15,870)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,983</u>	<u>\$ 31,983</u>

STATISTICAL SECTION (UNAUDITED)

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 19,735,512	\$ 13,520,875	\$ 13,946,180	\$ 14,235,561
Restricted	677,401	701,706	903,887	914,197
Unrestricted	<u>(2,477,192)</u>	<u>(1,680,809)</u>	<u>(150,999)</u>	<u>724,553</u>
Total governmental activities net position	<u>17,935,721</u>	<u>12,541,772</u>	<u>14,699,068</u>	<u>15,874,311</u>
Business-Type Activities:				
Invested in capital assets, net of related debt	17,707,642	17,885,072	16,027,794	16,365,814
Restricted	1,194,673	1,019,402	776,629	486,665
Unrestricted	<u>5,703,067</u>	<u>5,984,371</u>	<u>7,057,538</u>	<u>7,877,222</u>
Total business-type activities net position	<u>24,605,382</u>	<u>24,888,845</u>	<u>23,861,961</u>	<u>24,729,701</u>
Primary Government:				
Invested in capital assets, net of related debt	37,443,154	31,405,947	29,973,974	30,601,375
Restricted	1,872,074	1,721,108	1,680,516	1,400,862
Unrestricted	<u>3,225,875</u>	<u>4,303,562</u>	<u>6,906,539</u>	<u>8,601,775</u>
Total primary government net position	<u>\$ 42,541,103</u>	<u>\$ 37,430,617</u>	<u>\$ 38,561,029</u>	<u>\$ 40,604,012</u>

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

2013	2012	2011	2010	2009	2008
\$ 14,877,601	\$ 15,043,735	\$13,257,524	\$ 12,956,309	\$ 13,019,252	\$ 13,409,887
888,353	718,408	599,177	149,320	138,612	228,857
816,015	982,911	1,099,486	1,417,615	1,403,808	1,343,655
<u>16,581,969</u>	<u>16,745,054</u>	<u>14,956,187</u>	<u>14,523,244</u>	<u>14,561,672</u>	<u>14,982,399</u>
16,766,176	17,053,923	15,249,661	14,107,359	14,282,526	14,330,794
278,904	190,074	232,381	588,617	278,651	152,567
8,178,689	7,601,109	7,128,895	6,500,134	6,484,719	6,190,992
<u>25,223,769</u>	<u>24,845,106</u>	<u>22,610,937</u>	<u>21,196,110</u>	<u>21,045,896</u>	<u>20,674,353</u>
31,643,777	32,097,658	28,507,185	27,063,668	27,301,778	27,740,681
1,167,257	908,482	831,558	737,937	417,263	381,424
8,994,704	8,584,020	8,228,381	7,917,749	7,888,527	7,534,647
<u>\$ 41,805,738</u>	<u>\$ 41,590,160</u>	<u>\$37,567,124</u>	<u>\$ 35,719,354</u>	<u>\$ 35,607,568</u>	<u>\$ 35,656,752</u>

Source: Current and prior year's financial statements

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Program Revenues				
Governmental activities:				
Charges for services, fees and fines				
General government	\$ 204,744	\$ 268,279	\$ 244,325	\$ 224,243
Public safety	-	-	-	-
Culture and recreation	131,438	144,155	172,193	145,584
Highways and streets	720	780	1,953	1,081
Operating grants and contributions	879,631	816,892	754,369	767,451
Capital grants and contributions	242,893	131,953	285,315	53,946
Total governmental activities program revenues	<u>1,459,426</u>	<u>1,362,059</u>	<u>1,458,155</u>	<u>1,192,305</u>
Business-type activities:				
Charges for services:				
Electric	7,691,692	7,281,450	7,033,057	7,018,128
Water	1,229,766	1,205,216	1,237,185	1,181,796
Sewer	1,201,125	1,208,592	1,175,433	1,060,795
Solid Waste	956,558	914,084	902,070	845,996
Internal Service-Primarily Business Activity	-	-	-	-
Golf Course	150,424	168,655	167,208	177,350
Operating grants	49,387	50,457	50,768	50,008
Capital grants	751,801	2,608,406	368,304	390,920
Total business-type activities program revenues	<u>12,030,753</u>	<u>13,436,860</u>	<u>10,934,025</u>	<u>10,724,993</u>
Total primary government program revenues	<u>13,490,179</u>	<u>14,798,919</u>	<u>12,392,180</u>	<u>11,917,298</u>
Expenses				
Governmental activities:				
General government	1,959,138	2,261,372	1,380,640	1,563,908
Public safety	2,445,719	2,948,737	1,585,311	2,011,173
Culture and recreation	866,425	1,038,372	733,273	865,910
Public Works	582,470	621,400	368,411	459,647
Community development	381,356	432,463	209,378	636,052
Engineering	83,747	107,548	51,771	90,451
Highways and streets	1,259,648	849,877	714,161	932,701
Interest on long term obligations	-	375	3,000	14,971
Total governmental activities expenses	<u>7,578,503</u>	<u>8,260,144</u>	<u>5,045,945</u>	<u>6,574,813</u>
Business-type activities:				
Electric	7,341,832	7,512,041	6,442,798	6,936,488
Water	785,710	951,888	805,035	850,276
Sewer	825,031	935,950	732,318	803,378
Solid Waste	659,339	704,310	485,325	555,565
Internal Service-Primarily Business Activity	-	-	-	-
Interest on long-term debt	-	-	-	-
Golf Course	151,474	202,147	180,344	179,148
Total business-type activities expenses	<u>9,763,386</u>	<u>10,306,336</u>	<u>8,645,820</u>	<u>9,324,855</u>
Total primary government expenses	<u>17,341,889</u>	<u>18,566,480</u>	<u>13,691,765</u>	<u>15,899,668</u>
Net Expense				
Governmental activities	(6,119,077)	(6,898,085)	(3,587,790)	(5,382,508)
Business-type activities	2,267,367	3,130,524	2,288,205	1,400,138
Total primary government net expense	<u>\$ (3,851,710)</u>	<u>\$ (3,767,561)</u>	<u>\$ (1,299,585)</u>	<u>\$ (3,982,370)</u>

