

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2018**

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, 2018**

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

**CITY OF MILTON-FREEWATER, OREGON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2018**

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Since 1889

CITY OF

# MILTON-FREEWATER

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

January 22, 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, 2018.

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 sixteenth year of reporting under GASB Statement No. 34, the tenth year reporting under GASB Statement No.45, the eighth year under GASB No. 54, the fourth year under GASB No. 68 and the first year under GASB No.75. 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. 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 wine growing region AVA was designated recently which highlights the distinct nature of our region and is called "The Rocks District of Milton-Freewater". We continue to see economic growth associated with this industry.

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

Food processing and packing continue 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. We have two likely housing subdivisions being proposed in the near future.

**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 2018-19 budget is for \$33,975,917. An increase of \$4,233,501 from the prior year's budget total. This increase is mainly due to inclusion of \$3,671,592 in grant dollars. There are no overall rate increases in Water, Sewer & Solid Waste funds in this budget. The Electric fund has a service availability fee increase of \$35 per month to industrial, \$10 a month fee increase to commercial customers and an overall KWH 3% rate increase. The golf course fund had an average 3% rate increase per budget.

The General Fund's balance is \$177,789 at the end of current fiscal year, a decrease of \$262,332 over last year. The decrease was mainly due to increased PERS rates, capital purchase for dispatch & 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, 2018 is \$40,402,291, a decrease of \$2,138,812, mainly due to decreased capital projects and GASB 75 implementation. Change is calculated from last year's number not restated \$. The City's cash, cash equivalents and investments as of June 30, 2018 were \$10,075,337, an increase of \$275,577, partly caused by increased return on investments.

## **MAJOR INITIATIVE**

The City will be moving forward with a 30+ year goal of making City Hall ADA accessible by putting in an elevator. This project is estimated to cost just under \$1 million and is partially funded by a grant.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

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

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

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

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

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



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

ACCOUNTING BASIS

APPLIED FUNDS

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, U.S. Treasury bills and corporate bonds. 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 2018 were \$140,171. For fiscal year June 30, 2018, the majority of surplus cash was deposited in the Oregon State Investment Pool, Lone Pine Advisory Services (Fidelity), 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 \$1,278,941 grant money received this year. The overall city is healthy financially with \$10,075,337 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, 2018**

**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
Jose Garcia	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

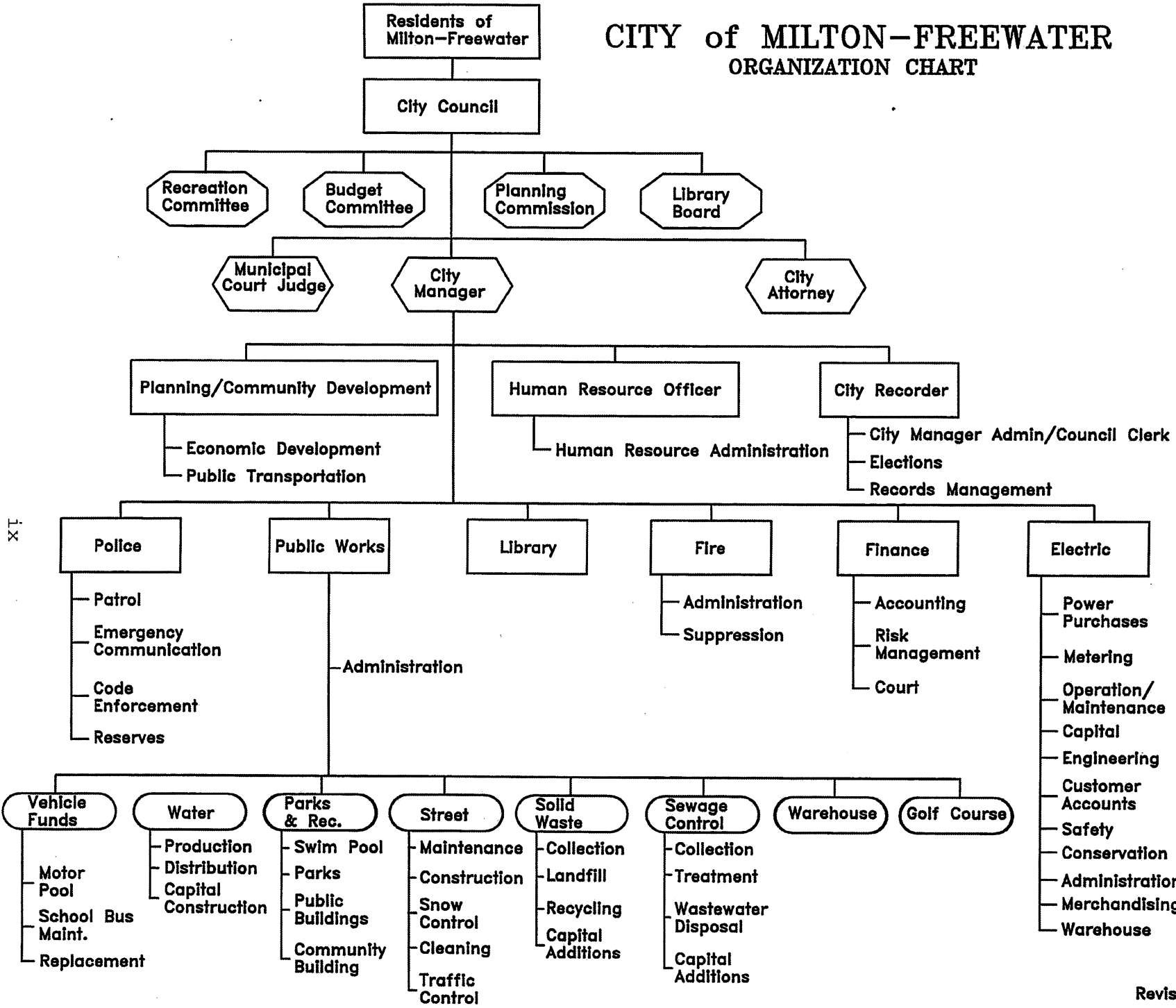
**Appointed Officials:**

Linda Hall	City Manager
Sam Tucker	Municipal Judge
David Blanc of: Corey, Byler, & Rew, LLP	City Attorney

**AGENCY ADDRESS**

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

# CITY of MILTON-FREEWATER ORGANIZATION CHART



IX

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### 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, 2018, 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, 2018, 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 adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2017. Our opinions are not modified with respect to this matter.

## **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 64 through 65, 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 22, 2019 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 control over financial reporting or on compliance.



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A Member of  
The RBH Group, LLC  
Certified Public Accountants

Pendleton, Oregon  
January 22, 2019

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

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

The management of the city of Milton-Freewater, Oregon presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2018. 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, issued by The RBH Group, LLC. Additional information outside the scope of this analysis can be found in the Letter of Transmittal. This is the sixteenth year the City is reporting under the provisions of GASB Statement No. 34, tenth year under GASB Statement No. 45, eighth year under GASB Statement No.54, the fourth year under GASB No.68 and the first year under GASB No. 75.

### **Financial Highlights**

- The City's net position at June 30, 2018 is \$40,402,291. A decrease of \$2,138,812 from the prior year, mainly due to decreased capital projects, and higher OPEB liability due to implementation of GASB No.75.
- The General Fund's fund balance is \$177,789 at the end of the current fiscal year a decrease of \$262,332 over last year. The decrease was mainly due to increased PERS rates, capital purchase for dispatch and fewer grants. General Fund revenues were \$2,695,776.
- The City's cash, cash equivalents, and investments as of June 30, 2018 are \$10,075,337 an increase of \$275,577.
- The City's 2018-19 budget is for \$33,975,917. An increase of \$4,233,501 from the prior years budget. This is mainly higher because the budget includes \$3,671,592 in grant dollars.

### **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 \$177,789. This is a \$262,332 decrease compared to last year. This was mainly a result of increased PERS rates, capital purchase for dispatch & decreased grants received. Revenues for fiscal 2018 were \$2,695,776.

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	\$ 1,004,457	37.1%
Utility Tax	156,906	5.8%
Other Taxes	22,302	.8%
Intergovernmental	242,125	9.3%
Franchise Fees	959,915	35.5%
Fines and Licenses & System Dev	112,646	4.2%
Services	92,721	3.4%
Interest	4,205	.2%
Miscellaneous	100,499	3.7%
Total	<u>\$2,695,776</u>	<u>100.0%</u>

Expenditures for the fiscal year were \$5,300,326.

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

Beginning Fund Balance	\$ 440,121	
Revenues	2,695,776	
Transfers In	<u>2,465,696</u>	5,601,593
Expenditures	5,290,326	
Transfers Out	<u>133,478</u>	
Fund Balance June 30, 2018		<u>5,423,804</u> <u>\$ 177,789</u>

Expenditures were as follows:

General Government	\$1,528,287	28.8%
Public Safety	2,359,124	44.5%
Culture and Recreation	425,284	8.0%
Public Works	518,627	9.8%
Community Development	259,166	4.9%
Engineering	87,145	1.7%
Capital Outlay	112,693	2.3%
Total	<u>\$5,290,326</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 \$390,983, an increase of \$84,190 from last year. This increase is mainly due to fewer street projects this year.

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 since 1971. 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, despite the fact the City's participation in the narcotics taskforce is very successful.

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, 2018 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>2018</u>	<u>2017</u>
Operating Revenues	\$7,976,810	\$7,691,692
Operating Expenses	6,893,784	7,193,019
Operating Income (Loss)	1,083,026	498,673
Non-operating		
Revenues (expenses)	73,333	36,043
Capital Contributions	125,402	124,079
Net Operating Transfers	<u>(1,084,796)</u>	<u>(1,040,064)</u>
Net Income (Loss)	<u>\$ 196,965</u>	<u>\$ ( 381,269)</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>2018</u>	<u>2017</u>
Operating Revenues	\$1,298,240	\$ 1,229,766
Operating Expenses	786,649	751,218
Operating Income (Loss)	511,591	478,548
Non-operating		
Revenues (expenses)	( 2,613)	( 8,177)
Capital Contributions	85,040	44,850
Net Operating Transfers	<u>(588,086)</u>	<u>(559,146)</u>
Net Income (Loss)	<u>\$ 5,932</u>	<u>\$ ( 43,925)</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>2018</u>	<u>2017</u>
Operating Revenues	\$1,225,428	\$1,201,125
Operating Expenses	778,349	776,744
Operating Income (Loss)	424,381	424,381
Non-operating		
Revenues (expenses)	20,782	17,058

Capital Contributions	101,396	582,872
Net Operating Transfers	(483,078)	(460,760)
Net Income (Loss)	<u>\$ 86,179</u>	<u>\$ 563,550</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 \$80,000 to use on well projects. The sewer fund received revenues of \$95,770 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>2018</u>	<u>2017</u>
Operating Revenues	\$1,020,736	\$956,558
Operating Expenses	726,533	689,103
Operating Income (Loss)	294,203	267,455
Non-operating		
Revenues (Expenses)	8,319	3,972
Net Operating Transfers	<u>(253,848)</u>	<u>(245,367)</u>
Net Income (Loss)	<u>\$ 48,674</u>	<u>\$ 26,060</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 \$140,754, an increase of \$5,936.

Golf Course Fund. This is the twenty ninth 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>2018</u>	<u>2017</u>
Operating Revenues	\$170,569	\$150,424
Operating Expenses	180,255	154,166
Operating Income (Loss)	( 9,686)	( 3,742)
Non-operating	-0-	-0-
Revenues (Expenses)	( 1,857)	( 1,410)
Net Operating Transfers	<u>( 100)</u>	<u>( 100)</u>
Net Income (Loss)	<u>\$ (11,643)</u>	<u>\$ ( 5,252)</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 \$56,322 an increase of \$8,045.

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 \$30,626 a decrease of \$1,357.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets over time may serve as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$40,402,291 at the close of FY18.

### City of Milton-Freewater Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 2,255,620	\$ 1,935,869	\$ 9,555,255	\$ 10,248,662	\$ 11,810,875	\$ 12,184,531
Capital assets	19,735,512	19,091,342	19,272,156	19,211,434	39,007,668	38,302,776
Total assets	<u>\$ 21,991,132</u>	<u>\$ 21,027,211</u>	<u>\$ 28,827,411</u>	<u>\$ 29,460,096</u>	<u>\$ 50,818,543</u>	<u>\$ 50,487,307</u>
Deferred Outflows:						
Contributions to PERS and OPEB	\$ 2,823,400	\$ 1,861,581	\$ 1,482,661	\$ 917,653	\$ 4,306,061	\$ 2,779,234
	<u>\$ 2,823,400</u>	<u>\$ 1,861,581</u>	<u>\$ 1,482,661</u>	<u>\$ 917,653</u>	<u>\$ 4,306,061</u>	<u>\$ 2,779,234</u>
Noncurrent liabilities	\$ 788,536	\$ 410,247	\$ 1,969,110	\$ 1,775,243	\$ 2,757,646	\$ 2,185,490
Other liabilities	5,805,212	6,118,317	3,585,886	4,043,246	9,391,098	10,161,563
Total liabilities	<u>\$ 6,593,748</u>	<u>\$ 6,528,564</u>	<u>\$ 5,554,996</u>	<u>\$ 5,818,489</u>	<u>\$ 12,148,744</u>	<u>\$ 12,347,053</u>
Deferred Inflows:						
Deferred pension and OPEB differences	\$ 285,061	\$ 339,608	\$ 149,694	\$ 177,589	\$ 434,755	\$ 517,197
	<u>\$ 285,061</u>	<u>\$ 339,608</u>	<u>\$ 149,694</u>	<u>\$ 177,589</u>	<u>\$ 434,755</u>	<u>\$ 517,197</u>
Net position:						
Invested in capital assets, net of related debt	\$ 19,735,512	\$ 19,091,342	\$ 17,707,642	\$ 17,820,977	\$ 37,443,154	\$ 36,912,319
Restricted	677,401	689,825	1,194,673	1,200,133	1,872,074	1,889,958
Unrestricted	(2,477,192)	(3,760,547)	5,703,067	5,360,561	3,225,875	1,600,014
Total net position	<u>\$ 17,935,721</u>	<u>\$ 16,020,620</u>	<u>\$ 24,605,382</u>	<u>\$ 24,381,671</u>	<u>\$ 42,541,103</u>	<u>\$ 40,402,291</u>

The largest portion of the City's net position (91%) 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.

An additional portion of the City's net position \$1,889,958 or (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balances are unrestricted net position of \$1,600,014 or 4% 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
	2017	2018	2017	2018	2017	2018	+ (-)
Revenues:							
Program revenues:							
Charges for services	\$ 336,902	\$ 326,979	\$ 11,229,565	\$ 11,691,783	\$ 11,566,467	\$ 12,018,762	\$ 452,295
Operating grants and contributions	879,631	878,399	49,387	52,497	929,018	930,896	1,878
Capital grants and contributions	242,893	26,207	751,801	311,838	994,694	338,045	(656,649)
General Revenues :Taxes	1,032,357	1,059,669	-	-	1,032,357	1,059,669	27,312
Franchise Fees	1,349,355	1,339,582	-	-	1,349,355	1,339,582	(9,773)
Other	15,033	19,891	146,228	248,400	161,261	268,291	107,030
Total revenues	\$ 3,856,171	\$ 3,650,727	\$ 12,176,981	\$ 12,304,518	\$ 16,033,152	\$ 15,955,245	\$ (77,907)
Expenses:							
General government	\$ 1,959,138	\$ 1,984,828	\$ -	\$ -	\$ 1,959,138	\$ 1,984,828	\$ 25,690
Public safety	2,445,719	2,628,204	-	-	2,445,719	2,628,204	182,485
Highways and streets	1,925,865	1,549,919	-	-	1,925,865	1,549,919	(375,946)
Culture and recreation	866,425	878,063	-	-	866,425	878,063	11,638
Community development	381,356	287,197	-	-	381,356	287,197	(94,159)
Refund of property taxes to County	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
Electric	-	-	7,341,832	7,044,097	7,341,832	7,044,097	(297,735)
Water	-	-	785,710	817,925	785,710	817,925	32,215
Sewer	-	-	825,031	837,572	825,031	837,572	12,541
Solid Waste	-	-	659,339	711,289	659,339	711,289	51,950
Golf Course	-	-	151,474	179,228	151,474	179,228	27,754
Total expenses	\$ 7,578,503	\$ 7,328,211	\$ 9,763,386	\$ 9,590,111	\$ 17,341,889	\$ 16,918,322	\$ (423,567)
Increase in net assets before transfers	\$ (3,722,332)	\$ (3,677,484)	\$ 2,413,595	\$ 2,714,407	\$ (1,308,737)	\$ (963,077)	\$ 345,660
Transfers	2,258,700	2,365,725	(2,258,700)	(2,365,725)	-	-	-
Net position, July 1	12,541,772	17,935,721	24,888,845	24,605,382	37,430,617	42,541,103	5,110,486
Change in net position	(1,463,632)	(1,311,759)	154,895	348,682	(1,308,737)	(963,077)	345,660
Prior Period Adjustment	6,857,581	-	(438,358)	-	6,419,223	-	(6,419,223)
Effect of Change for GASB 75	-	(603,342)	-	(572,393)	-	(1,175,735)	(1,175,735)
Net position, June 30	\$ 17,935,721	\$ 16,020,620	\$ 24,605,382	\$ 24,381,671	\$ 42,541,103	\$ 40,402,291	\$ (2,138,812)

#### Governmental Activities

The City's Governmental Activities received \$904,606 in operating grants, capital grants and contributions.

#### Business-type Activities

The City's Business Activities received \$364,335 in operating grants, capital grants and contributions.

#### Budgetary Highlights

Total grants received \$1,278,941. The general fund expenditures were \$532,707 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, 2018, amounts to \$36,912,319 (net of related debt). This investment in capital assets includes land, buildings, machinery and equipment, improvements and infrastructure.

As of June 30, 2018 the City General Obligation Bond is zero. The water fund for the high elevation water tower project is paid in full June 30, 2018. Sewer fund wastewater improvement loans are \$1,390,457.



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

The FY 2018-2019 budget total is \$33,975,917 for the City. This is an \$4,233,501 increase over last year's budget. This increase is mainly due to inclusion of \$3,671,592 in grant dollars.

