

ANNUAL REPORT

City of Millwood

MCAG No. 0718

Submitted pursuant to RCW 43.09.230
to the
STATE AUDITORS OFFICE

FOR THE FISCAL YEAR ENDED DECEMBER, 2010

Certified correct this 27TH day of MAY, 2011, to the best of my knowledge and belief:

GOVERNMENT INFORMATION:

Official Mailing Address 9103 E. Frederick Ave., Spokane, WA 99206

Official Web Site Address cityofmillwood.org

PREPARER INFORMATION and CERTIFICATION:

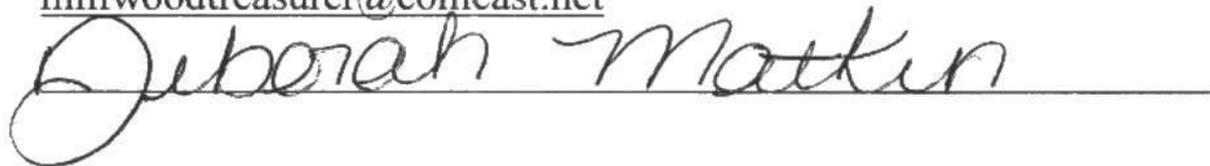
Preparer Name and Title Deborah Matkin, City Treasurer

Contact Phone Number (509) 924-0960

Contact Fax Number (509) 927-2867

Contact E-mail Address millwoodtreasurer@comcast.net

Signature



City of Millwood
MCAG #0718
Notes to the Annual Report
For the Year Ending December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Millwood reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Millwood was incorporated in 1928 and operates under the laws of the state of Washington applicable to a Non-charter Code City. The City of Millwood is a general purpose government and provides public safety, street improvement, parks and recreation, general administrative services, and a city owned water & sewer utility. The City of Millwood uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Millwood are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Millwood:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Millwood.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Millwood in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that City of Millwood holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund	\$844,606	\$842,738.80	\$1,867.20
101 Street Fund	\$770,000	\$738,009	\$31,991.00
401 Water Fund	\$468,000	\$398,859.89	\$69,140.11
402 Sewer Fund	\$434,500	\$424,464.57	\$10,035.43
405 Sewer Capital Fund	\$0	\$227,435.55	\$(227,435.55)

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. Investments See Note 3.

g. Derivatives and Similar Transactions

None.

h. Capital Assets

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

i. Compensated Absences

Vacation leave may be accumulated up to 5 days per year and is payable upon separation or retirement.

Sick leave may be accumulated up to 720 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

j. Long-Term Debt See Note 6.

k. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of: Transfers-in and out between funds.

l. Risk Management

The City of Millwood is insured by Cities Insurance Association of Washington ("CIAW"), which is a joint self-insured local government property and liability program pursuant to chapter 48.62 RCW and chapter 82-60 WAC under the oversight of the State of Washington Office of Financial Management, Local Government Self-Insurance Program, Local Government Self-Insurance Program ("OFM"). OFM issued an Order to Cease and Desist dated January 14, 2010, that ordered CIAW to "cease and desist from 1. operating without sufficient financial reserves, resulting in an unsafe financial condition; 2. providing inaccurate financial information to OFM and the State Auditor; and 3. making significant changes in the plan of management and operation of the pool without prior approval by the state risk manager." CIAW appealed the Order, and subsequently OFM and CIAW agreed to a funding plan in response to the Order to Cease and Desist, which was lifted by OFM on August 4, 2010. The funding plan requires CIAW to reassess its members for the next five years. In 2011, Millwood will be reassessed the amount of \$1,460.32, which Millwood paid in December, 2010.

m. Reserved Fund Balance

In 2010, the City of Millwood has a total of \$579,952.58 in Reserved fund balance(s). \$352,517.03 is reserved by Revenue Bond obligations and is reported in fund 401. \$181,948.44 is reserved by ordinance for capital improvements to the water utility, and is reported in fund 401. \$45,487.11 is reserved by ordinance for capital improvements to the sewer utility, and is reported in fund 402.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the City of Millwood.

NOTE 3 - INVESTMENTS

The City's investments are either insured, registered, or held by the City of Millwood or its agent in the City's name.

Investments are presented at cash value.

Investments by type at December 31, 2010 are as follows:

<u>Type of Investment</u>	① City of Millwood's own investments	② Investments held by (city/ county/ district) as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$1,001,747.74	\$ _____	\$1,001,747.74

NOTE 4 - PROPERTY TAX

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for the year 2010 was \$1.653264946 per \$1,000 on an assessed valuation of \$224,921,445 for a total regular levy of \$371,854.74.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2010. All interfund loans were repaid in 2010.

