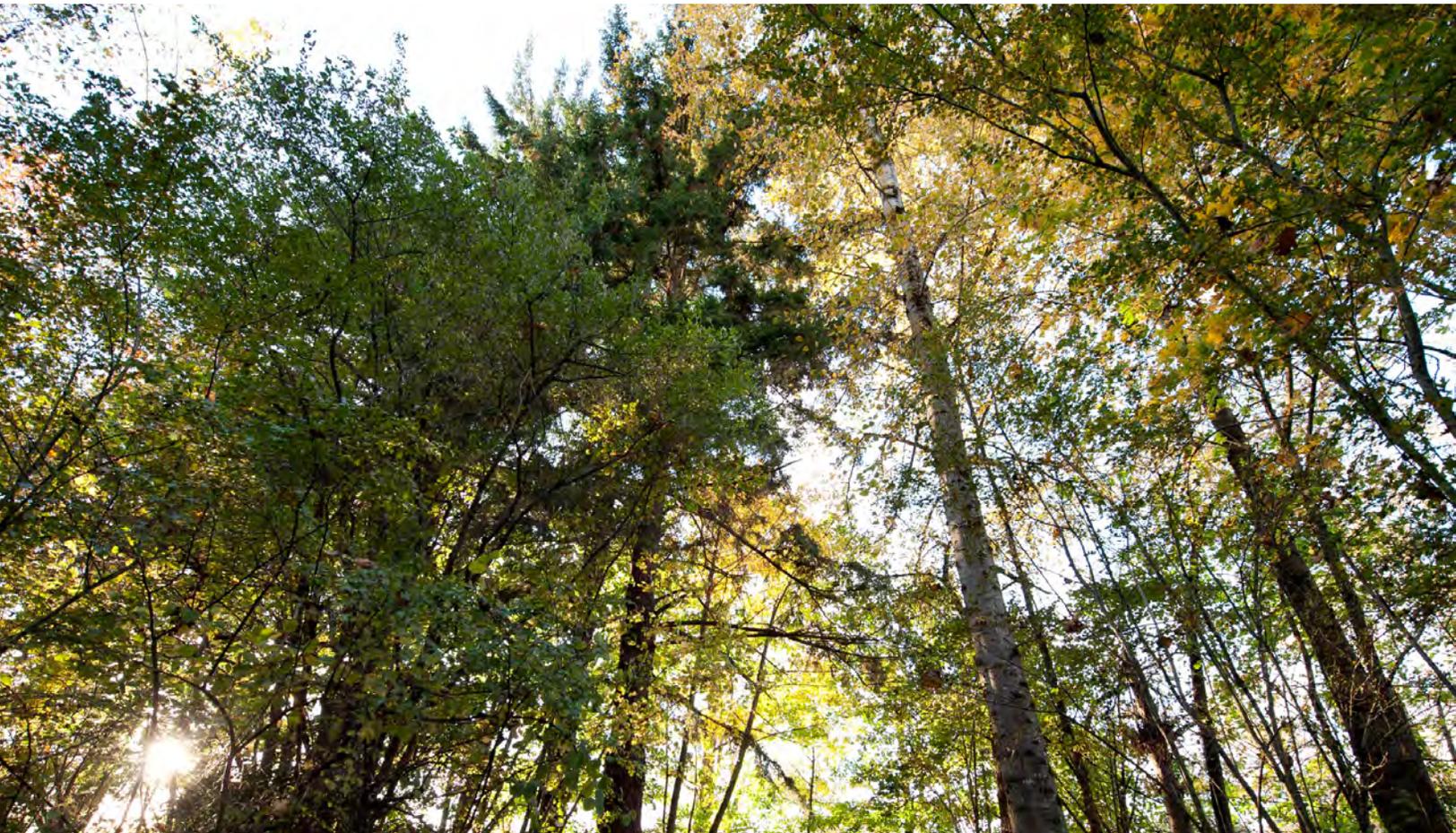




City of Milwaukie, Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



CITY OF MILWAUKIE, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2011

prepared by

Finance Department
City of Milwaukie, Oregon

available online at
<http://www.ci.milwaukie.or.us>

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CITY OF MILWAUKIE, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011

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

SECTION I

INTRODUCTORY SECTION

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December 15, 2011

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, 2011 is hereby submitted.

This report presents the financial position of the City as of June 30, 2011 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 or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2011. 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 20,930 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 fiscal year 2012 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, 2011, a 15.5, 7.0, and 7.5 percent rate increase for water, wastewater, and stormwater fees respectively were identified as necessary to fund needed infrastructure projects.

In regards to the City's long-term debt obligations, the City paid off its one remaining general obligation bond issue in fiscal year 2011, has approximately \$4.2 million outstanding in PERS bonds, \$3.8 million in DEQ loans, and \$1.1 million outstanding other loans, for a total of \$9.2 million in long-term debt outstanding as of June 30, 2011. In fiscal year 2012, \$2 million of the DEQ loan will be converted to a grant and need not be repaid by the City.

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.

The City continues the process of refining the Riverfront Development project, the funding initiative of the City's pledged match for the regional Light Rail project, and other economic development initiatives identified during the Council goal process.

The Budget Committee and Council are considering moving forward with the City's first biennial budget for the next budget biennium of 2013-2014, allowing better alignment with the State's biennial budget and increasing the budgetary focus on a longer term.

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 on its outstanding general obligation debt which was paid off in fiscal year 2011. Credit ratings reflect the City's ability to continue to participate in the public bond markets while obtaining the lowest interest rate costs available.

Standard & Poor's Downgrades U.S. Debt to AA+

The United States government has been rated Aaa and AAA with Moody's Investors Service and Standard & Poor's respectively since 1917. Accordingly, U.S. Treasury obligations have been the benchmark for risk-free investments for just about one hundred years. On July 13, 2011, Moody's Investors Service placed the Aaa bond rating of the United States government on review for possible downgrade given the rising possibility that the statutory debt limit would not be raised on a timely basis, leading to a default on treasury debt obligations.

In August 2011, Moody's and Fitch maintained their Aaa rating on U.S. debt, but issued a negative outlook. Standard & Poor's however lowered their rating one level to AA+, the first-ever reduction for U.S. debt. Standard & Poor's then lowered 11,500 municipal bond ratings tied to the federal government, but stated that they would not make further downgrades of state and local government credits dependent on federal funding until details of U.S. spending cuts are settled.

The City of Milwaukie is an Aa3/AA- rated city, does not have any federal secured debt, and was not immediately/directly affected by these downgrades. Over the long term, the downgrades of AAA debt may eventually trickle-down and could affect all municipal debt holdings and general interest rates – it is hard to say the impact at this time.

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.

Prospects of Biennial Budgeting

Vice President Al Gore's National Performance Review endorses a national biennial budget to eliminate "busy work" that prevents "evaluating programs and meeting customer needs."

The State of Oregon budgets on a two-year basis, focusing on long-term financial planning. The 2001 Oregon Legislature revised local Budget Law to allow local taxing districts to budget either on a one-year (fiscal year) or a two-year (biennial) budget period. Since 2002, counties, cities and other agencies have had the ability to match the State's two-year budget period if they prefer and many have moved in that direction. Cities that are currently budgeting on a two-year basis include the City of Ashland, City of Medford, City of Vancouver, City of Sandy, City of West Linn, City of Bend, and Benton County, while others, such as the City of Oregon City have indicated their intent to move to biennial budgeting.

Historically, the City of Milwaukie has performed the annual budget process, concentrating on the year at-hand. During the FY12 budget process, the City completed its first Five Year Financial Forecast, made possible by an intensive fund and account reorganization. This Five Year Financial Forecast is indicative of the City's move towards a long-term financial focus. Additionally, the City is working to improve overall transparency and communication value that can be captured through narratives and other departmental and city-wide information in a budget document.

Awards

Comprehensive Annual Financial Reporting Award. For the first time since the early nineties, the City plans to submit this 2010-11 audit document for the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officers Association (GFOA). The *Certificate of Achievement for Excellence in Finance Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. 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 has also prepared a Popular Annual Financial Report for fiscal year 2010-11 and plans to submit it for the *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. 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 the *Distinguished Budget Presentation Award* for its fiscal year 2011-12 budget document from the GFOA. This award is the highest form of recognition in governmental budgeting. Its attainment will represent a significant accomplishment by a governmental entity, its financial staff, and its management. The award program is an international one 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.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was a combined effort of the dedicated Finance staff under the direction of Richard Seals, Casey Camors, 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
Finance Director



Richard Seals, CPA CMA CFM CFE
Finance Director



Rina Byrne, CPA CFE
Assistant Finance Director

CITY OF MILWAUKIE, OREGON
 Elected and Appointed Officials

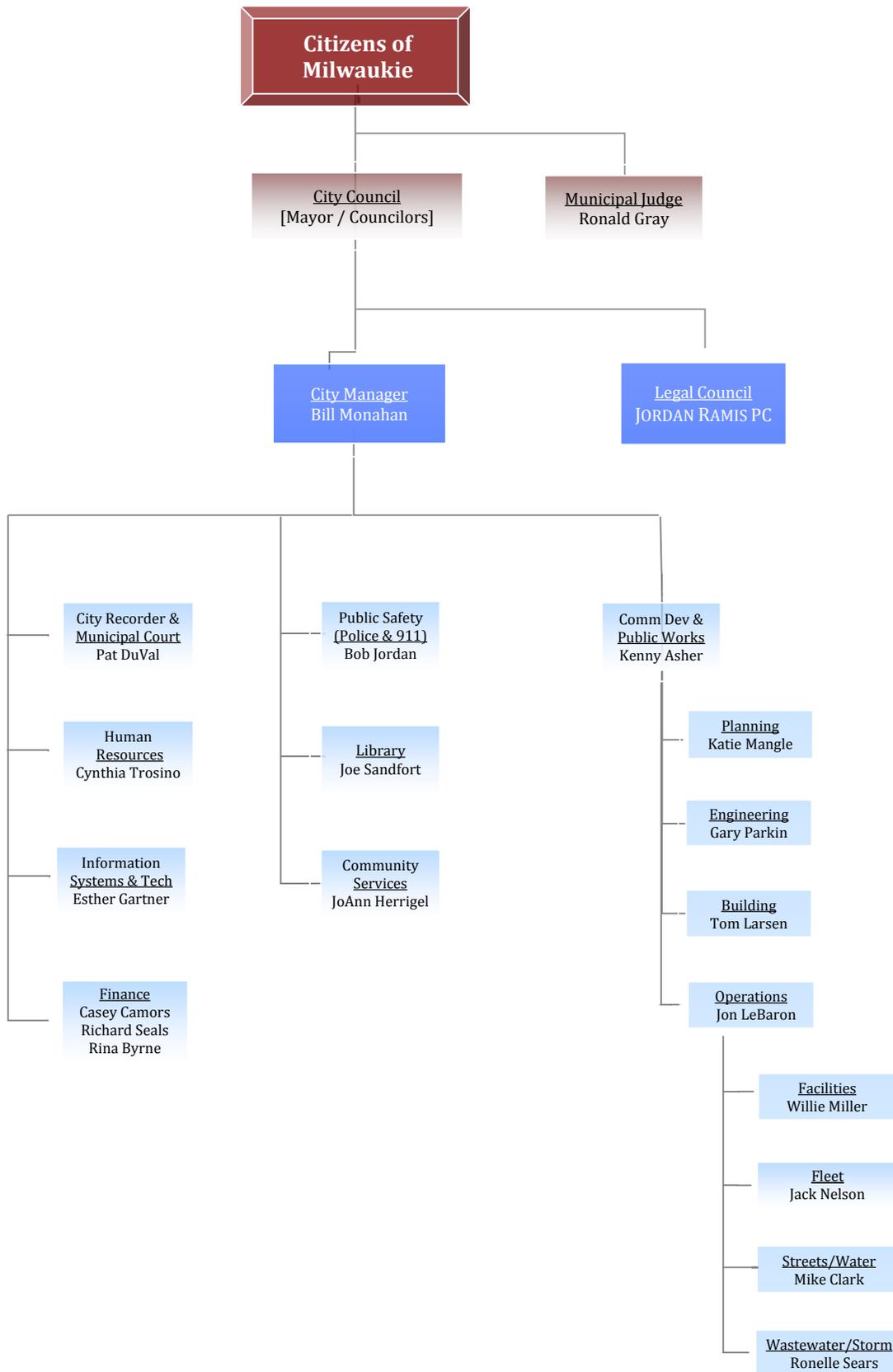
Elected Officials	Term Expires
Jeremy Ferguson, Mayor	December 31, 2014
Greg Chaimov, Council President	December 31, 2012
Dave Hedges, Councilor	December 31, 2014
Joe Loomis, Councilor	December 31, 2012
Mike Miller, Councilor	December 31, 2014

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
Rina Byrne, CPA CFE	Assistant Finance Director
Casey Camors, CPA	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
Jon LeBaron	Operations Director
Katie Mangle	Planning Director
Gary Parkin, PE	City Engineer
Joe Sandfort	Library Director
Richard Seals, CPA CMA CFM CFE	Finance Director
Cynthia Trosino, SPHR	Human Resources Director

CITY OF MILWAUKIE, OREGON
Organizational Chart



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**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, each major fund, and aggregate remaining fund information of the City of Milwaukie, Oregon as of and for the year ended June 30, 2011, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, each major fund, and the aggregate remaining fund information of the City of Milwaukie, Oregon as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in the notes to the financial statements, during the year ended June 30, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 13 through 22), the budgetary comparison information (pages 57 through 60), and the schedule of funding progress – Oregon Public Employees Retirement System (page 61) 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 and the schedule of funding progress – Oregon Public Employees Retirement System 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 57 through 60 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 required parts of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and schedule of expenditures of federal awards are the responsibility of management and were 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: 

Charles A. Swank, A Shareholder
December 15, 2011

CITY OF MILWAUKIE, OREGON

Management's Discussion and Analysis

For the fiscal year ended June 30, 2011

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, 2011. 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

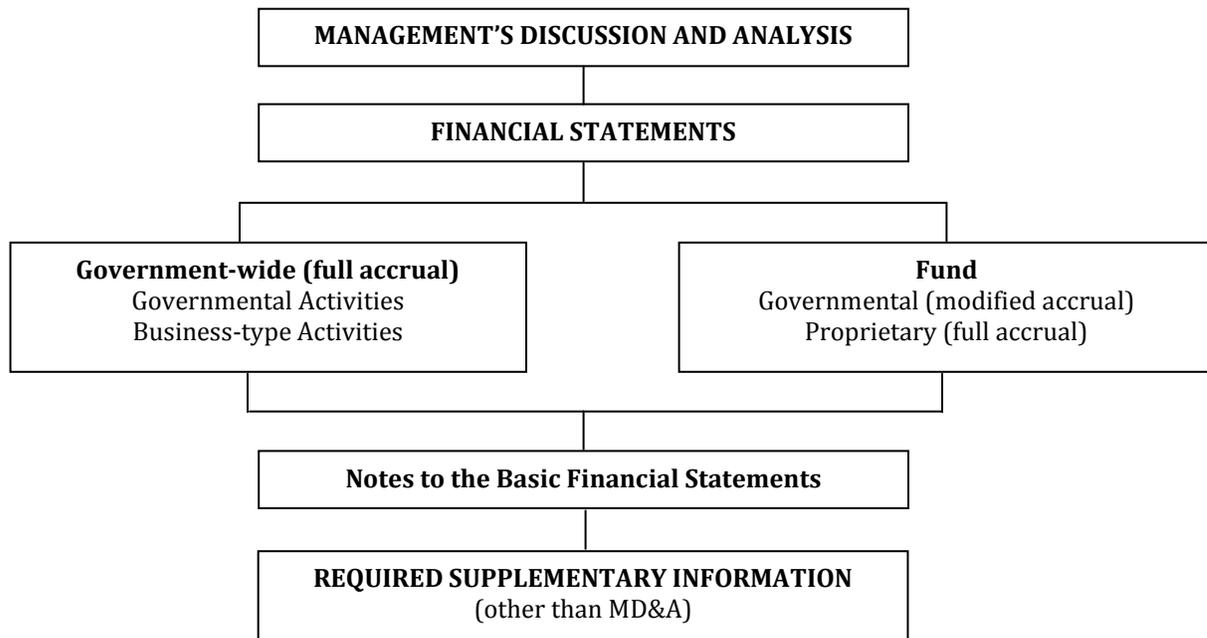
- The City's assets totaled \$79.3 million at June 30, 2011, consisting of \$59 million in capital assets, \$12.4 million in unrestricted cash and investments, \$2.2 million in restricted cash and investments, and \$5.7 million in other assets. Total assets decreased by \$1.1 million from the previous fiscal year.
- The City's liabilities totaled \$12.7 million at June 30, 2011 consisting of \$9.2 million in long-term liabilities and \$3.5 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$66.6 million at the close of fiscal year 2011. Unrestricted net assets totaled \$10.5 million with the remainder of the City's net assets invested in capital assets net of related debt (\$54.0 million) and restricted for capital projects, building operations, and public safety (\$2.1 million).
- For its governmental activities, the City generated \$7.8 million in charges for services and received \$3.3 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$20.0 million for the year, resulting in a net expense of \$8.9 million. The City also received \$9.0 million of general revenues, resulting in a change in net assets of \$0.1 million.
- For its business-type activities, the City generated \$9.0 million in charges for services contributions to fund direct expenses of \$9.1 million.
- Fund balance in the City's governmental funds was \$9.7 million at June 30, 2011, up by \$0.2 million from June 30, 2010.

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 *combining statements and 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 you need to consider additional nonfinancial factors such as changes in the City’s property tax base and the condition of the City’s roads.

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 \$66.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (88 percent) 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	
	2011	(Restated) 2010	2011	(Restated) 2010	2011	(Restated) 2010
Current and other assets	\$ 15,536	\$ 15,045	\$ 4,761	\$ 4,453	\$ 20,297	\$ 19,498
Capital assets	40,395	41,369	18,625	16,967	59,020	58,336
Total assets	55,931	56,414	23,386	21,420	79,317	77,834
Long-term liabilities	5,316	5,886	3,851	2,229	9,167	8,115
Other liabilities	2,622	2,694	882	557	3,504	3,251
Total liabilities	7,938	8,580	4,733	2,786	12,671	11,366
Net assets:						
Invested in capital assets, net of related debt	39,274	39,717	14,773	14,740	54,047	54,457
Restricted for:						
Public Safety	10	-	-	-	10	-
Debt service	-	523	-	-	-	523
Building operations	96	94	-	-	96	94
Capital projects	2,019	2,097	-	-	2,019	2,097
Unrestricted	6,594	5,403	3,881	3,896	10,475	9,299
Total net assets	\$ 47,993	\$ 47,834	\$ 18,654	\$ 18,636	\$ 66,647	\$ 66,470

A portion of the City's net assets (\$2.1 million or approximately 4%) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$10.5 million or about 16 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2011, 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 \$0.2 to \$66.6 million.

Statement of Activities

As with the *Statement of Net Assets*, the City reports governmental activities on a consolidated basis. A summary of the *Statement of Activities* is in Table 2 on the next page.