Electric: Service Availability Fee of \$35 increased to industrial customers & \$10 increase to commercial customers per month was implemented and a 3% overall KWH 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 sixteenth year the City is reporting under GASB No.34, the tenth year of reporting under GASB No.45, the eighth year reporting under GASB No.54, fourth year of GASB No.68 and first year under GASB No. 75. 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**

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**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 554,551	\$ 5,954,699	\$ 6,509,250
Investments	306,881	3,259,206	3,566,087
Receivables:			
Accounts, net	202,326	1,163,565	1,365,891
Fines and Forfeitures, net	83,843	-	83,843
Property taxes	60,725	-	60,725
Weatherization loans	-	105,248	105,248
Internal balances	727,543	(727,543)	-
Inventories	-	493,487	493,487
Capital assets:			-
Land	352,290	753,069	1,105,359
Construction in progress	61,936	35,104	97,040
Depreciable assets, net of depreciation	18,677,116	18,423,261	37,100,377
Total assets	<u>21,027,211</u>	<u>29,460,096</u>	<u>50,487,307</u>
<b>Deferred Outflows:</b>			
Deferred outflows related to pension and OPEB	<u>1,861,581</u>	<u>917,653</u>	<u>2,779,234</u>
Total assets and deferred outflows of resources	<u>\$ 22,888,792</u>	<u>\$ 30,377,749</u>	<u>\$ 53,266,541</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	208,918	638,408	847,326
Accrued interest payable	-	31,164	31,164
Customer deposits	-	204,441	204,441
Net pension liability	4,684,034	2,261,055	6,945,089
Other post employment benefits liability	1,013,019	761,805	1,774,824
Long-term obligations:			
Due within one year	212,346	146,373	358,719
Due in more than one year	410,247	1,775,243	2,185,490
Total liabilities	<u>6,528,564</u>	<u>5,818,489</u>	<u>12,347,053</u>
<b>Deferred inflows:</b>			
Deferred inflows related to pension and OPEB	<u>339,608</u>	<u>177,589</u>	<u>517,197</u>
<b>Net Position:</b>			
Net investment in capital assets	19,091,342	17,820,977	36,912,319
Restricted for:			-
Highways and streets	390,983	-	390,983
Culture and recreation	65,066	-	65,066
System development	2,258	1,198,093	1,200,351
Debt service	361	-	361
Urban renewal	231,157	-	231,157
Landfill closure costs	-	2,040	2,040
Unrestricted	(3,760,547)	5,360,561	1,600,014
Total net position	<u>16,020,620</u>	<u>24,381,671</u>	<u>40,402,291</u>
Total liabilities, deferred inflows, and net position	<u>\$ 22,888,792</u>	<u>\$ 30,377,749</u>	<u>\$ 53,266,541</u>

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

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2018**

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	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 1,984,828	\$ 222,300	\$ 154,588	\$ 157	\$ (1,607,783)	\$ -	\$ (1,607,783)
Public safety	2,628,204	-	52,680	25,000	(2,550,524)	-	(2,550,524)
Culture and recreation	878,063	103,563	215,179	1,050	(558,271)	-	(558,271)
Public works	532,213	-	-	-	(532,213)	-	(532,213)
Community development	287,197	-	-	-	(287,197)	-	(287,197)
Engineering	93,101	-	-	-	(93,101)	-	(93,101)
Highways and streets	924,605	1,116	455,952	-	(467,537)	-	(467,537)
Total governmental activities	<u>7,328,211</u>	<u>326,979</u>	<u>878,399</u>	<u>26,207</u>	<u>(6,096,626)</u>	<u>-</u>	<u>(6,096,626)</u>
<b>Business-type activities:</b>							
Electric	7,044,097	7,976,810	-	125,402	-	1,058,115	1,058,115
Water	817,925	1,298,240	-	85,040	-	565,355	565,355
Sewer	837,572	1,225,428	52,497	101,396	-	541,749	541,749
Solid waste	711,289	1,020,736	-	-	-	309,447	309,447
Golf course	179,228	170,569	-	-	-	(8,659)	(8,659)
Total business-type activities	<u>9,590,111</u>	<u>11,691,783</u>	<u>52,497</u>	<u>311,838</u>	<u>-</u>	<u>2,466,007</u>	<u>2,466,007</u>
Total government	<u>\$ 16,918,322</u>	<u>\$ 12,018,762</u>	<u>\$ 930,896</u>	<u>\$ 338,045</u>	<u>(6,096,626)</u>	<u>2,466,007</u>	<u>(3,630,619)</u>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes							
					1,059,669	-	1,059,669
Franchise and public service taxes							
					1,339,582	-	1,339,582
Interest and investment earnings							
					14,507	125,664	140,171
Miscellaneous							
					5,384	98,097	103,481
Gain (Loss) on sale of property							
					-	24,639	24,639
<b>Transfers</b>							
					2,365,725	(2,365,725)	-
Total general receipts and transfers							
					4,784,867	(2,117,325)	2,667,542
Change in net position							
					(1,311,759)	348,682	(963,077)
<b>Net position - beginning as previously reported</b>							
					17,935,721	24,605,382	42,541,103
<b>Effect of change for implementation of GASB 75</b>							
					(603,342)	(572,393)	(1,175,735)
<b>Net position - beginning, as restated</b>							
					17,332,379	24,032,989	41,365,368
<b>Net position - ending</b>							
					<u>\$ 16,020,620</u>	<u>\$ 24,381,671</u>	<u>\$ 40,402,291</u>

## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

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

#### **Street 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, 2018**

	General Fund	Street Improvement Fund	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,786	\$ 93,316	\$ 411,449	\$ 554,551
Investments	20,712	52,904	233,265	306,881
Receivables:				
Property taxes	57,013	-	3,712	60,725
Accounts	100,004	200	102,122	202,326
Fines and forfeitures, net	83,843	-	-	83,843
Due from other funds	60,059		2,589	62,648
Advances to other funds	141,774	-	-	141,774
	<b>Total assets</b>	<b>\$ 146,420</b>	<b>\$ 753,137</b>	<b>\$ 1,412,748</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 182,582	\$ -	\$ 26,336	\$ 208,918
	<b>Total liabilities</b>	<b>-</b>	<b>26,336</b>	<b>208,918</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	152,820	-	6,453	159,273
	<b>Total deferred inflows of resources</b>	<b>-</b>	<b>6,453</b>	<b>159,273</b>
 <b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	141,774	-	-	141,774
Restricted	91,641	-	456,410	548,051
Assigned	-	146,420	263,938	410,358
Unassigned	(55,626)	-	-	(55,626)
	<b>Total fund balances</b>	<b>146,420</b>	<b>720,348</b>	<b>1,044,557</b>
	<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 146,420</b>	<b>\$ 753,137</b>	<b>\$ 1,412,748</b>

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, 2018**

**Fund balances - total governmental funds** \$ 1,044,557

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

PERS net pension liability, 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

Net pension liability	(4,684,034)
Deferred outflows after measurement date	1,790,919
Deferred inflows of assumed and actual investment earnings and City's proportionate share	(288,943)

Other post employment benefits liability, 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

Other post employment benefits liability	(1,013,019)
Deferred outflows after measurement date	70,662
Deferred inflows from changes of assumptions or inputs	(50,665)

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds. 19,091,342

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 52,719

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements. 106,554

Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds. (265,433)

PERS accrued transition liabilities are not due and payable in the current period, and, therefore, are not reported in the funds. (357,160)

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. 523,121

**Net position of governmental activities** \$ 16,020,620

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, 2018**

	General Fund	Street Improvement Fund	Other Governmental Funds	Totals
<b>REVENUES</b>				
Property taxes	\$ 1,004,457	\$ -	\$ 58,893	\$ 1,063,350
Utility tax	156,906		-	156,906
Other taxes	22,302		-	22,302
Franchise fees	959,915		-	959,915
Licenses and fees	22,087	1,116	-	23,203
Charges for services	92,721	-	11,510	104,231
Intergovernmental	242,125	152,337	861,971	1,256,433
Fines and forfeitures	89,509	-	4,189	93,698
System development charges	1,050	-	-	1,050
Interest on investments	4,205	1,775	8,528	14,508
Miscellaneous	100,499	-	16,638	117,137
<b>Total revenues</b>	<b>2,695,776</b>	<b>155,228</b>	<b>961,729</b>	<b>3,812,733</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,528,287	-	241,029	1,769,316
Public safety	2,359,124	-	17,737	2,376,861
Culture and recreation	425,284	-	347,633	772,917
Public works	518,627		-	518,627
Community development	259,166	-	-	259,166
Engineering	87,145		-	87,145
Highways and streets	-	-	278,656	278,656
Capital outlay	112,693	9,722	5,508	127,923
<b>Total Expenditures</b>	<b>5,290,326</b>	<b>9,722</b>	<b>890,563</b>	<b>6,190,611</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,594,550)</b>	<b>145,506</b>	<b>71,166</b>	<b>(2,377,878)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,465,696	-	131,878	2,597,574
Transfers out	(133,478)	-	(98,371)	(231,849)
<b>Total other financing sources (uses)</b>	<b>2,332,218</b>	<b>-</b>	<b>33,507</b>	<b>2,365,725</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(262,332)</b>	<b>145,506</b>	<b>104,673</b>	<b>(12,153)</b>
<b>FUND BALANCE (DEFICIT), Beginning</b>	<b>440,121</b>	<b>914</b>	<b>615,675</b>	<b>1,056,710</b>
<b>FUND BALANCE (DEFICIT), Ending</b>	<b>\$ 177,789</b>	<b>\$ 146,420</b>	<b>\$ 720,348</b>	<b>\$ 1,044,557</b>

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



**CITY OF MILTON-FREEWATER, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2018**

**Net change in fund balance - governmental funds** \$ (12,153)

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	(4,966)
Property tax receivables	(3,682)
State revenue sharing receivable	(1,020)
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	(25,848)
Change in other postemployment benefits	(22,353)
Change in PERS transition liability	16,132

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	153,009
Depreciation expense	(797,179)

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.

(499,042)

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.

37,680

**Change in net position of governmental activities**

\$ (1,311,759)

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 1,027,690	\$ 1,027,690	\$ 1,004,457	\$ (23,233)
Utility tax	141,000	141,000	156,906	15,906
Other taxes	15,310	15,310	22,302	6,992
Franchise fees	939,774	939,774	959,915	20,141
Licenses and fees	17,100	17,100	22,087	4,987
Charges for services	127,200	127,200	92,721	(34,479)
Intergovernmental	213,860	260,302	242,125	(18,177)
Fines and forfeitures	127,100	127,100	89,509	(37,591)
System development charges	200	200	1,050	850
Interest on investments	8,418	8,418	4,205	(4,213)
Miscellaneous	171,100	171,100	100,499	(70,601)
<b>TOTAL REVENUES</b>	<u>2,788,752</u>	<u>2,835,194</u>	<u>2,695,776</u>	<u>(139,418)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,568,390	1,591,265	1,528,287	62,978
Public safety	2,593,825	2,608,280	2,359,124	249,156
Culture and recreation	488,834	488,834	425,284	63,550
Public works	602,926	609,826	518,627	91,199
Community development	286,439	286,439	259,166	27,273
Engineering	108,777	108,777	87,145	21,632
Capital outlay	62,400	121,300	112,693	8,607
Contingency	75,000	18,312	-	18,312
<b>TOTAL EXPENDITURES</b>	<u>5,786,591</u>	<u>5,833,033</u>	<u>5,290,326</u>	<u>542,707</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,997,839)</u>	<u>(2,997,839)</u>	<u>(2,594,550)</u>	<u>403,289</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	40,000	40,000	-	(40,000)
Transfers in	2,465,696	2,465,696	2,465,696	-
Transfers out	(133,478)	(133,478)	(133,478)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,372,218</u>	<u>2,372,218</u>	<u>2,332,218</u>	<u>(40,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(625,621)	(625,621)	(262,332)	363,289
<b>FUND BALANCE, Beginning</b>	<u>625,621</u>	<u>625,621</u>	<u>440,121</u>	<u>(185,500)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,789</u>	<u>\$ 177,789</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and fees	\$ 500	\$ 500	\$ 1,116	\$ 616
Intergovernmental	172,000	172,000	152,337	(19,663)
Interest on investments	500	500	1,775	1,275
<b>TOTAL REVENUES</b>	<u>173,000</u>	<u>173,000</u>	<u>155,228</u>	<u>(17,772)</u>
<b>EXPENDITURES</b>				
Capital outlay	277,446	277,446	9,722	267,724
<b>TOTAL EXPENDITURES</b>	<u>277,446</u>	<u>277,446</u>	<u>9,722</u>	<u>267,724</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(104,446)</u>	<u>(104,446)</u>	<u>145,506</u>	<u>249,952</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(104,446)</u>	<u>(104,446)</u>	<u>145,506</u>	<u>249,952</u>
<b>FUND BALANCE, Beginning</b>	<u>104,446</u>	<u>104,446</u>	<u>914</u>	<u>(103,532)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,420</u>	<u>\$ 146,420</u>

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

## **FUND FINANCIAL STATEMENTS**

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### **Proprietary Funds**

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

Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of the electric, water, sewer, solid waste 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, 2018**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Totals</b>	<b>Business-Type</b>
	<b>All Electric Funds</b>	<b>Water Fund</b>	<b>All Sewer Funds</b>	<b>Other Enterprise Funds</b>		<b>Activities - Internal Service Funds</b>
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 3,483,425	\$ 139,465	\$ 993,716	\$ 442,099	\$ 5,058,705	\$ 481,661
Investments	1,535,068	-	-	250,641	1,785,709	273,070
Restricted cash and cash equivalents	204,442	-	-	-	204,442	-
<b>Receivables:</b>						
Accounts	697,434	181,504	153,734	113,240	1,145,912	17,653
Due from other funds	-	887	171	299	1,357	31,375
Inventories	445,929	33,810	4,006	-	483,745	9,742
<b>Total current assets</b>	<b>6,366,298</b>	<b>355,666</b>	<b>1,151,627</b>	<b>806,279</b>	<b>8,679,870</b>	<b>813,501</b>
<b>Noncurrent assets:</b>						
Restricted cash and cash equivalents	-	50,115	69,948	89,828	209,891	-
Restricted investments	438,992	107,480	603,029	50,926	1,200,427	-
Weatherization loans	105,248	-	-	-	105,248	-
<b>Capital assets:</b>						
Land	112,628	16,313	512,442	111,686	753,069	-
Construction in progress	13,984	-	-	21,120	35,104	-
Depreciable assets, net of depreciation	6,965,503	4,298,948	5,860,541	144,192	17,269,184	1,154,077
<b>Total noncurrent assets</b>	<b>7,636,355</b>	<b>4,472,856</b>	<b>7,045,960</b>	<b>417,752</b>	<b>19,572,923</b>	<b>1,154,077</b>
<b>Total assets</b>	<b>14,002,653</b>	<b>4,828,522</b>	<b>8,197,587</b>	<b>1,224,031</b>	<b>28,252,793</b>	<b>1,967,578</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Deferred outflows related to pension	464,408	85,003	131,898	124,628	805,937	111,716
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	529,787	16,518	17,803	45,102	609,210	29,198
Accrued interest payable	-	-	29,864	1,300	31,164	-
Due to other funds	-	-	-	64,005	64,005	31,375
Current portion of long-term debt	65,048	1,677	42,349	27,756	136,830	9,543
<b>Total current liabilities (unrestricted)</b>	<b>594,835</b>	<b>18,195</b>	<b>90,016</b>	<b>138,163</b>	<b>841,209</b>	<b>70,116</b>
<b>Current liabilities (payable from restricted assets):</b>						
Deposits	204,441	-	-	-	204,441	-
<b>Total current liabilities</b>	<b>799,276</b>	<b>18,195</b>	<b>90,016</b>	<b>138,163</b>	<b>1,045,650</b>	<b>70,116</b>
<b>Noncurrent liabilities</b>						
Advances from other funds	-	-	-	141,774	141,774	-
<b>Long-term debt, net of current portion:</b>						
Due to Bonneville Power Administration	56,035	-	-	-	56,035	-
Landfill closure liability	-	-	-	138,714	138,714	-
Notes and contracts payable	-	-	1,353,320	-	1,353,320	-
Net pension liability	1,165,891	181,292	334,623	302,128	1,983,934	277,121
Transition liability	102,579	18,936	26,960	23,388	171,863	28,002
Compensated absences payable	16,261	420	1,303	6,939	24,923	2,386
Other postemployment benefits	267,156	224,892	56,709	130,475	679,232	82,573
<b>Total noncurrent liabilities</b>	<b>1,607,922</b>	<b>425,540</b>	<b>1,772,915</b>	<b>743,418</b>	<b>4,549,795</b>	<b>390,082</b>
<b>Total liabilities</b>	<b>2,407,198</b>	<b>443,735</b>	<b>1,862,931</b>	<b>881,581</b>	<b>5,595,445</b>	<b>460,198</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred pension differences	85,282	22,431	23,479	25,172	156,364	21,225
<b>NET POSITION</b>						
Net investment in capital assets	7,092,115	4,315,261	4,982,526	276,998	16,666,900	1,154,077
Restricted for system development	367,522	157,595	672,976	-	1,198,093	-
Restricted for landfill closure	-	-	-	2,040	2,040	-
Unrestricted	4,514,944	(25,497)	787,573	162,868	5,439,888	443,794
<b>Total net position</b>	<b>\$ 11,974,581</b>	<b>\$ 4,447,359</b>	<b>\$ 6,443,075</b>	<b>\$ 441,906</b>	<b>\$ 23,306,921</b>	<b>\$ 1,597,871</b>

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, 2018**

**Net position - total enterprise funds** \$ 23,306,921

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	\$	475,823	
Investments		274,026	
Accounts receivable, net		17,653	
Inventories		9,742	
Internal balances		(523,121)	
Capital assets, net		1,154,077	
Deferred outflows - contributions to PERS		111,716	
Accounts payable and accrued expenses		(24,316)	
Compensated absences		(11,929)	
Deferred inflows - pension differences		(21,225)	
Net pension liability		(277,121)	
PERS transition liability		(28,002)	
Other postemployment benefits		(82,573)	
		1,074,750	1,074,750

