

2019

MILWAUKIE, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Fiscal Year Ended
June 30, 2019*

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CITY OF MILWAUKIE

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



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**



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CITY OF MILWAUKIE, OREGON
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2019

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SECTION I

INTRODUCTORY SECTION

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



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December 12, 2019

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, 2019 is hereby submitted.

This report presents the financial position of the city as of June 30, 2019 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with the generally accepted accounting principles (GAAP) of the United States of America 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 city funds.

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.

The City's annual financial statements are a culmination of on-going monitoring of revenues and expenditures to ensure compliance with financial policies and appropriation requirements. Additionally, quarterly financial reports are posted to the city's website for review by the City Council, Budget Committee members and the public. The City did not experience any operating deficits during the fiscal year.

Merina & Company LLP (Merina), Certified Public Accountants, issued an unmodified or "clean" opinion on the city's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is located within 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 report.

MILWAUKIE CITY HALL
10722 SE Main Street
Milwaukie, Oregon 97222
www.milwaukieoregon.gov

GOVERNMENT PROFILE

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 20,528 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 twenty-six 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 City 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, a library and provides services for street operations, building permits, water, sewer and surface water utilities.

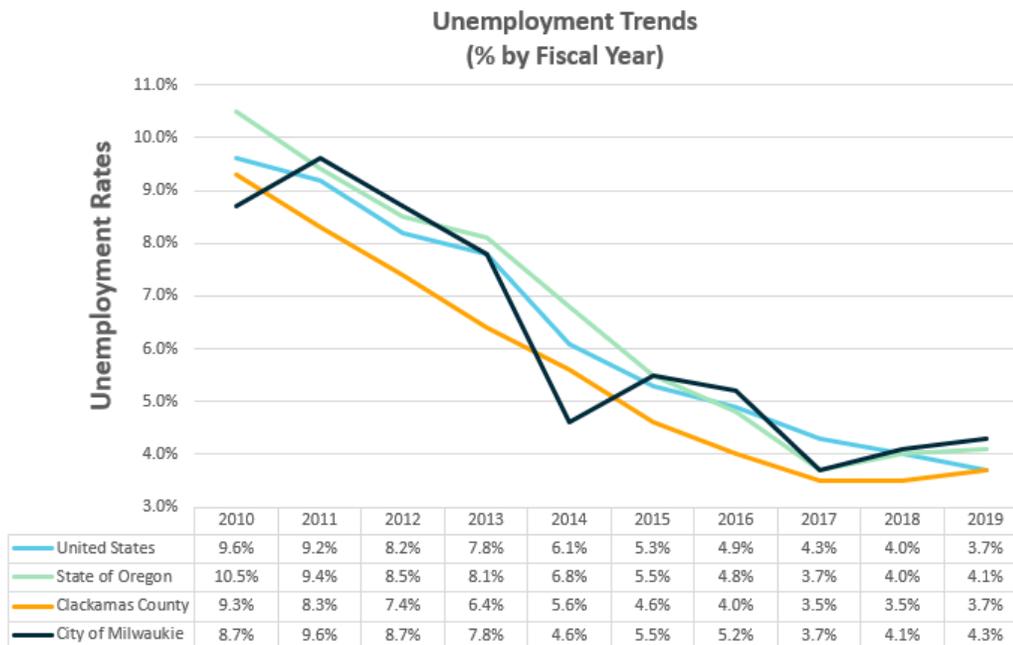
The City maintains budgetary controls to ensure compliance with legal provisions in the biannual appropriated budget adopted by the City Council. The level of budgetary control (the position in which expenditures cannot legally exceed the appropriated amount) is established by program within each individual Fund.

The city lies within Clackamas County, which is headed by a board of commissioners and is based in neighboring Oregon City. Clackamas Fire District No. 1 (CCFD) provides fire and emergency services to the community. Parks and recreation are maintained and operated by North Clackamas Parks and Recreation District, which was formed in 1990 with Milwaukie as an original member. 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 has been 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.

Below is a chart showing a ten-year comparison of unemployment rates for the state and local areas as well as the U.S. by fiscal year. The area's unemployment rate has steadily declined since the great recession prior to 2010. Milwaukie's current unemployment rate is 4.3% as of June 2019, which is slightly higher than the state.



LONG-TERM FINANCIAL PLANNING

Long-term financial planning is the cornerstone of any solid financial process. The City's controlling document is the *Five-Year Financial Forecast*, which includes reserves by fund that fall within the policy guidelines set by City 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 17 and 50 percent depending on the fund. The *Five-Year Financial Forecast* is included in the 2019-2020 biennial budget that was adopted in June 2018.

Annually, utility rate increases are approved by City Council with the support of the Budget Committee and the Citizens Utility Advisory Board. Safe Access for Everyone (SAFE) and Street Surface Maintenance Program (SSMP) fees increased based upon the Construction Cost Index (CCI) of 0.83 percent. Stormwater fees increased by 14 percent. Water and Wastewater fees received a rate study during FY 2018 that resulted in a change in the structure for how water is billed to residential customers starting in FY 2019. Residential customers using 0-3 CCF (*centum [100] cubic feet*) of consumption were charged at \$3.94 per CCF with a low use discount of \$5.00. Residential and commercial customers using 4 or more CCF were charged at \$4.07 per CCF. Wastewater customers received a decrease in monthly billings and administration fees, however, the volume charge increased by 2.5 percent.

The City's long-term debt obligations consist of a \$11.1 million in general obligation bonds, \$3.2 million in outstanding PERS bond, \$1.2 million in DEQ loans, \$20.8 million in full faith and credit obligations for a total city debt of \$36.3 million.

In July 2019, the city issued \$21.0 million full faith and credit obligations to fund SAFE, SSMP and other transportation CIP projects. With the transportation debt, the city again received a credit rating of Aa2 representing a solid financial position.

Property Tax Rate Limitation

City Council passed Ordinance No. 1958 in February 2006 following a 2005 ballot measure (3-166) where the voters authorized CCFD to annex fire & medical services into the city of Milwaukie. The ballot measure required that the city reduce its property tax rate certification so that the total rate levied by the city and CCFD is no more than the total rate currently levied. Therefore, the actual property tax rate levied by the city is the permanent tax rate of \$6.5379 per \$1,000 of assessed value comprised of the CCFD rate of \$2.4012 and Milwaukie's rate of \$4.1367.

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 reconsidered. 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. City Council has identified three primary goals for the city as follows:



Housing Affordability – This is a national issue where citizens have experienced record low rental vacancies and extreme housing affordability issues resulting in a direction to address this housing crisis working with partners to add affordable housing units.



Climate Change Action – Brings implementation of our Climate Action Plan forward that will allow the city to do its part in the global efforts and become a Net Zero city by the year 2040.



Community Engagement – To encourage participation by all and nurture a deep sense of community through celebrations and collective action.

Other initiatives include the following:

The Ledding Library construction completed in December 2019 with a grand opening set for January 2020. The citizens voted in the May 2016 election to approve a bond measure authorizing the city to issue up to \$9.2 million in general obligation bonds. The city issued the bonds in August 2016. The library increased in size by 5,750 square feet which includes added space for an all new teen room, conference room, study rooms and a community room.

The City continues toward many other initiatives such as the redevelopment of the South Downtown area. This redevelopment includes two five-story buildings - one of which is the Axletree apartment complex that completed construction in November 2019. Axletree features 110 units and mixed-use commercial space on the ground floor. Negotiations are currently underway for the second project known as Coho Point at Kellogg Creek (Coho Point).

Lastly, the city is currently under contract for the acquisition of a new city hall on Main Street located within blocks of the current city hall. This acquisition provides the city with several key benefits including the consolidation of City Hall and Johnson Creek Boulevard staff, and several customer facing functions into one centralized location creating efficiencies for citizens. The new building provides considerably more space to accommodate existing deficiencies and provides enough room for the city to grow including a larger council chambers, internal meeting space for employees, and new room for community meetings and events. The purchase of the new city hall will be funded by currently available funds as well as a full faith and credit obligation. Closing date for the full faith and credit obligation and purchase are planned for January and February 2020, respectively.

NATIONAL AWARDS

Comprehensive Annual Financial Reporting Award. 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. The city has consecutively received the *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. Additionally, the city received the *Distinguished Budget Presentation Award* for its biennium 2019-2020 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 recognize conformance with the highest standards for preparation of state and local government financial reports.

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. Preference is first given to Certified Public Accountants residing within city limits and second to Certified Public Accountants with a city affiliation. Terms are for two years.

The members of the Milwaukie Audit Committee are Troy Reichlein, CPA (Chair), Mack Stilson (Vice Chair), Mary Rowe (Budget Committee liason) and Councilor Kathy Hyzy.

ACKNOWLEDGMENTS

The preparation of this report was a combined effort of the dedicated Finance staff under the direction of Bonnie Dennis. A special thank you is given to the Finance staff of Keith McClung, Judy Serio, Kelli Tucker and Joe Gardner in the completion of this year's audit and report. We wish to express our appreciation to everyone who contributed to the preparation of this report. We also express gratitude to the Mayor and Councilors for their dedication and support in maintaining the highest standards of professionalism in the management of the city's finances.

Respectfully submitted,



Ann Ober
City Manager



Bonnie J. Dennis, MBA
Finance Director



Government Finance Officers Association

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, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF MILWAUKIE, OREGON
Elected and Appointed Officials

Elected Officials	Term Expires
Mark Gamba, Mayor	December 31, 2022
Angel Falconer, Councilor	December 31, 2020
Lisa Batey, Councilor	December 31, 2022
Wilda Parks, Councilor	December 31, 2020
Kathy Hyzy, Councilor	December 31, 2022

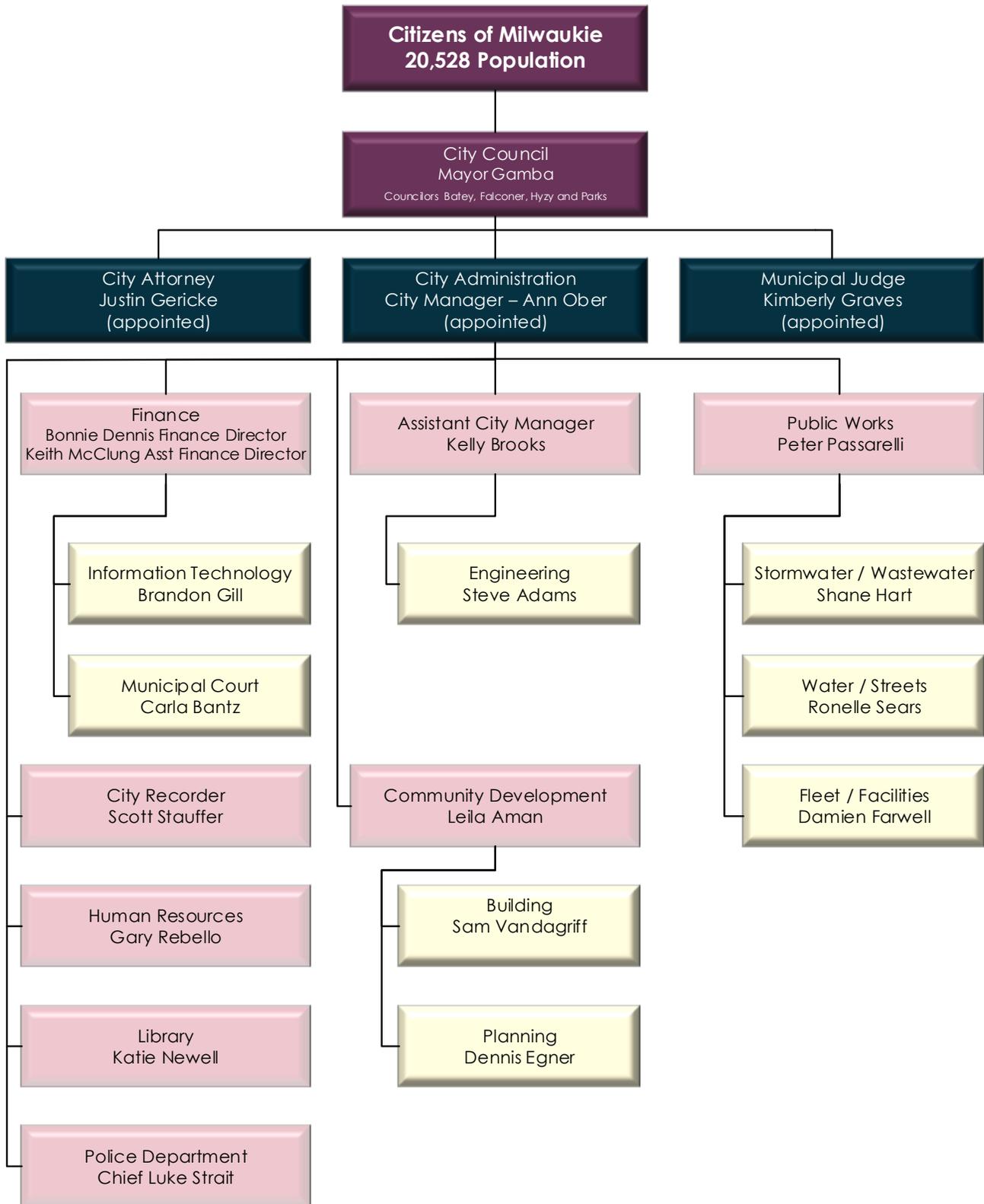
Appointed Officials	Position
Ann Ober	City Manager
Justin Gericke	City Attorney
Kimberly Graves	Municipal Court Judge

Management Team:

Kelly Brooks	Assistant City Manager
Leila Aman	Community Development Director
Steve Adams	City Engineer
Scott Stauffer	City Recorder
Bonnie Dennis, MBA	Finance Director
Keith McClung, CPA	Assistant Finance Director
Gary Rebello, SPHR CCP	Human Resources Director
Katie Newell	Library Director
Luke Strait	Police Chief
Dennis Egner	Planning Director
Peter Passarelli, PE	Public Works Director

CITY OF MILWAUKIE, OREGON

Organizational Chart





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SECTION II

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER SUPPLEMENTARY INFORMATION
OTHER FINANCIAL SCHEDULES



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Milwaukie, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milwaukie, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Milwaukie, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Milwaukie Oregon's 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. 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 entity'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 entity'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, each major fund, and the aggregate remaining fund information of City of Milwaukie, Oregon, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, 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 management's discussion and analysis, schedule of the city's total OPEB liability and changes in OPEB liability, schedule of the city's proportionate share, schedule of the city's contributions and notes to the required supplementary information as listed in the table of contents under 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.

The schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, are the responsibility of management and were 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Milwaukie, Oregon's basic financial statements. The introductory section, other supplementary information, other financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, other financial schedules, and statistical section 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 Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 12, 2019, on our consideration of City of Milwaukie, Oregon'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.



For Merina+Co
Tualatin, Oregon
December 12, 2019



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CITY OF MILWAUKIE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR END JUNE 30, 2019

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, 2019. 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 \$146.7 million at June 30, 2019, consisting of \$82.7 million in capital assets, \$29.8 million in unrestricted cash and investments, \$29.0 million in restricted cash and investments, and \$5.2 million in other assets. Total assets increased by \$28.8 million (24%) from the previous fiscal year.
- The City's liabilities totaled \$61.6 million at June 30, 2019 consisting of \$53.6 million in long-term liabilities and \$7.9 million in accounts payable and other liabilities. Total liabilities increased by \$23.0 million (60%) from the previous fiscal year.
- The assets of the City exceeded its liabilities by \$85.1 million at the close of fiscal year 2019. Unrestricted net position totaled \$33.5 million with the remainder of the City's net position invested in capital assets (\$48.6 million) and restricted for capital projects, building operations, library services, debt service, and public safety (\$7.9 million).
- For its governmental activities, the City generated \$15.5 million in charges for services and received \$3.1 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$30.3 million for the year, resulting in a net expense of \$11.7 million. The City also received \$14.7 million of general revenues and the City increased its net position by \$2.6 million.
- For its business-type activities, the City generated \$16.8 million in charges for services to fund direct expenses of \$13.8 million. Business-type activities had an increase in net position of \$3.4 million.
- Fund balance in the City's governmental funds was \$40.8 million at June 30, 2019, an increase of \$15.6 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 include *notes* that explain the information in the financial statements and provide additional details.

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*.

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 infrastructure must be considered.

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

- Governmental activities – Includes the majority of the City's basic services such as community development, code enforcement, police, library, highways and streets, and general administration. Property taxes, charges for services, 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 serves as a useful indicator of a government's financial position. The City has continued to see assets exceeding liabilities. At the close of fiscal year 2019, assets exceeded liabilities by \$85.1 million.

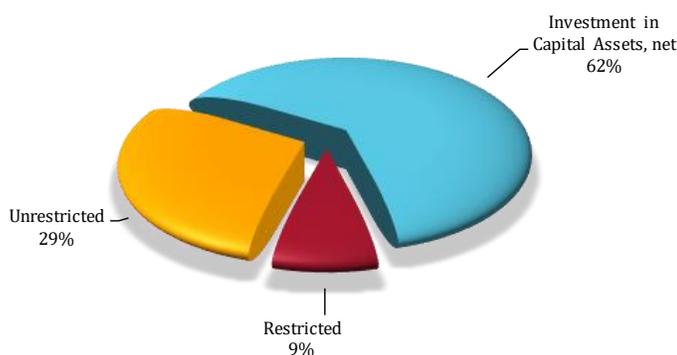
By far the largest portion of the City's net position (62%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, 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, 2019 and 2018 was as follows:

Statement of Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current and other assets	\$ 46,964	\$ 30,001	\$ 16,970	14,712	\$ 63,934	\$ 44,713
Capital assets	56,347	48,813	26,385	24,356	82,732	73,169
Total assets	103,311	78,814	43,355	39,068	146,667	117,883
Deferred outflows of resources	5,478	4,578	620	478	6,098	5,055
Long-term liabilities	50,819	30,378	2,822	2,629	53,641	33,007
Other liabilities	5,386	3,772	2,530	1,790	7,915	5,562
Total liabilities	56,205	34,150	5,352	4,419	61,557	38,568
Deferred inflows of resources	1,107	354	125	37	1,232	391
Net position:						
Net investment in capital assets	23,392	43,107	25,228	23,103	48,620	66,210
Restricted for:						
Library services	3,245	9,272	-	-	3,245	9,272
Public safety	126	144	-	-	126	144
Debt service	359	369	12	12	371	381
Building operations	2,011	841	-	-	2,011	841
Urban renewal	271	95	-	-	271	95
Capital projects	1,840	1,529	-	-	1,840	1,529
Unrestricted	20,235	(6,469)	13,265	11,975	33,499	5,506
Total net position	\$ 51,477	\$ 48,888	\$ 38,505	\$ 35,090	\$ 89,982	\$ 83,978

Classification of Net Position



As of June 30, 2019, the City had positive balances in three categories of net position for the City. Total net position increased from the prior year by \$6.0 million (7.2%) to \$90.0 million.

