



CITY OF MILWAUKIE, OREGON

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2015





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



**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

*Prepared by:  
Finance Department*



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CITY OF MILWAUKIE, OREGON  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2015

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# SECTION I

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## INTRODUCTORY SECTION

LETTER OF TRANSMITTAL  
GFOA CERTIFICATE OF ACHIEVEMENT  
ELECTED AND APPOINTED OFFICIALS  
ORGANIZATIONAL CHART

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December 12, 2015

Mayor Mark Gamba, 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, 2015 is hereby submitted.

This report presents the financial position of the City as of June 30, 2015 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.

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2015. 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.

## **Profile of the Government**

Milwaukie was settled in 1847 by pioneer brothers Seth and Henderson Luelling. By 1849, town founder and first Postmaster, Lot Whitcomb laid claim to and platted what is today's downtown Milwaukie. 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 Shindler, the first Mayor of Milwaukie. The initial funding for the City came from \$1 donations 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 20,491 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/City 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 Fire District No. 1 provides fire and emergency services to the community. Parks and recreation are maintained and operated by the North Clackamas Parks and Recreation District. The District was formed in 1990 with Milwaukie as an original member. The City lies within Clackamas County, which is headed by a board of commissioners and is based in neighboring Oregon City. The City is also part of Metro, the tri-county urban services district based in Portland and receives light rail and bus services from TriMet, the Portland metropolitan area transit provider.

## **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 Blount International, Inc. and Precision Castparts, 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 is reviewed by the Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenditures and generally range between 5 and 17 percent depending on the fund.

Adoption of the 2015-2016 biennial budget occurred in June 2014. Annually, utility rate increases are approved by City Council with the support of the Budget Committee and the Citizen's Utility Advisory Board. Effective July 1, 2015, water, wastewater, and stormwater rates sustained a 5 percent, 5.5 percent, and 14.1 percent increase, respectively. These rates will remain constant during the fiscal year 2016.

In regard to the City's long-term debt obligations, the City has approximately \$3.9 million outstanding in PERS bonds, \$1.5 million in DEQ loans, \$3.9 million in general obligation bonds, \$0.9 in full faith and credit obligations and \$0.6 million outstanding in other loans.

## **Major Initiatives**

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

The City continues the process of refining the Riverfront Park project, and other economic development initiatives identified during the Council goal process. Riverfront Park, Phase II was completed in the fall of 2015 and was made possible through grants from the Oregon Department of Fish and Wildlife, Oregon State Marine Board, Oregon Department of Parks and Recreation and the Kellogg Good Neighbor Committee.

The City is working toward completing the Kellogg for Coho project, removing Kellogg Dam and restoring the lake area, and allocating resources in the Capital Improvement Plan (CIP) to improve livability in the neighborhoods, improving sidewalks and enhancing walkability and bike routes within the City. The Urban Growth Management Area annexation strategy is also moving forward as well as many other goals and priorities. A full list of City goals and priorities can be found on the City website ([www.milwaukieoregon.gov](http://www.milwaukieoregon.gov)).

The Budget Committee and Council moved forward with the City's second biennial budget for the budget biennium of 2015-2016, allowing better alignment with the State's biennial budget and increasing the budgetary focus on a longer term. The Budget Committee continues to review quarterly results to ensure that those results reflect planned expenditures.

## **City's Credit Ratings**

The City received an Aa2 rating with Moody's Investor Service for its issuance of General Obligation Bonds on July 29, 2014 and on September 18, 2014 the City received an Aa3 rating with Moody's Investor Service for its issuance of Full Faith and Credit Obligations. The City maintains a AA- rating with Standard and Poor's Rating Service.

## **Property Tax Rate Limitation**

In 2004, residents of Milwaukie elected to annex into Clackamas 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 the bonds were paid off in fiscal year 2015.

## **Audit Committee**

In July 2012, the City Council established an audit committee to ensure that audits are completed annually in accordance with Oregon state law, provide oversight of the independent auditors, assist in the review and selection of audit firms, and ensure transparent communication back to the City Council and the citizens of Milwaukie.

The composition of the members include one council member, one budget committee member, and two citizen members with an interest in municipal government with preference first given to Certified Public Accountants residing within City limits and second to Certified Public Accountants with city affiliation. Terms are for two years.

The members of the Milwaukie Audit Committee are Troy Reichlein CPA (Chair), Councilor Scott Churchill (Vice Chair), Mack Stilson and Budget Committee member Jesse Boumann.

## Awards

***Comprehensive Annual Financial Reporting Award.*** For the fourth time since the early nineties, the City received the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officers Association (GFOA). 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.*** For the fourth time, the City received an *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA. In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

***Distinguished Budget Presentation Award.*** For the third time, the City received the *Distinguished Budget Presentation Award* for its biennium 2015-2016 budget document from the GFOA. This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. This international award program was established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. A budget's proficiency is rated in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

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

## Acknowledgements

The preparation of this Comprehensive Annual Financial Report was a combined effort of the dedicated Finance staff under the direction of Casey Camors and Bonnie Dennis. 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, ICMA-CM  
City Manager



Casey Camors, CPA CMA CPFO  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milwaukie,  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2014

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



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF MILWAUKIE, OREGON**  
Elected and Appointed Officials

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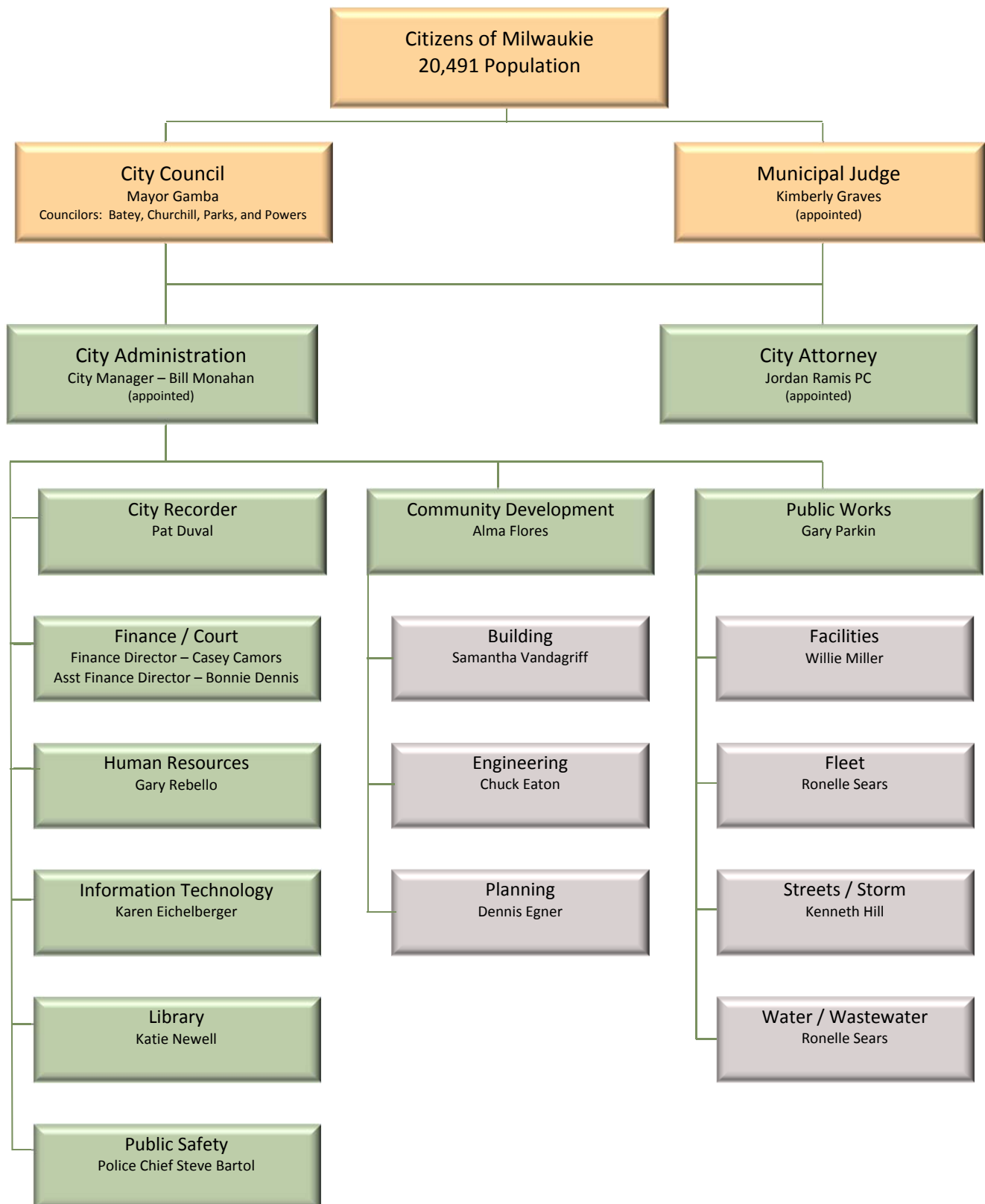
<b>Elected Officials</b>	<b>Term Expires</b>
Mark Gamba, Mayor	December 31, 2018
Scott Churchill, Councilor	December 31, 2016
Lisa Batey, Councilor	December 31, 2018
Karin Power, Councilor	December 31, 2018
Wilda Parks, Councilor	December 31, 2016

<b>Appointed Officials</b>	<b>Position</b>
Bill Monahan, ICMA-CM	City Manager
Jordan Ramis, PC	Legal Counsel
Kimberly Graves	Municipal Court Judge

**Management Team:**

Mitch Nieman	Assistant to the City Manager
Alma Flores	Community Dev. Director
Casey Camors, CPA CMA CPFO	Finance Director
Bonnie Dennis	Assistant Finance Director
Pat DuVal, CRM CMC	City Recorder
Karen Eichelberger	Information Systems & Technology Director
Steve Bartol	Police Chief
Samantha Vandagriff	Building Official
Katie Newell	Library Director
Gary Parkin, PE	Public Works Director
Gary Rebello, SPHR CCP	Human Resources Director
Chuck Eaton	Engineering Director

**CITY OF MILWAUKIE, OREGON**  
**Organizational Chart**



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# SECTION II

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## **FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

FOOTNOTE DISCLOSURES

REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

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**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

**ACHIEVE MORE**

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## **INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Milwaukie  
Milwaukie, Oregon

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Milwaukie, Oregon (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **EMPHASIS OF MATTERS**

As discussed in Note 2. to the financial statements, the City adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note 2. to the financial statements, changes in benefit terms of the Oregon Public Employees Retirement System resulting from the April 30, 2015 Oregon Supreme Court decision are not reflected in the December 31, 2012 actuarial valuation used to measure pension amounts as of and for the fiscal year ended June 30, 2015.

### **OTHER MATTERS**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A), the Schedule of the City's Proportionate Share of the Net Pension (Asset)/Liability, the Schedule of the City's Contributions, and Notes to Required Supplementary Information, as listed in the Table of Contents, 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, the Schedule of the City's Proportionate Share of the Net Pension (Asset)/Liability, the Schedule of the City's Contributions, and Notes to Required Supplementary Information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General, Transportation, Library and Building Inspections Funds, as listed in the Table of Contents as Required Supplementary Information, 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. The required budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Supplementary Information, Other Financial Schedules, and the Schedule of Expenditures of Federal Awards***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Other Supplementary Information, and Other Financial Schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, Other

**OTHER MATTERS (Continued)**

***Other Supplementary Information, Other Financial Schedules, and the Schedule of Expenditures of Federal Awards (Continued)***

Supplementary Information, and Other Financial Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Other Supplementary Information, and Other Financial Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the City's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Other Reporting Required by Oregon Minimum Standards**

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 11, 2015, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

**TALBOT, KORVOLA & WARWICK, LLP**

By   
Julie B. Fahey Partner

Lake Oswego, Oregon  
December 11, 2015

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**CITY OF MILWAUKIE, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR END JUNE 30, 2015**

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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 (City) for the fiscal year ended June 30, 2015. 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**

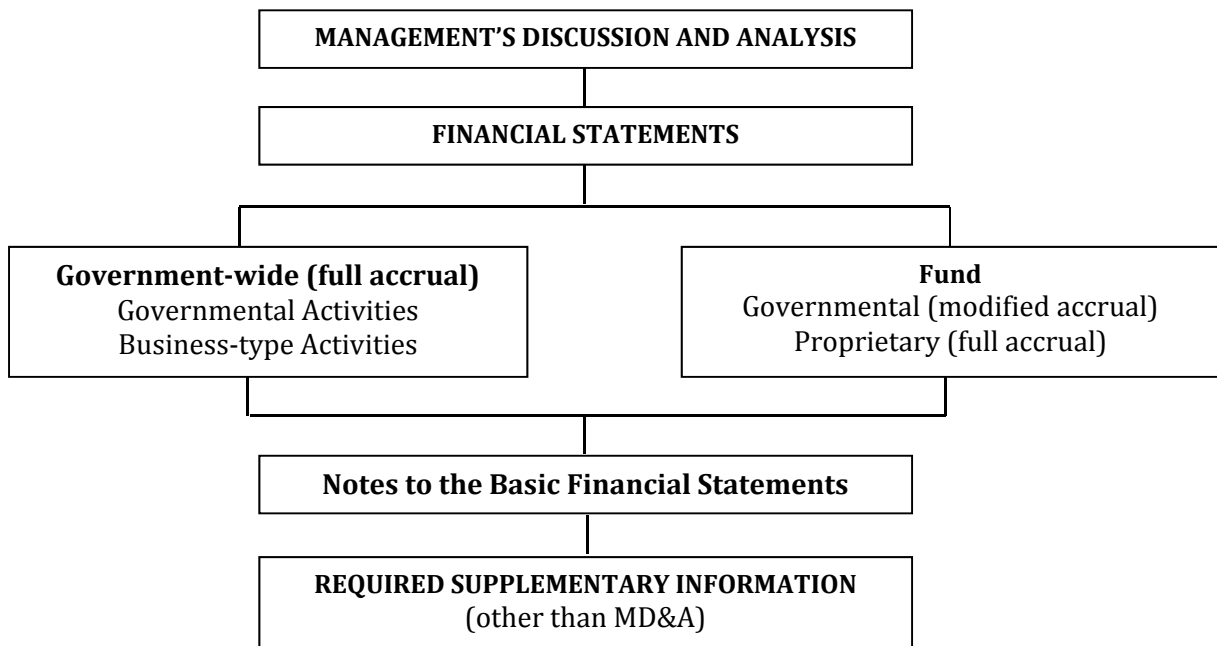
- The City's assets totaled \$95.5 million at June 30, 2015, consisting of \$68.8 million in capital assets, \$16.8 million in unrestricted cash and investments, \$1.8 million in restricted cash and investments, and \$8.1 million in other assets. Total assets increased by \$6.5 million (7%) from the previous fiscal year.
- The City's liabilities totaled \$15.2 million at June 30, 2015 consisting of \$10.4 million in long-term liabilities and \$4.8 million in accounts payable and other liabilities. Total liabilities increased by \$1.3 million (9%) from the previous fiscal year.
- The assets of the City exceeded its liabilities by \$76.6 million at the close of fiscal year 2015. Unrestricted net position totaled \$12.8 million with the remainder of the City's net position invested in capital assets (\$61.9 million) and restricted for capital projects, building operations, library services, transportation, and public safety (\$1.9 million).
- For its governmental activities, the City generated \$7.3 million in charges for services and received \$6.1 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$17.8 million for the year, resulting in a net expense of \$4.4 million. The City also received \$9.9 million of general revenues resulting in an increase in net position of \$5.5 million.
- For its business-type activities, the City generated \$13.2 million in charges for services to fund direct expenses of \$10.4 million. Business-type activities had an increase in net position of \$3.2 million after receiving capital transfers of \$0.4 million.
- Fund balance in the City's governmental funds was \$10.2 million at June 30, 2015, an increase of \$0.6 million from the previous fiscal year.

**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 other supplementary information*.

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.

## 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 Position* includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 position* and how it has changed over the preceding year. Net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the City's *financial health* or *position*.

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

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

- Governmental activities—Most of the City's basic services are included here, such as community development, 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 Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$76.6 million at the close of fiscal year 2015.

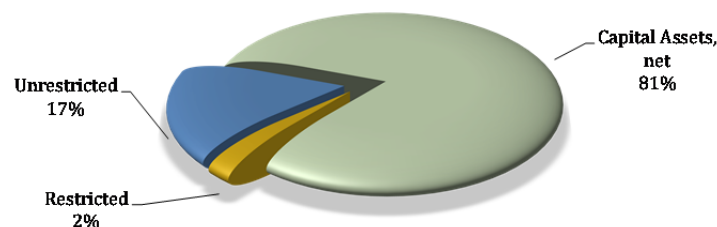
By far the largest portion of the City's net position (81%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

Combined net position of the City of Milwaukie at June 30, 2015 and 2014 was as follows:

### Statement of Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014 (restated)	FY 2015	FY 2014 (restated)	FY 2015	FY 2014 (restated)
Current and other assets	\$ 17,144	\$ 14,048	\$ 9,486	\$ 6,767	\$ 26,630	\$ 20,815
Capital assets	48,439	45,708	20,446	19,681	68,885	65,389
Total assets	65,583	59,756	29,932	26,448	95,515	86,204
Deferred outflows of resources	742	700	84	75	826	775
Long-term liabilities	9,324	12,972	1,543	2,139	10,867	15,111
Other liabilities	2,857	2,907	1,438	1,029	4,295	3,936
Total liabilities	12,181	15,879	2,981	3,168	15,162	19,047
Deferred inflows of resources	4,091	-	461	-	4,552	-
Net position:						
Net investment in capital assets	42,965	41,361	18,903	18,041	61,868	59,402
Restricted for:						
Library services	152	161	-	-	152	161
Public safety	103	65	-	-	103	65
Debt service	101	-	12	12	114	12
Building operations	137	170	-	-	137	170
Capital projects	1,428	1,393	-	-	1,428	1,393
Unrestricted	5,166	1,427	7,659	5,302	12,825	6,729
Total net position	\$ 50,052	\$ 44,577	\$ 26,574	\$ 23,355	\$ 76,626	\$ 67,932

### CLASSIFICATION OF NET POSITION



As of June 30, 2015, the City had positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. Total net position increased from the prior year by \$8.7 million (12.8%) to \$76.6 million, inclusive of a restatement of prior year net position.

A portion of the City's net position (\$2.0 million or approximately 2.0%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position (\$12.8 million or 17.0%) may be used to meet the City's ongoing obligations to citizens and creditors. The illustration on the previous page displays the three components of Net Position as of June 30, 2015.

