



CITY OF MILWAUKIE, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012



CITY OF MILWAUKIE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2012

prepared by

Finance Department
City of Milwaukie, Oregon

available online at

<http://www.cityofmilwaukie.org>

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CITY OF MILWAUKIE, OREGON

Comprehensive Annual Financial Report For the fiscal year ended June 30, 2012

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**CITY OF MILWAUKIE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SECTION I

INTRODUCTORY SECTION

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November 28, 2012

Mayor Jeremy Ferguson, City Councilors and
Citizens of the City of Milwaukie, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of Milwaukie, Oregon (the City) for the fiscal year ended June 30, 2012 is hereby submitted.

This report presents the financial position of the City as of June 30, 2012 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

Grove, Mueller & Swank, P.C., Certified Public Accountants, have issued an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2012. The independent auditor's opinion is located 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 a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the independent auditor's opinion.

MILWAUKIE CITY HALL
10722 SE Main Street, Milwaukie, Oregon 97222
P) 503-786-7555 / F) 503-786-7528
www.cityofmilwaukie.org

Profile of the Government

Milwaukie was founded in the year 1848 by a gentleman named 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 of Milwaukie. The initial funding for the City came from \$1 donation from each elected city official.

The City of Milwaukie is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. Today, Milwaukie serves a population of 20,400 and is close to the region's business core and urban amenities, with the City of Portland just to the north. At the same time, the City provides a small-town atmosphere and distinct neighborhoods. The City is approximately fifteen miles from Portland International Airport.

The City is a full-service municipality that operates under a council/manager form of government. The elected City Council consists of the Mayor and four Councilors who act as the board of directors. The Council sets policies for city government, enacts ordinances and hires, directs and evaluates the City Manager. In turn, the City Manager is the City's chief executive officer, responsible for overall management and administration.

Municipal services are provided by City employees and headed by the City Manager. The City operates its own police department, a municipal court, community development, water, sewer and surface water utilities, street operations, planning, engineering, fleet management, and library.

Clackamas County Fire District No. 1 provides fire and emergency services to the community. The City lies within Clackamas County, which is headed by a board of commissioners and based in neighboring Oregon City. The City is also part of Metro, the tri-county urban services district based in Portland.

Local Economy

The City's economy is linked with that of the entire Portland Metropolitan area and is primarily a residential community with a low ratio of heavy industry and retail-based commercial activity. Much of its growth occurred in the 1960s when population increased from 9,100 to 15,000 residents. Today, 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.

Long-term Financial Planning

Long-term financial planning is the cornerstone of any solid financial process. The City's controlling document is its Five Year Financial Forecast which includes reserves by fund that fall within the policy guidelines set by the Council and which was reviewed by the Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenses and generally range between 5 and 17 percent depending on the fund.

Along with the adoption of the 2013-2014 biennial budget, certain utility rate fee increases were approved by City Council with the support of the Budget Committee and the Citizen's Utility Advisory Board. Effective July 1, 2012, a 17.1, 7.0, and 7.0 percent rate increase for water, wastewater, and stormwater fees respectively were identified as necessary to fund needed infrastructure projects and to provide resources to fund operations. A further 30 percent increase in wastewater fees was adopted on July 1, 2012 to pay increased wastewater treatment costs. This rate is temporary, pending the completion of a rate analysis study.

In regards to the City's long-term debt obligations, the City has approximately \$4.1 million outstanding in PERS bonds, \$1.8 million in DEQ loans, and \$1.1 million outstanding other loans, for a total of \$7 million in long-term debt outstanding as of June 30, 2012. In addition, the City agreed to terms with TriMet to pay our \$5 million obligation for Portland-Milwaukie light rail over 19 years, with the first payment in August 2012.

Major Initiatives

The City has continued to establish and work toward clearly defined goals, objectives, and performance measures. During the budget review process, measures were identified and departments committed to developing them further. The process is a continuing cycle of setting goals and objectives, reviewing short- and long-term goals, evaluating results, and reassessing the goals and their priority. These performance measures are included in the budget document and offer a historical perspective on operating trends for City departments. The use of performance measures is an important tool to ensure that resources are being used efficiently and effectively in pursuit of Council's goals.

The City continues the process of refining the Riverfront Development project, and other economic development initiatives identified during the Council goal process. Construction began on Klein Point, an element of Riverfront Park and the City is undertaking a capital campaign to provide additional resources to continue with the plan for this area.

The City reached an agreement with Clackamas Service District Number 1 which operates a wastewater treatment plant in the City. As part of this agreement, a "good neighbor" fund has been established which will provide resources to mitigate the effects of having the plant in the downtown area.

The City applied for and received a grant to add a bicycle/pedestrian bridge which will connect the popular Trolley Trail with the downtown area. The bridge will be built as part of the construction that is underway for the Portland-Milwaukie Light Rail project.

The Budget Committee and Council moved forward with the City's first biennial budget for the budget biennium of 2013-2014, allowing better alignment with the State's biennial budget and increasing the budgetary focus on a longer term. The Budget Committee continues to review quarterly results to ensure that those results reflect planned expenditures.

City's Credit Ratings

The City has maintained an Aa3 rating with Moody's Investors Service and an AA- with Standard and Poor's Rating Services. Credit ratings reflect the City's ability to continue to participate in the public bond markets while obtaining the lowest interest rate costs available.

Property Tax Rate Limitation

In 2004, residents of Milwaukie elected to annex into Clackamas County Fire District No.1 for fire and emergency medical services. The City's property tax rate levy is now equal to the City's permanent rate of \$6.5379 per \$1000 of assessed value, reduced by the permanent rate of the Fire District equating to \$2.4012, offset by their annual bonded debt rate until existing bonds are paid off in fiscal year 2014-15.

Financial Management Services

In February 2011, the City entered into an intergovernmental agreement with the City of West Linn for professional financial management services at the Finance Director level. This agreement involves the City of West Linn's Chief Financial Officer and Deputy Chief Financial Officer serving as co-Finance Directors through June 30, 2013, while continuing to oversee the finance department of the City of West Linn.

Awards

Comprehensive Annual Financial Reporting Award. For the first time since the early nineties, the City submitted the 2010-11 comprehensive annual financial report for the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officers Association (GFOA) and received the award. In order to receive this award, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Popular Annual Financial Reporting Award. The City also prepared a Popular Annual Financial Report for fiscal year 2010-11 and was granted an *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA. In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

Distinguished Budget Presentation Award. The City also applied for and was awarded the *Distinguished Budget Presentation Award* for its biennium 2013-2014 budget document from the GFOA. This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. This international award program was established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. They rate a budget's proficiency in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

These awards are prestigious national awards that recognizes conformance with the highest standards for preparation of state and local government financial reports.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was a combined effort of the dedicated Finance staff under the direction of Casey Camors, Richard Seals, and Rina Byrne. We wish to express our appreciation to everyone who contributed to the preparation of this report. Credit is also given to the Mayor and the Councilors for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



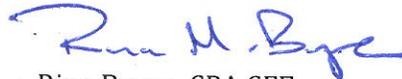
Bill Monahan
City Manager



Casey Camors, CPA CMA CFPO
Finance Director



Richard Seals, CPA CMA CFM CFE
Finance Director



Rina Byrne, CPA CFE
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milwaukie
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

CITY OF MILWAUKIE, OREGON
Elected and Appointed Officials

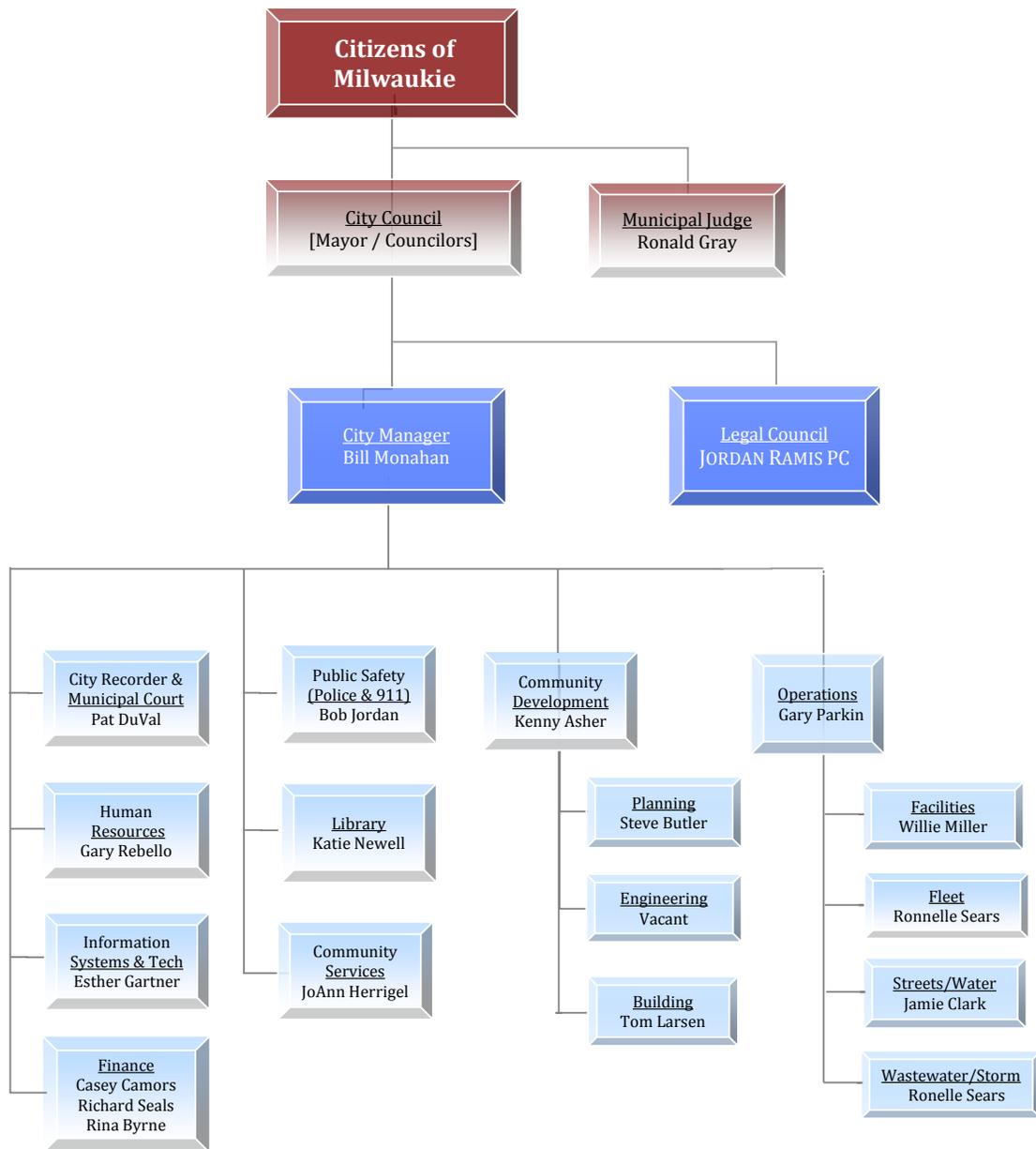
Elected Officials	Term Expires
Jeremy Ferguson, Mayor	December 31, 2014
Greg Chaimov, Council President	December 31, 2012
Dave Hedges, Councilor	December 31, 2014
Joe Loomis, Councilor	December 31, 2012
Mike Miller, Councilor	December 31, 2014

Appointed Officials	Position
Bill Monahan, ICMA-CM	City Manager
JORDAN RAMIS PC	Legal Counsel
Ronald L. Gray	Municipal Court Judge

Management Team:

Kenny Asher	Community Development
Teri Bankhead	Assistant to the City Manager
Steve Butler, FAICP	Planning Director
Rina Byrne, CPA CFE	Assistant Finance Director
Casey Camors, CPA CMA CPFO	Finance Director
Pat DuVal, CRM CMC	City Recorder
Esther Gartner	Information Technology
JoAnn Herrigel	Community Services Director
Bob Jordan	Police Chief
Tom Larsen	Building Official
Katie Newell	Library Director
Gary Parkin, PE	Operations Director
Gary Rebello	Human Resources Director
Richard Seals, CPA CMA CFM CFE	Finance Director

CITY OF MILWAUKIE, OREGON
Organizational Chart



**CITY OF MILWAUKIE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SECTION II

FINANCIAL SECTION

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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, Members of the
City Council and the City Manager
City of Milwaukie, Oregon
Milwaukie, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Milwaukie, Oregon as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Milwaukie, Oregon, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), and budgetary comparison information on pages 13 through 22 and 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information on pages 54 through 59 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukie, Oregon's financial statements as a whole. The introductory section, supplementary information, other financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, other financial schedules, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

By: 
Thomas E. Glogau, A Shareholder
November 28, 2012

CITY OF MILWAUKIE, OREGON

Management's Discussion and Analysis

For the fiscal year ended June 30, 2012

Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Milwaukie (the City) for the fiscal year ended June 30, 2012. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

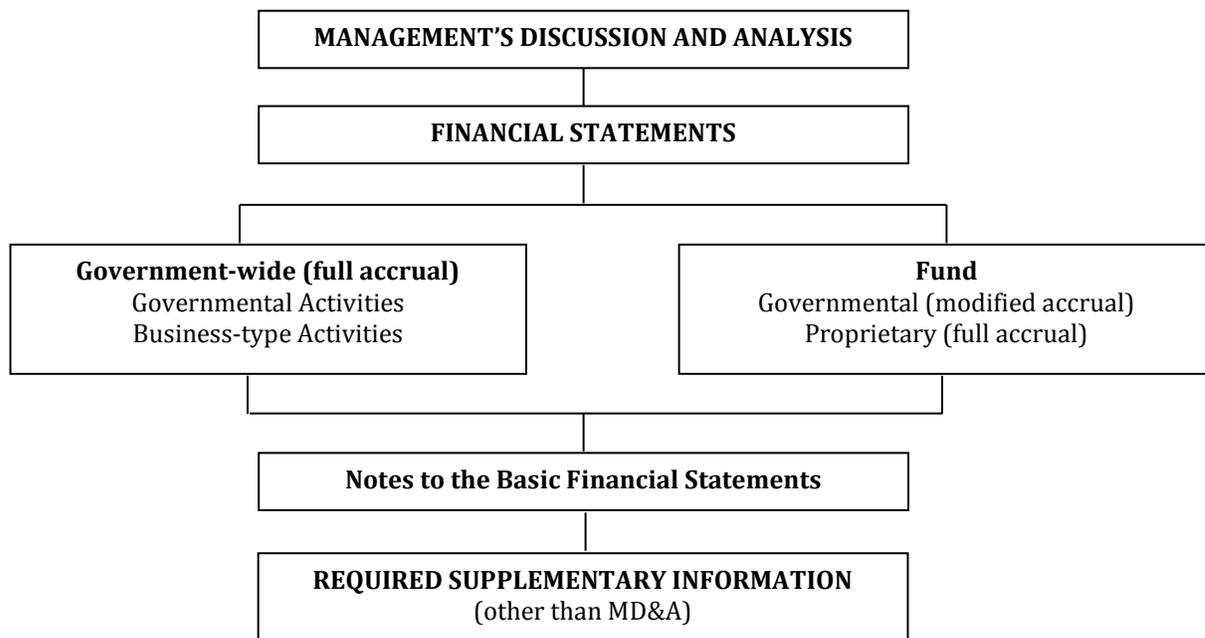
- The City's assets totaled \$78.9 million at June 30, 2012, consisting of \$57.8 million in capital assets, \$12.4 million in unrestricted cash and investments, \$2.1 million in restricted cash and investments, and \$6.6 million in other assets. Total assets decreased by \$0.4 million from the previous fiscal year.
- The City's liabilities totaled \$10.3 million at June 30, 2012 consisting of \$6.7 million in long-term liabilities and \$3.6 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$68.7 million at the close of fiscal year 2012. Unrestricted net assets totaled \$11.5 million with the remainder of the City's net assets invested in capital assets net of related debt (\$55 million) and restricted for capital projects, building operations, library services, and public safety (\$2.2 million).
- For its governmental activities, the City generated \$7.5 million in charges for services and received \$3.6 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$20.4 million for the year, resulting in a net expense of \$9.3 million. The City also received \$9.0 million of general revenues, net of transfers, resulting in a decrease in net assets of \$0.3 million.
- For its business-type activities, the City generated \$9.1 million in charges for services and \$1.9 million of capital grant contributions to fund direct expenses of \$9.0 million.
- Fund balance in the City's governmental funds was \$10.1 million at June 30, 2012, up by \$0.4 million from June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information, and supplementary information*, including the *schedules* of the nonmajor funds.

The basic financial statements also include *notes* that explain the information in the financial statements and provide additional details. The following chart illustrates how the various sections of this annual report are arranged relative to one another.

Chart 1 - Required Elements of the Comprehensive Annual Financial Report



Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Assets* includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets—the difference between assets and liabilities—is one way to measure the City's *financial health or position*.

- Over time, increases or decreases in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating.
- To assess the overall health of the City additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads must be considered.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities—Most of the City's basic services are included here, such as code enforcement, police, library, highways and streets, and general administration. Property taxes, charges for services, and operating and capital grants and contributions fund most of these activities.
- Business-type activities—The City charges fees to customers to help cover the costs of certain services it provides. The City's water, wastewater, and stormwater services are included here.

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$68.7 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (80%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City 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 either cannot or are not expected to be used or liquidated to repay these liabilities.

Table 1
Net Assets as of June 30th
(in thousands)

	Government activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 16,152	\$ 15,536	\$ 4,949	\$ 4,761	\$ 21,101	\$ 20,297
Capital assets	39,470	40,395	18,361	18,625	57,831	59,020
Total assets	55,622	55,931	23,310	23,386	78,932	79,317
Long-term liabilities	5,005	5,316	1,736	3,851	6,741	9,167
Other liabilities	2,919	2,622	607	882	3,526	3,504
Total liabilities	7,924	7,938	2,343	4,733	10,267	12,671
Net assets:						
Invested in capital assets, net of related debt	38,433	39,274	16,528	14,773	54,961	54,047
Restricted for:						
Library	168	-	-	-	168	-
Public Safety	23	10	-	-	23	10
Debt service	-	-	12	-	12	-
Building operations	284	96	-	-	284	96
Capital projects	1,760	2,019	-	-	1,760	2,019
Unrestricted	7,031	6,594	4,426	3,881	11,457	10,475
Total net assets	\$ 47,699	\$ 47,993	\$ 20,966	\$ 18,654	\$ 68,665	\$ 66,647

A portion of the City's net assets (\$2.2 million or approximately 3.3%) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$11.5 million or about 17%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2012, the City had positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

Total net assets increased from the prior year by \$2.0 to \$68.7 million.

