



CITY OF MILWAUKIE

Welcome
To



2020

MILWAUKIE, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020

CITY OF MILWAUKIE, OREGON COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**



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CITY OF MILWAUKIE, OREGON
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2020
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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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March 15, 2021

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, 2020 is hereby submitted.

This report presents the financial position of the City as of June 30, 2020 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, 2020. 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 20,556 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.

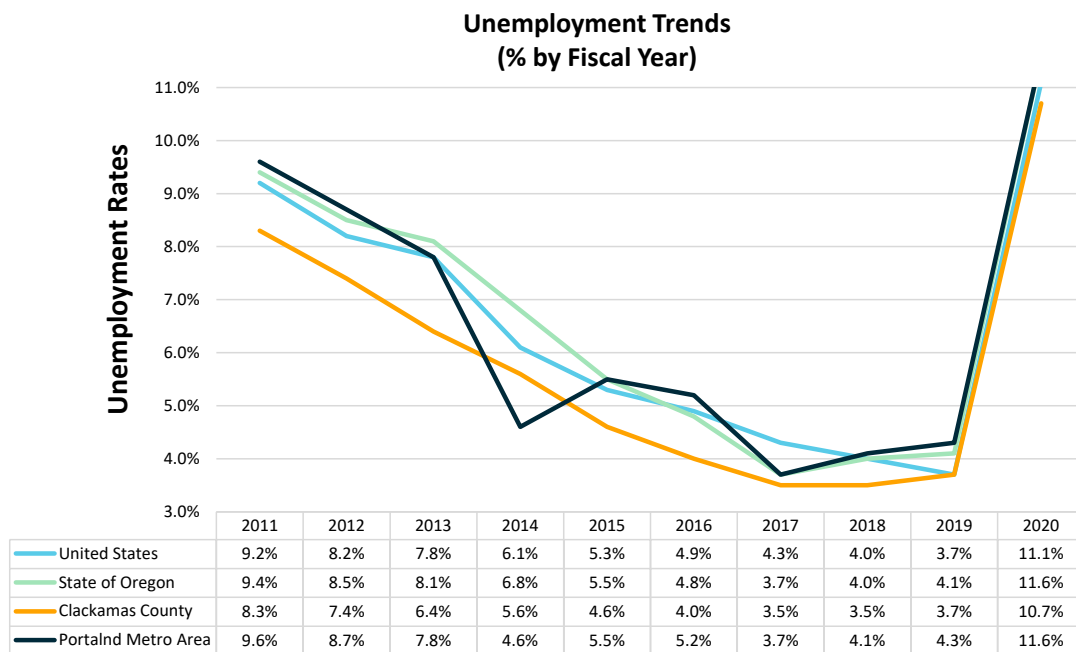
The City maintains budgetary controls to ensure compliance with legal provisions in the biannual appropriated budget adopted by the City Council. The level of budgetary control (the position in which expenditures cannot legally exceed the appropriated amount) is established by program within each individual 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 2011. Although recent events of the pandemic have shown a significant spike in unemployment rates across the nation as of June 30, 2020, however, the rates have declined in the latter half of 2020 to approximately 6.4% for the state as of December 2020.



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 2021-2022 biennial budget that was adopted in June 2020.

The Master Fee Schedule guiding the City's rates and charges is updated with the City's biennial budget process. The utility rate increases are approved by City Council with the support of the Budget Committee and the Citizens Utility Advisory Board. Utility rates consist of the Safe Access for Everyone (SAFE) and Street Surface Maintenance Program (SSMP) fees that have a basis based on type of use. These rates are either increased or decreased dependent upon the

Construction Cost Index (CCI). There was an increase in CCI from .83% to 3.59% in the fiscal year. Water, Stormwater and Wastewater fees individually increased by 2.5 percent.