## Statement of Activities

### Changes in Net Position (in thousands)

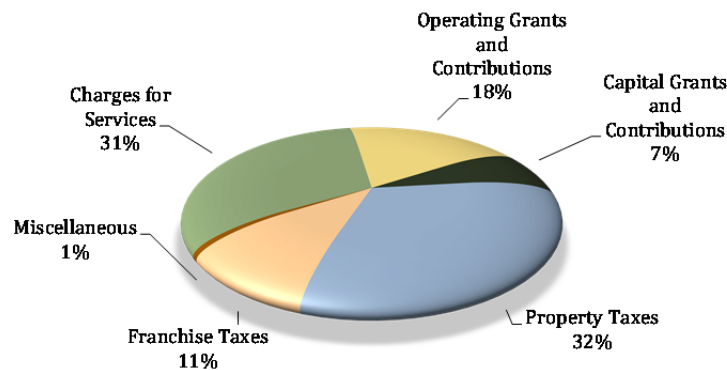
	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014 (restated)	FY 2015	FY 2014 (restated)	FY 2015	FY 2014 (restated)
Revenues						
Program revenues:						
Charges for services	\$ 7,338	\$ 7,625	\$ 13,173	\$ 11,997	\$ 20,511	\$ 19,622
Operating grants and contributions	4,324	4,454	-	-	4,324	4,454
Capital grants and contributions	1,731	145	-	-	1,731	145
General revenues:						
Property taxes	7,590	7,014	-	-	7,590	7,014
Franchise taxes	2,568	2,439	-	-	2,568	2,439
Miscellaneous	163	66	-	-	163	66
Total revenues	23,714	21,743	13,173	11,997	36,887	33,741
Expenses						
Governmental activities:						
General government	7,811	9,322	-	-	7,811	9,322
Highways and streets	1,851	1,028	-	-	1,851	1,028
Public safety	5,412	6,458	-	-	5,412	6,458
Culture and recreation	2,309	2,665	-	-	2,309	2,665
Interest on long-term debt	408	407	-	-	408	407
Business-type activities:						
Water	-	-	2,572	2,610	2,572	2,610
Wastewater	-	-	6,052	6,062	6,052	6,062
Stormwater	-	-	1,776	1,578	1,776	1,578
Total expenses	17,791	19,880	10,402	10,249	28,193	30,130
Change in net position before transfers	5,923	1,863	2,771	1,748	8,694	3,611
Transfers	(448)	(93)	448	93	-	-
Change in net position	5,475	1,770	3,219	1,841	8,694	3,611
Net position - beginning (previously reported)	44,577	49,494	23,355	21,938	67,932	71,432
Restatement	-	(6,687)	-	(424)	-	(7,111)
Net Position - beginning, as restated	44,577	42,807	23,355	21,514	67,932	64,321
Net position - ending	\$ 50,052	\$ 44,577	\$ 26,574	\$ 23,355	\$ 76,626	\$ 67,932

## Governmental Activities

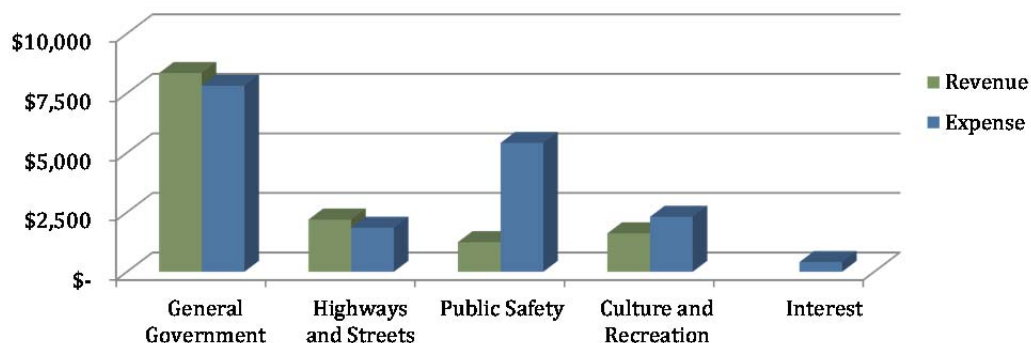
Governmental activities increased the City's net position by \$5.5 million in fiscal year 2015, compared to a \$1.8 million increase in the prior fiscal year, before the restatement. Key elements of these changes are illustrated on the previous page. New accounting pronouncement issued by the Governmental Accounting Standards Board (GASB) included Statement No. 68 *Accounting and Financial Reporting for Pensions* which recognizes the liabilities, deferred outflows of resources, deferred inflows of resources, and expense associated with pensions in both Governmental and Business-Type Activities. The new pronouncement resulted in a decrease in governmental activities net position by \$6.7 million. The restatement is described in the Notes to the Financial Statements, starting on page 35.

The revenues in the following pie chart include all program and general revenues for governmental activities including 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



Program Revenues and Expenses - Governmental Activities  
(in thousands)

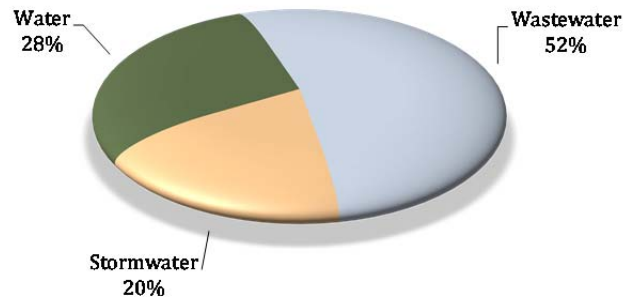


## Business-type Activities

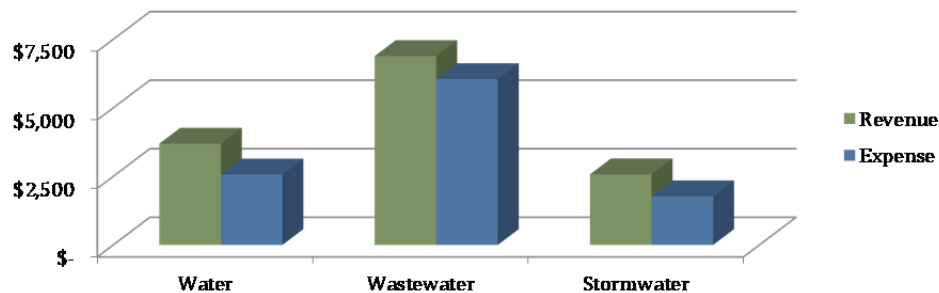
Water fund revenues represent approximately 28 percent of all utility user fees for the City. The City continues to contribute capital investment to the water system while maintaining a consistent level of

service. The wastewater fund accounts for sewer collections services whereas the stormwater fund accounts for surface water management services. Wastewater and stormwater revenues represent 52 percent and 20 percent of user fees, respectively. Additionally, business-type activities net position decreased by \$0.4 million due to restatement as a result of the new accounting pronouncement, GASB 68. This restatement is described in the Notes to the Basic Financial Statements, starting on page 35.

#### Revenues by Utility - Business-Type Activities



#### Program Revenues and Expenses - Business-Type Activities (in thousands)



### 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.

As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$10.2 million, an increase of \$0.6 million for the year. Unassigned fund balance decreased slightly to \$5.7 million as of June 30, 2015, and is available for spending at the City's discretion.

#### General Fund

The general fund accounts for all the general governmental services provided by the City. At June 30, 2015, total fund balance was \$5.8 million, which is a decrease of \$0.2 million for the year and is primarily considered unassigned. The City's general fund is funded with property taxes and franchise taxes, as well as charges for services provided to other funds. Revenue for the general fund increased by \$0.7 million

compared with the prior year; increases occurred in all categories but most significantly in intergovernmental related to federal grants received to fund the Riverfront Park project, Phase II. General fund expenditures were \$21.5 million in fiscal year 2015, compared to expenditures of \$15.0 million in the previous year. The increase in expenditures is primarily related to the payment of the TriMet loan of \$3.6 million and capital outlay for the construction of Riverfront Park project, Phase II.

### **Transportation Fund**

The transportation fund is a special revenue fund that accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Intergovernmental revenues increased by \$0.5 million related to a local grant. Expenditures increased by \$0.1 million from \$3.0 million in fiscal year 2014, primarily due capital projects. The transportation fund had an overall increase in fund balance of \$0.6 million for the fiscal year ending June 30, 2015.

### **Library Fund**

The library fund was established to account for all library services. The primary source of revenue is from the Clackamas County Library District and general property taxes. During the fiscal year, assessed property values increased. Overall, total revenues and expenditures remained consistent from prior year at \$2.6 million and \$2.4 million respectively. At June 30, 2015 fund balance was \$0.7 million.

### **Building Inspections Fund**

The building inspections fund is a special revenue fund that accounts for the City's building inspection activities. Revenues are consistent with prior year at \$0.2 million. Expenditures remained at relatively the same level as in prior year. Fund balance at June 30, 2015 decreased by \$33 thousand resulting in a fund balance of \$0.1 million.

### **Systems Development Charges Fund**

The systems development charges fund is a capital projects fund that accounts for systems development charges (SDC's) restricted for infrastructure improvements and other capital projects associated with underlying utility funds and transportation. Fund balance for June 30, 2015 remained consistent with prior year at \$1.4 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original general fund budget for the 2014-2015 biennium budget period amounted to \$44.4 million, including \$0.8 million for contingency. One supplemental budget was adopted during the biennium to create the debt service fund, reallocate some departmental budget authority and allow for previously unanticipated expenditures. Actual revenues (budgetary basis) were \$11.9 million for the first fiscal year of the biennium and expenditures were \$21.5 million. As fiscal year 2015 is the first year of the budget biennium, all budget to actual variances were positive and there are no unusual variances from the original or final budget figures for the general fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2015, the City had invested \$68.9 million in capital assets, net of depreciation as reflected in the following table, representing a net increase (additions, deductions and depreciation) of \$3.5 million in fiscal year 2015. Governmental capital assets totaled \$48.4 million while business-type capital assets totaled \$20.5 million.

#### Capital Assets, Net of Accumulated Depreciation

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Land and easements	\$ 5,901	\$ 5,901	\$ 393	\$ 393	\$ 6,294	\$ 6,294
Buildings and improvements	11,369	11,400	3,956	2,506	15,325	13,906
Vehicles and equipment	1,284	1,261	1,411	1,845	2,695	3,106
Infrastructure	20,363	21,529	13,913	14,477	34,276	36,006
Construction in progress	9,521	5,616	773	459	10,294	6,077
Capital assets, net	<u>\$ 48,438</u>	<u>\$ 45,707</u>	<u>\$ 20,446</u>	<u>\$ 19,680</u>	<u>\$ 68,884</u>	<u>\$ 65,389</u>

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

Assets utilized in governmental activities increased by a net \$2.7 million from the prior fiscal year, as well as the business-type activities increased by a net \$0.8 million including increases in infrastructure such as pipe replacements and street 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, beginning on page 27.

#### Change in Capital Assets

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Beginning balance	\$ 45,707	\$ 44,819	\$ 19,680	\$ 19,042	\$ 65,387	\$ 63,861
Additions	5,801	5,348	1,998	3,673	7,799	9,023
Reductions and adjustments	(1,006)	(2,233)	(379)	(2,212)	(1,385)	(4,445)
Depreciation	(2,064)	(2,227)	(853)	(823)	(2,917)	(3,050)
Ending balance	<u>\$ 48,438</u>	<u>\$ 45,707</u>	<u>\$ 20,446</u>	<u>\$ 19,680</u>	<u>\$ 68,884</u>	<u>\$ 65,389</u>

## Debt Outstanding

As of the end of the fiscal year, the City had \$10.8 million in long-term debt obligations outstanding resulting in an increase of 9 percent from the prior year. On July 29, 2014 the City issued \$3,695,000 in general obligation bonds to refinance the 2012 TriMet loan that funded the Portland-Milwaukie light rail capital enhancements. On September 18, 2014 the City issued \$965,000 in full faith and credit obligations to fund the City's Riverfront Park project, Phase II and to serve as the City's match against local, state and federal grants. More detailed information about the City's long-term debt obligations is presented in the Notes to the Basic Financial Statements, beginning on page 27.

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

	Fiscal Year Ending	
	2015	2014
Governmental:		
Pension Bonds	\$ 3,850	\$ 3,965
Light-Rail GO Bond	3,921	-
Riverfront FFCO	905	-
TriMet	-	3,641
Other	648	706
	<u>9,324</u>	<u>8,312</u>
Business-type:		
Oregon DEQ	1,543	1,640
Total	<u>\$ 10,867</u>	<u>\$ 9,952</u>

The City maintained its Aa2 rating with Moody's Investor Service for its issuance of General Obligation Bonds on July 29, 2014. On September 18, 2014 the City received an Aa3 rating with Moody's Investor Service for its issuance of Full Faith and Credit Bonds. The City maintains a AA- rating with Standard and Poor's Rating Service. 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. As of June 30, 2015, the City carried \$3.6 million general obligation debt subject to this \$68.6 million limit.

## Economic Factors

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

The State of Oregon does not have a sales tax, making property taxes the 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, overall real market values would have to decrease an additional 15 percent before the City's property tax revenue stream would be significantly impacted.

Property tax revenue, the largest revenue source, provided 32 percent of the resources used for governmental activities. Property taxes increased 8 percent over last year. The next largest resource used for governmental activities, at 31 percent, consisted of charges for services, including permits, licenses, intergovernmental revenues, franchise fees, and system development charges.

Business-type activities are primarily funded with utility fees and charges. The Citizens' Utility Advisory Board (CUAB) oversees utility rate studies and reviews financial forecasts for each utility to recommend rates to the City Council for adoption. On June 17, 2014, the City Council adopted resolutions increasing water rates by 12.8 percent, wastewater rates by 5.5 percent and stormwater rates by 14.1 percent.

Since the street fee's inception in 2007 there have been no increases in the monthly rate, although the maximum monthly fee for commercial properties is indexed annually based on the consumer price index (CPI).

### **Requests for Information**

This financial statement report is 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 for the resources it receives and expends. If you have questions about this report or need additional financial information, contact Casey Camors at the City of Milwaukie, 10722 SE Main Street, Milwaukie, Oregon 97222 or e-mail [camorsc@milwaukieoregon.gov](mailto:camorsc@milwaukieoregon.gov).

## **BASIC FINANCIAL STATEMENTS**

*Statement of Net Position*

*Statement of Activities*

*Fund Financial Statements*

*Notes to Basic Financial Statements*

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**CITY OF MILWAUKIE, OREGON**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 9,263,382	\$ 7,628,433	\$ 16,891,815
Restricted cash and investments	1,822,150	12,056	1,834,206
Property taxes receivable	463,740	-	463,740
Accounts receivable, net of allowance	3,339,095	1,578,601	4,917,696
Prepaid expenses	219,431	11,032	230,463
Net pension asset	2,036,001	255,622	2,291,623
Capital assets not being depreciated:			
Land and easements	5,901,480	392,560	6,294,040
Construction in progress	9,520,810	773,310	10,294,120
Capital assets net of accumulated depreciation:			
Buildings and improvements	11,369,349	3,956,087	15,325,436
Vehicles and equipment	1,283,810	1,411,428	2,695,238
Infrastructure	20,363,488	13,912,721	34,276,209
<b>TOTAL ASSETS</b>	<b>65,582,736</b>	<b>29,931,850</b>	<b>95,514,586</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows of resources - pension	741,974	83,565	825,539
<b>LIABILITIES:</b>			
Accounts payable	978,253	1,023,401	2,001,654
Accrued salaries and payroll taxes payable	251,136	29,798	280,934
Accrued compensated absences payable	908,943	70,759	979,702
Accrued interest payable	77,773	1,931	79,704
Deposits payable	81,864	6,300	88,164
Unearned revenue	559,454	305,554	865,008
Noncurrent liabilities:			
Long-term obligations, due within one year	378,732	96,500	475,232
Long-term obligations, due in more than one year	8,945,176	1,446,700	10,391,876
<b>TOTAL LIABILITIES</b>	<b>12,181,331</b>	<b>2,980,943</b>	<b>15,162,274</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows of resources - pension	4,091,337	460,771	4,552,108
<b>NET POSITION:</b>			
Net investment in capital assets	42,965,029	18,902,906	61,867,935
Restricted for:			
Library services	152,111	-	152,111
Public safety supplies	103,305	-	103,305
Debt service	100,460	12,056	112,516
Building operations	136,852	-	136,852
Capital projects	1,428,140	-	1,428,140
Unrestricted	5,166,145	7,658,739	12,824,884
<b>TOTAL NET POSITION</b>	<b>\$ 50,052,042</b>	<b>\$ 26,573,701</b>	<b>\$ 76,625,743</b>

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

**CITY OF MILWAUKIE, OREGON**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 7,811,243	\$ 5,695,230	\$ 1,573,801	\$ 1,074,997	\$ 532,785	\$ -	\$ 532,785
Highways and streets	1,850,562	634,778	901,269	655,735	341,220	-	341,220
Public safety	5,412,451	947,824	296,092	-	(4,168,535)	-	(4,168,535)
Culture and recreation	2,309,085	59,910	1,553,041	-	(696,134)	-	(696,134)
Interest on long-term debt	408,003	-	-	-	(408,003)	-	(408,003)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>17,791,344</b>	<b>7,337,742</b>	<b>4,324,203</b>	<b>1,730,732</b>	<b>(4,398,667)</b>	<b>-</b>	<b>(4,398,667)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water	2,573,433	3,698,237	-	-	-	1,124,804	1,124,804
Wastewater	6,052,430	6,893,855	-	-	-	841,425	841,425
Stormwater	1,776,333	2,580,883	-	-	-	804,550	804,550
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>10,402,196</b>	<b>13,172,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,770,779</b>	<b>2,770,779</b>
<b>TOTAL ACTIVITIES</b>	<b>\$ 28,193,540</b>	<b>\$ 20,510,717</b>	<b>\$ 4,324,203</b>	<b>\$ 1,730,732</b>	<b>(4,398,667)</b>	<b>2,770,779</b>	<b>(1,627,888)</b>
<b>GENERAL REVENUES:</b>							
Property taxes, levied for general purposes					7,589,786	-	7,589,786
Franchise taxes					2,567,903	-	2,567,903
Unrestricted investment earnings					87,512	-	87,512
Gain on sale of capital assets					76,175	-	76,175
<b>TRANSFERS</b>					<b>(447,965)</b>	<b>447,965</b>	<b>-</b>
<b>TOTAL GENERAL REVENUES</b>					<b>9,873,411</b>	<b>447,965</b>	<b>10,321,376</b>
<b>CHANGE IN NET POSITION</b>					<b>5,474,744</b>	<b>3,218,744</b>	<b>8,693,488</b>
<b>NET POSITION, June 30, 2014 (previously reported)</b>					<b>51,264,799</b>	<b>23,778,645</b>	<b>75,043,444</b>
<b>RESTATEMENT (Note 2)</b>					<b>(6,687,501)</b>	<b>(423,688)</b>	<b>(7,111,189)</b>
<b>NET POSITION - beginning, as restated</b>					<b>44,577,298</b>	<b>23,354,957</b>	<b>67,932,255</b>
<b>NET POSITION - ending</b>					<b>\$ 50,052,042</b>	<b>\$ 26,573,701</b>	<b>\$ 76,625,743</b>

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

# CITY OF MILWAUKIE, OREGON

## GOVERNMENTAL FUNDS

### BALANCE SHEET

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and investments	\$ 6,140,822	\$ 2,477,288	\$ 645,272	\$ -	\$ -	\$ -	\$ 9,263,382
Restricted cash and investments	70,468	-	144,616	160,499	100,460	1,346,107	1,822,150
Property taxes receivable	463,740	-	-	-	-	-	463,740
Accounts receivable	2,627,262	630,709	10,000	584	-	70,540	3,339,095
Prepaid expenditures	64,522	62,402	7,495	331	-	84,680	219,430
<b>TOTAL ASSETS</b>	<b>\$ 9,366,814</b>	<b>\$ 3,170,399</b>	<b>\$ 807,383</b>	<b>\$ 161,414</b>	<b>\$ 100,460</b>	<b>\$ 1,501,327</b>	<b>\$ 15,107,797</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 759,936	\$ 163,370	\$ 30,742	\$ 19,870	-	\$ 4,335	\$ 978,253
Accrued salaries and payroll taxes	206,200	9,377	30,867	4,692	-	-	251,136
Deposits payable	34,685	47,179	-	-	-	-	81,864
Unearned revenue	45,162	484,515	-	-	-	29,777	559,454
<b>TOTAL LIABILITIES</b>	<b>1,045,983</b>	<b>704,441</b>	<b>61,609</b>	<b>24,562</b>	<b>-</b>	<b>34,112</b>	<b>1,870,707</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable revenue - property taxes	409,317	-	-	-	-	-	409,317
Unavailable revenue - municipal court assessments	1,072,262	-	-	-	-	-	1,072,262
Unavailable revenue - assessment liens	378,746	-	-	-	-	-	378,746
Unavailable revenue - loans	61,000	-	-	-	-	-	61,000
Unavailable revenue - grants	619,801	450,000	-	-	-	-	1,069,801
Unavailable revenue - contracts	-	-	-	-	-	39,075	39,075
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,541,126</b>	<b>450,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,075</b>	<b>3,030,201</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>3,587,109</b>	<b>1,154,441</b>	<b>61,609</b>	<b>24,562</b>	<b>-</b>	<b>73,187</b>	<b>4,900,908</b>
<b>FUND BALANCES:</b>							
Nonspendable	64,522	62,402	7,495	331	-	84,680	219,430
Restricted	38,783	-	144,616	136,521	100,460	1,343,460	1,763,840
Committed	-	1,953,556	-	-	-	-	1,953,556
Assigned	-	-	593,663	-	-	-	593,663
Unassigned	5,676,400	-	-	-	-	-	5,676,400
<b>TOTAL FUND BALANCES</b>	<b>5,779,705</b>	<b>2,015,958</b>	<b>745,774</b>	<b>136,852</b>	<b>100,460</b>	<b>1,428,140</b>	<b>10,206,889</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,366,814</b>	<b>\$ 3,170,399</b>	<b>\$ 807,383</b>	<b>\$ 161,414</b>	<b>\$ 100,460</b>	<b>\$ 1,501,327</b>	

