

AGENDA
WORK SESSION
MILWAUKIE CITY COUNCIL
JANUARY 16, 2007

MILWAUKIE CITY HALL

Second Floor Conference Room
10722 SE Main Street

A light dinner will be served.

WORK SESSION – 5:30 p.m.

Discussion Items:

	<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
1.	5:30 p.m.	Comprehensive Annual Financial Report	Stewart Taylor
2.	6:00 p.m.	Transportation System Plan Update	Katie Mangle
3.	6:30 p.m.	Social Gaming	Mike Swanson
3.	6:45 p.m.	Adjourn Work Session	

Public Notice

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- Executive Session: The Milwaukie City Council may go into Executive Session pursuant to ORS 192.660. All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.
- For assistance/service per the Americans with Disabilities Act (ADA) please dial TDD (503) 786-7555.
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.

CITY OF MILWAUKIE, OREGON
Annual Financial Report
Year Ended June 30, 2006

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MAYOR AND COUNCIL MEMBERS

<u><i>Name</i></u>	<u><i>Term Expires</i></u>
Mayor Jim Bernard 12255 SE 41 st Court Milwaukie, Oregon 97222	December 31, 2006
Councilor Susan Stone 9212 SE 32 nd Avenue Milwaukie, Oregon 97222	December 31, 2006
Councilor Joe Loomis 3610 SE Filbert Street Milwaukie, Oregon 97222	December 31, 2008
Councilor Carlotta Collette 3905 SE Johnson Creek Boulevard Milwaukie, Oregon 97222	December 31, 2008
Councilor Deborah Barnes 6330 SE Furnberg Street Milwaukie, Oregon 97222	December 31, 2006

Mike Swanson, City Manager
Stewart Taylor, Finance Director

Ramis, Crew & Corrigan, City Attorney



December 7, 2006

Mayor Jim Bernard and City Council
City of Milwaukie, Clackamas County, Oregon

Introduction

I am pleased to submit the Comprehensive Annual Financial Report of the City of Milwaukie, Oregon for the fiscal year ended June 30, 2006. This report was prepared by the City's Finance Department. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. I believe the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

This report consists of management's representations concerning the finances of the City. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established an internal control structure designed to safeguard City assets against loss, theft, or misappropriation, and to ensure the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure has been designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes (1) the cost of the control structure should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgments by management. I believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of my knowledge and belief, the enclosed data is presented accurately, in all material respects, along with disclosures necessary to provide the reader with reasonable 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*, Statement No. 37 *Basic Financial Statement and management's Discussion and Analysis – for State and Local Governments: Omnibus*, Statement No. 38 *Certain Financial Statement Note Disclosures* and amendments.

The City's financial statements were audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial

statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2006, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report on the basic financial statements is included in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designated to complement MD&A and should be read in conjunction with it. The City of Milwaukie's MD&A can be found immediately following the report of the independent auditors.

The City

Milwaukie was founded in 1848 by Lot Whitcomb. On February 4, 1903, a petition to incorporate as a city was approved by the residents of Milwaukie. The first council meeting was held on June 2, 1903 presided over by William Schindler, the first Mayor. The initial funding for the City came from a \$1.00 donation from each elected city official.

Since the 1940s the City has experienced significant growth. Much of this growth occurred in the 1960s when the population increased from 9,099 to 15,244. The July 1, 2006 population estimate was 20,835. The City has emerged as an industrial employment center with two major industrial parks. In addition, Milwaukie's central location has attracted major businesses such as Precision Cast Parts and Oregon Cutting Systems, Inc.

Review of the economic statistics presented in the statistical section of this Comprehensive Annual Financial Report shows growth in population and residential building permits which points to a region with a stable and growing economy. Based on current projections, these trends are expected to continue through the next several years.

The City of Milwaukie, Clackamas County, Oregon is a home rule charter, financially independent entity governed by an elected Mayor and four member City Council. The City employs 123 full-time equivalent employees. There are collective bargaining agreements with the Milwaukie Police Employees Association and the Milwaukie Employees Association (Association of Federal, State, County and Municipal Employees Local 350-5, council 75).

A property tax base was approved by the voters in November 1996. The tax base became effective with the 1997-1998 fiscal year. The new tax base, which the Oregon Constitution allows to increase six percent per annum, is constrained by the effects of Measure 5 which limits the consolidated tax rate that local governments can charge, and Measure 50 which limits growth in assessed value and places a tax rate limit that can be charged on each parcel of taxed property. The tax base has been converted to a permanent levy rate of \$6.5379 per thousand of taxable value. In 2004 residents of Milwaukie elected to annex into Clackamas County Fire District No. 1 for fire and emergency medical services. The City property tax levy is the City's permanent rate reduced by the fire district's permanent rate and the fire district's bond equivalent rate. The reduced levy will be applied to the taxable assessed value. The assessed value growth is limited to three percent plus any new construction, remodeling or value increases due to property sales.

Major Initiatives

Two major initiatives were largely completed during the most recent reporting period. The North Main Village project added a residential and commercial mixed use development in the City's downtown. The private development project was complemented by major improvements and beautification to McLoughlin Boulevard and greater visibility and access to Riverfront Park. The combination of projects and improvements has established a greater sense of community and a very positive and recognizable image for Milwaukie's downtown.

Debt Administration

The City has maintained an A1 rating on general obligation issues from Moody's Investors Service. The ratings awarded by Moody's are Aaa, Aa, A, Baa, Ba, B, Caa, C and Con. An A1 rating attached to an issue classifies it as an issue possessing many favorable investment attributes and considered as an upper medium grade obligation. Moody's gives those bonds in the Aa, A, Baa, and B groups, which are considered to possess the strongest investment attributes, a "1" suffix.

Cash Management

The City Council of Milwaukie has adopted a formal investment policy. Implementation of this policy through administrative rules and procedures allows the City to maintain a cash management program to maximize the yield on temporarily idle funds while maintaining safety of principal. Available investments include the State of Oregon Local Government Investment Pool, certificates of deposit and government securities.

Risk Management

During fiscal year 2006, the City continued safety awareness programs throughout its operations. The programs include safety committees, training, equipment operation manuals and reminder posters.

The City purchases insurance for all commonly insured risks. All employee groups participate in the cost of medical and dental premiums.

Awards

The Government Finance Officers Association of the United States and Canada offers a Certificate of Achievement for Excellence in Financial Reporting. The certificate is a prestigious national award which recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Milwaukie has received this award in past years. We believe our current report conforms to Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

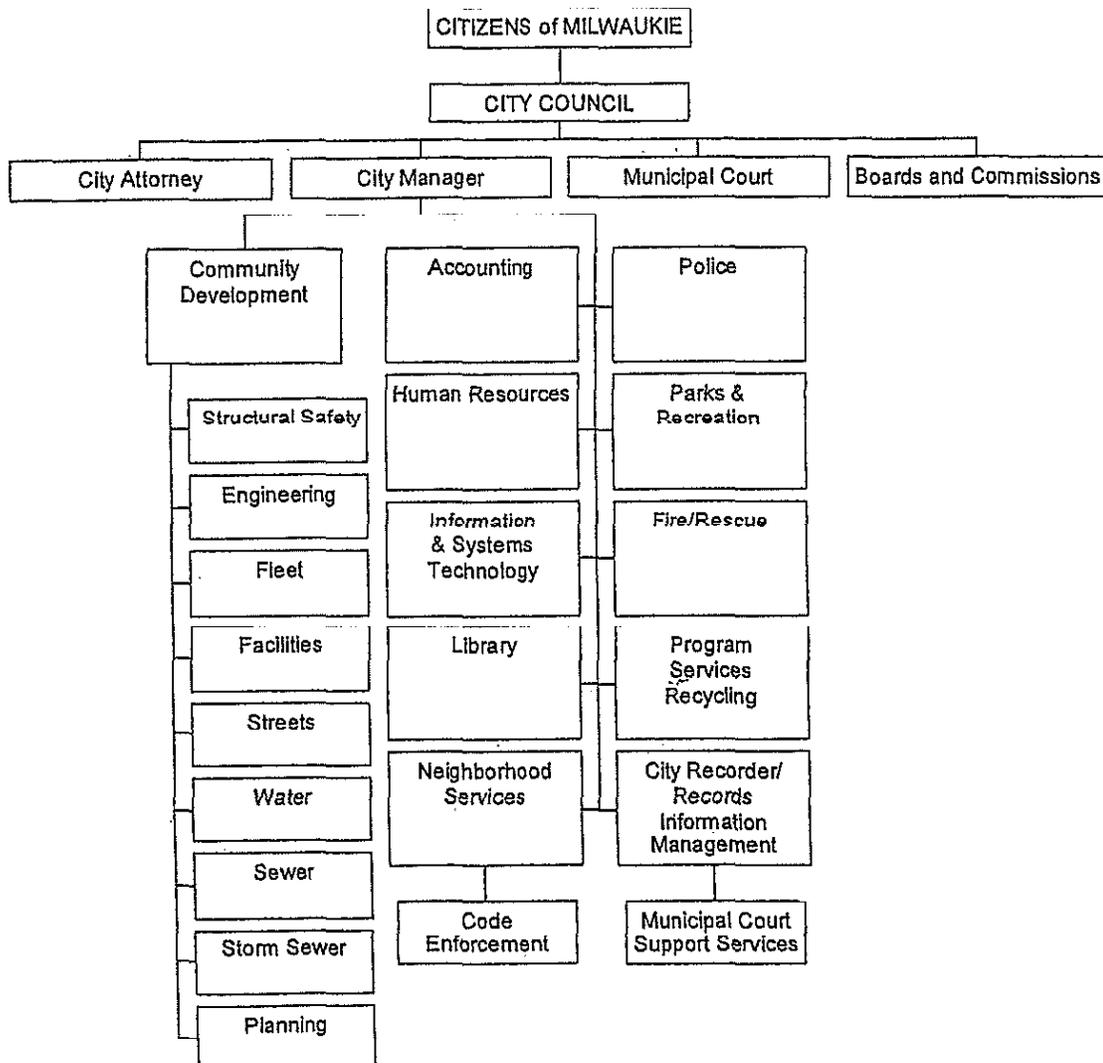
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. I also express my appreciation to the Mayor, City Council and City Manager of the City of Milwaukie without whose leadership, support and dedication, preparation of this report would not have been possible.

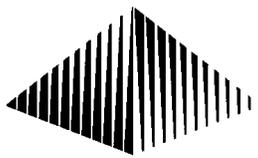
Respectfully submitted,

Stewart Taylor
Finance Director

CITY of MILWAUKIE

ORGANIZATION by FUNCTION





GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Milwaukie
Milwaukie, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Milwaukie, Oregon as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milwaukie, Oregon as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Milwaukie, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The data presented in the accompanying statistical and introductory sections, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: _____
Charles A. Swank, A Shareholder
October 3, 2006

CITY OF MILWAUKIE
Year Ended June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the City of Milwaukee Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2006. The information presented here should be considered in conjunction with the accompanying transmittal letter presented in the introductory section and notes to the financial statements included in this report.

The fiscal year ended June 30, 2006 is the fourth year in which the City of Milwaukee is required to report under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*.

FINANCIAL HIGHLIGHTS

The assets of the City of Milwaukee exceeded its liabilities at the close of the fiscal year ended June 30, 2006 by \$68,023,450 (total net assets). Of this amount, \$6,695,374 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Capital assets, net of accumulated depreciation represent 86% of the total net assets for all funds. Total net assets for all funds decreased about 2% from the prior year.

At the close of the fiscal year, the City of Milwaukee's governmental funds reported combined ending fund balances of \$4,766,007. This is a 14% decrease over the prior year fund balances and is primarily due to funding pension actuarial liabilities.

During the fiscal year, the City's total revenues for governmental activities were less than total expenses for governmental activities (including program and general revenue) by \$1,363,083. Total revenues for business-type activities were more than total expenses for business-type activities by \$25,663.

At fiscal year end, long term liabilities (excluding compensated absences) outstanding increased by \$4,204,888 from the prior year. This resulted from payments on debt principal and new debt of \$5,343,079.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Milwaukee's basic financial statements. The basic financial statements include three components: the government-wide financial statements, the fund financial statements and notes to the financial statements. This report also contains other required supplementary information.

Government-wide financial statements. The government-wide financial statements present the net assets (*statement of net assets*) and results of operations (*statement of activities*) of the total reporting government. Included are all governmental and proprietary assets, liabilities and activities of the City. The measurement focus and basis of accounting are the same for the entire entity. The measurement focus is on all economic resources of the fund, including current financial resources (assets) and non-current financial resources (capital assets) and the related current and non-current liabilities and equity accounts. Both government-wide statements are prepared using the accrual basis of accounting, which is similar to the methods used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid.

The statement of net assets presents information on all the City of Milwaukee's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may indicate whether the City's financial position is improving or deteriorating.

The statement of activities presents the expenses incurred in providing services to the public and the revenues associated with those activities for both governmental and business-type activities. The statement of activities begins with expenses by function. To these functions are applied charges for services, operating grants and contributions and capital grants and contributions. The resulting sums, with some adjustments, represent charges to general taxpayers and may equate to the nearest that governments can determine the "bottom line."

The government-wide financial statements are divided into two categories. Governmental activities are services funded through property taxes and intergovernmental revenues. The governmental activities for the City of Milwaukee include general government, library services, community services, public safety, planning and streets. Business-type activities are operations funded primarily through charges to external users of goods and services. Business-type activities include water, wastewater and stormwater.

The government-wide financial statements are on pages 14 through 15 of this report.

Fund Financial Statements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that is used to segregate resources that are restricted to a particular activity. The use of funds deters commingling of resources designated for specific purpose, prevents unauthorized transfer of surpluses, and ensures compliance with legal and contractual requirements. The City of Milwaukee has two types of fund categories: governmental funds and proprietary funds. The City has no fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources and use the modified accrual basis of accounting. Operating statements include all sources and uses of financial resources, and display the excess of revenues and other financial sources over (under) expenditures and other uses. Included in the balance sheet are liquid assets and receivables that will be converted into cash currently and short-term liabilities, including payables to vendors and employees. Unmatured bond principal or liabilities for compensated absences not to be paid in the fiscal year are not included. Because the governmental fund statements do not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements. The emphasis is on major funds that account for the predominant assets and activities of all funds.

The City of Milwaukee maintains eight individual governmental funds. Information is presented separately for the General Fund and Street Fund in the Governmental Fund Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances. The other governmental funds are combined into a single, aggregated presentation. Information for these non-major governmental funds is provided in the form of *combining statements* on pages 43 through 44 in this report.

The City of Milwaukee adopts an annual appropriated budget for all of its funds. Budgetary comparison statements, demonstrating compliance with this budget, have been provided.

Proprietary Funds. The City of Milwaukee maintains two different types of proprietary funds: enterprise and internal service funds. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the City of Milwaukee. Enterprise funds are presented as business-type activities in the government-wide financial statements. The City of Milwaukee uses enterprise funds to account for its water, wastewater and stormwater activities. Internal service funds account for activities furnishing goods or services to other units of the government. Charges for these services are on a cost-reimbursement basis. The internal services funds include fleet, facility, administrative services, community development and engineering services. The internal service funds are reported with governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater and Stormwater Funds. The internal service funds are combined into a single column in the proprietary fund financial statements. Information on the individual internal service funds is presented in the form of *combining statements* on pages 68 through 71 in this report.

Notes to the Financial Statements. The notes to the financial statements are an integral part of the basic financial statements and should be read along with them. The notes provide additional information necessary to communicate the financial position of the City of Milwaukie and are on pages 24 through 40 in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Milwaukie.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets of the City of Milwaukie were \$77,219,817, while total liabilities were \$9,196,367, resulting in combined net assets (governmental and business-type activities) of \$68,023,450. The largest component of the City's net assets, \$55,405,412 or 76%, reflects its investment in capital assets (i.e., land, buildings, equipment and infrastructure, less any related debt outstanding that was needed to acquire or construct the assets). The City of Milwaukie uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. State gas tax and grants are restricted by external sources and systems development charges are restricted by ordinance.

The increase in current and other assets in governmental activities resulted from recording the PERS bond asset. Governmental capital assets decreased due to annual depreciation and the disposition of property. Long-term liabilities balances increased in the governmental activities due to the issuance of debt to pay the City's pension liabilities. Long-term liability balances decreased slightly in the business-type activities as payments were made on debt principal.

Overall, the City's financial position did not change significantly from the prior year.

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior year. For more detailed information, see the Statement of Net Assets, page 14.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>
Current and other assets	\$ 12,854,170	\$ 8,415,176	\$ 5,654,896	\$ 5,804,655	\$ 18,509,066	\$ 14,219,831
Capital assets	43,019,615	44,963,296	15,691,136	15,521,401	58,710,751	60,484,697
<i>Total Assets</i>	<i>55,873,785</i>	<i>53,378,472</i>	<i>21,346,032</i>	<i>21,326,056</i>	<i>77,219,817</i>	<i>74,704,528</i>
Long-term liabilities outstanding	7,568,808	3,863,882	510,768	618,181	8,079,576	4,482,063
Other liabilities	1,211,363	1,054,318	(94,572)	(196,297)	1,116,791	858,021
<i>Total Liabilities</i>	<i>8,780,171</i>	<i>4,918,200</i>	<i>416,196</i>	<i>421,884</i>	<i>9,196,367</i>	<i>5,340,084</i>
Net Assets:						
Invested in capital assets, net of related debt	40,179,276	41,490,336	15,226,136	14,956,401	55,405,412	56,446,737
Restricted	3,863,365	4,136,471	2,059,299	1,718,369	5,922,664	5,854,840
Unrestricted	3,050,973	2,829,890	3,644,401	4,229,402	6,695,374	7,059,292
<i>Total Net Assets</i>	<i>\$ 47,093,614</i>	<i>\$ 48,456,697</i>	<i>\$ 20,929,836</i>	<i>\$ 20,904,172</i>	<i>\$ 68,023,450</i>	<i>\$ 69,360,869</i>

Governmental Activities

The City's net assets from governmental activities decreased 2.8%, from \$48,456,697 to \$47,093,614. This decrease in net assets is explained below:

- Other assets increased \$4,438,994, primarily as a result of recording the PERS bond asset.
- Long-term debt outstanding increased \$3,591,781, primarily as a result of \$4,285,000 in new debt and normal retirement of current year liabilities.
- Capital assets decreased \$1,943,681 primarily as a result of:
 - An increase of \$320,079 for new assets purchased,
 - A decrease of \$1,755,479 for depreciation.

Business-type Activities

The City's net assets from business-type activities increased 0.12%, from \$20,904,172 to \$20,929,836. This increase in net assets is explained below:

- Other liabilities decreased \$14,995 primarily as a result of repayment of interfund loans during the year.
- Capital assets increased \$169,735 primarily as a result of \$786,408 of construction in progress and \$656,233 of depreciation.
- Long-term debt outstanding decreased \$107,413 primarily as a result of normal retirement of current year liabilities.