A portion of the City's net position (\$7.9 million or 9.4%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position (\$33.7 million or 28.8%) may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities
Changes in Net Position
(in thousands)

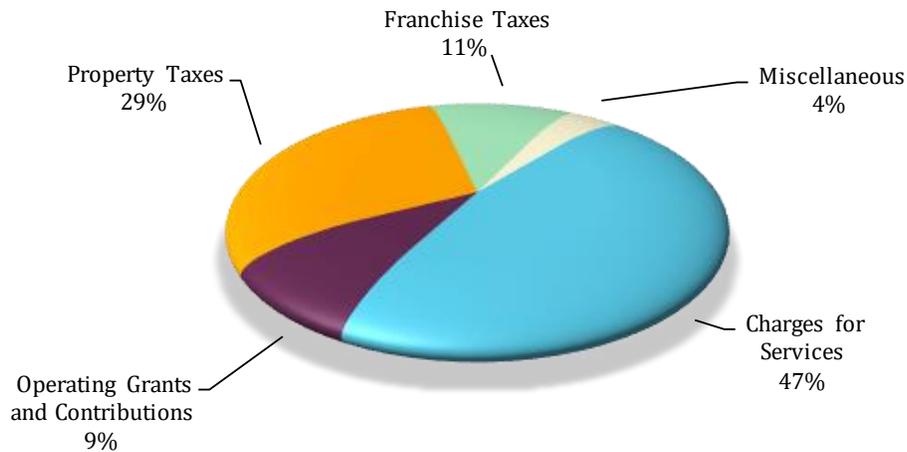
	Governmental Activities		Business-Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Revenues						
Program revenues:						
Charges for services	\$ 15,473	\$ 12,108	\$ 16,835	\$ 15,847	\$ 32,309	\$ 27,955
Operating grants and contributions	3,143	4,030	-	-	3,143	4,030
Capital grants and contributions	-	2,139	-	-	-	2,139
General revenues:						
Property taxes	9,430	9,292	-	-	9,430	9,292
Franchise taxes	3,624	3,256	-	-	3,624	3,256
Miscellaneous	1,240	526	384	70	1,624	595
Total revenues	<u>32,910</u>	<u>31,351</u>	<u>17,218</u>	<u>15,917</u>	<u>50,130</u>	<u>47,267</u>
Expenses						
Governmental activities:						
General government	12,079	11,438	-	-	12,079	11,437
Highways and streets	5,686	4,324	-	-	5,686	4,324
Public safety	7,711	7,630	-	-	7,711	7,630
Culture and recreation	3,537	3,185	-	-	3,537	3,185
Interest on long-term debt	1,310	560	-	-	1,310	560
Business-type activities:						
Water	-	-	3,452	3,169	3,452	3,169
Wastewater	-	-	7,373	7,044	7,373	7,044
Stormwater	-	-	2,981	2,701	2,981	2,701
Total expenses	<u>30,322</u>	<u>27,136</u>	<u>13,805</u>	<u>12,914</u>	<u>44,127</u>	<u>40,050</u>
Change in net position before transfers	<u>2,589</u>	<u>4,215</u>	<u>3,414</u>	<u>3,003</u>	<u>6,003</u>	<u>7,217</u>
Change in net position	<u>2,589</u>	<u>4,215</u>	<u>3,414</u>	<u>3,003</u>	<u>6,004</u>	<u>7,217</u>
Net Position - beginning	<u>48,888</u>	<u>44,673</u>	<u>35,090</u>	<u>32,088</u>	<u>83,978</u>	<u>76,761</u>
Net position - ending	<u>\$ 51,477</u>	<u>\$ 48,888</u>	<u>\$ 38,505</u>	<u>\$ 35,090</u>	<u>\$ 89,982</u>	<u>\$ 83,978</u>

Governmental Activities

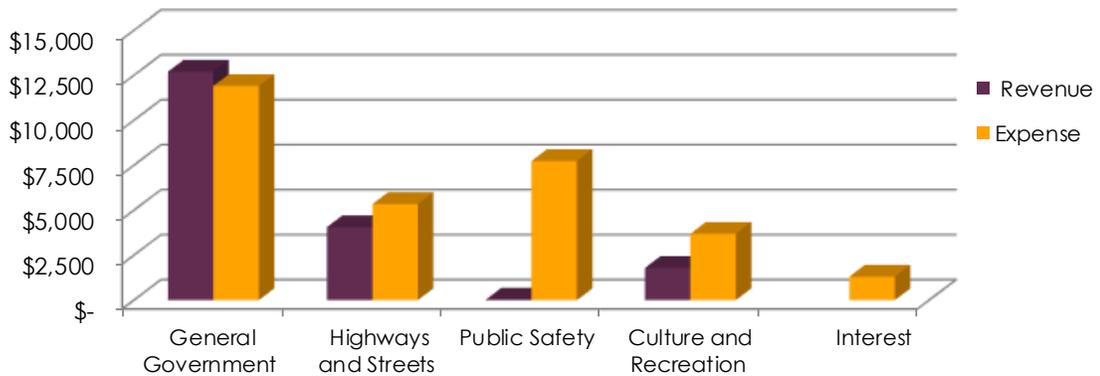
Governmental activities increased the City's net position by \$2.6 million in fiscal year 2019, compared to a \$3.5 million increase in the prior fiscal year. The increase is mainly attributable to an increase in charges for services, offset by an increase in expenses.

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



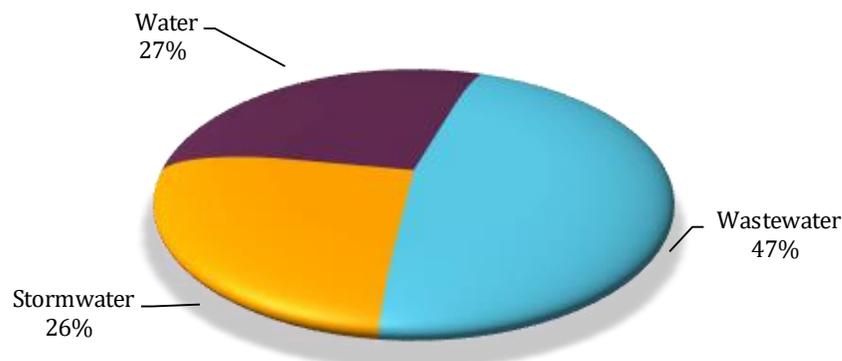
Program Revenues and Expenses - Governmental Activities (in thousands)



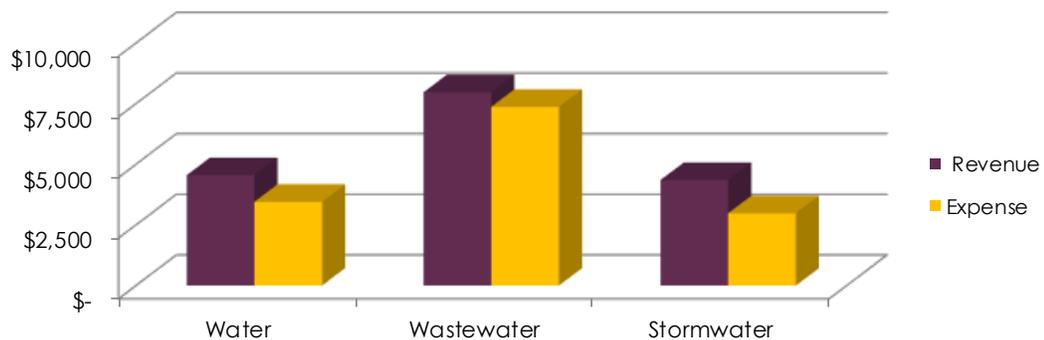
Business-type Activities

The Water Fund revenues represent approximately 27 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 47 percent and 26 percent of user fees, respectively. Additionally, Business-type activities net position increased by \$3.4 million due to an increase in charges for services and investment earnings.

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, the 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, 2019, the City's governmental funds reported a combined ending fund balance of \$40.8 million, an increase of \$15.6 million for the year. Unassigned fund balance increased to \$9.0 million as of June 30, 2019, 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, 2019, total fund balance was \$9.2 million, which is an increase of \$1.7 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 \$1.7 million compared with the prior year. Increases occurred in all categories but two. General Fund expenditures remained consistent at \$18.0 million in fiscal year 2019.

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. Charges for service increased by \$0.6 million related to service fee increases. Total expenditures increased to \$10.1 million from \$5.9 million reported in fiscal year 2018, primarily due to capital projects and debt service. On July 10, 2019 the City issued \$21.0 million in full faith and credit obligation bonds to fund the City's Transportation plan. Interest rates vary by year between 3.5 percent and 5 percent. The maturity date is 2048. As a result, the Transportation Fund had an overall increase in fund balance of \$17.3 million for the fiscal year ending June 30, 2019.

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. Overall, total revenues decreased from prior year to \$3.0 million. This decrease is due to a \$1.0 million grant received from Clackamas County restricted for the Library capital project received in 2018. The grant was not received in 2019. Expenditures increased by \$4.8 million due to expenses related to the library expansion project. At June 30, 2019 the fund balance was \$5.1 million.

Other Governmental Funds

The other governmental funds are considered as nonmajor funds which include the Systems Development Charges Fund, Building Inspections Fund, Affordable Housing Fund, Milwaukie Redevelopment Commission, and Debt Service Fund. These funds had a combined increase of \$2.0 million. Further details on these funds can be found on page 77.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget for the 2019-2020 biennium budget period amounted to \$40.5 million. There have been several supplemental budget resolutions adopted during the biennium to reallocate some departmental budget authority and allow for previously unanticipated expenditures. Actual revenues (budgetary basis) were \$13.5 million for the first fiscal year of the biennium and expenditures were \$18.0 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the City had invested \$82.7 million in capital assets, net of depreciation as reflected in the following table, representing a net increase (additions, deductions and depreciation) of \$9.6 million in fiscal year 2019. Governmental capital assets totaled \$56.3 million while business-type capital assets totaled \$26.4 million.

Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Land and easements	\$ 6,182	\$ 6,139	\$ 833	\$ 833	\$ 7,015	\$ 6,972
Buildings and improvements	11,575	12,559	3,573	3,521	15,148	16,080
Vehicles and equipment	1,880	1,413	1,715	1,916	3,594	3,329
Infrastructure	22,344	22,310	14,546	15,367	36,891	37,677
Construction in progress	14,365	6,390	5,718	2,719	20,083	9,109
Capital assets, net	<u>\$ 56,347</u>	<u>\$ 48,811</u>	<u>\$ 26,385</u>	<u>\$ 24,355</u>	<u>\$ 82,730</u>	<u>\$ 73,167</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 \$7.5 million from the prior fiscal year, while business-type activities increased by a net \$2.0 million. The increases include assets for 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 37.

Change in Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Beginning balance	\$ 48,811	\$ 45,850	\$ 24,355	\$ 23,760	\$ 73,167	\$ 69,611
Additions	13,173	6,320	3,794	2,279	16,967	8,599
Reductions and adjustments	(2,328)	(258)	(358)	(353)	(2,686)	(611)
Depreciation	(3,310)	(3,101)	(1,406)	(1,331)	(4,716)	(4,432)
Ending balance	<u>\$ 56,347</u>	<u>\$ 48,811</u>	<u>\$ 26,385</u>	<u>\$ 24,355</u>	<u>\$ 82,730</u>	<u>\$ 73,167</u>

Debt Outstanding

As of the end of the fiscal year, the City had \$37.3 million in long-term debt obligations outstanding, an increase from the prior year by \$18.8 million. This increase is due to the issuance of the 2018 full faith and credit bonds in the Transportation Fund. More detailed information about the City's long-term debt obligations is presented in the Notes to the Basic Financial Statements, beginning on page 37.

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

	Fiscal Year Ending	
	2019	2018
Governmental:		
Pension Bonds	\$ 3,160	3,370
Light-Rail GO Bond	4,014	3,819
Library GO Bond	8,075	8,450
Riverfront FFCO	690	745
Transportation FFCO	20,177	-
Other	-	846
	<u>36,116</u>	<u>17,230</u>
Business-Type:		
Oregon DEQ	<u>1,157</u>	<u>1,254</u>
Total	<u>\$ 37,274</u>	<u>\$ 18,484</u>

The City has maintained its Aa2 rating with Moody's Investor 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, 2019, the City carried \$12.1 million general obligation debt subject to this \$104.9 million limit.

Economic Factors

The City of Milwaukie is predominantly residential in nature, with commercial property and industrial property representing approximately nine percent and fifteen percent of the City's taxable assessed value, respectively. 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 61 percent); therefore, overall real market values would have to decrease an additional 39 percent before the City's property tax revenue stream would be significantly impacted.

Property taxes and charges for services provided approximately 76% of revenue used for governmental activities. Other significant revenue sources include operating grants and contributions, franchise fees, and capital grants and contributions.

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 January 1, 2017, City Council adopted the Safe Access For Everyone (SAFE) fee in order to improve safety and access throughout the City such as improvements for ADA compliance, bicycle and pedestrian accessibility. The commercial rates based on square footage and type of business; single-family residential rates are fixed at \$5.44 monthly. On June 5, 2019, the City Council adopted a new rate structure for water fees, providing a tiered system. With this new rate structure, there were no fee increases to water. Wastewater received a decrease in the administrative fee but had an increase of 2.5 percent in volume charges. Stormwater remained consistent with prior years receiving a 14 percent increase.

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 cost index (CCI).

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 Bonnie Dennis at the City of Milwaukie, 10722 SE Main Street, Milwaukie, Oregon 97222 or e-mail dennisb@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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 14,546,377	\$ 15,252,205	\$ 29,798,582
Restricted cash and investments	28,985,317	12,056	28,997,373
Property taxes receivable	271,294	-	271,294
Accounts receivable, net of allowance	2,916,923	1,701,775	4,618,698
Prepaid expenses	148,776	-	148,776
Net OPEB Asset	95,329	10,781	106,110
Capital assets not being depreciated:			
Land and easements	6,183,268	832,588	7,015,856
Construction in progress	14,364,880	5,717,623	20,082,503
Capital assets net of accumulated depreciation:			
Buildings and improvements	11,575,042	3,573,181	15,148,223
Vehicles and equipment	1,879,652	1,715,402	3,595,054
Infrastructure	22,344,414	14,546,446	36,890,860
TOTAL ASSETS	103,311,272	43,362,057	146,673,329
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pension	5,379,322	608,995	5,988,317
Deferred outflows of resources - OPEB	98,644	11,157	109,801
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,477,966	620,152	6,098,118
LIABILITIES:			
Accounts payable	3,203,338	1,980,383	5,183,721
Accrued salaries and payroll taxes payable	326,516	40,316	366,832
Accrued compensated absences payable	1,202,225	87,537	1,289,762
Accrued interest payable	84,208	1,931	86,139
Deposits payable	70,645	15,750	86,395
Unearned revenue	498,661	403,910	902,571
Noncurrent liabilities:			
Long-term obligations, due within one year	2,089,533	96,458	2,185,991
Long-term obligations, due in more than one year	34,026,611	1,061,036	35,087,647
Net pension liability	14,103,068	1,596,617	15,699,685
Total OPEB liability	600,221	67,880	668,101
TOTAL LIABILITIES	56,205,026	5,351,818	61,556,844
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	885,356	100,232	985,588
Deferred inflows of resources - OPEB	221,780	25,082	246,862
TOTAL DEFERRED INFLOWS OF RESOURCES	1,107,136	125,314	1,232,450
NET POSITION:			
Net investment in capital assets	23,391,112	25,227,746	48,618,858
Restricted for:			
Library services	3,244,803	-	3,244,803
Public safety supplies	126,404	-	126,404
Debt service	358,944	12,056	371,000
Building operations	2,010,700	-	2,010,700
Urban renewal	270,949	-	270,949
Capital projects	1,839,567	-	1,839,567
Unrestricted	20,234,597	13,265,275	33,499,872
TOTAL NET POSITION	\$ 51,477,076	\$ 38,505,077	\$ 89,982,153

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, 2019

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
GOVERNMENTAL ACTIVITIES:							
General government	\$ 12,077,929	\$ 11,408,261	\$ 905,689	\$ -	\$ 236,021	\$ -	\$ 236,021
Highways and streets	5,685,877	2,283,027	1,777,390	-	(1,625,460)	-	(1,625,460)
Public safety	7,711,178	-	451,033	-	(7,260,145)	-	(7,260,145)
Culture and recreation	3,536,955	1,781,913	8,800	-	(1,746,242)	-	(1,746,242)
Interest on long-term debt	1,309,961	-	-	-	(1,309,961)	-	(1,309,961)
TOTAL GOVERNMENTAL ACTIVITIES	30,321,900	15,473,201	3,142,912	-	(11,705,787)	-	(11,705,787)
BUSINESS-TYPE ACTIVITIES:							
Water	3,449,662	4,522,456	-	-	-	1,072,794	1,072,794
Wastewater	7,372,579	7,963,977	-	-	-	591,398	591,398
Stormwater	2,980,692	4,348,200	-	-	-	1,367,508	1,367,508
TOTAL BUSINESS-TYPE ACTIVITIES	13,802,933	16,834,633	-	-	-	3,031,700	3,031,700
TOTAL ACTIVITIES	\$ 44,124,833	\$ 32,307,834	\$ 3,142,912	\$ -	(11,705,787)	3,031,700	(8,674,087)
GENERAL REVENUES:							
Property taxes, levied for general purposes					9,429,729	-	9,429,729
Franchise taxes					3,624,295	-	3,624,295
Unrestricted investment earnings					1,195,763	376,804	1,572,567
Gain on sale of capital assets					44,432	7,050	51,482
TOTAL GENERAL REVENUES					14,294,219	383,854	14,678,073
CHANGE IN NET POSITION					2,588,432	3,415,554	6,003,986
NET POSITION - beginning					48,888,644	35,089,523	83,978,167
NET POSITION - ending					\$ 51,477,076	\$ 38,505,077	\$ 89,982,153

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

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

	General Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 8,723,546	\$ 2,548,167	\$ 3,274,664	\$ -	\$ 14,546,377
Restricted cash and investments	262,969	20,641,661	3,231,304	4,849,383	28,985,317
Property taxes receivable	268,084	-	-	3,210	271,294
Accounts receivable	1,926,319	967,743	-	22,861	2,916,923
Prepaid expenditures	110,289	-	13,499	24,988	148,776
TOTAL ASSETS	\$ 11,291,207	\$ 24,157,571	\$ 6,519,467	\$ 4,900,442	\$ 46,868,687
LIABILITIES:					
Accounts payable	\$ 315,830	\$ 1,419,577	\$ 1,379,569	\$ 88,362	\$ 3,203,338
Accrued salaries and payroll taxes	272,768	12,629	33,062	8,058	326,517
Deposits payable	2,945	67,700	-	-	70,645
Unearned revenue	28,019	452,886	-	17,756	498,661
TOTAL LIABILITIES	619,562	1,952,792	1,412,631	114,176	4,099,161
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	246,126	-	-	-	246,126
Unavailable revenue - municipal court assessments	1,152,150	-	-	-	1,152,150
Unavailable revenue - assessment liens	109,421	-	-	-	109,421
Unavailable revenue - grants	-	499,492	-	-	499,492
TOTAL DEFERRED INFLOWS OF RESOURCES	1,507,697	499,492	-	-	2,007,189
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,127,259	2,452,284	1,412,631	114,176	6,106,350
FUND BALANCES:					
Nonspendable	110,289	-	13,499	24,988	148,776
Restricted	16,115	-	3,231,304	4,761,278	8,008,697
Committed	-	21,705,287	-	-	21,705,287
Assigned	-	-	1,862,033	-	1,862,033
Unassigned	9,037,544	-	-	-	9,037,544
TOTAL FUND BALANCES	9,163,948	21,705,287	5,106,836	4,786,266	40,762,337
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,291,207	\$ 24,157,571	\$ 6,519,467	\$ 4,900,442	