Statement of Activities

Table 2
Changes in Net Assets
(in thousands)

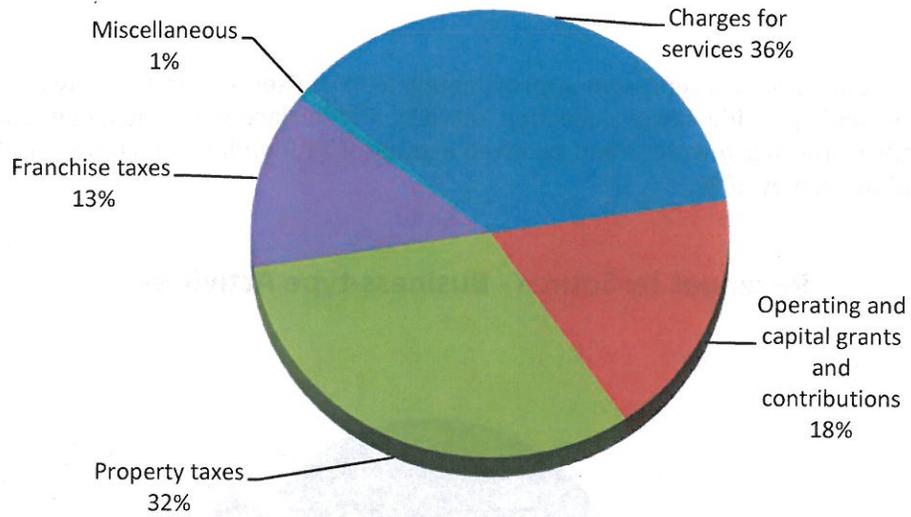
	Governmental Activities		Business-type Activities		Total	
	FY11-12	FY10-11	FY11-12	FY10-11	FY11-12	FY10-11
Revenues						
Program revenues						
Charges for services	\$ 7,454	\$ 7,772	\$ 9,141	\$ 8,999	\$ 16,595	\$ 16,771
Operating grants and contributions	3,555	3,313	-	-	3,555	3,313
Capital grants and contributions	80	47	1,929	-	2,009	47
General revenues						
Property taxes	6,487	6,112	-	-	6,487	6,112
Franchise taxes	2,594	2,561	-	-	2,594	2,561
Grants and contributions not restricted to specific programs	97	297	-	-	97	297
Miscellaneous	60	115	9	85	69	200
Total revenues	<u>20,327</u>	<u>20,217</u>	<u>11,079</u>	<u>9,084</u>	<u>31,406</u>	<u>29,301</u>
Expenses						
Governmental activities						
General government	9,489	9,813	-	-	9,489	9,813
Highways and streets	2,155	2,094	-	-	2,155	2,094
Public safety	6,720	6,210	-	-	6,720	6,210
Culture and recreation	1,770	1,585	-	-	1,770	1,585
Interest on long-term debt	273	292	-	-	273	292
Business-type activities						
Water	-	-	2,520	2,397	2,520	2,397
Wastewater	-	-	4,801	5,023	4,801	5,023
Stormwater	-	-	1,660	1,710	1,660	1,710
Total expenses	<u>20,407</u>	<u>19,994</u>	<u>8,981</u>	<u>9,130</u>	<u>29,388</u>	<u>29,124</u>
Change in net assets before transfers	(80)	223	2,098	(46)	2,018	177
Transfers	(214)	(64)	214	64	-	-
Change in net assets	(294)	159	2,312	18	2,018	177
Net assets - beginning,	47,993	47,834	18,654	18,636	66,647	66,470
Net assets - ending	<u>\$ 47,699</u>	<u>\$ 47,993</u>	<u>\$ 20,966</u>	<u>\$ 18,654</u>	<u>\$ 68,665</u>	<u>\$ 66,647</u>

Governmental Activities

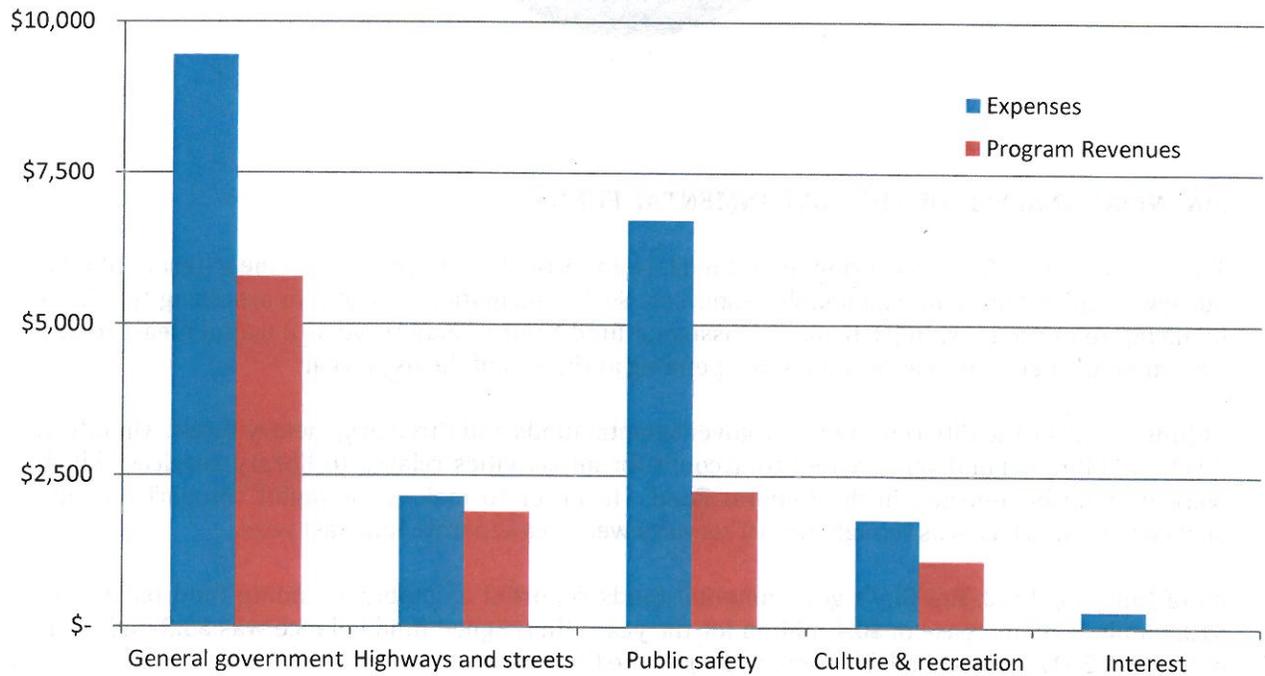
Governmental activities decreased the City's net assets by \$0.3 million in fiscal year 2011-12, compared to a \$0.2 million increase in the prior fiscal year. Key elements of these changes are illustrated in Table 2 above.

The revenues charted in the following pie chart include all program and general revenues for governmental activities such as property taxes, franchise taxes, charges for services, operating and capital grants and contributions, and miscellaneous revenues. Property taxes continue to be the major source of revenue for the City's governmental activities, once interfund service payments are factored out of charges for services.

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities (in thousands)

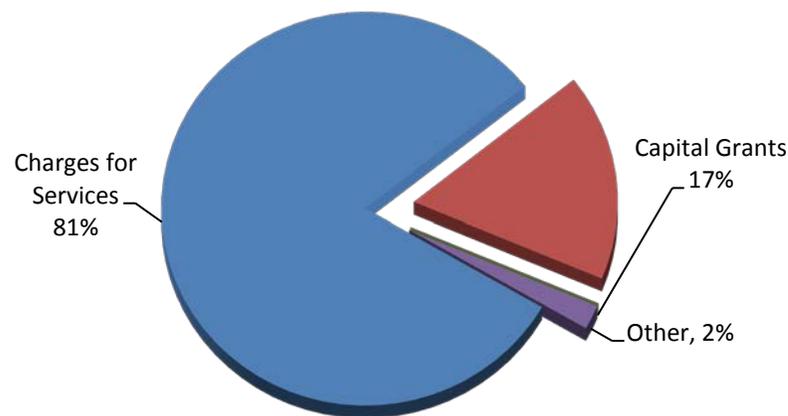


Business-type Activities

Water fund revenues represent approximately 26% of all utility user fees for the City. The City continues to contribute capital investment to the water system while maintaining a consistent level of service.

Wastewater fund revenues represent approximately 54% of user fees and stormwater user fees are 20%. These funds provide sewer collection services and surface water management services. In fiscal year 2012 the Wastewater Fund received a grant of \$1.9 million which was applied to reduce an outstanding loan by 50%.

Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2011 the City reported four governmental funds and three proprietary funds. On July 1, 2011 the Library Fund was created to account for all activities related to library services, which were previously reported in the General Fund. In order to make meaningful comparisons, the analysis below is based as though library services were in a separate fund last year.

As of June 30, 2012, the City's governmental funds reported a combined ending fund balance of \$10.1 million, an increase of \$0.4 million for the year. Unassigned fund balance was \$5.8 million as of June 30, 2012, and is available for spending at the City's discretion.

General Fund

The general fund is the chief operating fund of the City. At June 30, 2012, total fund balance was \$5.8 million, which is a decrease of \$0.5 million for the year and is primarily considered unassigned. The City's general fund is funded with property taxes and franchise taxes, as well as charges for services from other funds. Revenue for the general fund was flat compared with the prior year; increases in property and franchise taxes were offset by decreases in fines and forfeitures. General fund expenses were \$15.1 million in fiscal year 2012, compared to expenses of \$14.9 million in the previous year, excluding library services.

Transportation Fund

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. After removing the effects of franchise taxes paid by other funds, revenue remained consistent with fiscal year 2010-11. Overall street expenses decreased by \$0.2 million from \$2.5 million in the 2010-11 fiscal year to \$2.3 million in the 2011-12 fiscal year. The transportation fund had an overall increase in fund balance of \$0.4 million for the fiscal year ended June 30, 2012.

Library Fund

The Library Fund was established on July 1, 2011 to account for all library services. Revenue from the Clackamas County Library District increased by \$0.09 million from the prior year while expenses increased by \$0.1 million in fiscal year 2011-12. At June 30, 2012 fund balance is \$0.6 million.

Building Inspections Fund

This special revenue fund accounts for the City's building inspection activities. Revenues increased by \$0.2 million in fiscal year 2011-12, largely due to an increase in permit fees related to the construction of the Portland-Milwaukie light rail system. Expenses increased by \$0.1 million. Fund balance is \$0.3 million at June 30, 2012 an increase of \$0.2 million.

Systems Development Charges Fund

This capital projects fund accounts for SDCs restricted for infrastructure improvements and other capital projects associated with the underlying utility funds. Fund balance declined by \$0.3 million to \$1.8 million in fiscal year 2011-12, due to expenses on planned capital projects.

General Fund Budgetary Highlights

The original appropriated budget of the general fund for the fiscal year 2012 budget period amounted to \$17.4 million, including \$0.8 million for contingency. There was one supplemental budget during the year; appropriations were transferred between categories and contingency was reduced by \$0.25 million. Actual revenues (budgetary basis) were \$0.3 million less than budgeted amounts primarily due to lower than anticipated traffic fines and intergovernmental revenues. Expenditures were below budget by \$1.6 million (excluding contingency) from a combination of spending cuts and reductions in planned projects. Variances in the general fund are all within current expectations; no unusual variances from the original or final budget of the general fund are noted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the City had invested \$57.8 million in capital assets, net of depreciation as reflected in the following table. This represents a net decrease (additions, deductions and depreciation) of \$1.2 million in fiscal year 2012. Governmental capital assets totaled \$39.4 million while business-type capital assets totaled \$18.4 million.

Table 3
Capital Assets as of June 30th
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and easements	\$ 5,901	\$ 5,811	\$ 393	\$ 393	\$ 6,294	\$ 6,204
Buildings and improvements	7,555	7,782	2,399	2,545	9,954	10,327
Vehicles and equipment	1,516	1,380	1,981	2,104	3,497	3,484
Infrastructure	22,633	24,014	13,353	13,385	35,986	37,399
Construction in progress	1,865	1,408	235	198	2,100	1,606
Capital assets, net	<u>\$ 39,470</u>	<u>\$ 40,395</u>	<u>\$ 18,361</u>	<u>\$ 18,625</u>	<u>\$ 57,831</u>	<u>\$ 59,020</u>

The following table reconciles the change in capital assets for the fiscal year. Expenditures for construction projects in progress at fiscal year-end are included in additions. Reductions are for capital asset dispositions and transfers of construction projects in progress that were completed during the fiscal year. Additions include capital contributions from outside developers with the revenue from these contributions reflected in program revenues on the *Statement of Activities*.

Table 4
Change in Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY11-12	FY10-11	FY11-12	FY10-11	FY11-12	FY10-11
Beginning balance	\$ 40,395	\$ 41,369	\$ 18,625	\$ 16,969	\$ 59,020	\$ 58,338
Additions	1,172	1,385	559	2,673	1,731	4,058
Reductions and adjustment	-	(343)	(1)	(280)	(1)	(623)
Depreciation	<u>(2,097)</u>	<u>(2,016)</u>	<u>(822)</u>	<u>(737)</u>	<u>(2,919)</u>	<u>(2,753)</u>
Ending balance	<u>\$ 39,470</u>	<u>\$ 40,395</u>	<u>\$ 18,361</u>	<u>\$ 18,625</u>	<u>\$ 57,831</u>	<u>\$ 59,020</u>

Assets utilized in governmental activities decreased by a net \$0.9 million with depreciation exceeding the increases in land, building, machinery and equipment, and road improvements. Capital asset additions include completion of various projects throughout the community. More detailed information about the City's capital assets is presented in the notes to the basic financial statements – see note entitled Capital Assets.

Debt Outstanding

As of the end of the fiscal year, the City had \$7.0 million in long-term debt obligations outstanding – a decrease of 23% from the prior year – as shown in Table 5. Almost 90% of the decrease is attributable to a portion of a loan being converted to a grant during fiscal year 2011-12. More detailed information about the City’s long-term debt obligations is presented in the notes to the basic financial statements.

Table 5
Outstanding Long-term Debt Obligations as of June 30th
(in thousands)

	<u>2012</u>	<u>2011</u>
Governmental:		
Pension bonds	\$ 4,135	\$ 4,195
Loans	<u>1,037</u>	<u>1,122</u>
Sub-total	5,172	5,317
Business-type:		
Oregon DEQ loan	<u>1,833</u>	<u>3,851</u>
Total	<u><u>\$ 7,005</u></u>	<u><u>\$ 9,168</u></u>

The City has maintained an Aa3 rating with Moody’s Investors Service and an AA- with Standard and Poor’s Rating Services. Credit ratings reflect the City’s ability to continue to participate in the public bond markets while obtaining the lowest interest rate costs available.

Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of the real market value of all taxable property within the City’s boundaries. Currently, the City carries no general obligation debt subject to this \$67 million limit.

Economic Factors

The City of Milwaukie is predominantly residential in nature, with commercial property representing less than five percent of the City’s taxable assessed value. Therefore, the City receives a significant share of its revenue directly from local residents in the form of property taxes and charges for services.

The State of Oregon does not have a sales tax, making property taxes a primary funding source for general government, public safety, and culture and recreation services provided by the City. The underlying taxable assessed value continues to be below real market values (currently about 80%); therefore, real market values would have to decrease an additional 20% before the City’s property tax revenue stream would be negatively impacted.

The largest resource used for governmental activities, at 36%, consisted of charges for services, including permits, licenses, recreation charges, and system development charges. Property tax revenue, the next largest revenue source, provided 32% of the resources used for governmental activities. Property taxes increased 6% over last year; however, this rate of increase is expected to decline as real market values and assessed values become comparable.

The business-type activities are funded with utility fees and charges. The Citizen Utility Advisory Board (CUAB) recommended increases to utility rates on July 1, 2011 – no increase in the street fee, 15.5% in water, 7% in wastewater, and 7.5% in stormwater resulting in an overall average increase of approximately 9% in the monthly utility bill or approximately \$5.40 per month. Further increases were recommended and went into effect on July 1, 2012 – 17.1 % for water, 7% each for wastewater and stormwater and no change to the street maintenance fee. These increases were recommended in order to provide funding for necessary capital improvements and ongoing maintenance.

The CUAB recognized the difficulties everyone is experiencing in today's economy and after smoothing out the needed infrastructure projects over the next five years, developed these recommendations focusing on the minimum percentage impact possible to all citizens of Milwaukie.

In June 2012 the City reached an agreement with Clackamas County Service District #1, which provides wastewater treatment services. As a result of higher treatment costs the City implemented a further increase in wastewater rates. This 30% increase became effective on July 1, 2012 and is temporary pending completion of a rate structure analysis.

In May 2012, TriMet, the regional transportation authority, signed a full funding agreement with the federal government and construction began immediately on the Portland-Milwaukie light rail line. The City is committed to providing \$5 million over twenty years to help pay for this project. The City anticipates that the economic development associated with having a reliable high frequency transportation option will help with the revitalization of the downtown area.

Requests for Information

This City's financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability of the resources it receives and expends. If you have questions about this report, or need additional financial information, contact the Finance Department at the City of Milwaukie, 10722 SE Main Street, Milwaukie, Oregon 97222 or e-mail camorsc@ci.milwaukie.or.us.