Statement of Activities

The following table reflects the condensed Statement of Activities compared to the prior year. For more detailed information, see the Statement of Activities, page 15.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>
Revenues:						
Program revenues:						
Charges for services	\$ 5,629,492	\$ 6,513,642	\$ 6,158,662	\$ 5,303,599	\$ 11,788,154	\$ 11,817,241
Operating grants and contributions	3,420,250	3,522,044	843	5,277	3,421,093	3,527,321
Capital grants and contributions	98,999	207,498	102,748	21,048	201,747	228,546
General revenues:						
Property taxes	5,546,148	8,332,298	-	-	5,546,148	8,332,298
Franchise fees	1,670,790	1,540,563	-	-	1,670,790	1,540,563
Intergovernmental	409,789	351,189	-	-	409,789	351,189
Miscellaneous revenues	349,281	587,287	266,099	163,276	615,380	750,563
<i>Total Revenues</i>	<i>17,124,749</i>	<i>21,054,521</i>	<i>6,528,352</i>	<i>5,493,200</i>	<i>23,653,101</i>	<i>26,547,721</i>
Expenses:						
General government	8,695,961	8,633,808	-	-	8,695,961	8,633,808
Public works	2,702,042	2,541,189	-	-	2,702,042	2,541,189
Police	5,926,865	5,513,871	-	-	5,926,865	5,513,871
Fire	-	3,111,130	-	-	-	3,111,130
Library	1,959,857	1,455,800	-	-	1,959,857	1,455,800
Interest on long-term debt	133,810	-	-	-	133,810	-
Sewer	-	-	2,710,565	2,405,234	2,710,565	2,405,234
Water	-	-	1,781,122	1,971,578	1,781,122	1,971,578
Storm sewer	-	-	1,080,298	1,082,009	1,080,298	1,082,009
<i>Total Expenses</i>	<i>19,418,535</i>	<i>21,255,798</i>	<i>5,571,985</i>	<i>5,458,821</i>	<i>24,990,520</i>	<i>26,714,619</i>
Increase (decrease) in net assets before transfers	(2,293,786)	(201,277)	956,367	34,379	(1,337,419)	(166,898)
Transfers	930,703	497,032	(930,703)	(497,032)	-	-
Change in net assets	(1,363,083)	295,755	25,664	(462,653)	(1,337,419)	(166,898)
Net assets - beginning	48,456,697	48,160,942	20,904,172	21,366,825	69,360,869	69,527,767
Net assets - end	\$ 47,093,614	\$ 48,456,697	\$ 20,929,836	\$ 20,904,172	\$ 68,023,450	\$ 69,360,869

Governmental Activities. Total revenues for the City of Milwaukie's governmental activities for the fiscal year ended June 30, 2006, were \$17,124,749. Approximately 32% of the total revenue for the governmental activities was derived from property taxes and approximately 21% of the total revenue is from grants. Total expenses for governmental activities were \$19,418,535 (excluding transfers), resulting in a decrease in net assets of \$2,293,786. The majority of the governmental activities revenue was used to fund public safety, which accounts for approximately 31% of the total governmental activities expense. General Government, Library, Community Services and Planning expenses account for 55% of the total, highways and streets account for 14%, and interest on long-term debt expenses is approximately 1% of total governmental activities expenses.

Business-Type Activities. Revenues of business-type activities totaled \$6,528,352 for the current fiscal year. These activities generated program revenues of \$6,262,253 and general revenues of \$266,099. Approximately 94% of the total business-type activities revenue was derived from charges for services. The total expenses for business-type activities were \$5,571,985 (excluding transfers), resulting in an increase of net assets by \$956,367. Business-type activities for the City of Milwaukie consist of operations for water, wastewater and storm water services. The most significant change in business activities is the increase in charges for services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted previously, the City of Milwaukie uses fund accounting to segregate resources that are restricted to a particular activity. An unreserved fund balance represents the excess of the assets of the fund over its liabilities. Because the fund financial statements focus on current sources and uses of spendable resources, unreserved fund balances relating to each fund may be useful in assessing the government's net resources available.

Governmental Funds. At the end of the fiscal year, the City of Milwaukie's governmental funds reported combined ending fund balances of \$4,766,007, a decrease of \$892,286 from the prior year. The City's governmental funds include the General Fund, the Street Fund and other non-major funds.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the General Fund reported an unreserved fund balance of \$2,993,827. The fund balance decreased by \$320,665 from the previous year. The decrease was due primarily to transfers out to other funds.

The State Gas Tax fund is the other major governmental fund. At the end of the year this fund had an unreserved fund balance of \$507,864. The fund balance decreased during the year by approximately \$180,342 due to budgeted capital outlay projects and transfers out to other funds.

Proprietary Funds. At the end of the current fiscal year, unrestricted net assets of the proprietary funds equaled \$20,929,836. The total increase in net assets from the previous year equaled \$25,663. The Wastewater Fund ended the current fiscal year with a decrease in net assets of \$23,478. This was due primarily to transfers to other funds. The Water Fund ended the current fiscal year with an increase in net assets of \$418,368. Water fees charged to customers have been increasing to cover operational costs. Also, some water improvement projects are being paid for by the System Development Fund, reducing the drawdown on Water Fund resources. The Storm Water Fund ended the current fiscal year with an increase in net assets of \$146,117 also attributable to an increase in rates to fund future capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was amended due to unanticipated costs that occurred during the year. These unanticipated costs included improvement projects such as Lewelling Park and McLoughlin Blvd and the purchase of the SE Harrison property. Actual revenues (budgetary basis) were less than budgeted amounts primarily due to lower than anticipated grant dollars and the deferral of photo radar. Actual expenditures were 26% less than budgeted amounts due primarily to the deferral of photo radar and carryover work on capital projects. The City continues its commitment to maintaining all facilities and equipment in good condition and providing excellent service to its citizens.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Milwaukie's investment in capital assets for its governmental and business-type activities at the end of the current fiscal year equaled \$169,720,254 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment, and infrastructure. The majority of the decrease in capital assets is due to depreciation of \$2,411,712. Additional information about the City's capital assets is presented in the notes to the financial statements.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>
Land	\$ 4,828,416	\$ 4,508,337	\$ 211,640	\$ 211,640	\$ 5,040,056	\$ 4,719,977
Buildings and improvements	8,842,155	9,349,269	1,540,141	1,520,916	10,382,296	10,870,185
Machinery and equipment	3,614,477	4,032,815	3,911,678	3,891,343	7,526,155	7,924,158
Infrastructure	37,732,852	37,732,852	22,249,699	22,249,699	59,982,551	59,982,551
Construction in progress	522,428	559,531	1,406,641	620,233	1,929,069	1,179,764
subtotal	55,540,328	56,182,804	29,319,799	28,493,831	84,860,127	84,676,635
Less: accumulated depreciation	(12,520,713)	(11,219,508)	(13,628,664)	(12,972,430)	(26,149,377)	(24,191,938)
Net capital assets	\$ 43,019,615	\$ 44,963,296	\$ 15,691,135	\$ 15,521,401	\$ 169,720,254	\$ 169,353,270

Long-term Debt. At the end of the current fiscal year, long-term debt outstanding for the governmental activities totaled \$7,777,848 (excluding compensated absences payable), compared to \$3,472,960 the prior year. For the business-type activities, total long-term debt equaled \$465,000 (excluding compensated absences payable) compared to \$565,000 the prior year. The additions to debt funded pension liabilities and public works improvements and the decreases for were a result of payments on existing debt. Additional information about the City's long-term debt outstanding is presented in the notes to the financial statements.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2004-05</i>
General Obligation / Revenue Bonds	\$ 2,030,000	\$ 2,375,000	\$ 465,000	\$ 565,000	\$ 2,495,000	\$ 2,940,000
Pension bonds payable	4,285,000	-	-	-	4,285,000	-
Loans payable	1,462,848	1,097,960	-	-	1,462,848	1,097,960
<i>Total</i>	\$ 7,777,848	\$ 3,472,960	\$ 465,000	\$ 565,000	\$ 8,242,848	\$ 4,037,960

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Milwaukie continues to benefit from the slow but positive growth in the economy. Residential property values have increased ahead of surrounding areas. Next year's property tax revenues will reflect the higher values, but will also continue to reflect annexation into Clackamas County Fire District Number 1. Next year's property tax revenues will be reduced by the District's permanent rate as well as the debt service equivalent rate. Revenues for the enterprise funds will increase based on rate increases for water, wastewater and stormwater as previously adopted by the City Council.

REQUESTS FOR INFORMATION

This financial report is designed to provide the City of Milwaukie's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to the City of Milwaukie, 10722 SE Main Street, Milwaukie, Oregon 97222.

BASIC FINANCIAL STATEMENTS

CITY OF MILWAUKIE, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 8,091,153	\$ 4,946,087	\$ 13,037,240
Accounts receivable	150,883	670,051	820,934
Property taxes receivable	267,621	-	267,621
Assessment liens receivable	-	1,873	1,873
Inventories	59,513	36,885	96,398
PERS assets	4,285,000	-	4,285,000
Capital assets, net of depreciation	43,019,615	15,691,136	58,710,751
<i>Total Assets</i>	55,873,785	21,346,032	77,219,817
LIABILITIES			
Accounts payable	972,244	136,359	1,108,603
Due to other funds	239,119	(239,119)	-
Unearned revenue	-	1,873	1,873
Interest payable	-	6,315	6,315
Noncurrent liabilities:			
Due within one year:			
Loans payable	47,019	-	47,019
Bonds payable	365,000	105,000	470,000
Accrued compensated absences	266,081	27,461	293,542
Due in more than one year:			
Loans payable	763,320	-	763,320
Bonds payable	5,950,000	360,000	6,310,000
Accrued compensated absences	177,388	18,307	195,695
<i>Total Liabilities</i>	8,780,171	416,196	9,196,367
NET ASSETS			
Investment in capital assets (net of related debt)	40,179,276	15,226,136	55,405,412
Restricted for special purposes	3,863,365	2,059,299	5,922,664
Unrestricted	3,050,973	3,644,401	6,695,374
<i>Total Net Assets</i>	\$ 47,093,614	\$ 20,929,836	\$ 68,023,450

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

CITY OF MILWAUKIE, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$ 8,695,961	\$ 4,294,856	\$ 1,703,625
Public works	2,702,042	871,492	1,011,053
Police	5,926,865	414,023	228,616
Library	1,959,857	49,121	476,956
Interest on long-term debt	133,810	-	-
<i>Total Governmental Activities</i>	<u>19,418,535</u>	<u>5,629,492</u>	<u>3,420,250</u>
Business-type activities:			
Water	1,781,122	1,937,269	-
Sewer	2,710,565	2,841,276	843
Storm Water	1,080,298	1,380,117	-
<i>Total Business-type Activities</i>	<u>5,571,985</u>	<u>6,158,662</u>	<u>843</u>
<i>Total Activities</i>	<u>\$ 24,990,520</u>	<u>\$ 11,788,154</u>	<u>\$ 3,421,093</u>

General revenues:

Property taxes
Franchise fees
Intergovernmental
Miscellaneous

Total General Revenues

Transfers

Change in net assets

Net assets, July 1, 2005

Net assets, June 30, 2006

***Net (Expenses) Revenues and
Changes in Net Assets***

<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ -	\$ (2,697,480)	\$ -	\$ (2,697,480)
98,999	(720,498)	-	(720,498)
-	(5,284,226)	-	(5,284,226)
-	(1,433,780)	-	(1,433,780)
-	(133,810)	-	(133,810)
98,999	(10,269,794)	-	(10,269,794)
31,573	-	187,720	187,720
62,826	-	194,380	194,380
8,349	-	308,168	308,168
102,748	-	690,268	690,268
<u>\$ 201,747</u>	(10,269,794)	690,268	(9,579,526)
	5,546,148	-	5,546,148
	1,670,790	-	1,670,790
	409,789	-	409,789
	349,281	266,098	615,379
	7,976,008	266,098	8,242,106
	930,703	(930,703)	-
	(1,363,083)	25,663	(1,337,420)
	48,456,697	20,904,173	69,360,870
	<u>\$ 47,093,614</u>	<u>\$ 20,929,836</u>	<u>\$ 68,023,450</u>

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

CITY OF MILWAUKIE, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>State Gas Tax/Street Repair</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash and investments	\$ 3,559,900	\$ 696,617	\$ 1,363,175
Accounts receivable	146,035	2,283	50
Property taxes receivable	250,149	-	17,472
Inventories	-	334	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 3,956,084</u>	<u>\$ 699,234</u>	<u>\$ 1,380,697</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 452,837	\$ 191,370	\$ 101,138
Due to other funds	239,119	-	-
Deferred revenue	270,301	-	15,243
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	962,257	191,370	116,381
Fund Balances			
Reserved for inventories	-	334	-
Unreserved, reported in:			
General fund	2,993,827	-	-
Special revenue funds	-	507,530	938,889
Debt service fund	-	-	325,427
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	2,993,827	507,864	1,264,316
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,956,084</u>	<u>\$ 699,234</u>	<u>\$ 1,380,697</u>

Totals

\$ 5,619,692
148,368
267,621
334

\$ 6,036,015

\$ 745,345
239,119
285,544

1,270,008

334

2,993,827
1,446,419
325,427

4,766,007

\$ 6,036,015

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

CITY OF MILWAUKIE, OREGON

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

RECONCILIATION TO THE STATEMENT OF NET ASSETS

<i>Fund Balances</i>	\$ 4,766,007
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	285,544
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciated value.	42,587,844
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	(7,004,786)
Prepaid pension assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at amortized cost.	4,285,000
Internal service funds are proprietary-type funds and not reported with governmental funds. However, because internal service funds primarily benefit governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the Statement of Net Assets.	2,174,005
<i>Net Assets of Governmental Activities</i>	<u>\$ 47,093,614</u>

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

CITY OF MILWAUKIE, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>State Gas Tax/Street Repair</u>	<u>Other Governmental Funds</u>
REVENUES			
Taxes and assessments	\$ 5,813,851	\$ -	\$ 325,751
Licenses and permits	377,112	-	360,913
Franchise fees	1,483,492	458,198	126,395
Intergovernmental	748,787	1,049,023	10,011
Fines and forfeitures	421,726	-	-
Miscellaneous	183,850	115,184	73,339
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	9,028,818	1,622,405	896,409
EXPENDITURES			
Current operating:			
General government	870,412	-	29,497
Public works	394,004	1,127,140	250,348
Police	5,909,135	-	-
Library	1,462,835	-	-
Capital outlay	628,850	431,674	538,167
Debt service	2,955	-	454,785
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	9,268,191	1,558,814	1,272,797
REVENUES OVER (UNDER) EXPENDITURES			
	(239,373)	63,591	(376,388)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	4,605,079	85,490	-
Transfers in	219	10,403	44,969
Transfers out	(401,590)	(346,226)	(53,460)
Payment of pension liability	(4,285,000)	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(81,292)	(250,333)	(8,491)
NET CHANGE IN FUND BALANCES			
	(320,665)	(186,742)	(384,879)
FUND BALANCES, Beginning of year			
	<hr/>	<hr/>	<hr/>
	3,314,492	694,606	1,649,195
FUND BALANCES, End of year			
	<hr/>	<hr/>	<hr/>
	\$ 2,993,827	\$ 507,864	\$ 1,264,316

Totals

\$ 6,139,602
738,025
2,068,085
1,807,821
421,726
372,373

11,547,632

899,909
1,771,492
5,909,135
1,462,835
1,598,691
457,740

12,099,802

(552,170)

4,690,569
55,591
(801,276)
(4,285,000)

(340,116)

(892,286)

5,658,293

\$ 4,766,007

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

CITY OF MILWAUKIE, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

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

Net change in fund balances - total governmental funds \$ (892,286)

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

Governmental funds defer revenues that do not provide current financial resources.

However, the Statement of Activities recognizes such revenues at their net realizable value
when earned, regardless of when received. (76,498)

Payment of interfund payables are recorded as expenditures in the governmental funds but
are reported as reductions of liabilities on the Statement of Net Assets 116,720

Governmental funds do not report expenditures for unpaid compensated absences, interest
expense, or arbitrage since they do not require the use of current financial resources.
However, the Statement of Activities reports such expenses when incurred, regardless
of when settlement ultimately occurs. (38,940)

Capital outlays are reported as expenditures in governmental funds. However, the
Statement of Activities allocates the cost of capital outlay over their estimated useful
lives as depreciation expense.

Capital outlays 675,992
Depreciation (1,449,073)

Proceeds from the issuance of long-term debt provide current financial resources to
governmental funds and are reported as revenues. In the same way, repayments of
long-term debt use current financial resources and are reported as expenditures in
governmental funds. However, neither the receipt of debt proceeds nor the payment of
debt principal affect the Statement of Activities, but are reported as increases and
decreases in noncurrent liabilities in the Statement of Net Assets.

Issuance of debt (4,690,569)
Payment of debt principal 347,955

Payment of prepaid pension assets is recorded as an other financing use in the governmental
funds but are recorded as assets on the Statement of Net assets 4,285,000

Internal service funds are used by management to charge the costs of certain activities,
such as insurance and facilities and fleet services, to individual funds. The net revenue
(expense) of certain internal service funds is reported with governmental activities. 358,616

Change in net assets of governmental activities \$ (1,363,083)

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

CITY OF MILWAUKIE, OREGON
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2006

	<i>Business-type Activities -</i>		
	<u>Wastewater</u>	<u>Water</u>	<u>Storm Water</u>
ASSETS			
Current assets			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	324,146	190,973	154,932
Inventories	1,579	25,854	9,452
Due from other funds	22,163	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Assets</i>	347,888	216,827	164,384
Noncurrent assets			
Assessment liens receivable	1,873	-	-
Due to other funds	-	-	-
Capital assets	2,593,203	9,355,402	3,742,531
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	2,942,964	9,572,229	3,906,915
LIABILITIES			
Current liabilities			
Accounts payable	13,104	74,385	31,187
Interest payable	-	6,315	-
Notes payable - current portion	-	-	-
Bonds payable - current portion	-	105,000	-
Accrued compensated absences	11,437	11,683	4,341
	<hr/>	<hr/>	<hr/>
<i>Total Current Liabilities</i>	24,541	197,383	35,528
Noncurrent liabilities			
Accrued compensated absences	7,625	7,788	2,894
Due to other funds	282,866	17,660	100,643
Unearned revenue	1,873	-	-
Notes payable	-	-	-
Bonds payable	-	360,000	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	316,905	582,831	139,065
NET ASSETS			
Investment in capital assets (net of related debt)	2,593,203	8,890,402	3,742,531
Restricted for special purposes	-	-	-
Unrestricted	32,856	98,996	25,319
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 2,626,059</u>	<u>\$ 8,989,398</u>	<u>\$ 3,767,850</u>

<i>Enterprise Funds</i>		<i>Governmental Activities</i>
<i>Other Funds</i>	<i>Totals</i>	<i>Total Internal Service Funds</i>
\$ 4,946,087	\$ 4,946,087	\$ 2,471,461
-	670,051	2,515
-	36,885	59,179
-	22,163	-
4,946,087	5,675,186	2,533,155
-	1,873	-
618,125	618,125	-
-	15,691,136	431,771
5,564,212	21,986,320	2,964,926
17,683	136,359	226,899
-	6,315	-
-	-	34,988
-	105,000	-
-	27,461	156,297
17,683	275,135	418,184
-	18,307	-
-	401,169	-
-	1,873	-
-	-	372,737
-	360,000	-
17,683	1,056,484	790,921
-	15,226,136	59,034
2,059,299	2,059,299	-
3,487,230	3,644,401	2,114,971
\$ 5,546,529	\$ 20,929,836	\$ 2,174,005