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

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

48,438,937

Other assets are not available to pay for current-period expenditures and  
are therefore deferred in the funds:

Property tax revenues	409,317	
Net pension asset	2,036,001	
Deferred outflows of resources - pension	741,974	
Municipal court assessments	1,072,261	
Revenues earned	<u>1,548,624</u>	<u>5,808,177</u>

Liabilities, including accrued liabilities and bonds payable, that are not due  
and payable in the current period and therefore, are not reported in funds:

Accrued compensated absences payable	(908,943)	
Accrued interest payable	(77,773)	
Deferred inflows of resources - pension	(4,091,337)	
Long-term debt obligations	<u>(9,323,908)</u>	<u>(14,401,961)</u>
Net position of governmental activities		<u>\$ 50,052,042</u>

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

**CITY OF MILWAUKIE, OREGON**

**GOVERNMENTAL FUNDS**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 6,324,360	\$ -	\$ 942,000	\$ -	\$ 320,250	\$ -	\$ 7,586,610
Franchise taxes	1,553,084	1,014,819	-	-	-	-	2,567,903
Intergovernmental	2,113,316	2,007,004	1,540,775	522	85,195	-	5,746,812
Fines and forfeitures	1,192,530	-	59,910	-	-	-	1,252,440
Licenses and permits	441,051	-	-	225,775	-	-	666,826
Charges for services	4,420,000	621,826	-	-	-	-	5,041,826
Systems development charges	-	-	-	-	-	70,493	70,493
Investment earnings	87,271	-	-	-	-	241	87,512
Miscellaneous	141,879	12,952	12,266	1,426	-	-	168,523
<b>TOTAL REVENUES</b>	<b>16,273,491</b>	<b>3,656,601</b>	<b>2,554,951</b>	<b>227,723</b>	<b>405,445</b>	<b>70,734</b>	<b>23,188,945</b>
<b>EXPENDITURES:</b>							
Current:							
General government	7,606,142	-	-	260,818	-	-	7,866,960
Highways and streets	-	1,711,981	-	-	-	-	1,711,981
Public safety	5,955,488	-	-	-	-	-	5,955,488
Cultural and recreation	-	-	2,349,990	-	-	-	2,349,990
Debt service:							
Principal	3,813,470	-	-	-	170,000	-	3,983,470
Interest	422,449	-	-	-	134,985	-	557,434
Capital outlay	3,748,606	1,387,312	10,000	-	-	35,383	5,181,301
<b>TOTAL EXPENDITURES</b>	<b>21,546,155</b>	<b>3,099,293</b>	<b>2,359,990</b>	<b>260,818</b>	<b>304,985</b>	<b>35,383</b>	<b>27,606,624</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,272,664)</b>	<b>557,308</b>	<b>194,961</b>	<b>(33,095)</b>	<b>100,460</b>	<b>35,351</b>	<b>(4,417,679)</b>
<b>OTHER FINANCING SOURCES:</b>							
Proceeds from issuance of debt	4,660,000	-	-	-	-	-	4,660,000
Bond premium on issuance of debt	352,894	-	-	-	-	-	352,894
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>5,012,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,012,894</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(259,770)</b>	<b>557,308</b>	<b>194,961</b>	<b>(33,095)</b>	<b>100,460</b>	<b>35,351</b>	<b>595,215</b>
<b>FUND BALANCES - beginning</b>	<b>6,039,475</b>	<b>1,458,650</b>	<b>550,813</b>	<b>169,947</b>	<b>-</b>	<b>1,392,789</b>	<b>9,611,674</b>
<b>FUND BALANCES - ending</b>	<b>\$ 5,779,705</b>	<b>\$ 2,015,958</b>	<b>\$ 745,774</b>	<b>\$ 136,852</b>	<b>\$ 100,460</b>	<b>\$ 1,428,140</b>	<b>\$ 10,206,889</b>

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

**CITY OF MILWAUKIE, OREGON**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances – total government funds	\$ 595,215
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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.

Capital outlay	\$ 5,181,301	
Depreciation expense	<u>(2,064,187)</u>	3,117,114

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, transfers and adjustment to depreciation expense) is to decrease net position.	(386,027)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	448,935
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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 position. This amount represents debt issued during the current fiscal year and scheduled principal payments on existing debt.

Proceeds from issuance of debt	(5,012,894)	
Long-term debt principal repayments	<u>3,983,516</u>	(1,029,378)

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.

Net pension activity	2,647,323	
Accrued interest payable	149,431	
Accrued compensated absences payable	(84,985)	
Amortization of bond premium	<u>\$ 17,116</u>	<u>2,728,885</u>

Change in net position of governmental activities	<u>\$ 5,474,744</u>
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The notes to basic financial statements are an integral part of this statement.

**CITY OF MILWAUKIE, OREGON**

**PROPRIETARY FUNDS**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
<b>ASSETS:</b>				
Current assets:				
Cash and investments	\$ 1,589,825	\$ 2,826,475	\$ 3,212,133	\$ 7,628,433
Restricted cash and investments	-	12,056	-	12,056
Accounts receivable, net of allowance for doubtful accounts	391,996	745,067	232,491	1,369,554
Prepaid expenses	2,038	5,844	3,150	11,032
Total current assets	1,983,859	3,589,442	3,447,774	9,021,075
Noncurrent assets:				
Other receivable	-	209,047	-	209,047
Net pension asset	98,084	82,095	75,443	255,622
Capital assets not being depreciated	476,612	604,485	84,773	1,165,870
Capital assets, net of accumulated depreciation	8,508,643	7,932,330	2,839,263	19,280,236
Total noncurrent assets	9,083,339	8,827,957	2,999,479	20,910,775
<b>TOTAL ASSETS</b>	<b>11,067,198</b>	<b>12,417,399</b>	<b>6,447,253</b>	<b>29,931,850</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows of resources - pensions	32,300	26,206	25,059	83,565
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	224,569	769,874	28,958	1,023,401
Accrued salaries and payroll taxes payable	12,529	6,950	10,319	29,798
Accrued compensated absences payable	40,456	12,623	17,680	70,759
Accrued interest payable	-	1,931	-	1,931
Deposits payable	6,300	-	-	6,300
Unearned revenue	-	305,554	-	305,554
Current portion of long-term debt	-	96,500	-	96,500
Total current liabilities	283,854	1,193,432	56,957	1,534,243
Noncurrent liabilities:				
Long-term debt	-	1,446,700	-	1,446,700
<b>TOTAL LIABILITIES</b>	<b>283,854</b>	<b>2,640,132</b>	<b>56,957</b>	<b>2,980,943</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows of resources - pensions	178,092	144,500	138,179	460,771
<b>NET POSITION:</b>				
Net investment in capital assets	8,985,255	6,993,615	2,924,036	18,902,906
Restricted for debt service	-	12,056	-	12,056
Unrestricted	1,652,297	2,653,302	3,353,140	7,658,739
<b>TOTAL NET POSITION</b>	<b>\$ 10,637,552</b>	<b>\$ 9,658,973</b>	<b>\$ 6,277,176</b>	<b>\$ 26,573,701</b>

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

**CITY OF MILWAUKIE, OREGON**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,634,217	\$ 6,893,855	\$ 2,565,330	\$ 13,093,402
Miscellaneous	64,020	-	15,553	79,573
<b>TOTAL OPERATING REVENUES</b>	<b>3,698,237</b>	<b>6,893,855</b>	<b>2,580,883</b>	<b>13,172,975</b>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	458,757	318,904	393,065	1,170,726
Materials and supplies	1,689,589	5,453,215	1,227,575	8,370,379
Depreciation	425,087	272,355	155,693	853,135
<b>TOTAL OPERATING EXPENSES</b>	<b>2,573,433</b>	<b>6,044,474</b>	<b>1,776,333</b>	<b>10,394,240</b>
<b>OPERATING INCOME</b>	<b>1,124,804</b>	<b>849,381</b>	<b>804,550</b>	<b>2,778,735</b>
<b>NONOPERATING EXPENSES:</b>				
Interest expense	-	(7,958)	-	(7,958)
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>1,124,804</b>	<b>841,423</b>	<b>804,550</b>	<b>2,770,777</b>
Contributions of capital assets from governmental activities	149,321	149,321	149,323	447,965
<b>CHANGE IN NET POSITION</b>	<b>1,274,125</b>	<b>990,744</b>	<b>953,873</b>	<b>3,218,742</b>
<b>NET POSITION - beginning</b>	<b>9,527,793</b>	<b>8,799,459</b>	<b>5,451,393</b>	<b>23,778,645</b>
<b>RESTATEMENT (Note 2)</b>	<b>(164,366)</b>	<b>(131,230)</b>	<b>(128,090)</b>	<b>(423,686)</b>
<b>NET POSITION - beginning, restated</b>	<b>9,363,427</b>	<b>8,668,229</b>	<b>5,323,303</b>	<b>23,354,959</b>
<b>NET POSITION - ending</b>	<b>\$ 10,637,552</b>	<b>\$ 9,658,973</b>	<b>\$ 6,277,176</b>	<b>\$ 26,573,701</b>

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

**CITY OF MILWAUKIE, OREGON**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users of services	\$ 3,606,856	\$ 7,014,705	\$ 2,547,167	\$ 13,168,728
Payments to suppliers for goods and services	(1,646,813)	(5,145,119)	(1,250,904)	(8,042,836)
Payments to employees for services	(574,326)	(410,485)	(479,066)	(1,463,877)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>1,385,717</u>	<u>1,459,101</u>	<u>817,197</u>	<u>3,662,015</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on capital debt	-	(96,500)	-	(96,500)
Interest paid on capital debt	-	(15,085)	-	(15,085)
Acquisition and construction of capital assets	(514,153)	(649,405)	(7,022)	(1,170,580)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(514,153)</u>	<u>(760,990)</u>	<u>(7,022)</u>	<u>(1,282,165)</u>
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	871,564	698,111	810,175	2,379,850
<b>CASH AND INVESTMENTS - beginning</b>	<u>718,261</u>	<u>2,140,420</u>	<u>2,401,958</u>	<u>5,260,639</u>
<b>CASH AND INVESTMENTS - ending</b> (including \$12,056 for the Wastewater fund reported in restricted accounts)	<u>\$ 1,589,825</u>	<u>\$ 2,838,531</u>	<u>\$ 3,212,133</u>	<u>\$ 7,640,489</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,124,804	\$ 849,381	\$ 804,550	\$ 2,778,735
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	425,087	272,355	155,693	853,135
Pension expense (income)	(116,656)	(95,031)	(90,413)	(302,100)
(Increase) decrease in accounts receivable	(91,381)	41,598	(33,716)	(83,499)
Increase (decrease) in accounts payable	51,176	308,096	(23,329)	335,943
Increase (decrease) in deposits payable	(8,400)	-	-	(8,400)
Increase (decrease) in accrued salaries and payroll taxes payable	(340)	232	2,163	2,055
Increase (decrease) in accrued compensated absences payable	1,427	3,218	2,249	6,894
Increase in unearned revenue	-	79,252	-	79,252
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>\$ 1,385,717</u>	<u>\$ 1,459,101</u>	<u>\$ 817,197</u>	<u>\$ 3,662,015</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>				
Capital assets transferred from governmental funds	\$ 149,321	\$ 149,321	\$ 149,323	\$ 447,965

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

**CITY OF MILWAUKIE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**1. Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

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

**Basis of Presentation – Government-wide Financial Statements**

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

*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 Position* and the *Statement of Activities*.

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

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.

### **Basis of Presentation – Fund Financial Statements**

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

The City reports the following major governmental funds:

- *General Fund* - This fund accounts for the City's legislative and administration, human resources, finance, information technology, municipal court, community development, engineering, planning, facilities management, fleet services, and related debt service. The primary revenue sources are property taxes, franchise taxes, reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and miscellaneous income.
- *Transportation Fund* - This fund accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues that include state and local gas taxes dedicated to construction and maintenance of local streets, franchise fees, PGE privilege tax, and charges for services.
- *Library Fund* - This fund accounts for the operation of the City's Leding Library. Major revenue sources are intergovernmental revenues and property taxes.
- *Building Inspections Fund* - This fund accounts for the receipt and expenditure of dedicated revenue sources related to building permits and inspections, and is primarily supported by licenses and permit revenues.
- *Debt Service Fund* - This fund accounts for the accumulation of resources for the payment of general obligation bonds and full faith and credit obligation principal and interest.
- *Systems Development Charges Fund* - This fund accounts for the receipt and expenditures of system development charges (SDCs) dedicated to streets, water, wastewater and stormwater systems.

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

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

## 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 fund financial statements. An economic resource measurement focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual basis 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 the 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, grants, and investment income.

A deferred inflow of resources arises on the balance sheet of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period, long-term assessments receivable and court receivables. 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 deferred inflow of resources created on the balance sheet of the governmental funds for unavailable revenue is eliminated. In the government-wide Statement of Net Position, deferred outflows of resources and deferred inflows of resources are recorded for pensions.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative overhead, and depreciation on

capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position**

### **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). The individual funds' portion of the cash pool is presented as "Cash and investments" in the basic financial statements.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

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

### **Receivables and Revenues**

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

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

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

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

### **Capital Assets**

Purchased or constructed capital assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year have been recorded at cost or fair value if donated by developers. The City defines capital assets as assets with an initial cost of more than \$10,000 and an

estimated useful 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 the asset's life are not capitalized.

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

	Useful Lives (in years)
Buildings and structures	30 – 50
Improvements other than buildings	10 – 50
Vehicles and equipment	4 – 30
Infrastructure	20 – 50

**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. Compensated absences are 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 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 position. When significant, bond premiums, discounts, amounts deferred on refundings, are 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 related premium are reported as other financing sources/uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Pension Obligations**

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, the City's net pension asset or liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Other Postemployment Benefits Obligations**

GASB Statement 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 postemployment benefits.

## Equity

In the government-wide Statement of Net Position, equity is referred to as net position and is segregated into the following three components: 1) net investment in capital assets, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

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

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

GASB Statement 54 requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. The City has designated the City Manager and/or Finance Director to make assignments of fund balance. Reserve policy guidelines are measured as a percentage of annual operating expenditures and generally range between 5 and 17 percent depending on the fund.

## Net Position Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to have been applied. It is the City's policy to deplete restricted net position first before unrestricted net position is depleted.

## Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted second, followed by assigned fund balance. Unassigned fund balance is applied 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, 2015, amount to \$144,616. These funds are held as restricted funds in the Library Fund.

**Knutson Pioneer Cemetery Trust**

In 1994, funds were provided from the estate of Mrs. Leona Knutson for the purpose of providing care and upkeep of the Milwaukie Pioneer Cemetery. The funds are held in trust for the Milwaukie Pioneer Cemetery Association, which is responsible for the maintenance and care of the cemetery. The City invests the funds and when sufficient funds have been saved, amounts are transferred to the Cemetery Association to be used for cemetery maintenance. As of June 30, 2015, these funds amount to \$31,685. These funds are included in restricted cash and investments and in the liabilities of the general fund.

**Deferred Inflows and Outflows of Resources**

A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. Deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the Statement of Net Position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

**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, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**2. Detailed Notes on All Activities and Funds**

**Deposits and Investments**

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by Oregon Revised Statutes and a Council adopted investment policy. Authorized investments consist of U.S. Treasury obligations including treasury notes, bonds 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, 2015, the City’s cash and investments were comprised of the following:

Cash on hand	\$ 3,500
Deposits with financial institutions	1,000,572
Oregon State Treasurer’s Local Government Investment Pool	17,721,949
Total cash and investments	<u>\$ 18,726,021</u>

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 9,263,382	\$ 7,628,433	\$ 16,992,275
Restricted cash and investments	1,822,150	12,056	1,733,746
Total cash and investments	<u>\$ 11,085,532</u>	<u>\$ 7,640,489</u>	<u>\$ 18,726,021</u>

*Deposits.* Deposits with financial institutions are comprised of bank demand deposits. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At the fiscal year end, bank balances of \$1,243,596 were covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. Cash on hand balances representing petty cash accounts are uninsured and uncollateralized.

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the average 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, 2015, all City deposits are insured or collateralized and are therefore not subject to custodial credit risk.

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

Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn. These investments 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 Street NE, Salem, Oregon 97310-0840.

## Receivables

As of June 30, 2015, 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	\$ 4,923,871
Allowance for uncollectible accounts	(6,175)
Total accounts receivable	<u>\$ 4,917,696</u>
Accounts receivable – governmental activities	\$ 3,339,095
Accounts receivable – business-type activities	1,578,601
Total accounts receivable	<u>\$ 4,917,696</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report a liability in connection with resources that have been received, but not yet earned. At the end of the fiscal year, various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources	Unearned Revenue
Municipal court collections receivable	\$ 1,072,262	\$ -
Grants receivable	1,069,801	-
Property taxes receivable (general fund)	409,317	-
Assessment liens receivable	378,746	-
Loans receivable	61,000	-
Contracts receivable	39,075	29,777
Fees in lieu of construction	-	484,515
Bail escrow	-	42,380
Seized cash	-	2,782
	<u>\$ 3,030,201</u>	<u>\$ 559,454</u>

Amounts reported above as unearned are reported as unearned revenue in governmental activities on the *Statement of Net Position*.

## Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance as of June 30, 2014	Additions	Reductions and adjustments	Balance as of June 30, 2015
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 5,901,480	\$ -	\$ -	\$ 5,901,480
Construction in progress	5,615,767	4,462,696	(557,653)	9,520,810
Total capital assets not being depreciated	11,517,247	4,462,696	(557,653)	15,422,290
Capital assets being depreciated:				
Buildings and improvements	16,817,349	540,103	(37,996)	17,319,456
Vehicles and equipment	4,395,306	794,781	(534,937)	4,655,150
Infrastructure	46,631,182	3,314	-	46,634,496
Total capital assets being depreciated	67,843,837	1,338,198	(572,933)	68,609,102
Less accumulated depreciation for:				
Buildings and improvements	(5,417,064)	(563,439)	30,396	(5,950,107)
Vehicles and equipment	(3,134,172)	(331,738)	94,570	(3,371,340)
Infrastructure	(25,101,998)	(1,169,010)	-	(26,271,008)
Total accumulated depreciation	(33,653,234)	(2,064,187)	124,966	(35,592,455)
Total capital assets being depreciated, net	34,190,603	(725,989)	(447,967)	33,016,647
Total capital assets, net	\$ 45,707,850	\$ 3,736,707	\$ (1,005,620)	\$ 48,438,937
	Balance as of June 30, 2014	Additions	Reductions and adjustments	Balance as of June 30, 2015
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 392,550	\$ 10	\$ -	\$ 392,560
Construction in progress	458,626	1,141,568	(826,884)	773,310
Total capital assets not being depreciated	851,176	1,141,578	(826,884)	1,165,870
Capital assets being depreciated:				
Buildings and improvements	4,541,004	826,884	1,304,585	6,672,473
Vehicles and equipment	4,702,699	29,000	(1,111,117)	3,620,582
Infrastructure	29,365,751	-	-	29,365,751
Total capital assets being depreciated	38,609,454	855,884	193,468	39,658,806
Less accumulated depreciation for:				
Buildings and improvements	(2,034,819)	(168,053)	(513,514)	(2,716,386)
Vehicles and equipment	(2,857,252)	(119,915)	768,013	(2,209,154)
Infrastructure	(14,887,863)	(565,167)	-	(15,453,030)
Total accumulated depreciation	(19,779,934)	(853,135)	254,499	(20,378,570)
Total capital assets being depreciated, net	18,829,520	2,749	447,967	19,280,236
Total capital assets, net	\$ 19,680,696	\$ 1,144,327	\$ (378,917)	\$ 20,446,106

Depreciation expense in the amount of \$2,064,187 and \$853,135 was charged to functions/programs for governmental and business-type activities respectively as follows:

	Governmental Activities	Business-type Activities	Total
General government	\$ 282,337	\$ -	\$ 282,337
Highways and streets	1,465,668	-	1,465,668
Public safety	217,768	-	217,768
Culture and recreation	98,414	-	98,414
Water	-	425,087	425,087
Wastewater	-	272,355	272,355
Stormwater	-	155,693	155,693
Depreciation expense	<u>\$ 2,064,187</u>	<u>\$ 853,135</u>	<u>\$ 2,917,322</u>

### 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, 2015, all City 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.

### 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 various copiers for use in its operations under cancelable and noncancelable operating leases. Total cost for such leases was approximately \$41,900 for the fiscal year ended June 30, 2015. The future minimum lease payments for noncancelable operating leases are as follows:

Year Ending June	Copier Leases
2016	\$ 41,100
2017	31,200
2018	25,900
2019	9,600
2020	3,000
	<u>\$ 110,800</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.

	Balance as of June 30, 2014	Additions	Reductions	Balance as of June 30, 2015	Due within one year
<b>Governmental activities</b>					
2003 Oregon State Energy Loan Program Loan, interest rate of 4.3%, original amount of \$170,938, due 2018	\$ 59,397	\$ -	\$ (12,926)	\$ 46,471	\$ 13,482
2005 PERS Unfunded Actuarial Liability Bonds, interest rates of 4.0% to 5.5%, original amount of \$4,285,000, due 2028	3,965,000	-	(115,000)	3,850,000	135,000
2006 Oregon Special Public Works Fund (SPWF) Loan for North Main Village public area improvements, interest rate of 2.08%, original amount of \$738,000, due 2032	604,616	-	(24,023)	580,593	24,184
2012 TriMet loan for Portland-Milwaukie Light Rail enhancements, interest rate of 5%, original amount of \$3,650,000	3,640,500	-	(3,640,500)	-	-
2014 Clackamas County Service District No. 1 easement for park redevelopment, interest rate of 0%, original amount of \$63,200, due 2016	42,133	-	(21,067)	21,066	21,066
2014 Full Faith and Credit Obligations for Riverfront Park enhancements, interest rate from 3-4%, original amount of \$965,000, due 2029	-	965,000	(60,000)	905,000	50,000
2014 General Obligation Bonds for refinancing of Light-Rail enhancements, interest rate of 3-4%, original amount of \$3,695,000, due 2034	-	3,695,000	(110,000)	3,585,000	135,000
Plus: Bond issuance premium	-	352,894	(17,116)	335,778	-
Long-term obligations	8,311,646	5,012,894	(4,000,632)	9,323,908	378,732
Compensated absences for governmental activities	823,958	799,085	(714,100)	908,943	908,943
<b>Total governmental activities</b>	<b>9,135,604</b>	<b>5,811,979</b>	<b>(4,714,732)</b>	<b>10,232,851</b>	<b>1,287,675</b>
<b>Business-type activities</b>					
State of Oregon loan:					
2010 Oregon DEQ Loan, amortized fees in lieu of interest, interest rate of 0%, original loan draws of \$2,229,318 in 2010 and \$1,622,016 in 2011, one-half converted to grant in 2012, due 2031	1,639,700	-	(96,500)	1,543,200	96,500
Compensated absences for business-type activities	63,865	85,194	(78,300)	70,759	70,759
<b>Total business-type activities</b>	<b>1,703,565</b>	<b>85,194</b>	<b>(174,800)</b>	<b>1,613,959</b>	<b>167,259</b>
<b>Total long-term obligations</b>	<b>\$10,839,169</b>	<b>\$ 5,897,173</b>	<b>\$ (4,889,532)</b>	<b>\$11,846,810</b>	<b>\$ 1,454,934</b>

Future maturities of principal and interest are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 378,732	\$ 378,153	\$ 96,500	\$ 7,250	\$ 475,232	\$ 385,403
2017	393,412	364,496	96,500	6,750	489,912	371,246
2018	428,453	349,293	96,500	6,250	524,953	355,543
2019	434,707	332,508	96,500	5,750	531,207	338,258
2020	479,895	314,494	96,500	5,250	576,395	319,744
2021-2025	3,057,736	1,212,315	482,500	18,750	3,540,236	1,231,065
2026-2030	2,744,288	468,893	482,500	6,250	3,226,788	475,143
2031-2035	1,070,907	89,065	95,700	-	1,166,607	89,065
	<u>\$ 8,988,130</u>	<u>\$ 3,509,217</u>	<u>\$ 1,543,200</u>	<u>\$ 56,250</u>	<u>\$ 10,531,330</u>	<u>\$ 3,565,467</u>

## Debt Covenants

The City pledges its net operating revenues in the wastewater fund of 135 percent of annual debt service on the Oregon Department of Environmental Quality (DEQ) loan. Additionally, the City is required to keep \$12,056 in a loan reserve account. At June, 30, 2015 the City was compliant with these terms.

## Employee Retirement Pension Plan

**Plan Description.** The City is a participating employer in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon.

**Defined Benefit Plan Benefits.** OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by State statute. This defined benefit pension plan portion of OPERS is closed to new members hired on or after August 29, 2003.

Benefits under the defined benefit pension plan program include a retirement allowance payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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. OPERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

**Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

**Disability Benefits.** A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retirement and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

**ORS 238A OPSRP Defined Benefit Plan Benefits.** This portion of the defined benefit pension plan of OPERS provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

- For police and fire members, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, or if the pension program is terminated, the date on which termination becomes effective.

**Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives 50 percent of the pension that would otherwise have been paid to the deceased member, for life.

**Disability Benefits.** A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

**Contributions.** OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. The City's rates for the year ended June 30, 2015 were 12.28 percent for OPERS and 7.22 percent for OPSRP – general employees, and 9.95 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 the Oregon Legislature. Employer contributions for the year ended June 30, 2015, were approximately \$825,000.

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

**Plan Audited Financial Report.** Both OPERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the OPERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

**Pension Assets/Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions.** At June 30, 2015, the City reported an asset of \$2,291,623 for its proportionate share of the plan pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportionate share was based on a projection of the City's long term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool was actuarially determined. At June 30, 2015 and 2014, the City's proportion was 0.10109889 percent.

For the year ended June 30, 2015, the City recognized pension income of \$2,949,422 for the defined benefit portion of the pension plan as a result of the adoption of GASB Statement No. 68. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,421,904
Changes in proportion and differences between the City's contributions and proportionate share of contributions	-	130,204
City contributions subsequent to the measurement date	825,539	-
	<u>\$ 825,539</u>	<u>\$ 4,552,108</u>

Deferred outflows of resources related to pensions of \$825,539 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30 <sup>th</sup> ;	Deferred Inflow of Resources (prior to post-measurement date contributions)
2016	\$ (1,133,782)
2017	(1,133,782)
2018	(1,133,782)
2019	(1,133,782)
2020	(16,980)
	<u>\$ (4,552,108)</u>

**Actuarial Assumptions.** The employer contribution rates effective July 1, 2013 through June 30, 2015 were set using the projected unit credit actuarial cost method.

For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

- Valuation Date December 31, 2012 rolled forward to June 30, 2014
- Experience Study Report 2012, published September 18, 2013
- Actuarial Cost Method Entry Age Normal
- Amortization Method Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
- Asset Valuation Method Market value of assets
- Actuarial Assumptions
  - Inflation Rate 2.75 percent
  - Investment Rate of Return 7.75 percent
  - Projected Salary Increases 3.75 percent overall payroll growth
- Mortality Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.

- Mortality, *continued*

Active Members: Mortality rates as a percentage of healthy retiree rates that vary by group, as described in the valuation.

Disabled retirees: Mortality rates as a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**Discount Rate.** The discount rate used to measure the total pension asset was 7.75 percent for the Defined Benefit Pension Plan. The projected cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as the City's proportionate share of the net pension liability if calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 4,852,831	\$ (2,291,623)	\$ (8,334,156)

**Long-term Expected Rate of Return.** To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

**Payable to OPERS.** At June 30, 2015, the City owed \$61,507 to OPERS for defined benefit contributions. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

**Changes in Plan Provisions Subsequent to Measurement Date.** In October 2013, Senate Bill 861 was signed into law limiting the post-retirement COLA on benefits. On April 30, 2015, the Oregon Supreme Court overturned certain elements of the law, deeming them unconstitutional. As a result, individuals who retired before the Senate bill was passed will continue to receive COLA's tied to the Consumer Price Index, normally resulting in a 2% annual increase. PERS members who have accrued benefits before and after the 2013 legislation effective dates of the will have blended COLA rates when they retire.

Pursuant to GASB 68, the total pension asset or liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result of the decision, subsequent to the measurement date of June 30, 2014, the City's estimated increase to the City's proportionate share of net pension (asset)/liability was \$4,969,213, as shown in the following table:

	Prior to Moro	After Moro	City's increase in net pension (asset)/liability
Total pension liability	\$ 63,828,582	\$ 68,797,795	\$ 4,969,213
Fiduciary net position	66,120,205	66,120,205	-
Net pension (asset)/liability	\$ (2,291,623)	\$ 2,677,590	\$ 4,969,213

## **Individual Account Program (IAP)**

**Plan Description.** During the 2003 legislature, the Individual Account Program (IAP) was established to provide an individual account-based retirement benefit for new employees hired on or after August 29, 2003. Active participants in OPERS defined benefit pension plans also participate in the IAP defined contribution plan.

**Death Benefits.** Upon the death of a non-retired member, the beneficiary receives in a lump sum of the member's account balance, rollover account balance and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary is entitled to receive the remaining installment payments or a lump-sum payment.

**Contributions.** Members of OPERS and OPSRP are required to contribute 6 percent of their salary covered under the plan which is invested in IAP. The City makes this contribution on behalf of its employees. For the fiscal year ended June 30, 2015, the City contributed approximately \$527,600 representing the employees 6 percent portion.

## **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, Oregon 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. An eligible surviving spouse or dependent of a deceased OPERS retiree may receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS, 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. As of June 30, 2015, the percent of annual covered payroll for Tier 1/Tier 2 and OPSRP were 0.59 percent and 0.49 percent, respectively. 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 fiscal year ended June 30, 2015, 2014 and 2013 were approximately \$ 46,600, \$50,000, and \$50,800, respectively which equaled the required contributions for that year.

### Deferred Compensation Plan

The City has a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code Section 457(g). The Plan is managed by independent plan administrators. The Plan is available to all employees of the City. The City contributes 2 – 2.5 percent of covered wages to the Plan depending on the employees bargaining unit status and employees may defer a portion of their salary until future years. City Council may establish or amend plan provisions including contribution requirements. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, Plan assets and related liabilities are not recorded in the City's basic financial statements.

### Restatement of Net Position – Adoption of New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* in June 2012. Under this statement, the City is required to record its relative share of pension related amounts in its *Statement of Net Position* and *Statement of Activities*.

As a result of the new pronouncement, the City restated the beginning net position for governmental activities and business-type activities. The total net position was restated by \$7,111,189 for the adoption of this Statement. Related restatements are as follows:

	Governmental Activities	Business-Type Activities	Total
Net position as of June 30, 2014 (as reported)	\$ 51,264,799	\$ 23,778,645	\$ 75,043,444
Restatement of prior year net position for the cumulative effect of implementing GASB 68:			
Deferred outflows of resources:			
Contributions during measurement period	699,973	74,878	774,851
Deferred inflows of resources:			
Net pension liability	(4,660,657)	(498,567)	(5,159,224)
Prepaid Pension	(2,726,816)	-	(2,726,816)
Total restatement	(6,687,501)	(423,688)	(7,111,189)
Net position as of June 30, 2014 (restated)	\$ 44,577,298	\$ 23,354,957	\$ 67,932,255

### 3. Other Information

#### Commitments and Contingencies

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position. Following this paragraph are various commitments and contingencies that the City is involved with.

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

- The original agreement for wastewater treatment services dated November 25, 1970 and was extended and modified several times. In May 2012 the City and the District signed a memorandum of understanding for services effective July 1, 2012 through June 30, 2037.
- Following an independent review of the number of sewer connections during fiscal year 2012, the baseline number of EDU's was determined to be 10,939.
- The City agreed to pay up to \$30.25 per EDU in year one and the District's wholesale rate thereafter. This amounts to approximately \$4.2 million each fiscal year.
- EDU counts are updated semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup>.

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

- The City passed Ordinance No. 1958 in February 2006 following Ballot Measure 3-166 where voters authorized the annexation of fire services into the Fire District. This Ordinance reduces the City's permanent tax rate of \$6.5379 per \$1000 of Assessed Value by the permanent rate of the Fire District equating to \$2.4012 offset by their annual bonded debt rate until then existing bonds were paid off in fiscal year 2015.
- The City has an intergovernmental agreement with the Fire District for their use of Station 2 at the City's Public Safety Building. This agreement, signed in December 2014, provides that the Fire District will pay the City one dollar (\$1) annually for rent, \$500 per month for general maintenance and janitorial services, and their share of utilities.
- Under the terms of the agreement, the Fire District paid the City \$50,000 in May 2015 for the 39% share of the cost to replace the roof at the Public Safety Building.
- This same intergovernmental agreement with the Fire District provides the City exclusive use of 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 (CRW):

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

- The City agrees that CRW will continue to provide water to any property annexed into the City.

- 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 Amounts Due
2015	\$ 1,000
2016	1,000
2017	1,000

**Joint-Billing Services** - The City and CRW signed an intergovernmental agreement in January 2015 authorizing the City to perform meter reading, custom billing and customer service activities to customers served by CRW. The terms of the agreement are as follows:

- Provide a combined utility bill for property owners; however services for water are still maintained by CRW and services for wastewater, stormwater, and street maintenance services are maintained by the City.
- The City receives a 5% administration fee monthly from CRW charges collected in the previous month.

**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 is amended every five years. The current arrangement ends in fiscal year 2016.
- The dispatching services include, but are not limited to 24-hour-per-day answering of emergency telephone lines (including 9-1-1 calls) for fire, police, and emergency medical service requests, radio communications with police personnel regarding emergency and routine police matters, and other dispatching services for law enforcement purposes.
- As part of this agreement, the State redirects the City's state-allocated 911 monies directly to the City of Lake Oswego to help offset the annual contract costs summarized below. These annual monies from the State average approximately \$100,000 per fiscal year.
- The annual contract cost for Fiscal Year 2016 is estimated to be \$510,612.

#### **Oregon Department of Transportation (ODOT):**

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

- The agreement expires on July 1, 2016 unless extended.
- Ordinance No. 1970 limits the use of this local gas tax funds to the purposes associated with the administration, construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads and streets within the City.

**Pedestrian Improvements (17<sup>th</sup> Avenue)**– The City has a Local Agency Agreement in addition to an existing Right of Way intergovernmental agreement with the State of Oregon related to the 17<sup>th</sup> Avenue

pedestrian improvements between McLoughlin Boulevard and SE Ochoco Street. Pertinent terms of this agreement are as follows:

- Construct the regional multi-use trail to connect to the existing Trolley Trail and the Springwater Corridor with a bike, pedestrian and multi-modal system, resulting in a regional travel route from Gladstone to downtown Portland while improving pedestrian safety.
- Project includes curb and stormwater improvements, ADA ramps at all intersections, new pavement markings and relocation of utilities as needed.
- Total project cost \$3,309,000 with an estimated completion date of 2017. The project is financed through a local grant from ODOT with Federal-Aid Surface Transportation Program urban funds limited to \$2,969,000. The City has expended \$593,334 as of June 30, 2015.

**Other Commitments** – The City has entered into various contracts in the ordinary course of business. As such at June 30, 2015, the City had several construction projects in process. The most significant are as follows:

Project	Project Budget	Costs as of June 30, 2015	Remaining Costs	Estimated Completion
Adams Street Connector	\$ 500,000	\$ 390,897	\$ 109,103	September, 2015
Clay Pipe Replacement	640,000	592,576	47,424	October, 2015
Stanley Avenue Pipe Replacement	1,200,000	73,720	1,126,280	Fall, 2015

## 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 non-education taxes to the City do not currently generally exceed the \$10 per \$1000 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 \$1000 assessed value. Assessed values can only grow by a maximum of 3 percent per year, exclusive of new construction and annexations.

## Fund Balance Classification

Governmental fund balances are classified as follows as of June 30, 2015.