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 288,704	\$ 312,399	\$ 320,798	\$ 317,543	\$ 282,068	\$ 300,264
-	-	-	-	-	-
161,121	151,073	165,173	164,955	179,344	179,336
2,098	3,086	1,415	1,566	2,474	4,202
738,013	725,474	765,733	766,730	625,306	695,400
416,466	2,370,332	752,305	400,587	57,041	190,343
<u>1,606,402</u>	<u>3,562,364</u>	<u>2,005,424</u>	<u>1,651,381</u>	<u>1,146,233</u>	<u>1,369,545</u>
6,884,263	7,203,939	7,387,021	7,062,297	7,486,043	7,766,193
1,202,639	1,173,701	1,140,830	1,226,003	1,081,237	961,705
1,041,235	1,057,176	1,071,331	1,085,906	937,239	886,495
832,589	837,017	817,558	696,771	705,561	741,034
-	-	-	-	-	-
193,373	190,951	191,720	188,902	193,389	203,991
50,169	56,164	46,901	163,058	145,737	69,927
527,340	1,368,151	1,116,586	319,571	284,747	192,695
<u>10,731,608</u>	<u>11,887,099</u>	<u>11,771,947</u>	<u>10,742,508</u>	<u>10,833,953</u>	<u>10,822,040</u>
<u>12,338,010</u>	<u>15,449,463</u>	<u>13,777,371</u>	<u>12,393,889</u>	<u>11,980,186</u>	<u>12,191,585</u>
1,536,293	1,701,181	1,521,458	1,684,411	1,458,365	1,434,156
2,070,078	2,001,630	1,901,921	1,869,621	1,799,292	1,784,873
874,760	859,882	860,232	823,165	813,730	793,248
449,596	435,678	412,988	379,547	402,648	453,936
497,855	366,362	420,496	307,894	351,811	245,011
91,313	84,639	93,821	87,327	102,087	90,824
820,680	794,765	762,496	771,716	822,064	839,492
25,582	29,673	40,587	51,744	62,312	73,703
<u>6,366,157</u>	<u>6,273,810</u>	<u>6,013,999</u>	<u>5,975,425</u>	<u>5,812,309</u>	<u>5,715,243</u>
6,239,208	5,840,636	6,538,922	6,757,182	6,755,311	6,599,764
773,814	625,270	598,092	708,500	680,785	701,894
758,503	737,796	722,683	732,834	763,202	718,428
572,881	529,834	540,571	531,957	485,584	551,509
-	-	-	-	-	-
-	-	-	-	-	-
215,601	198,861	200,082	209,560	227,542	217,298
<u>8,560,007</u>	<u>7,932,397</u>	<u>8,600,350</u>	<u>8,940,033</u>	<u>8,912,424</u>	<u>8,788,893</u>
<u>14,926,164</u>	<u>14,206,207</u>	<u>14,614,349</u>	<u>14,915,458</u>	<u>14,724,733</u>	<u>14,504,136</u>
(4,759,755)	(2,711,446)	(4,008,575)	(4,324,044)	(4,666,076)	(4,345,698)
2,171,601	3,954,702	3,171,597	1,802,475	1,921,529	2,033,147
<u>\$ (2,588,154)</u>	<u>\$ 1,243,256</u>	<u>\$ (836,978)</u>	<u>\$ (2,521,569)</u>	<u>\$ (2,744,547)</u>	<u>\$ (2,312,551)</u>

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

(continued)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Revenues and Other Changes in Net Position				
General revenues:				
Property taxes levied for:				
General purposes	\$ 1,032,357	\$ 1,068,778	\$ 1,006,765	\$ 1,366,983
Debt service	-	108,749	115,182	111,200
Franchise and public service taxes	1,349,355	1,355,646	1,225,903	1,207,173
Interest and investment earnings	14,112	7,729	24,230	11,403
Miscellaneous	921	1,432	-	-
Refund of property taxes to county	-	-	-	(74,628)
Transfers	2,258,700	2,198,455	2,145,443	2,052,719
Total governmental activities	<u>4,655,445</u>	<u>4,740,789</u>	<u>4,517,523</u>	<u>4,674,850</u>
Business-type activities:				
Interest and investment earnings	68,822	43,146	48,664	56,716
Miscellaneous	77,406	76,076	108,784	101,797
Transfers	(2,258,700)	(2,198,455)	(2,145,443)	(2,052,719)
Total business-type activities	<u>(2,112,472)</u>	<u>(2,079,233)</u>	<u>(1,987,995)</u>	<u>(1,894,206)</u>
Total primary government	<u>2,542,973</u>	<u>2,661,556</u>	<u>2,529,528</u>	<u>2,780,644</u>
Change in Net Position				
Governmental activities	(1,463,632)	(2,157,296)	929,733	(707,658)
Business-type activities	154,895	1,051,291	300,210	(494,068)
Total primary government change in net position	<u>(1,308,737)</u>	<u>(1,106,005)</u>	<u>1,229,943</u>	<u>(1,201,726)</u>
Net Position Beginning				
Governmental activities (previous reported)	12,541,772	14,699,068	15,874,311	16,581,969
Business-type activities (previous reported)	24,888,845	23,861,961	24,729,701	25,223,769
Total primary government net position-beginning	<u>37,430,617</u>	<u>38,561,029</u>	<u>40,604,012</u>	<u>41,805,738</u>
Governmental activities change from GASB 68	-	-	(2,104,976)	
Business-type activities change from GASB 68	-	-	(1,167,950)	
Prior Period Adjustment	6,419,223	-24,407		
Net Position Ending				
Governmental activities	11,078,140	12,541,772	14,699,068	15,874,311
Business-type activities	25,043,740	24,913,252	23,861,961	24,729,701
Total Primary Government Net Position	<u>\$ 42,541,103</u>	<u>\$ 37,430,617</u>	<u>\$ 38,561,029</u>	<u>\$ 40,604,012</u>