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

CITY OF MILWAUKIE, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006**

	<i>Business-type Activities -</i>		
	<u>Wastewater</u>	<u>Water</u>	<u>Storm Water</u>
OPERATING REVENUES			
Taxes and assessments	\$ 680	\$ -	\$ -
Charges for services	2,804,873	1,838,881	1,348,770
Intergovernmental	-	-	-
Miscellaneous	1,123	26,459	2,859
<i>Total Operating Revenues</i>	<u>2,806,676</u>	<u>1,865,340</u>	<u>1,351,629</u>
OPERATING EXPENSES			
Personal services	316,701	350,627	363,423
Materials and services	2,253,066	1,017,993	584,857
Depreciation	140,798	383,417	132,018
<i>Total Operating Expenses</i>	<u>2,710,565</u>	<u>1,752,037</u>	<u>1,080,298</u>
OPERATING INCOME (LOSS)	96,111	113,303	271,331
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	171	1,844	16
System development revenue	-	-	-
Interest expense	-	(29,085)	-
Loss on sale of capital assets	-	-	-
Transfers in	188,151	690,138	207,357
Transfers out	(307,911)	(357,832)	(332,587)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(119,589)</u>	<u>305,065</u>	<u>(125,214)</u>
CHANGE IN NET ASSETS	(23,478)	418,368	146,117
NET ASSETS, Beginning of year	<u>2,649,537</u>	<u>8,571,030</u>	<u>3,621,733</u>
NET ASSETS, End of year	<u>\$ 2,626,059</u>	<u>\$ 8,989,398</u>	<u>\$ 3,767,850</u>

<i>Enterprise Funds</i>		<i>Governmental Activities</i>
<i>Other Funds</i>	<i>Totals</i>	<i>Total Internal Service Funds</i>
\$ -	\$ 680	\$ -
1,282	5,993,806	5,558,479
-	-	9,000
-	30,441	3,053
1,282	6,024,927	5,570,532
-	1,030,751	2,860,672
-	3,855,916	3,263,093
-	656,233	306,406
-	5,542,900	6,430,171
1,282	482,027	(859,639)
237,399	239,430	83,083
263,994	263,994	-
-	(29,085)	(24,025)
-	-	(400,471)
14,840	1,100,486	2,169,576
(1,032,859)	(2,031,189)	(609,908)
(516,626)	(456,364)	1,218,255
(515,344)	25,663	358,616
6,061,873	20,904,173	1,815,389
<u>\$ 5,546,529</u>	<u>\$ 20,929,836</u>	<u>\$ 2,174,005</u>

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

CITY OF MILWAUKIE, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	<i>Business-type Activities -</i>	
	<i>Wastewater</i>	<i>Water</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,886,963	\$ 1,746,018
Cash paid to suppliers for goods and services	(2,395,889)	(1,160,384)
Cash paid to employees for services	(314,775)	(364,369)
<i>Net cash provided by (used for) operating activities</i>	176,299	221,265
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	14,553	130,877
Transfers out	(191,023)	(204,401)
<i>Net cash provided by (used for) noncapital financing activities</i>	(176,470)	(73,524)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes, bonds, and certificates	-	(100,000)
Interest payments on notes, bonds, and certificates	-	(30,360)
Contribution of capital (SDC fees)	-	-
Proceeds from sale of capital assets	-	-
Acquisition and construction of capital assets	-	(19,225)
<i>Net cash provided by (used for) capital and related financing activities</i>	-	(149,585)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	171	1,844
CHANGE IN CASH AND INVESTMENTS	-	-
CASH AND INVESTMENTS, Beginning of year	-	-
CASH AND INVESTMENTS, End of year	\$ -	\$ -

<i>Enterprise Funds</i>			<i>Governmental</i>
<i>Storm</i>	<i>Other</i>		<i>Activities</i>
<i>Water</i>	<i>Funds</i>	<i>Totals</i>	<i>Total</i>
			<i>Internal</i>
			<i>Service</i>
			<i>Funds</i>
\$ 1,158,098	\$ 1,282	\$ 5,792,361	\$ 5,568,430
(599,980)	-	(4,156,253)	(3,294,564)
(359,020)	-	(1,038,164)	(2,847,065)
199,098	1,282	597,944	(573,199)
207,357	14,840	367,627	1,729,071
(332,587)	(732,545)	(1,460,556)	(342,624)
(125,230)	(717,705)	(1,092,929)	1,386,447
-	-	(100,000)	(690,235)
-	-	(30,360)	(24,025)
-	263,994	263,994	-
-	-	-	656,348
(73,884)	-	(93,109)	(19,404)
(73,884)	263,994	40,525	(77,316)
16	237,399	239,430	83,083
-	(215,030)	(215,030)	819,015
	5,161,117	5,161,117	1,652,446
\$ -	\$ 4,946,087	\$ 4,946,087	\$ 2,471,461

(Continued)

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

CITY OF MILWAUKIE, OREGON
STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2006

Business-type Activities -

Wastewater

Water

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Operating income (loss)	\$ (20,777)	\$ (40,128)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	140,798	383,417
(Increase) Decrease in accounts receivable	(16,564)	(10,815)
(Increase) Decrease in due from other funds	32,652	-
(Increase) Decrease in inventories	345	1,053
Increase (Decrease) in accounts payable	(26,280)	9,987
Increase (Decrease) in accrued vacation payable	1,926	(13,742)
Increase (Decrease) in due to other funds	64,199	(108,507)
 <i>Net cash provided by (used for) operating activities</i>	 <u>\$ 176,299</u>	 <u>\$ 221,265</u>

<i>Enterprise Funds</i>			<i>Governmental</i>
<i>Storm</i>	<i>Other</i>		<i>Activities</i>
<i>Water</i>	<i>Funds</i>	<i>Totals</i>	<i>Total</i>
			<i>Internal</i>
			<i>Service</i>
			<i>Funds</i>
\$ 271,331	\$ 1,282	\$ 211,708	\$ (859,639)
132,018	-	656,233	306,406
(39,277)	-	(66,656)	(2,102)
-	-	32,652	-
(13)	-	1,385	(12,703)
(15,110)	-	(31,403)	(12,619)
4,403	-	(7,413)	7,458
(154,254)	-	(198,562)	-
<u>\$ 199,098</u>	<u>\$ 1,282</u>	<u>\$ 597,944</u>	<u>\$ (573,199)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Milwaukie, Oregon (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The Financial Reporting Entity

The City of Milwaukie, Oregon is governed by an elected mayor and four council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

The City contracts with Clackamas County Fire District #1, a legally separate and independent political subdivision, to provide fire protection and emergency medical services to the City. The City retains ownership of facilities and equipment.

Basic Financial Statements

The government-wide financial statements report information on all activities of the primary government. As a general rule, the effect of interfund activity has been eliminated 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, fines, and charges for services.

The Statement of Activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include (1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund 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.

Basis of Presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The government-wide and proprietary fund financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are included in the Statement of Net Assets and the Statement of Fund Net Assets. The increases and decreases in those net assets are presented in the government-wide Statement of Activities and in the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. The City has elected not to apply FASB guidance issued subsequent to November 30, 1989 to enterprise funds, unless specifically adopted by the GASB.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule, the effect of interfund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues in the Statement of Activities include (1) fines, fees, and 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. Grants and contributions not restricted are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Operating revenues and operating expenses are intermediate components within the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets, and include only those transactions that constitute their principal, ongoing activities exclusive of investing or financing transactions. Significant operating revenues include charges for services and rental income. Significant operating expenses include personnel, materials and supplies, outside services, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recorded only when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter to be used to liquidate liabilities of the current period. Expenditures other than interest on noncurrent obligations, are recorded when the fund liability is incurred.

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements (Continued)

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Rental income is typically received in advance and is deferred when appropriate.

Special assessments receivable and repayment of revolving loans expected to be collected within sixty days after year end are considered measurable and available and are recognized as revenue. Assessment installments that are long-term are offset by deferred revenues.

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

The reporting model sets forth minimum criteria (percentage of the assets liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

- General Fund
- State Gas Tax/Street Repair Fund

The City reports the following major proprietary funds:

- Wastewater Fund
- Water Fund
- Storm Water Fund

Use of 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 reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2006. Actual results may differ from such estimates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the enterprise funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Clackamas and Multnomah Counties, Oregon.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Interest earned on assessments in the governmental fund types is accrued when due and is approximately offset by the related improvement bond interest expenditure which is also recognized when due.

Inventories

Inventory in the proprietary funds is stated at cost (first-in, first-out basis) and is charged to expense as used. Inventory in the special revenue funds is stated at cost (first-in, first-out basis) and is charged to expenditures using the purchase method.

Capital Assets

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in governmental activities consists of roads, bridges, sidewalks, and traffic and lighting systems. Infrastructure reported in business-type activities consist of water, stormwater and wastewater collection systems.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

As permitted by generally accepted accounting principles, the City has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ending after June 30, 1980. Although, the majority of such infrastructure was placed in service before that date, it has not been included in these financial statements since they have been primarily depreciated.

All capital assets, except for infrastructure in governmental activities prior to July 1, 1980, have been capitalized in the government-wide and proprietary fund financial statements. In accordance with the current financial resources measurement focus, capital assets are not capitalized in the governmental fund financial statements. All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Historical cost is measured by the cash or cash equivalent price of obtaining an asset, including ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Amounts expended for maintenance and repairs are charged to expenditures/expenses in the appropriate funds as incurred and are not capitalized.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

Buildings	40-50 years
Improvements other than buildings	20 years
Infrastructure	25-40 years
Equipment	3-15 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Assets. Repayment of general bonded debt and PERS bonds will be made from Debt Service Funds. Payment of the SELP and Oregon Housing loans will be from the internal service funds. Payment of vacation liabilities and capital lease obligations will be made primarily from the General Fund, and the State Gas Tax/Street Repair Fund.

Accrued Vacation Pay

Accumulated vested vacation pay is accrued in the enterprise funds as it is earned by employees. In governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds and the amount payable from future resources is recorded on the Statement of Net Assets. Sick pay, which does not vest, is recorded in all funds when leave is taken.

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the modified accrual basis of accounting for all funds. Appropriations are made at the program/function level for all funds (community services, public safety, community development, city-wide support functions) except the Public Safety Facility Debt Service Fund which are appropriated by expenditure type (capital projects, debt service). Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. The budget for the funds includes capital outlay expenditures in each program for capital outlays applicable to that program.

ORGANIZATION AND OPERATION

The City's financial operations are accounted for in the following funds and account groups:

Governmental Fund Types

General Fund

The General Fund accounts for activities of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenues. Primary expenditures are for police protection, public works and general government.

Special Revenue Funds

The special revenue funds account for revenue derived from specific tax or other earmarked revenue sources, including state gas tax, grants and funds set aside to finance particular functions or activities. Funds included in this category are:

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

ORGANIZATION AND OPERATION (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds (Continued)

State Gas Tax/Street Repair Fund - This fund was established as a requirement of ORS 366.815. Monies received from the State of Oregon gasoline tax apportionment are the major source of revenue. In accordance with the Oregon Constitution, Article IX, Section 3a, these monies are to . . ."be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas in this state." This fund also accounts for the North Main Street improvements funded through the State Public Works Fund loan.

Bike Path Fund - This fund receives one percent of the state gas tax revenues and is used for bicycle path and footpath maintenance and improvement.

Parks Land Purchase Fund - This fund accounts for revenues and expenditures used to acquire land for parks and recreation facilities.

Library Services Fund - This fund accounts for revenues and expenditures used for the operation of the Ledding Library.

Transportation SDC Fund - This fund accounts for payments received from new development to fund improvements that increase capacity of the City's transportation system.

Building Inspection Fund - This fund accounts for revenues and expenditures for structural, electrical, plumbing and other building inspections to ensure compliance with city building codes.

Neighborhood Grants Fund - This fund accounts for revenues and expenditures used to improve neighborhood communities.

Computer Reserve Fund - This fund accounts for money set aside for computer purchases.

Forfeiture Trust Fund - This fund accounts for cash related to criminal activities which have been confiscated by law enforcement officials.

Knutson Pioneer Cemetery Fund - This fund accounts for funds held in trust for maintenance of the Knutson Pioneer Cemetery.

Public Safety Debt Service Fund

The City has one debt service fund, the Public Safety Facility Debt Service Fund. The Public Safety Facility Debt Service Fund accounts for the payment of principal and interest on general obligation bonds.

Proprietary Fund Types

Enterprise Funds

The City has nine enterprise funds, six related to sewer activity and three related to the water system. These funds account for the acquisition, operation and maintenance of the municipal sewer and water systems.

ORGANIZATION AND OPERATION (Continued)

Proprietary Fund Types (Continued)

Enterprise Funds (Continued)

Wastewater Fund - This fund accounts for sewer operations.

Wastewater SDC Fund - This fund accounts for monies collected as systems development charges for sewer services. These monies may only be used for designated purposes.

Wastewater Reserve Fund - This fund accounts for money set aside for future sewer projects.

Water Fund - This fund accounts for water operations.

Water SDC Fund - This fund accounts for monies collected as systems development charges for water services. These monies may only be used for designated purposes.

Water Reserve Fund - This fund accounts for money set aside for future water projects.

Storm Water Fund - This fund accounts for storm sewer (drainage) operations.

Storm Water SDC Fund - This fund accounts for monies collected as systems development charges for storm sewer service. These monies may only be used for designated purposes.

Storm Water Reserve Fund - This fund accounts for money set aside for future storm sewer projects.

Internal Service Funds

The City has six internal service funds, the Fleet Services, Reserve Fleet Services, Administrative Services, Facilities Management, Community Development, and Engineering Funds. These funds account for services provided to operating departments and other funds of the City.

Fleet Services and Reserve Fleet Reserves Funds - These funds are used to account for the acquisition, repair and maintenance of the City's vehicles. Costs are reimbursed by other funds receiving the benefit derived from services received.

Administrative Services Fund - This fund is used to account for centralized services including personnel, telephone, photocopying and similar services.

Facilities Management Fund - The fund is used to account for common facilities used by the City.

Community Development Fund - This fund is used to account for common facilities and costs associated with community development.

Engineering Fund - This fund is used to account for common facilities and costs related to engineering services.

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed on the Statement of Net Assets as part of "cash and investments."

Cash and investments are comprised of the following at June 30, 2006:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<hr/>	<hr/>
<i>Cash</i>		
Deposits with financial institutions	\$ 416,844	\$ 416,844
Cash on hand	2,330	2,330
Cash held by fiscal agents	36,842	36,842
<i>Investments</i>		
Local Government Investment Pool	12,581,224	12,581,224
	<hr/>	<hr/>
	\$ 13,037,240	\$ 13,037,240
	<hr/>	<hr/>

Deposits

At year end, the book balance of the City's bank deposits (demand deposits and certificates of deposit) was \$416,844 and the bank balance was \$472,705. The difference is due to transactions in process. Of these deposits, \$200,000 was covered by federal depository insurance, the remaining amount is collateralized in accordance with Oregon Revised Statutes.

Custodial Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the City. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Investments

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others.

At June 30, 2006, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk classification. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CASH AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

CAPITAL ASSETS

The summary of the capital assets for the business-type activities for the year ended June 30, 2006 is as follows:

	<i>Balances July 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2006</i>
Land (nondepreciable)	\$ 90,220	\$ -	\$ -	\$ 90,220
Buildings and improvements	1,868,612	19,225	-	1,887,837
Water and sewer systems	22,023,423	-	-	22,023,423
Equipment	3,891,343	20,335	-	3,911,678
Construction in progress	620,233	786,408	-	1,406,641
Subtotal, depreciable assets	<u>28,403,611</u>	<u>825,968</u>	<u>-</u>	<u>29,229,579</u>
Total cost	<u>28,493,831</u>	<u>825,968</u>	<u>-</u>	<u>29,319,799</u>
Accumulated depreciation				
Buildings and improvements	(810,797)	(140,026)	-	(950,823)
Water and sewer systems	(10,302,411)	(492,638)	-	(10,795,049)
Equipment	(1,859,222)	(23,569)	-	(1,882,791)
Total accumulated depreciation	<u>(12,972,430)</u>	<u>(656,233)</u>	<u>-</u>	<u>(13,628,663)</u>
Net capital assets	<u>\$ 15,521,401</u>	<u>\$ 169,735</u>	<u>\$ -</u>	<u>\$ 15,691,136</u>

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

CAPITAL ASSETS (Continued)

The changes in the capital assets for governmental activities for the year ended June 30, 2006 are as follows:

	<i>Balances July 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2006</i>
Land (nondepreciable)	\$ 4,508,337	\$ 320,079	\$ -	\$ 4,828,416
Buildings	8,748,549	176,943	(819,280)	8,106,212
General improvements	600,720	169,884	(34,661)	735,943
Equipment	4,032,815	201,711	(620,049)	3,614,477
Infrastructure	37,732,852	-	-	37,732,852
Construction in progress	559,531	-	(37,103)	522,428
Subtotal, depreciable assets	51,674,467	548,538	(1,511,093)	50,711,912
Total cost	56,182,804	868,617	(1,511,093)	55,540,328
Accumulated depreciation				
Buildings	(2,281,998)	(87,605)	419,613	(1,949,990)
General improvements	(338,500)	(6,135)	-	(344,635)
Equipment	(3,026,165)	(287,445)	34,661	(3,278,949)
Infrastructure	(5,572,845)	(1,374,294)	-	(6,947,139)
Total accumulated depreciation	(11,219,508)	(1,755,479)	454,274	(12,520,713)
Net capital assets	\$ 44,963,296	\$ (886,862)	\$ (1,056,819)	\$ 43,019,615

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

LONG-TERM DEBT

Long-term debt transactions for the year were as follows:

	<i>Outstanding July 1, 2005</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2006</i>	<i>Due Within One Year</i>
<i>Governmental Activities:</i>					
1997 GO Advance Refunding Bonds	\$ 2,375,000	\$ -	\$ (345,000)	\$ 2,030,000	\$ 365,000
1999 Oregon SELP Loan	237,649	-	(20,430)	217,219	21,173
2001 Oregon SELP Loan	48,316	-	(4,500)	43,816	4,643
2002 Oregon Housing CDIF Loan	656,348	-	(656,348)	-	-
2003 Oregon SELP Loan	155,647	-	(8,958)	146,689	9,172
2005 PERS UAL Bonds	-	4,285,000	-	4,285,000	-
Library Property Purchase	-	320,079	(2,955)	317,124	12,031
SPWF Loan	-	85,490	-	85,490	-
	<u>3,472,960</u>	<u>4,690,569</u>	<u>(1,038,191)</u>	<u>7,125,338</u>	<u>412,019</u>
Accrued compensated absences	<u>390,922</u>	<u>345,739</u>	<u>(293,192)</u>	<u>443,469</u>	<u>266,081</u>
	<u>\$ 3,863,882</u>	<u>\$ 5,036,308</u>	<u>\$ (1,331,383)</u>	<u>\$ 7,568,807</u>	<u>\$ 678,100</u>
	<i>Outstanding July 1, 2005</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2006</i>	<i>Due Within One Year</i>
<i>Business-type Activities:</i>					
1997 Water Revenue Bonds	\$ 565,000	\$ -	\$ (100,000)	\$ 465,000	\$ 105,000
Accrued compensated absences	53,182	32,473	(39,887)	45,768	27,461
	<u>\$ 618,182</u>	<u>\$ 32,473</u>	<u>\$ (139,887)</u>	<u>\$ 510,768</u>	<u>\$ 132,461</u>

During the year the City issued \$4,285,000 in bonds to fund its PERS actuarial liability. The bonds bear interest at rates varying between 4.0% and 5.5%. Semiannual payments of interest are due on December 1 and June 1 of each year, and annual payments of principal are due on June 1 of each year. The final payment is due June 1, 2028.

The City also borrowed \$320,079 to purchase property for the Library. The note bears interest at 7.09% and is due in annual installments of \$34,515. The final payment is due in 2021.

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

LONG-TERM DEBT (Continued)

During the year the City was awarded a SPWF loan in the amount of \$738,000. At June 30, 2006 the City had drawn down \$85,490 of the loan. The loan bears interest at 2.08% and is due in annual installments of \$38,157, beginning in 2008. The final payment is due in 2032. The City expects to draw the remaining funds during 2006-07.