Table 2
Changes in Net Assets
(in thousands)

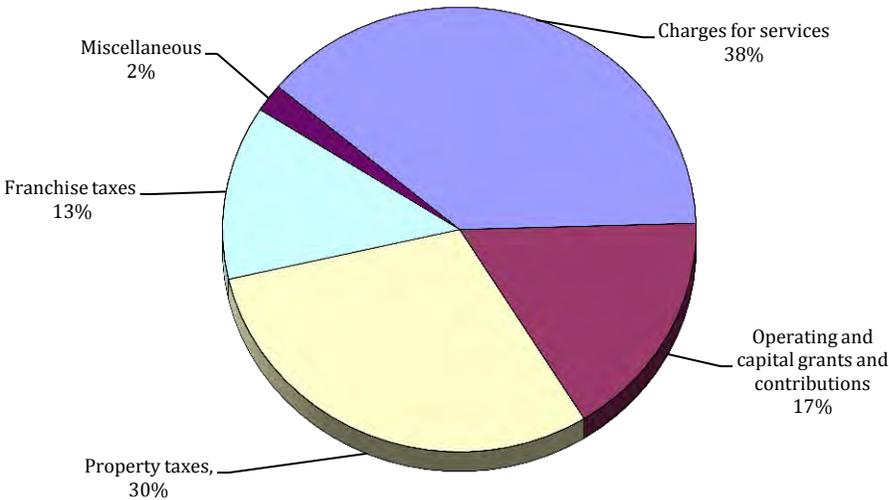
	Governmental Activities		Business-type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	FY10-11	FY09-10	FY10-11	FY09-10	FY10-11	FY09-10
Revenues						
Program revenues						
Charges for services	\$ 7,772	\$ 3,352	\$ 8,999	\$ 8,433	\$ 16,771	\$ 11,785
Operating grants and contributions	3,313	2,697	-	-	3,313	2,697
Capital grants and contributions	47	27	-	-	47	27
General revenues						
Property taxes	6,112	6,599	-	-	6,112	6,599
Franchise taxes	2,561	1,838	-	-	2,561	1,838
Grants and contributions not restricted to specific programs	297	-	-	-	297	-
Miscellaneous	115	1,625	85	12	200	1,637
Total revenues	20,217	16,138	9,084	8,445	29,301	24,583
Expenses						
Governmental activities						
General government	9,813	3,854	-	-	9,813	3,854
Highways and streets	2,094	2,865	-	-	2,094	2,865
Public safety	6,210	7,627	-	-	6,210	7,627
Culture and recreation	1,585	2,376	-	-	1,585	2,376
Interest on long-term debt	292	318	-	-	292	318
Depreciation	-	-	-	-	-	-
Business-type activities						
Water	-	-	2,397	2,143	2,397	2,143
Wastewater	-	-	5,023	4,580	5,023	4,580
Stormwater	-	-	1,710	1,152	1,710	1,152
Total expenses	19,994	17,040	9,130	7,875	29,124	24,915
Change in net assets before transfers	223	(902)	(46)	570	177	(332)
Transfers	(64)	1,485	64	(1,485)	-	-
Change in net assets	159	583	18	(915)	177	(332)
Net assets - beginning, as previously reported	47,834	48,012	18,636	21,572	66,470	69,584
Restatement	-	(761)	-	(2,021)	-	(2,782)
Net assets - beginning, as restated	47,834	47,251	18,636	19,551	66,470	66,802
Net assets - ending	\$ 47,993	\$ 47,834	\$ 18,654	\$ 18,636	\$ 66,647	\$ 66,470

Governmental Activities

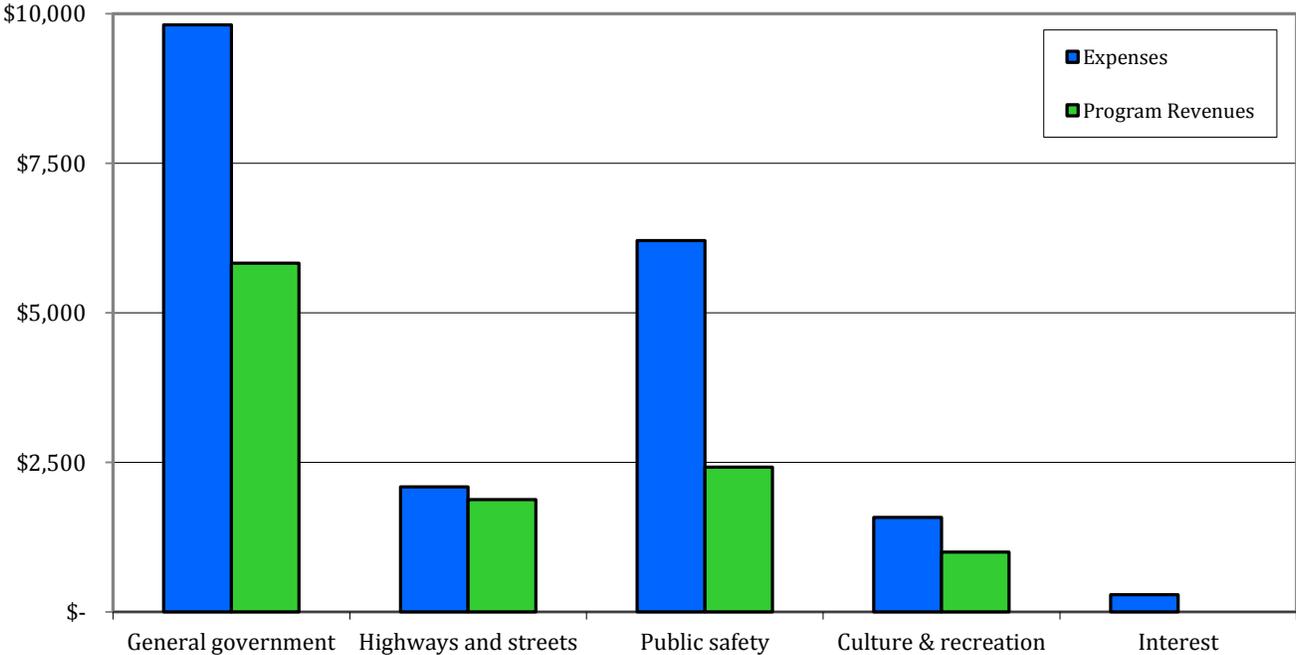
Governmental activities increased the City's net assets by \$0.2 million in fiscal year 2010-11, compared to a \$0.6 million increase in the prior fiscal year, 2009-10. Key elements of these changes are illustrated in Table 2 above.

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)

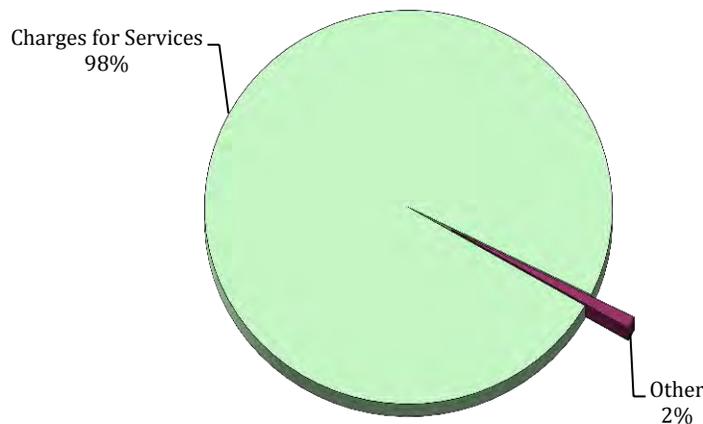


Business-type Activities

Water fund revenues represent approximately 24 percent of all utility revenues for the City. The City continues to contribute capital investment to the water system while maintaining a consistent level of service.

The wastewater fund revenues represent approximately 56 percent of all utility revenues and stormwater revenues are 20 percent. These funds provide sewer collection services and surface water management services.

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, 2010 the City reported 13 governmental funds, nine proprietary funds and six internal service funds. All internal service funds are closed at June 30, 2011 and their results are reported in the general fund, along with three non-major governmental funds. Three proprietary funds have been reclassified as governmental funds and are reported in the systems development charges fund; the state gas tax, streets surface maintenance and bike path funds are combined in a single fund. At June 30, 2011, the City has four remaining governmental funds, including the general fund. In order to make meaningful comparisons, the analysis that follows is based as though last year's fund structure were the same as the current fund structure.

As of June 30, 2011, the City's governmental funds reported a combined ending fund balance of \$9.7 million, an increase of \$0.2 million, after factoring in reclassifications and restatements, when compared to the prior year. Unassigned fund balance, as of June 30, 2011, was \$6.1 million 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, 2011, total fund balance was \$6.3 million, which is an increase of \$4.3 million from the prior year including fund reclassifications and restatements, and is considered unassigned. The City's general fund is funded with property taxes and franchise fees, as well as charges for services from other funds, including the transportation and proprietary funds. Revenue for the general fund was flat compared with the prior year; however when combined with the funds that were reclassified to the general fund, revenue decreased by \$0.6 million in fiscal year 2011. There is no individually significant reason for the decline. General fund expenditures were \$16.3 million in fiscal year 2011, compared to the combined funds expenditures of \$20.7 million in the previous year.

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 fees paid by other funds, revenue and expenditures remained consistent with fiscal year 2009-10. The transportation fund had an overall increase in fund balance of \$0.4 million for the fiscal year ended June 30, 2011.

Systems Development Charges Fund

This capital projects fund accounts for systems development charges restricted for capital projects. Fund balance at June 30, 2011 remained consistent with the previous year, at \$2.0 million.

General Fund Budgetary Highlights

The original appropriated budget of the general fund for the fiscal year 2011 budget period amounted to \$12.5 million with no budget appropriation for general fund contingencies. There were no differences between the general fund's original budget and final budget. Actual revenues (budgetary basis) were less than budgeted amounts primarily due to lower than anticipated franchise fees and the deferral of renewing the photo radar program. The primary reasons expenditures were less than budget are that management reduced spending in response to actual reduced revenues and a forecast for more of the same going forward, and charges for services from the administrative services fund were not expended due to the reorganization of the fund structure. 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, 2011, the City had invested \$59.0 million in capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$0.7 million in fiscal year 2011. Governmental capital assets totaled \$40.4 million while business-type capital assets totaled \$18.6 million.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	(Restated) 2010	2011	(Reclassified) 2010	2011	2010
Land and easements	\$ 5,811.1	\$ 5,582.6	\$ 392.6	\$ 392.6	\$ 6,203.7	\$ 5,975.2
Buildings and improvements	7,782.0	7,654.4	2,545.6	2,234.3	10,327.6	9,888.7
Vehicles and equipment	1,380.6	1,435.7	2,103.8	2,250.6	3,484.4	3,686.3
Infrastructure	24,014.0	25,370.8	13,384.5	8,976.5	37,398.5	34,347.3
Construction in progress	1,408.1	1,325.9	197.7	3,114.9	1,605.8	4,440.8
Capital assets, net	<u>\$ 40,395.8</u>	<u>\$ 41,369.4</u>	<u>\$ 18,624.2</u>	<u>\$ 16,968.9</u>	<u>\$ 59,020.0</u>	<u>\$ 58,338.3</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 assets 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		Business-type		Total	
	Activities		Activities			
	FY10-11	FY09-10	FY10-11	FY09-10	FY10-11	FY09-10
Beginning balance	\$ 41,369.4	\$ 43,574.9	\$ 16,968.9	\$ 15,569.4	\$ 58,338.3	\$ 59,144.3
Additions	1,385.2	2,006.3	2,673.2	2,621.4	4,058.4	4,627.7
Reductions and adjustments	(343.2)	(2,052.2)	(280.6)	-	(623.8)	(2,052.2)
Depreciation	(2,015.6)	(2,159.6)	(737.3)	(1,221.9)	(2,752.9)	(3,381.5)
Ending balance	<u>\$ 40,395.8</u>	<u>\$ 41,369.4</u>	<u>\$ 18,624.2</u>	<u>\$ 16,968.9</u>	<u>\$ 59,020.0</u>	<u>\$ 58,338.3</u>

Assets utilized in governmental activities decreased by a net \$0.97 million with depreciation exceeding the increases in land, building, machinery and equipment, and sidewalk 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.

Debt Outstanding

As of the end of the fiscal year, the City had \$9.2 million in long-term bonded debt obligations outstanding – an increase of five percent from the prior year – as shown in Table 5. More detailed information about the City's long-term debt obligations is presented on pages 41 and 42 in the notes to the basic financial statements.

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

	2011	2010
Governmental:		
General obligation bonds	\$ -	\$ 450
Pension bonds	4,195	4,235
Loans	1,121	1,201
Sub-total	5,316	5,886
Business-type:		
Oregon DEQ loan	3,846	2,229
Total	\$ 9,162	\$ 8,115

The City has maintained an Aa3 rating with Moody’s Investors Service and an AA- with Standard and Poor’s Rating Services on its outstanding general obligation debt which was paid off in fiscal year 2011. 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 applicable to this limit which would be \$63 million maximum limitation.

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 percent); therefore, real market values would have to decrease an additional 20 percent before the City’s property tax revenue stream would be negatively impacted.

The largest resource used for governmental activities, at 43 percent, consisted of charges for service, including permits, licenses, recreation charges, and system development charges. Property tax revenue, the next largest revenue sources, provided 29 percent of the resources used for governmental activities. Property taxes for general operations increased slightly over the last year and investment earnings are down due to the decline in interest rates.

The business-type activities are funded with utility fees and charges. Effective July 1, 2011, the following utility rate increases as recommended by the Citizen Utility Advisory Board to cover projects listed in the Capital Improvement Plan will go into effect: 0 percent increase in the Street Fee, 15.5 percent in Water, 7 percent in Wastewater, and 7.5 percent in Stormwater resulting in an overall average increase of approximately 9 percent in the monthly utility bill or approximately \$5.40 per month. 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.

The rate increases are consistent with financial proformas prepared with the issuance of revenue bonds in 1999 and were necessary to maintain a revenue coverage ratio above the rate promised to the bond holders in the revenue bond covenants. Smaller rate increases are anticipated over the next several years to generate sufficient revenue to fund operations and provide adequate funds for anticipated capital replacement projects.

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 MILWAULKIE, OREGON

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 8,706,410	\$ 3,702,895	\$ 12,409,305
Restricted cash and investments	2,170,331	-	2,170,331
Property taxes receivable	420,191	-	420,191
Accounts receivable, net of allowance	785,118	1,082,647	1,867,765
Deferred expense	119,112	-	119,112
Internal balances	23,254	(23,254)	-
Prepaid pension	3,311,135	-	3,311,135
Capital assets not being depreciated:			
Land and easements	5,811,073	392,550	6,203,623
Construction in progress	1,408,125	197,676	1,605,801
Capital assets net of accumulated depreciation:			
Buildings and improvements	7,781,970	2,545,568	10,327,538
Vehicles and equipment	1,380,593	2,103,781	3,484,374
Infrastructure	24,013,976	13,384,581	37,398,557
TOTAL ASSETS	55,931,288	23,386,444	79,317,732
LIABILITIES:			
Accounts payable	1,081,325	804,444	1,885,769
Accrued salaries and payroll taxes payable	244,566	30,306	274,872
Accrued compensated absences payable	685,220	46,610	731,830
Other liabilities	84,298	-	84,298
Deposits payable	6,354	-	6,354
Unearned revenue	519,638	-	519,638
Noncurrent liabilities:			
Long-term obligations, due within one year	143,547	96,500	240,047
Long-term obligations, due in more than one year	5,173,000	3,754,834	8,927,834
TOTAL LIABILITIES	7,937,948	4,732,694	12,670,642
NET ASSETS:			
Invested in capital assets, net of related debt	39,274,190	14,772,822	54,047,012
Restricted for:			
Public safety	10,562	-	10,562
Building operations	96,034	-	96,034
Capital projects	2,018,888	-	2,018,888
Unrestricted	6,593,666	3,880,928	10,474,594
TOTAL NET ASSETS	\$ 47,993,340	\$ 18,653,750	\$ 66,647,090

See notes to basic financial statements

CITY OF MILWAULKIE, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	\$ 9,813,131	\$ 5,110,209	\$ 674,799	\$ 47,634	\$ (3,980,489)	\$ -	\$ (3,980,489)
Highways and streets	2,094,359	663,344	1,215,175	-	(215,840)	-	(215,840)
Public safety	6,210,071	1,940,204	481,980	-	(3,787,887)	-	(3,787,887)
Culture and recreation	1,584,638	58,561	941,219	-	(584,858)	-	(584,858)
Interest on long-term debt	292,103	-	-	-	(292,103)	-	(292,103)
TOTAL GOVERNMENTAL ACTIVITIES	19,994,302	7,772,318	3,313,173	47,634	(8,861,177)	-	(8,861,177)
BUSINESS-TYPE ACTIVITIES:							
Water	2,396,983	2,173,097	-	-	-	(223,886)	(223,886)
Wastewater	5,022,977	5,031,349	-	-	-	8,372	8,372
Stormwater	1,709,712	1,794,261	-	-	-	84,549	84,549
TOTAL BUSINESS-TYPE ACTIVITIES	9,129,672	8,998,707	-	-	-	(130,965)	(130,965)
TOTAL ACTIVITIES	\$ 29,123,974	\$ 16,771,025	\$ 3,313,173	\$ 47,634	(8,861,177)	(130,965)	(8,992,142)
GENERAL REVENUES:							
Property taxes, levied for general purposes					6,111,789	-	6,111,789
Franchise taxes					2,560,743	-	2,560,743
Grants and contributions not restricted to specific programs					297,518	-	297,518
Unrestricted investment earnings					115,054	84,759	199,813
TRANSFERS					(64,422)	64,422	-
TOTAL GENERAL REVENUES AND TRANSFERS					9,020,682	149,181	9,169,863
CHANGE IN NET ASSETS					159,505	18,216	177,721
NET ASSETS - beginning, as previously reported					48,644,467	20,166,036	68,810,503
Reclassifications					1,610,502	(1,610,502)	-
Restatements					(2,421,134)	80,000	(2,341,134)
NET ASSETS - beginning, as restated					47,833,835	18,635,534	66,469,369
NET ASSETS - ending					\$ 47,993,340	\$ 18,653,750	\$ 66,647,090

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	General Fund	Transportation Fund	Systems Development Charges Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 6,975,233	\$ 1,731,177	\$ -	\$ -	\$ 8,706,410
Restricted cash and investments	10,562	-	2,052,844	106,925	2,170,331
Property taxes receivable	420,191	-	-	-	420,191
Accounts receivable	600,445	183,012	1,661	-	785,118
Deferred expenses	119,112	-	-	-	119,112
Due from other funds	210,571	-	-	-	210,571
TOTAL ASSETS	\$ 8,336,114	\$ 1,914,189	\$ 2,054,505	\$ 106,925	\$ 12,411,733
LIABILITIES:					
Accounts payable	\$ 967,539	\$ 72,605	\$ 35,617	\$ 5,564	\$ 1,081,325
Accrued salaries and payroll taxes	229,598	9,995	-	4,973	244,566
Other liabilities	84,298	-	-	-	84,298
Deposits payable	-	6,000	-	354	6,354
Due to other funds	187,317	-	-	-	187,317
Deferred revenue	569,423	504,638	-	-	1,074,061
TOTAL LIABILITIES	2,038,175	593,238	35,617	10,891	2,677,921
FUND BALANCES:					
Restricted	10,562	-	2,018,888	96,034	2,125,484
Assigned	201,508	1,320,951	-	-	1,522,459
Unassigned	6,085,869	-	-	-	6,085,869
TOTAL FUND BALANCES	6,297,939	1,320,951	2,018,888	96,034	9,733,812
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,336,114	\$ 1,914,189	\$ 2,054,505	\$ 106,925	

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.	40,395,737
Prepaid Pension assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at amortized cost	3,311,135
Other assets are not available to pay for current-period expenditures and are therefore deferred in the funds:	554,423
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	\$ (685,220)
Long-term debt obligations	(5,316,547)
Net assets of governmental activities	<u>\$ 47,993,340</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, 2011