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. 56,347,256

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

Property tax revenues	229,961	
Municipal court assessments	9,364	
Net OPEB asset	95,329	
Deferred outflows of resources - pensions	5,379,322	
Deferred outflows of resources - OPEB	98,644	
Revenues available	<u>1,767,865</u>	7,580,485

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	(1,202,225)	
Accrued interest payable	(84,208)	
Net pension liability	(14,103,068)	
Total OPEB liability	(600,221)	
Deferred inflows of resources - pension	(885,356)	
Deferred inflows of resources - OPEB	(221,780)	
Long-term debt obligations	<u>(36,116,144)</u>	<u>(53,213,002)</u>
Net position of governmental activities		<u>\$ 51,477,076</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, 2019

	General Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 7,845,326	\$ -	\$ 806,002	\$ 1,008,362	\$ 9,659,690
Franchise taxes	2,346,420	1,277,875	-	-	3,624,295
Intergovernmental	1,269,386	2,106,185	1,950,713	84,250	5,410,534
Fines and forfeitures	808,635	-	35,076	-	843,711
Licenses and permits	658,002	-	-	2,206,260	2,864,262
Charges for services	6,363,000	2,283,027	-	-	8,646,027
Systems development charges	-	-	-	488,172	488,172
Investment earnings	410,645	536,040	164,737	84,341	1,195,763
Miscellaneous	160,927	177,031	2,373	21,446	361,777
TOTAL REVENUES	19,862,341	6,380,158	2,958,901	3,892,831	33,094,231
EXPENDITURES:					
Current:					
General government	10,305,907	-	-	767,072	11,072,979
Highways and streets	-	3,264,351	-	-	3,264,351
Public safety	6,839,472	-	-	-	6,839,472
Culture and recreation	-	-	2,793,097	-	2,793,097
Debt service:					
Principal	239,359	1,225,000	-	575,000	2,039,359
Interest	182,400	770,576	-	367,305	1,320,281
Capital outlay	417,159	4,841,277	5,727,892	231,105	11,217,433
TOTAL EXPENDITURES	17,984,297	10,101,204	8,520,989	1,940,482	38,546,972
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,878,044	(3,721,046)	(5,562,088)	1,952,349	(5,452,741)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	44,432	-	-	-	44,432
Issuance from borrowing	-	20,585,000	-	-	20,585,000
Proceeds from bond premium	-	393,527	-	-	393,527
Transfers from other funds	-	-	311,000	-	311,000
Transfers to other funds	(311,000)	-	-	-	(311,000)
TOTAL OTHER FINANCING SOURCES (USES)	(266,568)	20,978,527	311,000	-	21,022,959
NET CHANGE IN FUND BALANCES	1,611,476	17,257,481	(5,251,088)	1,952,349	15,570,218
FUND BALANCES - beginning	7,552,472	4,447,806	10,357,924	2,833,917	25,192,119
FUND BALANCES - ending	\$ 9,163,948	\$ 21,705,287	\$ 5,106,836	\$ 4,786,266	\$ 40,762,337

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, 2019

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

Net change in fund balances - total governmental funds	\$	15,570,218
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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 capital outlay was greater than depreciation.

Capital outlay	\$11,217,433	
Depreciation expense	<u>(3,309,823)</u>	7,907,610

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net position.	(372,870)
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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.	(228,331)
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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 of borrowing	(20,978,527)	
Long-term debt principal repayments	<u>2,039,359</u>	(18,939,168)

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 liability and related deferrals	(1,406,508)	
Net OPEB liability and related deferrals	56,668	
Accrued interest payable	10,320	
Accrued compensated absences payable	(62,681)	
Amortization of bond premium	<u>53,174</u>	<u>(1,349,027)</u>

Change in net position of governmental activities	\$	<u><u>2,588,432</u></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, 2019

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 4,897,877	\$ 5,436,275	\$ 4,918,053	\$ 15,252,205
Restricted cash and investments	-	12,056	-	12,056
Accounts receivable, net of allowance for doubtful accounts	455,205	794,696	405,437	1,655,338
Total current assets	5,353,082	6,243,027	5,323,490	16,919,599
Noncurrent assets:				
Other receivable	-	46,437	-	46,437
Net OPEB asset	4,478	2,366	3,937	10,781
Capital assets not being depreciated	2,692,876	1,447,147	2,410,189	6,550,212
Capital assets, net of accumulated depreciation	7,643,787	8,319,730	3,871,512	19,835,029
Total noncurrent assets	10,341,141	9,815,680	6,285,638	26,442,459
TOTAL ASSETS	15,694,223	16,058,707	11,609,128	43,362,058
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows of resources - pensions	251,455	135,530	222,010	608,995
Deferred outflows of resources - OPEB	4,634	2,449	4,074	11,157
TOTAL DEFERRED OUTFLOWS OF RESOURCES	256,089	137,979	226,084	620,152
LIABILITIES:				
Current liabilities:				
Accounts payable	377,383	1,345,623	257,377	1,980,383
Accrued salaries and payroll taxes payable	14,726	10,910	14,681	40,317
Accrued compensated absences payable	26,739	31,576	29,222	87,537
Accrued interest payable	-	1,931	-	1,931
Deposits payable	15,750	-	-	15,750
Unearned revenue	-	283,910	120,000	403,910
Current portion of long-term debt	-	96,458	-	96,458
Total current liabilities	434,598	1,770,408	421,280	2,626,286
Noncurrent liabilities:				
Net pension liability	659,245	355,321	582,051	1,596,617
Total OPEB liability	28,194	14,899	24,787	67,880
Long-term debt	-	1,061,036	-	1,061,036
TOTAL LIABILITIES	1,122,037	3,201,664	1,028,118	5,351,819
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows of resources - pensions	41,386	22,306	36,540	100,232
Deferred inflows of resources - OPEB	10,418	5,505	9,159	25,082
TOTAL DEFERRED INFLOWS OF RESOURCES	51,804	27,811	45,699	125,314
NET POSITION:				
Net investment in capital assets	10,336,663	8,609,383	6,281,701	25,227,747
Restricted for debt service	-	12,056	-	12,056
Unrestricted	4,439,808	4,345,772	4,479,694	13,265,274
TOTAL NET POSITION	\$ 14,776,471	\$ 12,967,211	\$ 10,761,395	\$ 38,505,077

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, 2019

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Wastewater Fund	Stormwater Fund	
OPERATING REVENUES:				
Charges for services	\$ 4,485,936	\$ 7,959,827	\$ 4,326,295	\$ 16,772,058
Miscellaneous	36,520	4,150	21,905	62,575
TOTAL OPERATING REVENUES	<u>4,522,456</u>	<u>7,963,977</u>	<u>4,348,200</u>	<u>16,834,633</u>
OPERATING EXPENSES:				
Salaries and wages	874,943	524,730	777,840	2,177,513
Materials and services	2,084,110	6,347,758	1,781,271	10,213,139
Depreciation	490,609	494,062	421,581	1,406,252
TOTAL OPERATING EXPENSES	<u>3,449,662</u>	<u>7,366,550</u>	<u>2,980,692</u>	<u>13,796,904</u>
OPERATING INCOME	<u>1,072,794</u>	<u>597,427</u>	<u>1,367,508</u>	<u>3,037,729</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	128,066	137,245	111,493	376,804
Interest expense	-	(6,029)	-	(6,029)
Gain on sale of capital assets	-	-	7,050	7,050
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>128,066</u>	<u>131,216</u>	<u>118,543</u>	<u>377,825</u>
CHANGE IN NET POSITION	<u>1,200,860</u>	<u>728,643</u>	<u>1,486,051</u>	<u>3,415,554</u>
NET POSITION - beginning	<u>13,575,611</u>	<u>12,238,568</u>	<u>9,275,344</u>	<u>35,089,523</u>
NET POSITION - ending	<u>\$ 14,776,471</u>	<u>\$ 12,967,211</u>	<u>\$ 10,761,395</u>	<u>\$ 38,505,077</u>

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, 2019

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users of services	\$ 4,519,714	\$ 8,136,977	\$ 4,311,634	\$ 16,968,325
Payments to suppliers for goods and services	(1,910,312)	(5,905,514)	(1,642,483)	(9,458,309)
Payments to employees for services	(781,758)	(463,753)	(695,302)	(1,940,813)
NET CASH FROM OPERATING ACTIVITIES	<u>1,827,644</u>	<u>1,767,710</u>	<u>1,973,849</u>	<u>5,569,203</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	-	(96,458)	-	(96,458)
Interest paid on capital debt	-	(6,029)	-	(6,029)
Acquisition and construction of capital assets	(791,560)	(1,243,233)	(1,400,305)	(3,435,098)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(791,560)</u>	<u>(1,345,720)</u>	<u>(1,400,305)</u>	<u>(3,537,585)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings received on investments	128,066	137,245	111,493	376,804
NET INCREASE IN CASH AND INVESTMENTS	<u>1,164,150</u>	<u>559,235</u>	<u>685,037</u>	<u>2,408,422</u>
CASH AND INVESTMENTS - beginning	<u>3,733,727</u>	<u>4,889,096</u>	<u>4,233,016</u>	<u>12,855,839</u>
CASH AND INVESTMENTS - ending	<u>\$ 4,897,877</u>	<u>\$ 5,448,331</u>	<u>\$ 4,918,053</u>	<u>\$ 15,264,261</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income	\$ 1,072,794	\$ 597,427	\$ 1,367,508	\$ 3,037,729
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	490,609	494,062	421,581	1,406,252
Pension expense (income)	105,446	49,853	76,139	231,438
OPEB expense (income)	(931)	1,945	(4,496)	(3,482)
Gain on sale of property	-	-	7,050	7,050
(Increase) decrease in accounts receivable	(2,742)	186,826	(36,566)	147,518
(Increase) decrease in prepaid expenses	2,232	165	325	2,722
Increase (decrease) in accounts payable	166,916	442,079	138,399	747,394
Increase (decrease) in deposits payable	4,650	-	-	4,650
Increase (decrease) in accrued salaries and payroll taxes payable	(941)	3,240	64	2,363
Increase (decrease) in accrued compensated absences payable	(10,389)	5,940	3,845	(604)
Increase (decrease) in unearned revenue	-	(13,827)	-	(13,827)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 1,827,644</u>	<u>\$ 1,767,710</u>	<u>\$ 1,973,849</u>	<u>\$ 5,569,203</u>

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, 2019

Note 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 stormwater 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 of resources, liabilities, and deferred inflows of resources with the difference between them 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. Nonmajor funds are reported in the aggregate.

The City reports the following major governmental funds:

- *General Fund* - Accounts for the City's legislative and administration, human resources, finance, information technology, municipal court, community development, engineering, planning, facilities management, fleet services, and related debt service. The primary revenue sources are property taxes, franchise taxes, reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and miscellaneous income.
- *Transportation Fund* - Accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues that include state and local gas taxes dedicated to construction and maintenance of local streets, fees for service, franchise fees, PGE privilege tax, and charges for services.
- *Library Fund* - Accounts for the operation of the City's Ledding Library. Major revenue sources are intergovernmental revenues and property taxes.

The City has nonmajor governmental funds that are reported as special revenue, debt service and capital projects funds. Nonmajor funds are:

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

- *Affordable Housing Fund* – Accounts for the collection of construction excise taxes to fund incentives for the development and construction of affordable housing.
- *Milwaukie Redevelopment Commission Fund* – Accounts for the urban renewal redevelopment. The primary revenue source is property taxes.
- *Debt Service Fund* - Accounts for the accumulation of resources for the payment of general obligation bonds and full faith and credit obligation principal and interest.

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

- *Water Fund* – Accounts for the operation and maintenance of water service and distribution facilities, and is primarily supported through fees for service.
- *Wastewater Fund* – Accounts for the operation and maintenance of the wastewater collection and treatment systems, and is primarily supported through fees for service.
- *Stormwater 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 and other post-employment benefits.

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, 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 non-operating 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 twelve months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP) and a commercial deposit (CD) at Wells Fargo bank. 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 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 acquisition cost at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year has 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, and 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 in the year of issue. The face amount of debt issued and related premium are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Pension Obligations

The City's net pension liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by the Oregon Public Employees Retirement System (OPERS).

Other Postemployment Benefits Obligations

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's two separate plans the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from Implicit Rate Subsidy and OPERS's fiduciary net position have been determined on the same basis as they are reported by Implicit Rate Subsidy and OPERS. For this purpose, Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 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.

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.

Note 2. Cash 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 (LGIP) limited by State statute; certificates of deposit; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2019, the City’s cash and investments were comprised of the following:

Cash on hand	\$ 5,981
Deposits with financial institutions	10,442,096
Investments:	
Wells Fargo Certificate of Deposit	12,000,000
Oregon State Treasurer’s LGIP	36,347,878
Total cash and investments	<u>\$ 58,795,955</u>

	Government Activities	Business-type Activities	Total
Cash and investments	\$ 14,546,377	\$ 15,252,205	\$ 29,798,582
Restricted cash and investments	28,985,317	12,056	28,997,373
Total cash and investments	<u>\$ 43,531,694</u>	<u>\$ 15,264,261</u>	<u>\$ 58,795,955</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 \$997,232 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 the City’s pooled investment portfolio to eighteen months or less.

Credit risk. State law and the City's investment policy 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, 2019, 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 Oregon Investment Council and is responsible for all funds in the State Treasury.

Investments held by the City at June 30, 2019 are as follows:

	Weighted Average	
	Maturity	Fair Value
Investments in the State Treasurer's Local Government Investment Pool	0.62	\$ 36,347,878
Total Cash Equivalents	0.62	\$ 58,795,955

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.

Note 3. Receivables

As of June 30, 2019, 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	\$ 4,652,587
Allowance for uncollectible accounts	(33,888)
Total accounts receivable	<u>\$ 4,618,698</u>
Accounts receivable – governmental activities	\$ 2,916,923
Accounts receivable – business-type activities	1,701,775
Total accounts receivable	<u>\$ 4,618,698</u>

Note 4. Unavailable and Unearned Revenue

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

	Deferred Inflows of Resources	Unearned Revenue
Municipal court collections receivable	\$ 1,152,150	\$ -
Property taxes receivable	246,126	-
Assessment liens receivable	109,421	-
Grants receivable	499,492	-
Contracts receivable	-	17,756
Fees in lieu of construction	-	452,886
Bail escrow	-	25,238
Seized cash & deposits	-	2,781
	<u>\$ 2,007,189</u>	<u>\$ 498,661</u>

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance as of June 30, 2018	Additions	Reductions and adjustments	Balance as of June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 6,140,358	\$ 42,910	\$ -	\$ 6,183,268
Construction in progress	6,389,824	9,929,923	(1,954,865)	14,364,882
Total capital assets not being depreciated	<u>12,530,182</u>	<u>9,972,833</u>	<u>(1,954,865)</u>	<u>20,548,150</u>
Capital assets being depreciated:				
Buildings and improvements	20,862,578	150,547	(751,460)	20,261,665
Vehicles and equipment	5,053,620	949,782	(761,707)	5,241,695
Infrastructure	54,006,739	2,099,136	-	56,105,875
Total capital assets being depreciated	<u>79,922,937</u>	<u>3,199,465</u>	<u>(1,513,167)</u>	<u>81,609,235</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,303,238)	(898,862)	515,475	(8,686,625)
Vehicles and equipment	(3,640,422)	(346,441)	624,820	(3,362,043)
Infrastructure	(31,696,941)	(2,064,520)	-	(33,761,461)
Total accumulated depreciation	<u>(43,640,601)</u>	<u>(3,309,823)</u>	<u>1,140,295</u>	<u>(45,810,129)</u>
Total capital assets being depreciated, net	<u>36,282,336</u>	<u>(110,358)</u>	<u>(372,872)</u>	<u>35,799,106</u>
Total capital assets, net	<u>\$ 48,812,518</u>	<u>\$ 9,862,475</u>	<u>\$ (2,327,737)</u>	<u>\$ 56,347,256</u>
	Balance as of June 30, 2018	Additions	Reductions and adjustments	Balance as of June 30, 2019
Business type activities:				
Capital assets not being depreciated:				
Land and easements	\$ 832,588	\$ -	\$ -	\$ 832,588
Construction in progress	2,719,346	3,356,634	(358,357)	5,717,623
Total capital assets not being depreciated	<u>3,551,934</u>	<u>3,356,634</u>	<u>(358,357)</u>	<u>6,550,211</u>
Capital assets being depreciated:				
Buildings and improvements	6,790,089	246,096	-	7,036,185
Vehicles and equipment	4,619,816	78,459	(20,335)	4,677,940
Infrastructure	33,228,609	112,266	-	33,340,875
Total capital assets being depreciated	<u>44,638,514</u>	<u>436,821</u>	<u>(20,335)</u>	<u>45,055,000</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,269,176)	(193,828)	-	(3,463,004)
Vehicles and equipment	(2,703,454)	(279,419)	20,335	(2,962,538)
Infrastructure	(17,861,424)	(933,005)	-	(18,794,429)
Total accumulated depreciation	<u>(23,834,054)</u>	<u>(1,406,252)</u>	<u>20,335</u>	<u>(25,219,971)</u>
Total capital assets being depreciated, net	<u>20,804,460</u>	<u>(969,431)</u>	<u>-</u>	<u>19,835,029</u>
Total capital assets, net	<u>\$ 24,356,394</u>	<u>\$ 2,387,203</u>	<u>\$ (358,357)</u>	<u>\$ 26,385,240</u>

Depreciation expense was charged to functions/programs for governmental and business-type activities respectively as follows:

	Governmental Activities	Business-type Activities	Total
General government	\$ 309,005	\$ -	\$ 309,005
Highways and streets	2,388,528	-	2,388,528
Public safety	246,132	-	246,132
Culture and recreation	366,158	-	366,158
Water	-	490,609	490,609
Wastewater	-	494,062	494,062
Stormwater	-	421,581	421,581
Depreciation expense	<u>\$ 3,309,823</u>	<u>\$ 1,406,252</u>	<u>\$ 4,716,074</u>

Note 6. Interfund Transfers

Transfers for services between funds are utilized to provide support for various city programs in accordance with budgetary authorizations. These transfers 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 the fiscal year ended June 30, 2019, 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.

In fiscal year 2019, a \$311,000 transfer from the general fund to the library fund for the library expansion project which is scheduled to be completed in fiscal year 2020.

Note 7. Leases

Leases which meet certain criteria established by the GASB are classified as capital leases. When these leases are initiated, 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.

As a result of the library expansion project, the city leased a temporary building to house the library and staff, allowing residents to have full use of library services during construction. The lease term ends in fiscal year 2020 when the new library is scheduled for completion.