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
Nonspendable							
Prepaid expenditures	\$ 64,522	\$ 62,402	\$ 7,495	\$ 331	\$ -	\$ 84,680	\$ 219,430
Restricted							
Public safety supplies	38,783	-	-	-	-	-	38,783
Library services	-	-	144,616	-	-	-	144,616
Infrastructure	-	-	-	-	-	1,343,460	1,343,460
Debt service	-	-	-	-	100,460	-	100,460
Building operations	-	-	-	136,521	-	-	136,521
	<u>38,783</u>	<u>-</u>	<u>144,616</u>	<u>136,521</u>	<u>100,460</u>	<u>1,343,460</u>	<u>1,763,840</u>
Committed							
Street services	-	1,953,556	-	-	-	-	1,953,556
Assigned							
Library services	-	-	593,663	-	-	-	593,663
Unassigned	<u>5,676,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,676,400</u>
Total fund balance	<u>\$ 5,779,705</u>	<u>\$ 2,015,958</u>	<u>\$ 745,774</u>	<u>\$ 136,852</u>	<u>\$ 100,460</u>	<u>\$ 1,428,140</u>	<u>\$ 10,206,889</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

*Schedule of the City's Proportionate Share of the  
Net Pension (Asset)/Liability*

*Schedule of the City's Contributions*

*Notes to Required Supplementary Information*

## **SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

### **BUDGET AND ACTUAL** (required supplementary information)

#### **General Fund**

#### **Special Revenue Funds**

##### **Transportation Fund**

##### **Library Fund**

##### **Building Inspections Fund**

# CITY OF MILWAUKIE, OREGON

## GENERAL FUND

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budget for the 2015-2016 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2014-15	Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 13,966,000	\$ 13,480,000	\$ 6,324,360	\$ (7,155,640)
Franchise taxes	3,239,000	3,239,000	1,553,084	(1,685,916)
Intergovernmental	3,924,000	3,755,000	2,113,316	(1,641,684)
Fines and forfeitures	3,066,000	3,066,000	1,192,530	(1,873,470)
Licenses and permits	775,000	775,000	441,051	(333,949)
Investment earnings	114,000	114,000	87,271	(26,729)
Miscellaneous	179,000	219,000	141,879	(77,121)
<b>TOTAL REVENUES</b>	<b>25,263,000</b>	<b>24,648,000</b>	<b>11,853,491</b>	<b>(12,794,509)</b>
<b>EXPENDITURES:</b>				
City Council	136,000	169,000	65,682	103,318
City Manager	1,494,000	1,509,000	673,303	835,697
Community Development	3,981,000	4,033,000	3,206,925	826,075
Public Works Admin	1,198,000	1,198,000	466,029	731,971
Engineering Services	1,190,000	1,190,000	490,565	699,435
Facilities Management	2,468,000	2,493,000	1,246,887	1,246,113
Finance	1,804,000	1,904,000	826,224	1,077,776
Fleet Services	2,297,000	2,297,000	1,054,219	1,242,781
Human Resources	632,000	640,000	279,103	360,897
Information Technology	2,264,000	2,296,000	1,049,669	1,246,331
Municipal Court	755,000	755,000	337,594	417,406
Planning	1,245,000	1,295,000	498,631	796,369
Code Enforcement	343,000	343,000	178,814	164,186
Public Access Studio	186,000	186,000	78,174	107,826
Records and Information Management	874,000	874,000	384,186	489,814
Police Administration	1,072,000	1,072,000	537,020	534,980
Police Field Services	11,508,000	11,508,000	5,212,560	6,295,440
Police Support Services	688,000	688,000	296,992	391,008
Nondepartmental				
General Services	6,413,000	5,758,000	4,663,578	1,094,422
Contingency	750,000	475,000	-	475,000
<b>TOTAL EXPENDITURES</b>	<b>41,298,000</b>	<b>40,683,000</b>	<b>21,546,155</b>	<b>19,136,845</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(16,035,000)</b>	<b>(16,035,000)</b>	<b>(9,692,664)</b>	<b>6,342,338</b>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from issuance of debt	5,000,000	5,000,000	4,660,000	(340,000)
Bond premium on issuance of debt	-	-	352,894	352,894
Transfers from other funds	8,890,000	8,890,000	4,420,000	(4,470,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>13,890,000</b>	<b>13,890,000</b>	<b>9,432,894</b>	<b>(4,457,106)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,145,000)</b>	<b>(2,145,000)</b>	<b>(259,770)</b>	<b>1,885,232</b>
<b>FUND BALANCES - beginning</b>	<b>5,293,000</b>	<b>5,293,000</b>	<b>6,039,475</b>	<b>746,475</b>
<b>FUND BALANCES - ending</b>	<b>\$ 3,148,000</b>	<b>\$ 3,148,000</b>	<b>\$ 5,779,705</b>	<b>\$ 2,631,707</b>

**CITY OF MILWAUKIE, OREGON**

**TRANSPORTATION FUND**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budget for the 2015-2016 Biennium		Actual	
	Original	Final	1st Year FY 2014-15	Variance with Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 6,020,000	\$ 6,020,000	\$ 2,007,004	\$ (4,012,996)
Franchise fees	2,015,000	2,015,000	1,014,819	(1,000,181)
Charges for services	1,232,000	1,232,000	621,826	(610,174)
Miscellaneous	100,000	100,000	12,952	(87,048)
<b>TOTAL REVENUES</b>	<b>9,367,000</b>	<b>9,367,000</b>	<b>3,656,601</b>	<b>(5,710,399)</b>
<b>EXPENDITURES:</b>				
Personnel services	981,000	981,000	388,774	592,226
Materials and services	911,000	911,000	358,207	552,793
Capital outlay	5,645,000	5,645,000	1,387,312	4,257,688
Contingency	500,000	500,000	-	500,000
<b>TOTAL EXPENDITURES</b>	<b>8,037,000</b>	<b>8,037,000</b>	<b>2,134,293</b>	<b>5,902,707</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,330,000</b>	<b>1,330,000</b>	<b>1,522,308</b>	<b>192,308</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(1,890,000)	(1,890,000)	(965,000)	925,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>(560,000)</b>	<b>(560,000)</b>	<b>557,308</b>	<b>1,117,308</b>
<b>FUND BALANCES - beginning</b>	<b>1,364,000</b>	<b>1,364,000</b>	<b>1,458,650</b>	<b>94,650</b>
<b>FUND BALANCES - ending</b>	<b>\$ 804,000</b>	<b>\$ 804,000</b>	<b>\$ 2,015,958</b>	<b>\$ 1,211,958</b>

**CITY OF MILWAUKIE, OREGON**

**LIBRARY FUND**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budget for the 2015-2016 Biennium		Actual	
	Original	Final	1st Year FY 2014-15	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 1,884,000	\$ 1,884,000	\$ 942,000	\$ (942,000)
Intergovernmental	4,022,000	4,022,000	1,540,775	(2,481,225)
Fines and forfeitures	126,000	126,000	59,910	(66,090)
Miscellaneous	4,000	4,000	12,266	8,266
<b>TOTAL REVENUES</b>	<u>6,036,000</u>	<u>6,036,000</u>	<u>2,554,951</u>	<u>(3,481,049)</u>
<b>EXPENDITURES:</b>				
Personnel services	3,266,000	3,266,000	1,471,717	1,794,283
Materials and services	374,000	374,000	178,273	195,727
Capital outlay	1,000,000	1,000,000	10,000	990,000
Contingency	100,000	100,000	-	100,000
<b>TOTAL EXPENDITURES</b>	<u>4,740,000</u>	<u>4,740,000</u>	<u>1,659,990</u>	<u>3,080,010</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,296,000	1,296,000	894,961	(401,039)
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	<u>(1,380,000)</u>	<u>(1,380,000)</u>	<u>(700,000)</u>	<u>680,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(84,000)	(84,000)	194,961	278,961
<b>FUND BALANCES - beginning</b>	<u>422,000</u>	<u>422,000</u>	<u>550,813</u>	<u>128,813</u>
<b>FUND BALANCES - ending</b>	<u><u>\$ 338,000</u></u>	<u><u>\$ 338,000</u></u>	<u><u>\$ 745,774</u></u>	<u><u>\$ 407,774</u></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, 2015**

	Budget for the 2015-2016 Biennium		Actual	
	Original	Final	1st Year FY 2014-15	Variance with Final Budget
<b>REVENUES:</b>				
Licenses and permits	\$ 468,000	\$ 468,000	\$ 225,775	\$ (242,225)
Intergovernmental	-	-	522	522
Miscellaneous	5,000	5,000	1,426	(3,574)
<b>TOTAL REVENUES</b>	<u>473,000</u>	<u>473,000</u>	<u>227,723</u>	<u>(245,277)</u>
<b>EXPENDITURES:</b>				
Personnel services	451,000	451,000	193,886	257,114
Materials and services	25,000	25,000	16,932	8,068
Contingency	40,000	40,000	-	40,000
<b>TOTAL EXPENDITURES</b>	<u>516,000</u>	<u>516,000</u>	<u>210,818</u>	<u>305,182</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(43,000)	(43,000)	16,905	59,905
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(50,000)</u>	<u>50,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(143,000)	(143,000)	(33,095)	109,905
<b>FUND BALANCES - beginning</b>	<u>147,000</u>	<u>147,000</u>	<u>169,947</u>	<u>22,947</u>
<b>FUND BALANCES - ending</b>	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 136,852</u>	<u>\$ 132,852</u>

**CITY OF MILWAUKIE, OREGON**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY**

**JUNE 30, 2015**

**Oregon Public Employee Retirement Pension Plan (OPERS)**

Fiscal year Ended June 30,	City's <sup>2</sup> proportion of the net pension liability (asset)	City's <sup>2</sup> proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability / (asset)
2006 <sup>1</sup>	- %	\$ -	\$ -	- %	- %
2007 <sup>1</sup>	-	-	-	-	-
2008 <sup>1</sup>	-	-	-	-	-
2009 <sup>1</sup>	-	-	-	-	-
2010 <sup>1</sup>	-	-	-	-	-
2011 <sup>1</sup>	-	-	-	-	-
2012 <sup>1</sup>	-	-	-	-	-
2013 <sup>1</sup>	-	-	-	-	-
2014	0.10109889%	5,159,224	8,468,557	60.9 %	92.0%
2015	0.10109889%	(2,291,623)	8,793,003	(26.1)%	103.6%

<sup>1</sup> Actuarial information not available.

<sup>2</sup> Actuarial information provided by OPERS actuary.

**CITY OF MILWAUKIE, OREGON**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**JUNE 30, 2015**

**Oregon Public Employee Retirement Pension Plan (OPERS)**

Fiscal year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered employee payroll
2006	\$ -	\$ -	\$ -	\$ -	- %
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	774,851	860,200	(85,349)	8,468,557	10.2%
2015	825,536	881,500	(55,964)	8,793,003	10.0%

## CITY OF MILWAUKIE, OREGON

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

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

#### **1. Budgetary Information**

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

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

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. In the general fund, the levels of budgetary control established by resolution are set at the department level. For all other funds, the levels of budgetary control are personnel services, materials and services, debt service, capital outlay, transfers and operating contingency. Appropriations lapse at the end of the biennium 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 Budget Committee and 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 fiscal year ended June 30, 2015, one supplemental budget resolution was approved through the first year of the 2014-2015 biennium.

#### **2. Changes in Benefit Terms – Pensions**

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

#### **3. Changes of Assumptions – Pensions**

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at:

<http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

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## OTHER SUPPLEMENTARY INFORMATION

### *Individual Fund Financial Statements and Schedules*

#### **Governmental Funds**

##### **Debt Service Fund**

Debt Service Fund – accounts for the payment of general obligation bonds and full faith and credit obligation principal and interest.

##### **Capital Projects Fund**

Systems Development Charges Fund – accounts for systems development charges which are restricted for capacity increasing capital projects.

#### **Proprietary Funds**

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

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

Wastewater Fund – accounts for the operations and maintenance of the wastewater, collections, and treatment systems. All wastewater related revenues and expenditures, including capital replacement are included in this fund.

Stormwater Fund – accounts for the operations and maintenance of the stormwater management and collection systems. All stormwater related revenues and expenditures, including capital replacement are included in this fund.

**CITY OF MILWAUKIE, OREGON**

**DEBT SERVICE FUND**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budget for the 2015-2016 Biennium		Actual	
	Original	Final	1st Year FY 2014-15	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ -	\$ 486,000	\$ 320,250	\$ (165,750)
Intergovernmental	-	169,000	85,195	(83,805)
<b>TOTAL REVENUES</b>	-	655,000	405,445	(249,555)
<b>EXPENDITURES:</b>				
Debt service:				
Principal	-	355,000	170,000	185,000
Interest	-	300,000	134,985	165,015
<b>TOTAL EXPENDITURES</b>	-	655,000	304,985	350,015
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	100,460	100,460
<b>NET CHANGE IN FUND BALANCES</b>	-	-	100,460	100,460
<b>FUND BALANCES - beginning</b>	-	-	-	-
<b>FUND BALANCES - ending</b>	\$ -	\$ -	\$ 100,460	\$ 100,460

**CITY OF MILWAUKIE, OREGON**

**SYSTEMS DEVELOPMENT CHARGES FUND**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budget for the 2015-2016 Biennium		Actual	
	Original	Final	1st Year FY 2014-15	Variance with Final Budget
<b>REVENUES:</b>				
Systems development charges	\$ 78,000	\$ 78,000	\$ 70,493	\$ (7,507)
Investment earnings	-	-	241	241
<b>TOTAL REVENUES</b>	<u>78,000</u>	<u>78,000</u>	<u>70,734</u>	<u>(7,266)</u>
<b>EXPENDITURES:</b>				
Capital outlay	430,000	430,000	35,383	394,617
Contingency	<u>695,000</u>	<u>695,000</u>	<u>-</u>	<u>695,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,125,000</u>	<u>1,125,000</u>	<u>35,383</u>	<u>1,089,617</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,047,000)	(1,047,000)	35,351	1,082,351
<b>FUND BALANCES - beginning</b>	<u>1,318,000</u>	<u>1,318,000</u>	<u>1,392,789</u>	<u>74,789</u>
<b>FUND BALANCES - ending</b>	<u>\$ 271,000</u>	<u>\$ 271,000</u>	<u>\$ 1,428,140</u>	<u>\$ 1,157,140</u>

## CITY OF MILWAUKIE, OREGON

## WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2015-2016 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2014-15	Final Budget
<b>REVENUES:</b>				
Water charges	\$ 6,452,000	\$ 6,452,000	\$ 3,629,208	\$ (2,822,792)
Reimbursement fees	-	-	5,009	5,009
Miscellaneous	196,000	196,000	64,020	(131,980)
<b>TOTAL REVENUES</b>	<b>6,648,000</b>	<b>6,648,000</b>	<b>3,698,237</b>	<b>(2,949,763)</b>
<b>EXPENDITURES:</b>				
Personnel services	1,277,000	1,277,000	575,413	701,587
Materials and services	1,584,000	1,584,000	774,589	809,411
Capital outlay	1,522,000	1,522,000	514,153	1,007,847
Contingency	200,000	200,000	-	200,000
<b>TOTAL EXPENDITURES</b>	<b>4,583,000</b>	<b>4,583,000</b>	<b>1,864,155</b>	<b>2,718,845</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>2,065,000</b>	<b>2,065,000</b>	<b>1,834,082</b>	<b>(230,918)</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(1,830,000)	(1,830,000)	(915,000)	915,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>235,000</b>	<b>235,000</b>	<b>919,082</b>	<b>684,082</b>
<b>FUND BALANCES - beginning</b>	<b>395,000</b>	<b>395,000</b>	<b>780,923</b>	<b>385,923</b>
<b>FUND BALANCES - ending</b>	<b>\$ 630,000</b>	<b>\$ 630,000</b>	<b>1,700,005</b>	<b>\$ 1,070,005</b>
<b>RECONCILIATION TO NET POSITION - GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			476,612	
Adjustment for capital assets, net of accumulated depreciation			8,508,643	
Adjustment for net pension asset			98,084	
Adjustment for deferred outflows of resources			32,300	
Adjustment for deferred inflows of resource			(178,092)	
<b>NET POSITION - GAAP BASIS, ending</b>			<b>\$ 10,637,552</b>	

## CITY OF MILWAUKIE, OREGON

## WASTEWATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2015-2016 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2014-15	
<b>REVENUES:</b>				
Wastewater charges	\$ 13,836,000	\$ 13,836,000	\$ 6,939,074	\$ (6,896,926)
Reimbursement fees	30,000	30,000	75,508	45,509
Miscellaneous	8,000	8,000	4,757	(3,243)
<b>TOTAL REVENUES</b>	<b>13,874,000</b>	<b>13,874,000</b>	<b>7,019,339</b>	<b>(6,854,661)</b>
<b>EXPENDITURES:</b>				
Personnel services	937,000	937,000	413,934	523,066
Materials and services	9,743,000	9,743,000	4,568,262	5,174,738
Debt service:				
Principal	193,000	193,000	96,458	96,542
Interest	27,000	27,000	7,958	19,042
Capital outlay	1,709,000	1,709,000	649,403	1,059,597
Contingency	200,000	200,000	-	200,000
<b>TOTAL EXPENDITURES</b>	<b>12,809,000</b>	<b>12,809,000</b>	<b>5,736,015</b>	<b>7,072,985</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,065,000</b>	<b>1,065,000</b>	<b>1,283,324</b>	<b>218,324</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(1,820,000)	(1,820,000)	(885,000)	935,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>(755,000)</b>	<b>(755,000)</b>	<b>398,324</b>	<b>1,153,324</b>
<b>FUND BALANCES - beginning</b>	<b>2,196,000</b>	<b>2,196,000</b>	<b>2,318,159</b>	<b>122,159</b>
<b>FUND BALANCES - ending</b>	<b>\$ 1,441,000</b>	<b>\$ 1,441,000</b>	<b>2,716,483</b>	<b>\$ 1,275,483</b>
<b>RECONCILIATION TO NET POSITION - GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			604,485	
Adjustment for capital assets, net of accumulated depreciation			7,932,330	
Adjustment for net pension asset			82,095	
Adjustment for deferred outflows of resources			26,206	
Adjustment for unearned revenue			(14,926)	
Adjustment for deferred inflows of resource			(144,500)	
Adjustment for bonds payable - due within one year			(96,500)	
Adjustment for bonds payable			(1,446,700)	
<b>NET POSITION - GAAP BASIS, ending</b>			<b>\$ 9,658,973</b>	

**CITY OF MILWAUKIE, OREGON**

**STORMWATER FUND**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budget for the 2015-2016 Biennium		Actual 1st Year FY 2014-15	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Stormwater charges	\$ 5,481,000	\$ 5,481,000	\$ 2,565,330	\$ (2,915,670)
Intergovernmental	1,004,000	1,004,000	-	(1,004,000)
Miscellaneous	20,000	20,000	15,553	(4,447)
<b>TOTAL REVENUES</b>	<u>6,505,000</u>	<u>6,505,000</u>	<u>2,580,883</u>	<u>(3,924,117)</u>
<b>EXPENDITURES:</b>				
Personnel services	1,375,000	1,375,000	483,478	891,522
Materials and services	852,000	852,000	322,575	529,425
Capital outlay	4,547,000	4,547,000	7,022	4,539,978
Contingency	200,000	200,000	-	200,000
<b>TOTAL EXPENDITURES</b>	<u>6,974,000</u>	<u>6,974,000</u>	<u>813,075</u>	<u>6,160,925</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(469,000)	(469,000)	1,767,808	2,236,808
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	<u>(1,870,000)</u>	<u>(1,870,000)</u>	<u>(905,000)</u>	<u>965,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,339,000)	(2,339,000)	862,808	3,201,808
<b>FUND BALANCES - beginning</b>	<u>2,392,000</u>	<u>2,392,000</u>	<u>2,528,009</u>	<u>136,009</u>
<b>FUND BALANCES - ending</b>	<u>\$ 53,000</u>	<u>\$ 53,000</u>	3,390,817	<u>\$ 3,337,817</u>
<b>RECONCILIATION TO NET POSITION - GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			84,773	
Adjustment for capital assets, net of accumulated depreciation			2,839,263	
Adjustment for net pension asset			75,443	
Adjustment for deferred outflows of resources			25,059	
Adjustment for deferred inflows of resource			<u>(138,179)</u>	
<b>NET POSITION - GAAP BASIS, ending</b>			<u>\$ 6,277,176</u>	

## **OTHER FINANCIAL SCHEDULES**

*Schedule of Future Debt Service Requirements*

*Schedule of Property Tax Transactions and Outstanding Balances*

*Schedule of Accountability of Independently Elected Officials*

**CITY OF MILWAUKIE, OREGON**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**FUTURE BOND PRINCIPAL**

Fiscal year	Oregon SELP Loan	2014 Full Faith & Credit Bond	GO Bonds Series 2014	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	CCSD #1 Easement	Total
2016	\$ 13,482	\$ 50,000	\$ 135,000	\$ 24,184	\$ 135,000	\$ 96,500	\$ 21,066	\$ 475,232
2017	14,061	55,000	140,000	24,351	160,000	96,500		489,912
2018	18,928	55,000	145,000	24,525	185,000	96,500	-	524,953
2019	-	55,000	145,000	24,707	210,000	96,500	-	531,207
2020	-	60,000	150,000	29,895	240,000	96,500	-	576,395
2021	-	60,000	160,000	30,097	270,000	96,500	-	616,597
2022	-	60,000	165,000	30,311	305,000	96,500	-	656,811
2023	-	65,000	170,000	30,536	340,000	96,500	-	702,036
2024	-	65,000	180,000	35,772	380,000	96,500	-	757,272
2025	-	70,000	185,000	36,020	420,000	96,500	-	807,520
2026	-	75,000	195,000	36,283	465,000	96,500	-	867,783
2027	-	75,000	200,000	36,558	510,000	96,500	-	918,058
2028	-	80,000	205,000	41,845	230,000	96,500	-	653,345
2029	-	80,000	210,000	42,145	-	96,500	-	428,645
2030	-	-	220,000	42,457	-	96,500	-	358,957
2031	-	-	230,000	42,783	-	95,700	-	368,483
2032	-	-	240,000	48,124	-	-	-	288,124
2033	-	-	250,000	-	-	-	-	250,000
2034	-	-	260,000	-	-	-	-	260,000
	<u>\$ 46,471</u>	<u>\$ 905,000</u>	<u>\$ 3,585,000</u>	<u>\$ 580,593</u>	<u>\$ 3,850,000</u>	<u>\$ 1,543,200</u>	<u>\$ 21,066</u>	<u>\$ 10,531,330</u>