	(Restated) General Fund	(Restated) Transportation Fund	Systems Development Charges Fund	(Restated) Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 6,164,063	\$ -	\$ -	\$ -	\$ 6,164,063
Franchise taxes	1,635,091	925,652	-	-	2,560,743
Intergovernmental	2,095,365	1,215,175	-	2,633	3,313,173
Fines and forfeitures	1,856,927	-	-	-	1,856,927
Licenses and permits	302,669	-	-	236,157	538,826
Charges for services	4,571,383	663,344	-	-	5,234,727
Systems development charges	-	-	47,634	-	47,634
Investment earnings	92,315	6,381	12,939	2,820	114,455
Miscellaneous	236,676	60,842	-	-	297,518
TOTAL REVENUES	16,954,489	2,871,394	60,573	241,610	20,128,066
EXPENDITURES:					
Current:					
General government	8,287,280	-	-	207,219	8,494,499
Highways and streets	-	1,870,529	-	-	1,870,529
Public safety	5,546,384	-	-	-	5,546,384
Cultural and recreation	1,415,281	-	-	-	1,415,281
Debt service:					
Principal	119,586	-	-	450,000	569,586
Interest	270,278	-	-	21,825	292,103
Capital outlay	673,887	608,367	102,937	-	1,385,191
TOTAL EXPENDITURES	16,312,696	2,478,896	102,937	679,044	19,573,573
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	641,793	392,498	(42,364)	(437,434)	554,493
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	12,600	-	-	-	12,600
Transfers from other funds	6,923,602	1,320,951	-	-	8,244,553
Transfers to other funds	(7,235,861)	(1,320,951)	-	(14,888)	(8,571,700)
TOTAL OTHER FINANCING SOURCES (USES)	(299,659)	-	-	(14,888)	(314,547)
NET CHANGE IN FUND BALANCES	342,134	392,498	(42,364)	(452,322)	239,946
FUND BALANCES - beginning, as previously reported	5,864,924	856,122	2,061,252	578,767	9,361,065
Restatements	278,198	72,331	-	(30,411)	320,118
FUND BALANCES - beginning, as restated	6,143,122	928,453	2,061,252	548,356	9,681,183
FUND BALANCES - ending	\$ 6,485,256	\$ 1,320,951	\$ 2,018,888	\$ 96,034	\$ 9,921,129
Interfund Loan	(187,317)	-	-	-	(187,317)
FUND BALANCES - ending (GAAP Basis)	\$ 6,297,939	\$ 1,320,951	\$ 2,018,888	\$ 96,034	\$ 9,733,812

See notes to basic financial statements

CITY OF MILWAULKIE, 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, 2011

Net change in fund balances - total governmental funds	\$	239,946
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<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	\$ 1,385,191	
Depreciation expense	<u>(2,015,571)</u>	(630,380)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net assets.</p>		
		(343,300)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		54,267
<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	569,586	
Interfund loan principal paid	<u>327,147</u>	896,733
<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>137,012</u>	<u>(57,761)</u>
Change in net assets of governmental activities	\$	<u><u>159,505</u></u>

CITY OF MILWAULKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 48,451	\$ 2,662,860	\$ 991,584	\$ 3,702,895
Accounts receivable, net of allowance for doubtful accounts	182,470	669,428	145,743	997,641
Due from other funds	-	187,317	-	187,317
Total current assets	<u>230,921</u>	<u>3,519,605</u>	<u>1,137,327</u>	<u>4,887,853</u>
Noncurrent assets:				
Accounts receivable	-	85,006	-	85,006
Capital assets not being depreciated	426,764	120,382	43,080	590,226
Capital assets, net of accumulated depreciation	8,293,390	6,718,092	3,022,448	18,033,930
Total noncurrent assets	<u>8,720,154</u>	<u>6,923,480</u>	<u>3,065,528</u>	<u>18,709,162</u>
TOTAL ASSETS	<u>8,951,075</u>	<u>10,443,085</u>	<u>4,202,855</u>	<u>23,597,015</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	102,560	670,176	31,708	804,444
Accrued salaries and payroll taxes payable	10,986	9,473	9,847	30,306
Accrued compensated absences payable	15,829	15,751	15,030	46,610
Due to other funds	210,571	-	-	210,571
Current portion of long term debt	-	96,500	-	96,500
Total current liabilities	<u>339,946</u>	<u>791,900</u>	<u>56,585</u>	<u>1,188,431</u>
Noncurrent liabilities:				
Long term debt	-	3,754,834	-	3,754,834
TOTAL LIABILITIES	<u>339,946</u>	<u>4,546,734</u>	<u>56,585</u>	<u>4,943,265</u>
NET ASSETS:				
Invested in capital assets, net of related debt	8,720,154	2,987,140	3,065,528	14,772,822
Unrestricted	(109,025)	2,909,211	1,080,742	3,880,928
TOTAL NET ASSETS	<u>\$ 8,611,129</u>	<u>\$ 5,896,351</u>	<u>\$ 4,146,270</u>	<u>\$ 18,653,750</u>

See notes to basic financial statements

CITY OF MILWAULKIE, OREGON

PROPRIETARY FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Wastewater Fund	Stormwater Fund	
OPERATING REVENUES:				
Charges for services	\$ 2,111,904	\$ 5,007,708	\$ 1,746,959	\$ 8,866,571
Intergovernmental	-	-	27,000	27,000
Miscellaneous	61,193	23,641	20,302	105,136
TOTAL OPERATING REVENUES	2,173,097	5,031,349	1,794,261	8,998,707
OPERATING EXPENSES:				
Salaries and wages	482,438	398,581	386,057	1,267,076
Materials and supplies	1,622,772	4,334,983	1,041,127	6,998,882
Depreciation	369,181	231,346	136,743	737,270
TOTAL OPERATING EXPENSES	2,474,391	4,964,910	1,563,927	9,003,228
OPERATING INCOME (LOSS)	(301,294)	66,439	230,334	(4,521)
NONOPERATING INCOME (EXPENSE):				
Investment earnings	2,439	79,577	2,743	84,759
Gain (loss) on disposal of capital assets	77,408	(58,067)	(145,785)	(126,444)
TOTAL NONOPERATING INCOME (EXPENSE)	79,847	21,510	(143,042)	(41,685)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(221,447)	87,949	87,292	(46,206)
TRANSFERS	64,422	-	-	64,422
CHANGE IN NET ASSETS	(157,025)	87,949	87,292	18,216
NET ASSETS - beginning, as previously reported	8,768,154	5,728,402	4,058,978	18,555,534
Restatement	-	80,000	-	80,000
NET ASSETS - beginning, as restated	8,768,154	5,808,402	4,058,978	18,635,534
NET ASSETS - ending	\$ 8,611,129	\$ 5,896,351	\$ 4,146,270	\$ 18,653,750

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users of services	\$ 2,179,345	\$ 4,821,193	\$ 1,896,110	\$ 8,896,648
Payments to suppliers for goods and services	(1,548,126)	(3,705,085)	(1,030,155)	(6,283,366)
Payments to employees for services	(469,659)	(383,191)	(379,230)	(1,232,080)
NET CASH FROM OPERATING ACTIVITIES	161,560	732,917	486,725	1,381,202
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	537,718	-	537,718
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	-	537,718	-	537,718
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest received on interfund loan	-	77,267	-	77,267
Proceeds from sale of capital assets	-	213,976	-	213,976
Proceeds from capital debt	-	2,266,305	-	2,266,305
Acquisition and construction of capital assets	(466,296)	(2,389,905)	(104,215)	(2,960,416)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(466,296)	167,643	(104,215)	(402,868)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings received on investments	2,439	2,310	2,743	7,492
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(302,297)	1,440,588	385,253	1,523,544
CASH AND INVESTMENTS - beginning	350,748	1,222,272	606,331	2,179,351
CASH AND INVESTMENTS - ending	\$ 48,451	\$ 2,662,860	\$ 991,584	\$ 3,702,895
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (301,294)	\$ 66,439	\$ 230,334	\$ (4,521)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	369,181	231,346	136,743	737,270
Decrease (increase) in accounts receivable	6,248	(210,156)	101,849	(102,059)
Decrease in inventory	27,642	1,041	11,967	40,650
Increase (decrease) in accounts payable	47,004	628,857	(995)	674,866
Increase in accrued salaries and payroll taxes payable	10,986	9,473	9,847	30,306
Increase (decrease) in accrued compensated absences payable	1,793	5,917	(3,020)	4,690
NET CASH FROM OPERATING ACTIVITIES	\$ 161,560	\$ 732,917	\$ 486,725	\$ 1,381,202
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Capital assets transferred from governmental funds	\$ 64,422	\$ -	\$ -	\$ 64,422

See notes to basic financial statements

CITY OF MILWAUKIE, OREGON

Notes to Basic Financial Statements

June 30, 2011

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. The financial statements have incorporated all applicable GASB pronouncements as well as, for the proprietary funds, the Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. No FASB guidance issued after November 30, 1989 has been applied.

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 include 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.

Government-wide and Fund 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.

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. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the combining and individual fund statements and schedules, located in the supplementary information section.

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.

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.

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 measurements 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.

GASB Pronouncements

GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* establishes new classifications for fund equity and new definitions for governmental fund types. The City has adopted this Statement for the year ended June 30, 2011. As a result, several combining schedules have been included in order for the governmental funds financial statements to be in compliance with this Statement.

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.

GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, implemented by the City in fiscal year ended June 30, 2003, sets forth minimum criteria for the determination of major funds. Non-major funds are combined in a single column in the fund financial statements and detailed in the supplementary information section.

The City reports the following major governmental funds:

- *General 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 fees, reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and miscellaneous income.
- *Transportation 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.

- *Systems Development Charges Fund*
Accounts for the receipt and expenditures of system development charges (SDCs) dedicated to streets, water, wastewater and storm systems.

Additionally, the City reports non-major funds within the governmental fund types:

- *Special Revenue Funds*
These funds account for the receipt and expenditures of dedicated revenue sources.
- *Debt Service Fund*
This fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.

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.

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 Payables

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 receivables 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 uncollectibles.

In the proprietary funds, receivables include services provided but not billed. The enterprise funds' receivables include billings for residential and commercial customers utilizing the City's water, sewer, and storm water services and are reported net of an allowance for uncollectibles, 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 \$5,000 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 its 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.

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.

In the governmental fund statements and schedules, the focus is more on near-term liquidity. GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes new classifications for fund balances. Fund balances are now segregated into the following five components:

- 1) *Nonspendable fund balance* – the most restrictive category is for amounts in the fund balance that are not in spendable form, such as prepaid items, inventory and permanently restricted funds.
- 2) *Restricted fund balance* – for amounts constrained to specific purposes by their providers, (such as grantors or bond holders), through constitutional provisions or enabling legislation. These are primarily amounts subject to externally enforceable legal restrictions.
- 3) *Committed fund balance* – for amounts constrained by the City using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose, unless the City takes the same highest level action to remove or change the constraint. In order to commit balances, the City must take formal action prior to the close of the fiscal year.
- 4) *Assigned fund balance* – for amounts the City intends to use for a specific purpose; intent can be expressed by Council or Council may delegate authority to an official or other body.
- 5) *Unassigned fund balance* – for amounts that are not constrained in any of the ways previously mentioned and are available for any purpose. These amounts are only reported in the General Fund.

GASB Statement No. 54 requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. In accordance with the Statement, funds are spent in the following order: first (1) Restricted Fund Balance, then (2) Committed Fund Balance, then (3) Assigned Fund Balance, and (4) Unassigned Fund Balance last.

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, 2011, amount to \$166,000. These funds are held in the General Fund. Effective July 1, 2011, a dedicated special revenue fund for the Ledding Library was created and will report library operations and any further donations for the purpose of library future capital or expansion needs.

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 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, 2011, these funds amount to \$34,870. These funds are held in 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. Fund Reorganization

The City reorganized its fund structure effective June 30, 2011 as follows:

Fund	Type as reported June 30, 2010	Action	Type as reported June 30, 2011
Administrative Services	Internal Service	Closed	General fund
Admin.	Internal Service	Closed	General fund
Engineering	Internal Service	Closed	General fund
Fleet Services	Internal Service	Closed	General fund
Reserve Fleet Services	Internal Service	Closed	General fund
Facilities Management	Internal Service	Closed	General fund
Pension Debt Service	Governmental	Closed	General fund
Knutson Pioneer Cemetery	Governmental	Closed	General fund
Library Endowment	Governmental	Closed	General fund
Forfeiture	Governmental	Closed	General fund
Public Safety Debt Service	Governmental	Closed	General fund
Street SDC	Governmental	Combined with other SDC funds	Governmental
Water SDC	Proprietary	Combined with other SDC funds	Governmental
Wastewater SDC	Proprietary	Combined with other SDC funds	Governmental
Stormwater SDC	Proprietary	Combined with other SDC funds	Governmental
Street Surface Maintenance	Governmental	Combined with Transportation Fund	Governmental
State Gas Tax	Governmental	Combined with Transportation Fund	Governmental
Bike Path	Governmental	Combined with Transportation Fund	Governmental
Water Capital & Reserve	Proprietary	Combined with Water Fund	Proprietary
Wastewater Capital & Reserve	Proprietary	Combined with Wastewater Fund	Proprietary
Stormwater Capital & Reserve	Proprietary	Combined with Stormwater Fund	Proprietary

3. Reclassifications and Prior Period Adjustments

As part of the reorganization of City funds, certain activities were reclassified from business type to governmental, as follows:

	Net Assets June 30, 2010		
	Governmental Activities	Business-type Activities	Total
Net Assets - beginning, as previously reported	\$ 48,644,467	\$ 20,166,036	\$ 68,810,503
Reclassifications:			
Funds previously reported as proprietary:			
Water SDC Fund	485,594	(485,594)	-
Wastewater SDC Fund	771,808	(771,808)	-
Stormwater SDC Fund	353,100	(353,100)	-
Total Reclassifications	1,610,502	(1,610,502)	-
Net Assets - beginning, as reclassified	\$ 50,254,969	\$ 18,555,534	\$ 68,810,503

Beginning net assets were restated as of June 30, 2010 to correct errors and to account for the differences in accounting treatment for different fund types affected by the reorganization, as follows:

	Net Assets, June 30, 2010		
	Governmental Activities	Business-type Activities	Total
Net Assets - beginning, as previously reported (after reclassifications):	\$50,254,969	\$18,555,534	\$68,810,503
Adjustment to:			
correct accounts receivable understated		80,000	80,000
report capital assets previously not reported	6,453,940		
record accumulated depreciation on assets not reported and to correct depreciation calculations	(8,506,100)	-	(8,506,100)
correct overstatement of PERS liability	59,156	-	59,156
correct intergovernmental revenue not accrued	129,467	-	129,467
correct liability previously recorded as revenue	(30,411)	-	(30,411)
record revenue previously recorded as a liability	237,800	-	237,800
internal service fund inventory	(35,896)	-	(35,896)
record amortization of prepaid pension straight	(729,092)	-	(729,092)
Total Restatements	(2,421,136)	80,000	(8,795,076)
Net assets - beginning, as restated	\$47,833,833	\$18,635,534	\$60,015,427

The City has restated beginning fund balance as of June 30, 2010 to correct errors and to account for the differences in accounting treatment for different fund types affected by the reorganization, as follows:

	Governmental Funds			
	General Fund	Streets/State Gas Tax	Non major Fund	Internal Service Fund
Fund balance - beginning, as previously reported	\$ 2,186,092	\$(135,133)	\$ 93,980	\$ 215,803
Adjustment to:				
accrue intergovernmental revenue	-	72,331	-	-
correct liability recorded as revenue	-	-	(30,411)	-
correct revenue previously reported as a liability	237,800	-	-	-
correct PERS liability	59,156	-	-	-
accrue intergovernmental revenue	57,138	-	-	-
record inventory on consumption basis	-	-	-	(35,896)
record deferred revenue for long term receivables	(40,000)	-	-	-
Total Restatements	314,094	72,331	(30,411)	(35,896)
Fund balance - beginning, as restated	<u>\$ 2,500,186</u>	<u>\$ (62,802)</u>	<u>\$ 63,569</u>	<u>\$ 179,907</u>

	Proprietary Funds	
	Water Fund	Wastewater Fund
Fund balance - beginning, as previously reported	\$ 182,764	\$ 2,124,141
Adjustment to:		
record inventory on consumption basis	(27,642)	-
correct accounts receivable understated	-	80,000
Fund balance - beginning, as restated	<u>\$ 155,122</u>	<u>\$ 2,204,141</u>

4. Detailed Notes on All 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, 2011, the City's cash and investments were comprised of the following:

Cash on hand	\$ 3,300
Deposits with financial institutions	3,767,188
Oregon State Treasurer's Local Government Investment Pool	8,696,504
Certificates of Deposit	<u>2,112,644</u>
Total cash and investments	<u><u>\$ 14,579,636</u></u>

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 8,706,410	\$ 3,702,895	\$ 12,409,305
Restricted cash and investments	<u>2,170,331</u>	<u>-</u>	<u>2,170,331</u>
Total cash and investments	<u><u>\$ 10,876,741</u></u>	<u><u>\$ 3,702,895</u></u>	<u><u>\$ 14,579,636</u></u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$5,962,305. Of these deposits, \$500,000 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, 2011, all the City deposits are insured or collateralized and therefore, are 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. These funds are invested exercising reasonable care, skill and caution.

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.

In accordance with GASB Statement No. 59 *Financial Instruments Omnibus*, the City's position in the LGIP at June 30, 2011 is stated at cost, which approximates fair value.

Receivables

As of June 30, 2011, 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	\$ 1,931,275
Allowance for uncollectible accounts	<u>(63,510)</u>
Total accounts receivable	<u><u>\$ 1,867,765</u></u>

Accounts receivable - governmental activities	\$ 785,118
Accounts receivable - business-type activities	<u>1,082,647</u>
Total accounts receivable	<u><u>\$ 1,867,765</u></u>

Capital Assets

Capital assets and accumulated depreciation (governmental activities) have been restated at June 30, 2010 to account for assets which were not recorded and depreciation which was understated. See Note 3 to the basic financial statements. Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	(Restated) Balance as of June 30, 2010	Additions	Reductions and adjustments	Ending Balance as of June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 5,582,619	\$ -	\$ 228,454	\$ 5,811,073
Construction in progress	1,325,810	744,312	(661,997)	1,408,125
Total capital assets not being depreciated	6,908,429	744,312	(433,543)	7,219,198
Capital assets being depreciated:				
Buildings and improvements	11,621,897	296,168	10,433	11,928,498
Vehicles and equipment	5,243,350	320,909	(1,289,605)	4,274,654
Infrastructure	45,873,351	23,802	-	45,897,153
Total capital assets being depreciated	62,738,598	640,879	(1,279,172)	62,100,305
Less accumulated depreciation for:				
Buildings and improvements	(3,967,500)	(318,440)	139,412	(4,146,528)
Vehicles and equipment	(3,807,645)	(316,417)	1,230,001	(2,894,061)
Infrastructure	(20,502,463)	(1,380,714)	-	(21,883,177)
Total accumulated depreciation	(28,277,608)	(2,015,571)	1,369,413	(28,923,766)
Total capital assets being depreciated, net	34,460,990	(1,374,692)	90,241	33,176,539
Total capital assets, net	\$ 41,369,419	\$ (630,380)	\$ (343,302)	\$ 40,395,737

Capital assets and accumulated depreciation (business type activities) as of June 30, 2010 have been reclassified by asset class to more accurately reflect the underlying assets. There was no effect on total capital assets or accumulated depreciation.