The City leases various copiers for use in its operations under cancelable and noncancelable operating leases. Total cost for such leases was approximately \$42,700 for the fiscal year ended June 30, 2019. The future minimum lease payments for noncancelable operating leases are as follows:

FY	Temporary Library	Copier Leases	Total
2020	\$ 73,400	\$ 44,300	\$ 117,700
2021	-	44,300	44,300
2022	-	44,300	44,300
2023	-	3,100	3,100
2024	-	1,300	1,300
Total	<u>\$ 73,400</u>	<u>\$ 137,300</u>	<u>\$ 210,700</u>

Note 8. 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, 2018	Additions	Reductions	Balance as of June 30, 2019	Due within one year
Governmental activities					
2005 PERS Unfunded Actuarial Liability Bonds, interest rates of 4.0% to 5.5%, original amount of \$4,285,000, due 2028	\$ 3,370,000	\$ -	\$ (210,000)	\$ 3,160,000	\$ 240,000
2018 Refinanced Oregon Special Public Works Fund (SPWF) Loan for North Main Village public area improvements, interest rate of 4-5%, original amount of \$738,000, due 2031	461,066	-	(29,359)	431,707	29,533
2014 Full Faith and Credit Obligations for Milwaukie Bay Park enhancements, interest rate from 3-4%, original amount of \$965,000, due 2029	745,000	-	(55,000)	690,000	60,000
2014 General Obligation Bonds for refinancing of Light-Rail enhancements, interest rate of 3-4%, original amount of \$3,695,000, due 2034	3,165,000	-	(145,000)	3,020,000	150,000
2016 General Obligation Bonds for Library expansion, interest rate of 2-4%, original amount of \$9,200,000, due 2036	8,450,000	-	(375,000)	8,075,000	380,000
2018 Full Faith and Credit Obligations for Transportation, interest rate of 3.5-5%, original amount of \$20,970,000, due 2048	385,000	20,585,000	(1,225,000)	19,745,000	1,230,000
Plus: Bond issuance premium	654,084	393,527	(53,174)	994,437	-
Long-term debt obligations	17,230,150	20,978,527	(2,092,533)	36,116,144	2,089,533
Compensated absences for governmental activities	1,139,544	1,077,081	(1,014,400)	1,202,225	1,202,225
Total governmental activities	18,369,694	22,055,608	(3,106,933)	37,318,369	3,291,758
Business-type activities					
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	1,253,952	-	(96,458)	1,157,494	96,458
Compensated absences for business-type activities	88,141	150,496	(151,100)	87,537	87,537
Total business-type activities	1,342,093	150,496	(247,558)	1,245,031	183,995
Total long-term obligations	\$ 19,711,787	\$ 22,206,104	\$ (3,354,491)	\$ 38,563,400	\$ 3,475,753

Future maturities of principal and interest are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	2,089,533	1,297,785	96,458	5,250	2,185,991	1,303,035
2021	2,194,720	1,207,436	96,458	4,750	2,291,178	1,212,186
2022	949,919	1,111,628	96,458	4,250	1,046,377	1,115,878
2023	1,015,127	1,074,306	96,458	3,750	1,111,585	1,078,056
2024	1,075,346	1,034,125	96,458	3,250	1,171,804	1,037,375
2025-2029	5,485,424	4,468,929	482,290	8,750	5,967,714	4,477,679
2030-2034	3,941,638	3,697,620	192,914	250	4,134,552	3,697,870
2035-2039	1,145,000	3,251,315	-	-	1,145,000	3,251,315
2039-2043	5,340,000	3,112,284	-	-	5,340,000	3,112,284
2044-2048	11,885,000	1,178,000	-	-	11,885,000	1,178,000
	<u>\$ 35,121,707</u>	<u>\$ 21,433,428</u>	<u>\$ 1,157,494</u>	<u>\$ 30,250</u>	<u>\$ 36,279,201</u>	<u>\$ 21,463,678</u>

Debt Covenants

The City pledges its net operating revenues in the wastewater fund at 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. If loan is defaulted, by failure to make required principal or interest payments, the State could declare all principal and interest and all other amounts due immediately. It could also prevent the City from applying for future state assistance. At June 30, 2019 the City was compliant with these terms.

Note 9. Employee Retirement Pension Plans

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 that 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 on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

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 2016 and beyond 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, 2015 actuarial valuation, which became effective July 1, 2017. 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, 2019 were 19.14 percent for OPERS and 9.72 percent for OPSRP – general employees, and 14.49 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 required contributions for the year ended June 30, 2019, were approximately \$1,404,000.

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.

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions. At June 30, 2018, the City reported a liability of \$15,699,685 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. 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 as actuarially determined. At June 30, 2018 and 2017, the City's proportion was 0.10363730 and 0.10160770 percent, respectively.

For the year ended June 30, 2018, the City recognized pension expense of \$3,037,938 for the defined benefit portion of the pension plan. At June 30, 2018, 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
Differences between expected and actual experience	\$ 534,056	\$ -
Changes in assumptions	3,650,147	-
Net difference between projected and actual earnings on pension plan investments	-	697,155
Changes in proportionate share	399,682	38,458
Differences between employer contributions and proportionate share of system contributions	-	249,975
Subtotal	<u>4,583,885</u>	<u>985,588</u>
City contributions subsequent to the measurement date	1,404,432	-
Total	<u>\$ 5,988,317</u>	<u>\$ 985,588</u>

The deferred outflow of resources of \$1,404,432 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020	\$ 1,969,901
2021	1,445,585
2022	(123,240)
2023	210,055
2024	95,996
Total	<u>\$ 3,598,297</u>

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 2016 Experience Study that reviewed experience for the four-year period ended on December 31, 2016.

Discount Rate. The discount rate used to measure the total pension liability was 7.20 percent. The projection of 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 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 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 26,237,141	\$ 15,699,685	\$ 7,001,879

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 2015 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.

Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	Target	Actual Allocation
Cash	0.00%	3.00%	0.00%	4.10%
Debt Securities	15.00	25.00	20.00	19.20
Public Equity	32.50	42.50	37.50	38.80
Private Equity	14.00	21.00	17.50	19.40
Real Estate	9.50	15.50	12.50	11.20
Alternative Equity	0.00	12.50	12.50	5.30
Opportunity Portfolio	0.00	3.00	0.00	2.00
			<u>100.0%</u>	<u>100.0%</u>

Asset Class	Target Allocation	Annual Arithmetic Return	Compounded Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00%	3.59%	3.49%	4.55%
Short-Term Bonds	8.00	3.42	3.38	2.70
Bank/Leveraged Loans	3.00	5.34	5.09	7.50
High Yield Bonds	1.00	6.90	6.45	10.00
Large/Mid Cap US Equities	15.75	7.45	6.30	16.25
Small Cap US Equities	1.31	8.49	6.69	20.55
Micro Cap US Equities	1.31	9.01	6.80	22.90
Developed Foreign Equities	13.13	8.21	6.71	18.70
Emerging Market Equities	4.12	10.53	7.45	27.35
Non-US Small Cap Equities	1.88	8.67	7.01	19.75
Private Equity	17.50	11.45	7.82	30.00
Real Estate (Property)	10.00	6.15	5.51	12.00
Real Estate (REITS)	2.50	8.26	6.37	21.00
Hedge Fund of Funds - Diversified	2.50	4.36	4.09	7.80
Hedge Fund - Event-driven	0.63	6.21	5.86	8.90
Timber	1.88	6.37	5.62	13.00
Farmland	1.88	6.90	6.15	13.00
Infrastructure	3.75	7.54	6.60	14.65
Commodities	1.88	5.43	3.84	18.95
	<u>100.00%</u>			

Assumed Inflation - Mean

2.50%

1.85%

Payable to OPERS. At June 30, 2019, the City owed \$87,488 to OPERS for defined benefit contributions. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the

separately issued OPERS financial report.

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, 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, 2019, the City contributed approximately \$648,000 representing the employees' 6 percent portion.

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.

Note 10. Other Postemployment Benefits (OPEB)

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

Financial Statement Presentation

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	\$ -	\$ 106,110	\$ 106,110
Deferred Outflows of Resources			
Difference between expected and actual experience	-	-	-
Change in Proportionate Share	-	(23)	(23)
Change in Assumptions	-	-	-
Contributions After the Measurement Date	61,101	48,677	109,778
Total OPEB Liability	(668,101)	-	(668,101)
Deferred Inflows of Resources			
Difference between expected and actual experience	(51,623)	(6,014)	(57,637)
Change in Proportionate Share	-	(193)	(193)
Change in Assumptions	(165,818)	(337)	(166,155)
Difference in Earnings	-	(22,877)	(22,877)
OPEB Expense (Income)	57,715	(10,062)	47,653

Implicit Rate Subsidy

Plan Description. The City does not have a formal, stand-alone postemployment benefit plan for its employees; however, the City is required by ORS 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. The City maintains a single employer defined benefit plan allowing eligible retirees to purchase health insurance benefits at premium rates set equal to the rates paid by active employees.

Funding Policy. The City collects insurance premiums from all retirees each month then pays health insurance premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the City's pay-as-you-go amount and amount paid

by retirees. For the fiscal year ended June 30, 2019, the City's retirees paid 100% of their insurance premium costs.

The program values the implicit retiree health insurance subsidy as the difference between the health insurance premiums and the expected age-adjusted claim costs for early retirees. Contribution amounts shown are the estimated implicit employer contributions.

Benefits Provided. The program is a defined benefit plan that provides post-employment health insurance to eligible City retirees. The program allows eligible retirees and their dependents to purchase the City's health insurance benefits at premium rates set equal to the rates paid by active employees. As of the valuation date of June 30, 2019, there were 143 active employees and seven retired employees in the City.

Total OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. The City's total OPEB liability of \$668,101 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2018.

The City recognized OPEB expense from this plan of \$57,715 for the year ended June 30, 2019. Additionally, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 51,623
Changes in assumptions		165,818
Benefit Payments	61,101	-
Total	<u>\$ 61,101</u>	<u>\$ 217,441</u>

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (28,613)
2021	(28,613)
2022	(28,613)
2023	(28,613)
2024	(28,613)
Thereafter	(74,376)
Total	<u>\$ (217,441)</u>

PERS 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, or online at <https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>.

Benefits Provided. 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, 2019, the percent of annual covered payroll for Tier One/Tier Two and OPSRP were 0.50 percent and 0.43 percent, respectively. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers. 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.

Contributions. PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.06% for Tier One/Tier Two members, and 0.00% for OPSRP members. The City's total contributions were \$48,677 for the year ended June 30, 2019.

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported an asset of \$106,110 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2018, the City's proportionate share was 0.09505729%, which is a decrease from its proportion of 0.09520229% as of June 30, 2017.

For the year ended June 30, 2019, the City recognized OPEB income from this plan of \$10,062. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 6,014
Change in Assumptions	-	337
Net difference between expected and actual experience	-	22,877
Change in proportionate share	(23)	193
Contributions After the Measurement Date	48,677	-
	<u>\$ 48,654</u>	<u>\$ 29,421</u>

Deferred outflows of resources to OPEB of \$48,677 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2020	\$	(9,732)
2021		(9,699)
2022		(7,693)
2023		(2,274)
2024		-
Thereafter		-
Total	\$	<u>(29,398)</u>

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using actuarial methods and assumptions consistent with those disclosed for the OPERS Pension Plan. See Note 9 for additional information on Actuarial Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.2%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net OPEB Liability (Asset)	\$ (61,782)	\$ (106,110)	\$ (143,841)

OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2019 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2019 measurement period that require disclosure.

Note 11. Fund Balance Classification

Governmental fund balances are classified as follows as of June 30, 2019:

	General Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid expenditures	\$ 110,289	\$ -	\$ 13,499	\$ 24,988	\$ 148,776
Restricted					
Public safety supplies	16,115	-	-	-	16,115
Library services	-	-	3,231,304	-	3,231,304
Infrastructure	-	-	-	2,120,685	2,120,685
Building operations	-	-	-	2,010,700	2,010,700
Debt service	-	-	-	358,944	358,944
Urban revitalization	-	-	-	270,949	270,949
	<u>16,115</u>	<u>-</u>	<u>3,231,304</u>	<u>4,761,278</u>	<u>8,008,697</u>
Committed					
Street services	-	21,705,287	-	-	21,705,287
Assigned					
Library services	-	-	1,862,033	-	1,862,033
Unassigned					
	<u>9,037,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,037,544</u>
Total fund balance	<u>\$ 9,163,948</u>	<u>\$ 21,705,287</u>	<u>\$ 5,106,836</u>	<u>\$ 4,786,266</u>	<u>\$ 40,762,337</u>

Note 12. 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 intergovernmental agreement with Clackamas Service District No.1 (District) to treat sewage wastewater. Pertinent terms of this agreement are as follows:

- The original agreement for wastewater treatment services dated November 25, 1970 was extended and modified several times. In May 2012 the City and 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 Equivalent Dwelling Units (EDUs) was determined to be 10,939.
- The City agreed to pay up to \$30.25 per EDU per month in year one and the District's wholesale rate thereafter. The wholesale rate for this fiscal year was \$36.10 per EDU. This amounts to approximately \$4.9 million each fiscal year.
- EDU counts are updated semi-annually on March 1 and September 1.

Clackamas Fire District No.1 – The City 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 \$1,000 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 its 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 its share of utilities.
- 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 any interior and exterior maintenance.

Clackamas River Water (CRW): The City has an intergovernmental agreement with CRW for joint billing services. Pertinent terms of this agreement are as follows:

- The City and CRW signed an agreement in January 2015 authorizing the City to perform meter reading, custom billing and customer service activities to customers served by CRW through January 31, 2025.

- 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 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 intergovernmental cooperative 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:

- 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 \$106,000 per fiscal year.
- The Agreement effective July 1, 2018 through June 30, 2022 estimates the annual contract cost for Fiscal Year 2020 to be \$601,000.

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 \$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 September 30, 2021 unless extended.
- Ordinance No. 1970 limits the use of this local gas tax fund to the purposes associated with the administration, construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads and streets within the city.

Other Commitments – The City has entered into various contracts in the ordinary course of business. The most significant contracts include the following:

<u>Project</u>	<u>Significant Contracts Outstanding</u>	<u>Costs as of June 30, 2019</u>	<u>Remaining Costs</u>	<u>Estimated Completion</u>
Ledding Library Improvements	\$ 11,044,444	\$ 6,617,570	\$ 4,426,874	2020
Kronberg Park Multi-Use Walkway	\$ 2,524,865	\$ 871,097	\$ 1,653,768	2019
South Downtown Improvements	\$ 4,397,038	\$ 2,876,720	\$ 1,520,317	2019

Note 13. 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.

Note 14. 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 \$1,000 of property real market value limitation, this limitation may affect the availability of future tax revenues for the City.

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

Note 15. Subsequent Events

On August 27, 2019, City Council approved the purchase and sale agreement for the acquisition of a building located on Main street, blocks from the current City Hall. The intent of the purchase is to move city hall operations into the new building as well as other departments from other buildings, essentially consolidating city services. The purchase price of the building is \$6.5 million and includes a leaseback period from the seller. The city plans to fund the building with a full faith and credit bond offering and existing funds for a not to exceed amount of \$7.0 million. The debt and building are anticipated to close in early calendar year 2020.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Total OPEB Liability

Schedule of Changes in Total OPEB Liability

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

*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 MAJOR FUNDS

Transportation Fund

Library 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, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Property taxes	\$ 15,753,000	\$ 15,753,000	\$ 7,845,326	\$ (7,907,674)
Franchise taxes	4,572,000	4,572,000	2,346,420	(2,225,580)
Intergovernmental	2,667,000	2,667,000	1,269,386	(1,397,614)
Fines and forfeitures	1,525,000	1,582,000	808,635	(773,365)
Licenses and permits	1,528,000	1,528,000	658,002	(869,998)
Investment earnings	600,000	600,000	410,645	(189,355)
Miscellaneous	190,000	190,000	160,927	(29,073)
TOTAL REVENUES	26,835,000	26,892,000	13,499,341	(13,392,659)
EXPENDITURES:				
City Council	264,000	264,000	102,388	161,612
City Manager	2,139,000	2,292,000	1,065,946	1,226,054
City Attorney	524,000	524,000	204,999	319,001
Community Development	2,192,000	2,192,000	813,757	1,378,243
Public Works Admin	1,732,000	1,732,000	818,401	913,599
Engineering Services	3,040,000	3,040,000	1,096,508	1,943,492
Facilities Management	3,140,000	3,140,000	1,087,226	2,052,774
Finance	2,854,000	2,623,000	1,137,104	1,485,896
Fleet Services	1,264,000	1,264,000	593,119	670,881
Human Resources	727,000	727,000	335,508	391,492
Information Technology	2,583,000	2,583,000	1,226,741	1,356,259
Municipal Court	725,000	725,000	313,350	411,650
Planning	1,803,000	1,803,000	808,327	994,673
Code Enforcement	400,000	457,000	174,494	282,506
Office of the City Recorder	829,000	829,000	364,068	464,932
PEG	160,000	160,000	29,801	130,199
Police Department	14,845,000	14,923,000	6,979,567	7,943,433
Nondepartmental				
General Services	1,785,000	1,785,000	832,993	952,007
Contingency	2,270,000	1,959,000	-	1,959,000
TOTAL EXPENDITURES	43,276,000	43,022,000	17,984,297	25,037,703
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(16,441,000)	(16,130,000)	(4,484,956)	(11,645,044)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	44,432	44,432
Transfers from other funds	12,896,000	12,896,000	6,363,000	(6,533,000)
Transfers to other funds	-	(311,000)	(311,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	12,896,000	12,585,000	6,096,432	(6,488,568)
NET CHANGE IN FUND BALANCES	(3,545,000)	(3,545,000)	1,611,476	5,156,476
FUND BALANCES - beginning	6,513,000	6,513,000	7,552,472	1,039,472
FUND BALANCES - ending	\$ 2,968,000	\$ 2,968,000	\$ 9,163,948	\$ 6,195,948

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, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Intergovernmental	\$ 4,538,000	\$ 4,538,000	\$ 2,106,185	\$ (2,431,815)
Franchise fees	2,612,000	2,612,000	1,277,875	(1,334,125)
Charges for services	3,912,000	3,912,000	2,283,027	(1,628,973)
Investment earnings	-	-	536,040	536,040
Miscellaneous	165,000	165,000	177,031	12,031
TOTAL REVENUES	11,227,000	11,227,000	6,380,158	(4,846,842)
EXPENDITURES:				
Personnel services	1,119,000	1,119,000	520,709	598,291
Materials and services	1,092,000	1,092,000	808,642	283,358
Debt service	3,700,000	3,700,000	1,995,576	1,704,424
Capital outlay	17,061,000	17,061,000	4,841,277	12,219,723
Contingency	4,200,000	4,200,000	-	4,200,000
TOTAL EXPENDITURES	27,172,000	27,172,000	8,166,204	19,005,796
EXCESS OF REVENUES OVER EXPENDITURES	(15,945,000)	(15,945,000)	(1,786,046)	14,158,954
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt	-	-	20,585,000	20,585,000
Proceeds from bond premium	-	-	393,527	393,527
Transfers to other funds	(1,914,000)	(3,849,000)	(1,935,000)	1,914,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,914,000)	(3,849,000)	19,043,527	22,892,527
NET CHANGE IN FUND BALANCES	(17,859,000)	(19,794,000)	17,257,481	37,051,481
FUND BALANCES - beginning	25,149,000	25,149,000	4,447,806	20,701,194
FUND BALANCES - ending	\$ 7,290,000	\$ 5,355,000	\$ 21,705,287	\$ 57,752,675