**FUTURE BOND INTEREST**

Fiscal year	Oregon SELP Loan	2014 Full Faith & Credit Bond	GO Bonds Series 2014	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	CCSD #1 Easement	Total
2016	\$ 1,998	\$ 34,050	\$ 127,575	\$ 23,224	\$ 191,306	\$ 7,250	\$ -	\$ 385,403
2017	1,419	32,550	123,525	22,256	184,746	6,750	-	371,246
2018	814	30,900	119,325	21,282	176,972	6,250	-	355,543
2019	-	29,250	114,975	20,301	167,982	5,750	-	338,258
2020	-	27,600	109,175	19,941	157,778	5,250	-	319,744
2021	-	25,200	103,175	19,023	146,116	4,750	-	298,264
2022	-	22,800	96,775	17,970	132,606	4,250	-	274,401
2023	-	20,400	90,175	16,682	117,344	3,750	-	248,351
2024	-	17,800	83,375	15,565	100,330	3,250	-	220,320
2025	-	15,200	76,175	14,288	81,316	2,750	-	189,729
2026	-	12,400	68,775	12,711	60,298	2,250	-	156,434
2027	-	9,400	62,925	11,121	37,030	1,750	-	122,226
2028	-	6,400	56,925	9,520	11,510	1,250	-	85,605
2029	-	3,200	50,775	7,687	-	750	-	62,412
2030	-	-	42,375	5,841	-	250	-	48,466
2031	-	-	33,575	3,982	-	-	-	37,557
2032	-	-	24,375	2,108	-	-	-	26,483
2033	-	-	16,575	-	-	-	-	16,575
2034	-	-	8,450	-	-	-	-	8,450
	<u>\$ 4,231</u>	<u>\$ 287,150</u>	<u>\$ 1,409,000</u>	<u>\$ 243,502</u>	<u>\$ 1,565,334</u>	<u>\$ 56,250</u>	<u>\$ -</u>	<u>\$ 3,565,467</u>

**CITY OF MILWAUKIE, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2014</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, 2015</u>
Current fiscal year 2015	<u>\$ -</u>	<u>\$ 7,802,935</u>	<u>\$ (211,410)</u>	<u>\$ (7,389,248)</u>	<u>\$ 202,276</u>
Prior fiscal years					
2014	203,346	-	(3,173)	(107,013)	93,161
2013	101,914	-	(451)	(38,071)	63,391
2012	71,865	-	(582)	(28,210)	43,073
2011	41,468	-	(521)	(14,897)	26,049
2010 & prior	<u>44,338</u>	<u>-</u>	<u>(2,080)</u>	<u>(6,467)</u>	<u>35,789</u>
Sub-total of prior fiscal years	<u>462,931</u>	<u>-</u>	<u>(6,807)</u>	<u>(194,658)</u>	<u>261,463</u>
Total	<u>\$ 462,931</u>	<u>\$ 7,802,935</u>	<u>\$ (218,218)</u>	<u>\$ (7,583,906)</u>	<u>\$ 463,740</u>

**CITY OF MILWAUKIE, OREGON**

**SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

# SECTION III

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## STATISTICAL SECTION

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	81
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	86
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	91
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.	96
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.	99

Sources: The information in these schedules is derived from the comprehensive annual financial reports or annual financial statements for the relevant year, unless otherwise noted. The City implemented GASB Statement 34 in fiscal year 2003, GASB Statement 54 in fiscal year 2011, GASB Statement 63 in fiscal year 2013 and GASB Statement 65 in fiscal year 2014 and GASB 68 in fiscal year 2015.

# CITY OF MILWAUKIE, OREGON

## NET POSITION BY COMPONENT for the last ten fiscal years (accrual basis of accounting) (in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013 (restated)	2014 (restated)	2015
Governmental activities										
Net investment in capital assets	\$ 40,179	\$ 40,333	\$ 41,224	\$ 41,423	\$ 39,717	\$ 39,274	\$ 38,433	\$ 41,361	\$ 41,361	\$ 42,965
Restricted	5,923	3,392	3,418	3,274	2,714	2,125	2,235	1,788	1,789	1,921
Unrestricted	3,051	5,363	5,698	5,586	5,403	6,594	7,031	8,115	1,427	5,166
Total governmental activities net position	49,153	49,088	50,340	50,283	47,834	47,993	47,699	51,265	44,577	50,052
Business-type activities										
Net investment in capital assets	15,226	15,008	14,984	15,444	14,740	14,773	16,528	18,041	18,041	18,903
Restricted	-	-	-	-	-	-	12	12	12	12
Unrestricted	3,644	4,425	4,387	4,107	3,896	3,881	4,426	5,726	5,302	7,659
Total business-type activities net position	18,870	19,433	19,371	19,551	18,636	18,654	20,966	23,779	23,355	26,574
Primary government										
Net investment in capital assets	55,405	55,341	56,208	56,867	54,457	54,047	54,961	59,402	59,402	61,868
Restricted	5,923	3,392	3,418	3,274	2,714	2,125	2,247	1,800	1,801	1,933
Unrestricted	6,695	9,788	10,085	9,693	9,299	10,475	11,457	13,841	6,729	12,825
Total primary government net position	\$ 68,023	\$ 68,521	\$ 69,711	\$ 69,834	\$ 66,470	\$ 66,647	\$ 68,665	\$ 75,043	\$ 67,932	\$ 76,626

# CITY OF MILWAUKIE, OREGON

## CHANGES IN NET POSITION for the last ten fiscal years (accrual basis of accounting) (in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 8,696	\$ 2,975	\$ 3,025	\$ 2,794	\$ 3,854	\$ 9,813	\$ 9,489	\$ 9,109	\$ 9,322	\$ 7,811
Highways and streets	2,702	3,178	3,172	3,932	2,865	2,094	2,155	2,126	1,028	1,851
Public safety - Police	5,927	5,907	6,591	7,326	7,627	6,210	6,720	6,636	6,458	5,412
Culture and recreation	1,960	1,623	1,920	2,036	2,376	1,585	1,770	2,630	2,665	2,309
Interest on long-term debt	134	322	330	341	318	292	273	487	407	408
Total governmental activities expenses	19,419	14,005	15,038	16,429	17,040	19,994	20,407	20,988	19,880	17,791
Business-type activities:										
Water	1,781	2,297	1,746	2,091	2,143	2,397	2,520	2,526	2,610	2,573
Wastewater	2,711	2,640	2,975	2,577	4,580	5,023	4,801	6,067	6,062	6,052
Stormwater	1,080	918	975	1,052	1,152	1,710	1,660	1,569	1,578	1,776
Total business-type activities expenses	5,572	5,855	5,696	5,720	7,875	9,130	8,981	10,162	10,249	10,401
Total primary government expenses	\$ 24,991	\$ 19,860	\$ 20,734	\$ 22,149	\$ 24,915	\$ 29,124	\$ 29,388	\$ 31,150	30,130	28,192
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 4,295	\$ 502	\$ 1,645	\$ 692	\$ 467	\$ 5,110	\$ 5,052	\$ 5,150	\$ 5,323	\$ 5,695
Highways and streets	871	1,142	758	1,076	1,080	663	609	693	633	635
Public safety	414	837	992	1,555	1,746	1,940	1,734	1,693	1,609	948
Culture and recreation	49	53	61	59	59	59	59	67	60	60
Operating grants and contributions	3,420	2,117	2,025	1,873	2,697	3,313	3,555	4,610	4,454	4,324
Capital grants and contributions	99	181	301	30	27	47	80	107	145	1,731
Total governmental activities program revenues	9,148	4,832	5,782	5,285	6,076	11,132	11,089	12,320	12,224	13,393
Business-type activities:										
Charges for services:										
Water	1,937	2,342	2,092	2,234	2,273	2,173	2,354	2,819	3,158	3,698
Wastewater	2,842	3,195	3,267	3,586	4,437	5,032	4,947	6,316	6,627	6,894
Stormwater	1,380	1,464	1,511	1,540	1,722	1,794	1,840	1,989	2,212	2,581
Capital grants and contributions	104	75	110	29	-	-	1,929	10	-	-
Total business-type activities program revenues	6,263	7,076	6,980	7,389	8,432	8,999	11,070	11,134	11,997	13,173
Total primary government program revenues	\$ 15,411	\$ 11,908	\$ 12,762	\$ 12,674	\$ 14,508	\$ 20,131	\$ 22,159	\$ 23,454	\$ 24,220	\$ 26,566

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (Expense) Revenue</b>										
Governmental activities	\$(10,271)	\$ (9,173)	\$ (9,256)	\$(11,144)	\$(10,964)	\$ (8,862)	\$ (9,318)	\$ (8,668)	\$ (7,656)	\$ (4,399)
Business-type activities	691	1,221	1,284	1,669	557	(131)	2,089	972	1,747	2,772
Total primary government expenses	<u>\$ (9,580)</u>	<u>\$ (7,952)</u>	<u>\$ (7,972)</u>	<u>\$ (9,475)</u>	<u>\$(10,407)</u>	<u>\$ (8,993)</u>	<u>\$ (7,229)</u>	<u>\$ (7,696)</u>	<u>\$ (5,909)</u>	<u>\$ (1,627)</u>
<b>General Revenues</b>										
Governmental activities:										
Property taxes, levied for general purposes	\$ 5,223	\$ 5,353	\$ 5,718	\$ 5,929	\$ 5,998	\$ 6,112	\$ 6,487	\$ 6,565	\$ 7,014	\$ 7,590
Property taxes, levied for debt service	323	263	526	579	601	-	-	-	-	-
Franchise taxes	1,671	1,730	1,740	1,620	1,838	2,561	2,594	2,479	2,439	2,568
Intergovernmental	410	409	446	517	583	297	97	-	-	-
Miscellaneous	-	-	73	603	928	-	-	-	-	-
Interest and investment earnings	349	408	366	209	114	115	60	77	66	87
Gain on disposition of capital assets	-	-	31	14	-	-	-	4	-	75
Transfers	931	-	-	-	1,485	(64)	(214)	-	(93)	(448)
Total governmental activities	<u>8,907</u>	<u>8,163</u>	<u>8,900</u>	<u>9,471</u>	<u>11,547</u>	<u>9,021</u>	<u>9,021</u>	<u>9,125</u>	<u>9,426</u>	<u>9,872</u>
Business-type activities:										
Miscellaneous	-	-	10	-	-	-	-	-	-	-
Interest and investment earnings	266	287	250	127	12	85	9	-	-	-
Transfers	(930)	-	-	-	(1,485)	64	214	-	93	448
Total business-type activities	<u>(664)</u>	<u>287</u>	<u>260</u>	<u>127</u>	<u>(1,473)</u>	<u>149</u>	<u>223</u>	<u>-</u>	<u>93</u>	<u>448</u>
Total primary government	<u>\$ 8,243</u>	<u>\$ 8,450</u>	<u>\$ 9,160</u>	<u>\$ 9,598</u>	<u>\$ 10,074</u>	<u>\$ 9,170</u>	<u>\$ 9,244</u>	<u>\$ 9,125</u>	<u>\$ 9,519</u>	<u>\$ 10,320</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (1,364)	\$ (1,010)	\$ (356)	\$ (1,673)	\$ 583	\$ 159	\$ (297)	\$ 457	\$ 1,770	\$ 5,474
Business-type activities	27	1,508	1,544	1,796	(916)	18	2,312	972	1,840	3,220
Total primary government	<u>\$ (1,337)</u>	<u>\$ 498</u>	<u>\$ 1,188</u>	<u>\$ 123</u>	<u>\$ (333)</u>	<u>\$ 177</u>	<u>\$ 9,170</u>	<u>\$ 1,429</u>	<u>\$ 3,610</u>	<u>\$ 8,694</u>

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**CITY OF MILWAUKIE, OREGON**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

*for the last ten fiscal years*

*(modified accrual basis of accounting)  
(in thousands)*

	<b>Fiscal Year Ended</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ 36	\$ 35	\$ 65
Restricted	-	-	-	-	14	11	23	28	30	39
Assigned	-	-	-	-	-	201	-	-	-	-
Unassigned	2,994	2,699	2,032	1,631	6,116	6,086	5,759	5,380	5,974	5,676
Total general fund	<u>\$ 2,994</u>	<u>\$ 2,699</u>	<u>\$ 2,032</u>	<u>\$ 1,631</u>	<u>\$ 6,143</u>	<u>\$ 6,298</u>	<u>\$ 5,782</u>	<u>\$ 5,444</u>	<u>\$ 6,039</u>	<u>\$ 5,780</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ 105	\$ 154
Restricted	1,772	1,701	2,526	2,445	2,610	2,115	2,211	1,995	1,618	1,725
Committed	-	-	-	-	-	-	1,739	1,322	1,459	1,954
Assigned	-	-	-	-	928	1,321	389	231	390	594
Total all other governmental funds	<u>\$ 1,772</u>	<u>\$ 1,701</u>	<u>\$ 2,526</u>	<u>\$ 2,445</u>	<u>\$ 3,538</u>	<u>\$ 3,436</u>	<u>\$ 4,339</u>	<u>\$ 3,581</u>	<u>\$ 3,572</u>	<u>\$ 4,426</u>

**CITY OF MILWAUKIE, OREGON**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

*for the last ten fiscal years*

*(modified accrual basis of accounting)  
(in thousands)*

	Fiscal Year Ended									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues:</b>										
Property taxes	\$ 6,140	\$ 6,125	\$ 6,138	\$ 6,405	\$ 6,623	\$ 6,164	\$ 6,429	\$ 6,564	\$ 7,019	\$ 7,587
Intergovernmental	1,808	1,899	2,334	2,529	2,815	3,313	3,634	4,233	4,270	5,747
Franchise taxes	2,068	2,398	1,891	1,758	1,851	2,561	2,579	2,479	2,439	2,568
Fines and forfeitures	422	819	1,030	1,602	1,801	1,857	1,502	1,754	1,690	1,252
Licenses and fees	738	793	1,944	1,697	1,638	586	964	1,112	626	667
Charges for services	-	-	-	-	-	5,235	4,637	5,176	5,155	5,042
Miscellaneous	372	887	554	529	841	412	114	223	224	327
Total revenues	11,548	12,921	13,891	14,520	15,569	20,128	19,859	21,541	21,423	23,189
<b>Expenditures:</b>										
Current:										
General government	900	767	1,244	1,262	1,983	8,495	8,328	8,066	8,165	7,867
Highway and streets	1,771	1,872	1,925	2,144	1,099	1,870	1,891	1,883	1,753	1,712
Public safety - police	5,909	5,907	6,591	7,327	7,627	5,546	5,897	5,877	5,590	5,955
Culture and recreation	1,463	1,623	1,811	1,995	2,246	1,415	1,553	2,329	2,339	2,350
Debt service:										
Principal	382	420	429	452	488	570	144	378	196	3,983
Interest	76	245	355	324	303	292	273	253	415	557
Capital outlay	1,599	2,619	1,247	1,789	1,766	1,386	1,385	7,508	2,441	5,181
Total expenditures	12,100	13,453	13,602	15,293	15,512	19,574	19,471	26,294	20,899	27,607
Excess (deficiency) of revenues over (under) expenditures	(552)	(532)	289	(773)	57	554	388	(4,753)	524	(4,417)
<b>Other financing sources (uses):</b>										
Transfers from other funds	56	28	1,178	652	776	8,245	-	-	-	-
Transfers to other funds	(801)	(514)	(1,310)	(620)	(754)	(8,572)	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	13	-	6	-	-
Payment to PERS for unfunded liability	(4,285)	-	-	-	-	-	-	-	-	-
Proceeds from issuance of debt	4,690	652	-	-	-	-	-	3,650	63	4,660
Bond premium on issuance of debt	-	-	-	-	-	-	-	-	-	353
Total other financing sources (uses)	(340)	166	(132)	32	22	(314)	-	3,656	63	5,013
Net change in fund balances	\$ (892)	\$ (366)	\$ 157	\$ (741)	\$ 79	\$ 240	\$ 388	\$ (1,097)	\$ 586	\$ 595
Debt service as a percentage of noncapital expenditures	4.4%	6.1%	6.3%	5.7%	5.8%	4.7%	2.3%	3.4%	3.3%	20.2%

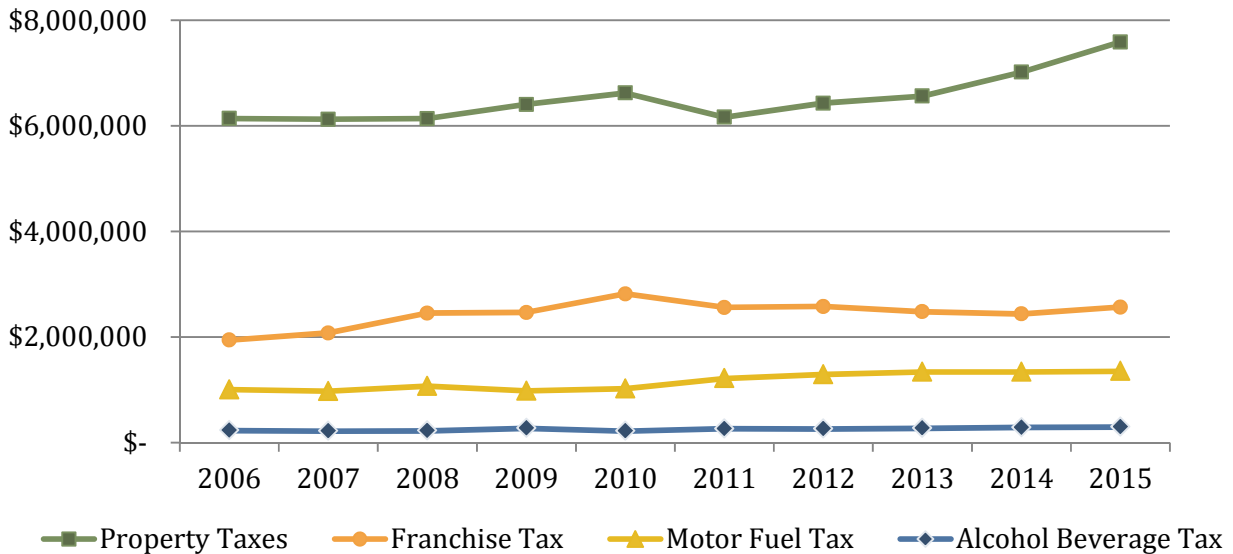
# CITY OF MILWAUKIE, OREGON

## GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE for the last ten fiscal years (modified accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Motor Fuel Tax <sup>1</sup>	Alcoholic Beverage Tax <sup>1</sup>	Total
2006	\$6,139,602	\$1,941,690	\$1,001,127	\$ 228,494	\$ 9,310,913
2007	6,125,265	2,075,765	971,128	217,478	9,389,636
2008	6,137,200	2,454,286	1,068,139	221,887	9,881,512
2009	6,405,173	2,464,766	979,713	270,755	10,120,407
2010	6,622,583	2,817,967	1,021,084	216,494	10,678,128
2011	6,164,063	2,560,743	1,215,175	263,425	10,203,406
2012	6,428,522	2,578,604	1,289,164	260,353	10,556,643
2013	6,563,755	2,478,784	1,336,694	272,331	10,651,564
2014	7,018,918	2,438,915	1,337,709	287,203	11,082,745
2015	7,586,610	2,567,903	1,351,269	295,213	11,800,995

<sup>1</sup> Motor fuel and alcoholic beverage taxes are assessed by the State of Oregon, including the City of Milwaukie's Local Gas Tax, with the City's portion allocated back to the City.