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2010</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2010</u>
Street	General	\$500,000	\$0	\$500,000	\$0
	TOTALS	<u>\$500,000</u>	<u>\$0</u>	<u>\$500,000</u>	<u>\$0</u>

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Millwood, and summarizes the City's debt transactions for 2010. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2010	\$148,702	\$178,485	\$	\$327,187
2011	\$144,477	\$183,265		\$327,742
2012	\$140,057	\$177,375		\$317,432
2013	\$145,498	\$171,252		\$316,750
2014	\$150,400	\$174,975		\$325,375
2015- 2019	<u>\$341,630</u>	<u>\$73,045</u>		<u>\$414,675</u>
TOTALS	<u>\$1,070,764</u>	<u>\$958,397</u>	<u>\$</u>	<u>\$2,029,161</u>

NOTE 7 - PENSION PLANS

Substantially all City of Millwood full-time and qualifying part-time employees participate in the PERS 2 plan, administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Millwood's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 8 - OTHER DISCLOSURES

The City of Millwood is currently in litigation with the owner of a local espresso and tanning business. The owner filed a lawsuit in November 2009 alleging that work performed on Argonne Road had damaged her business. The City's insurer, Cities Insurance Association of Washington, accepted defense of the lawsuit based on the City's coverage. Summary judgment was granted to the City and the lawsuit was dismissed from Superior Court on November 15, 2010. The plaintiff subsequently appealed to the Washington State Court of Appeals, and the lawsuit is currently pending. No estimate of the probability that the litigation will result in a contingent liability can be made at this time.

Interlocal Agreements

The City of Millwood has an Interlocal Agreement with the Spokane Aquifer Joint Board, and is assessed a portion of its operating costs. This board oversees the water quality in the Spokane Aquifer. As the City's water utility draws its water from the Aquifer, decisions & resolutions of this board impact the operations of the City's utility.

The City of Millwood has Interlocal Agreement(s) with the Spokane County, including Building Plan Review and Inspection services, care & custody of prisoners, prosecutorial and public defender services, and SCRAPS for animal control service. The City pays for these services as needed.

The City of Millwood has an Interlocal Agreement with the Spokane County Sheriff to provide public safety services in lieu of a City police force. The City maintains an annual contract and pays for service on a monthly basis.

The City leases two public properties to Spokane County for public safety purposes. A portion of the Town Hall is leased to Sheriff Community Oriented Policing Effort (SCOPE). This lease is renewed yearly. The City also leases land to the Spokane Valley Fire District. The City issued G.O. Bonds to build the station. The SVFD, as part of their lease, pays all G.O. Bond Payments as rent to the City. The City then makes the appropriate payment for the bond. The SVFD lease term is 150 years. The building reverts to the possession of the SVFD at the end of the bond payment obligation.

City Of Millwood

MCAG #: 0718

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

1 Of 2

BARS CODE		Total For All Funds Total Amount	001 - General Fund Actual Amount	101 - Street Fund Actual Amount
Beginning Cash and Investments:		2,183,808.00	552,222.00	654,700.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	931,555.64	569,356.70	362,198.94
320	Licenses and Permits	12,572.89	12,197.89	0.00
330	Intergovernmental	236,011.25	29,519.69	206,491.56
340	Charges for Goods and Services	483,878.02	12.95	0.00
350	Fines and Penalties	2,860.21	0.00	0.00
360	Miscellaneous	14,138.21	10,215.29	233.83
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	483,153.08	74,935.00	0.00
Total Revenues and Other Financing Sources		2,164,169.30	696,237.52	568,924.33
<i>Total Resources</i>		<i>4,347,977.30</i>	<i>1,248,459.52</i>	<i>1,223,624.33</i>
Operating Expenditures				
510	General Government	291,851.25	291,851.25	0.00
520	Public Safety	321,267.23	321,267.23	0.00
530	Physical Environment	457,628.90	17,270.38	0.00
540	Transportation	142,986.27	0.00	142,986.27
550	Economic Environment	51,801.32	51,801.32	0.00
560	Mental and Physical Health	3,414.99	3,414.99	0.00
570	Culture and Recreational	46,910.52	46,910.52	0.00
Total Operating Expenditures		1,315,860.48	732,515.69	142,986.27
591-593	Debt Service	148,702.50	74,935.00	73,767.50
594-595	Capital Outlay	66,171.86	33,294.08	7,185.04
Total Expenditures		1,530,734.84	840,744.77	223,938.81
597-599	Other Financing Uses	408,218.08	1,994.03	0.00
<i>Total Expenditures and Other Financing Uses</i>		<i>1,938,952.92</i>	<i>842,738.80</i>	<i>223,938.81</i>
Excess (Deficit) of Resources Over Uses		2,409,024.38	405,720.72	999,685.52
380	Nonrevenues (Except 384)	529,709.50	528,399.85	0.00
580	Nonexpenditures (Except 584)	678,978.87	93.87	500,000.00
Ending Cash and Investments:				
508.80	Unreserved	1,679,802.43	934,026.70	499,685.52
508.10	Reserved	579,952.58	0.00	0.00