The 1997 GO Advance refunding bonds bear interest at rates varying from 4.85% to 4.9%. Semiannual payments of interest are due on December 1 of each year and annual payments of principal are due on June 1 of each year. The bonds will be paid off in fiscal year 2010-11.

The 1999 Oregon SELP loan bears interest at 6.5% and is due in monthly payments of \$2,941. The final payment will be fiscal year 2013-14.

The 2001 Oregon SELP loan bears interest at 5.7% and is due in monthly payments of \$1,290. The final payment will be fiscal year 2013-14.

The 2003 Oregon SELP loan bears interest at 4.3% and is due in monthly payments of \$595. The final payment will be fiscal year 2018-19.

The Water Revenue Refunding Bonds series 1997 bond resolution imposed several covenants on the City including a water rate covenant which stipulates the City will charge fees in connection with the operation of its water system which generates net operating revenues at least equal to 1.25 times the fiscal year annual debt service on all outstanding bonds. Net operating revenues include charges for water services, system development charges and interest earnings less operating expenses incurred for the operation, maintenance and repair of the water system. The City is in compliance with the water rate covenants.

The following schedule of future debt service requirements shows the SPWF loan as if it were entirely drawn down as of June 30, 2006 with the resulting debt service requirements:

Governmental Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 412,019	\$ 352,109	\$ 764,128
2008	462,713	348,330	811,043
2009	496,258	329,050	825,308
2010	535,005	303,814	838,819
2011	573,970	278,330	852,300
2012-16	882,861	1,169,814	2,052,675
2017-21	1,393,284	918,793	2,312,077
2022-26	2,068,583	524,095	2,592,678
2027-31	915,776	63,548	979,324
2032	37,379	778	38,157
	<u>\$ 7,777,848</u>	<u>\$ 4,288,661</u>	<u>\$ 12,066,509</u>

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

LONG-TERM DEBT (Continued)

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 105,000	\$ 25,260	\$ 130,260
2008	115,000	19,800	134,800
2009	120,000	13,475	133,475
2010	125,000	6,875	131,875
	<u>\$ 465,000</u>	<u>\$ 65,410</u>	<u>\$ 530,410</u>

EMPLOYEE RETIREMENT SYSTEM

City employees participate in the Oregon Public Employee’s Retirement System (PERS). Contributions are made for employees after six months of employment unless they are members of PERS and eligible for contributions when they begin employment. PERS is a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service in a PERS covered position. Retirement is allowed at age 58 with un-reduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70. Contributions made by, or on behalf of, the employee are payable in a lump sum or monthly amounts using several payment options. Contributions made on behalf of the employee to the employer account can only be taken in monthly payments. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes, Chapter 238, Oregon Revised Statutes. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

The City’s contribution rate, based on the most current actuarial valuation using the entry age actuarial cost method, was 10.5% of covered payroll. The required employee contribution is 6% of covered compensation. The contribution requirements of the City are established or may be amended by the PERS Retirement Board while the employees’ rate is set by the state statute, ORS 238.200. The City’s payroll for employees covered by PERS for the year ended June 30, 2006 was \$6,119,881, the City’s total payroll was \$6,467,496.

For fiscal 2005-06, the City’s annual pension cost of \$981,739 for PERS was equal to the City’s required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 1999 actuarial valuation using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8.5% per year; (b) projected annual salary increases for inflation and merit of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of PERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

EMPLOYEE RETIREMENT SYSTEM (Continued)

Because the underlying calculations in the actuarial valuation are long-term in nature, and one of the goals of the actuarial valuation process is to ensure funding stability, it can be advantageous to smooth out short-term fluctuations in the market value of the system's assets. The PERS Board approved implementation of an asset smoothing method effective for the investment commencing in 2000. Annual investment gains and losses will be recognized over a period of four years, and the Actuarial Value of Assets will be limited to the corridor between 90% and 100% of Fair Market Value.

The following table presents three-year trend information for the City's defined benefit pension plan:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 901,923	100%	\$ -
6/30/05	1,163,346	100	-
6/30/06	981,739	100	-

TRANSFERS

<i>Transfer to :</i>	<i>Transfer from :</i>						
	<i>General</i>	<i>Water</i>	<i>Street</i>	<i>Wastewater</i>	<i>Storm Water</i>	<i>All Other</i>	<i>Total</i>
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219	\$ 219
Library Services	4,817	-	-	-	-	-	4,817
Neighborhood Grants	28,000	-	-	-	-	-	28,000
Parks Land Purchase	3,560	-	-	-	-	-	3,560
Building Inspections	8,592	-	-	-	-	-	8,592
Streets/State Gas Tax	10,403	-	-	-	-	-	10,403
Fleet Services	358,472	-	-	-	-	-	358,472
Administrative Services	110,895	-	-	-	-	-	110,895
Community Development	90,009	153,431	145,202	116,888	141,088	222,644	869,262
Facilities Management	50,577	-	-	-	-	-	50,577
Engineering	16,277	191,023	191,024	191,023	191,023	-	780,370
Wastewater	13,760	317	-	-	476	173,598	188,151
Water	17,816	-	-	-	-	672,322	690,138
Water Reserve	14,840	-	-	-	-	-	14,840
Storm Water	7,357	-	-	-	-	200,000	207,357
	<u>\$ 735,375</u>	<u>\$ 344,771</u>	<u>\$ 336,226</u>	<u>\$ 307,911</u>	<u>\$ 332,587</u>	<u>\$ 1,268,783</u>	<u>\$ 3,325,653</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

EXPENDITURES IN EXCESS OF BUDGET

The following funds had expenditures in excess of appropriations:

General Fund - Debt service	\$	2,955
Forfeiture Trust Fund - Transfers out		219
Water Fund - Capital outlay		4,226
Water Reserve Fund - Capital outlay		6,811
Fleet Services Fund - Materials and service		50,136
Reserve Fleet Services Fund - Capital outlay		18,221
Facilities Management Fund - Materials and services		52,727
Capital outlay		19,224

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 5,719,743	\$ 5,719,743	\$ 5,813,851	\$ 94,108
Licenses and permits	322,000	322,000	377,112	55,112
Franchise fees	1,361,200	1,361,200	1,483,492	122,292
Intergovernmental	989,783	989,783	748,787	(240,996)
Fines and forfeitures	1,342,921	1,342,921	421,726	(921,195)
Miscellaneous	94,749	94,749	183,850	89,101
<i>Total Revenues</i>	<u>9,830,396</u>	<u>9,830,396</u>	<u>9,028,818</u>	<u>(801,578)</u>
EXPENDITURES				
Personal services	5,206,535	5,206,535	4,881,915	324,620
Materials and services	4,507,549	4,507,549	3,754,471	753,078
Capital outlay	770,395	770,395	628,850	141,545
Debt service	-	-	2,955	(2,955)
Contingency	1,978,850	1,978,850	-	1,978,850
<i>Total Expenditures</i>	<u>12,463,329</u>	<u>12,463,329</u>	<u>9,268,191</u>	<u>3,195,138</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,632,933)	(2,632,933)	(239,373)	2,393,560
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	4,605,079	4,605,079
Transfers in	107,495	107,495	219	(107,276)
Transfers out	(393,213)	(393,213)	(401,590)	(8,377)
Payment of pension liability	-	-	(4,285,000)	(4,285,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(285,718)</u>	<u>(285,718)</u>	<u>(81,292)</u>	<u>204,426</u>
NET CHANGE IN FUND BALANCE	(2,918,651)	(2,918,651)	(320,665)	2,597,986
FUND BALANCE, Beginning of year	<u>2,918,651</u>	<u>2,918,651</u>	<u>3,553,611</u>	<u>634,960</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>3,232,946</u>	<u>\$ 3,232,946</u>
Due to other funds			(239,119)	
FUND BALANCE, End of year (GAAP basis)			<u>\$ 2,993,827</u>	

CITY OF MILWAUKIE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE GAS TAX/STREET REPAIR FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 492,045	\$ 492,045	\$ 458,198	\$ (33,847)
Intergovernmental	1,508,910	1,508,910	1,049,023	(459,887)
Miscellaneous	48,435	48,435	115,184	66,749
<i>Total Revenues</i>	<u>2,049,390</u>	<u>2,049,390</u>	<u>1,622,405</u>	<u>(426,985)</u>
EXPENDITURES				
Personal services	419,082	419,082	369,125	49,957
Materials and services	852,074	852,074	758,015	94,059
Capital outlay	1,261,200	1,261,200	431,674	829,526
Contingency	505,839	505,839	-	505,839
<i>Total Expenditures</i>	<u>3,038,195</u>	<u>3,038,195</u>	<u>1,558,814</u>	<u>1,479,381</u>
REVENUES OVER (UNDER) EXPENDITURES	(988,805)	(988,805)	63,591	1,052,396
OTHER FINANCING SOURCES (USES)				
Loan proceeds	600,000	600,000	85,490	(514,510)
Transfers in	10,403	10,403	10,403	-
Transfers out	(336,226)	(336,226)	(346,226)	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>274,177</u>	<u>274,177</u>	<u>(250,333)</u>	<u>(524,510)</u>
NET CHANGE IN FUND BALANCE	(714,628)	(714,628)	(186,742)	527,886
FUND BALANCE, Beginning of year	<u>714,628</u>	<u>714,628</u>	<u>694,606</u>	<u>(20,022)</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,864</u>	<u>\$ 507,864</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF MILWAUKIE, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<i>Special</i>		
	<u><i>Bike Path</i></u>	<u><i>Transportation SDC</i></u>	<u><i>Building Inspection</i></u>
ASSETS			
Cash and investments	\$ 30,330	\$ 645,718	\$ 123,426
Accounts receivable	-	-	50
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 30,330</u>	<u>\$ 645,718</u>	<u>\$ 123,476</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 91,430	\$ 7,208
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	-	91,430	7,208
Fund Balances			
Unreserved, reported in:			
Special revenue funds	30,330	554,288	116,268
Debt services fund	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	30,330	554,288	116,268
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 30,330</u>	<u>\$ 645,718</u>	<u>\$ 123,476</u>

<i>Revenue</i>				<i>Debt Service</i>	
<i>Neighborhood Grants</i>	<i>Computer Reserve</i>	<i>Forfeiture Trust</i>	<i>Leona O. Knutson Pioneer Cemetery</i>	<i>Public Safety Facility Debt Service</i>	<i>Totals</i>
\$ 53,947	\$ 140,099	\$ 10,469	\$ 35,988	\$ 323,198	\$ 1,363,175
-	-	-	-	-	50
-	-	-	-	17,472	17,472
<u>\$ 53,947</u>	<u>\$ 140,099</u>	<u>\$ 10,469</u>	<u>\$ 35,988</u>	<u>\$ 340,670</u>	<u>\$ 1,380,697</u>
\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 101,138
-	-	-	-	15,243	15,243
2,500	-	-	-	15,243	116,381
51,447	140,099	10,469	35,988	-	938,889
-	-	-	-	325,427	325,427
51,447	140,099	10,469	35,988	325,427	1,264,316
<u>\$ 53,947</u>	<u>\$ 140,099</u>	<u>\$ 10,469</u>	<u>\$ 35,988</u>	<u>\$ 340,670</u>	<u>\$ 1,380,697</u>

CITY OF MILWAUKIE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	<i>Special</i>			
	<i>Bike Path</i>	<i>Parks Land Purchase</i>	<i>Transportation SDC</i>	<i>Building Inspection</i>
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	13,740	347,173
Charges for services	-	-	-	-
Intergovernmental	10,011	-	-	-
Miscellaneous	1,027	-	35,363	4,410
<i>Total Revenues</i>	11,038	-	49,103	351,583
EXPENDITURES				
Current operating:				
General government	-	-	-	-
Public works	-	-	-	250,348
Capital outlay	-	-	498,837	-
Debt service	-	-	-	-
<i>Total Expenditures</i>	-	-	498,837	250,348
REVENUES OVER (UNDER) EXPENDITURES	11,038	-	(449,734)	101,235
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,560	-	8,592
Transfers out	-	-	-	(53,241)
<i>Total Other Financing Sources (Uses)</i>	-	3,560	-	(44,649)
NET CHANGE IN FUND BALANCES	11,038	3,560	(449,734)	56,586
FUND BALANCES (DEFICIT), Beginning of year	19,292	(3,560)	1,004,022	59,682
FUND BALANCES, End of year	\$ 30,330	\$ -	\$ 554,288	\$ 116,268

<i>Revenue</i>					<i>Debt Service</i>	
<i>Library Services</i>	<i>Neighborhood Grants</i>	<i>Computer Reserve</i>	<i>Forfeiture Trust</i>	<i>Leona O. Knutson Pioneer Cemetery</i>	<i>Public Safety Facility Debt Service</i>	<i>Totals</i>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,751	\$ 325,751
-	-	-	-	-	-	360,913
-	-	126,395	-	-	-	126,395
-	-	-	-	-	-	10,011
-	2,398	4,040	412	1,468	24,221	73,339
-	2,398	130,435	412	1,468	349,972	896,409
-	-	26,997	-	2,500	-	29,497
-	-	-	-	-	-	250,348
-	39,330	-	-	-	-	538,167
-	-	-	-	-	454,785	454,785
-	39,330	26,997	-	2,500	454,785	1,272,797
-	(36,932)	103,438	412	(1,032)	(104,813)	(376,388)
4,817	28,000	-	-	-	-	44,969
-	-	-	(219)	-	-	(53,460)
4,817	28,000	-	(219)	-	-	(8,491)
4,817	(8,932)	103,438	193	(1,032)	(104,813)	(384,879)
(4,817)	60,379	36,661	10,276	37,020	430,240	1,649,195
<u>\$ -</u>	<u>\$ 51,447</u>	<u>\$ 140,099</u>	<u>\$ 10,469</u>	<u>\$ 35,988</u>	<u>\$ 325,427</u>	<u>\$ 1,264,316</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BIKE PATH FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 10,089	\$ 10,089	\$ 10,011	\$ (78)
Miscellaneous	245	245	1,027	782
<i>Total Revenues</i>	10,334	10,334	11,038	704
EXPENDITURES				
Contingency	29,199	29,199	-	29,199
REVENUES OVER (UNDER)				
EXPENDITURES	(18,865)	(18,865)	11,038	29,903
FUND BALANCE, Beginning of year	18,865	18,865	19,292	427
FUND BALANCE, End of year	\$ -	\$ -	\$ 30,330	\$ 30,330

CITY OF MILWAUKIE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - PARKS LAND PURCHASE FUND

YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
EXPENDITURES				
Capital outlay	10,000	10,000	-	10,000
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,560	3,560
NET CHANGE IN FUND BALANCE	-	-	3,560	3,560
FUND BALANCE (DEFICIT), Beginning of year	-	-	(3,560)	(3,560)
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

CITY OF MILWAUKIE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - TRANSPORTATION SYSTEM DEVELOPMENT CHARGES FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 13,740	\$ 13,740
Miscellaneous	10,000	10,000	35,363	25,363
<i>Total Revenues</i>	10,000	10,000	49,103	39,103
EXPENDITURES				
Capital outlay	717,000	717,000	498,837	218,163
Contingency	130,896	130,896	-	130,896
<i>Total Expenditures</i>	847,896	847,896	498,837	349,059
REVENUES OVER (UNDER) EXPENDITURES				
	(837,896)	(837,896)	(449,734)	388,162
FUND BALANCE, Beginning of year	837,896	837,896	1,004,022	166,126
FUND BALANCE, End of year	\$ -	\$ -	\$ 554,288	\$ 554,288

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING INSPECTION FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 322,078	\$ 322,078	\$ 347,173	\$ 25,095
Miscellaneous	5,581	5,581	4,410	(1,171)
<i>Total Revenues</i>	<u>327,659</u>	<u>327,659</u>	<u>351,583</u>	<u>23,924</u>
EXPENDITURES				
Personal services	188,246	188,246	163,645	24,601
Materials and services	92,372	92,372	86,703	5,669
Contingency	32,392	32,392	-	32,392
<i>Total Expenditures</i>	<u>313,010</u>	<u>313,010</u>	<u>250,348</u>	<u>62,662</u>
REVENUES OVER (UNDER) EXPENDITURES	14,649	14,649	101,235	86,586
OTHER FINANCING SOURCES (USES)				
Transfers in	8,592	8,592	8,592	-
Transfers out	(53,241)	(53,241)	(53,241)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(44,649)</u>	<u>(44,649)</u>	<u>(44,649)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(30,000)	(30,000)	56,586	86,586
FUND BALANCE, Beginning of year	<u>30,000</u>	<u>30,000</u>	<u>59,682</u>	<u>29,682</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,268</u>	<u>\$ 116,268</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY SERVICES FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,817	4,817
Transfers out	(100,000)	(100,000)	-	100,000
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(100,000)</u>	<u>4,817</u>	<u>104,817</u>
NET CHANGE IN FUND BALANCE	(100,000)	(100,000)	4,817	104,817
FUND BALANCE (DEFICIT), Beginning of year	<u>100,000</u>	<u>100,000</u>	<u>(4,817)</u>	<u>(104,817)</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MILWAUKIE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NEIGHBORHOOD GRANTS FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 934	\$ 934	\$ 2,398	\$ 1,464
EXPENDITURES				
Capital outlay	98,168	98,168	39,330	58,838
REVENUES OVER (UNDER) EXPENDITURES	(97,234)	(97,234)	(36,932)	60,302
OTHER FINANCING SOURCES (USES)				
Transfers in	28,000	28,000	28,000	-
NET CHANGE IN FUND BALANCE	(69,234)	(69,234)	(8,932)	60,302
FUND BALANCE, Beginning of year	69,234	69,234	60,379	(8,855)
FUND BALANCE, End of year	\$ -	\$ -	\$ 51,447	\$ 51,447

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMPUTER RESERVE FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 126,395	\$ 126,395	\$ 126,395	\$ -
Miscellaneous	200	200	4,040	3,840
<i>Total Revenues</i>	126,595	126,595	130,435	3,840
EXPENDITURES				
Capital outlay	80,093	80,093	26,997	53,096
Contingency	80,092	80,092	-	80,092
<i>Total Expenditures</i>	160,185	160,185	26,997	133,188
REVENUES OVER (UNDER)				
EXPENDITURES	(33,590)	(33,590)	103,438	137,028
FUND BALANCE, Beginning of year	33,590	33,590	36,661	3,071
FUND BALANCE, End of year	\$ -	\$ -	\$ 140,099	\$ 140,099

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FORFEITURE TRUST FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 95	\$ 95	\$ 412	\$ 317
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	95	95	412	317
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(219)	(219)
NET CHANGE IN FUND BALANCE	95	95	193	98
FUND BALANCE, Beginning of year	7,400	7,400	10,276	2,876
FUND BALANCE, End of year	<u>\$ 7,495</u>	<u>\$ 7,495</u>	<u>\$ 10,469</u>	<u>\$ 2,974</u>

CITY OF MILWAUKIE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LEONA O. KNUTSON PIONEER CEMETERY FUND
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 1,468	\$ 968
EXPENDITURES				
Materials and services	3,000	3,000	2,500	500
Contingency	32,500	32,500	-	32,500
<i>Total Expenditures</i>	<u>35,500</u>	<u>35,500</u>	<u>2,500</u>	<u>33,000</u>
REVENUES OVER (UNDER) EXPENDITURES	(35,000)	(35,000)	(1,032)	33,968
FUND BALANCE, Beginning of year	<u>35,000</u>	<u>35,000</u>	<u>37,020</u>	<u>2,020</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,988</u>	<u>\$ 35,988</u>