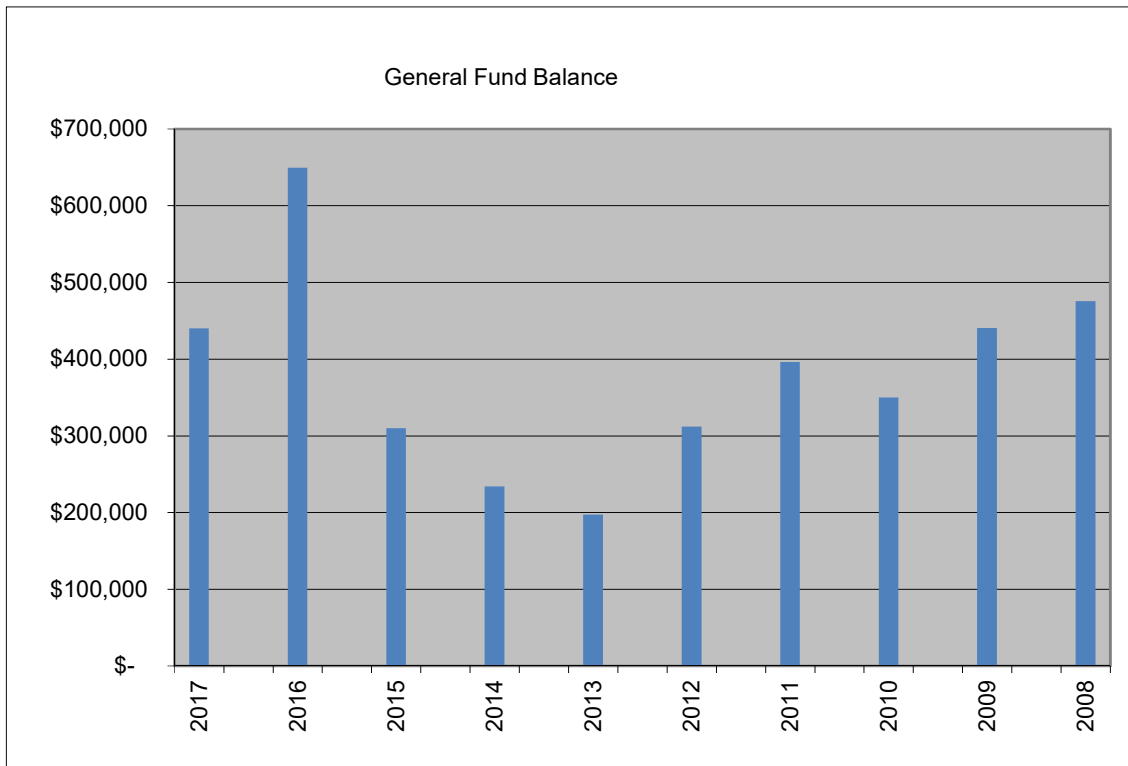
Source: Current and prior years' financial statements

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

<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,345,542	\$ 1,300,370	\$ 1,306,981	\$ 1,220,853	\$ 1,149,719	\$ 1,097,027
107,869	102,450	98,765	100,702	99,308	107,325
1,168,930	1,180,027	1,118,199	1,112,511	1,133,425	1,076,014
9,343	9,458	9,376	12,720	34,599	49,745
-	-	-	-	-	7,302
-	-	-	-	-	-
1,964,986	1,908,008	1,908,197	1,838,830	1,828,298	1,794,577
<u>4,596,670</u>	<u>4,500,313</u>	<u>4,441,518</u>	<u>4,285,616</u>	<u>4,245,349</u>	<u>4,131,990</u>
55,155	56,844	68,562	105,100	210,793	239,948
116,893	130,631	82,865	81,469	67,519	106,332
(1,964,986)	(1,908,008)	(1,908,197)	(1,838,830)	(1,828,298)	(1,794,577)
<u>(1,792,938)</u>	<u>(1,720,533)</u>	<u>(1,756,770)</u>	<u>(1,652,261)</u>	<u>(1,549,986)</u>	<u>(1,448,297)</u>
2,803,732	2,779,780	2,684,748	2,633,355	2,695,363	2,683,693
(163,085)	1,788,867	432,943	(38,428)	(420,727)	(213,708)
378,663	2,234,169	1,414,827	150,214	371,543	584,850
<u>215,578</u>	<u>4,023,036</u>	<u>1,847,770</u>	<u>111,786</u>	<u>(49,184)</u>	<u>371,142</u>
16,745,054	14,956,187	14,523,244	14,561,672	14,982,399	15,196,107
24,845,106	22,610,937	21,196,110	21,045,896	20,674,353	20,089,503
<u>41,590,160</u>	<u>37,567,124</u>	<u>35,719,354</u>	<u>35,607,568</u>	<u>35,656,752</u>	<u>35,285,610</u>
16,581,969	16,745,054	14,956,187	14,523,244	14,561,672	14,982,399
25,223,769	24,845,106	22,610,937	21,196,110	21,045,896	20,674,353
<u>\$ 41,805,738</u>	<u>\$41,590,160</u>	<u>\$37,567,124</u>	<u>\$ 35,719,354</u>	<u>\$35,607,568</u>	<u>\$ 35,656,752</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Nonspendable	\$ -	\$ 141,774	\$ -	\$ 30,645
Committed	0	0	158	157
Restricted	326,370	357,807		
Assigned	113,751	149,651	243,818	203,207
Unassigned	-	-	65,921	-
Total general fund	<u>\$ 440,121</u>	<u>\$ 649,232</u>	<u>\$ 309,897</u>	<u>\$ 234,009</u>
All Other Governmental Funds				
Nonspendable	\$0	\$0	\$410,595	\$628,846
Restricted	351,031	343,899	493,363	359,499
Assigned	265,558	528,995	387,174	369,572
Unassigned	-	-	(2,250)	(106,801)
Total all other governmental funds	<u>\$616,589</u>	<u>\$872,894</u>	<u>\$1,288,882</u>	<u>\$1,251,116</u>
Total governmental funds	<u>\$ 1,056,710</u>	<u>\$ 1,522,126</u>	<u>\$ 1,598,779</u>	<u>\$ 1,485,125</u>