	(Reclassified) Balance as of June 30, 2010	Additions	Reductions and adjustments	Balance as of June 30, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 392,550	\$ -	\$ -	\$ 392,550
Construction in progress	3,114,870	197,676	(3,114,870)	197,676
Total capital assets not being depreciated	3,507,420	197,676	(3,114,870)	590,226
Capital assets being depreciated:				
Buildings and improvements	3,743,536	137,721	297,140	4,178,397
Vehicles and equipment	5,263,544	5,883	(669,441)	4,599,986
Infrastructure	21,828,485	2,331,903	2,537,255	26,697,643
Total capital assets being depreciated	30,835,565	2,475,507	2,164,954	35,476,026
Less accumulated depreciation for:				
Buildings and improvements	(1,509,233)	(131,231)	7,635	(1,632,829)
Vehicles and equipment	(3,012,937)	(144,904)	661,635	(2,496,206)
Infrastructure	(12,851,926)	(461,135)	-	(13,313,061)
Total accumulated depreciation	(17,374,096)	(737,270)	669,270	(17,442,096)
Total capital assets being depreciated, net	13,461,469	1,738,237	2,834,224	18,033,930
Total capital assets, net	\$ 16,968,889	\$ 1,935,913	\$ (280,646)	\$ 18,624,156

Depreciation expense in the amount of \$2,015,571 and \$737,270 was charged to functions/programs for governmental and business-type activities respectively, as follows:

	Governmental activities	Business-type activities	Total
General government	\$ 988,144	\$ -	\$ 988,144
Culture and recreation	164,636	-	164,636
Public safety	645,197	-	645,197
Highways and streets	217,594	-	217,594
Water	-	369,181	369,181
Wastewater	-	231,346	231,346
Stormwater	-	136,743	136,743
Depreciation expense	<u>\$ 2,015,571</u>	<u>\$ 737,270</u>	<u>\$ 2,752,841</u>

Prepaid Pension

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

	Governmental activities
General government	\$ 95,488
Culture and recreation	15,910
Public safety	62,348
Highways and streets	21,027
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, 2011, 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 classified under Transfers for financial statement purposes and are as follows:

	Transfers from other funds	Transfers to other funds	Net
Governmental funds:			
General fund	\$ 6,923,602	\$ (7,235,861)	\$(312,259)
Transportation fund	1,320,951	(1,320,951)	-
Nonmajor governmental funds		(14,888)	(14,888)
	<u>8,244,553</u>	<u>(8,571,700)</u>	<u>(327,147)</u>
Proprietary funds:			
Wastewater	327,147	-	327,147
Total interfund transfers	<u>\$ 8,571,700</u>	<u>\$ (8,571,700)</u>	<u>\$ -</u>

Transfers include the effect of closing and reclassifying funds as noted above. If those transactions were excluded, transfers would be as follows:

	Transfers from other funds	Transfers to other funds	Net
Governmental funds:			
General fund	\$ 986,000	\$ (327,147)	\$ 658,853
Transportation fund	-	(960,000)	(960,000)
Nonmajor governmental funds	-	(26,000)	(26,000)
	<u>986,000</u>	<u>(1,313,147)</u>	<u>(327,147)</u>
Proprietary funds:			
Wastewater	<u>327,147</u>	-	<u>327,147</u>
Total interfund transfers	<u>\$ 1,313,147</u>	<u>\$ (1,313,147)</u>	<u>\$ -</u>

Transfers from the Transportation and non-major fund are for administrative services. Transfers from Wastewater to the General Fund are for repayment of a loan as noted below.

Interfund Loans

Two interfund loans were outstanding at the beginning of fiscal year 2010-11. The first interfund loan relates to the General Fund borrowing \$850,000 in 2007 from the Wastewater Reserve Fund for a property purchase. This loan calls for annual repayments of \$197,000 including interest through fiscal year 2011-12. The principal balance outstanding at June 30, 2011 is \$187,317, which will be repaid during the year ending June 30, 2012.

The second interfund loan was for \$205,000 that the Facilities Management Fund borrowed from the General Fund. As the Facilities Management Fund is merged as a department under the General Fund effective June 30, 2011, there is no longer an outstanding balance on this loan.

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 \$45,200 for the year ended June 30, 2011. The future minimum lease payments for noncancelable operating leases are as follows:

Fiscal year ending June 30,	JCB adjacent property lease	Copier leases	Total
2012	\$ 8,012	\$ 36,469	\$ 44,481
2013	8,252	18,908	27,160
2014	8,500	17,146	25,646
2015	8,755	10,583	19,338
2016	<u>9,018</u>	<u>8,952</u>	<u>17,970</u>
	<u>\$ 42,537</u>	<u>\$ 92,058</u>	<u>\$ 134,595</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 <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Ending balance as of <u>June 30, 2011</u>	Due within <u>one year</u>
Governmental activities:					
General Obligation bonds:					
1997 Public Safety Advance Refunding Bonds, interest rates from 4.85% to 4.90%, original issue of \$3,765,000, due 2011	\$ 450,000	\$ -	\$ (450,000)	\$ -	\$ -
Oregon State Energy Loan Program (SELP) Loans:					
1999 Oregon SELP Loan, with interest rate at 6.5%, original issue of \$356,508, due 2014	120,889	-	(28,246)	92,643	30,124
2001 Oregon SELP Loan, with interest rate at 5.7%, original issue of \$27,490, due 2014	23,030	-	(5,979)	17,051	6,326
2003 Oregon SELP Loan, with interest rate at 4.3%, original issue of \$170,938, due 2019	106,773	-	(11,099)	95,674	11,575
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	4,235,000	-	(40,000)	4,195,000	60,000
2006 Library Property (Harrison Property) seller- financed loan, interest rate at 7.09%, due 2021	261,534	-	(15,823)	245,711	16,945
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	688,907	-	(18,439)	670,468	18,577
Long-term bonded debt obligations	5,886,133	-	(569,586)	5,316,547	143,547
Compensated absences for governmental activities	822,232	685,220	(822,232)	685,220	685,220
Total governmental activities	6,708,365	685,220	(1,391,818)	6,001,767	828,767
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 will convert to grant upon completion, due 2031	2,229,318	1,622,016	-	3,851,334	96,500
Compensated absences for business-type activities	41,920	46,610	(41,920)	46,610	46,610
Total business-type activities	2,271,238	1,668,626	(41,920)	3,897,944	143,110
Total long-term liabilities	\$ 8,979,603	\$ 2,353,846	\$ (1,433,738)	\$ 9,899,711	\$ 971,877

Future maturities of bond principal and interest, at June 30, 2011, excluding amounts anticipated to be forgiven and converted to a grant, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 143,547	\$ 263,954	\$ 96,500	\$ 9,250	\$ 240,047	\$ 273,204
2013	167,815	255,785	96,500	8,750	264,315	264,535
2014	185,322	254,794	96,500	8,250	281,822	263,044
2015	173,018	238,658	96,500	7,750	269,518	246,408
2016	195,227	230,062	96,500	7,250	291,727	237,312
2017-2021	1,379,097	982,666	482,500	28,750	1,861,597	1,011,416
2022-2026	2,078,922	570,175	482,500	16,250	2,561,422	586,425
2027-2031	945,788	86,990	482,500	4,000	1,428,288	90,990
2032	47,811	2,103	-	-	47,811	2,103
	<u>\$ 5,316,547</u>	<u>\$ 2,885,187</u>	<u>\$ 1,930,000</u>	<u>\$ 90,250</u>	<u>\$ 7,246,547</u>	<u>\$ 2,975,437</u>

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 an agent 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 (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined for governmental and business-type activities respectively 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 rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Members of PERS and OPSRP are required to contribute 6 percent of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The City's rate is 5.50 percent for PERS and 3.26 percent for OPSRP – general employees, and 5.97 percent 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, 2005 system valuation.

Annual Pension Cost. For the years ended June 30, 2011, 2010, and 2009 the City's annual pension costs were approximately \$919,000, \$942,000, and \$1,100,000 respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2007, using the projected unit credit actuarial cost method. 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 percent per year, (ii) healthcare cost inflation assumed at 7 percent in 2010, then declining by 0.5 percent per year until the rate of 4.5 percent 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 percent 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 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, 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 the 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 single-employer plan that does not stand-alone and therefore does not issue its own financial statements.

Funding Policy. The City collects insurance premiums from all retirees each month and deposits them into an insurance premium account. The City then pays health insurance premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid by retirees, and an additional amount calculated to prefund future benefits as determined by the actuary.

For fiscal year ended June 30, 2011, the City retirees paid 100 percent of their insurance premium costs.

The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2011, all plans of which are offered through Citycounty Insurance Services:

	Medical		Dental		
	Blue Cross	Kaiser	ODS	Kaiser	Willamette
Employee	\$ 524	\$ 452	\$ 45	\$ 62	\$ 51
Employee + one	1,100	936	78	108	87
Employee + two	1,491	1,271	147	204	151

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 0.29 percent of annual covered payroll for Tier 1/Tier 2, and .19 percent 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, 2011 and 2010, were approximately \$23,700 and \$22,000 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. Employees may defer a portion of their salary until future years. 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.

5. 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 to 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.
- 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 is anticipated in or around June 2012. Clackamas County's commitment is \$25 million.
- The City may terminate the agreement upon 30 days written notice to TriMet, but only if TriMet has not received FTA approval of their Full Funding Grant by June 30, 2014.
- The City Council committed in their 2011 Council goals to identify where the \$5 million contribution for the light rail project will come from by August 31, 2011. In August, the Council identified that the \$5 million will be paid to TriMet over 20 years pursuant to a mutually agreed upon amortization schedule including interest at an annual rate of 2 percent.

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. The most recent was Resolution No. 55-2010 passed June 15, 2010. This resolution essentially settled certain long disputed issues.
- Settlement included payments under the 1970 Contract plus, in fiscal year 2009-10, a rate of \$20 per Equivalent Dwelling Unit (EDU); for fiscal year 2010-11, a rate of \$23 per EDU; and for fiscal year 2011-12, a rate of \$26 per EDU.
- The number of EDU's was determined to be 8,870 for both fiscal years 2009-10 and 2010-11. For fiscal year 2011-12, the number of EDU's is to be determined by an independent audit which the parties mutually agreed upon by no later than September 1, 2010. As of the date of this audit report, the parties have not yet agreed upon said independent auditors to perform this work.

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 had an agreement to provide apparatus and vehicle maintenance which expired June 30, 2011. Going forward, the City will no longer provide service and maintenance services to the Fire District's apparatus and vehicles.
- The City passed Ordinance No. 1958 in February 2006 following the annexation Ballot Measure 3-166 where the 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, their cleaning services, their share of utilities, \$2,000 annually towards the City's SELP loan, and their telephone costs.
- 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’s 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
2008-09	\$ 40,000
2009-10	35,000
2010-11	20,000
2011-12	5,000
2012-13	4,000
2013-14	1,000
2014-15	1,000
2015-16	1,000
2016-17	1,000
	<u>\$ 108,000</u>

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 \$80,000 per fiscal year.
- Following is a summary of the annual contract costs per the 2008 Amendment No. 1:

Year of Arrangement	Fiscal Year	Payment for services	Computer replacement	Annual Contract Amt
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 providing the financial management services for each City targeting one contract director to be present on-site at each City, five days per week. The City agrees to pay the City of West Linn \$8,333 per month indexed by 3 percent after twelve months.

Other Contracts – The City has entered into various contracts in the ordinary course of business and has commitments in the amount of \$240,000 for a telephone system.

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 percent, exclusive of new construction and annexations.

Budgetary Information

For the year ended June 30, 2011, expenditures exceeded appropriations in the following budgetary control categories:

<u>Fund/function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Administrative Services			
Human resources	\$ 310,000	\$ 327,138	\$ 17,138
Finance	680,000	705,525	25,525
Facilities Maintenance			
Personal Services	210,000	210,780	780
Debt service principal	42,000	45,324	3,324
Water			
Personal Services	437,000	482,438	45,438
Wastewater			
Personal services	371,000	398,581	27,581
Stormwater SDC			
Capital Outlay	-	19,320	19,320

Expenditures exceeded appropriations in the capital outlay category of the Wastewater Capital & Reserve fund. This over expenditure was caused by the use of greater than anticipated grant revenues. Additionally, as a result of the closure of funds, expenditures for transfers exceeded appropriations in the following funds: General; Fleet Capital; Pension Debt Service; Knutson Pioneer Cemetery; Library Endowment; Forfeiture; Streets/Surface Maintenance; State Gas Tax; Bike Path; Water; Wastewater; Stormwater; and Stormwater Capital and Reserve.

Deficit Fund Equity

At June 30, 2011 the Water Fund had a budgetary basis deficit fund balance of \$109,025.

Fund Balance Classification

In accordance with the requirements of GASB Statement No. 54, below are schedules of ending fund balances as of June 30, 2011 and June 30, 2010.

Fund balances by classification for the fiscal year ended June 30, 2011:

	General Fund	Transportation Fund	Systems Development Charges Fund	Other Governmental Funds	Total Governmental Funds
Restricted					
Public Safety	\$ 10,562.00	\$ -	\$ -	\$ -	\$ 10,562.00
Systems development	-	-	2,018,888	-	2,018,888
Building operations	-	-	-	96,034	96,034
	<u>10,562</u>	<u>-</u>	<u>2,018,888</u>	<u>96,034</u>	<u>2,125,484</u>
Assigned	201,508	1,320,951	-	-	1,522,459
Unassigned	<u>6,085,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,085,869</u>
	<u>\$ 6,297,939</u>	<u>\$ 1,320,951</u>	<u>\$ 2,018,888</u>	<u>\$ 96,034</u>	<u>\$ 9,733,812</u>

Fund balances by classification as restated for the fiscal year ended June 30, 2010:

	(Restated) General Fund	(Restated) Transportation Fund	Systems Development Charges Fund	(Restated) Other Governmental Funds	Total Governmental Funds
Non-spendable					
Inventory and prepaid items	\$ 13,087	\$ -	\$ -	\$ -	\$ 13,087
	<u>13,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,087</u>
Restricted					
Systems development	-	-	2,061,252	-	2,061,252
Building operations	-	-	-	63,569	63,569
Debt service	14,268	-	-	484,787	499,055
	<u>14,268</u>	<u>-</u>	<u>2,061,252</u>	<u>548,356</u>	<u>2,623,876</u>
Assigned	166,265	928,453	-	-	1,094,718
Unassigned	<u>5,949,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,949,502</u>
	<u>\$ 6,143,122</u>	<u>\$ 928,453</u>	<u>\$ 2,061,252</u>	<u>\$ 548,356</u>	<u>\$ 9,681,183</u>

Subsequent Event

Management has evaluated subsequent events through December 15, 2011, the date on which the financial statements were available to be issued. On October 1, 2011, Oregon DEQ converted approximately \$1.9 million of loan principal to a grant, which does not require repayment.

REQUIRED SUPPLEMENTARY INFORMATION

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

*Schedule of Funding Progress – Oregon Public
Employees Retirement System*

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

Streets/Surface Maintenance Fund

State Gas Tax Fund

Bike Path 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, 2011

	Budget for the Fiscal Year 2010-11		(Restated) Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 5,934,000	\$ 5,934,000	\$ 6,164,063	\$ 230,063
Franchise taxes	1,944,000	1,944,000	1,635,091	(308,909)
Intergovernmental	2,198,000	2,198,000	1,947,096	(250,904)
Fines and forfeitures	1,652,000	1,652,000	1,856,927	204,927
Licenses and permits	374,000	374,000	302,669	(71,331)
Investment earnings	-	-	79,572	79,572
Miscellaneous	27,000	27,000	77,571	50,571
TOTAL REVENUES	12,129,000	12,129,000	12,062,989	(66,011)
EXPENDITURES:				
Library Services	2,053,000	2,053,000	1,449,796	603,204
Community Services	945,000	945,000	602,586	342,414
Code Enforcement	249,000	249,000	174,039	74,961
Public Access Studio	125,000	125,000	83,871	41,129
Police Administration	551,000	551,000	447,473	103,527
Police Field Services	6,719,000	6,719,000	4,803,298	1,915,702
Police Support Services	392,000	392,000	288,113	103,887
Planning	707,000	707,000	537,045	169,955
Municipal Court	452,000	452,000	360,612	91,388
Intergovernmental	344,000	344,000	121,261	222,739
TOTAL EXPENDITURES	12,537,000	12,537,000	8,868,094	3,668,906
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(408,000)	(408,000)	3,194,895	3,602,895
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	223,000	223,000	5,864,962	5,641,962
Transfers to other funds	-	-	(5,074,787)	(5,074,787)
TOTAL OTHER FINANCING SOURCES	223,000	223,000	790,175	567,175
NET CHANGE IN FUND BALANCES	(185,000)	(185,000)	3,985,070	4,170,070
FUND BALANCES - beginning, as previously reported	1,454,610	1,454,610	2,186,092	731,482
Restatement	-	-	314,094	314,094
FUND BALANCES - beginning, as restated	1,454,610	1,454,610	2,500,186	1,045,576
FUND BALANCES - ending	\$ 1,269,610	\$ 1,269,610	6,485,256	\$ 5,215,646
Interfund loan			(187,317)	
FUND BALANCES (GAAP BASIS) - ending			\$ 6,297,939	

CITY OF MILWAULKIE, OREGON

STREETS/SURFACE MAINTENANCE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fees (Street maintenance fee)	\$ 590,000	\$ 590,000	\$ 620,498	\$ 30,498
Franchise fees (1.5% PGE privilege)	398,000	398,000	311,652	(86,348)
Intergovernmental (local gas taxes)	160,000	160,000	197,348	37,348
Investment earnings	10,000	10,000	2,555	(7,445)
TOTAL REVENUES	1,158,000	1,158,000	1,132,053	(25,947)
EXPENDITURES:				
Materials and services	126,000	126,000	28,949	97,051
Capital outlay	1,220,000	1,220,000	504,777	715,223
Contingency	701,349	701,349	-	701,349
TOTAL EXPENDITURES	2,047,349	2,047,349	533,726	1,513,623
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(889,349)	(889,349)	598,327	1,487,676
OTHER FINANCING USES:				
Transfers to other funds	(226,000)	(226,000)	(1,554,865)	(1,328,865)
NET CHANGE IN FUND BALANCES	(1,115,349)	(1,115,349)	(956,538)	158,811
FUND BALANCES - beginning	1,115,349	1,115,349	956,538	(158,811)
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ -

CITY OF MILWAULKIE, OREGON

STATE GAS TAX FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		(Restated) Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental (state gas taxes)	\$ 1,222,000	\$ 1,222,000	\$ 1,007,889	\$ (214,111)
Franchise fees (from utility funds)	614,000	614,000	614,000	-
Charges for services	18,000	18,000	42,846	24,846
Miscellaneous	40,000	40,000	60,842	20,842
Investment earnings	2,000	2,000	3,505	1,505
TOTAL REVENUES	1,896,000	1,896,000	1,729,082	(166,918)
EXPENDITURES:				
Personal services	429,000	429,000	405,284	23,716
Materials and services	802,000	802,000	476,296	325,704
Capital outlay	297,000	297,000	86,476	210,524
Other requirements (in lieu of improv)	155,000	155,000	-	155,000
Contingency	46,000	46,000	-	46,000
TOTAL EXPENDITURES	1,729,000	1,729,000	968,056	760,944
EXCESS OF REVENUES OVER EXPENDITURES	167,000	167,000	761,026	594,026
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	126,000	126,000	-	(126,000)
Transfers to other funds	(266,000)	(266,000)	(698,224)	(432,224)
TOTAL OTHER FINANCING SOURCES (USES)	(140,000)	(140,000)	(698,224)	(558,224)
NET CHANGE IN FUND BALANCES	27,000	27,000	62,802	35,802
FUND BALANCES (DEFICIT) - beginning, as previously reported				
Restatement	28,280	28,280	(135,133)	163,413
	-	-	72,331	(72,331)
FUND BALANCES (DEFICIT) - beginning, as restated	28,280	28,280	(62,802)	(91,082)
FUND BALANCES - ending	\$ 55,280	\$ 55,280	\$ -	\$ (55,280)

CITY OF MILWAULKIE, OREGON

BIKE PATH FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental (1% of state gas taxes)	\$ 11,000	\$ 11,000	\$ 9,938	\$ (1,062)
Investment earnings	-	-	321	321
TOTAL REVENUES	11,000	11,000	10,259	(741)
EXPENDITURES:				
Capital outlay	18,000	18,000	17,114	886
EXCESS OF REVENUES OVER EXPENDITURES	(7,000)	(7,000)	(6,855)	145
OTHER FINANCING USES:				
Transfers to other funds	(27,733)	(27,733)	(27,862)	(129)
NET CHANGE IN FUND BALANCES	(34,733)	(34,733)	(34,717)	16
FUND BALANCES - beginning	34,733	34,733	34,717	(16)
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ -

CITY OF MILWAUKIE, OREGON
Required Supplementary Information
June 30, 2011

Oregon Public Employees Retirement System

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability (Asset) as a Percent of Covered Payroll
12/31/2009	\$ 22,476,000	\$ 29,029,100	\$ 6,553,100	77 %	\$ 4,850,100	135 %
12/31/2007	26,042,000	26,233,400	191,400	99	3,908,800	5
12/31/2005	n/a	n/a	(832,764)	n/a	6,244,000	-

CITY OF MILWAUKIE, OREGON

Notes to Required Supplementary Information

June 30, 2011

Required Supplementary Information includes budgetary comparisons for the general 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 Citizens 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 Citizens' 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 Citizens 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, 2011, no supplemental budget resolutions were proposed or approved.