BASIC FINANCIAL STATEMENTS

Statement of Net Assets

Statement of Activities

Fund Financial Statements

Notes to Basic Financial Statements

CITY OF MILWAUKIE, OREGON

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 8,152,393	\$ 4,209,391	\$ 12,361,784
Restricted cash and investments	2,098,027	12,056	2,110,083
Property taxes receivable	467,125	-	467,125
Accounts receivable, net of allowance	2,010,419	1,035,572	3,045,991
Internal balances	308,053	(308,053)	-
Prepaid pension	3,116,362	-	3,116,362
Capital assets not being depreciated:			
Land and easements	5,901,480	392,550	6,294,030
Construction in progress	1,864,780	235,009	2,099,789
Capital assets net of accumulated depreciation:			
Buildings and improvements	7,555,056	2,398,873	9,953,929
Vehicles and equipment	1,516,156	1,980,722	3,496,878
Infrastructure	22,632,667	13,353,592	35,986,259
TOTAL ASSETS	55,622,518	23,309,712	78,932,230
LIABILITIES:			
Accounts payable	995,738	407,554	1,403,292
Accrued salaries and payroll taxes payable	242,977	27,397	270,374
Accrued compensated absences payable	858,098	67,819	925,917
Other liabilities	91,345	-	91,345
Deposits payable	21,536	8,000	29,536
Unearned revenue	541,743	-	541,743
Noncurrent liabilities:			
Long-term obligations, due within one year	167,974	96,500	264,474
Long-term obligations, due in more than one year	5,004,451	1,736,200	6,740,651
TOTAL LIABILITIES	7,923,862	2,343,470	10,267,332
NET ASSETS:			
Invested in capital assets, net of related debt	38,432,714	16,528,046	54,960,760
Restricted for:			
Library services	167,638	-	167,638
Public safety supplies	22,843	-	22,843
Debt service	-	12,056	12,056
Building operations	284,156	-	284,156
Capital projects	1,759,844	-	1,759,844
Unrestricted	7,031,461	4,426,160	11,457,621
TOTAL NET ASSETS	\$ 47,698,656	\$ 20,966,262	\$ 68,664,918

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FUNCTION / PROGRAM	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 9,489,377	\$ 5,052,255	\$ 710,839	\$ 80,116	\$ (3,646,167)	\$ -	\$ (3,646,167)
Highways and streets	2,154,732	608,678	1,289,164	-	(256,890)	-	(256,890)
Public safety	6,719,625	1,733,908	513,755	-	(4,471,962)	-	(4,471,962)
Culture and recreation	1,770,340	59,251	1,040,766	-	(670,323)	-	(670,323)
Interest on long-term debt	272,927	-	-	-	(272,927)	-	(272,927)
TOTAL GOVERNMENTAL ACTIVITIES	20,407,001	7,454,092	3,554,524	80,116	(9,318,269)	-	(9,318,269)
BUSINESS-TYPE ACTIVITIES:							
Water	2,519,916	2,353,627	-	-	-	(166,289)	(166,289)
Wastewater	4,800,556	4,947,559	-	-	-	147,003	147,003
Stormwater	1,659,918	1,839,683	-	-	-	179,765	179,765
TOTAL BUSINESS-TYPE ACTIVITIES	8,980,390	9,140,869	-	-	-	160,479	160,479
TOTAL ACTIVITIES	\$ 29,387,391	\$ 16,594,961	\$ 3,554,524	\$ 80,116	(9,318,269)	160,479	(9,157,790)
GENERAL REVENUES:							
Property taxes, levied for general purposes					6,486,562	-	6,486,562
Franchise taxes					2,593,404	-	2,593,404
Grants and contributions not restricted to specific programs					97,229	-	97,229
Unrestricted investment earnings					59,919	9,555	69,474
TRANSFERS					(213,529)	213,529	-
TOTAL GENERAL REVENUES AND TRANSFERS					9,023,585	223,084	9,246,669
CHANGE IN NET ASSETS					(294,684)	383,563	88,879
NET ASSETS - beginning					47,993,340	18,653,750	66,647,090
NET ASSETS - ending					\$ 47,698,656	\$ 19,037,313	\$ 66,735,969

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Systems Development Charges Fund	Total Governmental Funds
ASSETS:						
Cash and investments	\$ 5,561,160	\$ 2,232,195	\$ 359,038	\$ -	\$ -	\$ 8,152,393
Restricted cash and investments	56,496	-	167,638	129,992	1,743,901	2,098,027
Property taxes receivable	427,778	-	39,347	-	-	467,125
Accounts receivable	1,323,248	307,413	80,019	178,875	120,864	2,010,419
Due from other funds	308,053	-	-	-	-	308,053
TOTAL ASSETS	\$ 7,676,735	\$ 2,539,608	\$ 646,042	\$ 308,867	\$ 1,864,765	\$ 13,036,017
LIABILITIES:						
Accounts payable	\$ 646,399	\$ 266,996	\$ 25,574	\$ 20,043	\$ 36,726	\$ 995,738
Accrued salaries and payroll taxes	201,378	7,061	30,224	4,314	-	242,977
Other liabilities	82,921	-	-	-	8,424	91,345
Deposits payable	3,182	18,000	-	354	-	21,536
Deferred/unearned revenue	960,903	508,962	33,184	-	59,771	1,562,820
TOTAL LIABILITIES	1,894,783	801,019	88,982	24,711	104,921	2,914,416
FUND BALANCES:						
Restricted	22,843	-	167,638	284,156	1,759,844	2,234,481
Committed	-	1,738,589	-	-	-	1,738,589
Assigned	-	-	389,422	-	-	389,422
Unassigned	5,759,109	-	-	-	-	5,759,109
TOTAL FUND BALANCES	5,781,952	1,738,589	557,060	284,156	1,759,844	10,121,601
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,676,735	\$ 2,539,608	\$ 646,042	\$ 308,867	\$ 1,864,765	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.	39,470,139
Prepaid Pension assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at amortized cost.	3,116,362
Other assets are not available to pay for current-period expenditures and are therefore deferred in the funds:	
Grant revenues	\$ 42,000
Property tax revenues	409,660
Assessment revenues	494,846
SDC and franchise revenues	74,571
	<u>1,021,077</u>
Liabilities, including accrued liabilities and bonds payable, that are not due and payable in the current period and therefore, are not reported in funds:	
Accrued compensated absences payable	(858,098)
Long-term debt obligations	(5,172,425)
	<u>(6,030,523)</u>
Net assets of governmental activities	<u>\$ 47,698,656</u>

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Systems Development Charges Fund	Total Governmental Funds
REVENUES:						
Property taxes	\$ 5,386,509	\$ -	\$ 1,042,013	\$ -	\$ -	\$ 6,428,522
Franchise taxes	1,806,204	772,400	-	-	-	2,578,604
Intergovernmental	1,303,426	1,289,164	1,040,766	1,284	-	3,634,640
Fines and forfeitures	1,443,065	-	59,251	-	-	1,502,316
Licenses and permits	538,251	-	-	425,746	-	963,997
Charges for services	3,999,397	608,678	-	-	-	4,608,075
Systems development charges	-	-	-	-	29,090	29,090
Investment earnings	58,919	-	1,000	-	-	59,919
Miscellaneous	33,196	17,789	2,145	896	-	54,026
TOTAL REVENUES	14,568,967	2,688,031	2,145,175	427,926	29,090	19,859,189
EXPENDITURES:						
Current:						
General government	8,087,801	-	-	239,804	-	8,327,605
Highways and streets	-	1,890,931	-	-	-	1,890,931
Public safety	5,896,952	-	-	-	-	5,896,952
Cultural and recreation	-	-	1,553,600	-	-	1,553,600
Debt service:						
Principal	127,027	-	17,094	-	-	144,121
Interest	255,506	-	17,421	-	-	272,927
Capital outlay	717,668	379,462	-	-	288,134	1,385,264
TOTAL EXPENDITURES	15,084,954	2,270,393	1,588,115	239,804	288,134	19,471,400
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(515,987)	417,638	557,060	188,122	(259,044)	387,789
FUND BALANCES - beginning	6,297,939	1,320,951	-	96,034	2,018,888	9,733,812
FUND BALANCES - ending	\$ 5,781,952	\$ 1,738,589	\$ 557,060	\$ 284,156	\$ 1,759,844	\$ 10,121,601

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Net change in fund balances - total governmental funds		\$ 387,789
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was greater than capital outlay.</p>		
Capital outlay	\$ 1,385,264	
Depreciation expense	<u>(2,097,334)</u>	(712,070)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net assets.		(213,529)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		466,655
<p>The issuance of long-term debt (e.g., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. No debt was issued during the current fiscal year, therefore, this amount only represents scheduled principal payments on existing debt.</p>		
Long-term debt principal repayments		144,122
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Amortization of prepaid pension	(194,773)	
Accrued compensated absences payable	<u>(172,878)</u>	<u>(367,651)</u>
Change in net assets of governmental activities		<u>\$ (294,684)</u>

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 6,467	\$ 2,894,126	\$ 1,308,798	\$ 4,209,391
Restricted cash and investments	-	12,056	-	12,056
Accounts receivable, net of allowance for doubtful accounts	215,014	491,825	171,368	878,207
Total current assets	221,481	3,398,007	1,480,166	5,099,654
Noncurrent assets:				
Accounts receivable	-	157,365	-	157,365
Capital assets not being depreciated	426,764	122,632	78,163	627,559
Capital assets, net of accumulated depreciation	8,440,945	6,445,072	2,847,170	17,733,187
Total noncurrent assets	8,867,709	6,725,069	2,925,333	18,518,111
TOTAL ASSETS	9,089,190	10,123,076	4,405,499	23,617,765
LIABILITIES:				
Current liabilities:				
Accounts payable	94,242	286,116	27,196	407,554
Deposits payable	8,000	-	-	8,000
Accrued salaries and payroll taxes payable	10,427	6,931	10,039	27,397
Accrued compensated absences payable	25,628	15,491	26,700	67,819
Due to other funds	308,053	-	-	308,053
Current portion of long-term debt	-	96,500	-	96,500
Total current liabilities	446,350	405,038	63,935	915,323
Noncurrent liabilities:				
Long-term debt	-	1,736,200	-	1,736,200
TOTAL LIABILITIES	446,350	2,141,238	63,935	2,651,523
NET ASSETS:				
Invested in capital assets, net of related debt	8,867,709	4,735,004	2,925,333	16,528,046
Restricted for debt service	-	12,056	-	12,056
Unrestricted	(224,869)	3,234,798	1,416,231	4,426,160
TOTAL NET ASSETS	\$ 8,642,840	\$ 7,981,858	\$ 4,341,564	\$ 20,966,262

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND
AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Wastewater Fund	Stormwater Fund	
OPERATING REVENUES:				
Charges for services	\$ 2,286,678	\$ 4,944,887	\$ 1,838,479	\$ 9,070,044
Miscellaneous	66,949	2,672	1,204	70,825
TOTAL OPERATING REVENUES	2,353,627	4,947,559	1,839,683	9,140,869
OPERATING EXPENSES:				
Salaries and wages	515,094	392,839	399,006	1,306,939
Materials and supplies	1,590,180	4,124,887	1,085,634	6,800,701
Depreciation	410,897	273,425	138,031	822,353
TOTAL OPERATING EXPENSES	2,516,171	4,791,151	1,622,671	8,929,993
OPERATING INCOME (LOSS)	(162,544)	156,408	217,012	210,876
NONOPERATING INCOME (EXPENSE):				
Interest income	-	9,555	-	9,555
Loss on disposal of property	(3,745)	-	(37,247)	(40,992)
Interest expense	-	(9,405)	-	(9,405)
TOTAL NONOPERATING INCOME (EXPENSE)	(3,745)	150	(37,247)	(40,842)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(166,289)	156,558	179,765	170,034
CAPITAL CONTRIBUTIONS	-	1,928,949	-	1,928,949
TRANSFERS	198,000	-	15,529	213,529
CHANGE IN NET ASSETS	31,711	2,085,507	195,294	2,312,512
NET ASSETS - beginning	8,611,129	5,896,351	4,146,270	18,653,750
NET ASSETS - ending	\$ 8,642,840	\$ 7,981,858	\$ 4,341,564	\$ 20,966,262

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users of services	\$ 2,321,083	\$ 5,052,803	\$ 1,814,058	\$ 9,187,944
Payments to suppliers for goods and services	(1,493,016)	(4,508,947)	(1,090,146)	(7,092,109)
Payments to employees for services	(505,854)	(395,641)	(387,144)	(1,288,639)
NET CASH FROM OPERATING ACTIVITIES	322,213	148,215	336,768	807,196
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	187,317	-	187,317
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	-	187,317	-	187,317
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest received on interfund loan	-	9,555	-	9,555
Principal paid on capital debt	-	(89,705)	-	(89,705)
Interest paid on capital debt	-	(9,405)	-	(9,405)
Acquisition and construction of capital assets	(364,197)	(2,655)	(19,554)	(386,406)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(364,197)	(92,210)	(19,554)	(475,961)
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(41,984)	243,322	317,214	518,552
CASH AND INVESTMENTS - beginning	48,451	2,662,860	991,584	3,702,895
CASH AND INVESTMENTS - ending (including \$12,056 for the Wastewater fund reported in restricted accounts)	\$ 6,467	\$ 2,906,182	\$ 1,308,798	\$ 4,221,447
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (162,544)	\$ 156,408	\$ 217,012	\$ 210,876
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	410,897	273,425	138,031	822,353
Decrease (increase) in accounts receivable	(32,544)	105,244	(25,625)	47,075
Increase (decrease) in accounts payable	(318)	(384,060)	(4,512)	(388,890)
Increase (decrease) in accrued salaries and payroll taxes payable	(559)	(2,542)	192	(2,909)
Increase (decrease) in accrued compensated absences payable	9,799	(260)	11,670	21,209
Increase in due to other funds	97,482	-	-	97,482
NET CASH FROM OPERATING ACTIVITIES	\$ 322,213	\$ 148,215	\$ 336,768	\$ 807,196
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Intergovernmental Grant from Oregon DEQ	\$ -	\$ 1,928,929	\$ -	\$ 1,928,929
Capital assets transferred from governmental funds	198,000	-	15,529	213,529

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

Notes to Basic Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

The financial statements of the City of Milwaukie, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The City is a municipal corporation, incorporated in 1903. It operates under its own charter with a Council/City Manager form of government. The Councilors, composed of the Mayor and four council members, comprise the legislative branch of the government. Individual departments are under the direction of the City Manager who is appointed by the Council.

The City provides a full range of municipal services to the community, which includes police protection and municipal court services, traffic control and improvement, street maintenance and improvement, water, sewer and surface water management services, planning and zoning regulation, building inspection and regulation, and community library services.

Basis of Presentation - Government-wide Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the City as a whole. The effect of interfund activity has been removed from these statements except for interfund services provided and used and reimbursements between funds which if eliminated would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a

given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

Basis of Presentation - Fund Financial Statements

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported in the fund financial statements and in separate columns in the financial section of the basic financial statements. All funds are considered major for financial reporting purposes.

The City reports the following major governmental funds:

- *General Fund* - This fund accounts for the City's legislative and administration, human resources, finance, information technology, municipal court, community development, engineering, planning, facilities management, fleet services, and related debt service. The primary revenue sources are property taxes, franchise taxes, reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and miscellaneous income.
- *Transportation Fund* - This fund accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues to include state and local gas taxes, PGE privilege tax, and charges for services.
- *Library Fund* - This fund accounts for the operation of the City's Ledding Library. Major revenue sources are intergovernmental revenues and property taxes.
- *Building Inspections Fund* - This fund accounts for the receipt and expenditures of dedicated revenue sources related to building permits and inspections.
- *Systems Development Charges Fund* - This fund accounts for the receipt and expenditures of system development charges (SDCs) dedicated to streets, water, wastewater and storm systems.

The City reports each of its three proprietary funds as major funds:

- *Water Fund* - This fund accounts for the operation and maintenance of water service and distribution facilities.
- *Wastewater Fund* - This fund accounts for the operation and maintenance of the wastewater distribution, collection, and treatment systems.
- *Stormwater Fund* - This fund accounts for the operation and maintenance of the stormwater management and collection systems.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary funds financial statements. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes, intergovernmental revenues, and investment income.

A deferred revenue liability arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period and long-term assessments receivable. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus the liability created on the balance sheets of the governmental funds for unavailable deferred revenue is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is

due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

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

Assets, Liabilities, and Equity

Cash and Investments

Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP) and certificates of deposit. The individual funds' portion of the cash pool is presented as "Cash and Investments" in the basic financial statements.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. 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. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes.

Receivables and Revenues

Property taxes are levied on and become a lien against property on July 1 of the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, property taxes receivable that are collected within 60 days after the end of fiscal year are considered *measurable* and *available*, and therefore, are recognized as revenue. The property taxes receivable portion beyond 60 days is recorded as deferred revenue. Assessments are recognized as receivables at the time property owners are assessed on property improvements. These receivables are entirely offset by deferred revenue, as assessment revenue is recognized upon collection.

In the government-wide financial statements, property taxes and assessment receivables are recognized as revenue when earned and are shown net of an allowance for uncollectible amounts.

The enterprise funds' receivables include billings for residential and commercial customers utilizing the City's water, sewer, and stormwater services and are reported net of an allowance for uncollectible accounts, which is determined based upon an estimated percentage of the receivable balance.

Capital Assets

Purchased or constructed capital assets acquired prior to June 30, 2003, are recorded at estimated historical cost with subsequent additions at cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year have been recorded at cost or fair value if donated by developers. The City defines capital assets as assets with an initial cost of more than \$10,000 and an estimated life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives <u>(in years)</u>
Buildings and structures	30-50
Improvements other than buildings	10-50
Vehicles and equipment	4-30
Infrastructure	20-50

Prepaid Pension

The City sold full faith and credit obligations in 2008 to help fund its Unfunded Actuarial Liability with Oregon Public Employees Retirement System (OPERS). Accordingly, the City amortizes prepaid pension using the straight-line method over the life of the underlying bonds.

Accrued Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since the City does not pay out sick leave banks when employees separate from service. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. As compensated absences are due and payable on demand, they are considered due within one year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of termination or retirement.

Long-term Debt Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. When significant, bond premiums, discounts, amounts deferred on refundings, and issuance costs are deferred and amortized over the applicable bond term. In the fund financial statements, governmental fund types recognize bond

premiums, discounts, and issuance costs, as period costs in the year of issue. The face amount of debt issued and any related premium is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Other Postemployment Benefits

GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* provides guidance for the reporting of postemployment benefits other than pensions. The City's actuary has determined that the City's community rated plan effectively insulates it from the effects of age on the cost of providing health care benefits for retirees that would otherwise be presumed to exist. Accordingly, the City does not report a liability for other post-employment benefits.

Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Equity

In the government-wide statement of net assets, fund equity is referred to as net assets and is segregated into the following three components: 1) amount invested in capital assets, net of related debt, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance is categorized as follows:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest decision making authority. The City Council reserves the authority to establish and modify commitments of revenues and ending fund balance.
- *Assigned* – Includes items assigned by specific uses, authorized by Council or officials or other bodies delegated by Council.
- *Unassigned* – This is the residual classification used for balances not assigned to another category in the General Fund. Deficit fund balances in other governmental funds are also presented as unassigned.

Library Expansion

In 1961, Florence Ledding, the stepdaughter of Seth Lewelling and long-time civic and political leader, bequeathed her home and property on Harrison Street to the City. In 2006, the City resolved to hold these funds for the benefit of the Ledding Library. Over time, the City has received additional donations intended for the Ledding Library and its future capital needs which, as of June 30, 2012, amount to approximately \$168,000. These funds are held as restricted funds in the Library Fund.

Knutson Pioneer Cemetery Trust

In 1994, funds were provided from the estate of Mrs. Leona Knutson for the purpose of providing care and upkeep of the Milwaukie Pioneer Cemetery. The funds are held in trust for the Milwaukie Pioneer Cemetery Association, which is responsible for the maintenance and care of the cemetery. The City invests the funds and when sufficient funds have been saved, amounts are transferred to the Cemetery Association to be used for cemetery maintenance. As of June 30, 2012, these funds amount to \$33,653. These funds are included in restricted cash and investments and in the liabilities of the General Fund.