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, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Property taxes	\$ 1,664,000	\$ 1,664,000	\$ 806,002	\$ (857,998)
Intergovernmental	4,221,000	4,221,000	1,950,713	(2,270,287)
Fines and forfeitures	100,000	100,000	35,076	(64,924)
Investment earnings	100,000	100,000	164,737	64,737
Miscellaneous	31,000	31,000	2,373	(28,627)
TOTAL REVENUES	<u>6,116,000</u>	<u>6,116,000</u>	<u>2,958,901</u>	<u>(3,157,099)</u>
EXPENDITURES:				
Personnel services	3,442,000	3,442,000	1,647,806	1,794,194
Materials and services	897,000	897,000	481,291	415,709
Capital outlay	10,424,000	10,735,000	5,727,892	5,007,108
Contingency	372,000	372,000	-	372,000
TOTAL EXPENDITURES	<u>15,135,000</u>	<u>15,446,000</u>	<u>7,856,989</u>	<u>7,589,011</u>
EXCESS OF REVENUES OVER EXPENDITURES	(9,019,000)	(9,330,000)	(4,898,088)	4,431,912
OTHER FINANCING USES:				
Transfers from other funds	-	311,000	311,000	-
Transfers to other funds	(701,000)	(1,365,000)	(664,000)	701,000
TOTAL OTHER FINANCING SOURCES (US	<u>(701,000)</u>	<u>(1,054,000)</u>	<u>(353,000)</u>	<u>701,000</u>
NET CHANGE IN FUND BALANCES	(9,720,000)	(10,384,000)	(5,251,088)	5,132,912
FUND BALANCES - beginning	<u>10,384,000</u>	<u>10,384,000</u>	<u>10,357,924</u>	<u>(26,076)</u>
FUND BALANCES - ending	<u>\$ 664,000</u>	<u>\$ -</u>	<u>\$ 5,106,836</u>	<u>\$ 5,106,836</u>

CITY OF MILWAUKIE, OREGON

SCHEDULE OF THE CITY'S TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

For the Last Ten Years

SCHEDULE OF TOTAL OPEB LIABILITY (TOL)

Fiscal year Ended June 30,	City's Total OPEB liability	City's covered payroll	TOL as a percentage of covered payroll
2019	\$ 668,101	\$ 10,798,700	6.2%
2018	825,960	9,921,800	8.3%
2017	843,871	9,351,333	9.0%
2016 ¹	-	-	-
2015 ¹	-	-	-
2014 ¹	-	-	-
2013 ¹	-	-	-
2012 ¹	-	-	-
2011 ¹	-	-	-
2010 ¹	-	-	-

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL)

Fiscal year Ended June 30,	TOL beginning balance	Service Costs	Interest on the TOL	Benefit payments	Economic or Demographic gains/osses	Changes of assumptions	TOL ending balance
2019	\$ 825,960	\$ 55,573	\$ 30,755	\$ (45,297)	\$ (58,326)	\$ (140,564)	\$ 668,101
2018	843,871	59,530	25,046	(49,572)	-	(52,915)	825,960
2017 ¹	-	-	-	-	-	-	-
2016 ¹	-	-	-	-	-	-	-
2015 ¹	-	-	-	-	-	-	-
2014 ¹	-	-	-	-	-	-	-
2013 ¹	-	-	-	-	-	-	-
2012 ¹	-	-	-	-	-	-	-
2011 ¹	-	-	-	-	-	-	-
2010 ¹	-	-	-	-	-	-	-

¹ Actuarial information not available.

CITY OF MILWAUKIE, OREGON

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE

JUNE 30, 2019

CITY'S PROPORTIONATE SHARE OF THE NET RHIA OPEB LIABILITY (ASSET)

Measurement Date	City's ² proportion of the net OPEB liability (asset)	City's ² proportionate share of the net OPEB liability (asset)	City's covered payroll	City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability / (asset)
2018	0.09520229%	\$ (106,110)	\$ 9,921,800	-1.1%	108.9%
2017	0.00967439%	(39,733)	9,351,333	-0.4%	94.2%
2016 ¹	-	-	-	-	-
2015 ¹	-	-	-	-	-
2014 ¹	-	-	-	-	-
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-

CITY'S PROPORTIONATE SHARE OF THE OREGON PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (OPERS) NET PENSION LIABILITY (ASSET)

Measurement Date	City's ² proportion of the net pension liability (asset)	City's ² 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)
2018	0.10363730%	\$ 15,699,686	\$ 9,921,800	158.2%	82.1%
2017	0.10160770%	13,696,756	9,351,333	146.5%	83.1%
2016	0.10097892%	15,159,281	8,793,003	172.4%	80.5%
2015	0.09405887%	5,400,354	8,468,557	63.8%	91.9%
2014	0.10109889%	(2,291,623)	8,611,274	(26.6%)	103.6%
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-

¹ Actuarial information not available.

² Actuarial information provided by OPERS actuary.

CITY OF MILWAUKIE, OREGON

SCHEDULE OF THE CITY'S CONTRIBUTIONS

JUNE 30, 2019

SCHEDULE OF CITY'S OPEB RHIA PLAN CONTRIBUTIONS²

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 payroll
2019	\$ 48,677	\$ 48,677		\$ 10,798,700	0.45%
2018	46,027	46,027	-	10,109,017	0.46%
2017	47,590	47,590	-	9,921,800	0.48%
2016 ¹	-	-	-	-	-
2015 ¹	-	-	-	-	-
2014 ¹	-	-	-	-	-
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-

**SCHEDULE OF CITY'S OREGON PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (OPERS)
CONTRIBUTIONS²**

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 payroll
2019	\$ 1,404,433	\$ 1,404,433	\$ -	\$ 10,798,700	13.0%
2018	1,336,107	1,336,107	-	9,921,800	13.5%
2017	928,786	928,786	-	9,351,333	9.9%
2016	906,240	906,240	-	8,793,003	10.3%
2015	825,536	881,500	(55,964)	8,468,557	10.4%
2014	774,851	860,200	(85,349)	8,611,274	10.0%
2013 ¹	-	-	-	-	0.0%
2012 ¹	-	-	-	-	0.0%
2011 ¹	-	-	-	-	0.0%
2010 ¹	-	-	-	-	0.0%

¹ Information not available.

² Actuarial information provided by OPERS actuary.

CITY OF MILWAUKIE, OREGON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Required Supplementary Information includes budgetary comparisons for the general, transportation, and library 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. 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 review by the Budget Committee before City Council adoption. 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, 2019, one supplemental budget resolution and three budget transfers were approved through the second year of the 2018-2020 biennium.

2. Oregon Public Employee Retirement Pension Plan (PERS)

Changes in Assumptions – A summary of key changes implemented with the December 31, 2015 actuarial valuation which was used in the pension calculations and amounts reported for fiscal year ended June 30, 2019, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2014 actuarial valuation can be found at: <http://www.oregon.gov/pers>.

Changes in Plan Provisions Subsequent to Measurement Date – On July 28, 2017 the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective on January 1, 2019. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the result of this change is not readily available at this time.

3. Other Postemployment Benefits (OPEB)

Changes of Benefit Terms – OPEB (implicit rate subsidy plan) - There were no changes of benefit terms used to measure the June 30, 2019 total OPEB liability.

Changes of Assumptions – OPEB (implicit rate subsidy plan) – Below is a summary of key assumption changes implemented with the July 1, 2018 valuation utilized in the OPEB amounts reported for fiscal year ended June 30, 2019.

- Changes in Actuarial methods and Allocation Procedures – The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method.
- Health Care Cost Trend – Medical and vision costs increased to 6.0 per year.
- General Inflation – General inflation decreased to 2.5 percent.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental *Combining & Individual Fund Financial Statements*

Capital Projects Fund

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

Special Revenue Funds

Building Inspections Fund – accounts for building inspection activities which are restricted by statute.

Affordable Housing Fund – accounts for the collection of construction excise taxes to fund incentives for the development and construction of affordable housing.

Milwaukie Redevelopment Commission Fund – accounts for economic development which generates redevelopment in specific areas.

Debt Service Fund

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



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CITY OF MILWAUKIE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2019

	<u>Capital Projects</u>		<u>Special Revenue</u>		<u>Debt Service</u>	
	Systems Development Charges	Building Inspections	Affordable Housing	Milwaukie Redevelopment Commission	Debt Service	Total Non-Major Funds
ASSETS:						
Restricted cash and investments	\$ 1,864,553	\$ 2,051,616	\$ 306,531	\$ 267,739	\$ 358,944	\$ 4,849,383
Property taxes receivable	-	-	-	3,210	-	3,210
Accounts receivable	22,861	-	-	-	-	22,861
Prepaid expenditures	24,988	-	-	-	-	24,988
TOTAL ASSETS	<u>1,912,402</u>	<u>2,051,616</u>	<u>306,531</u>	<u>270,949</u>	<u>358,944</u>	<u>4,900,442</u>
LIABILITIES:						
Accounts payable	55,079	32,858	425	-	-	88,362
Accrued salaries and payroll taxes	-	8,058	-	-	-	8,058
Unearned revenue	17,756	-	-	-	-	17,756
TOTAL LIABILITIES	<u>72,835</u>	<u>40,916</u>	<u>425</u>	<u>-</u>	<u>-</u>	<u>114,176</u>
FUND BALANCES:						
Nonspendable	24,988	-	-	-	-	24,988
Restricted	1,814,579	2,010,700	306,106	270,949	358,944	4,761,278
TOTAL FUND BALANCES	<u>1,839,567</u>	<u>2,010,700</u>	<u>306,106</u>	<u>270,949</u>	<u>358,944</u>	<u>4,786,266</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,912,402</u>	<u>\$ 2,051,616</u>	<u>\$ 306,531</u>	<u>\$ 270,949</u>	<u>\$ 358,944</u>	<u>\$ 4,900,442</u>

CITY OF MILWAUKIE, OREGON

NONMAJOR GOVERNMENTAL FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Capital Projects</u>		<u>Special Revenue</u>		<u>Debt Service</u>		<u>Total Non-Major Funds</u>
	Systems Development Charges	Building Inspections	Affordable Housing	Milwaukie Redevelopment Commission	Debt Service		
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ 171,710	\$ 836,652		\$ 1,008,362
Intergovernmental	-	-	-	-	84,250		84,250
Licenses and permits	-	1,903,642	302,618	-	-		2,206,260
Systems development charges	488,172	-	-	-	-		488,172
Investment earnings	33,148	32,502	3,267	3,796	11,628		84,341
Miscellaneous	20,153	865	221	207	-		21,446
TOTAL REVENUES	<u>541,473</u>	<u>1,937,009</u>	<u>306,106</u>	<u>175,713</u>	<u>932,530</u>		<u>3,892,831</u>
EXPENDITURES:							
Personnel services	-	336,290	-	-	-		336,290
Materials and services	-	211,782	-	-	-		211,782
Debt service:							
Principal	-	-	-	-	575,000		575,000
Interest	-	-	-	-	367,305		367,305
Capital outlay	231,105	-	-	-	-		231,105
TOTAL EXPENDITURES	<u>231,105</u>	<u>548,072</u>	<u>-</u>	<u>-</u>	<u>942,305</u>		<u>1,721,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>310,368</u>	<u>1,388,937</u>	<u>306,106</u>	<u>175,713</u>	<u>(9,775)</u>		<u>2,171,349</u>
OTHER FINANCING SOURCES (USES):							
Transfers to other funds	-	(219,000)	-	-	-		(219,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(219,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(219,000)</u>
NET CHANGE IN FUND BALANCES	310,368	1,169,937	306,106	175,713	(9,775)		1,952,349
FUND BALANCES - beginning	1,529,199	840,763	-	95,236	368,719		2,833,917
FUND BALANCES - ending	<u>\$ 1,839,567</u>	<u>\$ 2,010,700</u>	<u>\$ 306,106</u>	<u>\$ 270,949</u>	<u>\$ 358,944</u>		<u>\$ 4,786,266</u>

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, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Systems development charges	\$ 1,409,000	\$ 1,409,000	\$ 488,172	\$ (920,828)
Investment earnings	6,000	6,000	33,148	27,148
Miscellaneous	-	-	20,153	20,153
TOTAL REVENUES	<u>1,415,000</u>	<u>1,415,000</u>	<u>541,473</u>	<u>(873,527)</u>
EXPENDITURES:				
Materials and services	575,000	575,000	-	575,000
Capital outlay	1,464,000	1,464,000	231,105	1,232,895
Contingency	887,000	887,000	-	887,000
TOTAL EXPENDITURES	<u>2,926,000</u>	<u>2,926,000</u>	<u>231,105</u>	<u>2,694,895</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,511,000)	(1,511,000)	310,368	(1,821,368)
FUND BALANCES - beginning	<u>1,511,000</u>	<u>1,511,000</u>	<u>1,529,199</u>	<u>(18,199)</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,839,567</u>	<u>\$ (1,839,567)</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, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Licenses and permits	\$ 1,890,000	\$ 2,045,000	\$ 1,903,642	\$ (141,358)
Intergovernmental	2,000	2,000	-	(2,000)
Investment earnings	-	-	32,502	32,502
Miscellaneous	10,000	10,000	865	(9,135)
TOTAL REVENUES	<u>1,902,000</u>	<u>2,057,000</u>	<u>1,937,009</u>	<u>(119,991)</u>
EXPENDITURES:				
Personnel services	681,000	736,000	336,290	399,710
Materials and services	244,000	344,000	211,782	132,218
Contingency	238,000	238,000	-	238,000
TOTAL EXPENDITURES	<u>1,163,000</u>	<u>1,318,000</u>	<u>548,072</u>	<u>769,928</u>
EXCESS OF REVENUES OVER EXPENDITURES	739,000	739,000	1,388,937	649,937
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(438,000)	(438,000)	(219,000)	219,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(438,000)</u>	<u>(438,000)</u>	<u>(219,000)</u>	<u>219,000</u>
NET CHANGE IN FUND BALANCES	301,000	301,000	1,169,937	868,937
FUND BALANCES - beginning	<u>712,000</u>	<u>712,000</u>	<u>840,763</u>	<u>128,763</u>
FUND BALANCES - ending	<u>\$ 1,013,000</u>	<u>\$ 1,013,000</u>	<u>\$ 2,010,700</u>	<u>\$ 997,700</u>

CITY OF MILWAUKIE, OREGON

AFFORDABLE HOUSING FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Excise tax	\$ 468,000	\$ 468,000	\$ 302,618	\$ (165,382)
Investment earnings	-	-	3,267	3,267
Miscellaneous	-	-	221	221
TOTAL REVENUES	<u>468,000</u>	<u>468,000</u>	<u>306,106</u>	<u>(161,894)</u>
EXPENDITURES:				
Materials and services	<u>468,000</u>	<u>468,000</u>	<u>-</u>	<u>468,000</u>
TOTAL EXPENDITURES	<u>468,000</u>	<u>468,000</u>	<u>-</u>	<u>468,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>306,106</u>	<u>306,106</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>306,106</u>	<u>306,106</u>
FUND BALANCES - beginning	<u>233,000</u>	<u>233,000</u>	<u>-</u>	<u>(233,000)</u>
FUND BALANCES - ending	<u>\$ 233,000</u>	<u>\$ 233,000</u>	<u>\$ 306,106</u>	<u>\$ 73,106</u>

CITY OF MILWAUKIE, OREGON

MILWAUKIE REDEVELOPMENT COMMISSION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Property taxes	\$ 212,000	\$ 212,000	\$ 171,710	\$ (40,290)
Investment earnings	10,000	10,000	3,796	(6,204)
Miscellaneous	-	-	207	207
TOTAL REVENUES	<u>222,000</u>	<u>222,000</u>	<u>175,713</u>	<u>(46,287)</u>
EXPENDITURES:				
Materials and services	100,000	100,000	-	100,000
Capital outlay	50,000	50,000	-	50,000
Contingency	25,000	25,000	-	25,000
TOTAL EXPENDITURES	<u>175,000</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	47,000	47,000	175,713	223,949
FUND BALANCES - beginning	<u>93,000</u>	<u>93,000</u>	<u>95,236</u>	<u>(93,000)</u>
FUND BALANCES - ending	<u>140,000</u>	<u>\$ 140,000</u>	<u>\$ 270,949</u>	<u>\$ 130,949</u>

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, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Property taxes	\$ 1,713,000	\$ 1,713,000	\$ 836,652	\$ (876,348)
Intergovernmental	172,000	172,000	84,250	(87,750)
Investment earnings	-	-	11,628	11,628
TOTAL REVENUES	<u>1,885,000</u>	<u>1,885,000</u>	<u>932,530</u>	<u>(952,470)</u>
EXPENDITURES:				
Debt service:				
Principal	1,165,000	1,165,000	575,000	590,000
Interest	722,000	722,000	367,305	354,695
TOTAL EXPENDITURES	<u>1,887,000</u>	<u>1,887,000</u>	<u>942,305</u>	<u>944,695</u>
EXCESS OF REVENUES OVER EXPENDITURES	(2,000)	(2,000)	(9,775)	(7,775)
FUND BALANCES - beginning	<u>399,000</u>	<u>399,000</u>	<u>368,719</u>	<u>(30,281)</u>
FUND BALANCES - ending	<u>\$ 397,000</u>	<u>\$ 397,000</u>	<u>\$ 358,944</u>	<u>\$ (38,056)</u>



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PROPRIETARY FUNDS

Individual Fund Financial Statements

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

WATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Water charges	\$ 9,320,000	\$ 9,320,000	\$ 4,485,288	\$ (4,834,712)
Reimbursement fees	16,000	16,000	30,362	14,362
Investment earnings	-	-	128,066	128,066
Miscellaneous	68,000	68,000	36,520	(31,480)
TOTAL REVENUES	<u>9,404,000</u>	<u>9,404,000</u>	<u>4,680,236</u>	<u>(4,723,764)</u>
EXPENDITURES:				
Personnel services	1,729,000	1,729,000	770,428	958,572
Materials and services	1,778,000	1,778,000	883,110	894,890
Capital outlay	4,276,000	4,276,000	791,557	3,484,443
Contingency	1,500,000	1,500,000	-	1,500,000
TOTAL EXPENDITURES	<u>9,283,000</u>	<u>9,283,000</u>	<u>2,445,095</u>	<u>6,837,905</u>
EXCESS OF REVENUES OVER EXPENDITURES	121,000	121,000	2,235,141	2,114,141
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	<u>(2,450,000)</u>	<u>(2,450,000)</u>	<u>(1,201,000)</u>	<u>(1,249,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,450,000)</u>	<u>(2,450,000)</u>	<u>(1,201,000)</u>	<u>(1,249,000)</u>
NET CHANGE IN FUND BALANCES	(2,329,000)	(2,329,000)	1,034,141	865,141
FUND BALANCES - beginning	<u>3,766,000</u>	<u>3,766,000</u>	<u>3,884,343</u>	<u>118,343</u>
FUND BALANCES - ending	<u>\$ 1,437,000</u>	<u>\$ 1,437,000</u>	<u>4,918,484</u>	<u>\$ 983,484</u>
RECONCILIATION TO NET POSITION - GAAP BASIS:				
Adjustment for capital assets not being depreciated			2,692,876	
Adjustment for capital assets, net of accumulated depreciation			7,643,787	
Adjustment for net pension liability			(659,245)	
Adjustment for Net OPEB asset			4,478	
Adjustment for total OPEB liability			(28,194)	
Adjustment for deferred outflows of resources			256,089	
Adjustment for deferred inflows of resources			(51,804)	
NET POSITION - GAAP BASIS, ending			<u>\$14,776,471</u>	