Source: Current and prior years' financial statements

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 157	\$ 157	\$ 157	\$ 157	\$ 3,375	\$ 3,375
197,180	311,598	395,933	349,936	436,921	472,003
-	-	-	-	-	-
<u>\$ 197,337</u>	<u>\$ 311,755</u>	<u>\$ 396,090</u>	<u>\$ 350,093</u>	<u>\$ 440,296</u>	<u>\$ 475,378</u>
\$0	\$0	\$0	\$87,033	\$106,128	\$124,311
888,196	718,251	599,020	62,130	29,109	101,171
366,786	358,857	328,465	0	0	0
<u>(30,663)</u>	<u>(17,884)</u>	<u>(16,325)</u>	<u>624,427</u>	<u>546,065</u>	<u>466,294</u>
<u>\$1,224,319</u>	<u>\$1,059,224</u>	<u>\$911,160</u>	<u>\$773,590</u>	<u>\$681,302</u>	<u>\$691,776</u>
<u>\$ 1,421,656</u>	<u>\$ 1,370,979</u>	<u>\$ 1,307,250</u>	<u>\$ 1,123,683</u>	<u>\$ 1,121,598</u>	<u>\$ 1,167,154</u>

Source: Current and prior years' financial statements

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Taxes/special assessments	\$1,207,423	\$1,323,645	\$1,294,425
Intergovernmental	1,130,896	1,216,031	1,221,539
Franchise Fees	950,318	915,063	896,789
Licenses and Fines	135,602	139,165	126,866
Charges for services	128,201	149,274	183,176
Interest on Investments	14,112	7,729	24,230
Miscellaneous Revenues	113,621	100,179	101,775
Total revenues	<u>3,680,173</u>	<u>3,851,086</u>	<u>3,848,800</u>
Expenditures			
Current:			
General Government	1,817,704	1,713,108	1,619,098
Public safety	2,280,175	2,235,366	2,067,077
Culture and recreation	753,482	755,307	718,644
Public Works	540,436	475,004	471,760
Community development	279,864	340,998	269,043
Engineering	77,839	75,767	72,291
Highways and streets	284,137	268,721	238,770
Capital outlay	370,652	139,673	297,156
Debt service (principle)	-	120,000	120,000
(interest)	-	2,250	6,750
Total expenditures	<u>6,404,289</u>	<u>6,126,194</u>	<u>5,880,589</u>
Revenues over (under) expenditures	<u>(2,724,116)</u>	<u>(2,275,108)</u>	<u>(2,031,789)</u>
Other Financing Sources (Uses)			
Proceeds of refunding bonds	-	-	-
Bond discount and issue costs	-	-	-
Issuance of debt	-	-	-
Payments to refund bonds	-	-	-
Sale of assets	-	-	-
Transfers in	2,537,032	3,031,595	2,437,837
Transfers out	(278,332)	(833,140)	(292,394)
Total other financing sources (uses)	<u>2,258,700</u>	<u>2,198,455</u>	<u>2,145,443</u>
Refund of property taxes received	-	-	-
Net change in fund balances	<u>\$ (465,416)</u>	<u>\$ (76,653)</u>	<u>\$ 113,654</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>2.0%</u>	<u>2.3%</u>