Use of Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

2. Detailed Notes on All Activities and Funds

Deposits and Investments

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments consist of U.S. Treasury obligations including treasury notes, bond and strips; Federal instrumentality securities from specific Federal Agencies; commercial paper rated at least A-1 or an equivalent rating; corporate bonds rated at least Aa or an equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; Oregon State Treasurer's Local Government Investment Pool limited by state statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2012, the City's cash and investments were comprised of the following:

Cash on hand	\$ 6,081
Deposits with financial institutions	861,044
Oregon State Treasurer's Local Government Investment Pool	<u>13,604,742</u>
Total cash and investments	<u><u>\$ 14,471,867</u></u>

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 8,152,393	\$ 4,209,391	\$ 12,361,784
Restricted cash and investments	<u>2,098,027</u>	<u>12,056</u>	<u>2,110,083</u>
Total cash and investments	<u><u>\$ 10,250,420</u></u>	<u><u>\$ 4,221,447</u></u>	<u><u>\$ 14,471,867</u></u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$1,038,713. Of these deposits, \$250,000 is covered by federal depository insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the individual maturities in its investment portfolio to eighteen months or less.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its use of these investment types to the top two ratings issued by NRSROs, where applicable. The State of Oregon Local Government Investment Pool (LGIP) is not rated by NRSROs.

Concentration of credit risk. The City's investment policy, as it relates to investing outside of the LGIP, does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments (ORS 294.035).

Custodial credit risk. Custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2012, all the City deposits are insured or collateralized and are therefore not subject to custodial credit risk.

The City participates in an external investment pool, the State of Oregon Treasury Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury.

Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies investment types and maturities. The portion of the external investment pool belonging to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A

copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

The City's position in the LGIP at June 30, 2012 is stated at fair value.

Receivables

As of June 30, 2012, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts. The allowance for uncollectible accounts pertains only to utility billing collections in the business-type activities and street maintenance fees in governmental activities.

Accounts, contracts, assessments and grants	\$ 3,064,140
Allowance for uncollectible accounts	<u>(18,149)</u>
Total accounts receivable	<u>\$ 3,045,991</u>

Accounts receivable - governmental activities	\$ 2,010,419
Accounts receivable - business-type activities	<u>1,035,572</u>
Total accounts receivable	<u>\$ 3,045,991</u>

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance as of June 30, 2011	Additions	Reductions and adjustments	Balance as of June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 5,811,073	\$ 90,407	\$ -	\$ 5,901,480
Construction in progress	1,408,125	809,177	(352,522)	1,864,780
Total capital assets not being depreciated	<u>7,219,198</u>	<u>899,584</u>	<u>(352,522)</u>	<u>7,766,260</u>
Capital assets being depreciated:				
Buildings and improvements	11,928,498	132,690	-	12,061,188
Vehicles and equipment	4,274,654	139,462	108,552	4,522,668
Infrastructure	45,897,153	-	-	45,897,153
Total capital assets being depreciated	<u>62,100,305</u>	<u>272,152</u>	<u>108,552</u>	<u>62,481,009</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,146,528)	(359,604)	-	(4,506,132)
Vehicles and equipment	(2,894,061)	(356,421)	243,970	(3,006,512)
Infrastructure	<u>(21,883,177)</u>	<u>(1,381,309)</u>	<u>-</u>	<u>(23,264,486)</u>
Total accumulated depreciation	<u>(28,923,766)</u>	<u>(2,097,334)</u>	<u>243,970</u>	<u>(30,777,130)</u>
Total capital assets being depreciated, net	<u>33,176,539</u>	<u>(1,825,182)</u>	<u>352,522</u>	<u>31,703,879</u>
Total capital assets, net	<u>\$ 40,395,737</u>	<u>\$ (925,598)</u>	<u>\$ -</u>	<u>\$ 39,470,139</u>

	Balance as of June 30, 2011	Additions	Reductions and adjustments	Balance as of June 30, 2012
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 392,550	\$ -	\$ -	\$ 392,550
Construction in progress	197,676	37,333	-	235,009
Total capital assets not being depreciated	<u>590,226</u>	<u>37,333</u>	<u>-</u>	<u>627,559</u>
Capital assets being depreciated:				
Buildings and improvements	4,178,397	-	-	4,178,397
Vehicles and equipment	4,599,986	19,183	(19,223)	4,599,946
Infrastructure	26,697,643	539,674	(37,247)	27,200,070
Total capital assets being depreciated	<u>35,476,026</u>	<u>558,857</u>	<u>(56,470)</u>	<u>35,978,413</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,632,829)	(146,695)	-	(1,779,524)
Vehicles and equipment	(2,496,206)	(142,241)	19,223	(2,619,224)
Infrastructure	(13,313,061)	(533,417)	-	(13,846,478)
Total accumulated depreciation	<u>(17,442,096)</u>	<u>(822,353)</u>	<u>19,223</u>	<u>(18,245,226)</u>
Total capital assets being depreciated, net	<u>18,033,930</u>	<u>(263,496)</u>	<u>(37,247)</u>	<u>17,733,187</u>
Total capital assets, net	<u>\$ 18,624,156</u>	<u>\$ (226,163)</u>	<u>\$ (37,247)</u>	<u>\$ 18,360,746</u>

Depreciation expense in the amount of \$2,097,334 and \$822,353 was charged to functions/programs for governmental and business-type activities respectively, as follows:

	Governmental activities	Business-type activities	Total
General government	\$ 986,235	\$ -	\$ 986,235
Culture and recreation	184,788	-	184,788
Public safety	701,399	-	701,399
Highways and streets	224,912	-	224,912
Water	-	410,897	410,897
Wastewater	-	273,425	273,425
Stormwater	-	138,031	138,031
Depreciation expense	<u>\$ 2,097,334</u>	<u>\$ 822,353</u>	<u>\$ 2,919,687</u>

Prepaid Pension

Amortization of prepaid pension has been charged to functions as follows:

	Governmental activities
General government	\$ 91,587
Culture and recreation	17,162
Public safety	65,137
Highways and streets	20,887
Amortization expense	<u>\$ 194,773</u>

The proprietary funds' share of the cost of pension debt service and amortization is included in charges paid to the General Fund, which liquidates the underlying debt.

Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For fiscal year ended June 30, 2012, the majority of transfers are properly classified under Charges for Services for financial reporting purposes. Transfers of capital assets are also made between funds to ensure full utilization of useable assets and are also classified under Transfers for financial statement purposes. Transfers are as follows:

	Transfers from other funds	Transfers to other funds	Net
Governmental funds:			
General fund	\$ 1,060,000	\$ (196,872)	\$ 863,128
Transportation fund	-	(1,008,000)	(1,008,000)
Library fund	-	(22,000)	(22,000)
Building Inspections fund	-	(30,000)	(30,000)
	<u>1,060,000</u>	<u>(1,256,872)</u>	<u>(196,872)</u>
Proprietary funds:			
Wastewater	<u>196,872</u>	-	<u>196,872</u>
Total interfund transfers	<u>\$ 1,256,872</u>	<u>\$ (1,256,872)</u>	<u>\$ -</u>

Transfers from governmental funds are for administrative services. Transfers from Wastewater to the General Fund are for repayment of a loan as noted below.

Interfund Loan

An interfund loan was outstanding at the beginning of fiscal year 2011-12, relating to the General Fund borrowing \$850,000 in 2007 from the Wastewater Reserve Fund for a property purchase. This loan was repaid during the year ending June 30, 2012.

Leases

Leases which meet certain criteria established by the GASB are classified as capital leases. When these leases are incurred, the assets and related liabilities are recorded at the lesser of the present value of minimum lease payments or the fair value of the lease. Leases which do not meet the criteria of a capital lease are classified as operating leases and related rental payments are charged to operations in their respective funds. Currently, all of the City's leases are classified as operating leases.

The City leases one small parcel of property and various copiers for use in its operations under cancelable and noncancelable operating leases. Total costs for such leases were approximately \$53,600 for the year ended June 30, 2012. The future minimum lease payments for noncancelable operating leases are as follows:

Fiscal year ending June 30,	JCB adjacent property lease	Copier leases	Total
2013	\$ 8,300	\$ 18,900	\$ 27,200
2014	8,500	17,100	25,600
2015	8,800	10,600	19,400
2016	9,100	9,000	18,100
	<u>\$ 34,700</u>	<u>\$ 55,600</u>	<u>\$ 90,300</u>

Long-term Liabilities

In the following tables information regarding the City's long-term liabilities is presented separately with respect to governmental and business-type activities. The following table presents current year changes in those obligations and the current portions due for each issue. For the governmental activities, claims and judgments, and compensated absences are generally liquidated by the general fund. As compensated absences are due and payable on demand, they are considered due within one year.

	Beginning balance as of June 30, 2011	Additions	Reductions	Ending balance as of June 30, 2012	Due within one year
Governmental activities:					
Oregon State Energy Loan Program (SELP) Loans:					
1999 Oregon SELP Loan, with interest rate at 6.5%, original issue of \$356,508, due 2014	\$ 92,643	\$ -	\$ (30,355)	\$ 62,288	\$ 32,155
2001 Oregon SELP Loan, with interest rate at 5.7%, original issue of \$27,490, due 2014	17,051	-	(6,362)	10,689	6,699
2003 Oregon SELP Loan, with interest rate at 4.3%, original issue of \$170,938, due 2019	95,674	-	(11,734)	83,940	12,094
Other long-term debt obligations:					
2005 PERS Unfunded Actuarial Liability Bonds, interest rates from 4.00% to 5.50%, original issue of \$4,285,000, due 2028	4,195,000	-	(60,000)	4,135,000	75,000
2006 Library Property (Harrison Property) seller-financed loan, interest rate at 7.09%, due 2021	245,711	-	(17,094)	228,617	18,306
2006 Oregon Special Public Works Fund (SPWF) Loan for North Main Village public area improvements, interest rate at 2.08%, original issue of \$738,000, due 2032	670,468	-	(18,577)	651,891	23,720
Long-term bonded debt obligations	5,316,547	-	(144,122)	5,172,425	167,974
Compensated absences for governmental activities	685,220	979,378	(806,500)	858,098	858,098
Total governmental activities	<u>6,001,767</u>	<u>979,378</u>	<u>(950,622)</u>	<u>6,030,523</u>	<u>1,026,072</u>
Business-type activities:					
State of Oregon loan:					
2010 Oregon DEQ Loan, amortized fees in lieu of interest, original loan draws of \$2,229,318 in 2010 and \$1,622,016 in 2011, one-half converted to grant in 2012, due 2031	3,851,334	-	(2,018,634)	1,832,700	96,500
Compensated absences for business-type activities	46,610	97,509	(76,300)	67,819	67,819
Total business-type activities	<u>3,897,944</u>	<u>97,509</u>	<u>(2,094,934)</u>	<u>1,900,519</u>	<u>164,319</u>
Total long-term liabilities	<u>\$ 9,899,711</u>	<u>\$ 1,076,887</u>	<u>\$ (3,045,556)</u>	<u>\$ 7,931,042</u>	<u>\$ 1,190,391</u>

Future maturities of bond principal and interest are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 167,974	\$ 255,785	\$ 96,500	\$ 8,750	\$ 264,474	\$ 264,535
2014	185,226	254,794	96,500	8,250	281,726	263,044
2015	173,201	238,658	96,500	7,750	269,701	246,408
2016	195,422	230,062	96,500	7,250	291,922	237,312
2017	222,789	220,349	96,500	6,750	319,289	227,099
2018-2022	1,490,603	913,478	482,500	26,250	1,973,103	939,728
2023-2027	2,290,169	467,312	482,500	13,750	2,772,669	481,062
2028-2032	447,041	40,954	385,200	2,250	832,241	43,204
	<u>\$ 5,172,425</u>	<u>\$ 2,621,392</u>	<u>\$ 1,832,700</u>	<u>\$ 81,000</u>	<u>\$ 7,005,125</u>	<u>\$ 2,702,392</u>

Debt Covenants

The City is required to maintain net operating revenues in the Wastewater fund of 135 percent of annual debt service on the Oregon Department of Environmental Quality loan. Additionally, the City is required to keep \$12,056 in a loan reserve account. At June, 30, 2012 the City was compliant with these terms.

Employee Retirement Pension Plan

Plan Description. The City contributes to the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is cost sharing multi-employer defined benefit public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan is benefit based and uses predictable criteria such as a pension determined by salary multiplied by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS, which acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

The 1995 Oregon Legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996 called Tier Two. The 2003 Oregon Legislature established OPSRP for public employees hired on or after August 29, 2003, unless membership was previously established in PERS.

Benefits generally vest after five years of continuous service. Retirement is allowed at age fifty-eight with unreduced benefits, but retirement is generally available after age fifty-five with reduced benefits. Retirement benefits based on salary and length of service are calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 1-888-320-7377.

Funding Policy. The City participates in the PERS state and local government rate pool. The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Thus rates for the biennium beginning July 1, 2011 are based on the actuarial valuation as of December 31, 2009.

Members of PERS and OPSRP are required to contribute 6% of their salary covered under the plan which is invested in the IAP. The City makes this contribution on behalf of its employees. The City contributed approximately \$518,000 for the year ended June 30, 2012.

The City is required by ORS 238.225 to contribute at an actuarially determined rate. The City's rate is 11.75% for PERS, 7.23% for OPSRP – general employees, and 9.94% for OPSRP – police employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates disclosed in a separate note disclosure. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

In September 2005, the City issued \$4,285,000 in Pension Obligation Bonds to pay the City's unfunded actuarial liability as identified by OPERS based on the December 31, 2003 system valuation. Debt service on these bonds is made by the general fund and recovered through interfund transfers. Further details are contained in the Long-Term Liabilities footnote to these financial statements.

Annual Pension Cost. For the year ended June 30, 2012, the City's annual pension cost was approximately \$1,068,000 consisting of the City's required and actual contribution of \$873,200 and \$194,800 in amortization of prepaid pension.

The City's annual pension cost, including amortization, and percentage contributed for the current and two preceding years were as follows:

Fiscal Year ended Date	Annual Pension Cost	Percentage of APC Contributed
6/30/2012	\$ 1,068,000	100%
6/30/2011	609,200	100%
6/30/2010	624,100	100%

Actuarial method and assumptions. The projected unit credit actuarial cost method is used to determine the required contribution. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75% per year, (ii) healthcare cost inflation assumed at 7% in 2010, then declining by 0.5% per year until the rate of 4.5% is reached in 2029; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to

accrue at an annual rate of 8% compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.5%, compounded annually; (v) projected annual rate of wage inflation of 3.75%, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

Postemployment Healthcare Plan (implicit subsidy)

Plan Description. The City does not have a formal post-employment benefits plan for employees; however the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 45 is applicable to the City due to the implicit rate subsidy; however, the City's actuary had determined that the community rate based plan exception applies. This "plan" is a multi-employer cost sharing plan that does not stand-alone and therefore does not issue its own financial statements.

Funding Policy. City retirees pay health insurance premiums at tiered rates to the insurance company on a pay as you go basis. For fiscal year ended June 30, 2012, City retirees paid 100% of their insurance premium costs.

Retirement Health Insurance Account (RHIA)

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

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered payroll for Tier 1/Tier 2, and 0.50% for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required

contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2012 and 2011 were approximately \$50,900 and \$24,500 respectively which equaled the required contributions for that year.

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(g). The Plan is managed by independent plan administrators. The Plan is available to all employees of the City. The City contributes 2% of covered wages to the Plan and employees may defer a portion of their salary until future years. City Council may establish or amend plan provisions including contribution requirements. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, these Plan assets and related liability are not recorded in the City's basic financial statements. Contributions for the year ended June 30, 2012 for the City and employees were approximately \$157,000 and \$299,000, respectively.

3. Other Information

Commitments and Contingencies

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. Following this paragraph are various commitments and contingencies that the City is involved with.

Tri-County Metropolitan Transportation District (TriMet) – The City has an agreement with TriMet to contribute \$5 million to TriMet for their South Corridor Phase II Portland- Milwaukie Light Rail project. Pertinent terms of this agreement are as follows:

- TriMet plans to construct the South Corridor Phase to Milwaukie to provide a reliable, high frequency transportation option for Milwaukie and Clackamas County commuters, helping to catalyze Milwaukie's downtown revitalization plans.
- An Intergovernmental Funding Agreement was signed December 29, 2008 committing the City to a \$5 million contribution due within 90 days of TriMet receiving Full Funding Grant agreement, which occurred on May 22, 2012.
- In June, 2012 the City and TriMet agreed on terms: the City will pay \$989,900 of permit fees and charges on behalf of TriMet; by August 20, 2012 the City will repay \$131,116 of permit fees and charges already received; by August 20, 2012 the City will pay \$360,100 to TriMet; the remainder (\$3,650,000) is payable over 20 years at 5%.
- The rail line is expected to be operational in late 2015.

Clackamas County Sewer District No.1 – The City has an agreement with Clackamas County Sewer District No.1 to treat sewage wastewater. Pertinent terms of this agreement are as follows:

- The original agreement for wastewater treatment services dated November 25, 1970 and has been extended and modified several times. In May 2012 the City and the District signed a memorandum of understanding for services effective July 1, 2012 through June 30, 2037.
- Following an independent review of the number of sewer connections during fiscal year 2012, the baseline number of EDU’s was determined to be 10,939.

The City agreed to pay up to \$30.25 per EDU in year one and the District’s wholesale rate thereafter. This amounts to approximately \$4.2 million for fiscal year 2013.

Clackamas County Fire District No.1 – The City’s has various agreements with Clackamas County Fire District No.1 (Fire District) as follows:

- The City passed Ordinance No. 1958 in February 2006 following Ballot Measure 3-166 where voters authorized the annexation of fire services into the Fire District. This Ordinance reduces the City’s permanent tax rate of \$6.5379 per \$1000 of Assessed Value by the permanent rate of the Fire District equating to \$2.4012 offset by their annual bonded debt rate until then existing bonds are paid off in fiscal year 2014-15.
- The City has an intergovernmental agreement with the Fire District for their use of Station 2 at the City’s Public Safety facility. This agreement provides that the Fire District will pay the City one dollar (\$1) annually for rent, \$2,000 per month for general maintenance and janitorial services, their share of utilities, and \$2,000 annually towards the City’s SELP loan.
- This same intergovernmental agreement with the Fire District also provides exclusive use for the City to use the Fire District’s facility at 6596 SE Lake Road. The agreement provides that the City will pay for utilities, cleaning, and all other operating costs with the Fire District paying for interior and exterior maintenance.