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

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**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**
Governmental Funds

MAJOR FUNDS

General Fund

The funds presented in this section were previously reported as internal service, debt service and special revenue funds. These funds were closed at June 30, 2011 and combined with the general fund. Internal service funds – Administrative Services, Community Development Administration, Engineering, Fleet Services, Fleet Capital and Reserve and Facilities Maintenance – primarily provided services to other city funds. The Pension Debt Service fund accounted for debt service on PERS bonds. Special revenue funds – Knutson Pioneer Cemetery, Library Endowment and Forfeiture - accounted for activities related to the revenue sources used in creating the funds.

Special Revenue Fund

Transportation Fund

This fund combines the activities of the State Gas Tax, Streets/Surface Maintenance and Bike Path funds.

Capital Projects Funds

System Development Charges Fund

The funds presented here – Transportation, Water, Wastewater and Stormwater System Development Charges funds are combined in a single fund, which accounts for SDCs restricted for capital projects.

NONMAJOR FUNDS

Special Revenue Fund

This nonmajor fund is used to account for specific revenues that are legally restricted for expenditures with a particular purpose.

Building Inspections Fund – accounts for the City's building inspection activities. The primary revenue sources are licenses and permit fees.

Debt Service Fund

Public Safety Debt Service Fund – is a nonmajor fund that accounts for the payment of general obligation bond principal and interest. The principal source of revenue is property taxes, which for general obligation debt is exempt from tax limitation. In fiscal year 2010-11, the final payment was made on the City's only general obligation bond issue and accordingly this fund was closed on June 30, 2011.

CITY OF MILWAUKIE, OREGON

GENERAL FUND

RECONCILIATION OF BUDGETARY TO REPORTING FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	(Restated) General Fund	Administrative Services Fund	Community Development Administration Fund	Engineering Fund
REVENUES:				
Property taxes	\$ 6,164,063	\$ -	\$ -	\$ -
Franchise taxes	1,635,091	-	-	-
Intergovernmental	1,947,096	1,770	92,091	-
Fines and forfeitures	1,856,927	-	-	-
Licenses and permits	302,669	-	-	-
Charges for services	-	-	-	-
Investment earnings	79,572	-	-	298
Miscellaneous	77,571	129,139	541	7,362
TOTAL REVENUES	12,062,989	130,909	92,632	7,660
EXPENDITURES:				
Current:				
General government	1,691,754	3,038,630	1,084,737	539,463
Public safety	5,538,884	-	-	-
Cultural and recreation	1,415,281	-	-	-
Debt service:				
Principal	34,262	-	-	-
Interest	47,842	-	-	-
Capital outlay	140,071	107,292	-	-
TOTAL EXPENDITURES	8,868,094	3,145,922	1,084,737	539,463
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,194,895	(3,015,013)	(992,105)	(531,803)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	-	-
Transfers from other funds	5,864,962	2,420,762	1,000,024	486,032
Transfers to other funds	(5,074,787)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	790,175	2,420,762	1,000,024	486,032
NET CHANGE IN FUND BALANCES	3,985,070	(594,251)	7,919	(45,771)
FUND BALANCES (DEFICIT) - beginning, as previously reported	2,186,092	594,251	(7,919)	45,771
Restatement	314,094	-	-	-
FUND BALANCES (DEFICIT) - beginning, as restated	2,500,186	594,251	(7,919)	45,771
FUND BALANCES - ending	\$ 6,485,256	\$ -	\$ -	\$ -

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(Restated) Fleet Services Fund	Fleet Capital and Reserve Fund	Facilities Maintenance Fund	Pension Debt Service Fund	Knutson Pioneer Cemetery Fund	Library Endowment Fund	Forfeiture Fund	(Restated) General Fund Combined under GASB 54
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,164,063
-	-	-	-	-	-	-	1,635,091
32,407	-	4,000	-	-	-	18,001	2,095,365
-	-	-	-	-	-	-	1,856,927
-	-	-	-	-	-	-	302,669
570,007	-	59,376	253,000	-	-	-	882,383
817	10,213	786	-	195	373	61	92,315
-	-	22,063	-	-	-	-	236,676
<u>603,231</u>	<u>10,213</u>	<u>86,225</u>	<u>253,000</u>	<u>195</u>	<u>373</u>	<u>18,062</u>	<u>13,265,489</u>
1,022,099	-	910,597	-	-	-	-	8,287,280
-	-	-	-	-	-	7,500	5,546,384
-	-	-	-	-	-	-	1,415,281
-	-	45,324	40,000	-	-	-	119,586
-	-	12,588	209,848	-	-	-	270,278
-	305,472	121,052	-	-	-	-	673,887
<u>1,022,099</u>	<u>305,472</u>	<u>1,089,561</u>	<u>249,848</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>16,312,696</u>
<u>(418,868)</u>	<u>(295,259)</u>	<u>(1,003,336)</u>	<u>3,152</u>	<u>195</u>	<u>373</u>	<u>10,562</u>	<u>(3,047,207)</u>
-	12,600	-	-	-	-	-	12,600
238,961	-	601,861	-	-	-	-	10,612,602
-	(1,926,079)	-	(17,420)	(35,952)	(166,638)	(14,985)	(7,235,861)
<u>238,961</u>	<u>(1,913,479)</u>	<u>601,861</u>	<u>(17,420)</u>	<u>(35,952)</u>	<u>(166,638)</u>	<u>(14,985)</u>	<u>3,389,341</u>
<u>(179,907)</u>	<u>(2,208,738)</u>	<u>(401,475)</u>	<u>(14,268)</u>	<u>(35,757)</u>	<u>(166,265)</u>	<u>(4,423)</u>	<u>342,134</u>
215,803	2,208,738	401,475	14,268	35,757	166,265	4,423	5,864,924
(35,896)	-	-	-	-	-	-	278,198
<u>179,907</u>	<u>2,208,738</u>	<u>401,475</u>	<u>14,268</u>	<u>35,757</u>	<u>166,265</u>	<u>4,423</u>	<u>6,143,122</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,485,256</u>

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CITY OF MILWAULKIE, OREGON

ADMINISTRATIVE SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 3,310,000	\$ 3,310,000	\$ -	\$ (3,310,000)
Intergovernmental	7,000	7,000	1,770	(5,230)
Miscellaneous	5,000	5,000	129,139	124,139
Proceeds from debt issuance	400,000	400,000	-	(400,000)
TOTAL REVENUES	3,722,000	3,722,000	130,909	(3,591,091)
EXPENDITURES:				
City Council	48,000	48,000	44,155	3,845
City Manager	540,000	540,000	373,489	166,511
Human Resources	310,000	310,000	327,138	(17,138)
Finance	680,000	680,000	705,525	(25,525)
Records and Information Management	463,000	463,000	388,675	74,325
Information Systems Technology	1,446,000	1,446,000	1,097,642	348,358
Non-departmental	235,000	235,000	209,298	25,702
TOTAL EXPENDITURES	3,722,000	3,722,000	3,145,922	576,078
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	-	(3,015,013)	(3,015,013)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	2,420,762	2,420,762
NET CHANGE IN FUND BALANCES	-	-	(594,251)	(594,251)
FUND BALANCES - beginning	426,285	426,285	594,251	167,966
FUND BALANCES - ending	\$ 426,285	\$ 426,285	\$ -	\$ (426,285)

CITY OF MILWAULKIE, OREGON

COMMUNITY DEVELOPMENT ADMINISTRATION

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 110,000	\$ 110,000	\$ 92,091	\$ (17,909)
Investment earnings	1,000	1,000	-	(1,000)
Miscellaneous	-	-	541	541
TOTAL REVENUES	111,000	111,000	92,632	(18,368)
EXPENDITURES:				
Community Development Administration				
Personal services	693,000	693,000	661,661	31,339
Materials and services	319,000	319,000	88,478	230,522
Operations				
Personal services	368,000	368,000	325,368	42,632
Materials and services	90,000	90,000	9,230	80,770
TOTAL EXPENDITURES	1,470,000	1,470,000	1,084,737	385,263
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,359,000)	(1,359,000)	(992,105)	366,895
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,360,000	1,360,000	1,000,024	(359,976)
NET CHANGE IN FUND BALANCES	1,000	1,000	7,919	6,919
FUND BALANCES (DEFICIT) - beginning	28,541	28,541	(7,919)	(36,460)
FUND BALANCES - ending	\$ 29,541	\$ 29,541	\$ -	\$ (29,541)

CITY OF MILWAULKIE, OREGON

ENGINEERING FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Investment earnings	-	-	298	298
Miscellaneous	-	-	7,362	7,362
TOTAL REVENUES	3,000	3,000	7,660	4,660
EXPENDITURES:				
Personal services	573,000	573,000	510,514	62,486
Materials and services	182,000	182,000	28,949	153,051
TOTAL EXPENDITURES	755,000	755,000	539,463	215,537
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(752,000)	(752,000)	(531,803)	220,197
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	752,000	752,000	486,032	(265,968)
NET CHANGE IN FUND BALANCES	-	-	(45,771)	(45,771)
FUND BALANCES - beginning	4,667	4,667	45,771	41,104
FUND BALANCES - ending	\$ 4,667	\$ 4,667	\$ -	\$ (4,667)

CITY OF MILWAUKIE, OREGON

FLEET SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		(Restated) Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental charges	\$ 536,000	\$ 536,000	\$ 32,407	\$ (503,593)
Charges for services	1,089,000	1,089,000	570,007	(518,993)
Investment earnings	2,000	2,000	817	(1,183)
TOTAL REVENUES	1,627,000	1,627,000	603,231	(1,023,769)
EXPENDITURES:				
Personal services	434,000	434,000	429,795	4,205
Materials and services	918,000	918,000	592,304	325,696
Capital outlay	70,000	70,000	-	70,000
Contingency	42,000	42,000	-	42,000
TOTAL EXPENDITURES	1,464,000	1,464,000	1,022,099	441,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	163,000	163,000	(418,868)	(581,868)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	238,961	238,961
Transfers to other funds	(163,000)	(163,000)	-	163,000
TOTAL OTHER FINANCING SOURCES (USES)	(163,000)	(163,000)	238,961	401,961
NET CHANGE IN FUND BALANCES	-	-	(179,907)	(179,907)
FUND BALANCES - beginning, as previously reported	194,536	194,536	215,803	21,267
Restatement	-	-	(35,896)	(35,896)
FUND BALANCES, beginning, as restated	194,536	194,536	179,907	(14,629)
FUND BALANCES - ending	\$ 194,536	\$ 194,536	\$ -	\$ (194,536)

CITY OF MILWAULKIE, OREGON

FLEET CAPITAL AND RESERVE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental charges	\$ 428,000	\$ 428,000	\$ -	\$ (428,000)
Investment earnings	18,000	18,000	10,213	(7,787)
TOTAL REVENUES	<u>446,000</u>	<u>446,000</u>	<u>10,213</u>	<u>(435,787)</u>
EXPENDITURES:				
Materials and services	21,000	21,000	-	21,000
Capital outlay	350,000	350,000	305,472	44,528
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>471,000</u>	<u>471,000</u>	<u>305,472</u>	<u>165,528</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(25,000)</u>	<u>(25,000)</u>	<u>(295,259)</u>	<u>(270,259)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of capital assets	-	-	12,600	12,600
Transfers to other funds	(586,000)	(586,000)	(1,926,079)	(1,340,079)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(586,000)</u>	<u>(586,000)</u>	<u>(1,913,479)</u>	<u>(1,327,479)</u>
NET CHANGE IN FUND BALANCES	(611,000)	(611,000)	(2,208,738)	(1,597,738)
FUND BALANCES - beginning	<u>2,289,712</u>	<u>2,289,712</u>	<u>2,208,738</u>	<u>(80,974)</u>
FUND BALANCES - ending	<u>\$ 1,678,712</u>	<u>\$ 1,678,712</u>	<u>\$ -</u>	<u>\$ (1,678,712)</u>

CITY OF MILWAULKIE, OREGON

FACILITIES MAINTENANCE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental charges	\$ 62,000	\$ 62,000	\$ 4,000	\$ (58,000)
Charges for services	1,331,000	1,331,000	59,376	(1,271,624)
Investment earnings	25,000	25,000	786	(24,214)
Miscellaneous	-	-	22,063	22,063
TOTAL REVENUES	1,418,000	1,418,000	86,225	(1,331,775)
EXPENDITURES:				
Personal services	210,000	210,000	210,780	(780)
Materials and services	953,000	953,000	699,817	253,183
Debt service:				
Principal	42,000	42,000	45,324	(3,324)
Interest	15,000	15,000	12,588	2,412
Capital outlay	200,000	200,000	121,052	78,948
TOTAL EXPENDITURES	1,420,000	1,420,000	1,089,561	330,439
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,000)	(2,000)	(1,003,336)	(1,001,336)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	601,861	601,861
Transfers to other funds	(240,000)	(240,000)	-	240,000
TOTAL OTHER FINANCING SOURCES (USES)	(240,000)	(240,000)	601,861	841,861
NET CHANGE IN FUND BALANCES	(242,000)	(242,000)	(401,475)	(159,475)
FUND BALANCES - beginning	350,940	350,940	401,475	50,535
FUND BALANCES - ending	\$ 108,940	\$ 108,940	\$ -	\$ (108,940)

CITY OF MILWAULKIE, OREGON

PENSION DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 250,000	\$ 250,000	\$ 253,000	\$ 3,000
EXPENDITURES:				
Debt service:				
Principal	40,000	40,000	40,000	-
Interest	210,000	210,000	209,848	152
TOTAL EXPENDITURES	250,000	250,000	249,848	152
EXCESS OF REVENUES OVER EXPENDITURES	-	-	3,152	3,152
OTHER FINANCING USES:				
Transfers to other funds	-	-	(17,420)	(17,420)
FUND BALANCES - beginning	14,132	14,132	14,268	136
FUND BALANCES - ending	\$ 14,132	\$ 14,132	\$ -	\$ (14,132)

CITY OF MILWAULKIE, OREGON

KNUTSON PIONEER CEMETERY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 195	\$ 195
EXPENDITURES:				
Materials and services	3,000	3,000	-	3,000
Contingency	32,000	32,000	-	32,000
TOTAL EXPENDITURES	35,000	35,000	-	35,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,000)	(35,000)	195	35,195
OTHER FINANCING USES:				
Transfers to other funds	-	-	(35,952)	(35,952)
NET CHANGE IN FUND BALANCES	(35,000)	(35,000)	(35,757)	(757)
FUND BALANCES - beginning	35,000	35,000	35,757	757
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ -

CITY OF MILWAULKIE, OREGON

LIBRARY ENDOWMENT FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Investment earnings	\$ 2,000	\$ 2,000	\$ 373	\$ (1,627)
EXPENDITURES:				
Capital outlay	169,000	169,000	-	169,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(167,000)	(167,000)	373	167,373
OTHER FINANCING USES:				
Transfers to other funds	-	-	(166,638)	(166,638)
NET CHANGE IN FUND BALANCES	(167,000)	(167,000)	(166,265)	735
FUND BALANCES - beginning	167,000	167,000	166,265	(735)
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ -

CITY OF MILWAULKIE, OREGON

FORFEITURE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 18,001	\$ 18,001
Investment earnings	-	-	61	61
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>18,062</u>	<u>18,062</u>
EXPENDITURES:				
Materials and services	<u>4,000</u>	<u>4,000</u>	<u>7,500</u>	<u>(3,500)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(4,000)</u>	<u>(4,000)</u>	<u>10,562</u>	<u>14,562</u>
OTHER FINANCING USES:				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(14,985)</u>	<u>(14,985)</u>
NET CHANGE IN FUND BALANCES	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,423)</u>	<u>(423)</u>
FUND BALANCES - beginning	<u>4,347</u>	<u>4,347</u>	<u>4,423</u>	<u>76</u>
FUND BALANCES - ending	<u>\$ 347</u>	<u>\$ 347</u>	<u>\$ -</u>	<u>\$ (347)</u>

CITY OF MILWAULKIE, OREGON

TRANSPORTATION FUND

RECONCILIATION OF BUDGETARY TO REPORTING FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Street/Surface Maintenance Fund	(Restated) State Gas Tax Fund	Bike Path Fund	Combined Transportation Fund
REVENUES:				
Intergovernmental	\$ 197,348	\$ 1,007,889	\$ 9,938	\$ 1,215,175
Franchise fees	311,652	614,000	-	925,652
Charges for services	620,498	42,846	-	663,344
Investment earnings	2,555	3,505	321	6,381
Miscellaneous	-	60,842	-	60,842
TOTAL REVENUES	<u>1,132,053</u>	<u>1,729,082</u>	<u>10,259</u>	<u>2,871,394</u>
EXPENDITURES:				
Personal services	-	405,284	-	405,284
Materials and services	28,949	476,296	-	505,245
Capital outlay	504,777	86,476	17,114	608,367
TOTAL EXPENDITURES	<u>533,726</u>	<u>968,056</u>	<u>17,114</u>	<u>1,518,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>598,327</u>	<u>761,026</u>	<u>(6,855)</u>	<u>1,352,498</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	-	1,320,951
Transfers to other funds	(1,554,865)	(698,224)	(27,862)	(2,280,951)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,554,865)</u>	<u>(698,224)</u>	<u>(27,862)</u>	<u>(960,000)</u>
NET CHANGE IN FUND BALANCES	<u>(956,538)</u>	<u>62,802</u>	<u>(34,717)</u>	<u>392,498</u>
FUND BALANCES (DEFICIT) - beginning, as previously reported	956,538	(135,133)	34,717	856,122
Restatement	-	72,331	-	72,331
FUND BALANCES (DEFICIT) - beginning, as restated	<u>956,538</u>	<u>(62,802)</u>	<u>34,717</u>	<u>928,453</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,320,951</u>

CITY OF MILWAULKIE, OREGON

SYSTEMS DEVELOPMENT CHARGES FUND

RECONCILIATION OF BUDGETARY TO REPORTING FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Transportation</u>	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Combined SDC Fund</u>
REVENUES:					
Systems development charges:					
Transportation - systems development charges	\$ 13,713	\$ -	\$ -	\$ -	\$ 13,713
Water - systems development charges	-	8,494	-	-	8,494
Wastewater - systems development charges	-	-	21,110	-	21,110
Stormwater - systems development charges	-	-	-	4,317	4,317
Investment earnings	<u>2,762</u>	<u>3,099</u>	<u>5,437</u>	<u>1,641</u>	<u>12,939</u>
TOTAL REVENUES	<u>16,475</u>	<u>11,593</u>	<u>26,547</u>	<u>5,958</u>	<u>60,573</u>
EXPENDITURES:					
Capital outlay	17,737	66,000	-	19,200	102,937
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(1,262)</u>	<u>(54,407)</u>	<u>26,547</u>	<u>(13,242)</u>	<u>(42,364)</u>
FUND BALANCES - beginning	<u>450,750</u>	<u>485,594</u>	<u>771,808</u>	<u>353,100</u>	<u>2,061,252</u>
FUND BALANCES - ending	<u>\$ 449,488</u>	<u>\$ 431,187</u>	<u>\$ 798,355</u>	<u>\$ 339,858</u>	<u>\$ 2,018,888</u>

CITY OF MILWAULKIE, OREGON

TRANSPORTATION SDC FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Systems development charges	\$ 4,000	\$ 4,000	\$ 13,713	\$ 9,713
Investment earnings	5,000	5,000	2,762	(2,238)
TOTAL REVENUES	<u>9,000</u>	<u>9,000</u>	<u>16,475</u>	<u>7,475</u>
EXPENDITURES:				
Materials and services	6,000	6,000	-	6,000
Capital outlay	100,000	100,000	17,737	82,263
Contingency	330,149	330,149	-	330,149
TOTAL EXPENDITURES	<u>436,149</u>	<u>436,149</u>	<u>17,737</u>	<u>418,412</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(427,149)	(427,149)	(1,262)	425,887
OTHER FINANCING USES:				
Transfers to other funds	(10,000)	(10,000)	-	10,000
NET CHANGE IN FUND BALANCES	(437,149)	(437,149)	(1,262)	435,887
FUND BALANCES - beginning	<u>437,149</u>	<u>437,149</u>	<u>450,750</u>	<u>13,601</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,488</u>	<u>\$ 449,488</u>