Source: Current and prior years' financial statements

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

2014	2013	2012	2011	2010	2009	2008
\$1,680,489	\$1,610,543	\$1,562,666	\$1,540,352	\$1,466,365	\$ 1,378,479	\$ 1,342,420
989,589	1,323,223	3,258,023	1,659,343	1,300,145	824,597	1,020,054
873,574	851,657	857,718	837,455	831,770	842,884	810,960
137,197	174,527	182,097	195,409	187,921	140,489	189,247
158,916	178,220	168,070	181,935	176,726	187,846	199,301
11,404	9,344	9,460	9,374	12,723	34,600	49,745
112,623	98,839	103,408	101,598	97,187	99,030	88,938
<u>3,963,792</u>	<u>4,246,353</u>	<u>6,141,442</u>	<u>4,525,466</u>	<u>4,072,837</u>	<u>3,507,925</u>	<u>3,700,665</u>
1,484,678	1,454,853	1,614,651	1,432,935	1,691,005	1,401,182	1,476,112
1,994,110	2,046,083	1,966,687	1,880,750	1,890,608	1,768,188	1,747,759
724,460	734,084	709,853	701,349	667,680	663,924	665,945
454,070	438,464	439,530	400,545	387,814	390,486	458,169
424,740	400,848	330,098	322,942	288,081	319,423	232,559
88,313	91,372	82,675	92,394	85,643	100,872	87,269
232,899	234,738	221,959	193,877	211,027	261,259	279,323
261,327	531,886	2,340,165	908,342	381,653	148,754	193,998
199,117	199,230	276,985	272,822	275,049	264,137	249,815
14,700	29,104	33,119	44,147	54,025	63,554	75,502
<u>5,878,414</u>	<u>6,160,662</u>	<u>8,015,722</u>	<u>6,250,103</u>	<u>5,932,585</u>	<u>5,381,779</u>	<u>5,466,451</u>
<u>(1,914,622)</u>	<u>(1,914,309)</u>	<u>(1,874,280)</u>	<u>(1,724,637)</u>	<u>(1,859,748)</u>	<u>(1,873,854)</u>	<u>(1,765,786)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,328
2,270,399	2,185,651	2,158,214	2,156,204	2,200,958	2,096,815	2,046,118
(217,680)	(220,665)	(220,205)	(248,007)	(339,128)	(268,517)	(251,541)
<u>2,052,719</u>	<u>1,964,986</u>	<u>1,938,009</u>	<u>1,908,197</u>	<u>1,861,830</u>	<u>1,828,298</u>	<u>1,801,905</u>
(74,628)						
<u>\$ 63,469</u>	<u>\$ 50,677</u>	<u>\$ 63,729</u>	<u>\$ 183,560</u>	<u>\$ 2,082</u>	<u>\$ (45,556)</u>	<u>\$ 36,119</u>
<u>3.8%</u>	<u>4.1%</u>	<u>5.5%</u>	<u>5.9%</u>	<u>5.9%</u>	<u>6.3%</u>	<u>6.2%</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Function/Program					
Governmental activities					
General government	\$ 461,600	\$ 440,047	\$ 359,972	\$ 375,597	\$ 409,228
Public safety	50,048	34,700	52,008	42,154	68,892
Culture and recreation	371,771	337,641	377,762	363,313	340,123
Community development	-	-	-	-	-
Highways and streets	576,007	549,671	668,413	411,241	788,159
Total governmental activities	<u>1,459,426</u>	<u>1,362,059</u>	<u>1,458,155</u>	<u>1,192,305</u>	<u>1,606,402</u>
Business-type activities					
Electric	7,815,771	7,406,129	7,201,401	7,202,841	7,150,618
Water	1,274,616	1,250,626	1,262,180	1,232,534	1,296,077
Sewer	1,833,384	3,697,366	1,401,166	1,247,183	1,248,951
Solid Waste	956,558	914,084	902,070	845,996	832,589
Internal Service-Prim Bus	-	-	-	-	-
Golf Course	150,424	168,655	167,208	196,439	203,373
Total business-type activities	<u>12,030,753</u>	<u>13,436,860</u>	<u>10,934,025</u>	<u>10,724,993</u>	<u>10,731,608</u>
Total Primary government	<u><u>\$ 13,490,179</u></u>	<u><u>\$ 14,798,919</u></u>	<u><u>\$ 12,392,180</u></u>	<u><u>\$ 11,917,298</u></u>	<u><u>\$ 12,338,010</u></u>

Source: Current and prior years' financial statements

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 583,085	\$ 503,066	\$ 663,384	\$ 381,121	\$ 533,546
53,920	143,896	172,171	54,394	77,954
323,519	327,138	330,529	342,984	349,249
-	-	-	10,528	-
<u>2,601,840</u>	<u>1,031,324</u>	<u>485,297</u>	<u>357,206</u>	<u>408,796</u>
<u>3,562,364</u>	<u>2,005,424</u>	<u>1,651,381</u>	<u>1,146,233</u>	<u>1,369,545</u>
8,132,633	8,021,010	7,286,311	7,644,906	7,766,193
1,609,438	1,622,032	1,405,206	1,234,728	1,087,613
1,117,060	1,119,627	1,165,318	1,055,369	1,023,209
837,017	817,558	696,771	705,561	741,034
-	-	-	-	-
<u>190,951</u>	<u>191,720</u>	<u>188,902</u>	<u>193,389</u>	<u>203,991</u>
<u>11,887,099</u>	<u>11,771,947</u>	<u>10,742,508</u>	<u>10,833,953</u>	<u>10,822,040</u>
<u><u>\$ 15,449,463</u></u>	<u><u>\$ 13,777,371</u></u>	<u><u>\$ 12,393,889</u></u>	<u><u>\$ 11,980,186</u></u>	<u><u>\$ 12,191,585</u></u>

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

<u>Year</u>	<u>Property Taxes</u>	<u>Transient Room Taxes</u>	<u>Utility Taxes</u>
2008	1,211,508	0	130,106
2009	1,229,522	14,637	133,564
2010	1,318,530	20,094	127,741
2011	1,400,910	9,476	129,966
2012	1,402,572	24,000	136,094
2013	1,462,014	14,430	134,099
2014	1,523,708	18,121	138,660
2015	1,147,166	7,431	139,828
2016	1,151,298	26,639	145,708
2017	1,035,195	16,933	155,295

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

Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Real Market Value
2008	207,366,000	5.91	262,743,760
2009	215,951,000	5.95	307,370,747
2010	224,018,690	6.01	325,731,595
2011	229,968,793	6.14	317,670,003
2012	237,268,234	6.06	312,506,993
2013	242,266,716	6.12	309,694,430
2014	252,318,776	6.16	310,240,684
2015	259,211,080	4.44	334,986,321
2016	268,188,919	4.43	311,551,824
2017	274,904,381	3.98	351,916,966