Clackamas River Water – The City has a twenty year agreement effective July 1, 1998 with Clackamas River Water (CRW) to provide water to the City for emergency or backup purposes. Pertinent terms of this agreement are as follows:

- The City agrees that CRW will continue to provide water to any property that the City newly annexes into the City and that the City may elect to perform meter reading, custom billing and customer service activities.
- Minimum amounts due under this contract shall be satisfied with the following annual minimum payments due to CRW. Any draws of water beyond the minimum quantities shall be billed to the City at CRW’s wholesale water rates.

Fiscal Year	Minimum Amts Due
2012-13	4,000
2013-14	1,000
2014-15	1,000
2015-16	1,000
2016-17	1,000

Public Safety 911/Communication Services – The City has an agreement with the City of Lake Oswego to provide public safety dispatching services for Milwaukie’s Police Department. Pertinent terms of this agreement are as follows:

- Intergovernmental Cooperative Agreement was originally created December 17, 2002 and amended in 2008 to include a five year extension for dispatching services through the tenth year of the arrangement, ending in fiscal year 2012-13.
- The dispatching services include, but are not limited to 24-hour-per-day answering of emergency telephone lines (including 9-1-1 calls) for fire, police, and emergency medical service requests; radio communications with police personnel regarding emergency and routine police matters; and other dispatching services for law enforcement purposes.
- As part of this agreement, the State redirects the City’s state-allocated 911 monies directly to the City of Lake Oswego to help offset the annual contract costs summarized below. These annual monies from the State average approximately \$100,000 per fiscal year.
- Following is a summary of the annual contract costs per the 2008 Amendment No. 1:

<u>Year of Arrangement</u>	<u>Fiscal Year</u>	<u>Payment for services</u>	<u>Computer replacement</u>	<u>Annual Contract Amt</u>
Year 6	2008-09	\$ 423,134	\$ 20,000	\$ 443,134
Year 7	2009-10	437,944	20,000	457,944
Year 8	2010-11	453,272	20,000	473,272
Year 9	2011-12	469,136	20,000	489,136
Year 10	2012-13	485,556	20,000	505,556
		<u>\$ 2,269,042</u>	<u>\$ 100,000</u>	<u>\$ 2,369,042</u>

Financial Management Services – The City entered into an intergovernmental agreement effective February 1, 2011 to have the City of West Linn provide professional financial management services for the City at the Finance Director level overseeing both finance departments. Pertinent terms of this agreement are as follows:

- The term of the agreement continues through June 30, 2013, may be extended or renewed for one-year periods, and expires annually each June 30th by mutual agreement of each City with written acknowledgement no less than sixty days prior.
- It includes the provision of financial management services for each City, targeting one contract director to be present on-site at each City, five days per week. The City agreed to pay the City of West Linn \$8,333 per month indexed by 3% after twelve months.

Metro - The City entered into an agreement with Metro in 2006 whereby the City operates a permit parking lot which is jointly owned by the two entities. Under the terms of the agreement, the City is to pay Metro half of any net revenues after operating expenses on a quarterly basis. Payments under this agreement have not been significant.

Oregon Department of Transportation (ODOT) – The City entered into an intergovernmental agreement effective July 1, 2007 to have ODOT commence collecting a \$0.02 cents per gallon motor vehicle fuel license tax (i.e. local gas tax) on fuel dealers that sell, use, or distribute fuel in the City. This local gas tax is in addition to the state gas tax (which currently is at \$0.30 cents per gallon). Pertinent terms of this agreement are as follows:

- The agreement expired July 1, 2011. The City is currently pursuing an extension to this agreement.
- Ordinance No. 1970 limits the use of this local gas tax funds to the purposes associated with the administration, construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads and streets within the City.

Other Commitments – The City has entered into various contracts in the ordinary course of business and has commitments in the amount of \$1.5 million for road reconstruction and paving and \$0.2 million for the City’s share of a bicycle/pedestrian bridge to be installed as part of the Portland Milwaukie Light Rail Project.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from the previous fiscal year. Workers compensation claims are insured through incurred loss retrospective policies and the City is self-insured for unemployment compensation claims.

Settled claims have not exceeded coverage for any of the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Property tax limitation

The citizens of the State of Oregon approved the first property tax limitation in 1990 – Measure 5. This limitation divides property taxes into an education category and a non-education category. The tax rate in the education category was limited to \$5 per thousand of real market value for fiscal year 1995-96 and thereafter. The non-education category was limited to \$10 per thousand of real market value. Although all non-education taxes to the City currently do not exceed the \$10 per \$1,000 of property real market value limitation; this limitation may affect the availability of future tax revenues for the City.

A second property tax limitation was approved in November 1996 and later modified in May 1997 – Measures 47 and 50, respectively. This limitation set a maximum permanent tax rate for the City exclusive of bonded debt at \$6.5379 per \$1,000 assessed value. Assessed values can only grow by a maximum of 3 %, exclusive of new construction and annexations.

Budgetary Information

For the year ended June 30, 2012, expenditures exceeded appropriations by \$41,195 for materials and services in the Transportation Fund.

Expenditures exceeded appropriations in the personnel services category of the Library fund. This over expenditure was caused by the unanticipated payment of funds accumulated to pay deferred employee compensation. In the Wastewater fund, 50% of a loan from Oregon DEQ was converted to a grant during the year ended June 30, 2012. Consequently, expenditures exceeded

appropriations in the debt service category of the Wastewater fund. Neither of these over expenditures is considered a violation of Oregon Budget Law.

Deficit Fund Balance

At June 30, 2012, the Water Fund had a deficit fund balance of \$224,869. The Citizen Utility Advisory Board, Budget Committee, and Council have increased water rates effective July 1, 2012 and implemented cost savings in order to return to a positive fund balance.

Fund Balance Classification

Governmental fund balances are classified as follows as of June 30, 2012.

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Systems Development Charges Fund	Total Governmental Funds
Restricted:						
Public safety supplies	\$ 22,843	\$ -	\$ -	\$ -	\$ -	\$ 22,843
Library services	-	-	167,638	-	-	167,638
Infrastructure	-	-	-	-	1,759,844	1,759,844
Building operations	-	-	-	284,156	-	284,156
	<u>22,843</u>	<u>-</u>	<u>167,638</u>	<u>284,156</u>	<u>1,759,844</u>	<u>2,234,481</u>
Committed:						
Street services	-	1,738,589	-	-	-	1,738,589
Assigned	-	-	389,422	-	-	389,422
Unassigned	5,759,109	-	-	-	-	5,759,109
	<u>\$ 5,781,952</u>	<u>\$ 1,738,589</u>	<u>\$ 557,060</u>	<u>\$ 284,156</u>	<u>\$ 1,759,844</u>	<u>\$ 10,121,601</u>

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REQUIRED SUPPLEMENTARY INFORMATION

*Schedules of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual*

Notes to Required Supplementary Information

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Major Governmental Funds
(required supplementary information)

General Fund

Special Revenue Funds

Transportation Fund

Library Fund

Building Inspections Fund

CITY OF MILWAUKIE, OREGON

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2011-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 5,212,000	\$ 5,212,000	\$ 5,386,509	\$ 174,509
Franchise taxes	1,708,000	1,708,000	1,806,204	98,204
Intergovernmental	1,670,000	1,670,000	1,303,426	(366,574)
Fines and forfeitures	1,847,000	1,847,000	1,443,065	(403,935)
Licenses and permits	343,000	343,000	538,251	195,251
Charges for services	-	-	101,397	101,397
Investment earnings	92,000	92,000	58,919	(33,081)
Miscellaneous	68,000	68,000	33,196	(34,804)
TOTAL REVENUES	10,940,000	10,940,000	10,670,967	(269,033)
EXPENDITURES:				
Community Services	908,000	790,000	599,079	190,921
Code Enforcement	196,000	196,000	162,256	33,744
Public Access Studio	112,000	112,000	80,963	31,037
Police Administration	505,000	505,000	468,815	36,185
Police Field Services	5,397,000	5,397,000	5,177,557	219,443
Police Support Services	349,000	349,000	329,606	19,394
Planning	579,000	579,000	575,382	3,618
Municipal Court	395,000	395,000	370,686	24,314
City Manager	524,000	642,000	621,169	20,831
City Council	51,000	51,000	45,232	5,768
Human Resources	356,000	356,000	321,946	34,054
Finance	759,000	759,000	621,224	137,776
Records and Information Management	408,000	408,000	370,872	37,128
Information Systems Technology	1,033,000	1,283,000	1,227,703	55,297
Community Development & Public Works Admin	1,481,000	1,481,000	1,203,540	277,460
Engineering Services	617,000	617,000	567,943	49,057
Fleet Services	780,000	780,000	670,451	109,549
Facilities Management	1,157,000	1,157,000	1,106,696	50,304
Nondepartmental				
General Services	859,000	859,000	554,279	304,721
Contingency	760,000	510,000	-	510,000
TOTAL EXPENDITURES	17,226,000	17,226,000	15,075,399	2,150,601
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,286,000)	(6,286,000)	(4,404,432)	1,881,568
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,629,000	4,629,000	3,898,000	(731,000)
Transfers to other funds	(197,000)	(197,000)	(196,872)	(128)
TOTAL OTHER FINANCING SOURCES (USES)	4,432,000	4,432,000	3,701,128	(731,128)
NET CHANGE IN FUND BALANCES	(1,854,000)	(1,854,000)	(703,304)	1,150,696
FUND BALANCES - beginning	5,436,000	5,436,000	6,485,256	2,500,186
FUND BALANCES - ending	\$ 3,582,000	\$ 3,582,000	\$ 5,781,952	\$ 3,650,882

CITY OF MILWAUKIE, OREGON

TRANSPORTATION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2011-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,391,000	\$ 1,391,000	\$ 1,289,164	\$ (101,836)
Franchise fees	1,021,000	1,021,000	772,400	(248,600)
Charges for services	612,000	612,000	608,678	(3,322)
Investment earnings	13,000	13,000	-	(13,000)
Miscellaneous	-	-	17,789	17,789
TOTAL REVENUES	3,037,000	3,037,000	2,688,031	(348,969)
EXPENDITURES:				
Personnel services	431,000	431,000	398,736	32,264
Materials and services	443,000	443,000	484,195	(41,195)
Capital outlay	1,024,000	1,024,000	379,462	644,538
Contingency	500,000	500,000	-	500,000
TOTAL EXPENDITURES	2,398,000	2,398,000	1,262,393	1,135,607
EXCESS OF REVENUES OVER EXPENDITURES	639,000	639,000	1,425,638	786,638
OTHER FINANCING USES:				
Transfers to other funds	(1,008,000)	(1,008,000)	(1,008,000)	-
NET CHANGE IN FUND BALANCES	(369,000)	(369,000)	417,638	786,638
FUND BALANCES - beginning	820,000	820,000	1,320,951	500,951
FUND BALANCES - ending	\$ 451,000	\$ 451,000	\$ 1,738,589	\$ 1,287,589

CITY OF MILWAUKIE, OREGON

LIBRARY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2011-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 1,099,000	\$ 1,099,000	\$ 1,042,013	\$ (56,987)
Intergovernmental	992,000	992,000	1,040,766	48,766
Fines and forfeitures	56,000	56,000	59,251	3,251
Investment earnings	2,000	2,000	1,000	(1,000)
Miscellaneous	2,000	2,000	2,145	145
TOTAL REVENUES	2,151,000	2,151,000	2,145,175	(5,825)
EXPENDITURES:				
Personnel services	1,347,000	1,347,000	1,365,611	(18,611)
Materials and services	208,000	208,000	165,989	42,011
Debt service:				
Principal	17,500	17,500	17,094	406
Interest	17,500	17,500	17,421	79
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	1,690,000	1,690,000	1,566,115	123,885
EXCESS OF REVENUES OVER EXPENDITURES	461,000	461,000	579,060	118,060
OTHER FINANCING USES:				
Transfers to other funds	(753,000)	(753,000)	(22,000)	731,000
NET CHANGE IN FUND BALANCES	(292,000)	(292,000)	557,060	849,060
FUND BALANCES - beginning	731,000	731,000	-	(731,000)
FUND BALANCES - ending	\$ 439,000	\$ 439,000	\$ 557,060	\$ 118,060

CITY OF MILWAUKIE, OREGON

BUILDING INSPECTIONS FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2011-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 217,000	\$ 217,000	\$ 425,746	\$ 208,746
Intergovernmental	2,000	2,000	1,284	(716)
Investment earnings	1,000	1,000	-	(1,000)
Miscellaneous	10,000	10,000	896	(9,104)
TOTAL REVENUES	230,000	230,000	427,926	197,926
EXPENDITURES:				
Personnel services	208,000	208,000	200,410	7,590
Materials and services	14,000	14,000	9,394	4,606
Contingency	64,000	64,000	-	64,000
TOTAL EXPENDITURES	286,000	286,000	209,804	76,196
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(56,000)	(56,000)	218,122	274,122
OTHER FINANCING USES:				
Transfers to other funds	(30,000)	(30,000)	(30,000)	-
NET CHANGE IN FUND BALANCES	(86,000)	(86,000)	188,122	274,122
FUND BALANCES - beginning	107,000	107,000	96,034	(10,966)
FUND BALANCES - ending	\$ 21,000	\$ 21,000	\$ 284,156	\$ 263,156

CITY OF MILWAUKIE, OREGON

Notes to Required Supplementary Information

June 30, 2012

Required Supplementary Information includes budgetary comparisons for the general, library, building inspections and transportation funds. The budgetary comparison information for all other funds can be found in Supplementary Information which follows this section. Budgets are prepared using the modified accrual basis of accounting.

1. Budgetary Information

Municipal budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The City Manager is responsible for submitting a proposed budget to the Budget Committee comprised of the City Council and an equal number of citizens of the City. The City is required to prepare a budget for each fund that is balanced in accordance with Oregon Revised Statutes. Each fund is budgeted on the modified accrual basis of accounting.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total ad valorem taxes to be levied, no additional tax levy may be made for that budget period.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. In the general fund, the levels of budgetary control established by resolution are set at the department level. For all other funds, the levels of budgetary control are personal services, materials and services, debt service, capital outlay, transfers and operating contingency. Appropriations lapse at the end of the fiscal year for goods or services not yet received.

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the year ended June 30, 2012, one supplemental budget resolution was approved.

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SUPPLEMENTARY INFORMATION

Individual Fund Financial Statements and Schedules

INDIVIDUAL FUND FINANCIAL SCHEDULES

Governmental Funds

Capital Projects Fund

Systems Development Charges Fund – accounts for SDCS restricted for capital projects.

Proprietary Funds

These funds account for operations of the City's enterprise activities. All proprietary funds are major funds of the City.

Water Fund – accounts for the City's water utility operations including maintenance and operations. All water related revenues and expenditures, including capital replacement, are included in this fund.

Wastewater Fund – accounts for the operation and maintenance of the wastewater distribution, collection, and treatment systems.

Stormwater Fund – accounts for the operation and maintenance of the stormwater management and collection systems.

CITY OF MILWAUKIE, OREGON

SYSTEMS DEVELOPMENT CHARGES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2011-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Systems development charges	\$ 109,000	\$ 109,000	\$ 29,090	\$ (79,910)
Investment earnings	27,000	27,000	-	(27,000)
			-	
TOTAL REVENUES	<u>136,000</u>	<u>136,000</u>	<u>29,090</u>	<u>(106,910)</u>
EXPENDITURES:				
Materials and services	58,000	58,000	-	58,000
Capital outlay	396,000	596,000	288,134	307,866
Contingency	1,100,000	900,000	-	900,000
TOTAL EXPENDITURES	<u>1,554,000</u>	<u>1,554,000</u>	<u>288,134</u>	<u>1,265,866</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(1,418,000)	(1,418,000)	(259,044)	1,158,956
FUND BALANCES - beginning	<u>2,060,000</u>	<u>2,060,000</u>	<u>2,018,888</u>	<u>(41,112)</u>
FUND BALANCES - ending	<u>\$ 642,000</u>	<u>\$ 642,000</u>	<u>\$ 1,759,844</u>	<u>\$ 1,117,844</u>

CITY OF MILWAUKIE, OREGON

WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2011-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Water charges	\$ 2,555,000	\$ 2,555,000	\$ 2,283,383	\$ (271,617)
Reimbursement fees	16,000	16,000	3,295	(12,705)
Investment earnings	5,000	5,000	-	(5,000)
Miscellaneous	44,000	44,000	66,949	22,949
TOTAL REVENUES	<u>2,620,000</u>	<u>2,620,000</u>	<u>2,353,627</u>	<u>(266,373)</u>
EXPENDITURES:				
Personnel services	602,000	602,000	515,094	86,906
Materials and services	618,000	618,000	603,180	14,820
Capital outlay	389,000	389,000	364,197	24,803
Contingency	93,000	93,000	-	93,000
TOTAL EXPENDITURES	<u>1,702,000</u>	<u>1,702,000</u>	<u>1,482,471</u>	<u>219,529</u>
EXCESS OF REVENUES OVER EXPENDITURES	918,000	918,000	871,156	(46,844)
OTHER FINANCING USES:				
Transfers to other funds	<u>(987,000)</u>	<u>(987,000)</u>	<u>(987,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(69,000)	(69,000)	(115,844)	(46,844)
FUND BALANCES - beginning	<u>69,000</u>	<u>69,000</u>	<u>(109,025)</u>	<u>(178,025)</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>(224,869)</u>	<u>\$ (224,869)</u>
RECONCILIATION TO NET ASSETS - GAAP BASIS:				
Adjustment for capital assets not being depreciated			426,764	
Adjustment for capital assets, net of accumulated depreciation			<u>8,440,945</u>	
NET ASSETS - GAAP BASIS, ending			<u>\$ 8,642,840</u>	