CITY OF MILWAULKIE, OREGON

WATER SDC FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Systems development charges	\$ 10,000	\$ 10,000	\$ 8,494	\$ (1,506)
Investment earnings	5,000	5,000	3,099	(1,901)
TOTAL REVENUES	15,000	15,000	11,593	(3,407)
EXPENDITURES:				
Materials and services	4,000	4,000	-	4,000
Capital outlay	66,000	66,000	66,000	-
Contingency	405,655	405,655	-	405,655
TOTAL EXPENDITURES	475,655	475,655	66,000	409,655
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(460,655)	(460,655)	(54,407)	406,248
OTHER FINANCING USES:				
Transfers to other funds	(7,000)	(7,000)	-	7,000
NET CHANGE IN FUND BALANCES	(467,655)	(467,655)	(54,407)	413,248
FUND BALANCES - beginning	467,655	467,655	485,594	17,939
FUND BALANCES - ending	\$ -	\$ -	\$ 431,187	\$ 431,187

CITY OF MILWAULKIE, OREGON

WASTEWATER SDC FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Systems development charges	\$ 8,000	\$ 8,000	\$ 21,110	\$ 13,110
Investment earnings	7,000	7,000	5,437	(1,563)
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>26,547</u>	<u>11,547</u>
EXPENDITURES:				
Contingency	<u>787,893</u>	<u>787,893</u>	<u>-</u>	<u>787,893</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND AND NET CHANGE IN FUND BALANCE	<u>(772,893)</u>	<u>(772,893)</u>	<u>26,547</u>	<u>799,440</u>
FUND BALANCES - beginning	<u>772,893</u>	<u>772,893</u>	<u>771,808</u>	<u>(1,085)</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,355</u>	<u>\$ 798,355</u>

CITY OF MILWAULKIE, OREGON

STORMWATER SDC FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Systems development charges	\$ 7,000	\$ 7,000	\$ 4,317	\$ (2,683)
Investment earnings	4,000	4,000	1,641	(2,359)
TOTAL REVENUES	11,000	11,000	5,958	(5,042)
EXPENDITURES:				
Capital outlay	-	-	19,200	(19,200)
Contingency	360,558	360,558	-	360,558
TOTAL EXPENDITURES	360,558	360,558	19,200	341,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(349,558)	(349,558)	(13,242)	336,316
FUND BALANCES - beginning	349,558	349,558	353,100	3,542
FUND BALANCES - ending	\$ -	\$ -	\$ 339,858	\$ 339,858

CITY OF MILWAULKIE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS:			
Restricted cash and investments	\$ 106,925	\$ -	\$ 106,925
TOTAL ASSETS	<u>\$ 106,925</u>	<u>\$ -</u>	<u>\$ 106,925</u>
LIABILITIES:			
Accounts payable	\$ 5,564	\$ -	\$ 5,564
Accrued salaries and payroll taxes	4,973	-	4,973
Deposits payable	354	-	354
TOTAL LIABILITIES	<u>10,891</u>	<u>-</u>	<u>10,891</u>
FUND BALANCES:			
Restricted	96,034	-	96,034
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 106,925</u>	<u>\$ -</u>	<u>\$ 106,925</u>

CITY OF MILWAULKIE, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	(Restated) Special Revenue Fund	Debt Service Fund	Total
REVENUES:			
Licenses and permits	\$ 236,157	\$ -	\$ 236,157
Intergovernmental	2,633	-	2,633
Investment earnings	894	1,926	2,820
TOTAL REVENUES	<u>239,684</u>	<u>1,926</u>	<u>241,610</u>
EXPENDITURES:			
Current:			
General government	181,219	-	181,219
Debt service:			
Principal	-	450,000	450,000
Interest	-	21,825	21,825
TOTAL EXPENDITURES	<u>181,219</u>	<u>471,825</u>	<u>653,044</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	58,465	(469,899)	(411,434)
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	<u>(26,000)</u>	<u>(14,888)</u>	<u>(40,888)</u>
NET CHANGE IN FUND BALANCES	<u>32,465</u>	<u>(484,787)</u>	<u>(452,322)</u>
FUND BALANCES - beginning, as previously reported	93,980	484,787	578,767
Restatement	<u>(30,411)</u>	<u>-</u>	<u>(30,411)</u>
FUND BALANCES - beginning, as restated	<u>63,569</u>	<u>484,787</u>	<u>548,356</u>
FUND BALANCES - ending	<u>\$ 96,034</u>	<u>\$ -</u>	<u>\$ 96,034</u>

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, 2011

	Budget for the Fiscal Year 2010-11		(Restated) Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 135,000	\$ 135,000	\$ 236,157	\$ 101,157
Intergovernmental	72,000	72,000	2,633	(69,367)
Investment earnings	1,000	1,000	894	(106)
Miscellaneous	4,000	4,000	-	(4,000)
TOTAL REVENUES	212,000	212,000	239,684	27,684
EXPENDITURES:				
Personal services	198,000	198,000	175,001	22,999
Materials and services	50,000	50,000	6,218	43,782
Contingency	6,246	6,246	-	6,246
TOTAL EXPENDITURES	254,246	254,246	181,219	73,027
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,246)	(42,246)	58,465	100,711
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(26,000)	(26,000)	(26,000)	-
NET CHANGE IN FUND BALANCES	(68,246)	(68,246)	32,465	100,711
FUND BALANCES - beginning, as previously reported	68,246	68,246	93,980	(25,734)
Restatement	-	-	(30,411)	30,411
FUND BALANCES - beginning, as restated	68,246	68,246	63,569	(4,677)
FUND BALANCES - ending	\$ -	\$ -	\$ 96,034	\$ 96,034

CITY OF MILWAULKIE, OREGON

PUBLIC SAFETY DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 24,005	\$ 24,005	\$ -	\$ (24,005)
Investment earnings	5,000	5,000	1,926	(3,074)
TOTAL REVENUES	<u>29,005</u>	<u>29,005</u>	<u>1,926</u>	<u>(27,079)</u>
EXPENDITURES:				
Debt service:				
Principal	450,000	450,000	450,000	-
Interest	22,000	22,000	21,825	175
TOTAL EXPENDITURES	<u>472,000</u>	<u>472,000</u>	<u>471,825</u>	<u>175</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(442,995)	(442,995)	(469,899)	(26,904)
OTHER FINANCING USES:				
Transfers to other funds	-	-	(14,888)	(14,888)
NET CHANGE IN FUND BALANCES	(442,995)	(442,995)	(484,787)	(41,792)
FUND BALANCES - beginning	<u>442,995</u>	<u>442,995</u>	<u>484,787</u>	<u>41,792</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INDIVIDUAL FUND FINANCIAL
SCHEDULES**
Proprietary Funds

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 MILWAULKIE, OREGON

WATER FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	(Restated) Water Fund	Water Capital Reserve Fund	Combined Water Fund
REVENUES:			
Water charges	\$ 2,111,904	\$ -	\$ 2,111,904
Investment earnings	2,439	-	2,439
Miscellaneous	60,872	321	61,193
TOTAL REVENUES	2,175,215	321	2,175,536
EXPENDITURES:			
Personal services	482,438	-	482,438
Materials and services	655,136	-	655,136
Capital outlay	40,214	426,082	466,296
TOTAL EXPENDITURES	1,177,788	426,082	1,603,870
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	997,427	(425,761)	571,666
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	321,574	321,574
Transfers to other funds	(1,261,574)	-	(1,261,574)
TOTAL OTHER FINANCING SOURCES (USES)	(1,261,574)	321,574	(940,000)
NET CHANGE IN FUND BALANCES	(264,147)	(104,187)	(368,334)
FUND BALANCES - beginning, as previously reported	182,764	-	182,764
Restatement	(27,642)	-	(27,642)
FUND BALANCES - beginning, as restated	155,122	104,187	259,309
FUND BALANCES - ending	\$ (109,025)	\$ -	\$ (109,025)
RECONCILIATION TO GAAP BASIS:			
Adjustment for capital assets not being depreciated			426,764
Adjustment for capital assets, net of accumulated depreciation			8,293,390
FUND BALANCES - GAAP BASIS, ending			\$ 8,611,129

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, 2011

	Budget for the Fiscal Year 2010-11		(Restated) Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Water charges	\$ 2,307,000	\$ 2,307,000	\$ 2,111,904	\$ (195,096)
Intergovernmental	4,000	4,000	-	(4,000)
Investment earnings	43,000	43,000	2,439	(40,561)
Miscellaneous	-	-	60,872	60,872
TOTAL REVENUES	2,354,000	2,354,000	2,175,215	(178,785)
EXPENDITURES:				
Personal services	437,000	437,000	482,438	(45,438)
Materials and services	1,215,000	1,215,000	655,136	559,864
Capital outlay	87,000	87,000	40,214	46,786
Contingency	177,458	177,458	-	177,458
TOTAL EXPENDITURES	1,916,458	1,916,458	1,177,788	738,670
EXCESS OF REVENUES OVER EXPENDITURES	437,542	437,542	997,427	559,885
OTHER FINANCING USES:				
Transfers to other funds	(624,000)	(624,000)	(1,261,574)	(637,574)
NET CHANGE IN FUND BALANCES	(186,458)	(186,458)	(264,147)	(77,689)
FUND BALANCES - beginning, as previously reported	186,458	186,458	182,764	(3,694)
Restatement	-	-	(27,642)	(27,642)
FUND BALANCES - beginning, as restated	186,458	186,458	155,122	(31,336)
FUND BALANCES - ending	\$ -	\$ -	\$ (109,025)	\$ (109,025)

CITY OF MILWAULKIE, OREGON

WATER CAPITAL RESERVE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ 321	\$ 321
EXPENDITURES:				
Materials and services	38,000	38,000	-	38,000
Capital outlay	654,000	654,000	426,082	227,918
TOTAL EXPENDITURES	692,000	692,000	426,082	265,918
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(692,000)	(692,000)	(425,761)	266,239
OTHER FINANCING USES:				
Transfers from other funds	631,121	631,121	321,574	(309,547)
Transfers to other funds	(65,000)	(65,000)	-	65,000
TOTAL OTHER FINANCING SOURCES (USES)	566,121	566,121	321,574	(244,547)
NET CHANGE IN FUND BALANCES	(125,879)	(125,879)	(104,187)	21,692
FUND BALANCES - beginning	125,879	125,879	104,187	(21,692)
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ -

CITY OF MILWAULKIE, OREGON

WASTEWATER FUND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	(Restated) Wastewater Fund	Wastewater Capital Reserve Fund	Combined Wastewater Fund
REVENUES:			
Wastewater charges	\$ 5,007,708	\$ -	\$ 5,007,708
Investment earnings	4,388	95,851	100,239
Miscellaneous	23,641	-	23,641
TOTAL REVENUES	<u>5,035,737</u>	<u>95,851</u>	<u>5,131,588</u>
EXPENDITURES:			
Personal services	398,581	-	398,581
Materials and services	3,328,514	34,243	3,362,757
Capital outlay	5,883	2,096,789	2,102,672
TOTAL EXPENDITURES	<u>3,732,978</u>	<u>2,131,032</u>	<u>5,864,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,302,759</u>	<u>(2,035,181)</u>	<u>(732,422)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt	-	1,622,016	1,622,016
Proceeds from sale of capital assets	-	213,976	213,976
Transfers from other funds	-	652,153	652,153
Transfers to other funds	(785,006)	(506,000)	(1,291,006)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(785,006)</u>	<u>1,982,145</u>	<u>1,197,139</u>
NET CHANGE IN FUND BALANCES	<u>517,753</u>	<u>(53,036)</u>	<u>464,717</u>
FUND BALANCES - beginning, as previously reported	2,124,141	53,036	2,177,177
Restatement	80,000	-	80,000
FUND BALANCES - beginning, as restated	<u>2,204,141</u>	<u>53,036</u>	<u>2,257,177</u>
FUND BALANCES - ending	<u>\$ 2,721,894</u>	<u>\$ -</u>	<u>2,721,894</u>
RECONCILIATION TO GAAP BASIS:			
Adjustment for capital assets not being depreciated			120,382
Adjustment for capital assets, net of accumulated depreciation			6,718,092
Adjustment for loans receivable			187,317
Adjustment for loans payable - due within one year			(96,500)
Adjustment for loans payable			<u>(3,754,834)</u>
FUND BALANCES - GAAP BASIS, ending			<u>\$ 5,896,351</u>

CITY OF MILWAULKIE, OREGON

WASTEWATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		(Restated) Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Wastewater charges	\$ 3,707,000	\$ 3,707,000	\$ 5,007,708	\$ 1,300,708
Intergovernmental	2,000	2,000	-	(2,000)
Investment earnings	12,000	12,000	4,388	(7,612)
Miscellaneous	-	-	23,641	23,641
TOTAL REVENUES	3,721,000	3,721,000	5,035,737	1,314,737
EXPENDITURES:				
Personal services	371,000	371,000	398,581	(27,581)
Materials and services	3,524,000	3,524,000	3,328,514	195,486
Debt service:				
Principal	100,000	100,000	-	100,000
Capital outlay	10,000	10,000	5,883	4,117
Contingency	78,000	78,000	-	78,000
TOTAL EXPENDITURES	4,083,000	4,083,000	3,732,978	350,022
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(362,000)	(362,000)	1,302,759	1,664,759
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	489,308	489,308	-	(489,308)
Transfers to other funds	(460,000)	(460,000)	(785,006)	(325,006)
TOTAL OTHER FINANCING SOURCES (USES)	29,308	29,308	(785,006)	(814,314)
NET CHANGE IN FUND BALANCES	(332,692)	(332,692)	517,753	850,445
FUND BALANCES - beginning, as previously reported	690,557	690,557	2,124,141	1,433,584
Restatement	-	-	80,000	80,000
FUND BALANCES - beginning, as restated	690,557	690,557	2,204,141	1,513,584
FUND BALANCES - ending	\$ 357,865	\$ 357,865	\$ 2,721,894	\$ 2,364,029

CITY OF MILWAULKIE, OREGON

WASTEWATER CAPITAL RESERVE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 125,000	\$ 125,000	\$ -	\$ (125,000)
Investment earnings	12,000	12,000	95,851	83,851
TOTAL REVENUES	137,000	137,000	95,851	(41,149)
EXPENDITURES:				
Materials and services	106,000	106,000	34,243	71,757
Capital outlay	1,547,000	1,547,000	2,096,789	(549,789)
TOTAL EXPENDITURES	1,653,000	1,653,000	2,131,032	(478,032)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,516,000)	(1,516,000)	(2,035,181)	(519,181)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt	1,352,000	1,352,000	1,622,016	270,016
Proceeds from sale of capital assets	-	-	213,976	213,976
Transfers from other funds	-	-	652,153	652,153
Transfers to other funds	(644,308)	(644,308)	(506,000)	138,308
TOTAL OTHER FINANCING SOURCES (USES)	707,692	707,692	1,982,145	1,274,453
NET CHANGE IN FUND BALANCES	(808,308)	(808,308)	(53,036)	755,272
FUND BALANCES - beginning	808,308	808,308	53,036	(755,272)
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ -

CITY OF MILWAULKIE, OREGON

STORMWATER FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Stormwater Fund	Stormwater Capital Reserve Fund	Combined Stormwater Fund
REVENUES:			
Stormwater charges	\$ 1,746,959	\$ -	\$ 1,746,959
Intergovernmental	-	27,000	27,000
Investment earnings	2,023	720	2,743
Miscellaneous	20,302	-	20,302
TOTAL REVENUES	<u>1,769,284</u>	<u>27,720</u>	<u>1,797,004</u>
EXPENDITURES:			
Personal services	386,057	-	386,057
Materials and services	250,211	-	250,211
Capital outlay	-	104,215	104,215
TOTAL EXPENDITURES	<u>636,268</u>	<u>104,215</u>	<u>740,483</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,133,016</u>	<u>(76,495)</u>	<u>1,056,521</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	69,969	-	69,969
Transfers to other funds	(797,000)	(69,969)	(866,969)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(727,031)</u>	<u>(69,969)</u>	<u>(797,000)</u>
NET CHANGE IN FUND BALANCES	405,985	(146,464)	259,521
FUND BALANCES - beginning	<u>674,757</u>	<u>146,464</u>	<u>821,221</u>
FUND BALANCES - ending	<u>\$ 1,080,742</u>	<u>\$ -</u>	1,080,742
RECONCILIATION TO GAAP BASIS:			
Adjustment for capital assets not being depreciated			43,080
Adjustment for capital assets, net of accumulated depreciation			<u>3,022,448</u>
FUND BALANCES - GAAP BASIS, ending			<u>\$ 4,146,270</u>

CITY OF MILWAULKIE, OREGON

STORMWATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Stormwater charges	\$ 1,653,000	\$ 1,653,000	\$ 1,746,959	\$ 93,959
Investment earnings	5,000	5,000	2,023	(2,977)
Miscellaneous	1,000	1,000	20,302	19,302
TOTAL REVENUES	1,659,000	1,659,000	1,769,284	110,284
EXPENDITURES:				
Personal services	394,000	394,000	386,057	7,943
Materials and services	718,000	718,000	250,211	467,789
Contingency	56,000	56,000	-	56,000
TOTAL EXPENDITURES	1,168,000	1,168,000	636,268	531,732
EXCESS OF REVENUES OVER EXPENDITURES	491,000	491,000	1,133,016	642,016
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	69,969	69,969
Transfers to other funds	(155,000)	(155,000)	(797,000)	(642,000)
NET CHANGE IN FUND BALANCES	336,000	336,000	405,985	69,985
FUND BALANCES - beginning	498,150	498,150	674,757	176,607
FUND BALANCES - ending	\$ 834,150	\$ 834,150	\$ 1,080,742	\$ 246,592

CITY OF MILWAULKIE, OREGON

STORMWATER CAPITAL RESERVE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the Fiscal Year 2010-11		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 27,000	\$ 27,000
Investment earnings	3,186	3,186	720	(2,466)
TOTAL REVENUES	<u>3,186</u>	<u>3,186</u>	<u>27,720</u>	<u>24,534</u>
EXPENDITURES:				
Materials and services	7,000	7,000	-	7,000
Capital outlay	117,000	117,000	104,215	12,785
TOTAL EXPENDITURES	<u>124,000</u>	<u>124,000</u>	<u>104,215</u>	<u>19,785</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,814)	(120,814)	(76,495)	44,319
OTHER FINANCING USES:				
Transfers to other funds	(12,000)	(12,000)	(69,969)	(57,969)
NET CHANGE IN FUND BALANCES	(132,814)	(132,814)	(146,464)	(13,650)
FUND BALANCES - beginning	<u>132,814</u>	<u>132,814</u>	<u>146,464</u>	<u>13,650</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2011

FUTURE BOND PRINCIPAL

Fiscal year	Oregon SELP Loans			Library Property	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2012	\$ 30,124	\$ 6,326	\$ 11,575	\$ 16,945	\$ 18,577	\$ 60,000	\$ 96,500	\$ 240,047
2013	32,155	6,699	12,094	18,147	23,720	75,000	96,500	264,315
2014	30,364	4,026	12,631	19,433	23,868	95,000	96,500	281,822
2015	-	-	13,184	20,811	24,023	115,000	96,500	269,518
2016	-	-	13,756	22,287	24,184	135,000	96,500	291,727
2017	-	-	14,362	23,867	24,351	160,000	96,500	319,080
2018	-	-	18,072	25,559	24,525	185,000	96,500	349,656
2019	-	-	-	27,371	24,707	210,000	96,500	358,578
2020	-	-	-	29,312	29,895	240,000	96,500	395,707
2021	-	-	-	41,979	30,097	270,000	96,500	438,576
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	-	96,500	139,283
2032	-	-	-	-	47,811	-	-	47,811
	<u>\$ 92,643</u>	<u>\$ 17,051</u>	<u>\$ 95,674</u>	<u>\$ 245,711</u>	<u>\$ 670,468</u>	<u>\$4,195,000</u>	<u>\$1,930,000</u>	<u>\$7,246,547</u>

FUTURE BOND INTEREST

Fiscal year	Oregon SELP Loans			Library Property	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2012	\$ 5,168	\$ 814	\$ 3,905	\$ 17,570	\$ 28,412	\$ 208,085	\$ 9,250	\$ 273,204
2013	3,137	441	3,386	16,368	27,668	204,785	8,750	264,535
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	-	-	3,592	8,956	22,863	176,971	6,250	218,632
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>\$ 15,870</u>	<u>\$ 2,508</u>	<u>\$ 18,870</u>	<u>\$ 110,179</u>	<u>\$ 360,998</u>	<u>\$2,376,762</u>	<u>\$ 90,250</u>	<u>\$2,975,437</u>

CITY OF MILWAULKIE, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2010</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, 2011</u>
Current fiscal year 2010-11	\$ -	\$ 6,350,048	\$ (203,794)	(5,918,005)	\$ 228,249
Prior fiscal years					
2009-10	252,590	-	(18,468)	(132,716)	101,406
2008-09	114,145	-	(5,655)	(52,029)	56,461
2007-08	43,811	-	(2,137)	(22,596)	19,078
2006-07	13,069	-	(966)	(8,068)	4,035
2005-06 & prior	18,468	-	(4,894)	(2,612)	10,962
Sub-total prior	<u>442,083</u>	<u>-</u>	<u>(32,120)</u>	<u>(218,021)</u>	<u>191,942</u>
Total	<u>\$ 442,083</u>	<u>\$ 6,350,048</u>	<u>\$ (235,914)</u>	<u>\$ (6,136,026)</u>	<u>\$ 420,191</u>

CITY OF MILWAUKIE, OREGON
SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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.