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

DIRECT					OVERLAPPING						
Year	City of M-F General	City of M-F Bond	City of M-F Local Option	URA	Total Direct Tax Rate	Umatilla County	BMCC	School District No. 7	Misc Small Districts	Total Overlap Tax Rate	Total Tax Rate
2008	3.38	0.50	0.25	1.78	5.91	2.73	0.87	4.20	1.07	8.87	14.78
2009	3.24	0.47	0.28	1.96	5.95	2.69	0.83	4.14	1.08	8.74	14.69
2010	3.21	0.46	0.27	2.08	6.02	2.66	0.83	4.10	1.06	8.65	14.67
2011	3.15	0.43	0.26	2.30	6.14	2.61	0.82	4.03	1.05	8.51	14.65
2012	3.18	0.44	0.25	2.19	6.06	2.63	0.81	4.07	1.74	9.25	15.31
2013	3.18	0.45	0.25	2.24	6.12	2.62	0.81	4.06	1.95	9.44	15.56
2014	3.16	0.44	0.24	2.32	6.16	2.57	0.81	5.04	1.91	10.33	16.49
2015	3.75	0.46	0.23	0	4.44	3.04	0.66	5.79	2.22	11.71	16.15
2016	3.75	0.45	0.23	0	4.43	3.04	0.89	5.79	2.18	11.90	16.33
2017	3.75	0	0.23	0	3.98	2.86	0.87	5.92	2.18	11.83	15.81

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

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
<u>DIRECT:</u>			
City of Milton-Freewater	<u>\$0</u>	100%	<u>\$0</u>
<u>OVERLAPPING:</u>			
Umatilla County	120,750,000	2%	241,500
M-F Water control District	<u>2,294,250</u>	65%	<u>1,491,260</u>
Total Overlapping	<u>123,044,250</u>		<u>1,732,760</u>
Total Direct & Overlapping	<u><u>\$123,044,250</u></u>		<u><u>\$1,732,760</u></u>

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

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

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

Fiscal Year Ended June 30,	Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2007	842,086	784,195	93.13%	57,801	99.99%
2008	853,438	798,519	93.56%	54,832	99.99%
2009	862,492	796,538	92.35%	65,878	99.99%
2010	881,496	817,453	92.73%	63,849	99.98%
2011	910,660	841,495	92.40%	69,165	100.00%
2012	919,981	854,410	92.87%	65,571	100.00%
2013	939,891	883,872	94.04%	56,019	100.00%
2014	966,322	906,661	93.83%	28,867	96.81%
2015	972,018	945,969	97.32%	26,049	100.00%
2016	1,005,676	948,653	94.33%	14,966	95.82%
2017	996,387	938,098	94.15%	0	94.15%

Source: Current and prior years' financial statements
Umatilla County Assessor

CITY OF
MILTON-FREEWATER, OREGON
Principal Taxpayers
January 1, 2008 to January 1, 2017

Tax Year 2016-2017

Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Earl Brown & Sons	\$ 14,346,919	1	5.22%
Cold Mountain Storage LLC	6,439,214	2	2.34%
Charter Communications	4,437,000	3	1.61%
Sykes Realty Inc	3,921,840	4	1.43%
Stadelman Fruit, Co.	3,101,841	5	1.13%
Milton-Freewater Holdings LLC	2,936,960	6	1.07%
Freewater Oregon LLC	2,624,370	7	0.95%
Key Meadowbrook Village	2,585,850	8	0.94%
Verizon Wireless VAW LLC	2,388,000	9	0.87%
Cub Investors LLC	1,703,490	10	0.62%
	\$ 44,485,484		16.18%
Total Assessed Valuation	\$ 274,904,381		

Tax year 2007-2008

Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Blue Mountain Growers, Inc.	\$ 7,475,340	1	3.60%
Earl E Brown & Sons	7,274,190	2	3.51%
Sykes Realty Inc	4,591,340	3	2.21%
Key Meadowbrook Village	2,498,220	4	1.20%
G Miller (trustee)	2,294,070	5	1.11%
Freewater Oregon LLC	2,085,120	6	1.01%
US West Communications	1,712,500	7	0.83%
Stadelman Fruit Co	1,636,480	8	0.79%
Cub Investors LLC	1,527,910	9	0.74%
Seaquist Paul R	1,206,640	10	0.58%
	\$ 32,301,810		15.58%
Total Assessed Valuation	\$ 207,366,068		

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

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment	Loans Payable	Revenue Bonds	Loans Payable			
2008	850,000	15,021	861,514	285,000	2,428,589	4,440,124	N/A	678
2009	760,000	7,602	696,167	235,000	2,126,268	3,825,037	N/A	581
2010	665,000	-	524,132	185,000	1,798,344	3,172,476	N/A	485
2011	565,000	-	350,635	125,000	1,639,570	2,680,205	N/A	380
2012	460,000	-	178,650	65,000	1,297,978	2,001,628	N/A	284
2013	350,000	-	89,184	-	875,405	1,314,589	N/A	186
2014	240,000	-	0	-	605,069	845,069	N/A	120
2015	120,000	-	-	-	723,557	843,557	N/A	119
2016	-	-	-	-	1,631,050	1,631,050	N/A	231
2017	-	-	-	-	1,564,514	1,564,514	N/A	221