**Net position of business-type activities** \$ 24,381,671

**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>				Totals	Business-Type Activities - Internal Service Funds
	All Electric Funds	Water Fund	All Sewer Funds	Other Enterprise Funds		
<b>OPERATING REVENUES</b>						
Charges for services	\$ 7,651,919	\$ 1,296,193	\$ 1,223,792	\$ 1,155,842	\$ 11,327,746	\$ 722,383
Farm income	-	-	52,497	-	52,497	-
Miscellaneous	324,891	2,047	1,636	35,463	364,037	41,217
<b>Total operating revenues</b>	<b>7,976,810</b>	<b>1,298,240</b>	<b>1,277,925</b>	<b>1,191,305</b>	<b>11,744,280</b>	<b>763,600</b>
<b>OPERATING EXPENSES</b>						
Personal services	1,159,408	305,401	337,919	416,010	2,218,738	326,440
Materials and services	5,474,146	332,919	285,751	492,848	6,585,664	289,838
Depreciation	260,230	148,329	154,679	5,762	569,000	161,158
<b>Total operating expenses</b>	<b>6,893,784</b>	<b>786,649</b>	<b>778,349</b>	<b>914,620</b>	<b>9,373,402</b>	<b>777,436</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,083,026</b>	<b>511,591</b>	<b>499,576</b>	<b>276,685</b>	<b>2,370,879</b>	<b>(13,836)</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>						
Gain (loss) on disposal of capital assets	-	(3,333)	-	-	(3,333)	27,972
Interest on investments	78,750	4,519	21,804	11,472	116,545	9,119
Interest expense	(5,417)	(3,799)	(53,519)	(3,074)	(65,809)	(1,287)
<b>Total non-operating income (expenses)</b>	<b>73,333</b>	<b>(2,613)</b>	<b>(31,715)</b>	<b>8,398</b>	<b>47,403</b>	<b>35,804</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,156,359</b>	<b>508,978</b>	<b>467,861</b>	<b>285,083</b>	<b>2,418,281</b>	<b>21,968</b>
<b>CAPITAL CONTRIBUTIONS</b>						
System development charges	125,402	85,040	101,396	-	311,838	-
<b>TRANSFERS</b>						
Transfers in	10,444	-	323,156	6,000	339,600	136,787
Transfers out	(1,095,240)	(588,086)	(806,234)	(255,948)	(2,745,508)	(96,604)
<b>CHANGE IN NET POSITION</b>	<b>196,965</b>	<b>5,932</b>	<b>86,179</b>	<b>35,135</b>	<b>324,211</b>	<b>62,151</b>
<b>NET POSITION, Beginning</b>	<b>11,982,833</b>	<b>4,579,089</b>	<b>6,436,483</b>	<b>485,909</b>	<b>23,484,314</b>	<b>1,606,509</b>
<b>Restatement</b>	<b>(205,217)</b>	<b>(137,662)</b>	<b>(79,587)</b>	<b>(79,138)</b>	<b>(501,604)</b>	<b>(70,789)</b>
<b>NET POSITION, Beginning of, as restated</b>	<b>11,777,616</b>	<b>4,441,427</b>	<b>6,356,896</b>	<b>406,771</b>	<b>22,982,710</b>	<b>1,535,720</b>
<b>NET POSITION, Ending</b>	<b>\$ 11,974,581</b>	<b>\$ 4,447,359</b>	<b>\$ 6,443,075</b>	<b>\$ 441,906</b>	<b>\$ 23,306,921</b>	<b>\$ 1,597,871</b>

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, 2018**

**Change in net position - total enterprise funds** \$ 324,211

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.

24,471

**Change in net position of business-type activities** \$ 348,682



**CITY OF MILTON-FREEWATER, OREGON**  
**STATEMENT OF OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	All Electric Funds	Water Fund	All Sewer Funds	Other Enterprise Funds	Totals	Business-Type Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 7,882,423	\$ 1,274,358	\$ 1,267,468	\$ 1,171,518	\$ 11,595,767	\$ 97,894
Receipts from interfund services provided	-	-	-	-	-	663,922
Payments to suppliers	(4,609,596)	(198,167)	(118,037)	(215,835)	(5,141,635)	(293,680)
Payments to employees	(1,164,720)	(253,378)	(332,756)	(344,666)	(2,095,520)	(292,200)
Payments for interfund services used	(723,984)	(140,942)	(169,503)	(246,907)	(1,281,336)	-
<b>Net cash provided from (used by) operating activities</b>	<u>1,384,123</u>	<u>681,871</u>	<u>647,172</u>	<u>364,110</u>	<u>3,077,276</u>	<u>175,936</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Advances from other funds	-	-	-	18,722	18,722	31,375
Advances to other funds	-	(887)	(171)	(299)	(1,357)	(31,375)
Transfers in	10,444	-	323,156	6,000	339,600	136,787
Transfers out	(1,095,240)	(588,086)	(806,234)	(255,948)	(2,745,508)	(96,604)
<b>Net cash provided from (used by) non-capital financing activities</b>	<u>(1,084,796)</u>	<u>(588,973)</u>	<u>(483,249)</u>	<u>(231,525)</u>	<u>(2,388,543)</u>	<u>40,183</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Weatherization program	(4,756)	-	-	-	(4,756)	-
System development charges	125,402	85,040	101,396	-	311,838	-
Acquisition of capital assets	(327,828)	(52,805)	(20,046)	(154,157)	(554,836)	(133,532)
Principal paid on long-term obligations	-	(138,067)	(35,989)	-	(174,056)	-
Interest paid on long-term obligations	(5,417)	(7,883)	(54,175)	(2,822)	(70,297)	(1,287)
<b>Net cash provided from (used by) capital and related financing activities</b>	<u>(212,599)</u>	<u>(113,715)</u>	<u>(8,814)</u>	<u>(156,979)</u>	<u>(492,107)</u>	<u>(100,454)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net sales (purchases) of investments	2,892	9,057	(52,532)	13,147	(27,436)	(39,353)
Interest on investments	78,750	4,519	21,804	11,472	116,545	9,119
<b>Net Cash provided (used) by investing activities</b>	<u>81,642</u>	<u>13,576</u>	<u>(30,728)</u>	<u>24,619</u>	<u>89,109</u>	<u>(30,234)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>168,370</u>	<u>(7,241)</u>	<u>124,381</u>	<u>225</u>	<u>285,735</u>	<u>85,431</u>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>3,487,622</u>	<u>193,796</u>	<u>930,452</u>	<u>526,407</u>	<u>5,138,277</u>	<u>390,392</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 3,655,992</u>	<u>\$ 186,555</u>	<u>\$ 1,054,833</u>	<u>\$ 526,632</u>	<u>\$ 5,424,012</u>	<u>\$ 475,823</u>
<b>COMPRISED AS FOLLOWS</b>						
Cash and cash equivalents	3,451,550	136,397	989,334	437,315	5,014,596	475,823
Restricted cash and cash equivalents	204,442	50,158	65,499	89,317	409,416	-
	<u>\$ 3,655,992</u>	<u>\$ 186,555</u>	<u>\$ 1,054,833</u>	<u>\$ 526,632</u>	<u>\$ 5,424,012</u>	<u>\$ 475,823</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>						
Operating income (loss)	\$ 1,083,026	\$ 511,591	\$ 499,576	\$ 276,685	\$ 2,370,878	\$ (13,836)
Adjustments to reconcile operating income(loss) to net cash						
Depreciation	260,230	148,329	154,679	5,762	569,000	161,158
(Increase) decrease in assets:						
Receivables	(116,086)	(23,882)	(10,457)	(19,787)	(170,212)	(1,784)
Deferred pension differences	2,148	(20,525)	47,106	38,535	67,264	44,789
Inventories	(79,764)	(5,794)	38	-	(85,520)	(3,451)
Increase (decrease) in liabilities:						
Deposits	21,699	-	-	-	21,699	-
Accounts payable and accrued expenses	220,330	(396)	(1,827)	30,106	248,213	(7,364)
Compensated absences payable	21,364	2,097	3,714	3,788	30,963	3,445
PERS transition liability	(4,015)	(625)	(1,152)	(1,040)	(6,832)	(955)
Other postemployment benefits	(24,809)	71,076	(44,505)	30,061	31,823	(6,066)
<b>Net cash provided from operating activities</b>	<u>\$ 1,384,123</u>	<u>\$ 681,871</u>	<u>\$ 647,172</u>	<u>\$ 364,110</u>	<u>\$ 3,077,276</u>	<u>\$ 175,936</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF MILTON-FREEWATER**  
**NOTES TO THE BASIC FINANCIAL**  
**STATEMENTS JUNE 30, 2018**

**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. Management has chosen to report this fund as a major fund again this year for consistency, as it was required to do so in the prior year.

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. \$67,096 of interest was incurred during the year, none of which 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, 2018, the City implemented the following GASB pronouncements:

GASB Statement No. 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

## **G. Pending Accounting Pronouncements**

The following GASB pronouncements have been issued, but are not effective as of June 30, 2018:

GASB Statement No. 87, "Leases". This statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for the fiscal year ending June 30, 2021.

GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Debt Borrowings and Direct Placements". This statement was issued April 2018 to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 will be effective for the City for the fiscal year ending June 30, 2019.

GASB Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period". This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the City for the fiscal year ending June 30, 2021.

## 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, 2018, 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:

<b>Golf Course Fund</b>	
Materials and Services	<u>\$ 6,309</u>
Capital Outlay	<u>\$ 11,620</u>
<b>Vehicle Maintenance Fund</b>	
Transfers Out	<u>\$ 2</u>

### C. Deficit Fund Balances

Funds having a deficit fund balance at June 30, 2018 are as follows:

Golf Course Fund \$(208,583)

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, 2018. 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, 2018, the carrying amount of the City deposits, including certificates of deposit and money market accounts was \$1,000,973 and the bank balance was \$1,160,053. All deposits are held in the name of the City. Of the bank balance, \$764,309 was covered by federal depository insurance and \$395,744 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](http://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, 2018:

Investments Measured at Fair Value:	Totals as of 6/30/2018	Fair Value Measurements Using			Cost Measurement
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Using
		Level One	Level Two	Level Three	Not measured at Fair Value
US Government Agency Obligations	\$ 2,029,658	\$ 2,029,658	\$ -	\$ -	\$ -
Corporate Bonds	1,039,871	-	1,039,871	-	-
Time/Interest Bearing Deposits	581,343	-	-	-	581,343
Local Government Investment Pool	5,886,223	-	-	-	5,886,223
<b>Total investments</b>	<b>\$ 9,537,095</b>	<b>\$ 2,029,658</b>	<b>\$ 1,039,871</b>	<b>\$ -</b>	<b>\$ 6,467,566</b>

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, 2018, 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	\$ 5,886,223
Money Market Investments	1 day	84,770
US Government Agency Obligations (Rating Aaa)	Less than 1 year	1,226,690
US Government Agency Obligations (Rating Aaa)	1 to 3 years	802,953
Corporate Bonds (Rating 85% AA, 15% A)	Less than 1 year	673,884
Corporate Bonds (Rating 27% AA, 73% A)	1 to 3 years	365,987
		<u>9,040,507</u>
Less amounts classified as cash equivalents		<u>(5,970,993)</u>
Total subject to investment risk		3,069,514
Time Certificates of Deposit	Less than 1 year	<u>496,573</u>
Total investments for financial reporting purposes		<u>\$ 3,566,087</u>

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

Carrying amounts of deposits	\$ 538,257
Local Government Investment Pool	5,886,223
Money Market Investments	<u>84,770</u>
Total cash and cash equivalents	<u>\$ 6,509,250</u>

Restricted cash and investments at June 30, 2018 consist of the following:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental activities			
System development	\$ -	\$ 2,258	\$ 2,258
Streets	227,571	129,018	356,589
Debt service	230	131	361
Urban Renewal	<u>88,083</u>	<u>-</u>	<u>88,083</u>
Total governmental activities	<u>315,884</u>	<u>131,407</u>	<u>447,291</u>
Business-type activities:			
Customer deposits	204,442	-	204,442
System development	120,063	1,149,501	1,269,564
Landfill closure costs	<u>89,828</u>	<u>50,926</u>	<u>140,754</u>
Total business-tupe activities	<u>414,333</u>	<u>1,200,427</u>	<u>1,614,760</u>
Total restricted cash and investments	<u>\$ 730,217</u>	<u>\$ 1,331,834</u>	<u>\$ 2,062,051</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	\$ 57,013	\$ -	\$ 3,712	\$ 60,725
Accounts	100,004	200	102,122	202,326
Fines and Forfeitures	209,606	-	-	209,606
Allowance for doubtful accounts	<u>(125,763)</u>	<u>-</u>	<u>-</u>	<u>(125,763)</u>
Total receivables	<u>\$ 240,860</u>	<u>\$ 200</u>	<u>\$ 105,834</u>	<u>\$ 346,894</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, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 337,290	\$ -	\$ -	\$ -	\$ 337,290
Easements	15,000	-	-	-	15,000
Construction in progress	43,818	18,118	-	-	61,936
Total capital assets, not being depreciated	396,108	18,118	-	-	414,226
Capital assets, being depreciated					
Machinery and equipment	483,434	115,870	-	-	599,304
Buildings and improvements	5,201,978	19,021	-	-	5,220,999
Infrastructure	26,298,504	-	-	-	26,298,504
Total capital assets, being depreciated	31,983,916	134,891	-	-	32,118,807
Accumulated depreciation for:					
Machinery and equipment	(288,908)	(54,619)	-	-	(343,527)
Buildings and improvements	(3,379,226)	(84,225)	-	-	(3,463,451)
Infrastructure	(8,976,378)	(658,335)	-	-	(9,634,713)
Total accumulated depreciation	(12,644,512)	(797,179)	-	-	(13,441,691)
Total capital assets, being depreciated, net	19,339,404	(662,288)	-	-	18,677,116
Governmental activities capital assets, net	\$ 19,735,512	\$ (644,170)	\$ -	\$ -	\$ 19,091,342

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

General Government	\$ 52,386
Public Safety	26,784
Culture and recreation	74,468
Highways and streets	643,541
Total depreciation expense - governmental activities	<u>\$ 797,179</u>

Capital asset activity for the business-type activities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 753,069	\$ -	\$ -	\$ -	\$ 753,069
Construction in progress	60,321	35,104	-	(60,321)	35,104
Total capital assets, not being depreciated	813,390	35,104	-	(60,321)	788,173
Capital assets, being depreciated					
Machinery and equipment	5,941,817	373,673	(88,553)	-	6,226,937
Buildings and improvements	32,737,774	279,591	-	60,321	33,077,686
Total capital assets, being depreciated	38,679,591	653,264	(88,553)	60,321	39,304,623
Accumulated depreciation for:					
Machinery and equipment	(4,220,448)	(224,075)	69,621	-	(4,374,902)
Buildings and improvements	(16,000,377)	(506,083)	-	-	(16,506,460)
Total accumulated depreciation	(20,220,825)	(730,158)	69,621	-	(20,881,362)
Total capital assets, being depreciated, net	18,458,766	(76,894)	(18,932)	60,321	18,423,261
Business-type activities capital assets, net	<u>\$ 19,272,156</u>	<u>\$ (41,790)</u>	<u>\$ (18,932)</u>	<u>\$ -</u>	<u>\$ 19,211,434</u>

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

Electric	\$ 260,230
Water	148,329
Sewer	154,679
Solid Waste	5,762
Vehicle Replacement	161,158
Total depreciation expense - business-type activities	<u>\$ 730,158</u>

#### D. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes 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 two items that qualify for reporting in this category. The first is the deferred amounts relating to pensions. The second is the deferred amounts relating to other post employment benefits (OPEB). Both of these amounts are deferred and recognized as an outflow of resources in the period when the City recognizes each respective expense/expenditure. 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 will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items



that qualify for reporting in this category. Other than deferred inflows related to pensions (see discussion below) and OPEB 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	\$ 49,846	\$ -	\$ 2,873	\$ 52,719
Accounts	19,131	-	-	19,131
Fines and forfeitures	83,843	-	-	83,843
Assessments / Accounts	-	-	3,580	3,580
	<u>\$ 152,820</u>	<u>\$ -</u>	<u>\$ 6,453</u>	<u>\$ 159,273</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. 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 carried an interest rate of 5.01% per annum and was payable from Water Fund revenues in annual installments over 20 years. The note was paid in full at June 30, 2018

### 2. 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 was grant monies and the remaining \$1,305,000 was 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 began December 1, 2017.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2019	\$ 32,793	\$ 50,301
2020	34,089	49,006
2021	35,435	47,660
2022	36,835	46,260
2023	38,290	44,805
2024-2028	215,367	200,106
2029-2033	261,396	154,076
2034-2038	317,266	98,208
2039-2042	301,981	30,398
	<u>\$ 1,273,452</u>	<u>\$ 720,820</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 began December 1, 2017.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2019	\$ 4,344	\$ 1,170
2020	4,388	1,127
2021	4,432	1,083
2022	4,476	1,038
2023	4,521	994
2024-2028	23,291	4,281
2029-2033	24,479	3,094
2034-2038	25,729	1,844
2039-2043	21,345	533
	<u>\$ 117,005</u>	<u>\$ 15,164</u>

### 3. 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:

	<u>Original Amount</u>	<u>Outstanding June 30, 2017</u>	<u>Decrease</u>	<u>Outstanding June 30, 2018</u>
Golf course irrigation system note, interest at 1%, principal and interest due annually on August 1, due 2020	\$ 195,846	\$ 141,774	\$ -	\$ 141,774

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 <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 27,439	\$ 1,418
2020	27,714	1,143
2021	<u>86,621</u>	<u>866</u>
	<u>\$ 141,774</u>	<u>\$ 3,427</u>

#### 4. 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, 2018.

#### 5. 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 \$138,714 reported as landfill closure liability in the landfill closure fund at June 30, 2018, 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 \$370,432 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 37.45% and the City expects to close the landfill in the year 2075, which means a remaining estimated life of 57 years.