CITY OF MILWAUKIE, OREGON

WASTEWATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Wastewater charges	\$ 16,293,000	\$ 16,293,000	\$ 7,907,033	\$ (8,385,967)
Reimbursement fees	100,000	100,000	81,506	(18,494)
Investment Earnings	100,000	100,000	137,245	37,245
Miscellaneous	13,000	13,000	4,150	(8,850)
TOTAL REVENUES	<u>16,506,000</u>	<u>16,506,000</u>	<u>8,129,934</u>	<u>(8,376,066)</u>
EXPENDITURES:				
Personnel services	960,000	960,000	472,931	487,069
Materials and services	10,856,000	10,856,000	5,299,758	5,556,242
Debt service:				
Principal	97,000	97,000	96,458	542
Interest	5,000	5,000	6,029	(1,029)
Capital outlay	2,670,000	2,670,000	1,243,233	1,426,767
Contingency	1,500,000	1,500,000	-	1,500,000
TOTAL EXPENDITURES	<u>16,088,000</u>	<u>16,088,000</u>	<u>7,118,409</u>	<u>8,969,591</u>
EXCESS OF REVENUES OVER EXPENDITURES	418,000	418,000	1,011,525	593,525
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	<u>(2,150,000)</u>	<u>(2,150,000)</u>	<u>(1,048,000)</u>	<u>1,102,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,150,000)</u>	<u>(2,150,000)</u>	<u>(1,048,000)</u>	<u>1,102,000</u>
NET CHANGE IN FUND BALANCES	(1,732,000)	(1,732,000)	(36,475)	1,695,525
FUND BALANCES - beginning	<u>3,274,000</u>	<u>3,274,000</u>	<u>4,811,427</u>	<u>1,537,427</u>
FUND BALANCES - ending	<u>\$ 1,542,000</u>	<u>\$ 1,542,000</u>	4,774,952	<u>\$ 3,232,952</u>
RECONCILIATION TO NET POSITION - GAAP BASIS:				
Adjustment for capital assets not being depreciated			1,447,147	
Adjustment for capital assets, net of accumulated depreciation			8,319,730	
Adjustment for net pension liability			(355,321)	
Adjustment for Net OPEB asset			2,366	
Adjustment for total OPEB liability			(14,899)	
Adjustment for deferred outflows of resources			137,979	
Adjustment for unearned revenue			(159,436)	
Adjustment for deferred inflows of resources			(27,811)	
Adjustment for loan payable - due within one year			(96,458)	
Adjustment for loan payable less portion due within one year			(1,061,038)	
NET POSITION - GAAP BASIS, ending			<u>\$12,967,211</u>	

CITY OF MILWAUKIE, OREGON

STORMWATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2018-19	
REVENUES:				
Stormwater charges	\$ 9,473,000	\$ 9,473,000	\$ 4,326,295	\$ (5,146,705)
Investment earnings	108,000	108,000	111,493	3,493
Miscellaneous	24,000	24,000	21,905	(2,095)
TOTAL REVENUES	<u>9,605,000</u>	<u>9,605,000</u>	<u>4,459,693</u>	<u>(5,145,307)</u>
EXPENDITURES:				
Personnel services	1,624,000	1,624,000	706,197	917,803
Materials and services	1,211,000	1,211,000	485,271	725,729
Capital outlay	7,204,000	7,204,000	1,400,305	5,803,695
Contingency	991,000	991,000	-	991,000
TOTAL EXPENDITURES	<u>11,030,000</u>	<u>11,030,000</u>	<u>2,591,773</u>	<u>8,438,227</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,425,000)	(1,425,000)	1,867,920	3,292,920
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	7,050	7,050
Transfers to other funds	(2,644,000)	(2,644,000)	(1,296,000)	1,348,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,644,000)</u>	<u>(2,644,000)</u>	<u>(1,288,950)</u>	<u>1,355,050</u>
NET CHANGE IN FUND BALANCES	(4,069,000)	(4,069,000)	578,970	4,647,970
FUND BALANCES - beginning	<u>4,069,000</u>	<u>4,069,000</u>	<u>4,323,240</u>	<u>254,240</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>4,902,210</u>	<u>\$ 4,902,210</u>
RECONCILIATION TO NET POSITION - GAAP BASIS:				
Adjustment for capital assets not being depreciated			2,410,189	
Adjustment for capital assets, net of accumulated depreciation			3,871,512	
Adjustment for net pension liability			(582,051)	
Adjustment for Net OPEB asset			3,937	
Adjustment for total OPEB liability			(24,787)	
Adjustment for deferred outflows of resources			226,084	
Adjustment for deferred inflows of resources			(45,699)	
NET POSITION - GAAP BASIS, ending			<u>\$ 10,761,395</u>	

OTHER FINANCIAL SCHEDULES

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED
OFFICIALS



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CITY OF MILWAUKIE, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

JUNE 30, 2019

Future Debt Service Principal

Fiscal year	2014	2018	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
	Full Faith & Credit Bond	Full Faith & Credit Bond						
2020	\$ 60,000	\$ 1,230,000	\$ 150,000	\$ 380,000	\$ 29,533	\$ 240,000	\$ 96,458	\$ 2,185,991
2021	60,000	1,290,000	160,000	390,000	24,720	270,000	96,458	2,291,178
2022	60,000	-	165,000	395,000	24,919	305,000	96,458	1,046,377
2023	65,000	-	170,000	410,000	30,127	340,000	96,458	1,111,585
2024	65,000	-	180,000	420,000	30,346	380,000	96,458	1,171,804
2025	70,000	-	185,000	430,000	30,575	420,000	96,458	1,232,033
2026	75,000	-	195,000	450,000	30,819	465,000	96,458	1,312,277
2027	75,000	-	200,000	465,000	36,074	510,000	96,458	1,382,532
2028	80,000	-	205,000	480,000	36,339	230,000	96,458	1,127,797
2029	80,000	-	210,000	490,000	36,617	-	96,458	913,075
2030	-	-	220,000	500,000	36,906	-	96,458	853,364
2031	-	-	230,000	510,000	42,208	-	96,456	878,664
2032	-	-	240,000	525,000	42,524	-	-	807,524
2033	-	-	250,000	535,000	-	-	-	785,000
2034	-	-	260,000	550,000	-	-	-	810,000
2035	-	-	-	565,000	-	-	-	565,000
2036	-	-	-	580,000	-	-	-	580,000
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-
2043	-	2,625,000	-	-	-	-	-	2,625,000
2044	-	2,715,000	-	-	-	-	-	2,715,000
2045	-	2,810,000	-	-	-	-	-	2,810,000
2046	-	2,915,000	-	-	-	-	-	2,915,000
2047	-	3,020,000	-	-	-	-	-	3,020,000
2048	-	3,140,000	-	-	-	-	-	3,140,000
	<u>\$ 690,000</u>	<u>\$ 19,745,000</u>	<u>\$ 3,020,000</u>	<u>\$ 8,075,000</u>	<u>\$ 431,707</u>	<u>\$ 3,160,000</u>	<u>\$ 1,157,494</u>	<u>\$ 36,279,201</u>

Future Debt Service Interest

Fiscal year	2014	2018	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
	Full Faith & Credit Bond	Full Faith & Credit Bond						
2020	\$ 27,600	\$ 766,832	\$ 109,175	\$ 215,580	\$ 20,820	\$ 157,778	\$ 5,250	\$ 1,303,035
2021	25,200	705,332	103,175	207,980	19,633	146,116	4,750	1,212,186
2022	22,800	640,832	96,775	200,180	18,435	132,606	4,250	1,115,878
2023	20,400	640,832	90,175	188,330	17,225	117,344	3,750	1,078,056
2024	17,800	640,832	83,375	176,030	15,758	100,330	3,250	1,037,375
2025	15,200	640,832	76,175	163,430	14,278	81,316	2,750	993,981
2026	12,400	640,832	68,775	146,230	12,784	60,298	2,250	943,569
2027	9,400	640,832	62,925	128,230	11,279	37,030	1,750	891,446
2028	6,400	640,832	56,925	114,280	9,513	11,510	1,250	840,710
2029	3,200	640,832	50,775	104,680	7,736	-	750	807,973
2030	-	640,832	42,375	94,880	5,947	-	250	784,284
2031	-	640,832	33,575	84,255	4,145	-	-	762,807
2032	-	640,832	24,375	72,143	2,079	-	-	739,429
2033	-	640,832	16,575	59,018	-	-	-	716,425
2034	-	640,832	8,450	45,643	-	-	-	694,925
2035	-	640,832	-	31,205	-	-	-	672,037
2036	-	640,832	-	15,950	-	-	-	656,782
2037	-	640,832	-	-	-	-	-	640,832
2038	-	640,832	-	-	-	-	-	640,832
2039	-	640,832	-	-	-	-	-	640,832
2040	-	640,832	-	-	-	-	-	640,832
2041	-	640,832	-	-	-	-	-	640,832
2042	-	640,832	-	-	-	-	-	640,832
2043	-	640,832	-	-	-	-	-	640,832
2044	-	548,956	-	-	-	-	-	548,956
2045	-	453,932	-	-	-	-	-	453,932
2046	-	352,068	-	-	-	-	-	352,068
2047	-	246,400	-	-	-	-	-	246,400
2048	-	125,600	-	-	-	-	-	125,600
	<u>\$ 160,400</u>	<u>\$ 17,297,424</u>	<u>\$ 923,600</u>	<u>\$ 2,048,044</u>	<u>\$ 159,632</u>	<u>\$ 844,328</u>	<u>\$ 30,250</u>	<u>\$ 21,463,678</u>

CITY OF MILWAUKIE, OREGON

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	99
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	104
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.	109
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.	114
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.	117

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 54 in fiscal year 2011, GASB Statement 63 in fiscal year 2013, GASB Statement 65 in fiscal year 2014, GASB 68 in fiscal year 2015 and GASB 75 in fiscal year 2018.

CITY OF MILWAUKIE, OREGON

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

	Fiscal Year Ended									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
				(restated)	(restated)					
Governmental activities										
Net investment in capital assets	\$ 39,717	\$ 39,274	\$ 38,433	\$ 41,361	\$ 41,361	\$ 42,965	\$ 43,558	\$ 40,950	\$ 43,107	\$23,390
Restricted	2,714	2,125	2,235	1,788	1,789	1,921	2,200	11,587	12,250	7,851
Unrestricted	5,403	6,594	7,031	8,115	1,427	5,166	866	(7,168)	(6,469)	20,235
Total governmental activities net position	<u>47,834</u>	<u>47,993</u>	<u>47,699</u>	<u>51,265</u>	<u>44,577</u>	<u>50,052</u>	<u>46,624</u>	<u>45,369</u>	<u>48,888</u>	<u>51,476</u>
Business-type activities										
Net investment in capital assets	14,740	14,773	16,528	18,041	18,041	18,903	20,506	22,410	23,102	25,228
Restricted	-	-	12	12	12	12	12	12	12	12
Unrestricted	3,896	3,881	4,426	5,726	5,302	7,659	9,102	9,744	11,975	13,265
Total business-type activities net position	<u>18,636</u>	<u>18,654</u>	<u>20,966</u>	<u>23,779</u>	<u>23,355</u>	<u>26,574</u>	<u>29,620</u>	<u>32,166</u>	<u>35,090</u>	<u>38,505</u>
Primary government										
Net investment in capital assets	54,457	54,047	54,961	59,402	59,402	61,868	64,064	63,360	66,209	48,618
Restricted	2,714	2,125	2,247	1,800	1,801	1,933	2,212	11,599	12,262	7,863
Unrestricted	9,299	10,475	11,457	13,841	6,729	12,825	9,968	2,576	5,506	33,500
Total primary government net position	<u>\$ 66,470</u>	<u>\$ 66,647</u>	<u>\$ 68,665</u>	<u>\$ 75,043</u>	<u>\$ 67,932</u>	<u>\$ 76,626</u>	<u>\$ 76,244</u>	<u>\$ 77,535</u>	<u>\$ 83,978</u>	<u>\$89,982</u>

CITY OF MILWAUKIE, OREGON

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

	Fiscal Year Ending									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 3,854	\$ 9,813	\$ 9,489	\$ 9,109	\$ 9,322	\$ 7,811	\$ 10,757	\$ 10,568	\$ 11,437	\$ 12,078
Highways and streets	2,865	2,094	2,155	2,126	1,028	1,851	4,026	5,548	4,324	5,686
Public safety	7,627	6,210	6,720	6,636	6,458	5,412	7,685	7,201	7,630	7,711
Culture and recreation	2,376	1,585	1,770	2,630	2,665	2,309	3,102	3,240	3,185	3,537
Interest on long-term debt	318	292	273	487	407	408	367	568	560	1,310
Total governmental activities expenses	<u>17,040</u>	<u>19,994</u>	<u>20,407</u>	<u>20,988</u>	<u>19,880</u>	<u>17,791</u>	<u>25,937</u>	<u>27,125</u>	<u>27,136</u>	<u>30,322</u>
Business-type activities:										
Water	2,143	2,397	2,520	2,526	2,610	2,573	2,840	3,183	3,169	3,450
Wastewater	4,580	5,023	4,801	6,067	6,062	6,052	6,545	6,832	7,044	7,373
Stormwater	1,152	1,710	1,660	1,569	1,578	1,776	2,132	2,387	2,701	2,981
Total business-type activities expenses	<u>7,875</u>	<u>9,130</u>	<u>8,981</u>	<u>10,162</u>	<u>10,249</u>	<u>10,401</u>	<u>11,517</u>	<u>12,402</u>	<u>12,914</u>	<u>13,803</u>
Total primary government expenses	<u>\$ 24,915</u>	<u>\$ 29,124</u>	<u>\$ 29,388</u>	<u>\$ 31,150</u>	<u>\$30,130</u>	<u>\$28,192</u>	<u>\$37,454</u>	<u>\$39,527</u>	<u>\$40,050</u>	<u>\$44,125</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 467	\$ 5,110	\$ 5,052	\$ 5,150	\$ 5,323	\$ 5,695	\$ 6,773	\$ 7,391	\$ 9,981	\$ 11,408
Highways and streets	1,080	663	609	693	633	635	748	1,088	1,679	2,283
Public safety	1,746	1,940	1,734	1,693	1,609	948	307	307	447	-
Culture and recreation	59	59	59	67	60	60	60	-	-	1,782
Operating grants and contributions	2,697	3,313	3,555	4,610	4,454	4,324	2,935	4,742	4,030	-
Capital grants and contributions	27	47	80	107	145	1,731	1,478	312	2,139	-
Total governmental activities program revenues	<u>6,076</u>	<u>11,132</u>	<u>11,089</u>	<u>12,320</u>	<u>12,224</u>	<u>13,393</u>	<u>12,301</u>	<u>13,840</u>	<u>18,277</u>	<u>15,473</u>
Business-type activities:										
Charges for services:										
Water	2,273	2,173	2,354	2,819	3,158	3,698	3,965	3,798	4,075	4,522
Wastewater	4,437	5,032	4,947	6,316	6,627	6,894	7,290	7,668	7,935	7,964
Stormwater	1,722	1,794	1,840	1,989	2,212	2,581	2,946	3,382	3,835	4,348
Capital grants and contributions	-	-	1,929	10	-	-	-	-	-	-
Total business-type activities program revenues	<u>8,432</u>	<u>8,999</u>	<u>11,070</u>	<u>11,134</u>	<u>11,997</u>	<u>13,173</u>	<u>14,201</u>	<u>14,848</u>	<u>15,845</u>	<u>16,835</u>
Total primary government program revenues	<u>\$ 14,508</u>	<u>\$ 20,131</u>	<u>\$ 22,159</u>	<u>\$ 23,454</u>	<u>\$ 24,220</u>	<u>\$ 26,566</u>	<u>\$ 26,502</u>	<u>\$ 28,689</u>	<u>\$ 34,122</u>	<u>\$ 32,308</u>

Continued on next page

	Fiscal Year Ended									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense) Revenue										
Governmental activities	\$ (10,964)	\$ (8,862)	\$ (9,318)	\$ (8,668)	\$ (7,656)	\$ (4,399)	\$ (13,636)	\$ (13,285)	\$ (8,859)	\$ (14,849)
Business-type activities	557	(131)	2,089	972	1,747	2,772	2,684	2,446	2,932	3,032
Total primary government net expenses	<u>\$ (10,407)</u>	<u>\$ (8,993)</u>	<u>\$ (7,229)</u>	<u>\$ (7,696)</u>	<u>\$ (5,909)</u>	<u>\$ (1,627)</u>	<u>\$ (10,952)</u>	<u>\$ (10,838)</u>	<u>\$ (5,928)</u>	<u>\$ (11,817)</u>
General Revenues										
Governmental activities:										
Property taxes, levied for general purposes	\$ 5,998	\$ 6,112	\$ 6,487	\$ 6,565	\$ 7,014	\$ 7,590	\$ 7,925	\$ 8,927	\$ 9,292	\$ 9,430
Property taxes, levied for debt service	601	-	-	-	-	-	-	-	-	-
Franchise taxes	1,838	2,561	2,594	2,479	2,439	2,568	2,570	2,857	3,256	3,624
Intergovernmental	583	297	97	-	-	-	-	-	-	-
Miscellaneous	928	-	-	-	-	-	-	-	-	-
Interest and investment earnings	114	115	60	77	66	87	75	246	488	1,196
Gain on disposition of capital assets	-	-	-	4	-	75	-	-	39	44
Transfers	1,485	(64)	(214)	-	(93)	(448)	(362)	-	-	-
Total governmental activities	<u>11,547</u>	<u>9,021</u>	<u>9,021</u>	<u>9,125</u>	<u>9,426</u>	<u>9,872</u>	<u>10,208</u>	<u>12,030</u>	<u>13,076</u>	<u>14,294</u>
Business-type activities:										
Interest and investment earnings	12	85	9	-	-	-	-	99	55	377
Gain on disposition of capital assets	-	-	-	-	-	-	-	-	15	7
Transfers	(1,485)	64	214	-	93	448	362	-	-	-
Total business-type activities	<u>(1,473)</u>	<u>149</u>	<u>223</u>	<u>-</u>	<u>93</u>	<u>448</u>	<u>362</u>	<u>99</u>	<u>70</u>	<u>384</u>
Total primary government	<u>\$ 10,074</u>	<u>\$ 9,170</u>	<u>\$ 9,244</u>	<u>\$ 9,125</u>	<u>\$ 9,519</u>	<u>\$ 10,320</u>	<u>\$ 10,570</u>	<u>\$ 12,129</u>	<u>\$ 13,145</u>	<u>\$ 14,678</u>
Change in Net Position										
Governmental activities	\$ 583	\$ 159	\$ (297)	\$ 457	\$ 1,770	\$ 5,474	\$ (3,428)	\$ (1,255)	\$ 4,216	\$ (554)
Business-type activities	(916)	18	2,312	972	1,840	3,220	3,046	2,545	3,001	3,416
Total primary government	<u>\$ (333)</u>	<u>\$ 177</u>	<u>\$ 9,170</u>	<u>\$ 1,429</u>	<u>\$ 3,610</u>	<u>\$ 8,694</u>	<u>\$ (382)</u>	<u>\$ 1,291</u>	<u>\$ 7,217</u>	<u>\$ 2,861</u>