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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.	105
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	111
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	115
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.	120
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.	122

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 nine fiscal years ¹
(accrual basis of accounting)
(in thousands)

	Fiscal Year Ended								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Restricted	3,141	5,994	6,149	5,923	3,392	3,418	3,274	2,714	2,125
Unrestricted	<u>1,815</u>	<u>1,329</u>	<u>2,172</u>	<u>3,051</u>	<u>5,363</u>	<u>5,698</u>	<u>5,586</u>	<u>5,403</u>	<u>6,594</u>
Total governmental activities net assets	<u>48,344</u>	<u>49,756</u>	<u>50,135</u>	<u>49,153</u>	<u>49,088</u>	<u>50,340</u>	<u>50,283</u>	<u>47,834</u>	<u>47,993</u>
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
Unrestricted	<u>7,661</u>	<u>5,302</u>	<u>4,235</u>	<u>3,644</u>	<u>4,425</u>	<u>4,387</u>	<u>4,107</u>	<u>3,896</u>	<u>3,881</u>
Total business-type activities net assets	<u>21,300</u>	<u>19,775</u>	<u>19,191</u>	<u>18,870</u>	<u>19,433</u>	<u>19,371</u>	<u>19,551</u>	<u>18,636</u>	<u>18,654</u>
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
Restricted	3,141	5,994	6,149	5,923	3,392	3,418	3,274	2,714	2,125
Unrestricted	<u>9,476</u>	<u>6,631</u>	<u>6,407</u>	<u>6,695</u>	<u>9,788</u>	<u>10,085</u>	<u>9,693</u>	<u>9,299</u>	<u>10,475</u>
Total primary government net assets	<u>\$ 69,644</u>	<u>\$ 69,531</u>	<u>\$ 69,326</u>	<u>\$ 68,023</u>	<u>\$ 68,521</u>	<u>\$ 69,711</u>	<u>\$ 69,834</u>	<u>\$ 66,470</u>	<u>\$ 66,647</u>

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

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
Expenses									
Governmental activities:									
General government	\$ 6,793	\$ 8,391	\$ 8,634	\$ 8,696	\$ 2,975	\$ 3,025	\$ 2,794	\$ 3,854	\$ 9,813
Highways and streets	2,943	2,141	2,541	2,702	3,178	3,172	3,932	2,865	2,094
Public safety - Police	5,217	5,056	5,514	5,927	5,907	6,591	7,326	7,627	6,210
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
Interest on long-term debt	-	-	-	134	322	330	341	318	292
Total governmental activities expenses	19,346	19,560	21,256	19,419	14,005	15,038	16,429	17,040	19,994
Business-type activities:									
Water	1,935	1,803	1,972	1,781	2,297	1,746	2,091	2,143	2,397
Wastewater	2,957	2,355	2,405	2,711	2,640	2,975	2,577	4,580	5,023
Stormwater	1,006	837	1,082	1,080	918	975	1,052	1,152	1,710
Total business-type activities expenses	5,898	4,995	5,459	5,572	5,855	5,696	5,720	7,875	9,130
Total primary government expenses	\$ 25,244	\$ 24,555	\$ 26,715	\$ 24,991	\$ 19,860	\$ 20,734	\$ 22,149	\$ 24,915	\$ 29,124
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 3,451	\$ 3,524	\$ 4,661	\$ 4,295	\$ 502	\$ 1,645	\$ 692	\$ 467	\$ 5,110
Highways and streets	273	637	1,258	871	1,142	758	1,076	1,080	663
Public safety	462	498	549	414	837	992	1,555	1,746	1,940
Culture and recreation	38	45	46	49	53	61	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
Capital grants and contributions	158	288	207	99	181	301	30	27	47
Total governmental activities program revenues	7,547	8,097	10,243	9,148	4,832	5,782	5,285	6,076	11,132
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
Wastewater	2,854	3,016	2,625	2,842	3,195	3,267	3,586	4,437	5,032
Storm water	1,036	1,033	980	1,380	1,464	1,511	1,540	1,722	1,794
Operating grants and contributions	10	2	5	1	1	-	-	-	-
Capital grants and contributions	30	34	21	103	74	110	29	-	-
Total business-type activities program revenues	5,835	6,024	5,330	6,263	7,076	6,980	7,389	8,432	8,999
Total primary government program revenues	\$ 13,382	\$ 14,121	\$ 15,573	\$ 15,411	\$ 11,908	\$ 12,762	\$ 12,674	\$ 14,508	\$ 20,131

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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
Net (Expense) Revenue									
Governmental activities	\$ (11,799)	\$ (11,463)	\$ (11,013)	\$ (10,271)	\$ (9,173)	\$ (9,256)	\$ (11,144)	\$ (10,964)	\$ (8,862)
Business-type activities	(63)	1,029	(129)	691	1,221	1,284	1,669	557	(131)
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>
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
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
Intergovernmental	374	320	351	410	409	446	517	583	297
Miscellaneous	-	-	-	-	-	73	603	928	-
Interest and investment earnings	139	209	587	349	408	366	209	114	115
Gain on disposition of capital assets	-	-	-	-	-	31	14	-	-
Transfers	1,311	1,080	497	931	-	-	-	1,485	(64)
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>
Business-type activities:									
Miscellaneous	-	-	-	-	-	10	-	-	-
Interest and investment earnings	170	117	163	266	287	250	127	12	85
Transfers	(1,311)	(1,080)	(497)	(930)	-	-	-	(1,485)	64
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>
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>
Change in Net Assets									
Governmental activities	\$ (364)	\$ (179)	\$ 295	\$ (1,364)	\$ (1,010)	\$ (356)	\$ (1,673)	\$ 583	\$ 159
Business-type activities	(1,204)	66	(463)	27	1,508	1,544	1,796	(916)	18
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>\$ 177</u>

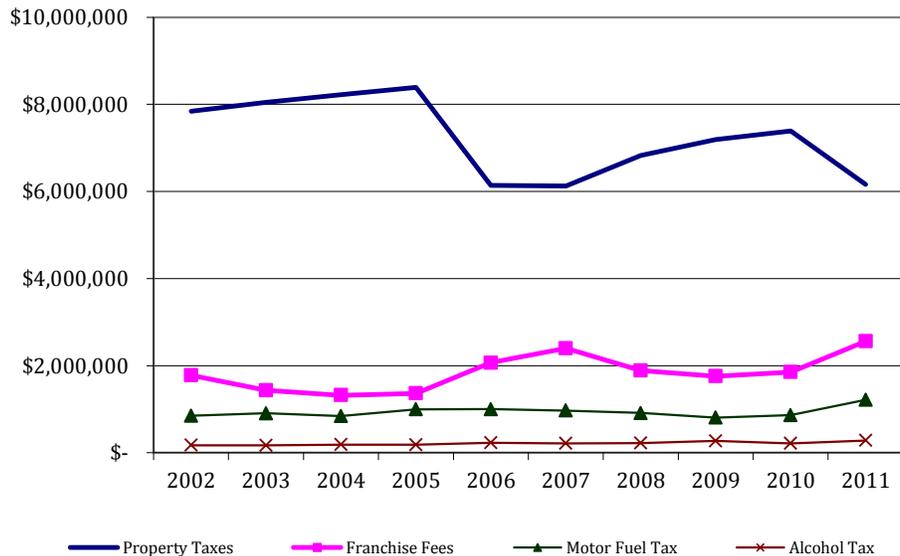
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CITY OF MILWAUKIE, OREGON
Governmental Activities Tax Revenues by Source
for the last ten fiscal years
(modified accrual basis of accounting)

<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>
2002	\$ 7,843,337	\$ 1,782,276	\$ 849,331	\$ 173,500	\$ 10,648,444
2003	8,044,030	1,436,196	905,993	171,201	10,557,420
2004	8,218,996	1,321,560	842,121	186,426	10,569,103
2005	8,391,441	1,365,629	997,383	182,678	10,937,131
2006	6,139,602	2,068,085	1,001,127	228,494	9,437,308
2007	6,125,265	2,398,065	971,128	217,478	9,711,936
2008	6,827,770	1,890,554	913,203	221,887	9,853,414
2009	7,194,226	1,758,073	807,961	270,755	10,031,015
2010	7,386,502	1,851,219	864,089	216,494	10,318,304
2011	6,164,063	2,560,743	1,215,175	283,256	10,223,237

¹ Motor fuel and alcoholic beverage taxes are not directly assessed by the City of Milwaukie, but rather by the State of Oregon, then a portion is allocated to the City based upon population.

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
General fund									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -
Restricted	-	-	-	-	-	-	-	14	11
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	201
Unassigned	1,544	2,395	3,198	2,994	2,699	2,032	1,631	6,116	6,086
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>
All other governmental funds									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,131	2,231	2,347	1,772	1,701	2,526	2,445	2,610	2,115
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	928	1,321
Unassigned	-	-	-	-	-	-	-	-	-
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>

¹ Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented and GASB 54 was implemented in fiscal year 2010-11.

CITY OF MILWAUKIE, OREGON
Changes in 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
Revenues:									
Property taxes	\$ 8,044	\$ 8,219	\$ 8,391	\$ 6,140	\$ 6,125	\$ 6,138	\$ 6,405	\$ 6,623	\$ 6,164
Intergovernmental	2,138	2,031	2,113	1,808	1,899	2,334	2,529	2,815	3,313
Franchise taxes	1,436	1,322	1,366	2,068	2,398	1,891	1,758	1,851	2,561
Fines and forfeitures	460	502	547	422	819	1,030	1,602	1,801	1,857
Licenses and fees	707	714	843	738	793	1,944	1,697	1,638	586
Charges for services	-	-	-	-	-	-	-	-	5,235
Miscellaneous	260	624	1,287	372	887	554	529	841	412
Total revenues	13,045	13,412	14,547	11,548	12,921	13,891	14,520	15,569	20,128
Expenditures:									
Current:									
General government	953	789	843	900	767	1,244	1,262	1,983	8,495
Public works	1,599	1,655	1,625	1,771	1,872	1,925	2,144	1,099	1,870
Public safety - Police	2,935	3,027	3,111	5,909	5,907	6,591	7,327	7,627	5,546
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
Debt service:									
Principal	300	315	330	382	420	429	452	488	570
Interest	150	138	124	76	245	355	324	303	292
Capital outlay	335	639	858	1,599	2,619	1,247	1,789	1,766	1,386
Total expenditures	12,801	12,862	13,723	12,100	13,453	13,602	15,293	15,512	19,574
Excess (deficiency) of revenues over (under) expenditures	244	550	824	(552)	(532)	289	(773)	57	554
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
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%

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

CITY OF MILWAUKIE, OREGON

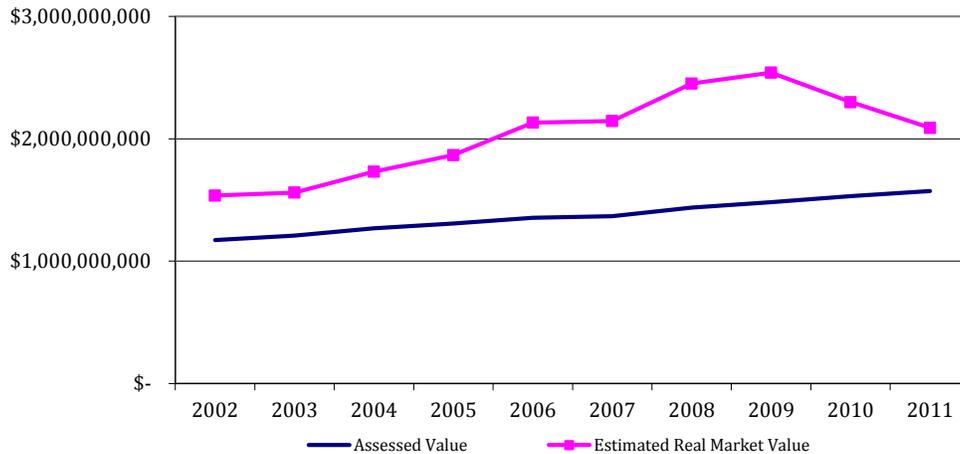
Assessed Value and Estimated Real Market Value of Taxable Property for the last ten fiscal years

Fiscal year	Assessed Value		RMV		Assessed value as a percentage of RMV
	Total assessed value (AV)	Total direct tax rate	Estimated real market value (RMV)		
2002	\$ 1,171,009,711	\$ 6.8794	\$ 1,534,803,551		76 %
2003	1,207,741,925	6.7859	1,560,394,623		77
2004	1,267,921,744	6.7789	1,731,894,391		73
2005	1,307,097,910	6.7727	1,866,069,103		70
2006	1,354,692,412	4.3640	2,132,207,372		64
2007	1,368,223,032	4.2423	2,145,737,992		64
2008	1,436,285,089	4.4677	2,451,562,880		59
2009	1,480,869,748	4.4590	2,539,185,885		58
2010	1,532,080,161	4.4561	2,299,593,051		67
2011	1,571,980,540	4.0681	2,089,717,127		75

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

Source: Clackamas and Multnomah County Departments of Assessment and Taxation

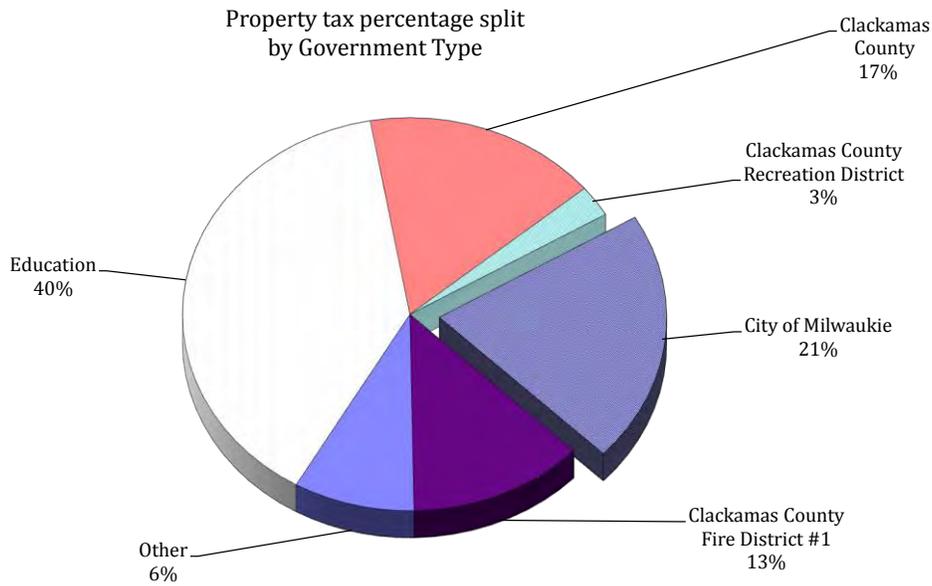
The gap between Assessed Value and Estimated Real Market Value



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	
2002	\$ 6.5379	\$ 0.3415	\$ -	\$ -	\$ 6.8794	\$ 6.13	\$ 2.57	\$ -	\$ 0.54	\$ 0.86	\$ 0.37	\$ 0.54	\$ 17.89
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

Source: Clackamas County Assessor's Office



CITY OF MILWAUKIE, OREGON

Principal Property Taxpayers

current year and nine years ago

Name	2011			2002		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Blount Inc	\$ 41,228,790	1	2.6%	\$ 32,046,044	1	2.7%
PCC Structural Inc	22,591,102	2	1.4%	16,193,574	2	1.4%
Waverly Greens Apts	15,498,019	3	1.0%	11,870,346	3	1.0%
International Airport Centers LLC	14,318,298	4	0.9%	-		
Downs Alice M Trustee	12,768,648	5	0.8%	-		
Comcast Corporation	10,962,500	6	0.7%	-		
Portland General Electric Co	10,549,000	7	0.7%	8,303,200	5	0.7%
Holland Partners	9,586,464	8	0.6%	-		
ODS Plaza Inc	9,022,624	9	0.6%	-		
SE International Way	8,800,694	10	0.6%	-		
SSR Realty Advisors	-			9,911,627	4	0.8%
Kellogg Lake Equities LLC	-			8,246,234	6	0.7%
Mailwell Envelope	-			7,831,873	7	0.7%
Guardian Management Corp.	-			7,358,328	8	0.6%
Americold	-			6,714,932	9	0.6%
6710 LLC	-			6,474,112	10	0.6%
Sub-total, top ten	155,326,139		9.9%	114,950,270		9.8%
All other City taxpayers	1,416,654,401		90.1%	1,056,059,441		90.2%
Total City taxpayers	<u>\$ 1,571,980,540</u>		<u>100.0%</u>	<u>\$ 1,171,009,711</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
2002	\$ 8,073,469	\$ 7,541,136	93 %	\$ 530,323	\$ 8,071,459	100 %
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	146,475	5,489,265	97
2008	6,413,042	6,028,211	94	192,774	6,220,985	97
2009	6,690,766	6,229,318	93	219,758	6,449,076	96
2010	6,785,356	6,355,747	94	132,716	6,488,463	96
2011	6,350,048	5,918,005	93	-	5,918,005	93

Source: Annual financial statements of the City of Milwaukie

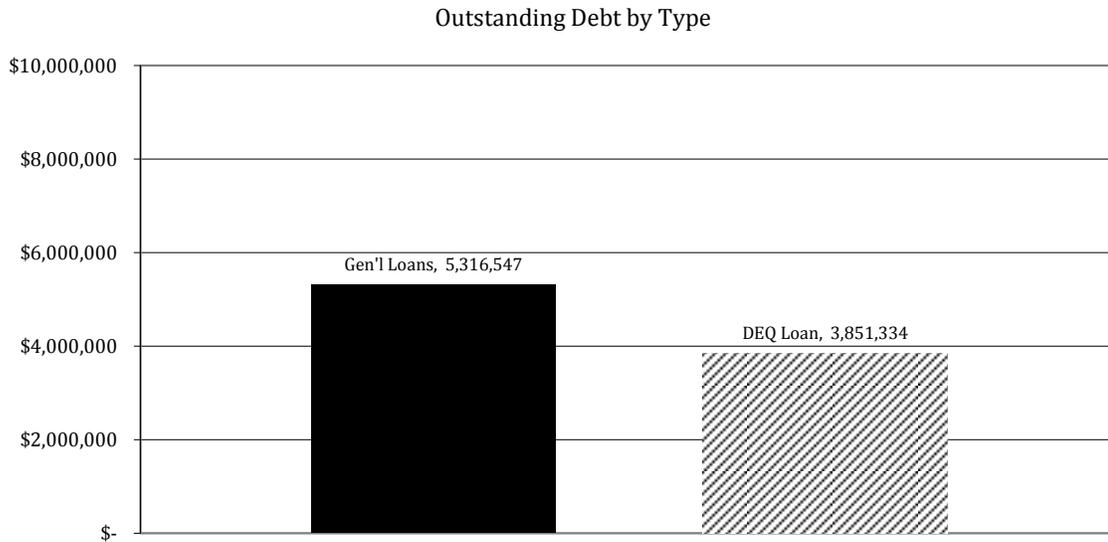


CITY OF MILWAUKIE, OREGON
Ratios of Outstanding Debt by Type
for the last ten fiscal years

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			
2002	\$ 3,320,000	\$ 354,216	\$ 845,000	\$ 245,681	\$ 4,764,897	38.33 %	\$ 232
2003	3,020,000	1,037,037	775,000	896,661	5,728,698	44.71	279
2004	2,705,000	1,499,696	660,000	369,327	5,234,023	37.80	254
2005	2,375,000	1,097,960	565,000	-	4,037,960	27.60	196
2006	2,030,000	5,747,848	465,000	-	8,242,848	51.92	396
2007	1,665,000	6,066,968	360,000	-	8,091,968	48.54	387
2008	1,280,000	5,629,625	245,000	-	7,154,625	41.89	342
2009	875,000	5,542,310	125,000	-	6,542,310	*	313
2010	450,000	5,436,133	-	2,229,318	8,115,451	*	388
2011	-	5,316,547	-	3,851,334	9,167,881	*	438

* 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
2002	\$ 3,320,000	\$ (756,971)	\$ 2,563,029	0.22 %	\$ 125
2003	3,020,000	(658,038)	2,361,962	0.20	115
2004	2,705,000	(547,432)	2,157,568	0.17	105
2005	2,375,000	(430,240)	1,944,760	0.15	94
2006	2,030,000	(325,427)	1,704,573	0.13	82
2007	1,665,000	(146,599)	1,518,401	0.11	73
2008	1,280,000	(222,103)	1,057,897	0.07	51
2009	875,000	(344,995)	530,005	0.04	25
2010	450,000	(484,787)	(34,787)	-	-
2011	-	-	-	-	-

¹ Assessed value data of property can be found on page 111.