## 6. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Other postemployment benefits	\$ 1,032,364	\$ -	\$ 19,345	\$ 1,013,019	\$ -
Net pension liability (asset)	5,221,356	-	537,322	4,684,034	-
PERS transition liability	373,292	-	16,132	357,160	-
Compensated absences	239,584	25,849	-	265,433	212,346
Governmental activity Long-term obligations	<u>\$ 6,866,596</u>	<u>\$ 25,849</u>	<u>\$ 572,799</u>	<u>\$ 6,319,646</u>	<u>\$ 212,346</u>
<b>Business-type activities:</b>					
Notes Payable	\$ 1,564,514	\$ -	\$ 174,057	\$ 1,390,457	\$ 37,137
Weatherization Program-Due to BPA	56,035	-	-	56,035	-
Landfill Closure Liability	130,882	7,832	-	138,714	-
Total debt	1,751,431	7,832	174,057	1,585,206	37,137
Other postemployment benefits	782,829	-	21,024	761,805	-
Net pension liability (asset)	2,741,906	-	480,851	2,261,055	-
PERS transition liability	207,652	-	7,787	199,865	-
Compensated absences	102,136	34,409	-	136,545	109,236
Business-type activity Long-term obligations	<u>\$ 5,585,954</u>	<u>\$ 42,241</u>	<u>\$ 683,719</u>	<u>\$ 4,944,476</u>	<u>\$ 146,373</u>

## F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Golf Course	\$ 141,774

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Golf Course	\$ 60,059
Street	Golf Course	2,589
Water	Golf Course	887
Sewer	Golf Course	171
Solid	Golf Course	299
Vehicle Replacement	Risk Management	<u>31,375</u>

Total \$ 95,380

As described in note E.3, 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 between the General Fund and the Golf Course Fund is due to periodic cash flow needs of the Golf Course related to its current deficit fund balance. In addition, the Risk Management Fund received an insurance reimbursement for a vehicle that was totaled and replaced with a new vehicle purchased by the Vehicle Replacement Fund. These funds are to reimburse the Vehicle Replacement Fund for this purchase. All other interfund borrowing during the year was related to the construction of capital additions.

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 \$2,365,725.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ 2,465,696	\$ 133,478
Other governmental funds	131,878	98,371
Business-type activities		
Electric	10,444	1,095,240
Water	-	588,086
Sewer	323,156	806,234
Other enterprise funds	6,000	255,948
Internal service funds	<u>136,787</u>	<u>96,604</u>
	<u>\$ 3,073,961</u>	<u>\$ 3,073,961</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, 2018 were as follows:

	General Fund	Street Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Fund Balance</b>				
<b>Nonspendable:</b>				
Advances to other funds	\$ 141,774	\$ -	\$ -	\$ 141,774
<b>Restricted for:</b>				
Streets and Parks	-	-	390,983	390,983
Library	-	-	65,066	65,066
Urban Renewal	89,383	-	-	89,383
Debt Service	-	-	361	361
System Development	2,258	-	-	2,258
<b>Assigned to:</b>				
Streets	-	146,420	-	146,420
Transportation programs	-	-	225,576	225,576
911 Service	-	-	38,353	38,353
Drug enforcement	-	-	9	9
<b>Unassigned:</b>	(55,626)	-	-	(55,626)
<b>Total Fund Balance</b>	<u>\$ 177,789</u>	<u>\$ 146,420</u>	<u>\$ 720,348</u>	<u>\$ 1,044,557</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 \$287,254 for the year ended June 30, 2018.

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**

For the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multiple Employer Plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It 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.

The OPEB for the City combines three separate plans. The City provides certain health care benefits for retired employees. The City also provides an implicit rate subsidy for retiree Health Insurance Continuation (HIC) premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan Retirement Health Insurance Account.

### **Post-Employment Health Care Benefits**

#### **Plan Description**

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. 75 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.

**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.

### **Health Insurance Continuation**

#### **Plan Description**

The City is required by Oregon Revised Statutes 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, which is considered a single employer plan. Although the City does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the City for this implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. A separate, audited GAAP-basis postemployment benefit plan report is not available for this plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of statement 75. The City had 3 retired members and 76 active members in its plan on July 1, 2016, the date of its most recent actuarial valuation.

#### **Outline of Plan Provisions**

There are certain provisions that must be met in order for OPEB benefits to be eligible to retirees which are listed below:

- The retiree must be eligible to receive benefits from Oregon PERS.
- Eligibility requirements for earliest retirement under Oregon PERS are: 1) the earlier of age 55, or any age with 30 years of service for Tier 1 or Tier 2 employees and; 2) age 55 with 5 years of service for OPSRP employees.
- All classes of employee are eligible to continue medical benefit coverage upon retirement.



- Qualified spouse, domestic partner, and children may qualify for coverage.
- Coverage for retirees and eligible dependents continues until Medical eligibility for each individual (or until dependent children become ineligible).
- The retirees will contribute the full health plan premiums.
- There is an implicit rate subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than they would be if the retirees were in a separately rated health plan.

**Total OPEB Liability**

The City’s total OPEB liability of \$1,774,824 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016.

**Actuarial assumptions and other inputs**

The total OPEB liability for the City’s explicit employer benefit and its implicit employer subsidy in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent per year
Discount Rate	3.58 percent
Projected Salary Increases	3.50 percent per year
Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance as of June 30, 2017	\$ 1,815,193
Changes for the year:	
Service cost	114,786
Interest on total OPEB liability	53,469
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(100,146)
Benefit payments	(108,478)
Balance as of June 30, 2018	<u>\$ 1,774,824</u>

*Sensitivity of the total OPEB liability to changes in the discount and trend rates.* The following presents the total OPEB liability of the City's, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,911,506	\$ 1,774,824	\$ 1,648,202

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage-point lower or 1-percentagepoint higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,599,418	\$ 1,774,824	\$ 1,982,924

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$33,072. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or inputs	-	88,777
Contributions subsequent to the MD	123,812	-
Total	<u>\$ 123,812</u>	<u>\$ 88,777</u>

\$123,812 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

	<u>Annual Recognition</u>
Year ended June 30:	
2019	\$ 11,380
2020	11,380
2021	11,380
2022	11,380
2023	11,380
Thereafter	31,877

## **PERS Retirement Health Insurance Account (RHIA)**

### **Plan Description**

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer other postemployment defined benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 503-598-7377.

### **Benefits Provided**

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 costs of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in the 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 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.

### **Contributions**

PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's contributions to RHIA for the years ended June 30, 2018 and 2017 were \$21,119 and \$18,987, which equaled the required contributions each year.

### **OPEB Assets, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the City had an asset of \$17,704 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, determined by an actuarial valuation as of December 31, 2015, rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the City's proportionate share was 0.0424% which is a decrease from its proportion of 0.0426% as of June 30, 2016.

For the year ended June 30, 2018, the City deemed all amounts related to RHIA (including any related prior period adjustments) to be immaterial and no amounts were recorded in the financial statements for this portion of the City's other post employment benefits. At June 30, 2018, the City had the following deferred items related to this OPEB plan from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 8,199	\$ -
Changes of assumptions or inputs	82	-
Contributions subsequent to the MD	-	21,119
<b>Total</b>	<b>\$ 8,281</b>	<b>\$ 21,119</b>

For the year ended June 30, 2018, the City had OPEB expense from this plan of \$83. Deferred outflows of resources related to OPEB of \$21,199 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	Annual Allocation
Year ended June 30:	
2019	\$ (2,062)
2020	(2,062)
2021	(2,058)
2022	(2,049)

#### **Actuarial Assumptions and Other Inputs**

Actuarial methods and assumptions are consistent with those disclosed in the OPERS Pension Plan. See Note F for additional information on Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

#### **Sensitivity of the Total OPEB Asset (liability) to changes in the discount rate**

The following presents the City's total OPEB asset, as well as what the asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease	Current Discount Rate (7.50%)	1% Increase
Total RHIA OPEB asset (liability)	\$ (2,468)	\$ 17,704	\$ 34,861

#### **OPEB Plan Fiduciary Net Position**

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

## **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, 2015 actuarial valuation, which became effective June 30, 2017. Employer contributions for the year ended June 30, 2018 totaled \$1,035,492, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 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, 20.35 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.

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

At June 30, 2018, the City reported a liability of \$6,945,089 for its proportionate share of the OPERS net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension

liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2018. 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, 2018, the City's proportion was 0.05152%, which is a decrease of 0.05304% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense (income) of \$626,129. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 335,867	\$ -
Changes of assumptions	1,265,966	-
Net difference between projected and actual earnings on investments	71,551	-
Changes in proportion	-	373,346
Differences between employer contributions and proportionate share of contributions	203,858	55,074
Total (prior to post-MD contributions)	<u>1,877,242</u>	<u>428,420</u>
Contributions subsequent to the MD	<u>778,180</u>	<u>-</u>
Total	<u>\$ 2,655,422</u>	<u>\$ 428,420</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	
FY2019	\$ 1,204,826	FY2019	\$ 133,524
FY2020	426,646	FY2020	132,433
FY2021	426,646	FY2021	109,751
FY2022	426,646	FY2022	45,514
FY2023	170,658	FY2023	7,198
Total	<u>\$ 2,655,422</u>	Total	<u>\$ 428,420</u>

#### **Actuarial assumptions.**

The employer contribution rates effective July 1, 2015, through June 30, 2017 and effective July 1, 2017, through June 30, 2019, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
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 graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
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 2015 experience study which reviewed experience for the four-year period ending on December 31, 2015.

**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)	\$ 11,835,698	\$ 6,945,088	\$ 2,855,632

### **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, 2017 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, 2018. Major projects in progress at June 30, 2018 are as follows:

The City received a donation of playground equipment during the prior fiscal year, which had not been installed as of June 30, 2017. The value of the donated equipment was \$37,998. An additional \$7,870 was spent during the fiscal year ending June 30, 2018. The equipment has not yet been installed as of June 30, 2018.

The City continued engineering work on a project to install an ADA elevator at City Hall. Costs incurred to date totaled \$6,380 and construction on the project is anticipated to begin in the fiscal year ending June 30, 2019.

The City began design engineering for a sidewalk for the newly constructed school. Costs incurred to date totaled \$9,688. Construction is anticipated to begin in the fiscal year ending June 30, 2019.

The City began the construction of a new ADA ramp, concrete sidewalk and patio area and the golf course. Costs incurred to date totaled \$21,120 and the project is anticipated to be completed in the fiscal year ending June 30, 2019.

The City began several electrical upgrade projects in town that were not completed prior to June 30, 2018. Costs incurred to date on these projects was estimated at \$13,984. The projects are anticipated to be completed in the fiscal year ending June 30, 2019.

## **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, 2018.

**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, 2018 was \$141,774. In addition, the Golf Fund owes the General Fund \$1,300 in accrued interest on the loan.

**K. Subsequent Events**

The City awarded a contract to purchase a new continuous Chain Roll-Off Truck in the amount of \$202,475.

The City authorized signing of a Finance Loan Agreement with Community Bank for the City Hall Elevator Project in an amount not to exceed \$500,000

**L. Change in Accounting Principle**

Based on the implementation of GASB Statement No. 75, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. The City’s OPEB liability increased \$1,284,213 and a deferred outflow of \$108,478 is included as part of the cumulative effect of restatement and a decrease in beginning net position of \$1,175,735 as of July 1, 2017. The total impact on the statements of net position at June 30, 2018 results in an increase in OPEB liability of \$1,243,844 an increase in deferred outflows of \$123,801, an increase in deferred inflows of \$88,766, and a decrease to unrestricted net position of \$1,208,807. The impact on the statement of revenues, expenses and changes in net position for the year ended June 30, 2018 includes an increase in benefits expense of \$33,072 and a decrease in the change in net position of \$33,072.

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)	\$17,935,721	\$24,605,382	\$42,541,103
Cumulative effect of change in accounting principle	(603,342)	(572,393)	(1,175,735)
Net position - beginning (as restated)	<u>\$17,332,379</u>	<u>\$24,032,989</u>	<u>\$41,365,368</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MILTON-FREEWATER, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2018**

**Oregon Public Employees Retirement System - Schedule of the City's Contributions  
Last Three Fiscal Years<sup>1</sup>**

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
2018	\$ 778,180	\$ 778,180	\$ -	\$ 4,309,636	18.06%
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%

<sup>1</sup> 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 Years<sup>1</sup>**

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
2018	0.05152%	\$ 6,945,089	\$ 3,942,528	176.16%	80.50%
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%

<sup>1</sup> 10-year trend information required by GASB 68 will be presented prospectively

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MILTON-FREEWATER**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Changes in Benefit Terms**

There were no significant changes in benefit terms in the current period.

**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**

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## COMBINING STATEMENTS

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### Non-Major Governmental Funds

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

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

**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, 2018**

	Special Revenue		
	Street	Library	Senior/ Disabled Transportation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 227,572	\$ 44,251	\$ 120,723
Investments	129,018	25,088	68,442
Receivables:			
Property taxes	-	-	3,712
Accounts	44,587	4,915	43,517
Due from other funds	2,589	-	-
<b>Total assets</b>	<b>\$ 403,766</b>	<b>\$ 74,254</b>	<b>\$ 236,394</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 9,203	\$ 9,188	\$ 7,945
<b>Total liabilities</b>	<b>9,203</b>	<b>9,188</b>	<b>7,945</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	3,580	-	2,873
<b>Total deferred inflows of resources</b>	<b>3,580</b>	<b>-</b>	<b>2,873</b>
<b>FUND BALANCES (DEFICIT)</b>			
Restricted	390,983	65,066	-
Assigned	-	-	225,576
<b>Total fund balances</b>	<b>390,983</b>	<b>65,066</b>	<b>225,576</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 403,766</b>	<b>\$ 74,254</b>	<b>\$ 236,394</b>

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	\$ 18,667	\$ 230	\$ 411,449
3	10,583	131	233,265
-	-	-	3,712
-	9,103	-	102,122
-	-	-	2,589
<u>\$ 9</u>	<u>\$ 38,353</u>	<u>\$ 361</u>	<u>\$ 753,137</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,336</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>26,336</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,453</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,453</u>
-	-	361	456,410
9	38,353	-	263,938
9	38,353	361	720,348
<u>\$ 9</u>	<u>\$ 38,353</u>	<u>\$ 361</u>	<u>\$ 753,137</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, 2018**

	Special Revenue		
	Street	Library	Senior/ Disabled Transportation
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ 58,893
Charges for services	-	5,839	5,671
Intergovernmental	455,953	215,179	154,670
Fines and forfeitures	-	4,189	-
Interest on investments	4,390	921	2,877
Miscellaneous	634	16,004	-
<b>Total revenues</b>	<b>460,977</b>	<b>242,132</b>	<b>222,111</b>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	241,029
Public safety	-	-	-
Culture and recreation	-	347,633	-
Highways and streets	278,656	-	-
Capital outlay	-	4,948	560
<b>Total Expenditures</b>	<b>278,656</b>	<b>352,581</b>	<b>241,589</b>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	182,321	(110,449)	(19,478)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	131,878	-
Transfers out	(98,131)	(240)	-
<b>Total other financing sources (uses)</b>	<b>(98,131)</b>	<b>131,638</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>84,190</b>	<b>21,189</b>	<b>(19,478)</b>
<b>FUND BALANCE (DEFICIT), Beginning</b>	<b>306,793</b>	<b>43,877</b>	<b>245,054</b>
<b>FUND BALANCE (DEFICIT), Ending</b>	<b>\$ 390,983</b>	<b>\$ 65,066</b>	<b>\$ 225,576</b>

<u>Special Revenue</u>		<u>Debt Service</u>		
<u>Drug Enforcement</u>	<u>911</u>	<u>Special Assessments</u>	<u>Totals</u>	
\$ -	\$ -	\$ -	\$ 58,893	
-	-	-	11,510	
-	36,169	-	861,971	
-	-	-	4,189	
-	340	-	8,528	
-	-	-	16,638	
-	36,509	-	961,729	
-	-	-	241,029	
-	17,737	-	17,737	
-	-	-	347,633	
-	-	-	278,656	
-	-	-	5,508	
-	17,737	-	890,563	
-	18,772	-	71,166	
-	-	-	131,878	
-	-	-	(98,371)	
-	-	-	33,507	
-	18,772	-	104,673	
9	19,581	361	615,675	
\$ 9	\$ 38,353	\$ 361	\$ 720,348	

## COMBINING STATEMENTS

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### Non-Major Enterprise Funds

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

- *Solid Waste* – accounts for the City's solid waste program, collection of solid waste from residents, and the operation of the City's landfill.
- *Landfill Closure* – accounts for a reserve to fund anticipated closure and post-closure care costs for the City's landfill.
- *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, 2018**

	Solid Waste	Landfill Closure	Golf Course	Totals
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 442,099	\$ -	\$ -	\$ 442,099
Investments	250,641	-	-	250,641
Receivables:				
Accounts	113,240	-	-	113,240
Due from other funds	299	-	-	299
<b>Total current assets</b>	<b>806,279</b>	<b>-</b>	<b>-</b>	<b>806,279</b>
Noncurrent assets:				
Restricted cash and cash equivalents	-	89,828	-	89,828
Restricted investments	-	50,926	-	50,926
Capital assets:				
Land	50,000	-	61,686	111,686
Construction in progress	-	-	21,120	21,120
Depreciable assets, net of depreciation	144,192	-	-	144,192
<b>Total noncurrent assets</b>	<b>194,192</b>	<b>140,754</b>	<b>82,806</b>	<b>417,752</b>
<b>Total assets</b>	<b>1,000,471</b>	<b>140,754</b>	<b>82,806</b>	<b>1,224,031</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred outflows related to pension	108,377	-	16,251	124,628
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	42,298	-	2,804	45,102
Accrued interest payable	-	-	1,300	1,300
Due to other funds	-	-	64,005	64,005
Current portion of long-term debt	23,108	-	4,648	27,756
<b>Total current liabilities</b>	<b>65,406</b>	<b>-</b>	<b>72,757</b>	<b>138,163</b>
Advances from other funds	-	-	141,774	141,774
Long-term debt, net of current portion:				
Landfill closure liability	-	138,714	-	138,714
Net pension liability	261,965	-	40,163	302,128
Transition liability	17,811	-	5,577	23,388
Compensated absences payable	5,777	-	1,162	6,939
Other postemployment benefits	117,789	-	12,686	130,475
<b>Total noncurrent liabilities</b>	<b>403,342</b>	<b>138,714</b>	<b>201,362</b>	<b>743,418</b>
<b>Total liabilities</b>	<b>468,748</b>	<b>138,714</b>	<b>274,119</b>	<b>881,581</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension differences	22,050	-	3,122	25,172
<b>NET POSITION</b>				
Net investment in capital assets	194,192	-	82,806	276,998
Restricted for landfill closure	-	2,040	-	2,040
Unrestricted	423,858	-	(260,991)	162,868
<b>Total net position</b>	<b>\$ 618,050</b>	<b>\$ 2,040</b>	<b>\$ (178,184)</b>	<b>\$ 441,906</b>