Continued from previous page

CITY OF MILWAUKIE, OREGON

FUND BALANCES OF GOVERNMENTAL FUNDS

for the last ten fiscal years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year Ended									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Nonspendable	\$ 13	\$ -	\$ -	\$ 36	\$ 35	\$ 65	\$ 146	\$ 130	\$ 125	\$ 110
Restricted	14	11	23	28	30	39	30	33	19	16
Assigned	-	201	-	-	-	-	-	-	-	-
Unassigned	6,116	6,086	5,759	5,380	5,974	5,676	5,939	7,175	7,408	9,038
Total general fund	<u>\$ 6,143</u>	<u>\$ 6,298</u>	<u>\$ 5,782</u>	<u>\$ 5,444</u>	<u>\$ 6,039</u>	<u>\$ 5,780</u>	<u>\$ 6,115</u>	<u>\$ 7,338</u>	<u>\$ 7,552</u>	<u>\$ 9,164</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 33	\$ 105	\$ 154	\$ 815	\$ 816	\$ 818	\$ 38
Restricted	2,610	2,115	2,211	1,995	1,618	1,725	1,799	11,199	11,878	7,993
Committed	-	-	1,739	1,322	1,459	1,954	1,627	2,858	3,858	21,705
Assigned	928	1,321	389	231	390	594	691	812	1,086	1,862
Total all other governmental funds	<u>\$ 3,538</u>	<u>\$ 3,436</u>	<u>\$ 4,339</u>	<u>\$ 3,581</u>	<u>\$ 3,572</u>	<u>\$ 4,426</u>	<u>\$ 4,932</u>	<u>\$15,685</u>	<u>\$17,640</u>	<u>\$31,598</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Property taxes	\$ 6,623	\$ 6,164	\$ 6,429	\$ 6,564	\$ 7,019	\$ 7,587	\$ 7,892	\$ 8,898	\$ 9,287	\$ 9,660
Intergovernmental	2,815	3,313	3,634	4,233	4,270	5,747	5,765	4,424	7,895	5,411
Franchise taxes	1,851	2,561	2,579	2,479	2,439	2,568	2,570	2,857	3,256	3,624
Fines and forfeitures	1,801	1,857	1,502	1,754	1,690	1,252	1,267	1,065	879	844
Licenses and permits	1,638	586	964	1,112	626	667	985	1,058	1,766	2,864
Charges for services	-	5,235	4,637	5,176	5,155	5,042	5,158	6,447	7,099	8,646
Miscellaneous	841	412	114	223	224	327	303	636	914	2,046
Total revenues	<u>15,569</u>	<u>20,128</u>	<u>19,859</u>	<u>21,541</u>	<u>21,423</u>	<u>23,189</u>	<u>23,940</u>	<u>25,386</u>	<u>31,097</u>	<u>33,094</u>
Expenditures:										
Current:										
General government	1,983	8,495	8,328	8,066	8,165	7,867	8,687	9,168	10,552	11,073
Highway and streets	1,099	1,870	1,891	1,883	1,753	1,712	1,708	2,117	2,072	3,264
Public safety	7,627	5,546	5,897	5,877	5,590	5,955	6,149	6,435	6,655	6,839
Culture and recreation	2,246	1,415	1,553	2,329	2,339	2,350	2,468	2,689	2,636	2,793
Debt service:										
Principal	488	570	144	378	196	3,983	379	778	792	2,039
Interest	303	292	273	253	415	557	380	564	581	1,320
Capital outlay	1,766	1,386	1,385	7,508	2,441	5,181	2,967	1,274	6,119	11,217
Total expenditures	<u>15,512</u>	<u>19,574</u>	<u>19,471</u>	<u>26,294</u>	<u>20,899</u>	<u>27,607</u>	<u>22,738</u>	<u>23,025</u>	<u>29,407</u>	<u>38,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57</u>	<u>554</u>	<u>388</u>	<u>(4,753)</u>	<u>524</u>	<u>(4,417)</u>	<u>1,202</u>	<u>2,361</u>	<u>1,689</u>	<u>(5,453)</u>
Other financing sources (uses):										
Transfers from other funds	776	8,245	-	-	-	-	57	-	-	311
Transfers to other funds	(754)	(8,572)	-	-	-	-	(419)	-	-	(311)
Proceeds from sale of capital assets	-	13	-	6	-	-	-	-	95	44
Proceeds from bond premium	-	-	-	-	-	-	-	-	-	394
Issuance of debt	-	-	-	3,650	63	4,660	-	9,200	-	-
Proceeds from borrowing	-	-	-	-	-	-	-	-	385	20,585
Bond premium on issuance of debt	-	-	-	-	-	353	-	416	-	-
Total other financing sources (uses)	<u>22</u>	<u>(314)</u>	<u>-</u>	<u>3,656</u>	<u>63</u>	<u>5,013</u>	<u>(362)</u>	<u>9,616</u>	<u>480</u>	<u>21,023</u>
Net change in fund balances	<u>\$ 79</u>	<u>\$ 240</u>	<u>\$ 388</u>	<u>\$(1,097)</u>	<u>\$ 586</u>	<u>\$ 595</u>	<u>\$ 840</u>	<u>\$ 11,977</u>	<u>\$ 2,169</u>	<u>\$ 15,570</u>
Debt service as a percentage of noncapital expenditures	5.8%	4.7%	2.3%	3.4%	3.3%	20.2%	3.8%	6.2%	5.9%	12.3%

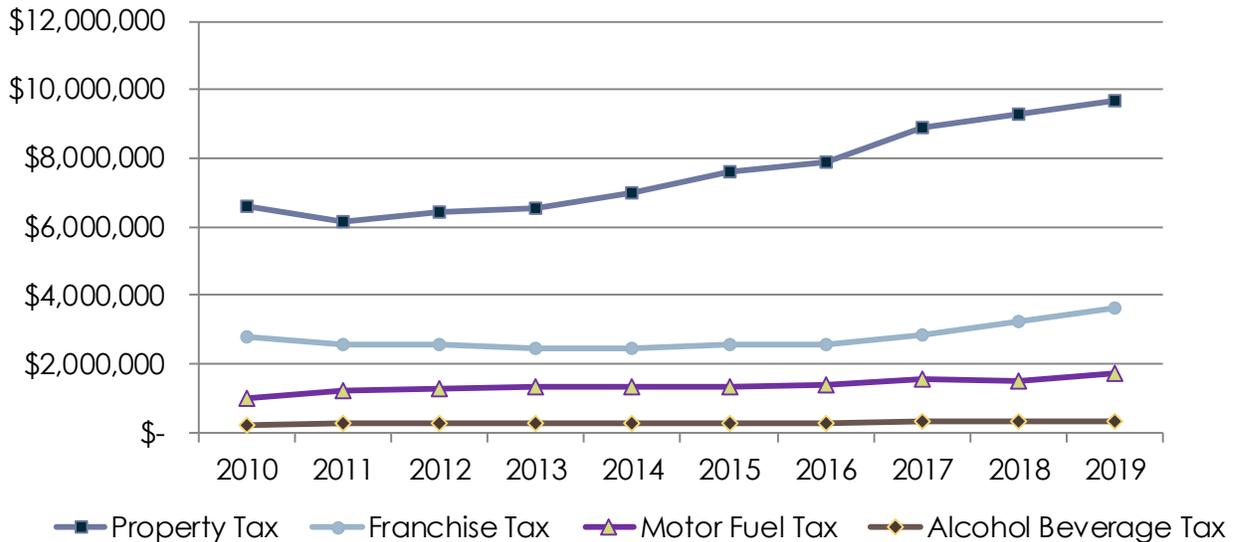
CITY OF MILWAUKIE, OREGON

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 Tax¹	Alcoholic Beverage Tax¹	Total
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
2016	7,891,754	2,570,403	1,393,489	297,093	12,152,739
2017	8,898,323	2,857,017	1,578,903	314,256	13,648,499
2018	9,287,485	3,255,650	1,497,631	327,481	14,368,247
2019	9,663,776	3,624,295	1,756,320	310,238	15,354,629

¹ 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

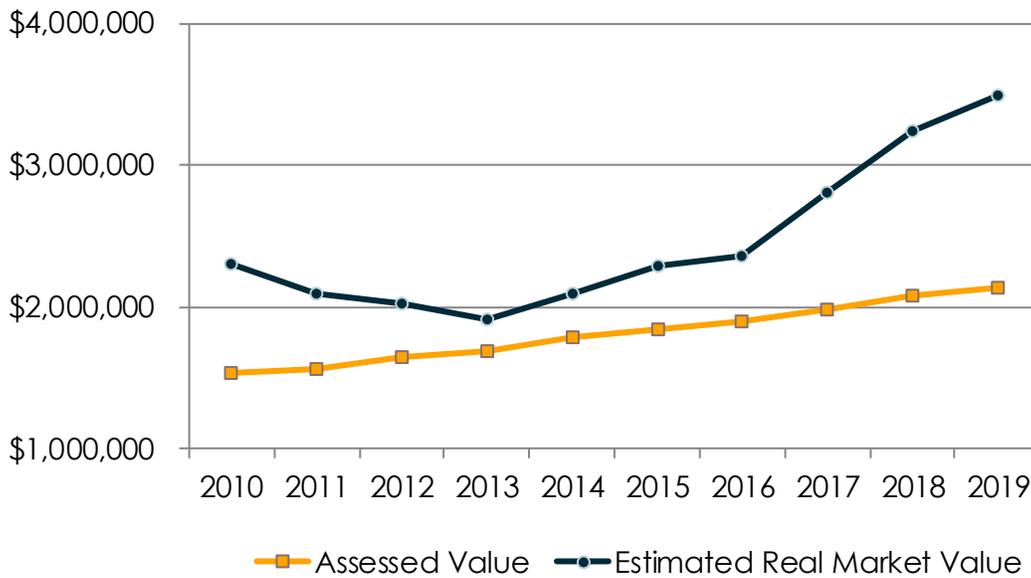
ASSESSED VALUE AND ESTIMATED REAL MARKET VALUE OF TAXABLE PROPERTY
for the last ten fiscal years
(in thousands)

Fiscal year	Assessed Value					Total assessed value (AV)	Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manufactured structure	Public utility	Estimated real market value (RMV)				
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	
2016	1,764,097	60,350	1,201	71,879	1,897,527	4.1866	2,368,057	80	
2017	1,838,296	73,811	1,281	69,117	1,982,505	4.5718	2,804,852	71	
2018	1,913,170	80,904	1,370	80,373	2,075,816	4.5276	3,235,850	64	
2019	1,988,267	82,662	1,477	65,811	2,138,216	4.4724	3,499,027	61	

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

Source: Clackamas and Multnomah County Departments of Assessment and Taxation.

Assessed Value and Estimated Real Market Value



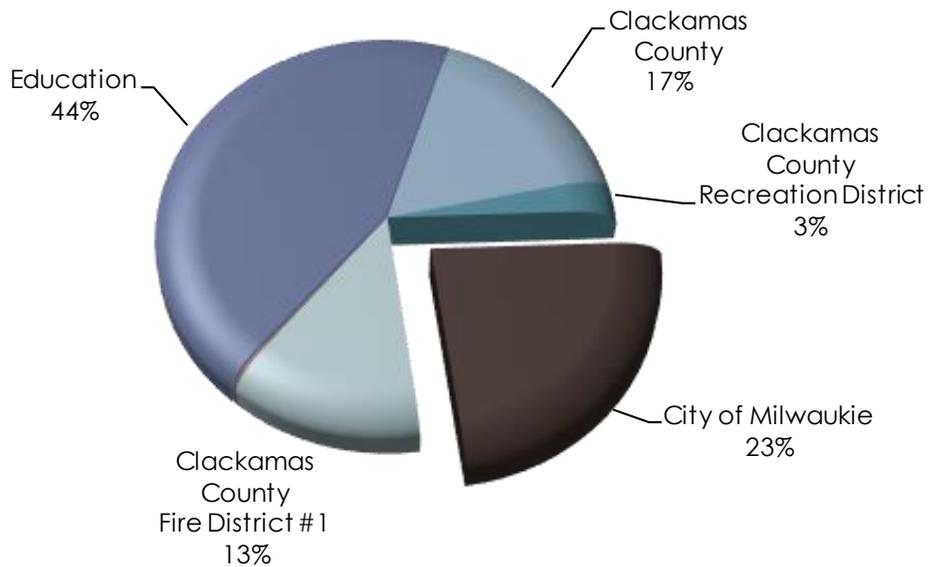
CITY OF MILWAUKIE, OREGON

PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
for the last ten fiscal years
(rate per \$1,000 of assessed value)

Fiscal year	City direct rates					Overlapping rates							Total direct and overlapping
	Permanent tax rate	Bonded debt tax rate	Less CCFD#1 permanent tax rate	Less CCFD#1 bonded debt rate	Total direct	North Clackamas School District	Clackamas County	Clackamas County Fire Dist #1	Clackamas County Recreation District	Clackamas County Community College	Education Service District	Other	
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
2016	6.5379	0.1438	(2.4012)	(0.0939)	4.1866	7.24	3.22	2.50	0.54	0.75	0.37	0.05	18.84
2017	6.5379	0.5277	(2.4012)	(0.0926)	4.5718	7.23	3.22	2.49	0.54	0.74	0.37	0.05	19.21
2018	6.5379	0.4972	(2.4012)	(0.1063)	4.5276	7.22	3.22	2.51	0.54	0.75	0.37	0.05	19.19
2019	6.5379	0.4270	(2.4012)	(0.0913)	4.4724	7.24	3.22	2.49	0.54	0.74	0.37	0.05	19.13

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	2019			2010		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
PCC Structural Inc.	\$ 63,771,701	1	3.1%	\$ 20,443,105	2	1.4%
Blount Inc.	59,643,185	2	2.9	41,029,487	1	2.8
Comcast Corporation	23,543,000	3	1.1	10,175,000	6	
Waverly Greens Apts	24,091,172	4	1.2	15,114,128	3	1.0
Lincoln Advisory Group LTD	19,163,530	5	0.9			
Carlston Greg	16,763,546	6	0.8			
Portland General Electric Co	17,078,000	7	0.8	9,578,000	8	0.6
KIMCO Realty Group	13,173,037	8	0.6			
Miramonte Milwaukie LP	12,172,713	9	0.6			
SE International Way SPE LLC	11,190,557	10	0.5	8,817,340	10	0.6
Downs Alice M Trustee				12,396,746	5	0.8
Moda (fka ODS) Plaza Inc				-		0.0
Holland Partners				9,888,205	7	0.7
SSR Realty Advisors				13,901,260	4	0.9
Art Mtg Borrower Property Co				8,913,518	9	0.6
Sub-total, top ten	260,590,441		12.6	150,256,789		10.1
All other City taxpayers	1,815,225,780		87.4	1,330,612,959		89.9
Total City taxpayers	<u>\$ 2,075,816,221</u>		<u>100.0%</u>	<u>\$ 1,480,869,748</u>		<u>100.0%</u>

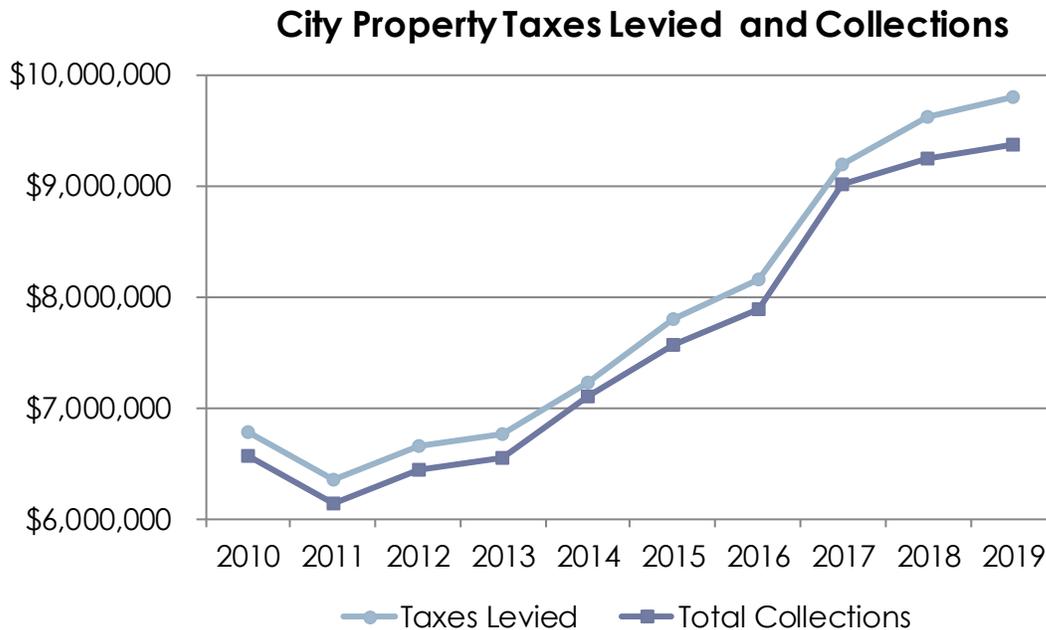
Source: Clackamas County Assessor's Office.

CITY OF MILWAUKIE, OREGON

PROPERTY TAX LEVIES AND COLLECTIONS
for the last ten fiscal years

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2010	\$ 6,785,356	\$ 6,355,747	93%	\$ 204,877	\$ 6,560,624	97%
2011	6,350,048	5,918,005	93	214,125	6,132,130	97
2012	6,660,414	6,239,599	94	195,351	6,434,950	97
2013	6,769,000	6,362,993	94	186,454	6,549,447	97
2014	7,220,047	6,821,366	94	277,116	7,098,482	98
2015	7,802,935	7,389,248	95	181,795	7,571,043	97
2016	8,150,481	7,752,374	95	134,134	7,886,508	97
2017	9,194,072	8,899,767	97	107,448	9,007,215	98
2018	9,616,768	9,136,795	95	104,306	9,241,101	96
2019	9,795,064	9,366,814	96	-	9,366,814	96

Source: City of Milwaukie Finance Department.