CITY OF MILWAUKIE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC SAFETY FACILITY DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 320,000	\$ 320,000	\$ 325,751	\$ 5,751
Miscellaneous	10,088	10,088	24,221	14,133
<i>Total Revenues</i>	<u>330,088</u>	<u>330,088</u>	<u>349,972</u>	<u>19,884</u>
EXPENDITURES				
Materials and services	2,050	2,050	-	2,050
Debt service	454,785	454,785	454,785	-
Contingency	264,253	264,253	-	264,253
<i>Total Expenditures</i>	<u>721,088</u>	<u>721,088</u>	<u>454,785</u>	<u>266,303</u>
REVENUES OVER (UNDER) EXPENDITURES	(391,000)	(391,000)	(104,813)	286,187
FUND BALANCE, Beginning of year	<u>391,000</u>	<u>391,000</u>	<u>430,240</u>	<u>39,240</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,427</u>	<u>\$ 325,427</u>

CITY OF MILWAUKIE, OREGON

COMBINING STATEMENT OF FUND NET ASSETS - NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS
JUNE 30, 2006

	<u>Wastewater SDC</u>	<u>Wastewater Reserve</u>	<u>Water SDC</u>	<u>Water Reserve</u>
ASSETS				
Current assets				
Cash and investments	\$ 1,164,005	\$ 2,454,729	\$ 630,738	\$ 376,376
Noncurrent assets				
Due from other funds	-	282,866	-	247,914
<i>Total Assets</i>	1,164,005	2,737,595	630,738	624,290
LIABILITIES				
Accounts payable	-	-	-	17,683
NET ASSETS				
Unrestricted	<u>\$ 1,164,005</u>	<u>\$ 2,737,595</u>	<u>\$ 630,738</u>	<u>\$ 606,607</u>

<i>Storm Water SDC</i>	<i>Storm Water Reserve</i>	<i>Totals</i>
\$ 264,556	\$ 55,683	\$ 4,946,087
-	87,345	618,125
264,556	143,028	5,564,212
-	-	17,683
<u>\$ 264,556</u>	<u>\$ 143,028</u>	<u>\$ 5,546,529</u>

CITY OF MILWAUKIE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS
YEAR ENDED JUNE 30, 2006**

	<u>Wastewater SDC</u>	<u>Wastewater Reserve</u>	<u>Water SDC</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ 413
<i>Total Operating Revenues</i>	-	-	413
OPERATING EXPENSES	-	-	-
OPERATING INCOME (LOSS)	-	-	413
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	44,052	124,435	22,628
System development revenue	99,123	-	128,043
Transfers in	-	-	-
Transfers out	-	(173,598)	-
<i>Total Nonoperating Revenue (Expenses)</i>	143,175	(49,163)	150,671
CHANGE IN NET ASSETS	143,175	(49,163)	151,084
NET ASSETS, Beginning of year	1,020,830	2,786,758	479,654
NET ASSETS, End of year	<u>\$ 1,164,005</u>	<u>\$ 2,737,595</u>	<u>\$ 630,738</u>

<i>Water Reserve</i>	<i>Storm Water SDC</i>	<i>Storm Water Reserve</i>	<i>Totals</i>
\$ -	\$ 869	\$ -	\$ 1,282
-	869	-	1,282
-	-	-	-
-	869	-	1,282
23,638	8,974	13,672	237,399
-	36,828	-	263,994
14,840	-	-	14,840
(659,261)	-	(200,000)	(1,032,859)
(620,783)	45,802	(186,328)	(516,626)
(620,783)	46,671	(186,328)	(515,344)
1,227,390	217,885	329,356	6,061,873
<u>\$ 606,607</u>	<u>\$ 264,556</u>	<u>\$ 143,028</u>	<u>\$ 5,546,529</u>

CITY OF MILWAUKIE, OREGON**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS
YEAR ENDED JUNE 30, 2006**

	<u>Sewer SDC</u>	<u>Sewer Reserve</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ -	\$ -
<i>Net cash provided by (used for) operating activities</i>	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Transfers out	-	(237,797)
<i>Net cash used for noncapital financing activities</i>	-	(237,797)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution of capital (SDC fees)	99,123	-
<i>Net cash used for capital and related financing activities</i>	99,123	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	44,052	124,435
<i>Net cash provided by (used for) investing activities</i>	44,052	124,435
NET INCREASE (DECREASE) IN CASH	143,175	(113,362)
CASH, beginning of year	1,020,830	2,568,091
CASH, end of year	<u>\$ 1,164,005</u>	<u>\$ 2,454,729</u>

Business-type Activities

<i>Water SDC</i>	<i>Water Reserve</i>	<i>Storm Sewer SDC</i>	<i>Storm Sewer Reserve</i>	<i>Totals</i>
\$ 413	\$ -	\$ 869	\$ -	\$ 1,282
413	-	869	-	1,282
-	14,840	-	-	14,840
-	(429,411)	-	(65,337)	(732,545)
-	(414,571)	-	(65,337)	(717,705)
128,043	-	36,828	-	263,994
128,043	-	36,828	-	263,994
22,628	23,638	8,974	13,672	237,399
22,628	23,638	8,974	13,672	237,399
151,084	(390,933)	46,671	(51,665)	(215,030)
479,654	767,309	217,885	107,348	5,161,117
<u>\$ 630,738</u>	<u>\$ 376,376</u>	<u>\$ 264,556</u>	<u>\$ 55,683</u>	<u>\$ 4,946,087</u>

(Continued)

CITY OF MILWAUKIE, OREGON

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS

(Continued)

YEAR ENDED JUNE 30, 2006

	<u>Sewer SDC</u>	<u>Sewer Reserve</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ -	\$ -
<i>Net cash provided by (used for) operating activities</i>	<u>\$ -</u>	<u>\$ -</u>

Business-type Activities

<i>Water SDC</i>	<i>Water Reserve</i>	<i>Storm Sewer SDC</i>	<i>Storm Sewer Reserve</i>	<i>Totals</i>
\$ 413	\$ -	\$ 869	\$ -	\$ 1,282
<u>\$ 413</u>	<u>\$ -</u>	<u>\$ 869</u>	<u>\$ -</u>	<u>\$ 1,282</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 2,844,000	\$ 2,844,000	\$ 2,804,873	\$ 2,804,873
Miscellaneous	31,454	31,454	1,974	1,974
<i>Total Revenues</i>	<u>2,875,454</u>	<u>2,875,454</u>	<u>2,806,847</u>	<u>2,806,847</u>
EXPENSES				
Personal services	337,426	337,426	314,775	316,701
Materials and services	2,368,762	2,368,762	2,252,721	2,253,066
Capital outlay/depreciation	498,650	498,650	-	140,798
Contingency	710,223	710,223	-	-
<i>Total Expenses</i>	<u>3,915,061</u>	<u>3,915,061</u>	<u>2,567,496</u>	<u>2,710,565</u>
REVENUES OVER (UNDER) EXPENSES	(1,039,607)	(1,039,607)	239,351	96,282
OTHER FINANCING SOURCES (USES)				
Transfers in	51,205	51,205	47,205	188,151
Transfers out	(1,986,598)	(1,986,598)	(307,911)	(307,911)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,935,393)</u>	<u>(1,935,393)</u>	<u>(260,706)</u>	<u>(119,760)</u>
NET CHANGE IN NET ASSETS	(2,975,000)	(2,975,000)	(21,355)	(23,478)
NET ASSETS, Beginning of year	<u>2,975,000</u>	<u>2,975,000</u>	<u>49,531</u>	<u>2,649,537</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,176</u>	<u>\$ 2,626,059</u>

CITY OF MILWAUKIE, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -****BUDGET (NON-GAAP BASIS) AND ACTUAL - WASTEWATER SYSTEM DEVELOPMENT CHARGES FUND****YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 99,123	\$ 99,123
Miscellaneous	12,113	12,113	44,052	44,052
<i>Total Revenues</i>	12,113	12,113	143,175	143,175
EXPENSES				
Capital outlay/depreciation	453,113	453,113	-	-
Contingency	500,000	500,000	-	-
<i>Total Expenses</i>	953,113	953,113	-	-
REVENUES OVER (UNDER) EXPENSES				
	(941,000)	(941,000)	143,175	143,175
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000)	(4,000)	-	-
NET CHANGE IN NET ASSETS	(945,000)	(945,000)	143,175	143,175
NET ASSETS, Beginning of year	945,000	945,000	1,020,830	1,020,830
NET ASSETS, End of year	\$ -	\$ -	\$ 1,164,005	\$ 1,164,005

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WASTEWATER RESERVE FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 7,152	\$ 7,152	\$ 124,435	\$ 124,435
EXPENSES				
Capital outlay/depreciation	2,685,839	2,685,839	173,598	-
REVENUES OVER (UNDER)				
EXPENSES	(2,678,687)	(2,678,687)	(49,163)	124,435
OTHER FINANCING SOURCES (USES)				
Transfers in	1,678,687	1,678,687	-	-
Transfers out	-	-	-	(173,598)
<i>Total Other Financing Sources (Uses)</i>	<u>1,678,687</u>	<u>1,678,687</u>	<u>-</u>	<u>(173,598)</u>
NET CHANGE IN NET ASSETS	(1,000,000)	(1,000,000)	(49,163)	(49,163)
NET ASSETS, Beginning of year	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,786,758</u>	<u>2,786,758</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,737,595</u>	<u>\$ 2,737,595</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,055,000	\$ 2,055,000	\$ 1,838,881	\$ 1,838,881
Miscellaneous	37,124	37,124	28,303	28,303
<i>Total Revenues</i>	<u>2,092,124</u>	<u>2,092,124</u>	<u>1,867,184</u>	<u>1,867,184</u>
EXPENSES				
Personal services	479,682	479,682	364,369	350,627
Materials and services	1,185,859	1,185,859	1,016,940	1,017,993
Capital outlay/depreciation	15,000	15,000	19,226	383,417
Debt service	130,360	130,360	130,360	29,085
Contingency	50,156	50,156	-	-
<i>Total Expenses</i>	<u>1,861,057</u>	<u>1,861,057</u>	<u>1,530,895</u>	<u>1,781,122</u>
REVENUES OVER (UNDER) EXPENSES	231,067	231,067	336,289	86,062
OTHER FINANCING SOURCES (USES)				
Transfers in	342,916	342,916	117,816	690,138
Transfers out	(950,832)	(950,832)	(357,832)	(357,832)
<i>Total Other Financing Sources (Uses)</i>	<u>(607,916)</u>	<u>(607,916)</u>	<u>(240,016)</u>	<u>332,306</u>
NET CHANGE IN NET ASSETS	(376,849)	(376,849)	96,273	418,368
NET ASSETS, Beginning of year	<u>376,849</u>	<u>376,849</u>	<u>11,520</u>	<u>8,571,030</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,793</u>	<u>\$ 8,989,398</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WATER SYSTEM DEVELOPMENT CHARGES FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 21,000	\$ 21,000	\$ 128,043	\$ 128,043
Charges for services	-	-	413	413
Miscellaneous	5,314	5,314	22,628	22,628
<i>Total Revenues</i>	26,314	26,314	151,084	151,084
EXPENSES				
Capital outlay/depreciation	137,314	137,314	-	-
Contingency	200,000	200,000	-	-
<i>Total Expenses</i>	337,314	337,314	-	-
REVENUES OVER (UNDER)				
EXPENSES	(311,000)	(311,000)	151,084	151,084
OTHER FINANCING SOURCES (USES)				
Transfers out	(125,000)	(125,000)	-	-
NET CHANGE IN NET ASSETS	(436,000)	(436,000)	151,084	151,084
NET ASSETS, Beginning of year	436,000	436,000	479,654	479,654
NET ASSETS, End of year	\$ -	\$ -	\$ 630,738	\$ 630,738

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WATER RESERVE FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 11,394	\$ 11,394	\$ 23,638	\$ 23,638
EXPENSES				
Capital outlay/depreciation	552,450	552,450	559,261	-
Contingency	837,405	837,405	-	-
<i>Total Expenses</i>	<u>1,389,855</u>	<u>1,389,855</u>	<u>559,261</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENSES	(1,378,461)	(1,378,461)	(535,623)	23,638
OTHER FINANCING SOURCES (USES)				
Transfers in	714,560	714,560	131,560	14,840
Transfers out	(200,000)	(200,000)	(100,000)	(659,261)
<i>Total Other Financing Sources (Uses)</i>	<u>514,560</u>	<u>514,560</u>	<u>31,560</u>	<u>(644,421)</u>
NET CHANGE IN NET ASSETS	(863,901)	(863,901)	(504,063)	(620,783)
NET ASSETS, Beginning of year	<u>863,901</u>	<u>863,901</u>	<u>871,551</u>	<u>1,227,390</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,488</u>	<u>\$ 606,607</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - STORM WATER FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,486,929	\$ 1,486,929	\$ 1,348,770	\$ 1,348,770
Miscellaneous	8,698	8,698	2,875	2,875
<i>Total Revenues</i>	1,495,627	1,495,627	1,351,645	1,351,645
EXPENSES				
Personal services	383,562	383,562	359,020	363,423
Materials and services	676,399	676,399	584,870	584,857
Capital outlay/depreciation	515,923	515,923	73,884	132,018
Contingency	13,719	13,719	-	-
<i>Total Expenses</i>	1,589,603	1,589,603	1,017,774	1,080,298
REVENUES OVER (UNDER) EXPENSES	(93,976)	(93,976)	333,871	271,347
OTHER FINANCING SOURCES (USES)				
Transfers in	7,357	7,357	207,357	207,357
Transfers out	(713,381)	(713,381)	(352,178)	(332,587)
<i>Total Other Financing Sources (Uses)</i>	(706,024)	(706,024)	(144,821)	(125,230)
NET CHANGE IN NET ASSETS	(800,000)	(800,000)	189,050	146,117
NET ASSETS (DEFICIT), Beginning of year	800,000	800,000	(152,651)	3,621,733
NET ASSETS, End of year	\$ -	\$ -	\$ 36,399	\$ 3,767,850

CITY OF MILWAUKIE, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -****BUDGET (NON-GAAP BASIS) AND ACTUAL - STORM WATER SYSTEM DEVELOPMENT CHARGES FUND****YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 37,697	\$ 37,697
Miscellaneous	2,000	2,000	8,974	8,974
<i>Total Revenues</i>	2,000	2,000	46,671	46,671
EXPENSES				
Capital outlay/depreciation	120,000	120,000	-	-
Contingency	39,000	39,000	-	-
<i>Total Expenses</i>	159,000	159,000	-	-
REVENUES OVER (UNDER) EXPENSES				
	(157,000)	(157,000)	46,671	46,671
NET ASSETS, Beginning of year	157,000	157,000	217,885	217,885
NET ASSETS, End of year	\$ -	\$ -	\$ 264,556	\$ 264,556

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - STORM WATER RESERVE FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 1,560	\$ 1,560	\$ 13,672	\$ 13,672
EXPENSES				
Contingency	317,763	317,763	-	-
REVENUES OVER (UNDER) EXPENSES				
	(316,203)	(316,203)	13,672	13,672
OTHER FINANCING SOURCES (USES)				
Transfers in	361,203	361,203	-	-
Transfers out	(200,000)	(200,000)	(200,000)	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<u>161,203</u>	<u>161,203</u>	<u>(200,000)</u>	<u>(200,000)</u>
NET CHANGE IN NET ASSETS	(155,000)	(155,000)	(186,328)	(186,328)
NET ASSETS, Beginning of year	<u>155,000</u>	<u>155,000</u>	<u>329,356</u>	<u>329,356</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,028</u>	<u>\$ 143,028</u>

CITY OF MILWAUKIE, OREGON
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
JUNE 30, 2006

	<i>Fleet Services</i>	<i>Reserve Fleet Services</i>	<i>Adminstrative Services</i>
ASSETS			
Current assets			
Cash and investments	\$ 153,307	\$ 1,621,174	\$ 301,536
Accounts receivable	2,339	-	91
Inventories	59,179	-	-
<i>Total Current Assets</i>	214,825	1,621,174	301,627
Noncurrent assets			
Capital assets	278,212	-	43,153
<i>Total Assets</i>	493,037	1,621,174	344,780
LIABILITIES			
Current liabilities			
Accounts payable	23,616	4,149	101,029
Accrued compensated absences	14,811	-	53,924
<i>Total Current Liabilities</i>	38,427	4,149	154,953
Noncurrent liabilities			
Accrued compensated absences	9,874	-	35,949
Notes payable	-	-	-
<i>Total Liabilities</i>	48,301	4,149	190,902
NET ASSETS			
Investment in capital assets (net of related debt)	278,212	-	43,153
Unrestricted	166,524	1,617,025	110,725
<i>Total Net Assets</i>	<u>\$ 444,736</u>	<u>\$ 1,617,025</u>	<u>\$ 153,878</u>

<i>Facilities Management</i>	<i>Community Development</i>	<i>Engineering</i>	<i>Totals</i>
\$ 144,694	\$ 102,221	\$ 148,529	\$ 2,471,461
85	-	-	2,515
-	-	-	59,179
144,779	102,221	148,529	2,533,155
110,406	-	-	431,771
255,185	102,221	148,529	2,964,926
58,170	11,562	28,373	226,899
3,041	15,298	6,704	93,778
61,211	26,860	35,077	320,677
2,028	10,198	4,470	62,519
407,725	-	-	407,725
470,964	37,058	39,547	790,921
110,406	-	-	431,771
(326,185)	65,163	108,982	1,742,234
<u>\$ (215,779)</u>	<u>\$ 65,163</u>	<u>\$ 108,982</u>	<u>\$ 2,174,005</u>

CITY OF MILWAUKIE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2006**

	<u><i>Fleet Services</i></u>	<u><i>Reserve Fleet Services</i></u>	<u><i>Adminstrative Services</i></u>
OPERATING REVENUES			
Charges for services	\$ 1,275,350	\$ 524,518	\$ 2,869,576
Intergovernmental	-	-	-
Miscellaneous	-	-	263
	<hr/>	<hr/>	<hr/>
<i>Total Operating Revenues</i>	1,275,350	524,518	2,869,839
OPERATING EXPENSES			
Personal services	380,375	-	1,466,434
Materials and services	712,150	-	1,268,700
Depreciation	293,390	-	7,141
	<hr/>	<hr/>	<hr/>
<i>Total Operating Expenses</i>	1,385,915	-	2,742,275
OPERATING INCOME (LOSS)	(110,565)	524,518	127,564
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	5,410	57,647	6,264
Interest expense	-	-	-
Loss on sale of capital assets	(120,986)	-	-
Transfers in	358,472	-	110,895
Transfers out	(127,052)	(239,690)	-
	<hr/>	<hr/>	<hr/>
<i>Total Nonoperating Revenues (Expenses)</i>	115,844	(182,043)	117,159
CHANGE IN NET ASSETS	5,279	342,475	244,723
NET ASSETS (DEFICIT), Beginning of year	<hr/>	<hr/>	<hr/>
	439,457	1,274,550	(90,845)
NET ASSETS (DEFICIT), End of year	<hr/>	<hr/>	<hr/>
	\$ 444,736	\$ 1,617,025	\$ 153,878

<i>Facilities Management</i>	<i>Community Development</i>	<i>Engineering</i>	<i>Totals</i>
\$ 886,520	\$ 220	\$ 2,295	\$ 5,558,479
9,000	-	-	9,000
2,790	-	-	3,053
898,310	220	2,295	5,570,532
131,813	498,360	383,690	2,860,672
701,572	297,636	283,035	3,263,093
5,875	-	-	306,406
839,260	795,996	666,725	6,430,171
59,050	(795,776)	(664,430)	(859,639)
6,306	3,641	3,815	83,083
(24,025)	-	-	(24,025)
(279,485)	-	-	(400,471)
50,577	869,262	780,370	2,169,576
(243,166)	-	-	(609,908)
(489,793)	872,903	784,185	1,218,255
(430,743)	77,127	119,755	358,616
214,964	(11,964)	(10,773)	1,815,389
<u>\$ (215,779)</u>	<u>\$ 65,163</u>	<u>\$ 108,982</u>	<u>\$ 2,174,005</u>