### Trend Lines of Tax Revenues by Source



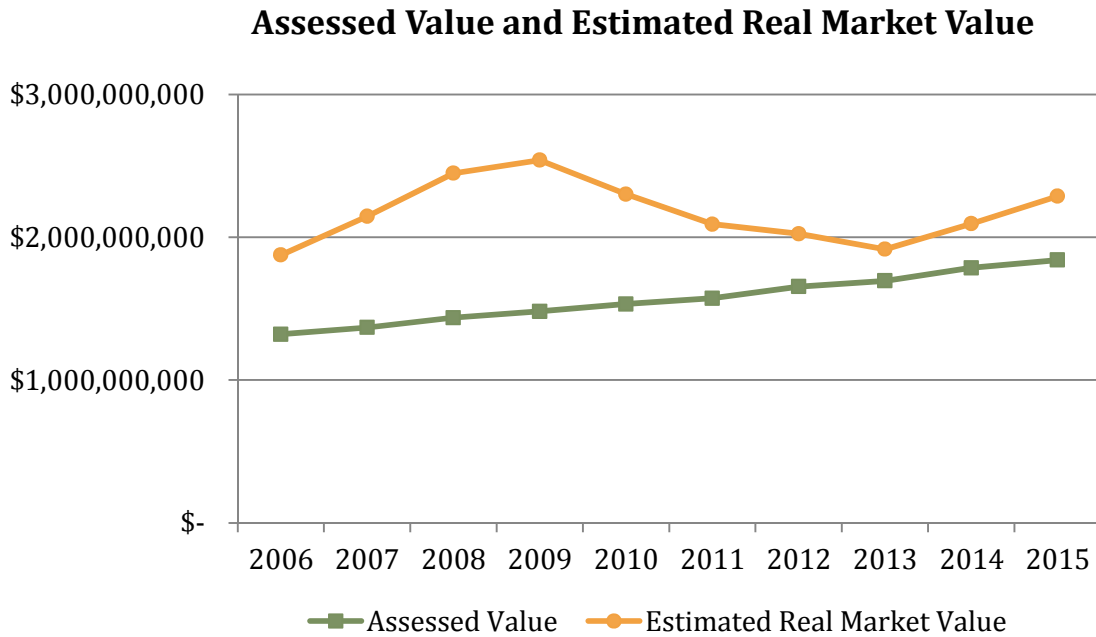
# CITY OF MILWAUKIE, OREGON

## ASSESSED VALUE AND ESTIMATED REAL MARKET VALUE OF TAXABLE PROPERTY for the last ten fiscal years (in thousands)

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manufactured structure	Public utility	Total assessed value (AV)		Estimated real market value (RMV)	
2006	\$ 1,244,892	\$ 48,492	\$ 1,767	\$ 24,675	\$ 1,319,827	\$ 4.3640	\$ 1,874,924	70%
2007	1,291,781	50,161	1,659	24,622	1,368,223	4.2423	2,145,738	64
2008	1,358,713	50,495	1,638	25,439	1,436,285	4.4677	2,447,837	59
2009	1,397,513	55,711	1,453	26,193	1,480,870	4.4590	2,539,356	58
2010	1,434,482	55,303	1,340	40,955	1,532,080	4.4561	2,300,619	67
2011	1,478,677	53,418	1,207	38,678	1,571,981	4.0681	2,090,525	75
2012	1,534,190	55,064	1,212	63,771	1,654,237	4.0718	2,023,966	82
2013	1,573,358	57,836	1,265	61,501	1,693,960	4.0731	1,915,291	88
2014	1,655,121	65,752	1,229	62,537	1,784,639	4.0777	2,094,734	85
2015	1,705,226	65,570	1,245	67,219	1,839,260	4.2660	2,286,961	80

Note: Property is generally assessed as of July 1<sup>st</sup> of each fiscal year

Source: Clackamas and Multnomah County Departments of Assessment and Taxation



# CITY OF MILWAUKIE, OREGON

## PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS

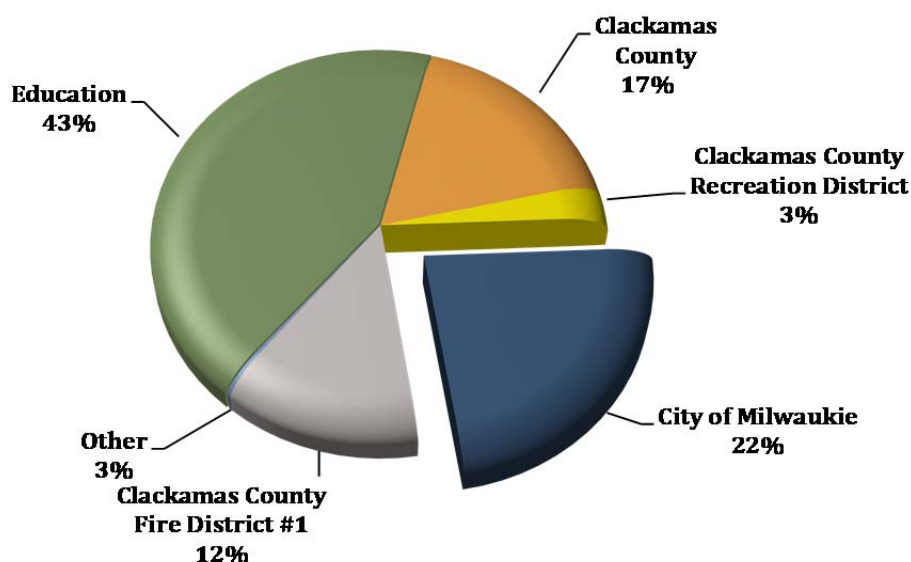
for the last ten fiscal years

(rate per \$1,000 of assessed value)

Fiscal year	City direct rates					Overlapping rates								Total direct and overlapping
	Permanent tax rate	Bonded debt tax rate	Less CCFD#1 permanent tax rate	Less CCFD#1 bonded debt rate	Total direct	North Clackamas School District	Clackamas County	Clackamas County Fire Dist #1	Clackamas County Recreation District	Clackamas County College	Education Service District	Other		
2006	\$ 6.5379	\$ 0.2273	\$ (2.4012)	\$ -	\$ 4.3640	\$ 5.57	\$ 2.59	\$ 2.40	\$ 0.49	\$ 0.77	\$ 0.36	\$ 1.19	\$ 17.73	
2007	6.5379	0.1742	(2.4012)	(0.1469)	4.1640	5.75	2.53	2.55	0.48	0.73	0.36	0.76	17.32	
2008	6.5379	0.3996	(2.4012)	(0.0855)	4.4508	6.59	2.80	2.49	0.48	0.74	0.36	0.96	18.87	
2009	6.5379	0.3909	(2.4012)	(0.0076)	4.5200	6.52	2.81	2.41	0.48	0.74	0.36	1.02	18.85	
2010	6.5379	0.3880	(2.4012)	(0.0707)	4.4540	6.51	3.30	2.37	0.50	0.72	0.36	1.12	19.34	
2011	6.5379	-	(2.4012)	(0.0686)	4.0681	6.58	3.29	2.47	0.50	0.70	0.36	0.99	18.97	
2012	6.5379	-	(2.4012)	(0.0649)	4.0718	7.22	3.77	2.47	0.51	0.68	0.36	0.36	19.44	
2013	6.5379	-	(2.4012)	(0.0636)	4.0731	6.78	3.77	2.36	0.51	0.70	0.36	0.49	19.04	
2014	6.5379	-	(2.4012)	(0.0590)	4.0777	7.09	3.22	2.46	0.54	0.71	0.37	0.49	18.95	
2015	6.5379	0.1859	(2.4012)	(0.0562)	4.2664	6.82	3.22	2.46	0.54	0.71	0.37	0.05	18.43	

Source: Clackamas County Assessor's Office

## Property Tax Percentage Split by Government Type



**CITY OF MILWAUKIE, OREGON**

**PRINCIPAL PROPERTY TAXPAYERS**

*current year and nine years ago*

Name	2015			2006		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Blount Inc	\$ 56,342,879	1	3.1%	\$ 36,228,874	1	2.7%
PCC Structural Inc	43,332,805	2	2.4	17,139,262	2	1.3
Comcast Corporation	43,330,100	3	2.4	-		
Waverly Greens Apts	17,440,603	4	0.9	13,428,707	3	1.0
WH Portland Industrial LLC	16,578,390	5	0.9	-		
Miramonte Milwaukie LP	10,815,297	6	0.6	-		
SE International Way SPE LLC	9,940,558	7	0.5	-		
Downs Alice M Trustee	9,731,033	8	0.5	-		
ODS Plaza Inc	9,665,617	9	0.5	7,782,994	10	0.6
Gramark Company LLC	9,589,738	10	0.5	-		
SSR Realty Advisors	-			11,155,621	4	0.8
Deloitte & Touché LLP	-			9,747,207	5	0.7
Portland General Electric Co	-			9,354,000	6	0.7
Norris & Stevens Inc.	-			8,785,543	7	0.7
Providence Health System - OR	-			8,626,654	8	0.7
Schlesinger Ralph	-			7,834,092	9	0.6
Sub-total, top ten	226,767,020		12.3	130,082,954		9.8
All other City taxpayers	1,612,492,647		87.7	1,189,743,946		90.2
Total City taxpayers	\$ 1,839,259,667		100.0%	\$ 1,319,826,900		100.0%

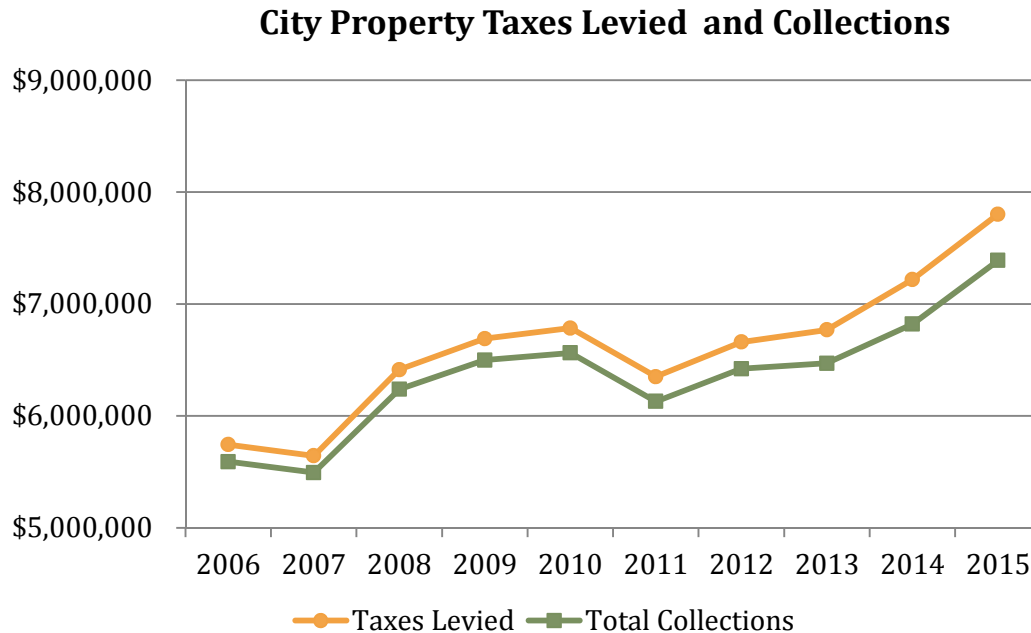
Source: Clackamas County Assessor's Office

**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
2006	\$ 5,743,256	\$ 5,458,375	95%	\$ 131,576	\$ 5,589,951	97%
2007	5,642,587	5,342,790	95	149,769	5,492,559	97
2008	6,413,042	6,028,211	94	209,381	6,237,592	97
2009	6,690,766	6,229,318	93	270,113	6,499,431	97
2010	6,785,356	6,355,747	94	207,689	6,563,436	97
2011	6,350,048	5,918,005	93	210,470	6,128,475	97
2012	6,660,414	6,239,599	94	182,177	6,421,776	96
2013	6,769,000	6,362,993	94	148,775	6,470,006	96
2014	7,220,047	6,821,366	94	107,013	6,821,366	94
2015	7,802,935	7,389,248	95	-	7,389,248	95

Source: Annual financial statements of the City of Milwaukie



# CITY OF MILWAUKIE, OREGON

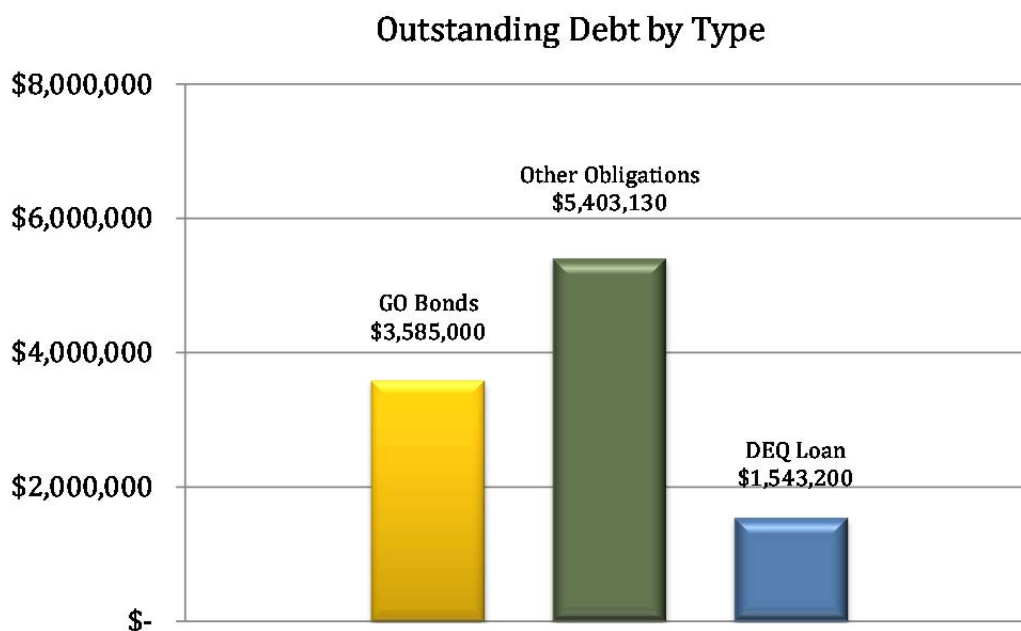
## RATIOS OF OUTSTANDING DEBT BY TYPE for the last ten fiscal years

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of Personal income	Per capita <sup>1</sup>
	General obligation bonds	Other Obligations	Water Revenue bonds	Wastewater/ DEQ loan			
2006	\$2,030,000	\$ 5,747,848	\$ 465,000	-	\$8,242,848	1.03	\$ 396
2007	1,665,000	6,066,968	360,000	-	8,091,968	0.97	387
2008	1,280,000	5,629,625	245,000	-	7,154,625	0.83	342
2009	875,000	5,542,310	125,000	-	6,542,310	0.80	313
2010	450,000	5,436,133	-	2,229,318	8,115,451	1.00	400
2011	-	5,316,547	-	3,851,334	9,167,881	1.09	452
2012	-	5,172,425	-	1,832,700	7,005,125	0.80	343
2013	-	8,444,314	-	1,736,200	10,180,514	1.14	498
2014	-	8,311,646	-	1,639,700	9,951,346	*	487
2015	3,585,000	5,403,130	-	1,543,200	10,531,330	*	514

\* Information unavailable at this time.

<sup>1</sup> Population data can be found on page 96.

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*

<b>Fiscal year</b>	<b>General obligation bonds</b>	<b>Less: amounts available in debt service fund</b>	<b>Net</b>	<b>Percentage of net over assessed value of property<sup>1</sup></b>	<b>Per capita<sup>2</sup></b>
2006	\$ 2,030,000	\$ (325,427)	\$ 1,704,573	12.9%	\$ 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	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	3,585,000	(100,460)	3,484,540	0.19	170

<sup>1</sup> Assessed value property data can be found on page 87.

<sup>2</sup> Population data can be found on page 96.

# CITY OF MILWAUKIE, OREGON

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT as of June 30, 2015

Governmental unit	Real Market Values of Overlapping Districts	Tax-Supported Debt Outstanding	Percentage Overlapping <sup>1</sup>	Overlapping Debt Applicable to the City of Milwaukie
Debt repaid with property taxes:				
Clackamas Community College	\$ 38,741,861,484	\$ 66,116,012	5.85%	\$ 3,869,241
Clackamas County	53,076,860,113	98,780,000	4.27	4,219,486
Clackamas City RFPD 1	21,700,527,978	-	-	-
Clackamas City SD 12 (North Clackamas)	15,224,353,220	327,458,315	14.89	48,765,747
Metro	215,408,649,968	193,205,000	1.06	2,051,257
Multnomah County	109,183,784,794	171,825,000	0.02	31,100
Multnomah City SD 1J (Portland)	82,091,038,340	757,114,062	0.02	181,707
Portland Community College	<u>171,948,533,146</u>	<u>160,095,000</u>	0.01	<u>18,411</u>
Subtotal, overlapping debt	707,375,609,043	1,774,593,389		59,136,949
Direct debt outstanding:				
City of Milwaukie	<u>2,286,960,975</u>	<u>8,988,130</u>	100.00%	<u>8,988,130</u>
Total direct and overlapping debt outstanding	<u>\$ 709,662,570,018</u>	<u>\$ 1,783,581,519</u>		<u>\$ 68,125,079</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.