² Population data can be found on page 120.

CITY OF MILWAUKIE, OREGON
Direct and Overlapping Governmental Activities Debt
as of June 30, 2011

<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 Cty SD 12 (North Clackamas)	\$ 13,229,336,346	\$ 365,473,306	15.68%	\$ 57,310,966
North Clackamas Parks & Rec District	13,285,500,163	-	0.00%	-
Clackamas Cty RFPD 1	19,495,843,490	3,500,000	10.72%	375,158
Clackamas Community College	35,664,395,610	32,605,000	5.82%	1,896,568
Clackamas Cty ESD	46,889,463,367	-	0.00%	-
Clackamas County	49,233,660,124	76,195,000	4.21%	3,210,553
Tri-Met	203,265,967,775	9,800,000	1.03%	100,754
Metro	204,123,947,819	158,020,000	1.02%	1,617,651
Port Of Portland	223,151,821,692	-	0.00%	-
Oak Lodge Water District	2,615,055,114	645,000	0.28%	1,774
East Multnomah Soil & Water Conservation	73,328,104,674	870,000	0.02%	180
Multnomah Cty SD 1J (Portland)	77,886,957,970	476,916,623	0.02%	92,999
Multnomah County	104,999,696,637	104,660,000	0.01%	15,176
Multnomah ESD	106,345,991,268	-	0.00%	-
Portland Community College	164,112,266,666	199,390,000	0.01%	18,543
Subtotal, overlapping debt	<u>1,337,628,008,715</u>	<u>1,428,074,929</u>		<u>64,640,322</u>
Direct debt outstanding:				
City of Milwaukie	<u>2,089,717,127</u>	<u>4,195,000</u>	100.00%	<u>4,195,000</u>
Total direct and overlapping debt outstanding	<u>\$ 1,339,717,725,842</u>	<u>\$ 1,432,269,929</u>		<u>\$ 68,835,322</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt maximum limitation	\$ 46,044,107	\$ 46,811,839	\$ 51,956,832	\$ 55,982,073	\$ 63,966,221
Debt applicable to maximum limit	3,320,000	3,020,000	2,705,000	2,375,000	2,030,000
Legal debt margin available	<u>\$ 42,724,107</u>	<u>\$ 43,791,839</u>	<u>\$ 49,251,832</u>	<u>\$ 53,607,073</u>	<u>\$ 61,936,221</u>
Debt applicable to the maximum limit as a percentage of debt limitation	7.21%	6.45%	5.21%	4.24%	3.17%

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt maximum limitation	\$ 64,372,140	\$ 73,546,886	\$ 76,175,577	\$ 68,987,792	\$ 62,691,514
Debt applicable to maximum limit	1,665,000	1,280,000	875,000	450,000	-
Legal debt margin available	<u>\$ 62,707,140</u>	<u>\$ 72,266,886</u>	<u>\$ 75,300,577</u>	<u>\$ 68,537,792</u>	<u>\$ 62,691,514</u>
Debt applicable to the maximum limit as a percentage of debt limitation	2.59%	1.74%	1.15%	0.65%	0.00%

Legal debt margin calculation for fiscal year ended June 30, 2011

Total property real market value	\$ 2,089,717,127
	3%
Debt maximum limitation (3% of total property real market value) ¹	<u>62,691,514</u>
Amount of debt applicable to debt limit:	
Total bonded debt	9,167,881
Less debt excluded from debt limit:	
Oregon SELP and SPWF loans	(5,316,547)
Oregon DEQ loan	(3,851,334)
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>\$ 62,691,514</u>
Percentage of City's indebtedness to total allowed	0.00%

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

Fiscal year	Water Revenue Bonds					
	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
2002	\$ 1,892,572	\$ 1,688,563	\$ 204,009	\$ 85,000	\$ 48,080	1.53
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

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

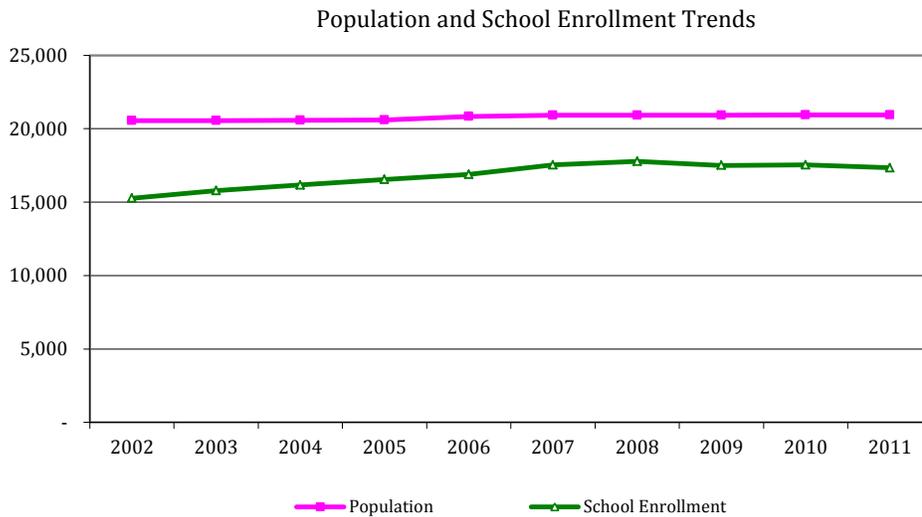
Source: Annual financial statements of the City of Milwaukie

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

Fiscal year	Population	Personal income (in millions)	Per capita personal income	School enrollment	Unemployment rate
2002	20,550	\$ 12,430	\$ 35,278	15,274	7.4 %
2003	20,550	12,814	35,906	15,777	7.1
2004	20,580	13,846	38,187	16,170	7.5
2005	20,590	14,630	39,729	16,546	6.9
2006	20,835	15,876	42,805	16,889	4.8
2007	20,920	16,671	44,384	17,535	4.6
2008	20,915	17,080	44,803	17,772	5.7
2009	20,920	*	*	17,506	10.3
2010	20,930	*	*	17,530	10.1
2011	20,930	*	*	17,334	0

* 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*

Employer	2011			2002 (Note re: 1997 info)		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
North Clackamas School District	2,000	1	13.33%	1,360	1	9.58%
Encore Senior Living III, LLC	700	2	4.67%			
Best Choice Administrators	700	3	4.67%			
OECO, LLC	425	4	2.83%	370	5	2.61%
Holman Distribution Center of Or	316	5	2.11%			
Providence Milwaukie Hospital In	276	6	1.84%	406	3	2.86%
Portland Mechanical Constructio	260	7	1.73%			
Eye Health Northwest, P.C.	230	8	1.53%			
Bob's Red Mill Natural Foods, Inc	200	9	1.33%			
Knight Transportation Inc	180	10	1.20%			
Milwaukie Family Practice Group,	160	11	1.07%			
City of Milwaukie	150	12	1.00%	142	12	1.00%
Day Management Corp.	137	13	0.91%			
Stoner Electric, Inc	135	14	0.90%			
Elite Care South, LLC	126	15	0.84%			
Dark Horse Comics	100	16	0.67%			
Rx Direct, Inc	100	17	0.67%			
Limilite International Ltd	100	18	0.67%			
Town & Country Chrysler, Inc	100	19	0.67%			
Cascade/Cooper JV	95	11	0.63%			
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	6,490		43.27%	3,979		28.02%

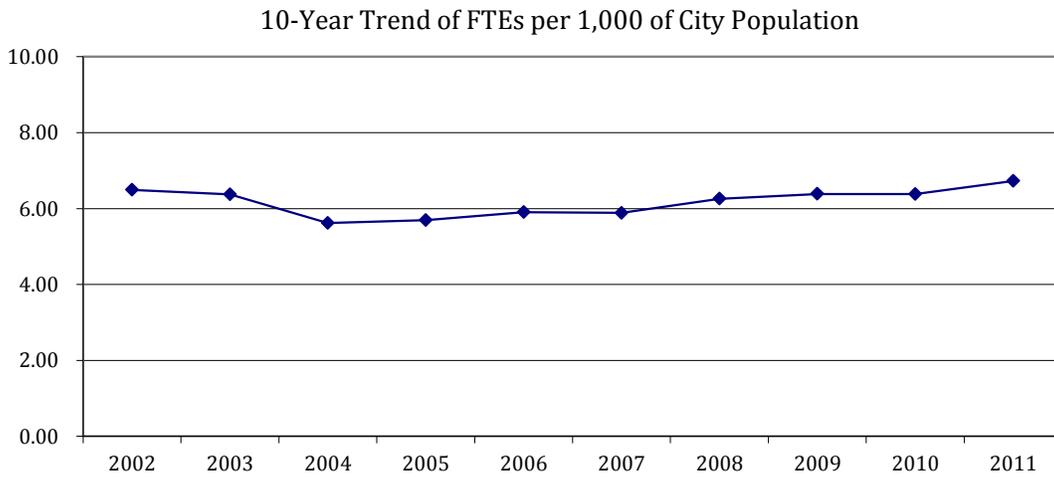
Note: Historical number of employees for 2002 unavailable - the closest available is presented which is 1997.

Sources: Chamber of Commerce and Clackamas County

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	19.50	18.50	18.50	18.50	18.50	17.50	19.00	20.00	19.00	21.30
Public safety	47.50	46.00	36.00	36.00	39.50	37.00	41.00	41.00	43.00	41.50
Community services	20.20	21.50	17.50	18.12	18.47	18.96	19.16	19.34	24.25	23.79
Community development	16.75	16.00	15.70	15.70	16.50	18.67	22.72	23.00	23.75	24.50
Facilities	2.00	2.00	2.00	2.25	1.75	2.00	1.50	2.00	2.00	2.67
Streets	6.00	6.00	6.00	6.00	6.00	6.00	5.50	5.50	5.50	6.30
Water	7.00	6.33	6.34	6.34	6.34	6.34	5.84	5.84	5.84	7.30
Wastewater	4.50	4.83	4.83	4.83	4.83	4.83	5.33	5.33	5.33	5.00
Storm water	3.50	3.84	3.83	3.83	5.83	5.83	5.33	5.33	5.33	5.80
Fleet services	6.50	6.00	5.00	5.75	5.25	6.00	5.50	6.25	6.75	3.00
Total FTEs	133.45	131.00	115.70	117.32	122.97	123.13	130.88	133.59	140.75	141.16
City Population	20,550	20,550	20,580	20,590	20,835	20,920	20,915	20,920	20,930	20,930
FTEs per 1,000 of population	6.49	6.37	5.62	5.70	5.90	5.89	6.26	6.39	6.38	6.72

Source: City of Milwaukie's Finance department



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

Function/Program	Fiscal Year Ended							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:								
Public safety								
Citations:								
Traffic	5,420	5,693	4,974	7,764	8,166	13,447	12,540	11,415
Parking	1,459	1,244	537	1,524	1,034	1,013	384	433
City Ordinance	114	105	122	160	150	85	74	90
Non-Traffic Violation	55	44	91	125	77	86	102	170
Total citations processed	7048	7,086	5,724	9,573	9,427	14,631	13,100	12,108
Number of seat belt classes	73	203	155	158	183	212	218	40
Number of officers per 1,000 capita	-	-	1.90	1.75	1.80	1.70	1.70	1.80
Culture and recreation								
Library items in collection	104,644	107,859	110,395	111,588	108,767	107,924	117,788	121,078
Average circulation per capita	24.67	26.32	26.59	26.82	28.59	31.81	33.01	35.48
Number of library programs	248	231	236	243	299	305	378	403
Attendance at library programs	7,792	7,449	7,448	6,846	6,556	9,902	11,295	11,451
Number of library volunteers	63	68	64	61	67	75	93	108
Library volunteer hours	5,401	6,131	5,816	6,447	6,960	6,992	8,513	8,922
Community development								
Building:								
Building permits issued	609	690	651	700	700	600	523	550
Inspections performed	3184	3,184	3,625	3,200	3,200	3,200	2,784	2,450
Investigations	58	58	55	65	65	60	56	64
Violations resolved	22	22	20	30	30	24	18	20
Planning:								
Land use applications processed	-	-	25	35	31	21	14	15
Business-type activities:								
Water								
Service connections	-	-	-	-	-	6,911	6,911	7,000
Number of fire hydrants maintained	-	-	-	-	292	295	180	404
Sanitary sewer								
Sewer mainline cleaning (in feet)	-	45,144	54,492	31,935	133,010	125,344	139,876	125,000
Mainline inspections completed (in ft)	-	52,002	52,054	67,655	126,360	143,566	113,401	125,000

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>2011</u>	<u>2002</u>
Governmental activities:		
General government		
City-owned building facilities	4	4
Public safety		
Police stations	1	1
Patrol units	13	8
Culture and recreation		
Library facility	1	1
Community development		
Value of new building construction (in thousands)	17,137	17,000 *
Highways and streets		
Miles of streets (street lane miles)	215	205
Surface water catch basins	1,190	1,100 *
Business-type activities:		
Water		
Water mains (miles)	115	102
Number of pump stations	4	4
Number of water storage reservoirs	3	3
Sanitary sewer		
Sanitary sewer (miles)	74	70 *
Number of sewer manholes	1,607	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
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Schedule of Prior Audit Findings



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, 2011, and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 expenditures exceeding appropriations as noted 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: 

Charles A. Swank, A Shareholder
December 15, 2011



GROVE, MUELLER & SWANK, P.C.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milwaukie, as of and for the year ended June 30, 2011, which collectively comprise the City of Milwaukie's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 opinions 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Joan Mueller & Duke R
CERTIFIED PUBLIC ACCOUNTANTS

December 15, 2011



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 ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

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

Compliance

We have audited the City of Milwaukie's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Milwaukie's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Milwaukie's compliance with those requirements.

In our opinion, the City of Milwaukie complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Milwaukie is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of

internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Milwaukie's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the City of Milwaukie, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.


CERTIFIED PUBLIC ACCOUNTANTS

December 15, 2011

CITY OF MILWAULKIE, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CFDA #	Program		Pass Through number	Expenditures
Environmental Protection Agency				
66.458	Capitalization Grants for Clean Water State Revolving Funds - ARRA	Passed through Oregon Department of Environmental Quality	R06655	\$ 1,613,004
66.040	State Clean Diesel Grant Program - ARRA	Passed through Oregon Department of Environmental Quality	065-10	<u>32,407</u>
Total Environmental Protection Agency				<u>1,645,411</u>
Department of Justice				
16.xxx	Equitable Sharing	N/A		7,500
16.544	Youth Gang Prevention	N/A		<u>15,412</u>
Total Direct Programs				22,912
16.609	Project Safe Neighborhoods	Passed through Multnomah County	56201	<u>11,914</u>
Total Department of Justice				<u>34,826</u>
Total Federal Expenditures				<u>\$ 1,680,237</u>

CITY OF MILWAUKIE, OREGON

Notes to Schedule of Expenditures of Federal Awards

June 30, 2011

1. Summary of Significant Accounting Policies

The information in this schedule is presented in accordance with requirements of OMB Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations". Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is presented on the modified accrual basis of accounting.

CITY OF MILWAUKIE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issues: Unqualified
 Internal control reporting:
 • Material weakness(es) identified? No
 • Significant deficiency(ies) identified? None reported
 • Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
 • Material weakness(es) identified? No
 • Significant deficiency(ies) identified? None reported
 Type of auditor’s report issued on compliance for major programs: Unqualified
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of major program:

CFDA	Agency	Authorization	Program Title
66.458	EPA	R06655	Capitalization Grant for Clean Water State Revolving Funds - ARRA

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
 Auditee qualified as low-risk auditee? No

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

FINANCIAL STATEMENT FINDINGS

2010-1 Liability Account Reconciliation

Condition:

A number of liability accounts had not been reconciled for the year ended June 30, 2010. In some cases, certain account balances remained unchanged from the prior year.

Corrective Action:

The City reconciled all balance sheet accounts as of June 30, 2011 and made adjustments as appropriate.

2010-2 Utility Billing Account Reconciliation

Condition:

Reconciliations between the utility billing system and the general ledger are performed on a monthly basis; however, discrepancies identified during this process were not always investigated and resolved.

Corrective Action:

Balances on utility billing accounts are reconciled to the general ledger on a monthly basis; material discrepancies are investigated and resolved.

2010-3 Timeliness of Audit Schedule Preparation

Condition:

Certain reconciliations were not prepared in time for the audit for fiscal year 2010, including capital asset schedules, reconciliation of inventories and deposit detail listings.

Corrective Action:

All audit schedules were prepared prior to the commencement of the audit for the year ended June 30, 2011 and journal entries were posted as appropriate.

2010-4 Review of Cash Reconciliations

Condition:

Monthly cash reconciliations were not reviewed.

Corrective Action:

Bank reconciliations are now prepared each month; reconciliations are timely and are prepared and reviewed by staff with no cash handling responsibilities.

FINANCIAL STATEMENT FINDINGS (Continued)

2010-5 Deposit Discrepancies

Condition:

A community cash drawer was used by all members of personnel for receipting payments until December, 2010. There were numerous instances when the City cash drawer was over/short and it was not possible to identify the source of the discrepancy.

Corrective Action:

Individual cash drawers were implemented in January 2011 and each person is responsible for reconciling their cash drawer daily.

2010-6 City Employee Utility Billing Accounts

Condition:

A number of City personnel accept payments and may make postings to their own utility accounts.

Corrective Action:

Access to utility billing data is restricted; employees have been instructed that they may not process their own utility payments. In addition, management reviews each of these accounts periodically to confirm that payment has not been posted by the account owner.

**Milwaukie
Finance
Department
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