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, 2018**

	<u>Solid Waste</u>	<u>Landfill Closure</u>	<u>Golf Course</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,000,401	\$ -	\$ 155,441	\$ 1,155,842
Miscellaneous	20,335	-	15,128	35,463
<b>Total operating revenues</b>	<u>1,020,736</u>	<u>-</u>	<u>170,569</u>	<u>1,191,305</u>
<b>OPERATING EXPENSES</b>				
Personal services	342,798	-	73,212	416,010
Materials and services	377,973	7,832	107,043	492,848
Depreciation	5,762	-	-	5,762
<b>Total operating expenses</b>	<u>726,533</u>	<u>7,832</u>	<u>180,255</u>	<u>914,620</u>
<b>OPERATING INCOME (LOSS)</b>	<u>294,203</u>	<u>(7,832)</u>	<u>(9,686)</u>	<u>276,685</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Interest on investments	9,536	1,936	-	11,472
Interest expense	(1,217)	-	(1,857)	(3,074)
<b>Total non-operating income (expenses)</b>	<u>8,319</u>	<u>1,936</u>	<u>(1,857)</u>	<u>8,398</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>302,522</u>	<u>(5,896)</u>	<u>(11,543)</u>	<u>285,083</u>
<b>TRANSFERS</b>				
Transfers in	2,000	4,000	-	6,000
Transfers out	(255,848)	-	(100)	(255,948)
<b>Total transfers</b>	<u>(253,848)</u>	<u>4,000</u>	<u>(100)</u>	<u>(249,948)</u>
<b>CHANGE IN NET POSITION</b>	48,674	(1,896)	(11,643)	35,135
<b>NET POSITION, Beginning</b>	<u>648,444</u>	<u>3,936</u>	<u>(166,471)</u>	<u>485,909</u>
<b>Restatement</b>	<u>(79,068)</u>	<u>-</u>	<u>(70)</u>	<u>(79,138)</u>
<b>NET POSITION, Beginning of, as restated</b>	<u>569,376</u>	<u>3,936</u>	<u>(166,541)</u>	<u>406,771</u>
<b>NET POSITION, Ending</b>	<u>\$ 618,050</u>	<u>\$ 2,040</u>	<u>\$ (178,184)</u>	<u>\$ 441,906</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, 2018**

	Solid Waste	Landfill Closure	Golf Course	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,000,949	\$ -	\$ 170,569	\$ 1,171,518
Payments to suppliers	(124,258)	-	(91,577)	(215,835)
Payments to employees	(287,301)	-	(57,365)	(344,666)
Payments for interfund services used	(229,383)	-	(17,524)	(246,907)
<b>Net cash provided from (used by) operating activities</b>	<u>360,007</u>	<u>-</u>	<u>4,103</u>	<u>364,110</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advances from other funds	-	-	18,722	18,722
Advances to other funds	(299)	-	-	(299)
Transfers in	2,000	4,000	-	6,000
Transfers out	(255,848)	-	(100)	(255,948)
<b>Net cash provided from (used by) non-capital financing activities</b>	<u>(254,147)</u>	<u>4,000</u>	<u>18,622</u>	<u>(231,525)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(133,037)	-	(21,120)	(154,157)
Interest paid on long-term obligations	(1,217)	-	(1,605)	(2,822)
<b>Net cash provided from (used by) capital and related financing activities</b>	<u>(134,254)</u>	<u>-</u>	<u>(22,725)</u>	<u>(156,979)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net sales (purchases) of investments	13,968	(821)	-	13,147
Interest on investments	9,536	1,936	-	11,472
<b>Net Cash provided (used) by investing activities</b>	<u>23,504</u>	<u>1,115</u>	<u>-</u>	<u>24,619</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(4,890)	5,115	-	225
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>442,205</u>	<u>84,202</u>	<u>-</u>	<u>526,407</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 437,315</u>	<u>\$ 89,317</u>	<u>\$ -</u>	<u>\$ 526,632</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>				
Operating income (loss)	\$ 294,203	\$ (7,832)	\$ (9,686)	\$ 276,685
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:				
Depreciation	5,762	-	-	5,762
(Increase) decrease in assets:				
Receivables	(19,787)	-	-	(19,787)
Deferred pension differences	37,692	-	843	38,535
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	24,332	7,832	(2,058)	30,106
Compensated absences payable	1,208	-	2,580	3,788
PERS transition liability	(902)	-	(138)	(1,040)
Other postemployment benefits	17,499	-	12,562	30,061
<b>Net cash provided from operating activities</b>	<u>\$ 360,007</u>	<u>\$ -</u>	<u>\$ 4,103</u>	<u>\$ 364,110</u>

See auditor's report.

## COMBINING STATEMENTS

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### Internal Service Funds

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

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

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 53,159	\$ 222,170	\$ 127,950	\$ 35,944	\$ 42,438	\$ 481,661
Investments	30,137	125,956	72,540	20,378	24,059	273,070
Receivables:						
Accounts	-	8,449	9,204	-	-	17,653
Due from other funds	-	-	31,375	-	-	31,375
Inventories	-	9,742	-	-	-	9,742
Total current assets	<u>83,296</u>	<u>366,317</u>	<u>241,069</u>	<u>56,322</u>	<u>66,497</u>	<u>813,501</u>
Noncurrent assets:						
Capital assets:						
Depreciable assets, net of depreciation	-	-	1,154,077	-	-	1,154,077
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,154,077</u>	<u>-</u>	<u>-</u>	<u>1,154,077</u>
Total assets	<u>83,296</u>	<u>366,317</u>	<u>1,395,146</u>	<u>56,322</u>	<u>66,497</u>	<u>1,967,578</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Deferred outflows related to pension	55,797	55,919	-	-	-	111,716
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	5,429	19,273	-	-	4,496	29,198
Due to other funds	-	-	-	-	31,375	31,375
Current portion of long-term debt	3,915	5,628	-	-	-	9,543
Total current liabilities	<u>9,344</u>	<u>24,901</u>	<u>-</u>	<u>-</u>	<u>35,871</u>	<u>70,116</u>
Long-term debt, net of current portion:						
Compensated absences payable	979	1,407	-	-	-	2,386
Net pension liability	162,163	114,958	-	-	-	277,121
Transition liability	8,146	19,856	-	-	-	28,002
Other postemployment benefits	30,165	52,408	-	-	-	82,573
Total noncurrent liabilities	<u>201,453</u>	<u>188,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,082</u>
Total liabilities	<u>210,797</u>	<u>213,530</u>	<u>-</u>	<u>-</u>	<u>35,871</u>	<u>460,198</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred pension differences	11,884	9,341	-	-	-	21,225
<b>NET POSITION</b>						
Net investment in capital assets	-	-	1,154,077	-	-	1,154,077
Unrestricted	(83,588)	199,365	241,069	56,322	30,626	443,794
Total net position	<u>\$ (83,588)</u>	<u>\$ 199,365</u>	<u>\$ 1,395,146</u>	<u>\$ 56,322</u>	<u>\$ 30,626</u>	<u>\$ 1,597,871</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, 2018**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ 536,911	\$ 185,472	\$ -	\$ -	\$ 722,383
Miscellaneous	1,106	-	-	198	39,913	41,217
<b>Total operating revenues</b>	<b>1,106</b>	<b>536,911</b>	<b>185,472</b>	<b>198</b>	<b>39,913</b>	<b>763,600</b>
<b>OPERATING EXPENSES</b>						
Personal services	139,101	187,339	-	-	-	326,440
Materials and services	36,135	211,886	-	-	41,817	289,838
Depreciation	-	-	161,158	-	-	161,158
<b>Total operating expenses</b>	<b>175,236</b>	<b>399,225</b>	<b>161,158</b>	<b>-</b>	<b>41,817</b>	<b>777,436</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(174,130)</b>	<b>137,686</b>	<b>24,314</b>	<b>198</b>	<b>(1,904)</b>	<b>(13,836)</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>						
Gain (loss) on disposal of capital assets	-	400	27,572	-	-	27,972
Interest on investments	1,167	4,678	2,008	719	547	9,119
Interest expense	(290)	(997)	-	-	-	(1,287)
<b>Total non-operating income (expenses)</b>	<b>877</b>	<b>4,081</b>	<b>29,580</b>	<b>719</b>	<b>547</b>	<b>35,804</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(173,253)</b>	<b>141,767</b>	<b>53,894</b>	<b>917</b>	<b>(1,357)</b>	<b>21,968</b>
<b>TRANSFERS</b>						
Transfers in	129,659	-	-	7,128	-	136,787
Transfers out	(26,286)	(70,318)	-	-	-	(96,604)
<b>Total transfers</b>	<b>103,373</b>	<b>(70,318)</b>	<b>-</b>	<b>7,128</b>	<b>-</b>	<b>40,183</b>
<b>CHANGE IN NET POSITION</b>	<b>(69,880)</b>	<b>71,449</b>	<b>53,894</b>	<b>8,045</b>	<b>(1,357)</b>	<b>62,151</b>
<b>NET POSITION, Beginning</b>	<b>(9,775)</b>	<b>194,772</b>	<b>1,341,252</b>	<b>48,277</b>	<b>31,983</b>	<b>1,606,509</b>
<b>Restatement</b>	<b>(3,933)</b>	<b>(66,856)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(70,789)</b>
<b>NET POSITION, Beginning of, as restated</b>	<b>(13,708)</b>	<b>127,916</b>	<b>1,341,252</b>	<b>48,277</b>	<b>31,983</b>	<b>1,535,720</b>
<b>NET POSITION, Ending</b>	<b>\$ (83,588)</b>	<b>\$ 199,365</b>	<b>\$ 1,395,146</b>	<b>\$ 56,322</b>	<b>\$ 30,626</b>	<b>\$ 1,597,871</b>

**CITY OF MILTON-FREEWATER, OREGON**  
**COMBINING STATEMENT OF OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	Warehouse	Vehicle Maintenance	Vehicle Replacement	Sick Leave Liability	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 1,106	\$ 56,875	\$ -	\$ -	\$ 39,913	\$ 97,894
Receipts from interfund services provided	-	478,252	185,472	198	-	663,922
Payments to suppliers	(36,168)	(207,951)	-	-	(49,561)	(293,680)
Payments to employees	(53,222)	(238,907)	-	(71)	-	(292,200)
<b>Net cash provided from (used by) operating activities</b>	<u>(88,284)</u>	<u>88,269</u>	<u>185,472</u>	<u>127</u>	<u>(9,648)</u>	<u>175,936</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Advances from other funds	-	-	-	-	31,375	31,375
Advances to other funds	-	-	(31,375)	-	-	(31,375)
Transfers in	129,659	-	-	7,128	-	136,787
Transfers out	(26,286)	(70,318)	-	-	-	(96,604)
<b>Net cash provided from (used by) non-capital financing activities</b>	<u>103,373</u>	<u>(70,318)</u>	<u>(31,375)</u>	<u>7,128</u>	<u>31,375</u>	<u>40,183</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from sale of capital assets	-	400	33,965	-	-	34,365
Acquisition of capital assets	-	-	(133,532)	-	-	(133,532)
Interest paid on long-term obligations	(290)	(997)	-	-	-	(1,287)
<b>Net cash provided from (used by) capital and related financing activities</b>	<u>(290)</u>	<u>(597)</u>	<u>(99,567)</u>	<u>-</u>	<u>-</u>	<u>(100,454)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net sales (purchases) of investments	(5,178)	(4,825)	(19,222)	(2,430)	(7,698)	(39,353)
Interest on investments	1,167	4,678	2,008	719	547	9,119
<b>Net Cash provided (used) by investing activities</b>	<u>(4,011)</u>	<u>(147)</u>	<u>(17,214)</u>	<u>(1,711)</u>	<u>(7,151)</u>	<u>(30,234)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>10,788</u>	<u>17,207</u>	<u>37,316</u>	<u>5,544</u>	<u>14,576</u>	<u>85,431</u>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>41,034</u>	<u>201,635</u>	<u>89,907</u>	<u>30,196</u>	<u>27,620</u>	<u>390,392</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 51,822</u>	<u>\$ 218,842</u>	<u>\$ 127,223</u>	<u>\$ 35,740</u>	<u>\$ 42,196</u>	<u>\$ 475,823</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>						
Operating income (loss)	\$ (174,130)	\$ 137,686	\$ 24,314	\$ 198	\$ (1,904)	\$ (13,836)
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:						
Depreciation	-	-	161,158	-	-	161,158
(Increase) decrease in assets:						
Receivables	-	(1,784)	-	-	-	(1,784)
Deferred pension differences	60,805	(16,016)	-	-	-	44,789
Inventories	-	(3,451)	-	-	-	(3,451)
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	(33)	484	-	(71)	(7,744)	(7,364)
Compensated absences payable	2,118	1,327	-	-	-	3,445
PERS Transition liability	(216)	(739)	-	-	-	(955)
Other postemployment benefits	23,172	(29,238)	-	-	-	(6,066)
<b>Net cash provided from operating activities</b>	<u>\$ (88,284)</u>	<u>\$ 88,269</u>	<u>\$ 185,472</u>	<u>\$ 127</u>	<u>\$ (9,648)</u>	<u>\$ 175,936</u>

See auditor's report.

## **BUDGETARY COMPARISON SCHEDULES**

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

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



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

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**CITY OF MILTON-FREEWATER, OREGON  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL, BY DEPARTMENT:  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
City council	\$ 27,646	\$ 27,646	\$ 24,419	\$ 3,227
City manager	386,843	386,843	379,305	7,538
City attorney	20,000	21,000	20,706	294
Municipal court	152,593	152,593	137,286	15,307
Finance department	845,990	867,865	838,510	29,355
Planning	286,939	286,939	259,341	27,598
Police department	2,281,046	2,336,451	2,123,056	213,395
Fire department	352,879	356,729	320,408	36,321
Public works	1,108,760	1,128,560	967,914	160,646
City hall	139,618	139,618	130,658	8,960
Civil engineering	109,277	110,477	88,723	21,754
Contingency	75,000	18,312	-	18,312
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,786,591</u>	<u>\$ 5,833,033</u>	<u>\$ 5,290,326</u>	<u>\$ 542,707</u>

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

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**Governmental Funds**

**Special Revenue Funds**

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

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	400,000	400,000	455,953	55,953
Interest on investments	1,000	1,000	4,390	3,390
Miscellaneous	-	-	634	634
<b>TOTAL REVENUES</b>	<u>401,000</u>	<u>401,000</u>	<u>460,977</u>	<u>59,977</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personal services	227,100	227,100	150,066	77,034
Materials and services	140,163	140,163	128,590	11,573
Contingency	96,242	96,242	-	96,242
<b>TOTAL EXPENDITURES</b>	<u>463,505</u>	<u>463,505</u>	<u>278,656</u>	<u>184,849</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(62,505)</u>	<u>(62,505)</u>	<u>182,321</u>	<u>244,826</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(98,131)	(98,131)	(98,131)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(98,131)</u>	<u>(98,131)</u>	<u>(98,131)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(160,636)	(160,636)	84,190	244,826
<b>FUND BALANCE, Beginning</b>	<u>160,636</u>	<u>160,636</u>	<u>306,793</u>	<u>146,157</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,983</u>	<u>\$ 390,983</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 5,625	\$ 5,625	\$ 5,839	\$ 214
Intergovernmental	197,114	206,874	215,179	8,305
Fines and forfeitures	3,500	3,500	4,190	690
Interest on investments	50	50	921	871
Miscellaneous	8,180	14,680	16,004	1,324
<b>TOTAL REVENUES</b>	<u>214,469</u>	<u>230,729</u>	<u>242,132</u>	<u>11,403</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Personal services	322,413	322,413	306,754	15,659
Materials and services	36,275	47,535	40,879	6,656
Capital outlay	2,500	7,500	4,948	2,552
Contingency	12,000	12,000	-	12,000
<b>TOTAL EXPENDITURES</b>	<u>373,188</u>	<u>389,448</u>	<u>352,581</u>	<u>36,867</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(158,719)</u>	<u>(158,719)</u>	<u>(110,449)</u>	<u>48,270</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	131,878	131,878	131,878	-
Transfers out	(240)	(240)	(240)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>131,638</u>	<u>131,638</u>	<u>131,638</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(27,081)</u>	<u>(27,081)</u>	<u>21,189</u>	<u>48,270</u>
<b>FUND BALANCE, Beginning</b>	<u>27,081</u>	<u>27,081</u>	<u>43,877</u>	<u>16,796</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,066</u>	<u>\$ 65,066</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 54,500	\$ 54,500	\$ 58,893	\$ 4,393
Charges for services	6,000	6,000	5,671	(329)
Intergovernmental	357,330	357,330	154,670	(202,660)
Interest on investments	1,500	1,500	2,877	1,377
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>419,330</u>	<u>419,330</u>	<u>222,111</u>	<u>(197,219)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Personal services	123,402	123,402	94,433	28,969
Materials and services	152,950	152,950	146,595	6,355
Capital outlay	575,000	575,000	560	574,440
Contingency	131,978	131,978	-	131,978
<b>TOTAL EXPENDITURES</b>	<u>983,330</u>	<u>983,330</u>	<u>241,589</u>	<u>741,742</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(564,000)</u>	<u>(564,000)</u>	<u>(19,477)</u>	<u>544,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	384,000	384,000	-	(384,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>384,000</u>	<u>384,000</u>	<u>-</u>	<u>(384,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(180,000)</u>	<u>(180,000)</u>	<u>(19,477)</u>	<u>160,523</u>
<b>FUND BALANCE, Beginning</b>	<u>180,000</u>	<u>180,000</u>	<u>245,054</u>	<u>65,054</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,577</u>	<u>\$ 225,577</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, 2018**

	<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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 35,500	\$ 35,500	\$ 36,169	\$ 669
Interest on investments	50	50	340	290
<b>TOTAL REVENUES</b>	<u>35,550</u>	<u>35,550</u>	<u>36,509</u>	<u>959</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Materials and services	37,750	37,750	17,737	20,013
<b>TOTAL EXPENDITURES</b>	<u>37,750</u>	<u>37,750</u>	<u>17,737</u>	<u>20,013</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,200)</u>	<u>(2,200)</u>	<u>18,772</u>	<u>20,972</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,200)	(2,200)	18,772	20,972
<b>FUND BALANCE, Beginning</b>	<u>2,200</u>	<u>2,200</u>	<u>19,581</u>	<u>17,381</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,353</u>	<u>\$ 38,353</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, 2018**