<sup>1</sup> 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  
(in thousands)*

	2006	2007	2008	2009	2010
Debt maximum limitation	\$ 56,248	\$ 64,372	\$ 73,435	\$ 76,181	\$ 69,019
Debt applicable to maximum limit	2,030	1,665	1,280	875	450
Legal debt margin available	<u>\$ 58,278</u>	<u>\$ 66,037</u>	<u>\$ 74,715</u>	<u>\$ 77,056</u>	<u>\$ 69,469</u>
Debt applicable to the maximum limit as a percentage of debt limitation	3.61%	2.59%	1.74%	1.15%	0.65%

	2011	2012	2013	2014	2015
Debt maximum limitation	\$ 62,716	\$ 60,719	\$ 57,459	\$ 62,842	\$ 68,609
Debt applicable to maximum limit	-	-	-	-	3,585
Legal debt margin available	<u>\$ 62,716</u>	<u>\$ 60,719</u>	<u>\$ 57,459</u>	<u>\$ 62,842</u>	<u>\$ 65,024</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0.00%	0.00%	0.00%	0.00%	5.23%

### Legal debt margin calculation for fiscal year ended June 30, 2015:

Total property real market value	\$ 2,286,960,975
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) <sup>1</sup>	<u>68,608,829</u>
Amount of debt applicable to debt limit:	
Total debt	10,531,330
Less debt excluded from debt limit:	
Oregon SELP and SPWF loans	(627,064)
PERS UAL bonds	(3,850,000)
Full Faith and Credit Obligation bonds	(905,000)
Oregon DEQ loan	(1,543,200)
CCSD #1 Easement	(21,066)
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>3,585,000</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 65,023,829</u>
Percentage of City's indebtedness to total allowed	5.23%

<sup>1</sup> 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*

<b>Water Revenue Bonds</b>						
<b>Fiscal year</b>	<b>Utility service charges</b>	<b>Less: operating expenses</b>	<b>Net available revenue</b>	<b>Debt service requirements</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2006	\$1,867,184	\$1,665,541	\$ 201,643	\$ 100,000	\$ 30,360	1.55
2007	2,264,937	1,759,500	505,437	105,000	25,260	3.88
2008	2,101,807	1,423,062	678,745	115,000	19,800	5.04
2009	2,137,300	1,461,628	675,672	120,000	13,475	5.06
2010	2,528,894	1,513,875	1,015,019	125,000	6,875	7.70
2011	-	-	-	-	-	n/a
2012	-	-	-	-	-	n/a
2013	-	-	-	-	-	n/a
2014	-	-	-	-	-	n/a
2015	-	-	-	-	-	n/a

<b>Wastewater Department of Environmental Quality Loan</b>						
<b>Fiscal year</b>	<b>Utility service charges</b>	<b>Less: operating expenses</b>	<b>Net available revenue</b>	<b>Debt service requirements</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2006	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2007	-	-	-	-	-	n/a
2008	-	-	-	-	-	n/a
2009	-	-	-	-	-	n/a
2010	-	-	-	-	-	n/a
2011	-	-	-	-	-	n/a
2012	4,539,621	3,503,728	1,035,893	96,229	9,405	9.81
2013	6,323,714	4,802,943	1,520,771	96,458	4,461	15.07
2014	6,531,522	5,815,520	716,002	96,458	4,220	7.11
2015	6,893,855	5,772,119	1,121,736	96,458	7,958	10.74

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

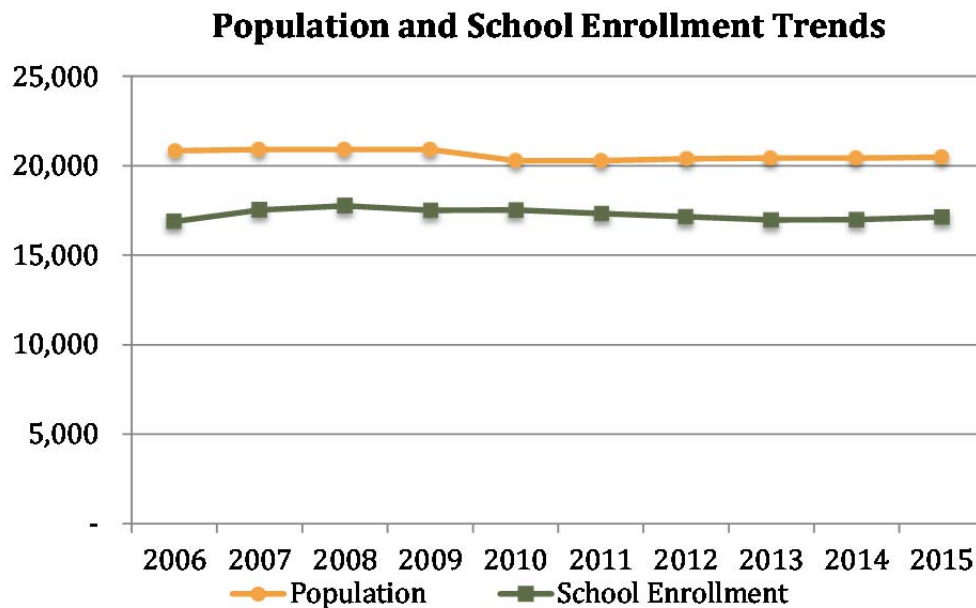
Source: Annual financial statements of the City of Milwaukie

**CITY OF MILWAUKIE, OREGON**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
*for the last ten fiscal years*

<b>Fiscal year</b>	<b>Population</b>	<b>Personal income (in thousands)</b>	<b>Per capita personal income</b>	<b>School enrollment</b>	<b>Unemployment rate</b>
2006	20,835	800,397	38,416	16,889	5.3
2007	20,920	834,771	39,903	17,535	4.1
2008	20,915	866,090	41,410	17,772	5.3
2009	20,920	815,231	38,969	17,506	10.7
2010	20,291	808,454	39,843	17,530	8.7
2011	20,290	838,018	41,302	17,334	9.6
2012	20,400	879,301	43,103	17,152	8.7
2013	20,435	893,582	43,728	16,976	7.8
2014	20,435	*	*	16,993	4.6
2015	20,491	*	*	17,130	5.5

\* 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	2015			2011 <sup>2</sup>		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Blount Inc.	1,055	1	7.64%			
PCC Structurals	887	2	6.43			
United Grocers	630	3	4.57			
Oeco LLC	412	4	2.99	425	4	2.83%
North Clackamas School District <sup>1</sup>	385	5	2.79	2,000	1	13.33%
Willamette View, Inc.	350	6	2.54			
Health Services Group (Moda)	330	7	2.39			
Bob's Red Mill Natural Foods	300	8	2.17	200	9	1.33%
Nature Bake	286	9	2.07			
Safeway (3 locations)	280	10	2.03			
Warn Industries Inc.	250	11	1.81			
Pamplin Media Group	200	12	1.45			
Core-Mark International Inc	200	13	1.45			
Marquis Home Health	200	14	1.45			
Plumbing & Mech Contractors	164	15	1.19	260	7	1.73%
Things From Another World	151	16	1.09			
Active Telesource	150	17	1.09			
Advanced Entry System	150	18	1.09			
Stoner Electric Group	150	19	1.09	135	14	0.90%
City of Milwaukie	138	20	1.00	150	12	1.00%
Dark Horse Comics	125	21	0.91	100	16	0.67%
Columbia Packaging	120	22	0.87			
Rose Villa	120	23	0.87			
Alpine Food Distributing	116	24	0.84			
Team Northwest	100	25	0.72			
Encore Senior Living III, LLC				700	2	4.67%
Best Choice Administrators				700	3	4.67%
Holman Distribution Center of Oregon				316	5	2.11%
Providence Milwaukie Hospital Inc				276	6	1.84%
Eye Health Northwest, P.C.				230	8	1.53%
Knight Transportation Inc.				180	10	1.20%
Milwaukie Family Practice Group				160	11	1.07%
Day Management Corp.				137	13	0.91%
Elite Care South, LLC				126	15	0.84%
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	20	0.63%
Total	7,249		52.53%	6,490		43.27%

<sup>1</sup> North Clackamas School District has approximately 2,000 employees. There are 385 employees in the schools located in Milwaukie including Milwaukie high school, Ardenwald, Lewelling, Linwood and Lot Whitcomb elementary schools.

<sup>2</sup> The earliest available is 2011.

Sources: City of Milwaukie Business Registration database and ReferenceUSA

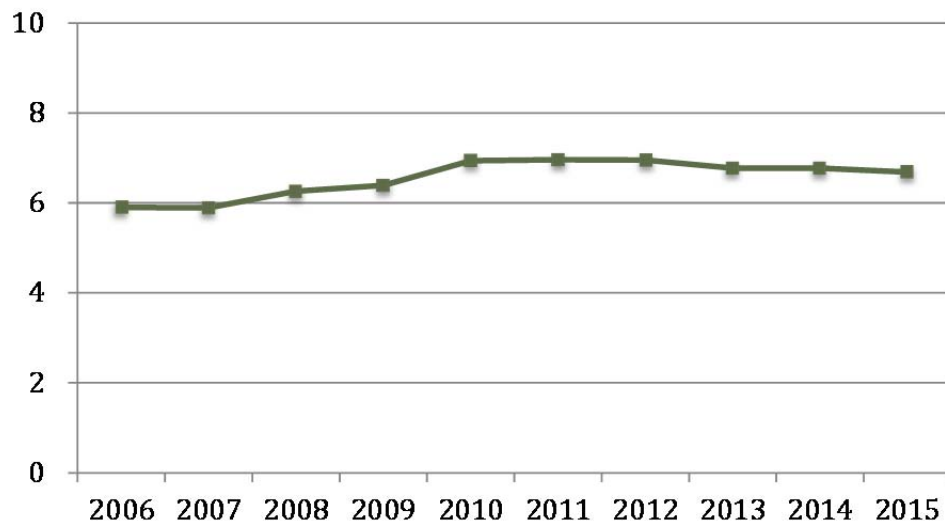
# CITY OF MILWAUKIE, OREGON

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION for the last ten fiscal years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	18.50	17.50	19.00	20.00	19.00	22.30	20.50	20.50	20.50	18.90
Public safety	39.50	37.00	41.00	41.00	43.00	41.50	42.00	42.25	42.25	41.85
Community services	18.47	18.96	19.16	19.34	24.25	23.79	24.76	23.76	23.76	25.26
Community development	16.50	18.67	22.72	23.00	23.75	24.50	24.50	23.50	23.50	20.60
Facilities	1.75	2.00	1.50	2.00	2.00	2.67	2.67	2.00	2.00	2.00
Streets	6.00	6.00	5.50	5.50	5.50	6.30	6.30	6.00	6.00	5.50
Water	6.34	6.34	5.84	5.84	5.84	6.30	7.30	7.00	7.00	7.20
Wastewater	4.83	4.83	5.33	5.33	5.33	5.00	5.00	5.00	5.00	5.00
Stormwater	5.83	5.83	5.33	5.33	5.33	5.80	5.80	5.25	5.25	7.80
Fleet services	5.25	6.00	5.50	6.25	6.75	3.00	3.00	3.00	3.00	3.00
Total FTEs	122.97	123.13	130.88	133.59	140.75	141.16	141.83	138.26	138.26	137.11
City Population	20,835	20,920	20,915	20,920	20,291	20,290	20,400	20,435	20,435	20,491
FTEs per 1,000 of population	5.90	5.89	6.26	6.39	6.94	6.96	6.95	6.77	6.77	6.69

Source: City of Milwaukie Finance department

### 10-Year Trend of FTEs per 1,000 of City Population



# CITY OF MILWAUKIE, OREGON

## OPERATING INDICATORS BY FUNCTION *for the last ten fiscal years*

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Public safety										
Citations:										
Traffic	4,974	7,764	8,166	13,447	12,540	11,415	10,306	14,959	12,522	9,159
Parking	537	1,524	1,034	1,013	384	433	721	949	463	243
City Ordinance	122	160	150	85	74	90	114	137	92	141
Non-Traffic Violation	91	125	77	86	102	170	127	119	126	147
Total citations processed	5,724	9,573	9,427	14,631	13,100	12,108	11,268	16,164	13,203	9,690
Number of seat belt classes	155	158	183	212	218	40	34	65	54	27
Number of officers per 1,000 capita	1.90	1.75	1.80	1.70	1.70	1.80	1.90	1.60	1.60	1.60
Culture and recreation										
Library items in collection	110,395	111,588	108,767	107,924	117,788	121,078	121,982	120,075	117,693	118,024
Circulation	544,818	549,454	585,857	651,764	671,554	717,821	709,618	720,951	725,861	711,150
Average circulation per capita	26.59	26.82	28.59	31.81	33.01	35.48	33.70	18.43	18.25	17.84
Number of library programs	236	243	299	305	378	408	505	539	611	663
Attendance at library programs	7,448	6,846	8,356	9,902	11,415	11,987	12,619	15,580	17,230	19,565
Number of library volunteers	763	731	1,356	894	1,114	1,368	1,507	1,561	1,473	1,607
Library volunteer hours	5,816	6,427	7,592	6,992	8,513	8,493	8,679	9,591	9,004	9,798
Community development										
Building:										
Building permits issued	651	700	700	600	523	550	587	157	144	185
Inspections performed	3,625	3,200	3,200	3,200	2,784	1,450	1,430	1,514	1,577	1,693
Investigations	55	65	65	60	56	64	55	50	40	48
Violations resolved	20	30	30	24	18	20	19	25	29	33
Planning:										
Land use applications processed	25	35	31	21	14	15	72	60	37	37
Business-type activities:										
Water										
Service connections	-	-	-	6,911	6,911	7,000	6,929	6,690	6,777	6,813
Number of fire hydrants maintained	-	-	292	295	180	419	409	792	788	789
Sanitary sewer (in feet)										
Sewer mainline cleaning	54,492	31,935	133,010	125,344	139,876	125,000	110,610	143,034	109,594	134,263
Mainline inspections completed	52,054	67,655	126,360	143,566	113,401	125,000	125,894	152,541	124,525	134,663

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

Source: City of Milwaukie Finance department

# CITY OF MILWAUKIE, OREGON

## CAPITAL ASSET STATISTICS BY FUNCTION for the last ten fiscal years

Function/Program	2006 <sup>1</sup>	2007 <sup>1</sup>	2008 <sup>1</sup>	2009 <sup>1</sup>	2010 <sup>1</sup>	2011	2012	2013	2014	2015
Governmental activities:										
General government										
City-owned building facilities	4	4	4	4	4	4	5	5	5	5
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	23	23	24	13	17	24	24	24
Culture and recreation										
Library facility	1	1	1	1	1	1	1	1	1	1
Community development										
Residential Construction	\$ 4,559	\$ 3,359	\$ 1,866	\$ 1,283	\$ 417	\$ 312	\$ -	\$ 1,343	\$ 2,029	\$ 2,370
Commercial Construction	1,377	-	10,490	135	674	669	9,822	16,804	1,656	610
Total value of new building construction (in thousands) <sup>2</sup>	5,937	3,359	12,356	1,418	1,091	982	9,822	18,147	3,685	2,980
Highways and streets										
Miles of streets (street lane miles)	158	158	158	158	158	215	165	158	158	160
Surface water catch basins	1,100	1,100	1,100	1,100	1,100	1,190	1,613	1,603	1,622	1,631
Business-type activities:										
Water										
Water mains (miles)	102	102	102	102	102	115	100	100	100	100
Number of pump stations	4	4	4	4	4	4	4	5	5	5
Number of water storage reservoirs	3	3	3	3	3	3	3	3	3	3
Sanitary sewer										
Sanitary sewer (miles)	70	70	70	70	70	74	78	79	79	79
Number of sewer manholes	1,600	1,600	1,600	1,600	1,600	1,607	1,688	1,695	1,697	1,692

Notes: <sup>1</sup> Statistical information is not available for fiscal years 2006 - 2010. Therefore estimates were used based upon best historical information available.

<sup>2</sup> Statistical information in years 2006 - 2011 were previously reported without commercial buildings.

Source: City of Milwaukie Finance department

# SECTION IV

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## COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND RELATED REPORTS

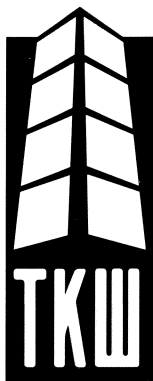
**CITY OF MILWAUKIE, OREGON**  
**COMPLIANCE SECTION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 Talbot, Korvola & Warwick LLP are contained in this section:

- Independent Auditor's Report Required by Oregon State Regulations
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance & 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 Findings & Questioned Costs



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& Warwick, LLP**

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## **INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS**

To the Mayor and City Council  
City of Milwaukie  
Milwaukie, Oregon

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund information of the City of Milwaukie, Oregon (the City) as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2015.

### **COMPLIANCE**

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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the City 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*.

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

Page 2

**OAR 162-10-0230 INTERNAL CONTROL**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. A deficiency in internal control was communicated separately.

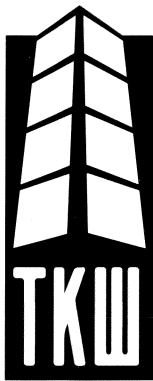
Our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards* is presented elsewhere in this report as listed in the Table of Contents.

**RESTRICTIONS ON USE**

This report is intended solely for the information and use of the Audit Committee, Mayor and City Council, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

*Talbot, Kowala & Warwick, LLP*

Lake Oswego, Oregon  
December 11, 2015



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& Warwick, LLP**

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**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**

Mayor and City Council  
City of Milwaukie  
Milwaukie, Oregon

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Milwaukie, Oregon (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

*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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 (Continued)**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**COMPLIANCE AND OTHER MATTERS**

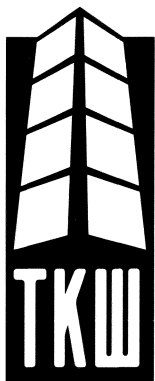
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Talbot, Korvela & Warwick, LLP*

Lake Oswego, Oregon  
December 11, 2015



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& Warwick, LLP**

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## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

### **INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Milwaukie  
Milwaukie, Oregon

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the City of Milwaukie, Oregon (the City)'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 the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### **MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **OPINION ON MAJOR FEDERAL PROGRAM**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2015.

### **OTHER MATTERS**

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-01. Our opinion on the major federal program is not modified with respect to this matter.

An Independently Owned Member  
**MCGLADREY ALLIANCE**

 **McGladrey**

**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (Continued)**

**OTHER MATTERS (Continued)**

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-01, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Talbot, Kowala & Warwick, LLP*

Lake Oswego, Oregon  
December 11, 2015

**CITY OF MILWAUKIE, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANTOR/PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Interior		
Passed through Oregon Department of Fish and Wildlife		
<b>Sport Fish Restoration Program</b>		
Willamette River - Milwaukie Riverfront Park	15.605	
Total Fish and Wildlife Cluster		\$ 1,080,261
<b>TOTAL U.S. DEPARTMENT OF INTERIOR</b>		<b>1,080,261</b>
U.S. Department of Justice		
Asset Forfeiture	16.000	12,813
Bulletproof Vest Partnership Program	16.607	4,631
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>		<b>17,444</b>
U.S. Department of Transportation		
<b>State and Community Highway Safety Program</b>		
Pedestrian Safety / Safety Belt Grant	20.600	
Total Highway Safety Cluster		950
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		<b>950</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 1,098,655</b>

See the notes to the Schedule of Expenditures of Federal Awards

**CITY OF MILWAUKIE, OREGON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**1. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Milwaukie, Oregon (the City) for the fiscal year ended June 30, 2015. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

**2. Basis of Presentation**

The accompanying Schedule of Expenditure of Federal Awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Office of Management and Budget's OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. Reporting Under Clusters**

The Fish and Wildlife Cluster includes CFDA number 15.605 and 15.611, however, the City only expended funds under the 15.605 program. Similarly, the Highway Safety Cluster encompasses CFDA numbers 20.600, 20.601, 20.602, 20.609, 20.610, 20.611, 20.612, 20.613, and 20.616. The City only expended funds under the 20.600 program.

**CITY OF MILWAUKIE, OREGON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDIT RESULTS**

**Financial Statements:**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

**Federal Awards:**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of <i>Circular A-133</i>	Yes
Identification of major program:	
CFDA No. 15.605	Sport Fish Restoration Program

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Finding 2015-001

Federal Program:	Sport Fish Restoration Cluster (CFDA 15.605)
Federal Agencies:	U.S. Department of Interior
Award Year:	2014-2015
Criteria:	In accordance with OMB Circular A-133, the City is required to maintain a structure of internal control to ensure compliance with suspension and debarment requirements. The authoritative requirements for maintaining internal control are contained in OMB Circular A-133 §____.300 (b).
Condition:	The City did not check the excluded parties list before entering into a contract exceeding \$25,000 as required. Subsequent to entering into the contract, the City did check the excluded parties list. The City lacked effective review of the required check for suspension and debarment of parties before entering into the contract.
Context:	Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principal(s) are suspended or debarred.
Questioned Costs:	There are no questioned costs noted as the contract tested was not found to include suspended and debarred parties.
Effect:	Failure to verify suspension and debarment for covered transactions could result in entering into agreements with parties who are suspended or debarred.
Cause:	The lack of internal controls and evidence over checks for suspension and debarment appears to result from lack of awareness by a program employee that internal controls over compliance are required in accordance with OMB Circular A-133.
Recommendation:	We recommend management develop and implement policies and procedures to provide for documentation supporting the effective review of required checks for suspension and debarment for contracts under federal programs.
Views of Responsible Officials:	The City understands and concurs with this finding.



## MILWAUKIE FINANCE DEPARTMENT

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## CITY OF MILWAUKIE, OREGON

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015