The City's long-term debt increased in June 2020 with a \$6.7 full faith and credit obligations to fund the purchase of a new City Hall located in downtown Milwaukie. Including new debt for fiscal year 2020, the total debt obligations consist of a \$11.5 million in general obligation bonds, \$2.9 million in outstanding PERS bond, \$1.0 million in DEQ loans, \$26.2 million in full faith and credit obligations for a total City debt of \$41.7 million. The City maintains 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.

The City continues to strive towards embracing transparency, accountability and continuous improvement to the community. City Council convene annually to discuss goals and objectives for the City. During this process, City Council has identified three primary goals for the City which can include new or existing goals. Those goals are:



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. City Council declared a climate emergency in January 2020, calling for an acceleration of the climate goals outlined in the plan, pushing the City to achieve net-zero carbon emissions from electricity by 2030.



Community Engagement – To encourage participation by all and nurture a deep sense of community through celebrations and collective action. This goal also provides staff, volunteers and City Council with diversity, equity and inclusion training and tools to welcome all at our tables and dais.

Other initiatives include the following:

Lake Road Improvements to widen and reconstruct the roadway including new bike line, sidewalks, ADA ramps and curbs are under contract for construction; this project is \$3.5 million.

Several SAFE and SSMP improvement projects are scheduled to begin construction which includes Home Avenue, Edison Street and Wood Avenue. Total of these projects are approximately \$1.3 million.

The Water and Wastewater departments are working on the SCADA Design and construction. SCADA is a system for remote monitoring and control of the water and wastewater system while providing site security, control capabilities, data acquisition, and a simplified user interface. The total project is approximately \$1.6 million and will be substantially completed in the next fiscal year.

Expanding the urban canopy by developing a robust urban forest program. Included in this work are resources for a tree inventory that will help the community better understand and predict the future of Milwaukie's urban forest. It will also help staff strategically plant trees where the community needs it most.

Continued implementations of the Comprehensive Plan, including amendments for the for housing and a private property tree protection. This code package will be paired with the regulatory framework from Oregon State House Bill 2001 and 2003. Staff will continue exploring options for transitional housing, and process improvements for streamlined permitting for affordable housing, as well as manage the development of publicly and privately-owned land that offers housing opportunities near downtown Milwaukie.

Lastly, the unprecedented pandemic has adjusted the cities working culture as we continue to strive towards physically distancing ourselves from the public and ourselves due to COVID-19. The City is continuing our efforts to ensure the safety of our community and employees by providing customers alternative methods to conduct business while continuing to provide excellent customer service. With the economic impacts of the pandemic forthcoming, the City continues to review costs while applying for various grants (such as the Federal CARES Act) to strengthen the City's financial position.

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 was recently amended in February 2021 to include one council member, one budget committee member and three 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 Mack Stilson (Chair), Councilor Kathy Hyzy, Mary Rowe (Budget Committee liaison and Vice Chair), community members Mona Henry and Matthew Dake.