	<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**

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**Proprietary Funds**

**Enterprise Funds**

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

**Internal Service Fund**

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

**CITY OF MILTON-FREEWATER, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ELECTRIC FUND**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Surplus power sales	\$ 220,543	\$ 220,543	\$ 287,254	\$ 66,711
Charges for services	7,498,199	7,508,199	7,364,665	(143,534)
System development charges	122,820	122,820	125,402	2,582
Weatherization loan repayments	25,000	25,000	28,322	3,322
Interest on investments	8,000	8,000	17,623	9,623
Miscellaneous	70,070	260,006	324,039	64,033
<b>TOTAL REVENUES</b>	<u>7,944,632</u>	<u>8,144,568</u>	<u>8,147,305</u>	<u>2,737</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	1,559,045	1,607,581	1,324,097	283,484
Materials and services	5,584,032	5,627,032	5,463,762	163,270
Capital outlay	274,900	383,300	216,477	166,823
Contingency	1,069,259	1,069,259	-	1,069,259
<b>TOTAL EXPENDITURES</b>	<u>8,487,236</u>	<u>8,687,172</u>	<u>7,004,336</u>	<u>1,682,836</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(542,604)</u>	<u>(542,604)</u>	<u>1,142,969</u>	<u>1,685,573</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,444	10,444	10,444	-
Transfers out	(1,095,240)	(1,095,240)	(1,095,240)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,084,796)</u>	<u>(1,084,796)</u>	<u>(1,084,796)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,627,400)</u>	<u>(1,627,400)</u>	<u>58,173</u>	<u>1,685,573</u>
<b>FUND BALANCE, Beginning</b>	<u>1,627,400</u>	<u>1,627,400</u>	<u>1,560,000</u>	<u>(67,400)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,618,173</u>	<u>\$ 1,618,173</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest on investments	\$ 12,000	\$ 12,000	\$ 23,390	\$ 11,390
<b>TOTAL REVENUES</b>	<u>12,000</u>	<u>12,000</u>	<u>23,390</u>	<u>11,390</u>
<b>EXPENDITURES</b>				
Capital outlay	1,679,600	1,679,600	-	1,679,600
<b>TOTAL EXPENDITURES</b>	<u>1,679,600</u>	<u>1,679,600</u>	<u>-</u>	<u>1,679,600</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,667,600)</u>	<u>(1,667,600)</u>	<u>23,390</u>	<u>1,690,990</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,667,600)	(1,667,600)	23,390	1,690,990
<b>FUND BALANCE, Beginning</b>	<u>1,667,600</u>	<u>1,667,600</u>	<u>1,680,489</u>	<u>12,889</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,703,879</u>	<u>\$ 1,703,879</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest on investments	\$ 20,000	\$ 20,000	\$ 37,737	\$ 17,737
<b>TOTAL REVENUES</b>	<u>20,000</u>	<u>20,000</u>	<u>37,737</u>	<u>17,737</u>
<b>EXPENDITURES</b>				
Capital outlay	2,710,600	2,710,600	-	2,710,600
<b>TOTAL EXPENDITURES</b>	<u>2,710,600</u>	<u>2,710,600</u>	<u>-</u>	<u>2,710,600</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,690,600)</u>	<u>(2,690,600)</u>	<u>37,737</u>	<u>2,728,337</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,690,600)</u>	<u>(2,690,600)</u>	<u>37,737</u>	<u>2,728,337</u>
<b>FUND BALANCE, Beginning</b>	<u>2,690,600</u>	<u>2,690,600</u>	<u>2,711,274</u>	<u>20,674</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,749,011</u>	<u>\$ 2,749,011</u>

**CITY OF MILTON-FREEWATER, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL ELECTRIC FUNDS  
For the Fiscal Year Ended June 30, 2018**

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

Electric	\$ 1,618,173
Electric Capital Replacement Reserve	1,703,879
Electric Operating and Maintenance Reserve	<u>2,749,011</u>
	6,071,063

Adjustments:

Capital assets, net of depreciation	7,092,115
Weatherization loans receivable	105,248
Compensated absences	(81,310)
PERS transition liability	(102,579)
Net pension liability	(1,165,891)
Deferred outflows related to pension	464,408
Deferred pension differences	(85,282)
Due to Bonneville Power Administration	(56,035)
Other Postemployment benefits	<u>(267,156)</u>

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

\$ 11,974,581

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 1,235,500	\$ 1,235,500	\$ 1,296,193	\$ 60,693
System development charges	82,000	82,000	85,040	3,040
Interest on investments	1,500	1,500	4,519	3,019
Miscellaneous	-	-	2,047	2,047
<b>TOTAL REVENUES</b>	<u>1,319,000</u>	<u>1,319,000</u>	<u>1,387,799</u>	<u>68,799</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	303,000	303,000	254,220	48,780
Materials and services	342,797	342,797	309,559	33,238
Capital outlay	60,000	78,000	76,165	1,835
Debt service	145,108	145,108	145,108	-
Contingency	293,949	275,949	-	275,949
<b>TOTAL EXPENDITURES</b>	<u>1,144,854</u>	<u>1,144,854</u>	<u>785,051</u>	<u>359,802</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>174,146</u>	<u>174,146</u>	<u>602,748</u>	<u>428,602</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(588,086)	(588,086)	(588,086)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(588,086)</u>	<u>(588,086)</u>	<u>(588,086)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(413,940)	(413,940)	14,662	428,602
<b>FUND BALANCE, Beginning</b>	<u>413,940</u>	<u>413,940</u>	<u>482,082</u>	<u>68,142</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ 0</u>	496,744	<u>\$ 496,744</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			4,315,260	
Compensated absences			(2,097)	
PERS transition liability			(18,936)	
Net pension liability			(181,292)	
Deferred outflows related to pension			85,003	
Deferred pension differences			(22,431)	
Other postemployment benefits			(224,892)	
<b>NET POSITION, Ending</b>			<u>\$ 4,447,359</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 1,154,925	\$ 1,154,925	\$ 1,223,792	\$ 68,867
System development charges	95,000	95,000	95,771	771
Interest on investments	2,000	2,000	9,133	7,133
Miscellaneous	46,000	46,000	54,133	8,133
<b>TOTAL REVENUES</b>	<u>1,297,925</u>	<u>1,297,925</u>	<u>1,382,829</u>	<u>84,904</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	347,560	347,560	334,312	13,248
Materials and services	332,175	332,175	283,900	48,275
Contingency	335,852	335,852	-	335,852
<b>TOTAL EXPENDITURES</b>	<u>1,015,587</u>	<u>1,015,587</u>	<u>618,212</u>	<u>397,375</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>282,338</u>	<u>282,338</u>	<u>764,617</u>	<u>482,279</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(806,234)	(806,234)	(806,234)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(806,234)</u>	<u>(806,234)</u>	<u>(806,234)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(523,896)	(523,896)	(41,617)	482,279
<b>FUND BALANCE, Beginning</b>	<u>523,896</u>	<u>523,896</u>	<u>915,243</u>	<u>391,347</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873,626</u>	<u>\$ 873,626</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
System development charges	\$ 2,000	\$ 2,000	\$ 5,625	\$ 3,625
Interest on investments	2,000	2,000	12,672	10,672
<b>TOTAL REVENUES</b>	<u>4,000</u>	<u>4,000</u>	<u>18,297</u>	<u>14,297</u>
<b>EXPENDITURES</b>				
Capital outlay	200,000	200,000	21,898	178,102
Debt service	854,764	854,764	88,609	766,155
<b>TOTAL EXPENDITURES</b>	<u>1,054,764</u>	<u>1,054,764</u>	<u>110,507</u>	<u>944,257</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,050,764)</u>	<u>(1,050,764)</u>	<u>(92,210)</u>	<u>958,554</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	323,156	323,156	323,156	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>323,156</u>	<u>323,156</u>	<u>323,156</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(727,608)	(727,608)	230,946	958,554
<b>FUND BALANCE, Beginning</b>	<u>727,608</u>	<u>727,608</u>	<u>702,229</u>	<u>(25,379)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933,175</u>	<u>\$ 933,175</u>

**CITY OF MILTON-FREEWATER, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL SEWER FUNDS  
For the Fiscal Year Ended June 30, 2018**

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

Sewer	\$ 873,626
Sewer Improvement	<u>933,175</u>
	1,806,801

Adjustments:

Capital assets, net of depreciation	6,372,983
Compensated absences	(6,514)
PERS transition liability	(26,960)
Accrued interest payable	(29,864)
Net pension liability	(334,623)
Deferred outflows related to pension	131,898
Deferred pension differences	(23,479)
Long-term debt	(1,390,458)
Other Postemployment benefits	<u>(56,709)</u>

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

\$ 6,443,075

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 854,600	\$ 921,800	\$ 1,000,401	\$ 78,601
Interest on investments	2,500	8,500	9,536	1,036
Miscellaneous	-	18,500	20,335	1,835
<b>TOTAL REVENUES</b>	<u>857,100</u>	<u>948,800</u>	<u>1,030,272</u>	<u>81,472</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	312,610	328,410	288,517	39,893
Materials and services	387,508	387,508	352,881	34,627
Capital outlay	70,000	180,900	158,129	22,771
Contingency	318,423	283,423	-	283,423
<b>TOTAL EXPENDITURES</b>	<u>1,088,541</u>	<u>1,180,241</u>	<u>799,527</u>	<u>380,714</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(231,441)</u>	<u>(231,441)</u>	<u>230,745</u>	<u>462,186</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,000	2,000	2,000	-
Transfers out	(255,848)	(255,848)	(255,848)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(253,848)</u>	<u>(253,848)</u>	<u>(253,848)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(485,289)	(485,289)	(23,103)	462,186
<b>FUND BALANCE, Beginning</b>	<u>485,289</u>	<u>485,289</u>	<u>787,085</u>	<u>301,796</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>763,982</u>	<u>\$ 763,982</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			194,192	
Compensated absences			(28,885)	
PERS transition liability			(17,811)	
Net pension liability			(261,965)	
Deferred outflows related to pension			108,377	
Deferred pension differences			(22,050)	
Other postemployment benefits			(117,789)	
<b>NET POSITION, Ending</b>			<u>\$ 618,050</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest on investments	\$ 600	\$ 600	\$ 1,936	\$ 1,336
<b>TOTAL REVENUES</b>	<u>600</u>	<u>600</u>	<u>1,936</u>	<u>1,336</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>600</u>	<u>600</u>	<u>1,936</u>	<u>1,336</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	4,600	4,600	5,936	1,336
<b>FUND BALANCE, Beginning</b>	<u>132,150</u>	<u>132,150</u>	<u>134,818</u>	<u>2,668</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 136,750</u>	<u>\$ 136,750</u>	140,754	<u>\$ 4,004</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Landfill closure liability			<u>(138,714)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 2,040</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 182,459	\$ 182,459	\$ 155,441	\$ (27,018)
Miscellaneous	-	-	5,628	5,628
<b>TOTAL REVENUES</b>	<u>182,459</u>	<u>182,459</u>	<u>161,069</u>	<u>(21,390)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	82,830	82,830	57,552	25,278
Materials and services	100,734	100,734	107,043	(6,309)
Capital outlay	-	-	11,620	(11,620)
Debt service	1,418	1,418	1,418	-
Contingency	404	404	-	404
<b>TOTAL EXPENDITURES</b>	<u>185,386</u>	<u>185,386</u>	<u>177,633</u>	<u>7,753</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,927)</u>	<u>(2,927)</u>	<u>(16,564)</u>	<u>(13,637)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(100)	(100)	(100)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,027)	(3,027)	(16,664)	(13,637)
<b>FUND BALANCE, Beginning</b>	<u>3,027</u>	<u>3,027</u>	<u>(191,919)</u>	<u>(194,946)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(208,583)</u>	<u>\$ (208,583)</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			61,686	
Compensated absences			(5,810)	
PERS transition liability			(5,577)	
Accrued interest payable			(1,300)	
Net pension liability			(40,163)	
Deferred outflows related to pension			16,251	
Deferred pension differences			(3,122)	
Other postemployment benefits			(12,686)	
<b>NET POSITION, Ending</b>			<u>\$ (199,304)</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest on investments	\$ 200	\$ 200	\$ 1,167	\$ 967
Miscellaneous	100	100	1,106	1,006
<b>TOTAL REVENUES</b>	<u>300</u>	<u>300</u>	<u>2,272</u>	<u>1,972</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	94,811	94,811	53,512	41,299
Materials and services	30,624	34,324	33,974	350
Capital outlay	2,000	3,200	2,161	1,039
Contingency	14,851	9,951	-	9,951
<b>TOTAL EXPENDITURES</b>	<u>142,286</u>	<u>142,286</u>	<u>89,646</u>	<u>52,640</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(141,986)</u>	<u>(141,986)</u>	<u>(87,374)</u>	<u>54,612</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	129,659	129,659	129,659	-
Transfers out	(26,286)	(26,286)	(26,286)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>103,373</u>	<u>103,373</u>	<u>103,373</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(38,613)	(38,613)	15,999	54,612
<b>FUND BALANCE, Beginning</b>	<u>38,613</u>	<u>38,613</u>	<u>61,868</u>	<u>23,255</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>77,867</u>	<u>\$ 77,867</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Compensated absences			(4,894)	
PERS transition liability			(8,146)	
Net pension liability			(162,163)	
Deferred outflows related to pension			55,797	
Deferred pension differences			(11,884)	
Other postemployment benefits			(30,165)	
<b>NET POSITION, Ending</b>			<u>\$ (83,588)</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 541,991	\$ 541,991	\$ 536,912	\$ (5,079)
Interest on investments	1,000	1,000	4,678	3,678
Miscellaneous	-	-	400	400
<b>TOTAL REVENUES</b>	<u>542,991</u>	<u>542,991</u>	<u>541,990</u>	<u>(1,001)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	252,107	252,107	233,003	19,104
Materials and services	247,000	247,000	211,886	35,114
Contingency	144,723	144,723	-	144,723
<b>TOTAL EXPENDITURES</b>	<u>643,830</u>	<u>643,830</u>	<u>444,889</u>	<u>198,941</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(100,839)</u>	<u>(100,839)</u>	<u>97,101</u>	<u>197,940</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(70,316)	(70,316)	(70,318)	(2)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(70,316)</u>	<u>(70,316)</u>	<u>(70,318)</u>	<u>(2)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(171,155)	(171,155)	26,783	197,938
<b>FUND BALANCE, Beginning</b>	<u>171,155</u>	<u>171,155</u>	<u>320,262</u>	<u>149,107</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>347,045</u>	<u>\$ 347,045</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Compensated absences			(7,035)	
PERS transition liability			(19,856)	
Net pension liability			(114,958)	
Deferred outflows related to pension			55,919	
Deferred pension differences			(9,341)	
Other postemployment benefits			(52,408)	
<b>NET POSITION, Ending</b>			<u>\$ 199,365</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 185,469	\$ 185,469	\$ 185,472	\$ 3
Interest on investments	500	500	2,008	1,508
Miscellaneous	-	-	43,169	43,169
<b>TOTAL REVENUES</b>	<u>185,969</u>	<u>185,969</u>	<u>230,649</u>	<u>44,680</u>
<b>EXPENDITURES</b>				
Capital outlay	110,000	141,000	133,532	7,468
<b>TOTAL EXPENDITURES</b>	<u>110,000</u>	<u>141,000</u>	<u>133,532</u>	<u>7,468</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>75,969</u>	<u>44,969</u>	<u>97,117</u>	<u>52,148</u>
<b>NET CHANGE IN FUND BALANCE</b>	75,969	44,969	97,117	52,148
<b>FUND BALANCE, Beginning</b>	<u>125,338</u>	<u>125,338</u>	<u>143,952</u>	<u>18,614</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 201,307</u>	<u>\$ 170,307</u>	241,069	<u>\$ 70,762</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			<u>1,154,077</u>	
<b>NET POSITION, Ending</b>			<u>\$ 1,395,146</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget- Positive/ (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest on investments	\$ 300	\$ 300	\$ 719	\$ 419
Miscellaneous	1,200	1,200	198	(1,002)
<b>TOTAL REVENUES</b>	<u>1,500</u>	<u>1,500</u>	<u>917</u>	<u>(583)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	74,256	74,256	-	74,256
<b>TOTAL EXPENDITURES</b>	<u>74,256</u>	<u>74,256</u>	<u>-</u>	<u>74,256</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(72,756)</u>	<u>(72,756)</u>	<u>917</u>	<u>73,673</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,126	7,126	7,128	2
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>7,126</u>	<u>7,126</u>	<u>7,128</u>	<u>2</u>
<b>NET CHANGE IN FUND BALANCE</b>	(65,630)	(65,630)	8,045	73,675
<b>FUND BALANCE, Beginning</b>	<u>65,630</u>	<u>65,630</u>	<u>48,277</u>	<u>(17,353)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,322</u>	<u>\$ 56,322</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest on investments	\$ 300	\$ 300	\$ 547	\$ 247
Miscellaneous	10,000	10,000	39,913	29,913
<b>TOTAL REVENUES</b>	<u>10,300</u>	<u>10,300</u>	<u>40,460</u>	<u>30,160</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	71,650	71,650	41,817	29,833
<b>TOTAL EXPENDITURES</b>	<u>71,650</u>	<u>71,650</u>	<u>41,817</u>	<u>29,833</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(61,350)</u>	<u>(61,350)</u>	<u>(1,357)</u>	<u>59,993</u>
<b>NET CHANGE IN FUND BALANCE</b>	(61,350)	(61,350)	(1,357)	59,993
<b>FUND BALANCE, Beginning</b>	<u>61,350</u>	<u>61,350</u>	<u>31,983</u>	<u>(29,367)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,626</u>	<u>\$ 30,626</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Governmental Activities:</b>				
Invested in capital assets, net of related debt	\$ 19,091,342	\$ 19,735,512	\$ 13,520,875	\$ 13,946,180
Restricted	689,825	677,401	701,706	903,887
Unrestricted	<u>(3,760,547)</u>	<u>(2,477,191)</u>	<u>(1,680,809)</u>	<u>(150,999)</u>
Total governmental activities net position	<u>16,020,620</u>	<u>17,935,722</u>	<u>12,541,772</u>	<u>14,699,068</u>
<b>Business-Type Activities:</b>				
Invested in capital assets, net of related debt	17,820,977	17,697,139	17,885,072	16,027,794
Restricted	1,200,133	1,194,673	1,019,402	776,629
Unrestricted	<u>5,360,561</u>	<u>5,713,568</u>	<u>5,984,371</u>	<u>7,057,538</u>
Total business-type activities net position	<u>24,381,671</u>	<u>24,605,380</u>	<u>24,888,845</u>	<u>23,861,961</u>
<b>Primary Government:</b>				
Invested in capital assets, net of related debt	36,912,319	37,432,651	31,405,947	29,973,974
Restricted	1,889,958	1,872,074	1,721,108	1,680,516
Unrestricted	<u>1,600,014</u>	<u>3,236,377</u>	<u>4,303,562</u>	<u>6,906,539</u>
Total primary government net position	<u>\$ 40,402,291</u>	<u>\$ 42,541,102</u>	<u>\$ 37,430,617</u>	<u>\$ 38,561,029</u>