CITY OF MILWAUKIE, OREGON
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2006

	<u><i>Fleet Services</i></u>	<u><i>Reserve Fleet Services</i></u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Collected from customers	\$ 1,273,011	\$ 524,518
Paid to suppliers	(732,454)	(9,099)
Paid to employees	(381,827)	-
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>158,730</u>	<u>515,419</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Transfers in	11,782	-
Transfers out	(127,052)	(173,221)
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	<u>(115,270)</u>	<u>(173,221)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>		
Acquisition of fixed assets	(180)	-
Proceeds from sale of capital assets	-	-
Principal paid on contracts/bonds payable	-	-
Interest paid	-	-
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(180)</u>	<u>-</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest on investments	<u>5,410</u>	<u>57,647</u>
<i>CHANGE IN CASH AND INVESTMENTS</i>	48,690	399,845
<i>CASH AND INVESTMENTS, Beginning of year</i>	104,617	1,221,329
<i>CASH AND INVESTMENTS, End of year</i>	<u>\$ 153,307</u>	<u>\$ 1,621,174</u>

<i>Facilities Management</i>	<i>Administrative Services</i>	<i>Community Development</i>	<i>Engineering</i>	<i>Totals</i>
\$ 898,250 (689,736) (142,395)	\$ 2,870,136 (1,292,844) (1,459,131)	\$ 220 (299,924) (482,564)	\$ 2,295 (270,507) (381,148)	\$ 5,568,430 (3,294,564) (2,847,065)
66,119	118,161	(782,268)	(649,360)	(573,199)
7,056 (42,351)	60,601 -	869,262 -	780,370 -	1,729,071 (342,624)
(35,295)	60,601	869,262	780,370	1,386,447
(19,224) 656,348 (690,235) (24,025)	- - - -	- - - -	- - - -	(19,404) 656,348 (690,235) (24,025)
(77,136)	-	-	-	(77,316)
6,306	6,264	3,641	3,815	83,083
(40,006)	185,026	90,635	134,825	819,015
184,700	116,510	11,586	13,704	1,652,446
<u>\$ 144,694</u>	<u>\$ 301,536</u>	<u>\$ 102,221</u>	<u>\$ 148,529</u>	<u>\$ 2,471,461</u>

CITY OF MILWAUKIE, OREGON

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)

YEAR ENDED JUNE 30, 2006

	<u><i>Fleet Services</i></u>	<u><i>Reserve Fleet Services</i></u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (110,565)	\$ 524,518
Depreciation	293,390	-
Change in assets and liabilities		
Accounts receivable	(2,339)	-
Inventory	(12,703)	-
Accrued vacation payable	(7,601)	-
Accounts payable and accrued liabilities	(1,452)	(9,099)
	<hr/>	<hr/>
<i>Net cash provided by (used in) operating activities</i>	<u><u>\$ 158,730</u></u>	<u><u>\$ 515,419</u></u>

<u><i>Facilities Management</i></u>	<u><i>Administrative Services</i></u>	<u><i>Community Development</i></u>	<u><i>Engineering</i></u>	<u><i>Totals</i></u>
\$ 59,050	\$ 127,564	\$ (795,776)	\$ (664,430)	\$ (859,639)
5,875	7,141	-	-	306,406
(60)	297	-	-	(2,102)
-	-	-	-	(12,703)
(10,582)	7,303	15,796	2,542	7,458
11,836	(24,144)	(2,288)	12,528	(12,619)
<u>\$ 66,119</u>	<u>\$ 118,161</u>	<u>\$ (782,268)</u>	<u>\$ (649,360)</u>	<u>\$ (573,199)</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - FLEET SERVICES FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,221,544	\$ 1,221,544	\$ 1,275,350	\$ 1,275,350
Miscellaneous	1,958	1,958	5,410	5,410
<i>Total Revenues</i>	1,223,502	1,223,502	1,280,760	1,280,760
EXPENSES				
Personal services	392,775	392,775	381,826	380,375
Materials and services	691,428	691,428	741,564	712,150
Capital outlay/depreciation	15,000	15,000	-	293,390
Contingency	24,029	24,029	-	-
<i>Total Expenses</i>	1,123,232	1,123,232	1,123,390	1,385,915
REVENUES OVER (UNDER) EXPENSES				
	100,270	100,270	157,370	(105,155)
OTHER FINANCING SOURCES (USES)				
Transfers in	11,782	11,782	11,782	358,472
Transfers out	(127,052)	(127,052)	(127,052)	(127,052)
Loss on disposition of capital assets	-	-	-	(120,986)
<i>Total Other Financing Sources (Uses)</i>	(115,270)	(115,270)	(115,270)	110,434
NET CHANGE IN NET ASSETS	(15,000)	(15,000)	42,100	5,279
NET ASSETS, Beginning of year	15,000	15,000	89,930	439,457
NET ASSETS, End of year	\$ -	\$ -	\$ 132,030	\$ 444,736

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - RESERVE FLEET SERVICES FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 506,018	\$ 506,018	\$ 524,518	\$ 524,518
Miscellaneous	14,746	14,746	57,647	57,647
<i>Total Revenues</i>	520,764	520,764	582,165	582,165
EXPENSES				
Capital outlay/depreciation	155,000	155,000	173,221	-
Contingency	1,216,745	1,216,745	-	-
<i>Total Expenses</i>	1,371,745	1,371,745	173,221	-
REVENUES OVER (UNDER) EXPENSES	(850,981)	(850,981)	408,944	582,165
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(239,690)
NET CHANGE IN NET ASSETS	(850,981)	(850,981)	408,944	342,475
NET ASSETS, Beginning of year	850,981	850,981	1,208,081	1,274,550
NET ASSETS, End of year	\$ -	\$ -	\$ 1,617,025	\$ 1,617,025

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - ADMINISTRATIVE SERVICES FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,865,386	\$ 2,865,386	\$ 2,867,223	\$ 2,867,223
Miscellaneous	1,664	1,664	8,880	8,880
<i>Total Revenues</i>	<u>2,867,050</u>	<u>2,867,050</u>	<u>2,876,103</u>	<u>2,876,103</u>
EXPENSES				
Personal services	1,573,504	1,573,504	1,459,131	1,466,434
Materials and services	1,320,041	1,320,041	1,250,364	1,268,700
Capital outlay/depreciation	26,500	26,500	18,336	7,141
Contingency	7,606	7,606	-	-
<i>Total Expenses</i>	<u>2,927,651</u>	<u>2,927,651</u>	<u>2,727,831</u>	<u>2,742,275</u>
REVENUES OVER (UNDER) EXPENSES	(60,601)	(60,601)	148,272	133,828
OTHER FINANCING SOURCES (USES)				
Transfers in	60,601	60,601	60,601	110,895
NET CHANGE IN NET ASSETS	-	-	208,873	244,723
NET ASSETS (DEFICIT), Beginning of year	-	-	(8,275)	(90,845)
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,598</u>	<u>\$ 153,878</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - FACILITIES MANAGEMENT FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 38,164	\$ 38,164
Charges for services	870,396	870,396	839,874	839,874
Intergovernmental	-	-	9,000	9,000
Fines and forfeitures	15,000	15,000	5,255	5,255
Miscellaneous	1,270	1,270	12,323	12,323
<i>Total Revenues</i>	<u>906,666</u>	<u>906,666</u>	<u>904,616</u>	<u>904,616</u>
EXPENSES				
Personal services	146,845	146,845	142,395	131,813
Materials and services	648,845	648,845	701,572	701,572
Capital outlay/depreciation	-	-	19,224	5,875
Debt service	57,915	57,915	57,912	24,025
Contingency	26,766	26,766	-	-
<i>Total Expenses</i>	<u>880,371</u>	<u>880,371</u>	<u>921,103</u>	<u>863,285</u>
REVENUES OVER (UNDER) EXPENSES	26,295	26,295	(16,487)	41,331
OTHER FINANCING SOURCES (USES)				
Transfers in	7,056	7,056	7,056	50,577
Transfers out	(42,351)	(42,351)	(42,351)	(243,166)
Loss on disposition of capital assets	-	-	-	(279,485)
<i>Total Other Financing Sources (Uses)</i>	<u>(35,295)</u>	<u>(35,295)</u>	<u>(35,295)</u>	<u>(472,074)</u>
NET CHANGE IN NET ASSETS	(9,000)	(9,000)	(51,782)	(430,743)
NET ASSETS, Beginning of year	<u>9,000</u>	<u>9,000</u>	<u>138,391</u>	<u>214,964</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,609</u>	<u>\$ (215,779)</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3,861	\$ 3,861
EXPENSES				
Personal services	526,200	526,200	482,564	498,360
Materials and services	312,099	312,099	297,636	297,636
Contingency	30,963	30,963	-	-
<i>Total Expenses</i>	<u>869,262</u>	<u>869,262</u>	<u>780,200</u>	<u>795,996</u>
REVENUES OVER (UNDER)				
EXPENSES	(869,262)	(869,262)	(776,339)	(792,135)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>869,262</u>	<u>869,262</u>	<u>869,262</u>	<u>869,262</u>
NET CHANGE IN NET ASSETS	-	-	92,923	77,127
NET ASSETS (DEFICIT), Beginning of year	<u>-</u>	<u>-</u>	<u>(2,264)</u>	<u>(11,964)</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,659</u>	<u>\$ 65,163</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - ENGINEERING FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ -	\$ -	\$ 2,100	\$ 2,100
Miscellaneous	-	-	4,010	4,010
<i>Total Revenues</i>	-	-	6,110	6,110
EXPENSES				
Personal services	394,448	394,448	381,147	383,690
Materials and services	357,743	357,743	283,035	283,035
Contingency	28,179	28,179	-	-
<i>Total Expenses</i>	780,370	780,370	664,182	666,725
REVENUES OVER (UNDER) EXPENSES	(780,370)	(780,370)	(658,072)	(660,615)
OTHER FINANCING SOURCES (USES)				
Transfers in	780,370	780,370	780,370	780,370
NET CHANGE IN NET ASSETS	-	-	122,298	119,755
NET ASSETS (DEFICIT), Beginning of year	-	-	(2,141)	(10,773)
NET ASSETS, End of year	\$ -	\$ -	\$ 120,157	\$ 108,982

OTHER FINANCIAL SCHEDULES

CITY OF MILWAUKIE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
YEAR ENDED JUNE 30, 2006

<u>Tax Year</u>	<u>Balances July 1, 2005</u>	<u>2005-06 Levy</u>	<u>Discounts and Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2006</u>
2005-06	\$ -	\$ 5,743,256	\$ (147,465)	\$ (5,458,375)	\$ 137,416
Prior	380,514	-	(43,718)	(206,591)	130,205
	<u>\$ 380,514</u>	<u>\$ 5,743,256</u>	<u>\$ (191,183)</u>	<u>\$ (5,664,966)</u>	<u>\$ 267,621</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF BOND AND BOND INTEREST TRANSACTIONS
YEAR ENDED JUNE 30, 2006

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
PRINCIPAL TRANSACTIONS			
Governmental Activities			
1997 GO Advance Refunding Bonds	4.85-4.9%	1997	2010-11
1999 Oregon SELP Loan	6.5%	1999	2013-14
2001 Oregon SELP Loan	5.7%	2001	2013-14
2002 Oregon Housing CDIF Loan	1.0%	2002	2016-17
2003 Oregon SELP Loan	4.3%	2003	2018-19
2005 PERS UAL Bonds	4.0%-5.5%	2005	2027-28
Library Property Purchase	7.09%	2006	2020-21
SPWF Loan	2.08%	2006	2031-32
Business-type Activities			
1997 Water Refunding Bonds	4.0-5.3%	1997	2009-10
	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Unmatured Interest Outstanding July 1, 2005</u>
BOND INTEREST TRANSACTIONS			
Governmental Activities			
1997 GO Advance Refunding Bonds	4.85-4.9%	1997	\$ 407,436
1999 Oregon SELP Loan	6.5%	1999	84,811
2001 Oregon SELP Loan	5.7%	2001	14,480
2002 Oregon Housing CDIF Loan	1.0%	2002	2,461
2003 Oregon SELP Loan	4.3%	2003	52,349
2005 PERS UAL Bonds	4.0%-5.5%	2005	-
Library Property Purchase	7.09%	2006	-
SPWF Loan	2.08%	2006	-
			561,537
Business-type Activities			
1997 Water Refunding Bonds	4.0-5.3%	1997	95,770
			\$ 657,307

<i>Outstanding July 1, 2005</i>	<i>New Issues</i>	<i>Principal Paid</i>	<i>Outstanding June 30, 2006</i>
\$ 2,375,000	\$ -	\$ 345,000	\$ 2,030,000
237,649	-	20,430	217,219
48,316	-	4,500	43,816
656,348	-	656,348	-
155,647	-	8,958	146,689
-	4,285,000	-	4,285,000
-	320,079	2,955	317,124
-	738,000	-	738,000
3,472,960	5,343,079	1,038,191	7,777,848
565,000	-	100,000	465,000
\$ 4,037,960	\$ 5,343,079	\$ 1,138,191	\$ 8,242,848

<i>New Issues</i>	<i>Interest Coupons Paid</i>	<i>Unmatured Interest June 30, 2006</i>
\$ -	\$ 109,785	\$ 297,651
-	15,829	68,982
-	2,816	11,664
-	2,461	-
-	6,806	45,543
3,435,604	-	3,435,604
213,292	-	213,292
215,925	-	215,925
3,864,821	137,697	4,288,661
-	30,360	65,410
\$ 3,864,821	\$ 168,057	\$ 4,354,071

CITY OF MILWAUKIE, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
JUNE 30, 2006

<i>Fiscal Year</i>	<i>1997 GO Advance Refunding Bonds</i>			<i>1999 Oregon SELP Loan</i>			
	<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$	365,000	\$ 94,605	\$ 459,605	\$ 21,173	\$ 14,119	\$ 35,292
2008		385,000	78,363	463,363	22,549	12,743	35,292
2009		405,000	60,845	465,845	24,015	11,277	35,292
2010		425,000	42,013	467,013	25,575	9,717	35,292
2011		450,000	21,825	471,825	27,238	8,054	35,292
2012		-	-	-	29,008	6,284	35,292
2013		-	-	-	30,894	4,398	35,292
2014		-	-	-	36,767	2,390	39,157
2015		-	-	-	-	-	-
2016		-	-	-	-	-	-
2017		-	-	-	-	-	-
2018		-	-	-	-	-	-
2019		-	-	-	-	-	-
2020		-	-	-	-	-	-
2021		-	-	-	-	-	-
2022		-	-	-	-	-	-
2023		-	-	-	-	-	-
2024		-	-	-	-	-	-
2025		-	-	-	-	-	-
2026		-	-	-	-	-	-
2027		-	-	-	-	-	-
2028		-	-	-	-	-	-
2029		-	-	-	-	-	-
2030		-	-	-	-	-	-
2031		-	-	-	-	-	-
2032		-	-	-	-	-	-
	\$	<u>2,030,000</u>	\$ <u>297,651</u>	\$ <u>2,327,651</u>	\$ <u>217,219</u>	\$ <u>68,982</u>	\$ <u>286,201</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS (Continued)
JUNE 30, 2006

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1997 Water Revenue Bonds</i>			<i>Library Property Purchase</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 105,000	\$ 25,260	\$ 130,260	\$ 12,031	\$ 22,484	\$ 34,515
2008	115,000	19,800	134,800	12,884	21,631	34,515
2009	120,000	13,475	133,475	13,797	20,718	34,515
2010	125,000	6,875	131,875	14,776	19,739	34,515
2011	-	-	-	15,823	18,692	34,515
2012	-	-	-	16,945	17,570	34,515
2013	-	-	-	18,147	16,368	34,515
2014	-	-	-	19,433	15,082	34,515
2015	-	-	-	20,811	13,704	34,515
2016	-	-	-	22,287	12,228	34,515
2017	-	-	-	23,867	10,648	34,515
2018	-	-	-	25,559	8,956	34,515
2019	-	-	-	27,371	7,144	34,515
2020	-	-	-	29,312	5,203	34,515
2021	-	-	-	44,081	3,125	47,206
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 465,000</u>	<u>\$ 65,410</u>	<u>\$ 530,410</u>	<u>\$ 317,124</u>	<u>\$ 213,292</u>	<u>\$ 530,416</u>

<i>SPWF Loan</i>			<i>2005 PERS UAL Bonds</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ -	\$ 212,096	\$ 212,096
22,806	15,351	38,157	5,000	212,096	217,096
23,281	14,876	38,157	15,000	213,879	228,879
23,765	14,392	38,157	30,000	211,222	241,222
24,259	13,898	38,157	40,000	209,891	249,891
24,764	13,393	38,157	60,000	208,085	268,085
25,279	12,878	38,157	75,000	204,785	279,785
25,805	12,352	38,157	95,000	201,325	296,325
26,341	11,816	38,157	115,000	196,893	311,893
26,889	11,268	38,157	135,000	191,306	326,306
27,449	10,708	38,157	160,000	184,746	344,746
28,020	10,137	38,157	185,000	176,971	361,971
28,602	9,555	38,157	210,000	167,982	377,982
29,197	8,960	38,157	240,000	157,778	397,778
29,805	8,352	38,157	270,000	146,117	416,117
30,424	7,733	38,157	305,000	132,606	437,606
31,057	7,100	38,157	340,000	117,344	457,344
31,703	6,454	38,157	380,000	100,330	480,330
32,363	5,794	38,157	420,000	81,315	501,315
33,036	5,121	38,157	465,000	60,298	525,298
33,723	4,434	38,157	510,000	37,030	547,030
34,424	3,733	38,157	230,000	11,509	241,509
35,140	3,017	38,157	-	-	-
35,871	2,286	38,157	-	-	-
36,618	1,539	38,157	-	-	-
37,379	778	38,157	-	-	-
<u>\$ 738,000</u>	<u>\$ 215,925</u>	<u>\$ 953,925</u>	<u>\$ 4,285,000</u>	<u>\$ 3,435,604</u>	<u>\$ 7,720,604</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS (Continued)
JUNE 30, 2006

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 517,019	\$ 377,369	\$ 894,388
2008	577,713	368,130	945,843
2009	616,258	342,525	958,783
2010	660,005	310,689	970,694
2011	573,970	278,330	852,300
2012	148,163	250,506	398,669
2013	167,602	242,767	410,369
2014	194,524	234,610	429,134
2015	174,998	225,047	400,045
2016	197,574	216,884	414,458
2017	225,290	207,608	432,898
2018	259,626	196,969	456,595
2019	265,973	184,681	450,654
2020	298,509	171,941	470,450
2021	343,886	157,594	501,480
2022	335,424	140,339	475,763
2023	371,057	124,444	495,501
2024	411,703	106,784	518,487
2025	452,363	87,109	539,472
2026	498,036	65,419	563,455
2027	543,723	41,464	585,187
2028	264,424	15,242	279,666
2029	35,140	3,017	38,157
2030	35,871	2,286	38,157
2031	36,618	1,539	38,157
2032	37,379	778	38,157
	<u>\$ 8,242,848</u>	<u>\$ 4,354,071</u>	<u>\$ 12,596,919</u>

CITY OF MILWAUKIE, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

YEAR ENDED JUNE 30, 2006

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth.

Significant Accounting Policies

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the basic financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented in the notes to the basic financial statements.