CITY OF MILWAUKIE, OREGON

WASTEWATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2010-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Wastewater charges	\$ 4,562,000	\$ 4,562,000	\$ 4,539,621	\$ (22,379)
Reimbursement fees	210,000	210,000	243,639	33,639
Investment earnings	27,000	27,000	-	(27,000)
Miscellaneous	3,000	3,000	2,672	(328)
TOTAL REVENUES	<u>4,802,000</u>	<u>4,802,000</u>	<u>4,785,932</u>	<u>(16,068)</u>
EXPENDITURES:				
Personnel services	415,000	415,000	392,839	22,161
Materials and services	3,281,000	3,281,000	3,110,889	170,111
Debt service:				
Principal	1,110,000	1,110,000	2,018,634	(908,634)
Interest	-	-	9,405	(9,405)
Capital outlay	840,000	840,000	2,654	837,346
Contingency	500,000	500,000	-	500,000
TOTAL EXPENDITURES	<u>6,146,000</u>	<u>6,146,000</u>	<u>5,534,421</u>	<u>611,579</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,344,000)</u>	<u>(1,344,000)</u>	<u>(748,489)</u>	<u>595,511</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	197,000	197,000	196,872	(128)
Intergovernmental	1,000,000	1,000,000	1,928,929	928,929
Transfers to other funds	(1,014,000)	(1,014,000)	(1,014,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>183,000</u>	<u>183,000</u>	<u>1,111,801</u>	<u>928,801</u>
NET CHANGE IN FUND BALANCES	(1,161,000)	(1,161,000)	363,312	1,524,312
FUND BALANCES - beginning	<u>2,314,000</u>	<u>2,314,000</u>	<u>2,721,894</u>	<u>407,894</u>
FUND BALANCES - ending	<u>\$ 1,153,000</u>	<u>\$ 1,153,000</u>	<u>3,085,206</u>	<u>\$ 1,932,206</u>
RECONCILIATION TO NET ASSETS - GAAP BASIS:				
Adjustment for capital assets not being depreciated			122,632	
Adjustment for capital assets, net of accumulated depreciation			6,445,072	
Adjustment for unearned revenue			161,628	
Adjustment for bonds payable - due within one year			(96,500)	
Adjustment for bonds payable			(1,736,200)	
NET ASSETS - GAAP BASIS, ending			<u>\$ 7,981,838</u>	

CITY OF MILWAUKIE, OREGON

STORMWATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget for the Fiscal Year 2011-12		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Stormwater charges	\$ 1,820,000	\$ 1,820,000	\$ 1,834,188	\$ 14,188
Reimbursement fees	-	-	4,291	4,291
Investment earnings	11,000	11,000	-	(11,000)
Miscellaneous	27,000	27,000	1,204	(25,796)
TOTAL REVENUES	1,858,000	1,858,000	1,839,683	(18,317)
EXPENDITURES:				
Personnel services	418,000	418,000	399,006	18,994
Materials and services	228,000	294,000	248,634	45,366
Capital outlay	340,000	340,000	19,554	320,446
Contingency	100,000	34,000	-	34,000
TOTAL EXPENDITURES	1,086,000	1,086,000	667,194	418,806
EXCESS OF REVENUES OVER EXPENDITURES	772,000	772,000	1,172,489	400,489
OTHER FINANCING USES:				
Transfers to other funds	(837,000)	(837,000)	(837,000)	-
NET CHANGE IN FUND BALANCES	(65,000)	(65,000)	335,489	400,489
FUND BALANCES - beginning	1,025,000	1,025,000	1,080,742	55,742
FUND BALANCES - ending	\$ 960,000	\$ 960,000	1,416,231	\$ 456,231
RECONCILIATION TO NET ASSETS - GAAP BASIS:				
Adjustment for capital assets not being depreciated			78,163	
Adjustment for capital assets, net of accumulated depreciation			2,847,170	
NET ASSETS - GAAP BASIS, ending			\$ 4,341,564	

OTHER FINANCIAL SCHEDULES

Schedule of Future Debt Service Requirements

Schedule of Property Tax Transactions and Outstanding Balance

Schedule of Accountability of Independently Elected Officials

CITY OF MILWAUKIE, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FUTURE BOND PRINCIPAL

Fiscal year	Oregon SELP Loans			Library Property	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2013	\$ 32,155	\$ 6,699	\$ 12,094	\$ 18,306	\$ 23,720	\$ 75,000	\$ 96,500	\$ 264,474
2014	30,133	3,990	12,631	19,604	23,868	95,000	96,500	281,726
2015	-	-	13,184	20,994	24,023	115,000	96,500	269,701
2016	-	-	13,756	22,482	24,184	135,000	96,500	291,922
2017	-	-	14,362	24,076	24,351	160,000	96,500	319,289
2018	-	-	17,913	25,783	24,525	185,000	96,500	349,721
2019	-	-	-	27,611	24,707	210,000	96,500	358,818
2020	-	-	-	29,569	29,895	240,000	96,500	395,964
2021	-	-	-	40,192	30,097	270,000	96,500	436,789
2022	-	-	-	-	30,311	305,000	96,500	431,811
2023	-	-	-	-	30,536	340,000	96,500	467,036
2024	-	-	-	-	35,772	380,000	96,500	512,272
2025	-	-	-	-	36,020	420,000	96,500	552,520
2026	-	-	-	-	36,283	465,000	96,500	597,783
2027	-	-	-	-	36,558	510,000	96,500	643,058
2028	-	-	-	-	41,845	230,000	96,500	368,345
2029	-	-	-	-	42,145	-	96,500	138,645
2030	-	-	-	-	42,457	-	96,500	138,957
2031	-	-	-	-	42,783	-	95,700	138,483
2032	-	-	-	-	47,811	-	-	47,811
	<u>\$ 62,288</u>	<u>\$ 10,689</u>	<u>\$ 83,940</u>	<u>\$ 228,617</u>	<u>\$ 651,891</u>	<u>\$4,135,000</u>	<u>\$1,832,700</u>	<u>\$7,005,125</u>

FUTURE BOND INTEREST

Fiscal year	Oregon SELP Loans			Library Property	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2013	\$ 3,137	\$ 441	\$ 3,386	\$ 16,368	\$ 32,155	\$ 204,785	\$ 8,750	\$ 269,022
2014	7,565	1,253	2,849	15,082	26,720	201,325	8,250	263,044
2015	-	-	2,296	13,704	25,765	196,893	7,750	246,408
2016	-	-	1,724	12,228	24,804	191,306	7,250	237,312
2017	-	-	1,118	10,648	23,837	184,746	6,750	227,099
2018	-	-	3,751	8,956	22,863	176,971	6,250	218,791
2019	-	-	-	7,144	21,882	167,982	5,750	202,758
2020	-	-	-	5,203	20,893	157,778	5,250	189,124
2021	-	-	-	3,276	19,660	146,117	4,750	173,803
2022	-	-	-	-	18,396	132,606	4,250	155,252
2023	-	-	-	-	17,108	117,344	3,750	138,202
2024	-	-	-	-	15,810	100,330	3,250	119,390
2025	-	-	-	-	14,272	81,315	2,750	98,337
2026	-	-	-	-	12,696	60,298	2,250	75,244
2027	-	-	-	-	11,109	37,030	1,750	49,889
2028	-	-	-	-	9,509	11,851	1,250	22,610
2029	-	-	-	-	7,679	-	750	8,429
2030	-	-	-	-	5,835	-	250	6,085
2031	-	-	-	-	3,977	-	-	3,977
2032	-	-	-	-	2,103	-	-	2,103
	<u>\$ 10,702</u>	<u>\$ 1,694</u>	<u>\$ 15,124</u>	<u>\$ 92,609</u>	<u>\$ 337,073</u>	<u>\$2,168,677</u>	<u>\$ 81,000</u>	<u>\$2,706,879</u>

CITY OF MILWAUKIE, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2011</u>	<u>Add Tax Levy Extended by Assessor</u>	<u>Add (deduct) Adjustments and Discounts</u>	<u>Deduct Cash Collections</u>	<u>Uncollected Property Taxes as of June 30, 2012</u>
Current fiscal year 2011-12	\$ -	\$ 6,660,414	\$ (185,203)	\$ (6,239,599)	\$ 235,612
Prior fiscal years					
2010-11	228,249	-	14,772	(133,194)	109,827
2009-10	101,406	-	(1,438)	(21,205)	78,763
2008-09	56,461	-	(952)	(28,277)	27,232
2007-08	19,078	-	(393)	(14,059)	4,626
2006-07 & prior	14,997	-	(638)	(3,294)	11,065
Sub-total prior	<u>420,191</u>	<u>-</u>	<u>11,351</u>	<u>(200,029)</u>	<u>231,513</u>
Total	<u>\$ 420,191</u>	<u>\$ 6,660,414</u>	<u>\$ (173,852)</u>	<u>\$ (6,439,628)</u>	<u>\$ 467,125</u>

CITY OF MILWAUKIE, OREGON

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Oregon Revised Statutes (ORS) Section 297 requires a statement of accountability for each independently elected official collecting or receiving money in the municipal corporation. In compliance with ORS 297, there are no independently elected officials that collect or receive money on behalf of the City of Milwaukie.

**CITY OF MILWAUKIE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SECTION III

STATISTICAL SECTION

STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	73
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	79
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	83
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.	88
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	91

Sources: The information in these schedules is derived from the comprehensive annual financial reports for the relevant year, unless otherwise noted. The City implemented GASB Statement 34 in fiscal year 2002-03 and GASB Statement 54 in fiscal year 2010-11.

CITY OF MILWAUKIE, OREGON

Net Assets by Component
for the last ten fiscal years
(accrual basis of accounting)
(in thousands)

	Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 43,388	\$ 42,433	\$ 41,814	\$ 40,179	\$ 40,333	\$ 41,224	\$ 41,423	\$ 39,717	\$ 39,274	\$ 38,433
Restricted	3,141	5,994	6,149	5,923	3,392	3,418	3,274	2,714	2,125	2,235
Unrestricted	1,815	1,329	2,172	3,051	5,363	5,698	5,586	5,403	6,594	7,031
Total governmental activities net assets	48,344	49,756	50,135	49,153	49,088	50,340	50,283	47,834	47,993	47,699
Business-type activities										
Invested in capital assets, net of related debt	13,639	14,473	14,956	15,226	15,008	14,984	15,444	14,740	14,773	16,528
Restricted	-	-	-	-	-	-	-	-	-	12
Unrestricted	7,661	5,302	4,235	3,644	4,425	4,387	4,107	3,896	3,881	4,426
Total business-type activities net assets	21,300	19,775	19,191	18,870	19,433	19,371	19,551	18,636	18,654	20,966
Primary government										
Invested in capital assets, net of related debt	57,027	56,906	56,770	55,405	55,341	56,208	56,867	54,457	54,047	54,961
Restricted	3,141	5,994	6,149	5,923	3,392	3,418	3,274	2,714	2,125	2,247
Unrestricted	9,476	6,631	6,407	6,695	9,788	10,085	9,693	9,299	10,475	11,457
Total primary government net assets	\$ 69,644	\$ 69,531	\$ 69,326	\$ 68,023	\$ 68,521	\$ 69,711	\$ 69,834	\$ 66,470	\$ 66,647	\$ 68,665

CITY OF MILWAUKIE, OREGON

**Changes in Net Assets
for the last nine fiscal years ¹
(accrual basis of accounting)
(in thousands)**

	Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 6,793	\$ 8,391	\$ 8,634	\$ 8,696	\$ 2,975	\$ 3,025	\$ 2,794	\$ 3,854	\$ 9,813	\$ 9,489
Highways and streets	2,943	2,141	2,541	2,702	3,178	3,172	3,932	2,865	2,094	2,155
Public safety - Police	5,217	5,056	5,514	5,927	5,907	6,591	7,326	7,627	6,210	6,720
Public safety - Fire	2,936	3,027	3,111	-	-	-	-	-	-	-
Culture and recreation	1,457	945	1,456	1,960	1,623	1,920	2,036	2,376	1,585	1,770
Interest on long-term debt	-	-	-	134	322	330	341	318	292	273
Total governmental activities expenses	<u>19,346</u>	<u>19,560</u>	<u>21,256</u>	<u>19,419</u>	<u>14,005</u>	<u>15,038</u>	<u>16,429</u>	<u>17,040</u>	<u>19,994</u>	<u>20,407</u>
Business-type activities:										
Water	1,935	1,803	1,972	1,781	2,297	1,746	2,091	2,143	2,397	2,520
Wastewater	2,957	2,355	2,405	2,711	2,640	2,975	2,577	4,580	5,023	4,801
Stormwater	1,006	837	1,082	1,080	918	975	1,052	1,152	1,710	1,660
Total business-type activities expenses	<u>5,898</u>	<u>4,995</u>	<u>5,459</u>	<u>5,572</u>	<u>5,855</u>	<u>5,696</u>	<u>5,720</u>	<u>7,875</u>	<u>9,130</u>	<u>8,981</u>
Total primary government expenses	<u>\$ 25,244</u>	<u>\$ 24,555</u>	<u>\$ 26,715</u>	<u>\$ 24,991</u>	<u>\$ 19,860</u>	<u>\$ 20,734</u>	<u>\$ 22,149</u>	<u>\$ 24,915</u>	<u>\$ 29,124</u>	<u>\$ 29,388</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,451	\$ 3,524	\$ 4,661	\$ 4,295	\$ 502	\$ 1,645	\$ 692	\$ 467	\$ 5,110	\$ 5,052
Highways and streets	273	637	1,258	871	1,142	758	1,076	1,080	663	609
Public safety	462	498	549	414	837	992	1,555	1,746	1,940	1,734
Culture and recreation	38	45	46	49	53	61	59	59	59	59
Operating grants and contributions	3,165	3,105	3,522	3,420	2,117	2,025	1,873	2,697	3,313	3,555
Capital grants and contributions	158	288	207	99	181	301	30	27	47	80
Total governmental activities program revenues	<u>7,547</u>	<u>8,097</u>	<u>10,243</u>	<u>9,148</u>	<u>4,832</u>	<u>5,782</u>	<u>5,285</u>	<u>6,076</u>	<u>11,132</u>	<u>11,089</u>
Business-type activities:										
Charges for services:										
Water	1,905	1,939	1,699	1,937	2,342	2,092	2,234	2,273	2,173	2,354
Wastewater	2,854	3,016	2,625	2,842	3,195	3,267	3,586	4,437	5,032	4,947
Storm water	1,036	1,033	980	1,380	1,464	1,511	1,540	1,722	1,794	1,840
Operating grants and contributions	10	2	5	1	1	-	-	-	-	-
Capital grants and contributions	30	34	21	103	74	110	29	-	-	1,929
Total business-type activities program revenues	<u>5,835</u>	<u>6,024</u>	<u>5,330</u>	<u>6,263</u>	<u>7,076</u>	<u>6,980</u>	<u>7,389</u>	<u>8,432</u>	<u>8,999</u>	<u>11,070</u>
Total primary government program revenues	<u>\$ 13,382</u>	<u>\$ 14,121</u>	<u>\$ 15,573</u>	<u>\$ 15,411</u>	<u>\$ 11,908</u>	<u>\$ 12,762</u>	<u>\$ 12,674</u>	<u>\$ 14,508</u>	<u>\$ 20,131</u>	<u>\$ 22,159</u>

Continued on next page

¹ Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented.

	Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense) Revenue										
Governmental activities	\$ (11,799)	\$ (11,463)	\$ (11,013)	\$ (10,271)	\$ (9,173)	\$ (9,256)	\$ (11,144)	\$ (10,964)	\$ (8,862)	\$ (9,318)
Business-type activities	(63)	1,029	(129)	691	1,221	1,284	1,669	557	(131)	2,089
Total primary government expenses	<u>\$ (11,862)</u>	<u>\$ (10,434)</u>	<u>\$ (11,142)</u>	<u>\$ (9,580)</u>	<u>\$ (7,952)</u>	<u>\$ (7,972)</u>	<u>\$ (9,475)</u>	<u>\$ (10,407)</u>	<u>\$ (8,993)</u>	<u>\$ (7,229)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes, levied for general purposes	\$ 7,643	\$ 7,638	\$ 8,011	\$ 5,223	\$ 5,353	\$ 5,718	\$ 5,929	\$ 5,998	\$ 6,112	\$ 6,487
Property taxes, levied for debt service	337	546	321	323	263	526	579	601	-	-
Franchise taxes	1,631	1,491	1,541	1,671	1,730	1,740	1,620	1,838	2,561	2,594
Intergovernmental	374	320	351	410	409	446	517	583	297	97
Miscellaneous	-	-	-	-	-	73	603	928	-	-
Interest and investment earnings	139	209	587	349	408	366	209	114	115	60
Gain on disposition of capital assets	-	-	-	-	-	31	14	-	-	-
Transfers	1,311	1,080	497	931	-	-	-	1,485	(64)	(214)
Total governmental activities	<u>11,435</u>	<u>11,284</u>	<u>11,308</u>	<u>8,907</u>	<u>8,163</u>	<u>8,900</u>	<u>9,471</u>	<u>11,547</u>	<u>9,021</u>	<u>9,024</u>
Business-type activities:										
Miscellaneous	-	-	-	-	-	10	-	-	-	-
Interest and investment earnings	170	117	163	266	287	250	127	12	85	9
Transfers	(1,311)	(1,080)	(497)	(930)	-	-	-	(1,485)	64	214
Total business-type activities	<u>(1,141)</u>	<u>(963)</u>	<u>(334)</u>	<u>(664)</u>	<u>287</u>	<u>260</u>	<u>127</u>	<u>(1,473)</u>	<u>149</u>	<u>223</u>
Total primary government	<u>\$ 10,294</u>	<u>\$ 10,321</u>	<u>\$ 10,974</u>	<u>\$ 8,243</u>	<u>\$ 8,450</u>	<u>\$ 9,160</u>	<u>\$ 9,598</u>	<u>\$ 10,074</u>	<u>\$ 9,170</u>	<u>\$ 9,247</u>
Change in Net Assets										
Governmental activities	\$ (364)	\$ (179)	\$ 295	\$ (1,364)	\$ (1,010)	\$ (356)	\$ (1,673)	\$ 583	\$ 159	\$ (294)
Business-type activities	(1,204)	66	(463)	27	1,508	1,544	1,796	(916)	18	2,312
Total primary government	<u>\$ (1,568)</u>	<u>\$ (113)</u>	<u>\$ (168)</u>	<u>\$ (1,337)</u>	<u>\$ 498</u>	<u>\$ 1,188</u>	<u>\$ 123</u>	<u>\$ (333)</u>	<u>\$ 9,170</u>	<u>\$ 2,018</u>

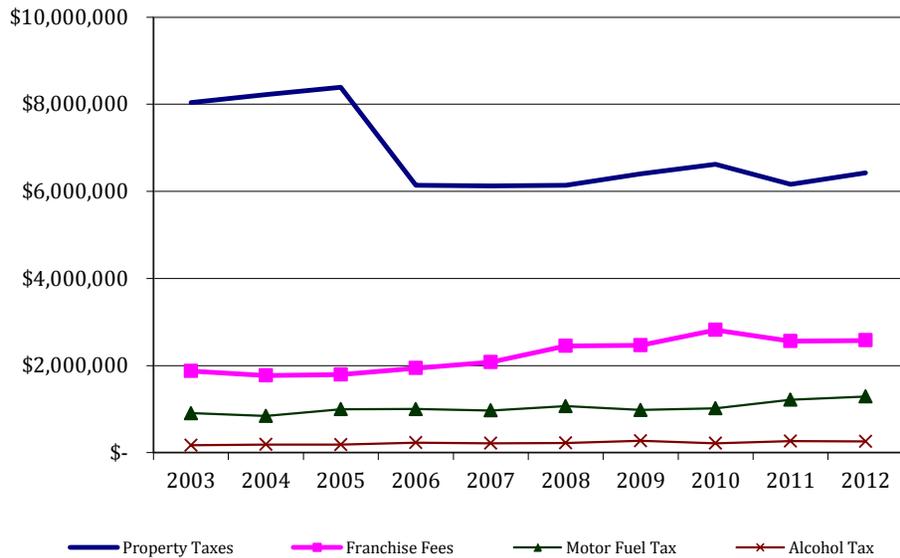
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CITY OF MILWAUKIE, OREGON
Governmental Activities Tax Revenues by Source
for the last ten fiscal years
(modified accrual basis of accounting)

<u>Fiscal year</u>	<u>Property tax</u>	<u>Franchise tax</u>	<u>Motor fuel tax¹</u>	<u>Alcoholic beverage tax¹</u>	<u>Total</u>
2003	\$ 8,038,227	\$ 1,873,728	\$ 905,993	\$ 171,201	\$ 10,989,149
2004	8,218,996	1,772,656	842,121	186,426	11,020,199
2005	8,391,441	1,794,382	997,383	182,678	11,365,884
2006	6,139,602	1,941,690	1,001,127	228,494	9,310,913
2007	6,125,265	2,075,765	971,128	217,478	9,389,636
2008	6,137,200	2,454,286	1,068,139	221,887	9,881,512
2009	6,405,173	2,464,766	979,713	270,755	10,120,407
2010	6,622,583	2,817,967	1,021,084	216,494	10,678,128
2011	6,164,063	2,560,743	1,215,175	263,425	10,203,406
2012	6,428,522	2,578,604	1,289,164	260,353	10,556,643

¹ Motor fuel and alcoholic beverage taxes are assessed by the State of Oregon, including the City of Milwaukie's Local Gas Tax, and then the City's appropriate portion is allocated back to the City.