The accompanying notes are an integral part of this Statement

City Of Millwood

MCAG #: 0718

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending: December 31, 2010

2 Of 2

BARS CODE		401 - Water Fund Actual Amount	402 - Sewer Fund Actual Amount	405 - Sewer Capital Reserve Fund Actual Amount
Beginning Cash and Investments:		609,206.00	140,387.00	227,293.00
	Prior Period Adjustments (388.80 and 588.80)	0.00	0.00	0.00
Revenues and Other Sources:				
310	Taxes	0.00	0.00	0.00
320	Licenses and Permits	0.00	375.00	0.00
330	Intergovernmental	0.00	0.00	0.00
340	Charges for Goods and Services	159,907.89	323,957.18	0.00
350	Fines and Penalties	2,860.21	0.00	0.00
360	Miscellaneous	3,435.40	111.14	142.55
370	Capital Contributions	0.00	0.00	0.00
390	Other Financing Sources	362,100.97	46,117.11	0.00
Total Revenues and Other Financing Sources		528,304.47	370,560.43	142.55
<i>Total Resources</i>		<i>1,137,510.47</i>	<i>510,947.43</i>	<i>227,435.55</i>
Operating Expenditures				
510	General Government	0.00	0.00	0.00
520	Public Safety	0.00	0.00	0.00
530	Physical Environment	204,005.55	236,352.97	0.00
540	Transportation	0.00	0.00	0.00
550	Economic Environment	0.00	0.00	0.00
560	Mental and Physical Health	0.00	0.00	0.00
570	Culture and Recreational	0.00	0.00	0.00
Total Operating Expenditures		204,005.55	236,352.97	0.00
591-593	Debt Service	0.00	0.00	0.00
594-595	Capital Outlay	16,369.34	9,323.40	0.00
Total Expenditures		220,374.89	245,676.37	0.00
597-599	Other Financing Uses	0.00	178,788.50	227,435.55
<i>Total Expenditures and Other Financing Uses</i>		<i>220,374.89</i>	<i>424,464.87</i>	<i>227,435.55</i>
Excess (Deficit) of Resources Over Uses		917,135.58	86,482.56	0.00
380	Nonrevenues (Except 384)	1,209.65	100.00	0.00
580	Nonexpenditures (Except 584)	178,485.00	400.00	0.00
Ending Cash and Investments:				
508.80	Unreserved	205,394.76	40,695.45	0.00
508.10	Reserved	534,465.47	45,487.11	0.00

The accompanying notes are an integral part of this Statement

Schedule of Limitation of Indebtedness

As of December 31, 2010

Total Taxable Property Value \$224,921,445

**Remaining Debt
Capacity**

2.5% General purpose limit is allocated between:		\$5,623,036.13	
Up to 1.5% debt without a vote (councilmanic)		\$3,373,821.68	
Less: Outstanding Debt	\$		
Contracts Payable	\$		
Excess of Debt with a vote	\$		
Add: Available assets	\$		
Equals remaining debt capacity without a vote			\$3,373,821.68
1.0% General purpose debt with a vote		\$2,249,214.45	
Less: Outstanding Debt	\$	\$770,000.00	
Contracts Payable	\$		
Add: Available assets	\$		
Equals remaining debt capacity with a vote			\$1,479,214.45
2.5% Utility purpose limit, voted		\$5,623,036.13	
Less: Outstanding Debt	\$	\$700,000.00	
Contracts Payable	\$		
Add: Available Assets	\$		
Equals remaining debt capacity - Utility purpose, voted			\$4,923,036.13
2.5% Open Space, park & capital facilities, voted		\$5,623,036.13	
Less: Outstanding Debt			
Contracts Payable			
Add: Available Assets			
Equals remaining debt capacity - Open space, park & capital facilities voted			\$5,623,036.13