Internal Accounting Control

We have audited the basic financial statements of the City of Milwaukie as of and for the year ended June 30, 2006, and have issued our report thereon dated October 3, 2006. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness. We did note certain items that we considered to be significant deficiencies. Those items have been communicated to the City in a separate letter dated October 3, 2006.

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2006.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was not sufficient at times during the year ended June 30, 2006.

Budget Compliance

The City has complied with Local Budget Law (ORS 294) in the preparation and adoption of its budget and tax levy for fiscal years ending June 30, 2006 and 2007, except as noted in the notes to the basic financial statements.

CITY OF MILWAUKIE, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2006

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2006. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2006.

Public Contracting and Purchasing

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

Schedule of Accountability of Independently Elected Officials

There are no elected City officials who collect or receive funds on behalf of the City.

Use Of State Highway Funds

The City has complied with the legal requirements relating to the use of revenue from taxes on motor vehicle use fuel.

Programs Funded from Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by the other governmental agencies. The City is in compliance with the guidelines in all material respects.

Financial Reporting Requirements

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

This report is intended for the information and use of the City of Milwaukie and the Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these specified parties.

*GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS*

By: _____
Charles A. Swank, A Shareholder
October 3, 2006

STATISTICAL SECTION

This part of the City of Milwaukie' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	85-89
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	90-94
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.	95-98
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	99

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS

CITY OF MILWAUKIE, OREGON
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets (net of related debt)	\$ 43,388,102	\$ 42,432,596	\$ 41,814,441	\$ 40,179,276
Restricted for special purposes	3,141,302	4,402,449	4,430,539	3,863,365
Unrestricted	1,814,697	1,329,472	2,171,757	3,050,973
Total governmental activities net assets	<u>\$ 48,344,101</u>	<u>\$ 48,164,517</u>	<u>\$ 48,416,737</u>	<u>\$ 47,093,614</u>
Business-type activities:				
Invested in capital assets (net of related debt)	\$ 13,638,623	\$ 14,472,866	\$ 14,956,401	\$ 15,226,136
Restricted for special purposes	-	1,591,515	1,718,369	2,059,299
Unrestricted	7,661,372	5,302,446	4,235,003	3,644,401
Total business-type activities net assets	<u>\$ 21,299,995</u>	<u>\$ 21,366,827</u>	<u>\$ 20,909,773</u>	<u>\$ 20,929,836</u>
Primary government:				
Invested in capital assets (net of related debt)	\$ 57,026,725	\$ 56,905,462	\$ 56,770,842	\$ 55,405,412
Restricted for special purposes	3,141,302	5,993,964	6,148,908	5,922,664
Unrestricted	9,476,069	6,631,918	6,406,760	6,695,374
Total primary government net assets	<u>\$ 69,644,096</u>	<u>\$ 69,531,344</u>	<u>\$ 69,326,510</u>	<u>\$ 68,023,450</u>

CITY OF MILWAUKIE, OREGON
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities:				
General government	\$ 6,793,498	\$ 8,390,670	\$ 8,633,808	\$ 8,695,961
Public works	2,943,168	2,140,957	2,541,189	2,702,042
Police	5,216,799	5,055,963	5,513,871	5,926,865
Fire	2,935,551	3,027,077	3,111,130	-
Library	1,457,351	945,299	1,455,800	1,959,857
Interest on long-term debt	-	-	-	133,810
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities expenses	19,346,367	19,559,966	21,255,798	19,418,535
Business-type activities:				
Water	1,935,527	1,802,706	1,971,578	1,781,122
Sewer	2,956,593	2,355,212	2,405,234	2,710,565
Storm sewer	1,005,940	837,641	1,082,009	1,080,298
	<hr/>	<hr/>	<hr/>	<hr/>
Total business-type activities expenses	5,898,060	4,995,559	5,458,821	5,571,985
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 25,244,427</u>	<u>\$ 24,555,525</u>	<u>\$ 26,714,619</u>	<u>\$ 24,990,520</u>
Program Revenues				
Governmental activities:				
Charges for services	\$ 4,224,121	\$ 4,703,508	\$ 6,513,642	\$ 5,629,492
Operating grants and contributions	3,164,928	3,105,340	3,522,044	3,420,250
Capital grants and contributions	157,848	287,813	207,498	98,999
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities program revenues	7,546,897	8,096,661	10,243,184	9,148,741
Business-type activities:				
Charges for services	5,794,733	5,987,798	5,303,599	6,158,662
Operating grants and contributions	10,141	2,211	5,277	843
Capital grants and contributions	29,850	34,768	21,048	102,748
	<hr/>	<hr/>	<hr/>	<hr/>
Total business-type activities program revenues	5,834,724	6,024,777	5,329,924	6,262,253
	<hr/>	<hr/>	<hr/>	<hr/>
Total program revenues	<u>\$ 13,381,621</u>	<u>\$ 14,121,438</u>	<u>\$ 15,573,108</u>	<u>\$ 15,410,994</u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense) Revenue				
Governmental activities	\$ (11,799,470)	\$ (11,463,305)	\$ (11,012,614)	\$ (10,269,794)
Business-type activities	(63,336)	1,029,218	(128,897)	690,268
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net expense	<u>\$ (11,862,806)</u>	<u>\$ (10,434,087)</u>	<u>\$ (11,141,511)</u>	<u>\$ (9,579,526)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes and assessments	\$ 7,980,098	\$ 8,183,533	\$ 8,332,298	\$ 5,546,148
Licenses and permits	1,631,243	1,490,668	1,540,563	1,670,790
Intergovernmental	374,378	320,487	351,189	409,789
Miscellaneous	138,739	209,469	587,287	349,281
Transfers	1,311,302	1,079,560	497,032	930,703
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>11,435,760</u>	<u>11,283,717</u>	<u>11,308,369</u>	<u>8,906,711</u>
Business-type activities:				
Miscellaneous	170,302	117,174	163,276	266,098
Contributed capital	-	-	-	-
Transfers	(1,311,302)	(1,079,560)	(497,032)	(930,703)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total business-type activities	<u>(1,141,000)</u>	<u>(962,386)</u>	<u>(333,756)</u>	<u>(664,605)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 10,294,760</u>	<u>\$ 10,321,331</u>	<u>\$ 10,974,613</u>	<u>\$ 8,242,106</u>
Change in Net Assets				
Governmental activities	\$ (363,710)	\$ (179,588)	\$ 295,755	\$ (1,363,083)
Business-type activities	(1,204,336)	66,832	(462,653)	25,663
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ (1,568,046)</u>	<u>\$ (112,756)</u>	<u>\$ (166,898)</u>	<u>\$ (1,337,420)</u>

CITY OF MILWAUKIE, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,544,206	2,395,360	3,169,002	2,993,827
Total general fund	<u>\$ 1,544,206</u>	<u>\$ 2,395,360</u>	<u>\$ 3,169,002</u>	<u>\$ 2,993,827</u>
All Other Governmental Funds				
Reserved	\$ 1,720	\$ 6,471	\$ 3,910	\$ 334
Unreserved	2,129,292	2,223,843	2,314,595	1,771,846
Total all other governmental funds	<u>\$ 2,131,012</u>	<u>\$ 2,230,314</u>	<u>\$ 2,318,505</u>	<u>\$ 1,772,180</u>

CITY OF MILWAUKIE, OREGON
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
REVENUES				
Taxes and assessments	\$ 8,044,030	\$ 8,218,996	\$ 8,391,441	\$ 6,139,602
Licenses and permits	706,500	714,237	843,397	738,025
Franchise fees	1,436,196	1,321,560	1,365,629	2,068,085
Intergovernmental	2,138,270	2,030,897	2,112,930	1,807,821
Fines and forfeitures	459,844	502,217	546,521	421,726
Miscellaneous	260,145	624,495	1,286,854	372,373
<i>Total Revenues</i>	<u>13,044,985</u>	<u>13,412,402</u>	<u>14,546,772</u>	<u>11,547,632</u>
EXPENDITURES				
Current operating:				
General government	952,809	788,852	843,129	2,362,744
Public works	1,598,749	1,655,472	1,625,287	1,771,492
Police	2,935,551	3,027,077	3,111,130	5,909,135
Fire	5,115,002	5,028,161	5,475,426	-
Library	1,413,474	1,270,982	1,356,286	-
Capital outlay	335,408	639,361	857,438	1,598,691
Debt service				
Interest	150,285	137,685	124,140	75,897
Principal	300,000	315,000	330,000	381,843
<i>Total Expenditures</i>	<u>12,801,278</u>	<u>12,862,590</u>	<u>13,722,836</u>	<u>12,099,802</u>
REVENUES OVER (UNDER)				
EXPENDITURES	243,707	549,812	823,936	(552,170)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,136,837	1,542,796	1,186,274	55,591
Transfers out	(1,923,147)	(1,210,277)	(1,154,951)	(801,276)
Proceeds from issuance of debt	-	-	-	4,690,569
Payment of pension liability	-	-	-	(4,285,000)
<i>Total Other Financing Sources (Uses)</i>	<u>213,690</u>	<u>332,519</u>	<u>31,323</u>	<u>(340,116)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 457,397</u>	<u>\$ 882,331</u>	<u>\$ 855,259</u>	<u>\$ (892,286)</u>
Debt service as a percentage of noncapital expenditures	<u>3.75%</u>	<u>3.85%</u>	<u>3.42%</u>	<u>3.93%</u>

CITY OF MILWAUKIE, OREGON
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST FOUR FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 4,884,395	\$ 5,045,642	\$ 5,820,814	\$ 5,998,490
Public works	1,358,918	1,776,598	2,049,951	1,981,544
Police	634,712	606,277	643,403	642,639
Fire	-	-	-	-
Library	668,872	668,144	627,421	526,077
<i>Total Governmental Activities</i>	<u>7,546,897</u>	<u>8,096,661</u>	<u>9,141,589</u>	<u>9,148,750</u>
Business-type activities:				
Water	1,913,979	1,949,652	1,828,433	1,968,842
Sewer	2,884,996	3,042,109	2,870,445	2,904,945
Storm sewer	1,035,749	1,033,016	1,044,549	1,388,466
<i>Total Business-type Activities</i>	<u>5,834,724</u>	<u>6,024,777</u>	<u>5,743,427</u>	<u>6,262,253</u>
<i>Total Activities</i>	<u>\$ 13,381,621</u>	<u>\$ 14,121,438</u>	<u>\$ 14,885,016</u>	<u>\$ 15,411,003</u>

REVENUE CAPACITY

CITY OF MILWAUKIE, OREGON
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

<i>Fiscal Year</i>	<i>Property</i>	<i>Special Assessments</i>	<i>Total</i>
1997	\$ 6,647,008	\$ 10,467	\$ 6,657,475
1998	6,883,831	3,439	6,887,270
1999	7,149,864	63,269	7,213,133
2000	7,361,852	20,072	7,381,924
2001	7,618,735	44,230	7,662,965
2002	7,806,064	34,263	7,840,327
2003	7,945,742	14,885	7,960,627
2004	8,217,323	3,326	8,220,649
2005	8,384,938	11,283	8,396,221
2006	6,139,602	680	6,140,282

CITY OF MILWAUKIE, OREGON
ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<i>Fiscal Year Ended June 30,</i>	<i>Real Property</i>		<i>Personal Property*</i>		<i>Public Utility Property</i>	
	<i>Assessed</i>	<i>Estimated</i>	<i>Assessed</i>	<i>Estimated</i>	<i>Assessed</i>	<i>Estimated</i>
	<i>Value</i>	<i>Actual Value</i>	<i>Value</i>	<i>Actual Value</i>	<i>Value</i>	<i>Actual Value</i>
1997	\$ 1,145,479,600	\$ 1,145,479,600	\$ 47,755,600	\$ 47,755,600	\$ 18,440,020	\$ 18,440,020
1998	927,098,010	1,242,909,060	54,547,250	54,547,250	19,907,110	19,907,110
1999	971,457,040	1,376,962,650	55,816,300	55,816,300	21,698,360	21,698,360
2000	1,004,383,690	1,362,241,280	57,506,630	57,506,630	26,104,490	26,104,490
2001	1,044,910,391	1,401,822,986	60,712,147	61,271,014	27,288,073	29,306,627
2002	1,079,922,838	1,443,178,141	61,103,540	61,349,791	29,983,333	30,275,619
2003	1,124,737,189	1,477,313,132	55,834,501	55,834,501	27,170,235	27,246,990
2004	1,188,285,871	1,652,930,839	51,089,010	51,089,010	28,546,863	27,874,542
2005	1,235,178,558	1,793,855,074	47,261,142	47,261,142	24,658,210	24,952,887
2006	1,279,961,367	2,056,931,137	50,126,025	50,206,844	24,605,020	25,069,391

All property is assessed as of July 1 of the fiscal year.

* Includes mobile homes

Source: Clackamas and Multnomah County Departments of Assessment and Taxation

<u>Assessed Value</u>	<u>Total Estimated Actual Value</u>	<u>Ratio of Total Assessed to Total Estimated Actual Value</u>	
\$ 1,211,675,220	\$ 1,211,675,220	100.00	%
1,001,552,370	1,317,363,420	76.03	
1,048,971,700	1,454,477,310	72.12	
1,087,994,810	1,445,852,400	75.25	
1,132,910,611	1,492,400,627	75.91	
1,171,009,711	1,534,803,551	76.30	
1,207,741,925	1,560,394,623	77.40	
1,267,921,744	1,731,894,391	73.21	
1,307,097,910	1,866,069,103	70.05	
1,354,692,412	2,132,207,372	63.53	

CITY OF MILWAUKIE, OREGON
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

<i>Fiscal Year</i>						<i>Clackamas</i>	
<i>Ended</i>	<i>City of</i>	<i>Clackamas</i>	<i>Clackamas</i>	<i>Clackamas</i>	<i>Clackamas</i>	<i>County</i>	<i>Vector</i>
<i>June 30,</i>	<i>Milwaukie</i>	<i>County</i>	<i>County Fire</i>	<i>County</i>	<i>Urban</i>	<i>Recreation</i>	<i>Control</i>
			<i>District #1</i>	<i>Library</i>	<i>Renewal</i>	<i>District</i>	
1997	\$ 5.6288	\$ 0.4494	\$ -	\$ 0.3383	\$ 0.9658	\$ 0.4553	\$ 0.0061
1998	7.0026	2.4033	-	-	0.1827	0.5754	0.0065
1999	6.9831	2.4042	-	-	0.1825	0.5745	0.0065
2000	6.9741	2.4042	-	-	0.1331	0.5518	0.0065
2001	6.9602	2.4042	-	-	0.1665	0.5382	0.0065
2002	6.8794	2.4042	-	-	0.1681	0.5382	0.0065
2003	6.7859	2.4042	-	-	0.1328	0.5382	0.0065
2004	6.7789	2.4042	-	-	0.7505	0.4885	0.0064
2005	6.7727	2.4042	-	-	0.7278	0.4890	0.0065
2006	4.3640	2.4042	2.3848	-	0.8952	0.4893	0.0315

Source: Clackamas County Department of Assessment and Taxation

<i>Clackamas ESD Elementary</i>	<i>Clackamas ESD High School</i>	<i>North Clackamas School District</i>	<i>Clackamas Community College</i>	<i>Tri-Met Trans- portation District</i>	<i>Metro Service District</i>	<i>Port of Portland</i>	<i>Total</i>
\$ 0.4586	\$ 0.2295	\$ 7.6603	\$ 1.0510	0.1211	\$ 0.2818	0.0837	\$17.7297
0.3692	-	5.2327	0.6282	0.1623	0.3902	0.0700	17.0231
0.3687	-	5.3604	0.6238	0.1526	0.3642	0.0780	17.0985
0.3687	-	7.1998	0.6230	0.1428	0.3282	0.0753	18.8075
0.3687	-	6.4052	0.6196	0.1345	0.3401	0.0737	18.0174
0.3687	-	6.1328	0.8617	0.1372	0.3239	0.0707	17.8914
0.3687	-	6.2128	0.7625	0.1239	0.2835	0.0701	17.6891
0.3590	-	5.7100	0.7352	0.1045	0.2810	0.0685	17.6867
0.3591	-	5.5367	0.7759	0.1069	0.2751	0.0685	17.5224
0.3590	-	5.5726	0.7655	0.1154	0.2755	0.0685	17.7255

CITY OF MILWAUKIE, OREGON
PRINCIPAL TAXPAYERS
JUNE 30, 2006

<i>Taxpayer</i>	2006			1997		
	<i>Taxable Value</i>	<i>Rank</i>	<i>% of Total City Taxable Value</i>	<i>Taxable Value</i>	<i>Rank</i>	<i>% of Total City Taxable Value</i>
Fred Meyer Stores Inc. #651	\$ 165,303,466	1	12.67%			
General Growth Properties Inc	121,719,056	2	9.33%			
Deloitte & Touche LLP	74,126,454	3	5.68%			
Xerox Corporation	70,836,574	4	5.43%			information not available
PCC Structurals Inc	69,609,011	5	5.34%			
Mentor Graphics Corp	46,207,296	6	3.54%			
Prime Property Capital Inc	50,210,101	7	3.85%			
Warn Bellview Inc	46,179,290	8	3.54%			
Spieker Properties Inc	39,789,069	9	3.05%			
Blount Inc	36,475,007	10	2.80%			
	<u>\$ 720,455,324</u>		<u>55.24%</u>			

Source: Clackamas County Department of Assessment

CITY OF MILWAUKIE, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<i>Fiscal Year Ended June 30,</i>	<i>Total Tax Levy</i>	<i>Collected in year of levy</i>		<i>Collected in subsequent years</i>	<i>Total collections to date</i>	
		<i>Amount</i>	<i>Percent of Levy</i>		<i>Amount</i>	<i>Percent of Levy</i>
1997	\$ 6,846,259	\$ 6,394,127	93.40 %	\$ 451,220	\$ 6,845,347	99.99 %
1998	7,046,483	6,615,154	93.88	430,417	7,045,571	99.99
1999	7,342,862	6,887,543	93.80	454,301	7,341,844	99.99
2000	7,626,493	7,132,504	93.52	492,316	7,624,820	99.98
2001	7,884,861	7,351,080	93.23	530,906	7,881,986	99.96
2002	8,073,469	7,541,136	93.41	526,694	8,067,830	99.93
2003	8,123,764	7,620,310	93.80	484,794	8,105,104	99.77
2004	8,335,800	7,852,492	94.20	448,946	8,301,438	99.59
2005	8,563,678	8,094,946	94.53	404,578	8,499,524	99.25
2006	5,743,256	5,458,375	95.04	-	5,458,375	95.04

DEBT CAPACITY

CITY OF MILWAUKIE, OREGON**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

<i>Fiscal Year Ended June 30,</i>	<i>Population</i>	<i>Assessed Value</i>	<i>Bonded Debt</i>	<i>Ratio of Bonded Debt to Assessed Value</i>	<i>Bonded Debt Per Capita</i>
1997	20,055	\$1,211,675,220	\$ 4,315,000	0.36 %	\$ 215.16
1998	20,220	1,001,552,370	4,370,000	0.44	216.12
1999	20,220	1,048,971,700	4,130,000	0.39	204.25
2000	20,250	1,087,994,810	3,875,000	0.36	191.36
2001	20,540	1,132,910,611	3,605,000	0.32	175.51
2002	20,550	1,164,528,391	3,320,000	0.29	161.56
2003	20,550	1,201,307,346	3,020,000	0.25	146.96
2004	20,580	1,233,327,802	2,705,000	0.22	131.44
2005	20,590	1,307,097,910	2,375,000	0.18	115.35
2006	20,835	1,354,692,412	2,030,000	0.15	97.43

Excludes Bancroft improvement bonds since these bonds are repaid from assessments against benefitted property owners, and general obligation water bonds since these bonds are repaid from water revenues.