Trend Lines of Tax Revenues by Source



CITY OF MILWAUKIE, OREGON
Fund Balances of Governmental Funds
for the last nine fiscal years ¹
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	14	11	23
Assigned	-	-	-	-	-	-	-	-	201	-
Unassigned	1,544	2,395	3,198	2,994	2,699	2,032	1,631	6,116	6,086	5,759
Total general fund	<u>\$ 1,544</u>	<u>\$ 2,395</u>	<u>\$ 3,198</u>	<u>\$ 2,994</u>	<u>\$ 2,699</u>	<u>\$ 2,032</u>	<u>\$ 1,631</u>	<u>\$ 6,143</u>	<u>\$ 6,298</u>	<u>\$ 5,782</u>
All other governmental funds										
Restricted	2,131	2,231	2,347	1,772	1,701	2,526	2,445	2,610	2,115	2,211
Committed	-	-	-	-	-	-	-	-	-	1,739
Assigned	-	-	-	-	-	-	-	928	1,321	389
Total all other governmental funds	<u>\$ 2,131</u>	<u>\$ 2,231</u>	<u>\$ 2,347</u>	<u>\$ 1,772</u>	<u>\$ 1,701</u>	<u>\$ 2,526</u>	<u>\$ 2,445</u>	<u>\$ 3,538</u>	<u>\$ 3,436</u>	<u>\$ 4,339</u>

¹ GASB 54 was implemented in fiscal year 2010-11.

CITY OF MILWAUKIE, OREGON
Changes in Fund Balances of Governmental Funds
for the last ten fiscal years
(modified accrual basis of accounting)
(in thousands)

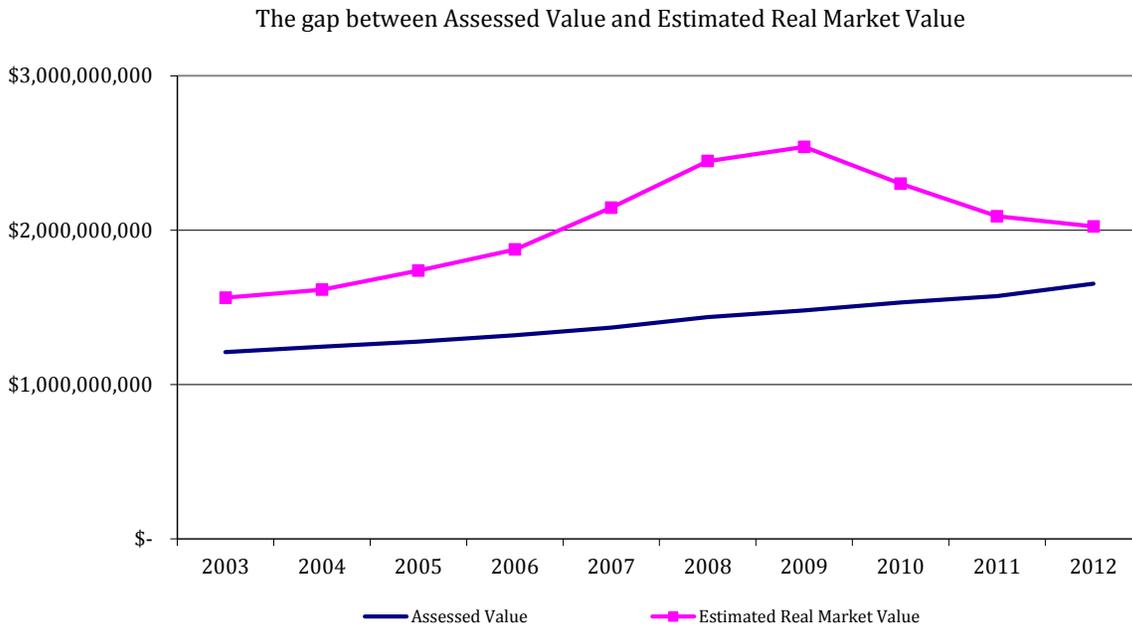
	Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property taxes	\$ 8,044	\$ 8,219	\$ 8,391	\$ 6,140	\$ 6,125	\$ 6,138	\$ 6,405	\$ 6,623	\$ 6,164	\$ 6,429
Intergovernmental	2,138	2,031	2,113	1,808	1,899	2,334	2,529	2,815	3,313	3,634
Franchise taxes	1,436	1,322	1,366	2,068	2,398	1,891	1,758	1,851	2,561	2,579
Fines and forfeitures	460	502	547	422	819	1,030	1,602	1,801	1,857	1,502
Licenses and fees	707	714	843	738	793	1,944	1,697	1,638	586	964
Charges for services	-	-	-	-	-	-	-	-	5,235	4,637
Miscellaneous	260	624	1,287	372	887	554	529	841	412	114
Total revenues	13,045	13,412	14,547	11,548	12,921	13,891	14,520	15,569	20,128	19,859
Expenditures:										
Current:										
General government	953	789	843	900	767	1,244	1,262	1,983	8,495	8,328
Public works	1,599	1,655	1,625	1,771	1,872	1,925	2,144	1,099	1,870	1,891
Public safety - Police	2,935	3,027	3,111	5,909	5,907	6,591	7,327	7,627	5,546	5,897
Public safety - Fire	5,115	5,028	5,476	-	-	-	-	-	-	-
Culture and recreation	1,414	1,271	1,356	1,463	1,623	1,811	1,995	2,246	1,415	1,553
Debt service:										
Principal	300	315	330	382	420	429	452	488	570	144
Interest	150	138	124	76	245	355	324	303	292	273
Capital outlay	335	639	858	1,599	2,619	1,247	1,789	1,766	1,386	1,385
Total expenditures	12,801	12,862	13,723	12,100	13,453	13,602	15,293	15,512	19,574	19,471
Excess (deficiency) of revenues over (under) expenditures	244	550	824	(552)	(532)	289	(773)	57	554	388
Other financing sources (uses):										
Transfers from other funds	2,136	1,542	1,186	56	28	1,178	652	776	8,245	-
Transfers to other funds	(1,923)	(1,210)	(1,155)	(801)	(514)	(1,310)	(620)	(754)	(8,572)	-
Sales of capital assets	-	-	-	-	-	-	-	-	13	-
Oregon SELP/SPWF loan proceeds	-	-	-	4,690	652	-	-	-	-	-
Payment to PERS for unfunded liability	-	-	-	(4,285)	-	-	-	-	-	-
Total other financing sources (uses)	213	332	31	(340)	166	(132)	32	22	(314)	-
Net change in fund balances	\$ 457	\$ 882	\$ 855	\$ (892)	\$ (366)	\$ 157	\$ (741)	\$ 79	\$ 240	\$ 388
Debt service as a percentage of noncapital expenditures										
	3.6%	3.7%	3.5%	4.4%	6.1%	6.3%	5.7%	5.8%	4.7%	2.3%

CITY OF MILWAUKIE, OREGON
Assessed Value and Estimated Real Market Value of Taxable Property
for the last ten fiscal years

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value (AV)		Estimated real market value (RMV)	
2003	\$1,124,737,189	\$55,834,501	\$1,795,471	\$27,170,235	\$1,209,537,396	\$6.7859	\$1,562,239,683	77 %
2004	1,162,370,462	54,497,277	1,628,550	25,994,683	1,244,490,972	6.7789	1,614,621,557	77
2005	1,196,647,332	51,809,400	1,608,339	27,563,863	1,277,628,934	6.7727	1,738,334,760	73
2006	1,244,892,089	48,492,182	1,767,419	24,675,210	1,319,826,900	4.3640	1,874,924,081	70
2007	1,291,781,207	50,160,884	1,658,921	24,622,020	1,368,223,032	4.2423	2,145,737,992	64
2008	1,358,712,927	50,495,074	1,637,938	25,439,150	1,436,285,089	4.4677	2,447,836,970	59
2009	1,397,513,018	55,710,705	1,453,405	26,192,620	1,480,869,748	4.4590	2,539,355,685	58
2010	1,434,481,999	55,302,814	1,340,485	40,954,863	1,532,080,161	4.4561	2,300,619,051	67
2011	1,478,677,186	53,418,497	1,206,773	38,678,084	1,571,980,540	4.0681	2,090,525,457	75
2012	1,534,189,552	55,064,492	1,211,661	63,771,154	1,654,236,859	4.0718	2,023,965,729	82

Note: Property is generally assessed as of July 1st of each fiscal year

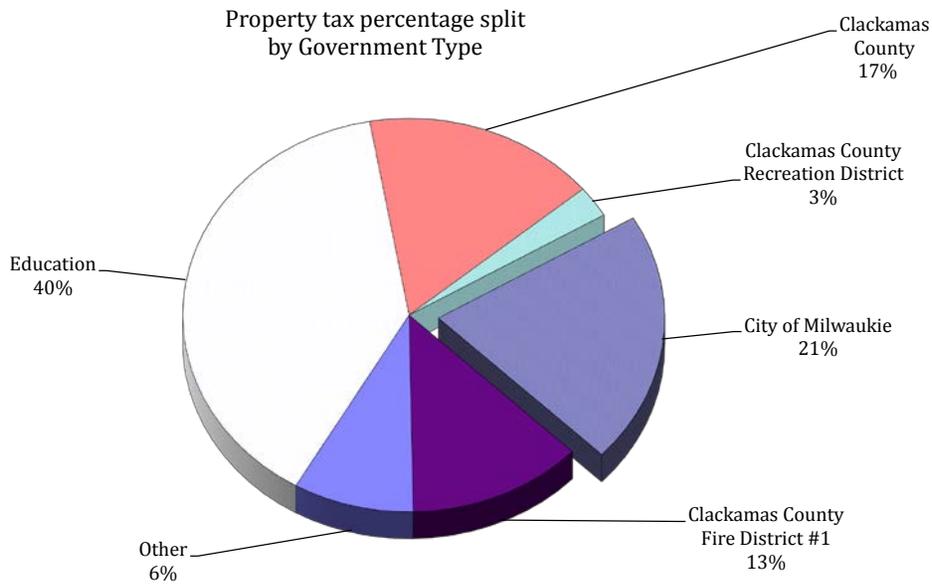
Source: Clackamas and Multnomah County Departments of Assessment and Taxation



CITY OF MILWAUKIE, OREGON
Property Tax Rates - Direct and Overlapping Governments
for the last ten fiscal years
(rate per \$1,000 of assessed value)

Fiscal year	City direct rates					Overlapping rates							Total direct and overlapping
	Permanent tax rate	Bonded debt tax rate	Less CCFD#1 Permanent tax rate	Less CCFD#1 Bonded debt rate	Total direct	North Clackamas School District	Clackamas County	Clackamas County Fire Dist #1	Clackamas County Recreation District	Clackamas Community College	Education Service District	Other	
2003	\$ 6.5379	\$ 0.2480	\$ -	\$ -	\$ 6.7859	\$ 6.21	\$ 2.59	\$ -	\$ 0.54	\$ 0.74	\$ 0.36	\$ 0.47	\$ 17.69
2004	6.5379	0.2410	-	-	6.7789	5.71	2.58	-	0.49	0.74	0.36	1.04	17.69
2005	6.5379	0.2348	-	-	6.7727	5.54	2.58	-	0.49	0.78	0.36	1.01	17.52
2006	6.5379	0.2273	(2.4012)	-	4.3640	5.57	2.59	2.40	0.49	0.77	0.36	1.19	17.73
2007	6.5379	0.1742	(2.4012)	(0.1469)	4.1640	5.75	2.53	2.55	0.48	0.73	0.36	0.76	17.32
2008	6.5379	0.3996	(2.4012)	(0.0855)	4.4508	6.59	2.80	2.49	0.48	0.74	0.36	0.96	18.87
2009	6.5379	0.3909	(2.4012)	(0.0076)	4.5200	6.52	2.81	2.41	0.48	0.74	0.36	1.02	18.85
2010	6.5379	0.3880	(2.4012)	(0.0707)	4.4540	6.51	3.30	2.37	0.50	0.72	0.36	1.12	19.34
2011	6.5379	-	(2.4012)	(0.0686)	4.0681	6.58	3.29	2.47	0.50	0.70	0.36	0.99	18.97
2012	6.5379	-	(2.4012)	(0.0649)	4.0718	7.22	3.77	2.47	0.51	0.68	0.36	0.36	19.44

Source: Clackamas County Assessor's Office



CITY OF MILWAUKIE, OREGON
Principal Property Taxpayers
current year and nine years ago

Name	2012			2003		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Blount Inc	\$ 47,320,155	1	2.9%	\$ 33,619,903	1	2.8%
Comcast Corporation	35,088,400	2	2.1	-	-	-
PCC Structurals Inc	23,278,280	3	1.4	15,841,724	2	1.3
Waverly Greens Apts	15,960,623	4	1.0	12,226,455	3	
International Airport Centers LLC	15,006,269	5	0.9	-	-	-
Portland General Electric Co	10,932,000	6	0.7	8,787,200	6	
Holland Partners	9,873,108	7	0.6	-	-	0.0
ODS Plaza Inc	9,207,582	8	0.6	-	-	
Downs Alice M Trustee	8,905,274	9	0.5	-	-	
SE International Way	8,781,476	10	0.5	-	-	
SSR Realty Advisors	-	-	-	10,208,975	4	0.8
Providence Health System - OR	-	-	-	9,574,386	5	0.8
Kellogg Lake Equities LLC	-	-	-	8,250,000	7	0.7
Mailwell Envelope	-	-	-	7,696,780	8	0.6
Qwest Corporation	-	-	-	7,592,580	9	0.6
Guardian Management Corp.	-	-	-	7,579,078	10	0.6
Sub-total, top ten	184,353,167		11.1	121,377,081		10.0
All other City taxpayers	1,469,883,692		88.9	1,088,160,315		90.0
Total City taxpayers	<u>\$ 1,654,236,859</u>		<u>100.0%</u>	<u>\$ 1,209,537,396</u>		<u>100.0%</u>

Source: Clackamas County Assessor's Office

CITY OF MILWAUKIE, OREGON
Property Tax Levies and Collections
for the last ten fiscal years

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2003	\$ 8,123,764	\$ 7,620,310	94 %	\$ 494,494	\$ 8,114,804	100 %
2004	8,335,800	7,852,492	94	478,095	8,330,587	100
2005	8,563,678	8,094,946	95	461,540	8,556,486	100
2006	5,743,256	5,458,375	95	131,576	5,589,951	97
2007	5,642,587	5,342,790	95	149,769	5,492,559	97
2008	6,413,042	6,028,211	94	206,833	6,235,044	97
2009	6,690,766	6,229,318	93	248,035	6,477,353	97
2010	6,785,356	6,355,747	94	153,921	6,509,668	96
2011	6,350,048	5,918,005	93	133,194	6,051,199	95
2012	6,660,414	6,239,599	94	-	6,239,599	94

Source: Annual financial statements of the City of Milwaukie

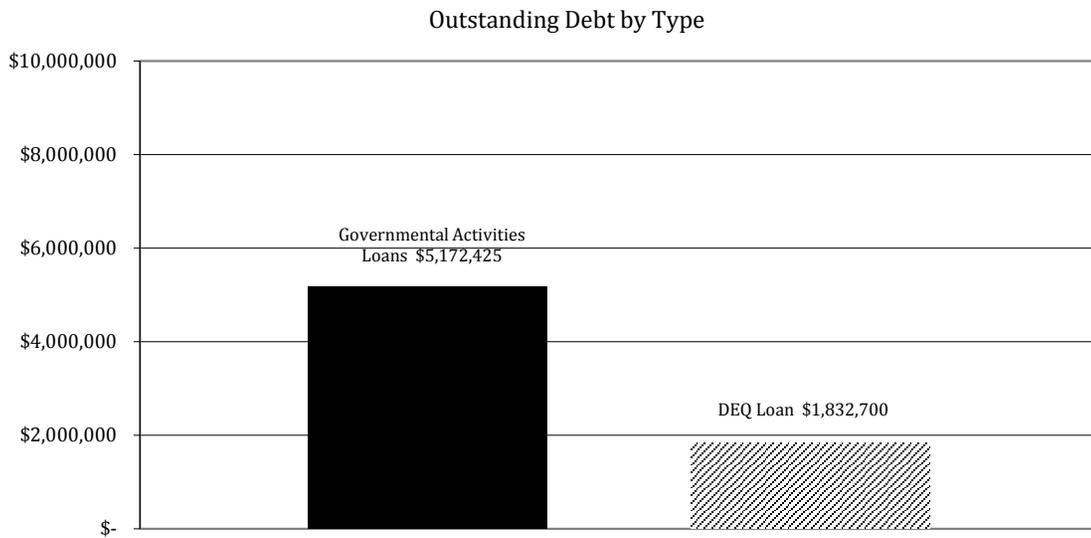


CITY OF MILWAUKIE, OREGON
Ratios of Outstanding Debt by Type
for the last ten fiscal years

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of income	Per capita
	General Obligation bonds	Oregon SELP and SPFW loans	Water Revenue bonds	Wastewater/DEQ loan			
2003	\$ 3,020,000	\$ 1,037,037	\$ 775,000	\$ 896,661	\$ 5,728,698	0.83 %	\$279
2004	2,705,000	1,499,696	660,000	369,327	5,234,023	0.73	254
2005	2,375,000	1,097,960	565,000	-	4,037,960	0.54	196
2006	2,030,000	5,747,848	465,000	-	8,242,848	1.03	396
2007	1,665,000	6,066,968	360,000	-	8,091,968	0.97	387
2008	1,280,000	5,629,625	245,000	-	7,154,625	0.83	342
2009	875,000	5,542,310	125,000	-	6,542,310	0.80	313
2010	450,000	5,436,133	-	2,229,318	8,115,451	1.00	400
2011	-	5,316,547	-	3,851,334	9,167,881	*	452
2012	-	5,172,425	-	1,832,700	7,005,125	*	343

* Information unavailable at this time.