CITY OF MILLWOOD

SCHEDULE OF CASH ACTIVITY
For Year Ending: December 31, 2010

SCHEDULE 11

MCAG #: 0718

Fund	Beg Balance	Receipts	Inv Sales	Trans In	Ttl Available	Inv Purch	Claims & Pay	Trans Out	Expenditures	Ttl Used	Ending Bal
001 General Fund	552,222.00	726,956.65	0.00	500,039.50	1,779,218.15	1,000,887.32	842,705.82	2,033.53	452.10	1,846,078.77	-66,860.62
101 Street Fund	654,700.00	568,924.33	0.00	0.00	1,223,624.33	233.83	223,938.81	514,071.00	0.00	738,243.64	485,380.69
401 Water Fund	609,206.00	165,054.37	0.00	362,100.97	1,136,361.34	372.90	396,501.11	0.00	0.00	396,874.01	739,487.33
402 Sewer Fund	140,387.00	324,543.32	0.00	46,117.11	511,047.43	111.14	246,076.37	178,788.50	0.00	424,976.01	86,071.42
405 Sewer Capital Reserve Fund	227,293.00	142.55	142.55	0.00	227,578.10	142.55	0.00	227,435.55	0.00	227,578.10	0.00
TOTALS:	2,183,808.00	1,785,621.22	142.55	908,257.58	4,877,829.35	1,001,747.74	1,709,222.11	922,328.58	452.10	3,633,750.53	1,244,078.82

CITY OF MILLWOOD

SCHEDULE OF INVESTMENT ACTIVITY - ALL FUNDS

For Year Ending: December 31, 2010

SCHEDULE 12

MCAG #: 0718

Fund	Beginning Balance	Investments Acquired	Reinvested Interest	Total Acquired	Investments Liquidated	Ending Balance
001 General Fund	1,000,000.00		887.32	1,000,887.32		1,000,887.32
101 Street Fund			233.83	233.83		233.83
401 Water Fund			372.90	372.90		372.90
402 Sewer Fund			111.14	111.14		111.14
405 Sewer Capital Reserve Fund			142.55	142.55	142.55	
TOTALS:	1,000,000.00		1,747.74	1,001,747.74	142.55	1,001,605.19

MCAG NO.

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SCHEDULE 19

LABOR RELATIONS CONSULTANT(S)

For the Year Ended December 31, 2010

Has your government engaged labor relations consultants?

____ Yes __X__ No

If yes, please provide the following information for each consultant(s):

Name Of Firm
Name Of Consultant
Business Address
Amount Paid To Consultant During Fiscal Year
Terms And Conditions, As Applicable, Including:
Rates (E.g., Hourly, Etc) _____
Maximum Compensations Allowed _____
Duration Of Service _____
Services Provided _____

Certified Correct this <u>27TH</u> day of <u>MAY</u> , <u>11</u> to the best of my knowledge and belief:
Signature <u>Deborah Matkin</u>
Name <u>DEBORAH MATKIN</u>
Title <u>CITY TREASURER</u>

LOCAL GOVERNMENT RISK-ASSUMPTION
For the Year Ended December 31, 2010

Program Manager: Deborah Matkin, City Treasurer

Address: 9103 E. Frederick Ave., Spokane, WA 99206

Phone: (509) 024-0960

Email: millwoodtreasurer@comcast.net

- 1. NO Does the entity self-insure for any class of risk, including liability, property, health and welfare, unemployment compensation, workers' compensation? (yes/no)

If NO, STOP, you do not need to complete the rest of this Schedule.

If YES, continue below.

- a. Which class of risk does the entity self-insure? Check all that apply.
i. Liability
ii. Property
iii. Health and Welfare (medical, vision, dental, prescription)
iv. Unemployment Compensation
v. Workers' Compensation
vi. Other - please describe:
b. Does the entity self-insure as an individual program? (yes/no)
i. If answered YES, does the entity allow another separate legal entity into its self-insurance program(s)? (yes/no) For example, employees of a different organization participate in a health and welfare program of a city.
If so, list the entity or entities:
c. Does the entity self-insure as a joint program? (yes/no)
i. If answered YES, list the other member(s):

2. Does the entity administer its own claims? (yes/no)
3. Does the entity contract with a third party administrator for claims administration? (yes/no)
4. Did the entity receive a claims audit in the last three years, regardless of who administered the claims? (yes/no)
5. Were the program's revenues sufficient to cover the program's expenses? (yes/no)
6. Did the program use an actuary to determine its liabilities? (yes/no)

EXAMPLE

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period
Liability (automobile)	354	279	\$104,366

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period