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, 2019

Christopher P. Morill

Executive Director/CEO

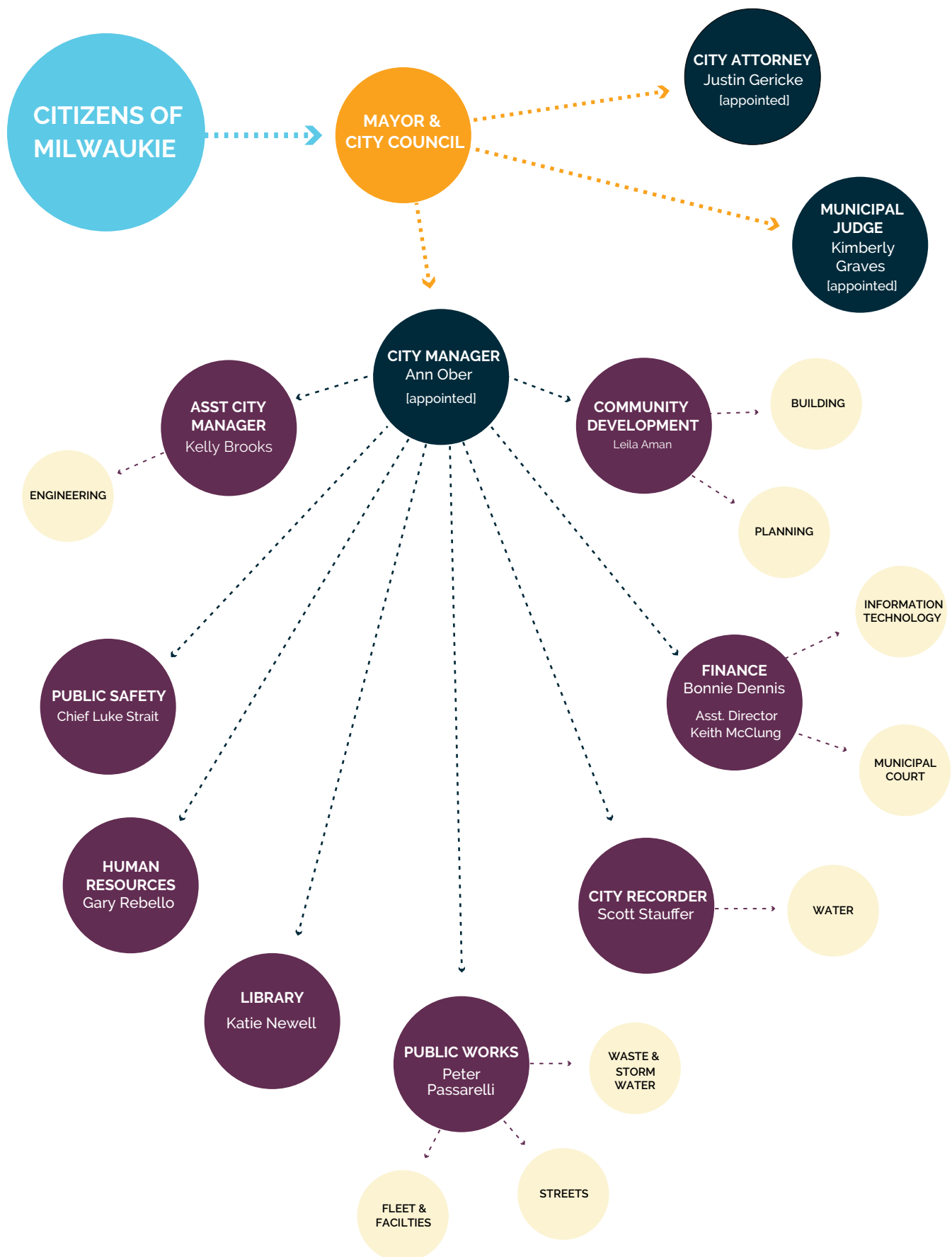
Elected Officials	Term Expires
Mark Gamba, Mayor	December 31, 2022
Angel Falconer, Councilor	December 31, 2020
Lisa Batey, Councilor	December 31, 2022
Wilda Parks, Councilor	December 31, 2020
Kathy Hyzy, Councilor	December 31, 2022

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

ORGANIZATIONAL CHART





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FINANCIALS

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 the City of Milwaukie, Oregon, as of and for the year ended June 30, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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, and schedule of the city's contributions, 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15 , 2021 on our consideration of City of Milwaukie, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Milwaukie, Oregon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Milwaukie, Oregon's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 15, 2021, 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
March 15, 2021



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CITY OF MILWAUKIE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR END JUNE 30, 2020