CITY OF MILWAUKIE, OREGON

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

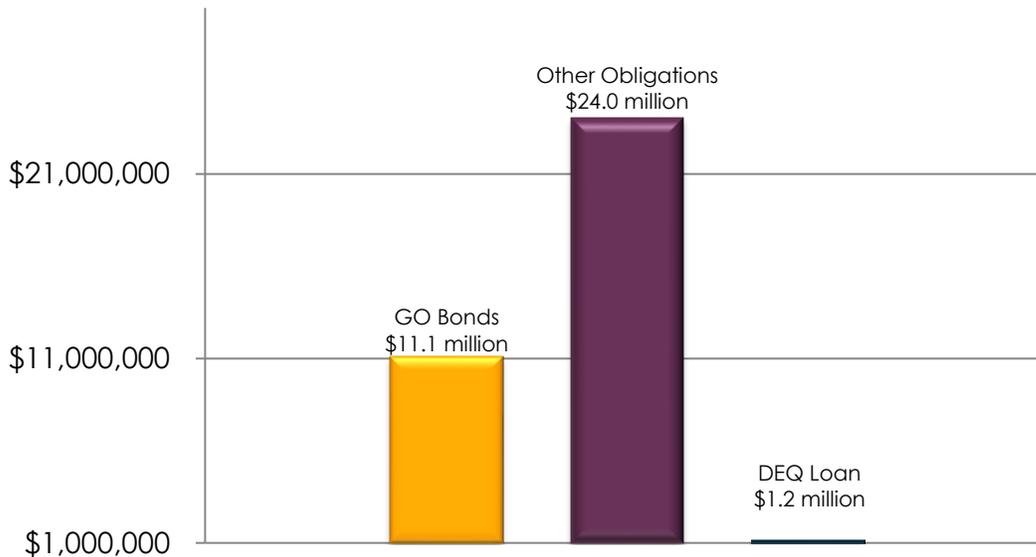
Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of Personal income	Per capita**
	General obligation bonds	Other Obligations	Water Revenue bonds	Wastewater/ DEQ loan			
2010	\$ 450,000	\$ 5,436,133	-	\$ 2,229,318	\$8,115,451	1.00	400
2011	-	5,316,547	-	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	1.06	487
2015	3,829,279	5,494,629	-	1,543,200	10,867,108	1.10	530
2016	3,683,083	5,245,813	-	1,446,700	10,375,596	1.00	506
2017	12,819,141	4,904,904	-	1,350,200	19,074,245	1.71	930
2018	12,654,084	4,576,066	-	1,253,952	18,484,102	*	899
2019	11,095,000	24,026,707	-	1,157,494	36,279,201	*	1,767

* Information unavailable at this time.

**Population data can be found on page 110.

Source: Annual financial statements of the City of Milwaukie.

Outstanding Debt by Type



CITY OF MILWAUKIE, OREGON

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
for the last ten fiscal years

Fiscal year	General obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property ¹	Per capita ²
2009	\$ 875,000	\$ (344,995)	\$ 530,005	0.04%	25
2010	450,000	(484,787)	(34,787)	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	3,829,279	(100,460)	3,728,819	0.20	182
2016	3,683,083	(110,750)	3,572,333	0.18	174
2017	12,819,141	(245,984)	12,573,157	0.63	613
2018	12,654,084	(368,719)	12,285,365	0.59	598
2019	11,095,000	(363,030)	10,731,970	0.50	523

¹ Assessed value property data can be found on page 101.

² Population data can be found on page 110.

CITY OF MILWAUKIE, OREGON

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
as of June 30, 2019

<u>Governmental unit</u>	<u>Real Market Values of Overlapping Districts</u>	<u>Tax-Supported Debt Outstanding</u>	<u>Percentage Overlapping¹</u>	<u>Overlapping Debt Applicable to the City of Milwaukie</u>
Debt repaid with property taxes:				
Clackamas Community College	\$ 57,813,899,000	\$ 93,763,913	6.02%	\$ 5,643,650
Clackamas County	78,616,684,571	129,945,000	4.43	5,751,756
Clackamas City RFPD 1	35,892,916,692	29,447,277	9.77	2,878,324
Clackamas City SD 12 (North Clackamas)	22,896,359,786	694,062,196	15.20	105,484,267
Metro	331,648,968,470	819,020,000	1.06	8,664,413
Multnomah County	175,598,998,220	330,220,117	0.02	53,826
Multnomah City SD 1J (Portland)	133,711,723,974	867,455,242	0.02	185,635
Portland Community College	264,075,363,856	602,297,900	0.01	65,048
Subtotal, overlapping debt	1,100,254,914,569	3,566,211,645		128,726,919
Direct debt outstanding:				
City of Milwaukie	3,499,027,416	35,121,707	100.00%	35,121,707
Total direct and overlapping debt outstanding	\$ 1,103,753,941,985	\$ 3,601,333,352		\$ 163,848,626

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

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

Source: Oregon State Treasury Department, Debt Management Division.

CITY OF MILWAUKIE, OREGON

LEGAL DEBT MARGIN INFORMATION
for the last ten fiscal years
(in thousands)

	Fiscal Year Ended				
	2010	2011	2012	2013	2014
Debt maximum limitation	\$ 69,019	\$ 62,716	\$ 60,719	\$ 57,459	\$ 62,842
Debt applicable to maximum limit	450	-	-	-	-
Legal debt margin available	<u>\$ 69,469</u>	<u>\$ 62,716</u>	<u>\$ 60,719</u>	<u>\$ 57,459</u>	<u>\$ 62,842</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0.65%	0.00%	0.00%	0.00%	0.00%
	2015	2016	2017	2018	2019
Debt maximum limitation	\$ 68,609	\$ 71,042	\$ 84,146	\$ 97,075	\$ 104,971
Debt applicable to maximum limit	3,585	3,450	12,125	12,654	11,095
Legal debt margin available	<u>\$ 72,194</u>	<u>\$ 67,592</u>	<u>\$ 72,021</u>	<u>\$ 84,421</u>	<u>\$ 93,876</u>
Debt applicable to the maximum limit as a percentage of debt limitation	5.23%	4.86%	14.41%	13.04%	10.57%

Legal debt margin calculation for fiscal year ended June 30, 2019:

Total property real market value	\$ 3,499,027,416
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) ¹	<u>104,970,822</u>
Amount of debt applicable to debt limit:	
Total debt	36,279,201
Less debt excluded from debt limit:	
SPWF loan	(431,707)
PERS UAL bonds	(3,160,000)
Full Faith and Credit Obligation bonds	(20,435,000)
Oregon DEQ loan	(1,157,494)
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>11,095,000</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 93,875,822</u>
Percentage of City's indebtedness to total allowed	10.57%

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

Source: Clackamas County Department of Assessment and Taxation.

CITY OF MILWAUKIE, OREGON

PLEDGED-REVENUE COVERAGE
for the last ten fiscal years

Water Revenue Bonds

Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
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
2016	-	-	-	-	-	n/a
2017	-	-	-	-	-	n/a
2018	-	-	-	-	-	n/a
2019	-	-	-	-	-	n/a

Wastewater Department of Environmental Quality Loan

Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
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
2016	7,289,147	6,186,770	1,102,377	96,500	7,250	10.63
2018	7,649,464	6,409,137	1,240,327	96,500	6,993	11.98
2019	7,967,674	6,868,920	1,098,754	96,458	6,029	10.72

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

Source: Annual financial statements of the City of Milwaukie.

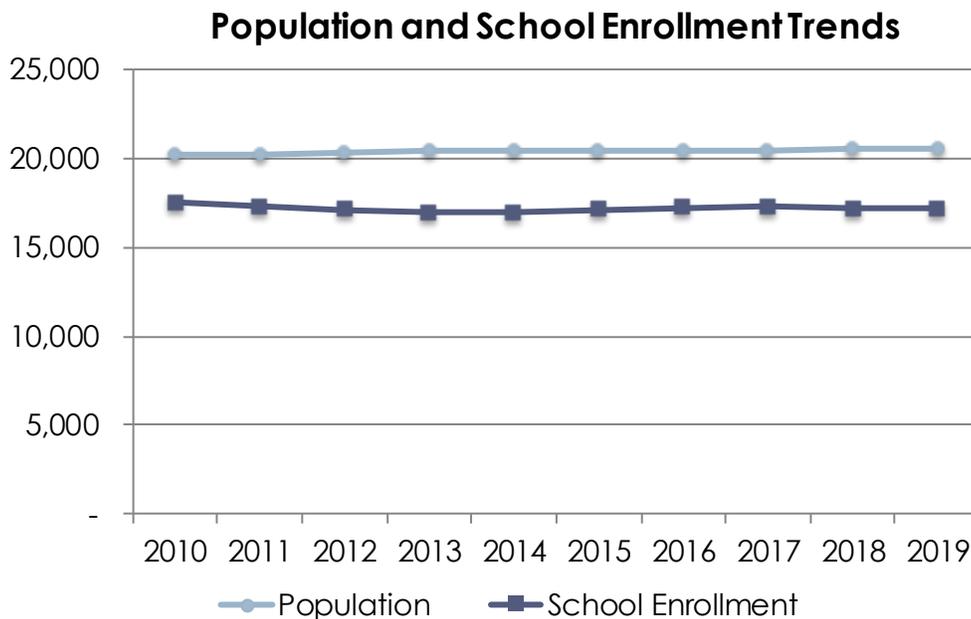
CITY OF MILWAUKIE, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS
for the last ten fiscal years

Fiscal year	Population	Personal income (in thousands)	Per capita personal income	School enrollment	Unemployment rate
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	935,800	45,794	16,993	4.6
2015	20,491	992,215	48,422	17,130	5.5
2016	20,491	1,034,570	50,489	17,241	5.2
2017	20,510	1,114,288	54,329	17,309	3.7
2018	20,556	*	*	17,177	4.1
2019	20,528	*	*	17,177	4.3

* Information unavailable at this time.

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



CITY OF MILWAUKIE, OREGON

PRINCIPAL EMPLOYERS
current year and nine years ago

Employer	2019			2012²		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Blount Inc.	874	1	5.83%			
Providence Milwaukie Hospital	395	2	2.63			
North Clackamas School District ¹	385	3	2.57	385	4	2.79%
PCC Structural Inc.	272	4	1.81	500	2	3.62
Oeco LLC	256	5	1.71	300	5	2.17
ODS (Moda)	198	6	1.32			
Nature Bake	196	7	1.31			
Consonus Pharmacy Services	150	8	1.00			
City of Milwaukie	150	9	1.00			
Alpine Food Distributing	129	10	0.86			
Bob's Red Mill Natural Foods				250	7	1.81
United Grocers				630	1	4.57
R M International				500	3	3.62
Safeway (3 locations)				280	6	2.03
To Your Home from Willamette				200	8	1.45
Stoner Electric Group				150	10	1.09
Marquis Home Health				200	9	1.45
Total	3,005		20.03%	3,010		21.81%

¹ North Clackamas School District has approximately 2,088 employees. There are 385 employees in the schools located in Milwaukie including Milwaukie High School, Ardenwald, Lewelling, Linwood, Milwaukie Elementary and Rowe Middle School.

² The earliest available data is 2012.

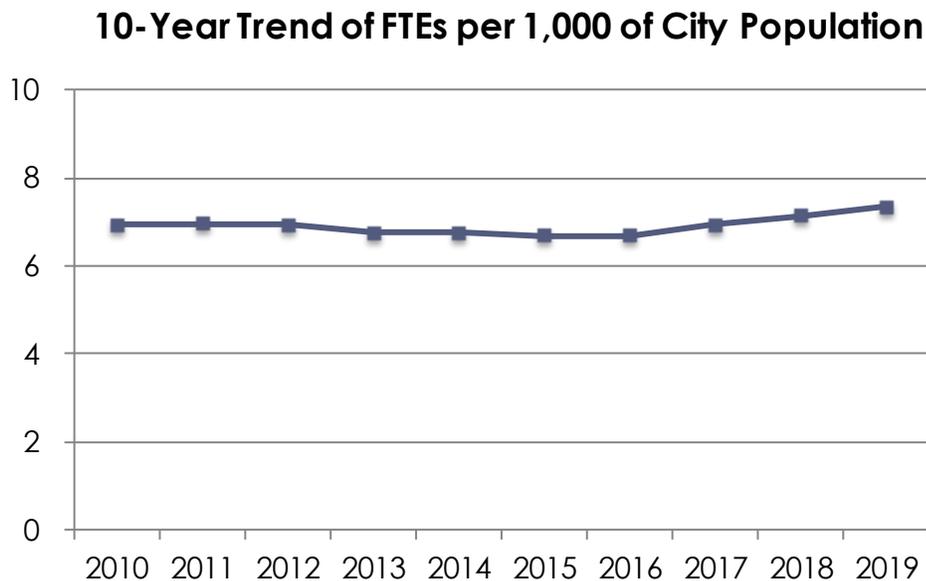
Source: City of Milwaukie Finance Department.

CITY OF MILWAUKIE, OREGON

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	19.00	22.30	20.50	20.50	20.50	18.90	17.70	25.00	24.00	24.50
Public safety	43.00	41.50	42.00	42.25	42.25	41.85	41.85	42.75	42.75	41.75
Community services	24.25	23.79	24.76	23.76	23.76	25.26	26.46	26.26	27.26	28.01
Community development	23.75	24.50	24.50	23.50	23.50	20.60	20.60	17.00	20.00	23.00
Facilities	2.00	2.67	2.67	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Streets	5.50	6.30	6.30	6.00	6.00	5.50	5.50	5.00	5.00	6.00
Water	5.84	6.30	7.30	7.00	7.00	7.20	7.20	8.20	8.20	8.20
Wastewater	5.33	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Stormwater	5.33	5.80	5.80	5.25	5.25	7.80	7.80	8.30	8.50	8.50
Fleet services	6.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total FTEs	140.75	141.16	141.83	138.26	138.26	137.11	137.11	142.51	146.71	150.96
City Population	20,291	20,290	20,400	20,435	20,435	20,491	20,491	20,510	20,556	20,528
FTEs per 1,000 of population	6.94	6.96	6.95	6.77	6.77	6.69	6.69	6.95	7.14	7.35

Source: City of Milwaukie Finance Department.



CITY OF MILWAUKIE, OREGON

OPERATING INDICATORS BY FUNCTION
for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Public safety										
Citations:										
Traffic	12,540	11,415	10,306	14,959	12,522	9,159	9,813	7,633	4,340	4,288
Parking	384	433	721	949	463	243	1,629	1,261	1,459	2,238
City ordinance	74	90	114	137	92	141	93	85	96	91
Non-traffic violation	102	170	127	119	126	147	148	72	9	9
Total citations processed	13,100	12,108	11,268	16,164	13,203	9,690	11,683	9,051	5,904	6,626
Number of seat belt classes	218	40	34	65	54	27	42	58	31	29
Number of officers per 1,000 capita	1.70	1.80	1.90	1.60	1.60	1.60	1.60	1.60	1.60	1.57
Culture and recreation										
Library items in collection ¹	117,788	121,078	121,982	120,075	117,693	118,024	115,040	114,360	95,152	92,394
Circulation	671,554	717,821	709,618	720,951	725,861	711,150	685,157	660,438	635,428	512,487
Average circulation per capita	33.01	35.48	33.70	18.43	18.25	17.84	17.08	16.34	15.80	12.39
Number of library programs	378	408	505	539	611	663	627	615	623	471
Attendance at library programs	11,415	11,987	12,619	15,580	17,230	19,565	20,079	20,513	19,834	13,992
Number of library volunteers	1,114	1,368	1,507	1,561	1,473	1,607	1,547	1,470	1,386	937
Library volunteer hours	8,513	8,493	8,679	9,591	9,004	9,798	9,948	8,646	7,758	6,135
Community development										
Building:										
Building permits issued	523	550	587	157	144	185	240	218	298	261
Inspections performed	2,784	1,450	1,430	1,514	1,577	1,693	1,872	2,128	3,107	4,443
Investigations	56	64	55	50	40	48	15	26	36	42
Violations resolved	18	20	19	25	29	33	9	18	24	35
Planning:										
Land use applications processed ²	14	15	72	67	58	87	100	156	139	131
Business-type activities:										
Water										
Service connections	6,911	7,000	6,929	6,690	6,777	6,813	6,870	6,870	6,845	6,911
Number of fire hydrants maintained	180	419	409	792	788	789	404	105	6	90
Sanitary sewer (in feet)										
Sewer mainline cleaning	139,876	125,000	110,610	143,034	109,594	134,263	99,998	74,360	41,312	113,523
Mainline inspections completed	113,401	125,000	125,894	152,541	124,525	134,663	165,396	70,326	49,755	121,281

¹ Previous years (FY 2013 - FY 2015) have been corrected.

Source: Various departments within the City of Milwaukie.

CITY OF MILWAUKIE, OREGON

CAPITAL ASSET STATISTICS BY FUNCTION
for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2010 ¹	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government										
City-owned building facilities	4	4	5	5	5	5	5	5	5	5
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	13	17	24	24	24	24	24	21	21
Culture and recreation										
Library facility	1	1	1	1	1	1	1	1	1	1
Community development										
Residential Construction	\$ 417	\$ 312	\$ -	\$ 1,343	\$ 2,029	\$ 2,370	\$ 2,135	\$ 6,994	\$30,685	\$ 7,849
Commercial Construction	674	669	9,822	16,804	1,656	610	303	5,266	41,264	69,440
Total value of new building construction (in thousands) ²	\$ 1,091	\$ 982	\$ 9,822	\$18,147	\$ 3,685	\$ 2,980	\$ 2,438	\$12,260	\$71,949	\$77,289
Highways and streets										
Miles of streets (street lane miles)	158	215	165	158	158	160	160	160	157	159
Surface water catch basins	1,100	1,190	1,613	1,603	1,622	1,631	1,631	1,679	1,685	1,701
Business-type activities:										
Water										
Water mains (miles)	102	115	100	100	100	100	100	100	101	100
Number of pump stations	4	4	4	5	5	5	5	5	5	5
Number of water storage reservoirs	3	3	3	3	3	3	3	3	3	3
Sanitary sewer										
Sanitary sewer (miles)	70	74	78	79	79	79	79	79	79	79
Number of sewer manholes	1,600	1,607	1,688	1,695	1,697	1,692	1,692	1,692	1,700	1,706

¹ Information for fiscal years 2009 – 2010 is not available, therefore estimates were used based upon best historical information available.

² Information in years 2009 - 2011 were previously reported without commercial buildings.

Source: Various departments within the City of Milwaukie.

SECTION IV

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATIONS

CITY OF MILWAUKIE, OREGON
COMPLIANCE SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 report from Merina+Co. is contained in this section:

- Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON STATE REGULATION***

Honorable Mayor and City Council
City of Milwaukie, Oregon

We have audited the basic financial statements of City of Milwaukie, Oregon, as of and for the year ended June 30, 2019 and have issued our report thereon dated December 12, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether City of Milwaukie, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- 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, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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. In connection with our testing, nothing came to our attention that caused us to believe City of Milwaukie, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered City of Milwaukie, Oregon'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 City of Milwaukie, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Milwaukie, Oregon'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
December 12, 2019

FINANCE DEPARTMENT

FINANCE DIRECTOR

Bonnie Dennis, MBA

DennisB@milwaukieoregon.gov

ASSISTANT FINANCE DIRECTOR

Keith McClung

McClungk@milwaukieoregon.gov



CITY OF MILWAUKIE

10722 SE Main Street

Milwaukie, OR 97222

(503) 786-7555

www.milwaukieoregon.gov/finance