Source: Current and prior year's financial statements

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

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 14,235,561	\$ 14,877,601	\$ 15,043,735	\$ 13,257,524	\$ 12,956,309	\$ 13,019,252
914,197	888,353	718,408	599,177	149,320	138,612
724,553	816,015	982,911	1,099,486	1,417,615	1,403,808
<u>15,874,311</u>	<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>
16,365,814	16,766,176	17,053,923	15,249,661	14,107,359	14,282,526
486,665	278,904	190,074	232,381	588,617	278,651
7,877,222	8,178,689	7,601,109	7,128,895	6,500,134	6,484,719
<u>24,729,701</u>	<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>
30,601,375	31,643,777	32,097,658	28,507,185	27,063,668	27,301,778
1,400,862	1,167,257	908,482	831,558	737,937	417,263
8,601,775	8,994,704	8,584,020	8,228,381	7,917,749	7,888,527
<u>\$ 40,604,012</u>	<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>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services, fees and fines				
General government	\$ 222,300	\$ 204,744	\$ 268,279	\$ 244,325
Public safety	-	-	-	-
Culture and recreation	103,563	131,438	144,155	172,193
Highways and streets	1,116	720	780	1,953
Operating grants and contributions	878,399	879,631	816,892	754,369
Capital grants and contributions	26,207	242,893	131,953	285,315
Total governmental activities program revenues	<u>1,231,585</u>	<u>1,459,426</u>	<u>1,362,059</u>	<u>1,458,155</u>
Business-type activities:				
Charges for services:				
Electric	7,976,810	7,691,691	7,281,450	7,033,057
Water	1,298,240	1,229,766	1,205,216	1,237,185
Sewer	1,225,428	1,201,125	1,208,592	1,175,433
Solid Waste	1,020,736	956,558	914,084	902,070
Internal Service-Primarily Business Activity	-	-	-	-
Golf Course	170,569	150,423	168,655	167,208
Operating grants	52,497	49,387	50,457	50,768
Capital grants	311,838	751,801	2,608,406	368,304
Total business-type activities program revenues	<u>12,056,118</u>	<u>12,030,751</u>	<u>13,436,860</u>	<u>10,934,025</u>
Total primary government program revenues	<u>13,287,703</u>	<u>13,490,177</u>	<u>14,798,919</u>	<u>12,392,180</u>
<b>Expenses</b>				
Governmental activities:				
General government	1,984,828	1,959,138	2,261,372	1,380,640
Public safety	2,628,204	2,445,720	2,948,737	1,585,311
Culture and recreation	878,063	866,425	1,038,372	733,273
Public Works	532,213	582,470	621,400	368,411
Community development	287,197	381,356	432,463	209,378
Engineering	93,101	83,747	107,548	51,771
Highways and streets	924,605	1,259,648	849,877	714,161
Interest on long term obligations	-	-	375	3,000
Total governmental activities expenses	<u>7,328,211</u>	<u>7,578,504</u>	<u>8,260,144</u>	<u>5,045,945</u>
Business-type activities:				
Electric	7,044,097	7,341,831	7,512,041	6,442,798
Water	817,925	785,710	951,888	805,035
Sewer	837,572	825,032	935,950	732,318
Solid Waste	711,289	659,340	704,310	485,325
Internal Service-Primarily Business Activity	-	-	-	-
Interest on long-term debt	-	-	-	-
Golf Course	179,228	151,473	202,147	180,344
Total business-type activities expenses	<u>9,590,111</u>	<u>9,763,386</u>	<u>10,306,336</u>	<u>8,645,820</u>
Total primary government expenses	<u>16,918,322</u>	<u>17,341,890</u>	<u>18,566,480</u>	<u>13,691,765</u>
<b>Net Expense</b>				
Governmental activities	(6,096,626)	(6,119,078)	(6,898,085)	(3,587,790)
Business-type activities	2,466,007	2,267,365	3,130,524	2,288,205
Total primary government net expense	<u>\$ (3,630,619)</u>	<u>\$ (3,851,713)</u>	<u>\$ (3,767,561)</u>	<u>\$ (1,299,585)</u>

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 224,243	\$ 288,704	\$ 312,399	\$ 320,798	\$ 317,543	\$ 282,068
-	-	-	-	-	-
145,584	161,121	151,073	165,173	164,955	179,344
1,081	2,098	3,086	1,415	1,566	2,474
767,451	738,013	725,474	765,733	766,730	625,306
53,946	416,466	2,370,332	752,305	400,587	57,041
<u>1,192,305</u>	<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>
7,018,128	6,884,263	7,203,939	7,387,021	7,062,297	7,486,043
1,181,796	1,202,639	1,173,701	1,140,830	1,226,003	1,081,237
1,060,795	1,041,235	1,057,176	1,071,331	1,085,906	937,239
845,996	832,589	837,017	817,558	696,771	705,561
-	-	-	-	-	-
177,350	193,373	190,951	191,720	188,902	193,389
50,008	50,169	56,164	46,901	163,058	145,737
390,920	527,340	1,368,151	1,116,586	319,571	284,747
<u>10,724,993</u>	<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>11,917,298</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>
1,563,908	1,536,293	1,701,181	1,521,458	1,684,411	1,458,365
2,011,173	2,070,078	2,001,630	1,901,921	1,869,621	1,799,292
865,910	874,760	859,882	860,232	823,165	813,730
459,647	449,596	435,678	412,988	379,547	402,648
636,052	497,855	366,362	420,496	307,894	351,811
90,451	91,313	84,639	93,821	87,327	102,087
932,701	820,680	794,765	762,496	771,716	822,064
14,971	25,582	29,673	40,587	51,744	62,312
<u>6,574,813</u>	<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>
6,936,488	6,239,208	5,840,636	6,538,922	6,757,182	6,755,311
850,276	773,814	625,270	598,092	708,500	680,785
803,378	758,503	737,796	722,683	732,834	763,202
555,565	572,881	529,834	540,571	531,957	485,584
-	-	-	-	-	-
-	-	-	-	-	-
179,148	215,601	198,861	200,082	209,560	227,542
<u>9,324,855</u>	<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>15,899,668</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>
(5,382,508)	(4,759,755)	(2,711,446)	(4,008,575)	(4,324,044)	(4,666,076)
1,400,138	2,171,601	3,954,702	3,171,597	1,802,475	1,921,529
<u>\$ (3,982,370)</u>	<u>\$ (2,588,154)</u>	<u>\$ 1,243,256</u>	<u>\$ (836,978)</u>	<u>\$ (2,521,569)</u>	<u>\$ (2,744,547)</u>

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

(continued)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>General Revenues and Other Changes in Net Position</b>				
General revenues:				
Property taxes levied for:				
General purposes	\$ 1,059,669	\$ 1,032,358	\$ 1,068,778	\$ 1,006,765
Debt service	-	-	108,749	115,182
Franchise and public service taxes	1,339,582	1,349,354	1,355,646	1,225,903
Interest and investment earnings	14,507	14,111	7,729	24,230
Miscellaneous	5,384	921	1,432	-
Refund of property taxes to county	-	-	-	-
Transfers	2,365,725	2,258,700	2,198,455	2,145,443
Total governmental activities	<u>4,784,867</u>	<u>4,655,444</u>	<u>4,740,789</u>	<u>4,517,523</u>
Business-type activities:				
Interest and investment earnings	125,664	68,824	43,146	48,664
Miscellaneous	122,736	77,403	76,076	108,784
Transfers	(2,365,725)	(2,258,700)	(2,198,455)	(2,145,443)
Total business-type activities	<u>(2,117,325)</u>	<u>(2,112,473)</u>	<u>(2,079,233)</u>	<u>(1,987,995)</u>
Total primary government	<u>2,667,542</u>	<u>2,542,971</u>	<u>2,661,556</u>	<u>2,529,528</u>
<b>Change in Net Position</b>				
Governmental activities	(1,311,759)	(1,463,634)	(2,157,296)	929,733
Business-type activities	348,682	154,892	1,051,291	300,210
Total primary government change in net position	<u>(963,077)</u>	<u>(1,308,742)</u>	<u>(1,106,005)</u>	<u>1,229,943</u>
<b>Net Position Beginning</b>				
Governmental activities (previous reported)	17,935,721	12,541,772	14,699,068	15,874,311
Business-type activities (previous reported)	24,605,382	24,888,845	23,861,961	24,729,701
Total primary government net position-beginning	<u>42,541,103</u>	<u>37,430,617</u>	<u>38,561,029</u>	<u>40,604,012</u>
Governmental activities change from GASB	(603,342)	-	-	(2,104,976)
Business-type activities change from GASB	(572,393)	-	-	(1,167,950)
Prior Period Adjustment	-	6,419,223	(24,407)	-
<b>Net Position Ending</b>				
Governmental activities	16,020,620	11,078,138	12,541,772	14,699,068
Business-type activities	24,381,671	25,043,737	24,913,252	23,861,961
<b>Total Primary Government Net Position</b>	<u>\$ 40,402,291</u>	<u>\$ 42,541,098</u>	<u>\$ 37,430,617</u>	<u>\$ 38,561,029</u>

Source: Current and prior years' financial statements

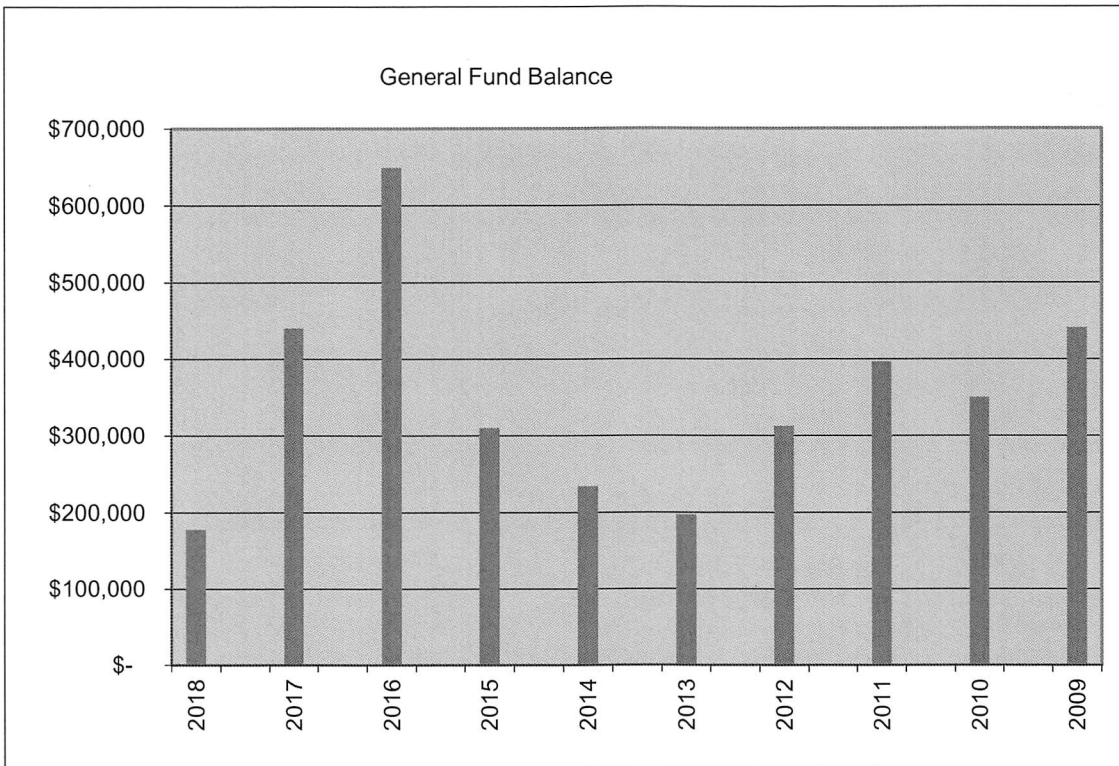


**CITY OF  
MILTON-FREEWATER, OREGON  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,366,983	\$ 1,345,542	\$ 1,300,370	\$ 1,306,981	\$ 1,220,853	\$ 1,149,719
111,200	107,869	102,450	98,765	100,702	99,308
1,207,173	1,168,930	1,180,027	1,118,199	1,112,511	1,133,425
11,403	9,343	9,458	9,376	12,720	34,599
-	-	-	-	-	-
(74,628)	-	-	-	-	-
<u>2,052,719</u>	<u>1,964,986</u>	<u>1,908,008</u>	<u>1,908,197</u>	<u>1,838,830</u>	<u>1,828,298</u>
<u>4,674,850</u>	<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>
56,716	55,155	56,844	68,562	105,100	210,793
101,797	116,893	130,631	82,865	81,469	67,519
<u>(2,052,719)</u>	<u>(1,964,986)</u>	<u>(1,908,008)</u>	<u>(1,908,197)</u>	<u>(1,838,830)</u>	<u>(1,828,298)</u>
<u>(1,894,206)</u>	<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>2,780,644</u>	<u>2,803,732</u>	<u>2,779,780</u>	<u>2,684,748</u>	<u>2,633,355</u>	<u>2,695,363</u>
(707,658)	(163,085)	1,788,867	432,943	(38,428)	(420,727)
<u>(494,068)</u>	<u>378,663</u>	<u>2,234,169</u>	<u>1,414,827</u>	<u>150,214</u>	<u>371,543</u>
<u>(1,201,726)</u>	<u>215,578</u>	<u>4,023,036</u>	<u>1,847,770</u>	<u>111,786</u>	<u>(49,184)</u>
16,581,969	16,745,054	14,956,187	14,523,244	14,561,672	14,982,399
<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>
<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>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,874,311	16,581,969	16,745,054	14,956,187	14,523,244	14,561,672
24,729,701	25,223,769	24,845,106	22,610,937	21,196,110	21,045,896
<u>\$ 40,604,012</u>	<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>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund				
Nonspendable	\$ 141,774	\$ -	\$ 141,774	\$ -
Committed	-	-	-	158
Restricted	91,641	326,370	357,807	-
Assigned	-	113,750	149,651	243,818
Unassigned	(55,626)	-	-	65,921
Total general fund	<u>\$ 177,789</u>	<u>\$ 440,120</u>	<u>\$ 649,232</u>	<u>\$ 309,897</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ 410,595
Restricted	456,410	351,031	343,899	493,363
Assigned	410,358	265,558	528,995	387,174
Unassigned	-	-	-	(2,250)
Total all other governmental funds	<u>\$ 866,768</u>	<u>\$ 616,589</u>	<u>\$ 872,894</u>	<u>\$ 1,288,882</u>
Total governmental funds	<u>\$ 1,044,557</u>	<u>\$ 1,056,709</u>	<u>\$ 1,522,126</u>	<u>\$ 1,598,779</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)**

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 30,645	\$ -	\$ -	\$ -	\$ -	\$ -
157	157	157	157	157	3,375
-	-	-	-	-	-
203,207	197,180	311,598	395,933	349,936	436,921
-	-	-	-	-	-
<u>\$ 234,009</u>	<u>\$ 197,337</u>	<u>\$ 311,755</u>	<u>\$ 396,090</u>	<u>\$ 350,093</u>	<u>\$ 440,296</u>
\$ 628,846	\$ -	\$ -	\$ -	\$ 87,033	\$ 106,128
359,499	888,196	718,251	599,020	62,130	29,109
369,572	366,786	358,857	328,465	0	0
(106,801)	(30,663)	(17,884)	(16,325)	624,427	546,065
<u>\$ 1,251,116</u>	<u>\$ 1,224,319</u>	<u>\$ 1,059,224</u>	<u>\$ 911,160</u>	<u>\$ 773,590</u>	<u>\$ 681,302</u>
<u>\$ 1,485,125</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>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>			
Taxes/special assessments	\$1,242,558	\$1,207,424	\$1,323,645
Intergovernmental	1,256,433	1,130,895	1,216,031
Franchise Fees	959,915	950,319	915,063
Licenses and Fines	116,901	135,602	139,165
Charges for services	104,231	128,201	149,274
Interest on Investments	14,508	14,111	7,729
Miscellaneous Revenues	118,187	113,621	100,179
Total revenues	<u>3,812,733</u>	<u>3,680,173</u>	<u>3,851,086</u>
<b>Expenditures</b>			
Current:			
General Government	1,769,316	1,817,704	1,713,108
Public safety	2,376,861	2,280,176	2,235,366
Culture and recreation	772,917	753,482	755,307
Public Works	518,627	540,436	475,004
Community development	259,166	279,864	340,998
Engineering	87,145	77,839	75,767
Highways and streets	278,656	284,137	268,721
Capital outlay	127,923	370,652	139,673
Debt service (principle)	-	-	120,000
(interest)	-	-	2,250
Total expenditures	<u>6,190,611</u>	<u>6,404,290</u>	<u>6,126,194</u>
Revenues over (under) expenditures	<u>(2,377,878)</u>	<u>(2,724,117)</u>	<u>(2,275,108)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of refunding bonds	-	-	-
Bond discount and issue costs	-	-	-
Issuance of debt	-	-	-
Payments to refund bonds	-	-	-
Sale of assets			
Transfers in	2,597,574	2,537,032	3,031,595
Transfers out	(231,849)	(278,332)	(833,140)
Total other financing sources (uses)	<u>2,365,725</u>	<u>2,258,700</u>	<u>2,198,455</u>
Refund of property taxes received	-	-	-
Net change in fund balances	<u>\$ (12,153)</u>	<u>\$ (465,417)</u>	<u>\$ (76,653)</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>2.0%</u>