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

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

Fiscal Year	Population	Gross Bonded Debt	Total Taxable Assessed Value (000)'s	Percentage of Debt to Value of Property	Net Bonded Debt Per Capita
2008	6,550	850,000	207,366	0.44%	130
2009	6,580	760,000	215,951	0.39%	116
2010	6,545	665,000	224,051	0.34%	102
2011	7,045	565,000	229,968	0.29%	80
2012	7,055	460,000	237,268	0.24%	65
2013	7,050	350,000	242,266	0.18%	50
2014	7,060	240,000	252,318	0.13%	34
2015	7,060	120,000	259,211	0.05%	17
2016	7,070	-	268,188	0.00%	0
2017	7,070	-	274,904	0.00%	0

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Real market value	\$ 351,916,966	\$ 311,551,824	\$ 334,986,321	\$ 310,240,684
Debt limit rate	3%	3%	3%	3%
Debt limit	10,557,509	9,346,555	10,049,590	9,307,221
Less general bonded debt June 30,	-	-	120,000	240,000
Legal debt margin	<u>\$ 10,557,509</u>	<u>\$ 9,346,555</u>	<u>\$ 9,929,590</u>	<u>\$ 9,067,221</u>
 Total net bonded debt applicable to the limit as a percentage of debt limit	 0.00%	 0.00%	 0.04%	 0.08%

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

2013	2012	2011	2010	2009	2008
<u>\$ 309,694,430</u>	<u>\$ 312,506,993</u>	<u>\$ 317,670,003</u>	<u>\$ 325,731,595</u>	<u>\$ 307,370,747</u>	<u>\$ 262,743,760</u>
3%	3%	3%	3%	3%	3%
<u>9,290,833</u>	<u>9,375,210</u>	<u>9,530,100</u>	<u>9,771,948</u>	<u>9,221,122</u>	<u>7,882,313</u>
<u>350,000</u>	<u>460,000</u>	<u>565,000</u>	<u>665,000</u>	<u>760,000</u>	<u>850,000</u>
<u>\$ 8,940,833</u>	<u>\$ 8,915,210</u>	<u>\$ 8,965,100</u>	<u>\$ 9,106,948</u>	<u>\$ 8,461,122</u>	<u>\$ 7,032,313</u>
0.11%	0.15%	0.18%	0.20%	0.25%	0.32%

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

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2007	6,585	1,985	\$14,353	6.10%
2008	6,550	1,978	N/A	6.18%
2009	6,580	2,050	\$13,101	8.80%
2010	6,545	2,002	\$14,712	9.60%
2011	7,045	2,050	\$15,643	10.10%
2012	7,055	2,008	\$16,355	8.35%
2013	7,050	2,061	\$16,682	8.50%
2014	7,060	2,002	\$16,752	8.45%
2015	7,060	1,910	\$16,814	8.50%
2016	7,070	1,881	\$17,161	6.10%
2017	7,070	1,724	\$17,299	6.35%

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

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

N/A Information at City level not available.

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

***2016-17**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Sykes	250	1	28
M-F Unified School District	240	2	27
Horizen Project	200	3	22
Oregon Coalition of Child Develop.	107	4	12
Earl Brown and Sons	100	5	11
	<u>897</u>		

****2007-08**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Sykes	457	1	48
M-F Unified School District	221	2	24
Oregon Coalition of Child Develop.	106	3	11
Earl Brown and Sons	82	4	9
City of Milton-Freewater	75	5	8
	<u>941</u>		

*Business License

**Source: Oregon Department of Economic Community Development

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

Function/Program	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities:				
General government	26.33	26.70	26.38	26.66
Public safety and justice	19.78	19.78	19.81	19.68
Community services	0.70	0.70	0.70	0.70
Streets and highways	2.20	2.20	1.80	1.80
Library	3.93	3.93	3.5	3.93
Total governmental activities	<u>52.94</u>	<u>53.31</u>	<u>52.19</u>	<u>52.77</u>
Business-type activities:				
Water	2.63	2.63	2.63	2.63
Wastewater	3.45	3.45	3.45	3.45
Sanitation	3.09	3.09	2.84	2.84
Golf Course	1.69	1.69	1.94	1.94
Electric	10.05	10.05	10.15	9.70
Total business-type activities	<u>20.91</u>	<u>20.91</u>	<u>21.01</u>	<u>20.56</u>
Total primary government budgeted FTE	<u>73.85</u>	<u>74.22</u>	<u>73.20</u>	<u>73.33</u>
City of Milton-Freewater Employees				
Management and exempt	<u>12.34</u>	<u>12.34</u>	<u>12.34</u>	<u>11.42</u>
Temporary employees	<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>
Total Employees in Six Bargaining Units (Clerical, Teamsters, Police, Linemen, Dept Heads, Supervisory/Tech)	<u>73.85</u>	<u>74.22</u>	<u>73.20</u>	<u>73.33</u>
Volunteer employees	<u>27</u>	<u>27</u>	<u>27</u>	<u>30</u>

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
27.23	27.21	27.19	27.34	28.14	28.37
19.86	19.86	19.93	19.93	19.43	19.93
0.70	0.70	0.70	0.75	0.75	0.60
1.80	1.80	1.80	1.80	2.28	2.28
3.93	3.93	3.93	3.93	3.85	3.85
<u>53.52</u>	<u>53.5</u>	<u>53.55</u>	<u>53.75</u>	<u>54.45</u>	<u>55.03</u>
2.63	2.63	2.63	2.63	2.63	2.63
3.45	3.45	3.45	3.45	3.27	3.10
2.84	2.84	2.84	2.84	2.54	2.71
1.94	1.94	1.94	1.94	1.94	1.94
9.70	9.70	9.70	9.60	9.60	9.60
<u>20.56</u>	<u>20.56</u>	<u>20.56</u>	<u>20.46</u>	<u>19.98</u>	<u>19.98</u>
<u>74.08</u>	<u>74.06</u>	<u>74.11</u>	<u>74.21</u>	<u>74.43</u>	<u>75.01</u>
<u>11.42</u>	<u>11.42</u>	<u>12.69</u>	<u>12.69</u>	<u>12.69</u>	<u>12.41</u>
<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>	<u>47</u>
<u>74.08</u>	<u>74.06</u>	<u>86.80</u>	<u>86.90</u>	<u>87.12</u>	<u>87.42</u>
<u>33</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>43</u>	<u>48</u>