Source: Annual financial statements of the City of Milwaukie



CITY OF MILWAUKIE, OREGON
Ratios of General Bonded Debt Outstanding
for the last ten fiscal years

Fiscal year	General Obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property¹	Per capita²
2003	\$ 2,705,000	\$ (658,038)	\$ 2,046,962	0.17 %	\$100
2004	2,375,000	(547,432)	1,827,568	0.15	89
2005	2,030,000	(430,240)	1,599,760	0.13	78
2006	1,665,000	(325,427)	1,339,573	0.10	64
2007	1,280,000	(146,599)	1,133,401	0.08	54
2008	875,000	(222,103)	652,897	0.05	31
2009	450,000	(344,995)	105,005	0.01	5
2010	-	(484,787)	(484,787)	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-

¹ Assessed value data of property can be found on page 79.

² Population data can be found on page 88.

CITY OF MILWAUKIE, OREGON
Direct and Overlapping Governmental Activities Debt
as of June 30, 2012

<u>Governmental unit</u>	<u>Real Market Values of Overlapping Districts</u>	<u>Tax-Supported Debt Outstanding</u>	<u>Percentage Overlapping¹</u>	<u>Overlapping Debt Applicable to the City of Milwaukie</u>
Debt repaid with property taxes:				
Clackamas Community College	\$ 33,484,751,034	\$ 30,100,000	5.99%	\$ 1,802,599
Clackamas County	46,272,270,083	72,910,000	4.33	3,159,701
Clackamas City ESD	44,081,280,604	-	-	-
Clackamas City RFPD 1	18,283,729,929	2,655,000	11.07	293,810
Clackamas City SD 12 (North Clackamas)	12,476,292,846	354,352,747	16.07	56,955,117
Metro	188,213,817,015	273,485,000	1.08	2,939,964
Multnomah County	96,115,185,157	89,000,000	0.02	16,643
Multnomah City SD 1J (Portland)	71,565,796,882	460,455,126	0.03	116,035
Multnomah ESD	97,184,919,419	-	-	-
North Clackamas Parks & Rec District	12,527,962,235	-	-	-
Oak Lodge Water District	2,446,596,340	430,000	0.28	1,199
Port Of Portland	206,003,917,447	-	-	-
Portland Community College	151,131,432,801	188,165,000	0.01	22,392
Tri-Met	187,637,038,973	240,000	1.08	2,588
Subtotal, overlapping debt	<u>1,167,424,990,765</u>	<u>1,471,792,873</u>		<u>65,310,048</u>
Direct debt outstanding:				
City of Milwaukie	<u>2,023,326,169</u>	<u>5,172,425</u>	100.00%	<u>5,172,425</u>
Total direct and overlapping debt outstanding	<u>\$ 1,169,448,316,934</u>	<u>\$ 1,476,965,298</u>		<u>\$ \$ 70,482,473</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

Source: Oregon State Treasury Department, Debt Management Division

CITY OF MILWAUKIE, OREGON
Legal Debt Margin Information
for the last ten fiscal years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt maximum limitation	\$ 46,867,190	\$ 48,438,647	\$ 52,150,043	\$ 56,247,722	\$ 64,372,140
Debt applicable to maximum limit	3,020,000	2,705,000	2,375,000	2,030,000	1,665,000
Legal debt margin available	<u>\$ 49,887,190</u>	<u>\$ 51,143,647</u>	<u>\$ 54,525,043</u>	<u>\$ 58,277,722</u>	<u>\$ 66,037,140</u>
Debt applicable to the maximum limit as a percentage of debt limitation	6.45%	5.21%	5.77%	4.90%	3.89%

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt maximum limitation	\$ 73,435,109	\$ 76,180,671	\$ 69,018,572	\$ 62,715,764	\$ 60,718,972
Debt applicable to maximum limit	1,280,000	875,000	450,000	-	-
Legal debt margin available	<u>\$ 74,715,109</u>	<u>\$ 77,055,671</u>	<u>\$ 69,468,572</u>	<u>\$ 62,715,764</u>	<u>\$ 60,718,972</u>
Debt applicable to the maximum limit as a percentage of debt limitation	2.96%	1.15%	0.65%	n/a	n/a

Legal debt margin calculation for fiscal year ended June 30, 2012

Total property real market value	\$ 2,023,965,729
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) ¹	<u>60,718,972</u>
Amount of debt applicable to debt limit:	
Total debt	7,005,125
Less debt excluded from debt limit:	
Oregon SELP and SPWF loans	(5,172,425)
Oregon DEQ loan	(1,832,700)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>-</u>
Net amount of debt applicable to limit	<u>-</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 60,718,972</u>
Percentage of City's indebtedness to total allowed	n/a

¹ Pursuant to Oregon Revised Statutes 287.004, outstanding general obligation debt is limited to three percent of real market value.

Source: Clackamas County Department of Assessment and Taxation

CITY OF MILWAUKIE, OREGON

Pledged-Revenue Coverage

for the last ten fiscal years

Water Revenue Bonds						
Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
2003	\$ 1,910,831	\$ 1,625,851	\$ 284,980	\$ 90,000	\$ 44,085	2.13
2004	1,943,559	1,327,613	615,946	95,000	39,765	4.57
2005	1,719,836	1,432,598	287,238	95,000	35,110	2.21
2006	1,867,184	1,665,541	201,643	100,000	30,360	1.55
2007	2,264,937	1,759,500	505,437	105,000	25,260	3.88
2008	2,101,807	1,423,062	678,745	115,000	19,800	5.04
2009	2,137,300	1,461,628	675,672	120,000	13,475	5.06
2010	2,528,894	1,513,875	1,015,019	125,000	6,875	7.70
2011	-	-	-	-	-	n/a
2012	-	-	-	-	-	n/a

Wastewater Department of Environmental Quality Loan						
Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
2003	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2004	-	-	-	-	-	n/a
2005	-	-	-	-	-	n/a
2006	-	-	-	-	-	n/a
2007	-	-	-	-	-	n/a
2008	-	-	-	-	-	n/a
2009	-	-	-	-	-	n/a
2010	-	-	-	-	-	n/a
2011	-	-	-	-	-	n/a
2012	\$ 4,539,621	\$ 3,503,728	\$ 1,035,893	\$ 96,229	\$ 9,405	9.81

Source: Annual financial statements of the City of Milwaukie

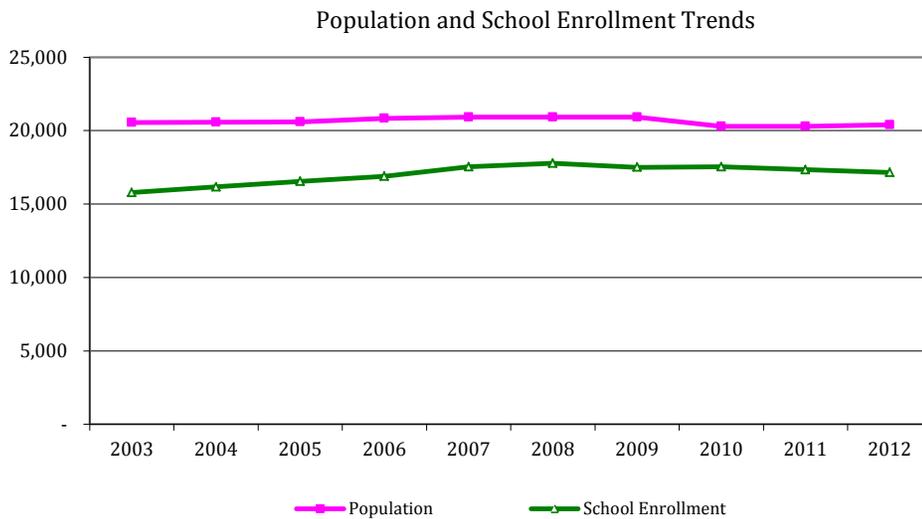
Note: Water Revenue and Refunding Bonds were paid off in fiscal year 2010

CITY OF MILWAUKIE, OREGON
Demographic and Economic Statistics
for the last ten fiscal years

Fiscal year	Population	Personal income (in thousands)	Per capita personal income	School enrollment	Unemployment rate
2003	20,550	\$ 692,638	\$ 33,705	15,777	6.7 %
2004	20,580	715,772	34,780	16,170	7.5
2005	20,590	744,493	36,158	16,546	6.9
2006	20,835	800,397	38,416	16,889	5.3
2007	20,920	834,771	39,903	17,535	4.1
2008	20,915	866,090	41,410	17,772	5.3
2009	20,920	815,231	38,969	17,506	10.7
2010	20,291	808,454	39,843	17,530	8.7
2011	20,290	*	*	17,334	9.6
2012	20,400	*	*	17,152	8.7

* Information unavailable at this time.

Sources: Center for Population Research and Census, Portland State University
 Bureau of Economic Analysis
 State of Oregon Employment Department
 Oregon Department of Education



CITY OF MILWAUKIE, OREGON

Principal Employers *current year and nine years ago*

<u>Employer</u>	<u>2012</u>			<u>2003 (Note re: 1997 info)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>
United Grocers	630	1	4.57%	1,360	1	9.58%
PCC Structurals	500	2	3.62			
R M International	500	3	3.62			
North Clackamas School District ¹	385	4	2.79			
Oeco LLC	300	5	2.17	370	5	2.61
Safeway (3 locations)	280	6	2.03			
Warn Industries Inc.	250	7	1.81			
Schellenberg Tech Ctr (3 locations)	200	8	1.45			
Goodwill	200	9	1.45			
Marquis Home Health	200	10	1.45			
To Your Home from Willamette	200	11	1.45			
Associated Chemists Inc.	175	12	1.27			
Lowe's Home Improvement	175	13	1.27			
Things From Another World	151	14	1.09			
Advanced Entry System	150	15	1.09			
Auto Town GMC Inc., Mazda etc.	150	16	1.09			
Benefithelp Solutions Inc.	150	17	1.09			
Contactors Employment Services	150	18	1.09			
Stoner Controls	150	19	1.09			
City of Milwaukie	138	20	1.00	142	12	1.00
Dark Horse Comics	125	21	0.91			
Willamette View Terrace	125	22	0.91			
Providence Milwaukie Hospital Inc				406	3	2.86
Warn Industries of Portland				526	2	3.70
J.C. Penny Co.				375	4	2.64
Stanley Hydraulic Tools				300	6	2.11
Mail-Well Envelope Co.				250	7	1.76
Willamette View, Inc.				250	8	1.76
Total	<u>5,284</u>		<u>38.29%</u>	<u>3,979</u>		<u>28.02%</u>

¹ North Clackamas School District has approximately 2,000 employees. There are 385 employees in the schools located in Milwaukie including Milwaukie HS, Ardenwald, Lewelling, Linwood and Lot Whitcomb Elementary schools.

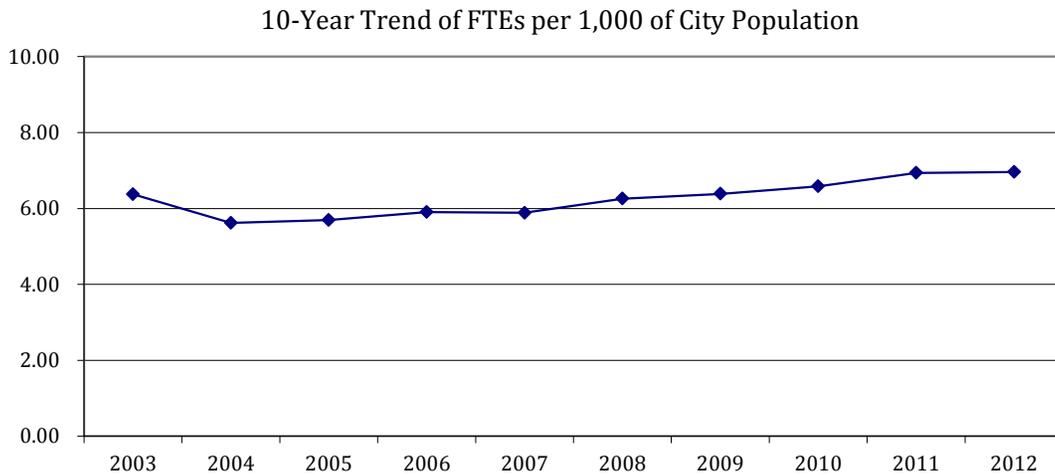
Note: Historical number of employees for 2003 unavailable - the closest available is presented which is 1997.

Sources: Chamber of Commerce, Clackamas County, and ReferenceUSA

CITY OF MILWAUKIE, OREGON
Full-time Equivalent City Government Employees by Function
for the last ten fiscal years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	18.50	18.50	18.50	18.50	17.50	19.00	20.00	19.00	22.30	20.50
Public safety	46.00	36.00	36.00	39.50	37.00	41.00	41.00	43.00	41.50	42.00
Community services	21.50	17.50	18.12	18.47	18.96	19.16	19.34	24.25	23.79	24.76
Community development	16.00	15.70	15.70	16.50	18.67	22.72	23.00	23.75	24.50	24.50
Facilities	2.00	2.00	2.25	1.75	2.00	1.50	2.00	2.00	2.67	2.67
Streets	6.00	6.00	6.00	6.00	6.00	5.50	5.50	5.50	6.30	6.30
Water	6.33	6.34	6.34	6.34	6.34	5.84	5.84	5.84	6.30	7.30
Wastewater	4.83	4.83	4.83	4.83	4.83	5.33	5.33	5.33	5.00	5.00
Storm water	3.84	3.83	3.83	5.83	5.83	5.33	5.33	5.33	5.80	5.80
Fleet services	6.00	5.00	5.75	5.25	6.00	5.50	6.25	6.75	3.00	3.00
Total FTEs	131.00	115.70	117.32	122.97	123.13	130.88	133.59	140.75	141.16	141.83
City Population	20,550	20,580	20,590	20,835	20,920	20,915	20,920	20,291	20,290	20,400
FTEs per 1,000 of population	6.37	5.62	5.70	5.90	5.89	6.26	6.39	6.58	6.94	6.96

Source: City of Milwaukie's Finance department



CITY OF MILWAUKIE, OREGON
Operating Indicators by Function
for the last eight fiscal years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:								
Public safety								
Citations:								
Traffic	5,693	4,974	7,764	8,166	13,447	12,540	11,415	10,306
Parking	1,244	537	1,524	1,034	1,013	384	433	721
City Ordinance	105	122	160	150	85	74	90	114
Non-Traffic Violation	44	91	125	77	86	102	170	127
Total citations processed	7,086	5,724	9,573	9,427	14,631	13,100	12,108	11,268
Number of seat belt classes	203	155	158	183	212	218	40	34
Number of officers per 1,000 capita	-	1.90	1.75	1.80	1.70	1.70	1.80	1.90
Culture and recreation								
Library items in collection	107,859	110,395	111,588	108,767	107,924	117,788	121,078	121,982
Circulation	539,386	544,818	549,454	585,857	651,764	671,554	717,821	709,618
Average circulation per capita	26.32	26.59	26.82	28.59	31.81	33.01	35.48	33.70
Number of library programs	242	236	243	299	305	378	408	505
Attendance at library programs	7,449	7,448	6,846	8,356	9,902	11,415	11,987	12,619
Number of library volunteers	814	763	731	1,356	894	1,114	1,368	1,507
Library volunteer hours	6,131	5,816	6,427	7,592	6,992	8,513	8,493	8,679
Community development								
Building:								
Building permits issued	690	651	700	700	600	523	550	587
Inspections performed	3,184	3,625	3,200	3,200	3,200	2,784	1,450	1,430
Investigations	58	55	65	65	60	56	64	55
Violations resolved	22	20	30	30	24	18	20	19
Planning:								
Land use applications processed	-	25	35	31	21	14	15	72
Business-type activities:								
Water								
Service connections	-	-	-	-	6,911	6,911	7,000	6,929
Number of fire hydrants maintained	-	-	-	292	295	180	419	409
Sanitary sewer (in feet)								
Sewer mainline cleaning	45,144	54,492	31,935	133,010	125,344	139,876	125,000	110,610
Mainline inspections completed	52,002	52,054	67,655	126,360	143,566	113,401	125,000	125,894

Note: Some of the above statistical information is not available for a particular fiscal year.

Source: City of Milwaukie's Finance department

CITY OF MILWAUKIE, OREGON
Capital Assets Statistics by Function
current year and nine years ago

<u>Function/Program</u>	<u>2012</u>	<u>2003</u>
Governmental activities:		
General government		
City-owned building facilities	5	4
Public safety		
Police stations	1	1
Patrol units	17	8
Culture and recreation		
Library facility	1	1
Community development		
Value of new building construction (in thousands)	26,169	17,000 *
Highways and streets		
Miles of streets (street lane miles)	165	205
Surface water catch basins	1,613	1,100 *
Business-type activities:		
Water		
Water mains (miles)	100	102
Number of pump stations	4	4
Number of water storage reservoirs	3	3
Sanitary sewer		
Sanitary sewer (miles)	78	70 *
Number of sewer manholes	1,688	1,600

* These are estimated statistics based upon best historic information available.

Source: City of Milwaukie's Finance department

**CITY OF MILWAUKIE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SECTION IV

COMPLIANCE SECTION

COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320, incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations 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.

The following reports from Grove, Mueller & Swank, P.C. are contained in this section:

- Independent Auditor's Report Required by Oregon State Regulations



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 REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor, Members of the
City Council and the City Manager
City of Milwaukie, Oregon
Milwaukie, Oregon

We have audited the basic financial statements of the City of Milwaukie, Oregon as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Milwaukie, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for expenditures in excess of appropriations as indicated in the notes to the financial statements.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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

By: 
Thomas E. Glogau, A Shareholder
November 28, 2012

MILWAUKIE FINANCE DEPARTMENT

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CITY OF MILWAUKIE, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012