Source: Current and prior years' financial statements

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

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$1,294,425	\$1,680,489	\$1,610,543	\$1,562,666	\$1,540,352	\$1,466,365	\$ 1,378,479
1,221,539	989,589	1,323,223	3,258,023	1,659,343	1,300,145	824,597
896,789	873,574	851,657	857,718	837,455	831,770	842,884
126,866	137,197	174,527	182,097	195,409	187,921	140,489
183,176	158,916	178,220	168,070	181,935	176,726	187,846
24,230	11,404	9,344	9,460	9,374	12,723	34,600
101,775	112,623	98,839	103,408	101,598	97,187	99,030
<u>3,848,800</u>	<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>
1,619,098	1,484,678	1,454,853	1,614,651	1,432,935	1,691,005	1,401,182
2,067,077	1,994,110	2,046,083	1,966,687	1,880,750	1,890,608	1,768,188
718,644	724,460	734,084	709,853	701,349	667,680	663,924
471,760	454,070	438,464	439,530	400,545	387,814	390,486
269,043	424,740	400,848	330,098	322,942	288,081	319,423
72,291	88,313	91,372	82,675	92,394	85,643	100,872
238,770	232,899	234,738	221,959	193,877	211,027	261,259
297,156	261,327	531,886	2,340,165	908,342	381,653	148,754
120,000	199,117	199,230	276,985	272,822	275,049	264,137
6,750	14,700	29,104	33,119	44,147	54,025	63,554
<u>5,880,589</u>	<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>(2,031,789)</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>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,437,837	2,270,399	2,185,651	2,158,214	2,156,204	2,200,958	2,096,815
(292,394)	(217,680)	(220,665)	(220,205)	(248,007)	(339,128)	(268,517)
<u>2,145,443</u>	<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>
-	(74,628)					
<u>\$ 113,654</u>	<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>2.3%</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>

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

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Governmental activities</b>					
General government	\$ 387,045	\$ 461,600	\$ 440,047	\$ 359,972	\$ 375,597
Public safety	77,680	50,048	34,700	52,008	42,154
Culture and recreation	319,792	371,771	337,641	377,762	363,313
Community development	-	-	-	-	-
Highways and streets	457,068	576,007	549,671	668,413	411,241
<b>Total governmental activities</b>	<b>1,241,585</b>	<b>1,459,426</b>	<b>1,362,059</b>	<b>1,458,155</b>	<b>1,192,305</b>
<b>Business-type activities</b>					
Electric	8,102,212	7,815,770	7,406,129	7,201,401	7,202,841
Water	1,383,280	1,274,616	1,250,626	1,262,180	1,232,534
Sewer	1,379,321	1,833,384	3,697,366	1,401,166	1,247,183
Solid Waste	1,020,736	956,558	914,084	902,070	845,996
Internal Service-Prim Bus	-	-	-	-	-
Golf Course	170,569	150,423	168,655	167,208	196,439
<b>Total business-type activities</b>	<b>12,056,118</b>	<b>12,030,751</b>	<b>13,436,860</b>	<b>10,934,025</b>	<b>10,724,993</b>
<b>Total Primary government</b>	<b>\$ 13,297,703</b>	<b>\$ 13,490,177</b>	<b>\$ 14,798,919</b>	<b>\$ 12,392,180</b>	<b>\$ 11,917,298</b>

Source: Current and prior years' financial statements

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 409,228	\$ 583,085	\$ 503,066	\$ 663,384	\$ 381,121
68,892	53,920	143,896	172,171	54,394
340,123	323,519	327,138	330,529	342,984
-	-	-	-	10,528
<u>788,159</u>	<u>2,601,840</u>	<u>1,031,324</u>	<u>485,297</u>	<u>357,206</u>
<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>
7,150,618	8,132,633	8,021,010	7,286,311	7,644,906
1,296,077	1,609,438	1,622,032	1,405,206	1,234,728
1,248,951	1,117,060	1,119,627	1,165,318	1,055,369
832,589	837,017	817,558	696,771	705,561
-	-	-	-	-
<u>203,373</u>	<u>190,951</u>	<u>191,720</u>	<u>188,902</u>	<u>193,389</u>
<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>\$ 12,338,010</u>	<u>\$ 15,449,463</u>	<u>\$ 13,777,371</u>	<u>\$ 12,393,889</u>	<u>\$ 11,980,186</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>
<b>2009</b>	1,229,522	14,637	133,564
<b>2010</b>	1,318,530	20,094	127,741
<b>2011</b>	1,400,910	9,476	129,966
<b>2012</b>	1,402,572	24,000	136,094
<b>2013</b>	1,462,014	14,430	134,099
<b>2014</b>	1,523,708	18,121	138,660
<b>2015</b>	1,147,166	7,431	139,828
<b>2016</b>	1,151,298	26,639	145,708
<b>2017</b>	1,035,196	16,933	155,295
<b>2018</b>	1,063,350	22,302	156,906



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

<u>Year</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Real Market Value</u>
<b>2009</b>	215,951,000	5.95	307,370,747
<b>2010</b>	224,018,690	6.01	325,731,595
<b>2011</b>	229,968,793	6.14	317,670,003
<b>2012</b>	237,268,234	6.06	312,506,993
<b>2013</b>	242,266,716	6.12	309,694,430
<b>2014</b>	252,318,776	6.16	310,240,684
<b>2015</b>	259,211,080	4.44	334,986,321
<b>2016</b>	268,188,919	4.43	311,551,824
<b>2017</b>	274,904,381	3.98	351,916,966
<b>2018</b>	282,588,912	3.97	362,474,475

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

Year	DIRECT				Total Direct Tax Rate	OVERLAPPING					Total Tax Rate
	City of M-F General	City of M-F Bond	City of M-F Local Option	URA		Umatilla County	BMCC	School District No. 7	Misc Small Districts	Total Overlap Tax Rate	
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
2018	3.75	0	0.22	0	3.97	2.85	0.87	5.92	2.18	11.82	15.79

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

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
<b><u>DIRECT:</u></b>			
City of Milton-Freewater	<u>\$0</u>	100%	<u>\$0</u>
<b><u>OVERLAPPING:</u></b>			
M-F Unified School Distric	11,875,000	68%	8,075,000
M-F Water control District	<u>2,021,039</u>	65%	<u>1,313,675</u>
Total Overlapping	<u>13,896,039</u>		<u>9,388,675</u>
Total Direct& Overlapping	<u>\$13,896,039</u>		<u>\$9,388,675</u>

**Note:**

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

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

<b>Fiscal Year Ended June 30,</b>	<b>Tax Levy for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Collected in Subsequent Years</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
<b>2008</b>	853,438	798,519	93.56%	54,832	853,351	99.99%
<b>2009</b>	862,492	796,538	92.35%	65,878	862,416	99.99%
<b>2010</b>	881,496	817,453	92.73%	63,856	881,309	99.98%
<b>2011</b>	910,660	841,495	92.40%	69,165	910,660	100.00%
<b>2012</b>	919,981	854,410	92.87%	65,571	919,981	100.00%
<b>2013</b>	939,891	883,872	94.04%	56,019	939,891	100.00%
<b>2014</b>	966,322	906,661	93.83%	35,121	941,782	97.46%
<b>2015</b>	972,018	945,969	97.32%	26,049	972,018	100.00%
<b>2016</b>	1,005,676	948,653	94.33%	33,414	982,067	97.65%
<b>2017</b>	996,387	938,098	94.15%	18,759	956,857	96.03%
<b>2018</b>	1,030,827	968,825	93.99%	0	968,825	93.99%

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

CITY OF  
MILTON-FREEWATER, OREGON  
Principal Taxpayers  
January 1, 2009 to January 1, 2018

**Tax Year 2017-2018**

<b>Taxpayer</b>	<b>Real Property</b>		<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
	<b>Assessed Valuation</b>			
Earl Brown & Sons	\$ 13,367,980		1	4.73%
Charter Communications	4,850,600		2	1.72%
Sykes Realty Inc	3,541,500		3	1.25%
Milton-Freewater Holdings LLC	3,063,820		4	1.08%
Key Meadowbrook Village	2,804,610		5	0.99%
Freewater Oregon LLC	2,707,480		6	0.96%
Verizon Wireless VAW LLC	2,427,000		7	0.86%
Century Link	1,681,000		8	0.59%
Cub Investors LLC	1,649,620		9	0.58%
Caterpillar Financial Services	1,251,720		10	0.44%
	<u>\$ 37,345,330</u>			<u>13.22%</u>
<b>Total Assessed Valuation</b>	<u>\$ 282,588,912</u>			

**Tax year 2008-2009**

<b>Taxpayer</b>	<b>Real Property</b>		<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
	<b>Assessed Valuation</b>			
Blue Mountain Growers, Inc.	\$ 7,545,800		1	3.49%
Earl E Brown & Sons	7,409,640		2	3.43%
Sykes Realty Inc	4,927,220		3	2.28%
Key Meadowbrook Village	2,545,870		4	1.18%
Milton-Freewater Holdings LLC	2,362,860		5	1.09%
Freewater Oregon LLC	2,178,140		6	1.01%
Charter Communications	1,999,000		7	0.93%
Stadelman Fruit Co	1,574,010		8	0.73%
Cub Investors LLC	1,573,740		9	0.73%
Qwest Inc.	1,517,300		10	0.70%
	<u>\$ 33,633,580</u>			<u>15.58%</u>
<b>Total Assessed Valuation</b>	<u>\$ 215,951,341</u>			

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

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment	Loans Payable	Revenue Bonds	Loans Payable			
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	-	-	-	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
2018	-	-	-	-	1,390,458	1,390,458	N/A	196

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

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Gross Bonded Debt</b>	<b>Total Taxable Assessed Value (000)'s</b>	<b>Percentage of Debt to Value of Property</b>	<b>Net Bonded Debt Per Capita</b>
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%	-
2017	7,070	-	274,904	0.00%	-
2018	7,105	-	282,588	0.00%	-

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real market value	\$ 362,474,475	\$ 351,916,966	\$ 311,551,824	\$ 334,986,321
Debt limit rate	3%	3%	3%	3%
Debt limit	10,874,234	10,557,509	9,346,555	10,049,590
Less general bonded debt June 30,	-	-	-	120,000
Legal debt margin	<u>\$ 10,874,234</u>	<u>\$ 10,557,509</u>	<u>\$ 9,346,555</u>	<u>\$ 9,929,590</u>
 Total net bonded debt applicable to the limit as a percentage of debt limit	 0.00%	 0.00%	 0.00%	 0.04%



<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 310,240,684	\$ 309,694,430	\$ 312,506,993	\$ 317,670,003	\$ 325,731,595	\$ 307,370,747
3%	3%	3%	3%	3%	3%
9,307,221	9,290,833	9,375,210	9,530,100	9,771,948	9,221,122
240,000	350,000	460,000	565,000	665,000	760,000
<b>\$ 9,067,221</b>	<b>\$ 8,940,833</b>	<b>\$ 8,915,210</b>	<b>\$ 8,965,100</b>	<b>\$ 9,106,948</b>	<b>\$ 8,461,122</b>
0.08%	0.11%	0.15%	0.18%	0.20%	0.25%

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

<b>Year</b>	<b>Population</b>	<b>School Enrollment</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
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	9.20%
2012	7,055	2,008	\$16,355	8.35%
2013	7,050	2,061	\$16,682	7.80%
2014	7,060	2,002	\$16,752	7.30%
2015	7,060	1,910	\$16,814	6.00%
2016	7,070	1,881	\$17,161	5.30%
2017	7,070	1,724	\$17,299	5.00%
2018	7,105	1,784	NA	4.00%

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

<b>Year</b>	<b>Population</b>	<b>School Enrollment</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
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**

**\*2017-18**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
M-F Unified School District	270	1	30
**Sykes	250	2	28
Horizen Project	200	3	22
Earl Brown and Sons	100	4	11
City of Milton-Freewater	75	5	9
	<u>895</u>		

**\*\*2008-09**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Sykes	440	1	41
M-F Unified School District	350	2	34
Oregon Coalition of Child Develop.	106	3	10
Earl Brown and Sons	82	4	8
City of Milton-Freewater	74	5	7
	<u>1052</u>		

\*\*Sykes closed its physical location after June 30th, 2018

\*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**

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Governmental activities:</b>				
General government	26.25	26.33	26.70	26.38
Public safety and justice	20.78	19.78	19.78	19.81
Community services	0.75	0.70	0.70	0.70
Streets and highways	2.20	2.20	2.20	1.80
Library	3.96	3.93	3.93	3.5
<b>Total governmental activities</b>	<b>53.94</b>	<b>52.94</b>	<b>53.31</b>	<b>52.19</b>
<b>Business-type activities:</b>				
Water	2.63	2.63	2.63	2.63
Wastewater	3.45	3.45	3.45	3.45
Sanitation	3.09	3.09	3.09	2.84
Golf Course	1.69	1.69	1.69	1.94
Electric	10.05	10.05	10.05	10.15
<b>Total business-type activities</b>	<b>20.91</b>	<b>20.91</b>	<b>20.91</b>	<b>21.01</b>
<b>Total primary government budgeted FTE</b>	<b>74.85</b>	<b>73.85</b>	<b>74.22</b>	<b>73.20</b>
<b>City of Milton-Freewater Employees</b>				
Management and exempt	12.34	12.34	12.34	12.34
Temporary employees	61	61	61	61
<b>Total Employees in Six Bargaining Units (Clerical, Teamsters, Police, Linemen, Dept Heads, Supervisory/Tech)</b>	<b>74.85</b>	<b>73.85</b>	<b>74.22</b>	<b>73.20</b>
Volunteer employees	27	27	27	27

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
26.66	27.23	27.21	27.19	27.34	28.14
19.68	19.86	19.86	19.93	19.93	19.43
0.70	0.70	0.70	0.70	0.75	0.75
1.80	1.80	1.80	1.80	1.80	2.28
3.93	3.93	3.93	3.93	3.93	3.85
<u>52.77</u>	<u>53.52</u>	<u>53.5</u>	<u>53.55</u>	<u>53.75</u>	<u>54.45</u>
2.63	2.63	2.63	2.63	2.63	2.63
3.45	3.45	3.45	3.45	3.45	3.27
2.84	2.84	2.84	2.84	2.84	2.54
1.94	1.94	1.94	1.94	1.94	1.94
9.70	9.70	9.70	9.70	9.60	9.60
<u>20.56</u>	<u>20.56</u>	<u>20.56</u>	<u>20.56</u>	<u>20.46</u>	<u>19.98</u>
<u>73.33</u>	<u>74.08</u>	<u>74.06</u>	<u>74.11</u>	<u>74.21</u>	<u>74.43</u>
<u>11.42</u>	<u>11.42</u>	<u>11.42</u>	<u>12.69</u>	<u>12.69</u>	<u>12.69</u>
<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>
<u>73.33</u>	<u>74.08</u>	<u>74.06</u>	<u>86.80</u>	<u>86.90</u>	<u>87.12</u>
<u>30</u>	<u>33</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>43</u>

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

<b>FUNCTION/PROGRAM</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Governmental Activities:</b>				
<b>Public Safety and Justice</b>				
<b>Police (1)</b>				
Calls for service	7,583	6,155	4,068	6,212
Number of arrests	463	367	459	649
<b>Municipal Court</b>				
Traffic Cases (Non-Criminal)	423	480	483	606
Traffic Cases (Criminal)	30	57	55	54
Criminal Cases	72	58	59	128
Other Violations	12	63	62	71
<b>Library</b>				
Number of registered borrowers**	4,100	4,276	4,015	4,273
Total circulation	50,542	51,667	48,036	48,616
Public programs	165	158	148	133
Program attendance	4,003	2,919	2,381	2,637
Books added	7,316	8,509	5,432	2,088
Computer Use	4,500	4,430	5,400	4,070
<b>Business-type Activities:</b>				
<b>Water</b>				
Average active metered connections	2,631	2,668	2,680	2,686
Average daily water consumption**	1,299,279	1,227,960	1,363,353	1,415,782

\*\*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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
5,613	7,712	5,730	5,788	5,833	6,357
661	696	666	774	762	596
535	645	675	785	717	579
32	39	33	37	122	68
198	131	71	82	96	89
62	53	65	74	69	54
4,604	4,248	4,308	4,069	4,483	4,526
41,467	42,177	46,365	54,211	58,105	53,821
168	94	116	93	100	120
1,199	899	915	1,178	1,440	2,077
4,172	7,573	1,443	9,913	24,379	2,390
2,732	2,715	2,682	2,687	2,774	2,766
1,138,455	1,387,285	1,224,094	1,226,548	1,471,902	1,454,449

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

<b>FUNCTION/PROGRAM</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Governmental Activities</b>				
<b>General Government</b>				
Buildings owned-all structures	37	37	37	37
Vehicles/Equip (i.e. trailers, mowers)	23	23	23	23
Vehicles (i.e. cars & pick ups)-excluding police	18	18	18	18
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	17	17	17	17
Heavy Equipment (i.e. CAT, grader, etc.)	9	8	8	8
<b>Public Safety and Justice</b>				
<b>Police</b>				
Vehicular patrol units/code enforcement	10	10	9	8
<b>Fire</b>				
Vehicular apparatus units	9	9	9	8
<b>Streets and Highways</b>				
<b>Miles of streets maintained by City:</b>				
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
<b>Business-type Activities</b>				
<b>Water</b>				
Miles of water lines (estimated)	36.87	36.87	36.87	36.87
Reservoirs	3	3	3	3
Water treatment plant	0	0	0	0
Wells	7	7	7	7
<b>Wastewater</b>				
<b>Treatment plant</b>				
Miles of sewer lines (estimated)	28.23	28.23	28.23	28.23
Lift Stations	2	2	2	2
<b>Electric</b>				
Substations	3	3	3	3
Miles of power lines (underground)	15	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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
37	37	37	37	37	37
23	23	23	23	23	23
18	18	18	18	17	17
17	17	17	17	16	16
8	8	8	8	8	7
8	7	7	7	7	7
8	8	8	8	8	7
30.20	30.20	30.20	25.25	25.25	24.75
0.00	0.00	0.00	4.95	4.95	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

**REPORTS OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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**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, 2018, and have issued our report thereon dated January 22, 2019.

**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, 2018:

<b>Golf Course Fund</b>	
Materials and Services	\$ 6,309
Capital Outlay	<u>\$ 11,620</u>
<b>Vehicle Maintenance Fund</b>	
Transfers Out	<u>\$ 2</u>

- As of June 30, 2018, the Golf Course Fund had a deficit balance of \$208,583.
- In the resolutions adopting the 2017-2018 and 2018-2019 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.
- In the resolution adopting the 2018-2019 budget, several non-operating funds were appropriated with an operating contingency when only operating funds are allowed an appropriation for such a contingency under Oregon Budget Law.
- The City made one purchase during the year that did not follow the City's purchasing policy. This purchase was immediately brought to the attention of City Council and approved as required by City purchasing policy.

**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, none of which were material or significant, and other matters were reported to management in a separate management letter dated January 22, 2019.

**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 22, 2019