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

FUNCTION/PROGRAM	2017	2016	2015	2014
Governmental Activities:				
Public Safety and Justice				
Police (1)				
Calls for service	6,155	4,068	6,212	5,613
Number of arrests	367	459	649	661
Municipal Court				
Traffic Cases (Non-Criminal)	480	483	606	535
Traffic Cases (Criminal)	57	55	54	32
Criminal Cases	58	59	128	198
Other Violations	63	62	71	62
Library				
Number of registered borrowers**	4,276	4,015	4,273	4,604
Total circulation	51,667	48,036	48,616	41,467
Public programs	158	148	133	168
Program attendance	2,919	2,381	2,637	1,199
Books added	8,509	5,432	2,088	4,172
Computer Use	4,430	5,400	4,070	
Business-type Activities:				
Water				
Average active metered connections	2,668	2,680	2,686	2,732
Average daily water consumption**	1,227,960	1,363,353	1,415,782	1,138,455

**Note in 2015 New Library Borrowers added is 378, total number is down because borrowers that no longer used the library were purged from system

**Note in 2016 books added change, now includes ebooks, DVDs & Audiobooks

(1) Police statistics are for the calendar year.
**2017 new system includes 1288 traffic stops under calls for service

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
7,712	5,730	5,788	5,833	6,357	6,531
696	666	774	762	596	847
645	675	785	717	579	665
39	33	37	122	68	68
131	71	82	96	89	103
53	65	74	69	54	33
4,248	4,308	4,069	4,483	4,526	4,588
42,177	46,365	54,211	58,105	53,821	48,136
94	116	93	100	120	145
899	915	1,178	1,440	2,077	2,833
7,573	1,443	9,913	24,379	2,390	2,682
2,715	2,682	2,687	2,774	2,766	2,798
1,387,285	1,224,094	1,226,548	1,471,902	1,454,449	1,427,167

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

FUNCTION/PROGRAM	2017	2016	2015	2014
Governmental Activities				
General Government				
Buildings owned-all structures	37	37	37	37
Vehicles/Equip (i.e. trailers, mowers)	23	23	23	23
Vehicles (i.e. cars & pick ups)-excluding police	18	18	18	18
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	17	17	17	17
Heavy Equipment (i.e. CAT, grader, etc.)	8	8	8	8
Public Safety and Justice				
Police				
Vehicular patrol units/code enforcement	10	9	8	8
Fire				
Vehicular apparatus units	9	9	8	8
Streets and Highways				
Miles of streets maintained by City:				
Paved	30.20	30.20	30.20	30.20
Unpaved	0.00	0.00	0.00	0.00
Bridges and underpasses	0	0	0	0
Business-type Activities				
Water				
Miles of water lines (estimated)	36.87	36.87	36.87	36.87
Reservoirs	3	3	3	3
Water treatment plant	0	0	0	0
Wells	7	7	7	7
Wastewater				
Treatment plant				
Miles of sewer lines (estimated)	28.23	28.23	28.23	28.23
Lift Stations	2	2	2	2
Electric				
Substations	3	3	3	3
Miles of power lines (underground)	14	14	14	14
Miles of power lines (above ground)	80	80	80	80

Source: City of Milton-Freewater Departments

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
37	37	37	37	37	37
23	23	23	23	23	23
18	18	18	17	17	17
17	17	17	16	16	16
8	8	8	8	7	6
7	7	7	7	7	7
8	8	8	8	7	7
30.20	30.20	25.25	25.25	24.75	24.75
0.00	0.00	4.95	4.95	5.45	5.45
0	0	0	0	0	0
36.87	36.87	36.87	36.87	36.87	36.87
3	3	3	3	3	3
0	0	0	0	0	0
7	7	7	7	7	7
28.23	28.23	28.23	28.23	28.23	28.23
2	2	2	2	2	2
3	3	3	3	3	3
14	14	14	14	14	14
80	80	80	80	80	80

Source: City of Milton-Freewater Departments

**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Milton-Freewater, Oregon as of and for the year ended June 30, 2017, and have issued our report thereon dated January 24, 2018.

Compliance

As part of obtaining reasonable assurance about whether the City of Milton-Freewater, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial 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:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe the City of Milton-Freewater, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

- Expenditures exceeded appropriations in the following amounts for the year ended June 30, 2017:

Senior/Disabled Transportation Fund	
Personal Services	\$ 277
Water Fund	
Capital Outlay	\$ 16,843
Solid Waste Fund	
Materials and Services	\$ 20,232
Golf Course Fund	
Materials and Services	\$ 2,176
Warehouse Fund	
Materials and Services	\$ 3,118

- As of June 30, 2017, the golf course fund had a deficit balance of \$191,919.
- In the resolutions adopting the 2016-2017 and 2017-2018 budgets, amounts reserved for future expenditures were appropriated for the Landfill Closure Reserve Fund and the Vehicle Replacement Fund, when under Oregon Budget Law such an appropriation should not be made since the initial intent is not to spend these funds.

OAR 162-10-0230 Internal Control

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

Internal control deficiencies and other matters were reported to management in separate letters dated January 24, 2018.

Restriction on Use

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

THE RBH GROUP, LLC

January 24, 2018