Source: City Budget documents, annual financial reports, Clackamas and Multnomah County Department of Assessments and Taxation, and the City of Milwaukie

CITY OF MILWAUKIE, OREGON
COMPUTATION OF OVERLAPPING GENERAL OBLIGATION DEBT
JUNE 30, 2006

<u>Jurisdiction</u>	<u>Gross Property-tax Backed Debt</u>	<u>Percent Overlapping</u>	<u>Net Property-tax Backed Debt</u>
Oak Lodge Water District #4	\$ 4,930	0.2866%	\$ 14
Clackamas County RFPD #1	3,656,461	13.3667%	488,748
Clackamas County SD 12 (N Clackamas)	32,397,749	16.4702%	5,335,974
Clackamas Community College	6,248,192	6.2323%	389,406
Multnomah County	52,536	0.0163%	9
Metro	2,311,521	1.1981%	27,694
Tri-Met	3,017,890	1.2053%	36,375
Portland Community College	28,524	0.0103%	3
			<hr/> 6,278,223
City of Milwaukie Net Property-tax Backed Debt			<hr/> 2,030,000
Total Net Property-tax Backed Debt			<hr/> \$ 8,308,223 <hr/>
Ratio of Total Net Property-tax Backed Debt to Real Market Value			1.19%
Per Capita Total Net Property-tax Backed Debt			\$ 1,083

Source: Oregon Treasurer's Office Debt Division

CITY OF MILWAUKIE, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2006

ORS 287.004 provides a debt limit of 3% of true cash value of all taxable property within the City boundaries:

Assessed value	\$ 1,354,692,412
Rate	<u> x 3%</u>
Debt limit	40,640,772
Debt applicable to limit	<u>(2,030,000)</u>
Legal debt margin	<u><u>\$ 38,610,772</u></u>

Fiscal year ended June 30,	<u>Debt limit</u>	<u>Debt applicable to limit</u>	<u>Legal debt margin</u>
2003	\$ 36,039,220	\$ 3,020,000	\$ 33,019,220
2004	36,999,834	2,705,000	34,294,834
2005	36,837,937	2,375,000	34,462,937
2006	40,640,772	2,030,000	38,610,772

CITY OF MILWAUKIE, OREGON
SCHEDULE OF PLEDGED REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

WATER REVENUE BONDS

<i>Fiscal Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Expenditures</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			<i>Percent Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
1997	\$ 1,997,434	\$ 1,297,657	\$ 699,777	\$ 30,000	\$ 82,583	\$ 112,583	621.57 %
1998	1,905,104	1,876,985	28,119	70,000	63,066	133,066	21.13
1999	1,957,972	1,776,925	181,047	75,000	58,080	133,080	136.04
2000	1,888,381	1,889,245	(864)	80,000	55,080	135,080	(0.64)
2001	1,947,529	1,955,195	(7,666)	80,000	51,680	131,680	(5.82)
2002	1,892,572	1,688,563	204,009	85,000	48,080	133,080	153.30
2003	1,910,831	1,625,851	284,980	90,000	44,085	134,085	212.54
2004	1,943,559	1,327,613	615,946	95,000	39,765	134,765	457.05
2005	1,719,836	1,432,598	287,238	95,000	35,110	130,110	220.77
2006	1,867,184	1,381,309	485,875	100,000	30,360	130,360	372.72

Soucre: City Annual Financial Reports

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF MILWAUKIE, OREGON
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

<i>Function</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
General government	14.00	16.00	26.75	25.75	26.75
Public safety	66.50	71.50	42.50	41.50	41.50
Community services	17.75	20.75	19.50	19.05	20.20
Community development	19.00	19.50	11.00	11.00	12.00
Facilities		1.25	1.75	1.50	1.50
Streets	6.00	6.00	6.00	6.00	6.00
Water	7.00	7.00	7.00	7.00	7.00
Wastewater	5.50	5.50	4.50	4.50	4.50
Storm water	3.50	3.50	4.50	3.50	3.50
Fleet services	2.50	3.00	4.25	4.50	4.50
Total	141.75	154.00	127.75	124.30	127.45

<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
19.50	18.50	18.50	18.50	18.50
47.50	46.00	36.00	36.00	39.50
20.20	21.50	17.50	18.12	18.47
16.75	16.00	15.70	15.70	16.50
2.00	2.00	2.00	2.25	1.75
6.00	6.00	6.00	6.00	6.00
7.00	6.33	6.34	6.34	6.34
4.50	4.83	4.83	4.83	4.83
3.50	3.84	3.83	3.83	5.83
6.50	6.00	5.00	5.75	5.25
<u>133.45</u>	<u>131.00</u>	<u>115.70</u>	<u>117.32</u>	<u>122.97</u>



To: Mayor and City Council

Through: Mike Swanson, City Manager
Kenny Asher, Community Development and Public Works Director

From: Katie Mangle, Planning Director

Subject: Transportation System Plan Project Update

Date: January 5, 2006 for January 16, 2007 Work Session

Action Requested

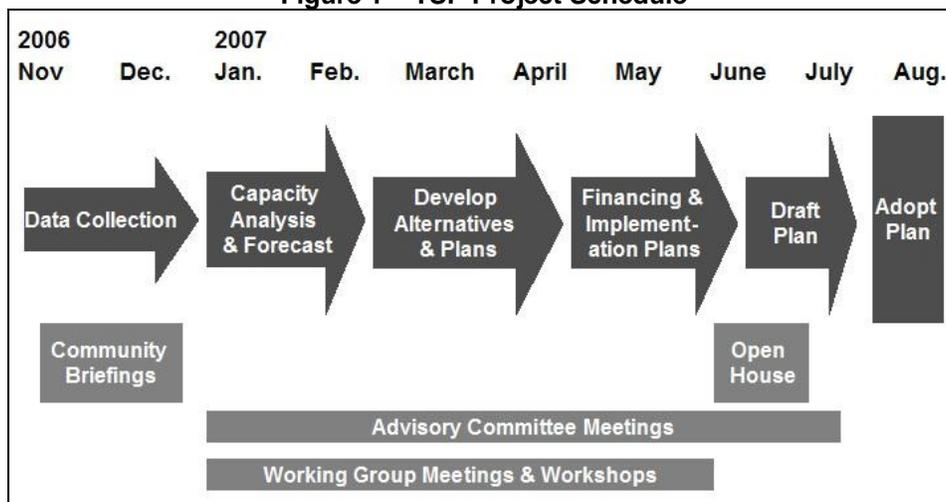
None. This is an update and discussion item regarding the City's current Transportation System Plan Update project.

Background

The project to update City of Milwaukie's Transportation System Plan (TSP) is underway. The TSP, the City's long-term policy and planning document for transportation improvements, is essential for the City to compete for regional, state, and federal funding for transportation projects. This planning process is a great opportunity for the community to define its transportation goals, and discuss how the whole transportation system can be improved to support livability in Milwaukie.

The TSP Update Project began in November 2006, but most of the technical and public involvement work will begin in earnest this month. Due to schedule constraints set by the ODOT funding grant, the project must be completed by July of 2007 (see Figure 1 below).

Figure 1 – TSP Project Schedule



The project is currently focusing on two things – kicking off the public involvement process, and preparing the Existing Conditions report.

The public involvement process began in November 2006, and is off to a strong start (see Attachment 1 for a summary of involvement opportunities). Highlights include:

- Release of a series of press releases, targeted emails and Pilot articles, to let stakeholders know about the upcoming project.
- Establishment of a “TSP Project” section on the City website, which will be continuously updated with maps, meeting information, and draft reports.
- Hosting of four Community Briefing meetings in different locations around the City to inform businesses and citizens about the project and gather input on what the study should address. Approximately 40 people participated.
- Development of a TSP mailing list of 100 people, most of whom expressed interest in participating in one or more issue-specific working groups.
- Formation of an Advisory Committee, which will hold its first meeting on January 24th, from 4-6pm. See Attachment 2 for the preliminary Advisory Committee roster.

DKS Associates, the City’s transportation planning and engineering consultant, is hard at work gathering data needed to establish the Existing Conditions. This work has included creating maps of the existing transportation system (including where there are gaps in the sidewalk network), and conducting traffic and speed counts at over 34 locations.

Important next steps for this project include:

- Scheduling issue-specific workshops and working group meetings to focus on the future of bicycle, pedestrian, transit, freight, auto circulation/traffic, and street design. Each of these groups will be able to help the City identify solutions and prioritize which solutions are most important for the City to pursue.

- Establishing the likely and possible funding sources for transportation improvements.
- Developing a public survey, which will seek input on how the City should prioritize transportation projects to best serve the City's long-term goals.

Staff will return to Council periodically over the course of the project with updates on our progress. The project will culminate in Council's adoption of the TSP in August.

Concurrence

There is no action with which to concur.

Fiscal Impact

None. Staffing for the project can be managed within the adopted FY06-07 budget. This project is funded by a \$128,000 grant from the ODOT's Transportation Growth Management (TGM program).

Work Load Impacts

Multiple departments are contributing to this project (see Attachment 3 – Organization Chart). Significant staff time will be required to attain the high quality of public involvement that is necessary.

Alternatives

None at this time.

Attachments

1. TSP Public Outreach flier – “How You Can Get Involved...”
2. Preliminary Advisory Committee Roster.
3. Organization Chart

How YOU CAN GET INVOLVED WITH UPDATING MILWAUKIE'S TSP!

Updating the Transportation System Plan (TSP)

Have you ever wondered how the City decides which transportation issues to address, and how the community determines which transportation improvements are most important to construct? The Transportation System Plan (TSP) is the document that lays out the City's goals and plans for transportation—everything from sidewalk and road improvements to transit connections and freight access. Milwaukie's TSP was adopted in 1997 and is outdated.

Thanks to a generous grant from the Oregon Department of Transportation (ODOT), the City will update its TSP over the next nine months. The TSP planning process is an opportunity for Milwaukie to come together and decide how to establish a safe, efficient, and balanced transportation system for the next 10-20 years. Having an up-to-date TSP will make it easier for the City to compete for federal and state funding needed to construct transportation projects.

What is the TSP?

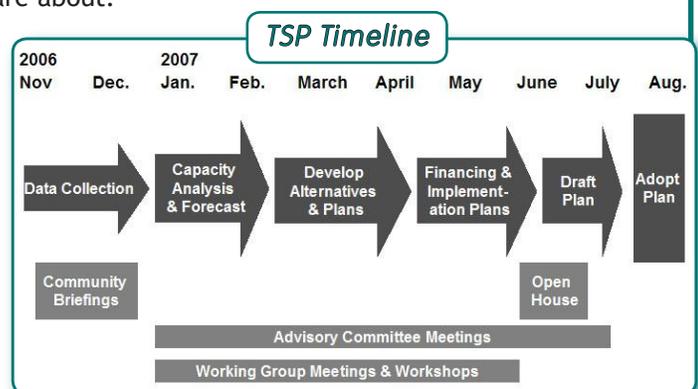
The TSP is a Citywide long-range transportation plan that describes and analyzes the City's existing transportation system, lists and prioritizes needed changes, and identifies funding sources. It includes all forms of transportation: walking, bicycling, transit, automobiles, rail, and truck freight. The planning process is an opportunity for the community to seek solutions to the transportation issues people care about.

What is the general timeline?

Though Milwaukie has a lot of transportation issues to talk about, the grant that is funding the project requires that the TSP update be completed by August 2007.

What opportunities do I have to get involved?

There are many ways you can get involved—from signing up for **e-mail updates** to serving on the **Advisory Committee** to participating in a **Working Group**. The City is planning a wide range of public involvement events with the goal of including as many citizens and businesses in this process as possible.



Your input is important! Contact Transportation Liaison Gavin Hales at (503) 786-7643 or at halesg@ci.milwaukie.or.us for more information. Also, check the TSP section of the City web site for more information as the project unfolds: <http://www.ci.milwaukie.or.us/milwaukie/projects/tspupdate/tspupdate.html>.

★ Join the Advisory Committee

The Advisory Committee (AC) will be comprised of community, agency, and technical stakeholders who will meet at key milestones in the project to discuss alternatives, make policy recommendations, and review technical work. Any member of the public may sit on the AC, which will meet five times. There is no selection process; however, those who wish to sit on the AC need to sign up through the City and make a commitment to participate for the duration of the project to maximize the committee's effectiveness. All AC meetings are open to the public. The first meeting will be held sometime in January. Contact Susan Shanks at (503) 786-7653 or at shankss@ci.milwaukie.or.us for more information.

★ Participate in a Working Group or Workshop

Each group will focus on updating a specific chapter of the plan. Participants can be a part of one or more groups, but consistent participation in the Working Groups is encouraged to enhance the effectiveness of these groups. Working Group Meetings and Workshops will begin in late January 2007. (See reverse for more information.)

★ Complete a Transportation Survey

In early 2007, the City will conduct a web-based survey to gather input & learn about desired outcomes & priorities.

★ Come to the Open House

The City will hold a comprehensive Open House in the spring to present the various transportation alternatives, recommendations, and priorities that were developed by the community. All participants will be invited to the Open House in late spring to review the draft TSP.



AS YOU CAN SEE, THIS IS A LONG CONVERSATION. WE LOOK FORWARD TO HEARING FROM YOU!

Transportation System Plan Committees

Group name	Who will be in this group?	Key issues	Work to be done	Meeting information
Advisory Committee	Representatives from public agencies (like ODOT and the Milwaukie Center), stakeholders (like developers and environmentalists), and Milwaukie citizens and business leaders.	<ul style="list-style-type: none"> Set desired outcomes for the City as a whole. Resolve conflicts between issues. Resolve conflicts between agencies. 	Review draft chapters, draft desired outcomes for the City. Work toward a set of recommendations that are best for the community as a whole.	<p>5 meetings at key milestones.</p> <p>First meeting: 12/13/06, 4-6 p.m.</p> <p>Agenda: Project orientation, discuss process.</p>
Bicycle Solutions Workshop	Open to all. The City will invite bicycle advocates.	<ul style="list-style-type: none"> Bicycle access. Bike routes (trails, bike lanes, crossings, and bikeways). Cycling safety. 	Review existing conditions and 1997 TSP Bikeways Action Plan. Update the plan and prioritize projects.	One 2-hour workshop in early 2007.
Pedestrian Solutions Workshop	Open to all. The City will invite pedestrian advocates.	<ul style="list-style-type: none"> Sidewalk improvements on existing streets. Primary pedestrian network. Safe routes to schools. 	Review existing conditions and 1997 TSP Walkways Action Plan. Update the plan and prioritize projects.	One 2-hour workshop in early 2007.
Downtown Parking Workshops	Open to all. The City will invite downtown businesses and interested citizens.	<ul style="list-style-type: none"> Guiding Principles for downtown parking. City parking permit system. Long-term planning for parking downtown. 	Review existing conditions and 2003 parking plan. Guide City's long-term policy for parking. Identify projects and priorities.	Two 1-hour workshops in early 2007.
Street Design Solutions Working Group	Open to all, but participants are asked to attend consistently.	<ul style="list-style-type: none"> Retrofitting Milwaukie's existing streets. Alternatives for pedestrian facilities. "Green Street" stormwater management. 	Review existing conditions and policies. Develop criteria for street alternatives. Guide City policy on how to retrofit existing streets.	Three meetings in early 2007.
Traffic & Street Network Solutions Working Group	Open to all, but participants are asked to attend consistently. Group will include a representative from ODOT.	<ul style="list-style-type: none"> Hwy 99E & Hwy 224 connection. Cut-through traffic. Street classifications. Traffic patterns. 	Review existing conditions and 1997 TSP. Guide City on how to update plan.	Three meetings in early 2007.
Transit Solutions Working Group	Open to all, but participants are asked to attend consistently. Group will include a representative from TriMet.	<ul style="list-style-type: none"> Bus service (local and regional). Light Rail. Park & rides. 	Review existing conditions and 1997 TSP. Guide City on how to update plan.	Four meetings in early 2007.
Freight Access Solutions Working Group	Open to all, but participants are asked to attend consistently. The City will invite railroad representatives and industrial and manufacturing businesses.	<ul style="list-style-type: none"> Truck and rail access to industrial and commercial areas. Hwy 99E, Hwy 224, and connections between. 	Review existing conditions and 1997 TSP. Develop criteria for alternatives and project list.	Four meetings in early 2007.

Prior to each meeting an information packet will be posted on the project website at <http://www.ci.milwaukie.or.us/milwaukie/projects/tspupdate/tspupdate.html> and sent to people who have expressed interest. If you are interested in receiving meeting information, please give your mailing address or your e-mail address to Gavin Hales at (503) 786-7643 or at halesg@ci.milwaukie.or.us.

Attachment 2

TSP Advisory Committee Draft Roster

January 2, 2007

Representatives of Public Agencies:

- Mike Swanson, City of Milwaukie
- Andrew Johnson, ODOT Contract Manager
- Stacy Humphrey, Department of Land Conservation and Development (DLCD)
- John Mermin, Metro Transportation Planning
- Shari Gilevich, Clackamas County Planning
- Young Park, TriMet
- Ron Schumacher, Clackamas County Fire District #1 Deputy Fire Marshal
- Larry Kanzler, City of Milwaukie Chief of Police
- Marty Hanley, Milwaukie Center Transportation Manager

Representatives of Business Interests:

- Marc Burnham, American Medical Response
- Bob Dant, representing real estate development issues
- Mike Wells, representing real estate development issues
- Richard Smith, Providence Hospital
- Kelly Carlisle, Milwaukie High School Principal (representing North Clackamas Schools)
- Neil Hankerson, Darkhorse Comics
- Gary Hunt, Oregon Transfer

Representatives of Citizen and Neighborhood Interests:

(Individuals listed below have expressed interest in the AC, but are not confirmed.)

- Dolly Macken-Hambright
- Charlie Stephens
- Jean Baker
- Heather Andrews
- Corky and Karen Coreson
- Ed Zumwalt
- Brendan Eiswerth
- Ben Horner-Johnson
- Keith Neubauer
- Forris Frick
- Cynthia Rubio
- Jamie Wilson

All citizens who are interested in serving on the committee are welcome, but are asked to submit a Volunteer Form and commit to serving throughout the process. Volunteer applications will be accepted through January 12th, 2007. All AC meetings will be open to public participation.

ATTACHMENT 3

TSP Project Organization Chart

Project Manager
Katie Mangle

Project Management Team

Andy Johnson (ODOT) Kenny Asher
JoAnn Herrigel Alex Campbell
Susan Shanks Gary Parkin
Jeanne Garst Carl Springer (DKS)

Transportation Planning & Analysis

PM - Carl Springer, PE (DKS)
Transportation Planner - Alan Snook (DKS)

Modal Planning Leaders:

Bike – Brett Kolver
Pedestrian – Ryan Marquardt
Street Design – Susan Shanks
Transit – Kenny Asher
Freight – Alex Campbell
Auto Circulation – Gary Parkin
Parking – Katie Mangle

Public Outreach

Lead - Beth Ragel
Meeting Facilitator - Jamie Damon (JLA)
Public Information - Grady Wheeler
Public Contact - Gavin Hales

Project Administration

Ass't. PM - Susan Shanks
Admin. - Jeanne Garst
Document & Contacts Management - Marcia Hamley

Technical Resources:

George McGregor – Engineering (green streets)
Zach Weigel – Engineering (pedestrian, street design)
Brenda Schleining - Engineering (traffic calming, auto circulation)

Kate Rosson - GIS
Jason Rice - Engineering
Alex Campbell - Financing