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, 2020. 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 \$156.3 million at June 30, 2020, consisting of \$97.5 million in capital assets, \$28.3 million in unrestricted cash and investments, \$25.2 million in restricted cash and investments, and \$5.4 million in other assets. Total assets increased by \$9.6 million (7%) from the previous fiscal year.
- The City's liabilities totaled \$66.6 million at June 30, 2020 consisting of \$60.4 million in long-term liabilities and \$6.3 million in accounts payable and other liabilities. Total liabilities increased by \$5.1 million (8%) from the previous fiscal year.
- The assets of the City exceeded its liabilities by \$89.7 million at the close of fiscal year 2020. Unrestricted net position totaled \$10.7 million with the remainder of the City's net position invested in capital assets (\$76.3 million) and restricted for capital projects, building operations, library services, debt service, and public safety (\$7.2 million).
- For its governmental activities, the City generated \$14.5 million in charges for services and received \$3.7 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$33.2 million for the year, resulting in a net expense of \$15.0 million. The City also received \$15.7 million of general revenues, resulting in an increased net position of \$.3 million. Due to a restatement of financial results related to revenue recognition timing, net position also increased \$.5 million year over year.
- For its business-type activities, the City generated \$17.5 million in charges for services and capital grants and contributions to fund direct expenses of \$14.4 million. Business-type activities had an increase in net position of \$3.4 million.
- Fund balance in the City's governmental funds was \$37.3 million at June 30, 2020, a decrease of \$3.5 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 2020, assets exceeded liabilities by \$89.7 million.

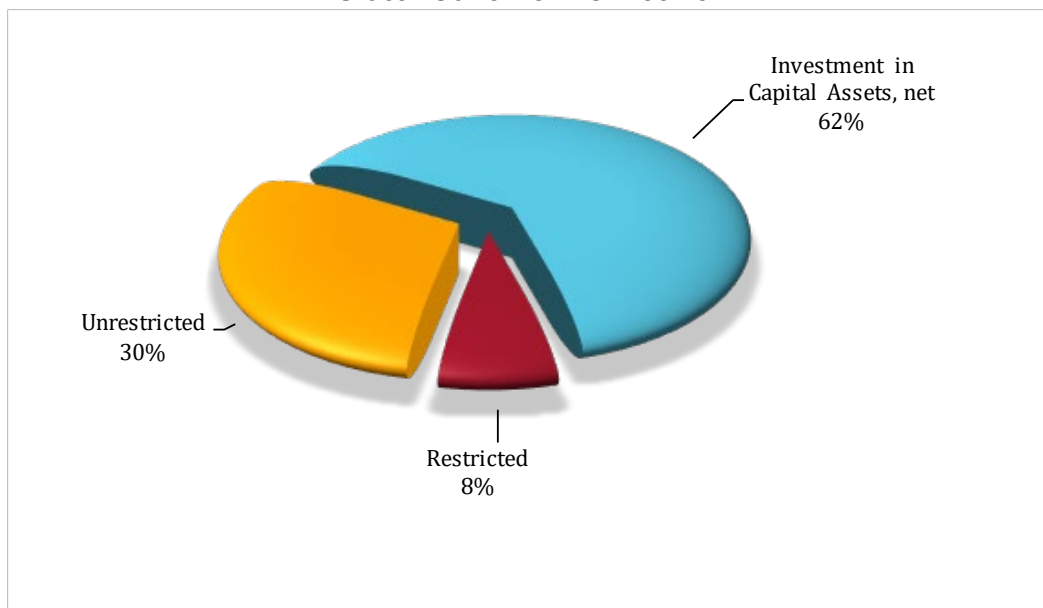
By far the largest portion of the City's net position (62%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, 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, 2020 and 2019 was as follows:

Statement of Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2020	FY 2019 (restated)	FY 2020	FY 2019	FY 2020	FY 2019 (restated)
Current and other assets	\$ 41,002	\$ 46,964	\$ 17,835	\$ 16,977	\$ 58,837	\$ 63,941
Capital assets	68,290	56,347	29,167	26,385	97,457	82,732
Total assets	109,292	103,311	47,002	43,362	156,294	146,674
Deferred outflows of resources	5,148	5,478	553	620	5,701	6,098
Long-term liabilities	57,502	50,320	2,869	2,822	60,372	53,142
Other liabilities	3,552	5,386	2,711	2,530	6,262	7,916
Total liabilities	61,054	55,706	5,580	5,352	66,634	61,058
Deferred inflows of resources	1,067	1,107	115	125	1,182	1,232
Net position:						
Net investment in capital assets	48,178	23,392	28,106	25,228	76,284	48,620
Restricted for:						
Library services	1	3,245	-	-	1	3,245
Public safety	2,277	126	-	-	2,277	126
Debt service	360	359	12	12	372	371
Building operations	2,295	2,011	-	-	2,295	2,011
Urban renewal	513	271	-	-	513	271
Capital projects	1,775	1,840	-	-	1,775	1,840
Unrestricted	(3,080)	20,734	13,742	13,265	10,662	33,999
Total net position	\$ 52,319	\$ 51,976	\$ 41,860	\$ 38,505	\$ 94,179	\$ 90,480

Classification of Net Position



As of June 30, 2020, the City had positive balances in three categories of net position for the City. Total net position increased from the prior year by \$3.7 million (4.0%) to \$94.2 million.

A portion of the City's net position (\$7.9 million or 8.8%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position (\$10.7 million or 11%) may be used to meet the City's ongoing obligations to citizens and creditors.

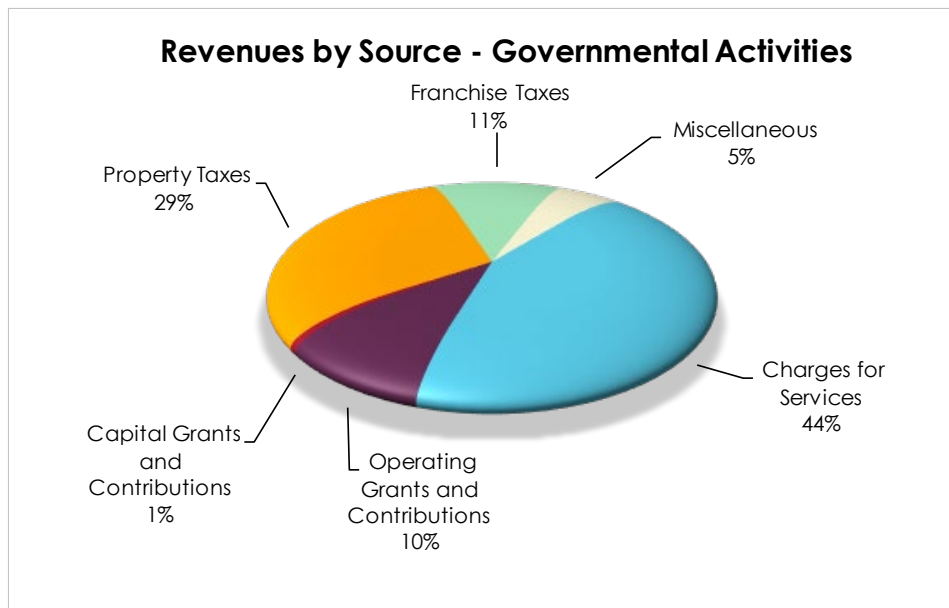
Statement of Activities
Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Revenues						
Program revenues:						
Charges for services	\$ 14,813	\$ 15,473	\$ 17,374	\$ 16,835	\$ 32,188	\$ 32,309
Operating grants and contributions	3,525	3,143	-	-	3,525	3,143
Capital grants and contributions	219	-	83	-	302	-
General revenues:						
Property taxes	9,839	9,430	-	-	9,839	9,430
Franchise taxes	3,749	3,624	-	-	3,749	3,624
Miscellaneous	1,758	1,240	317	384	2,076	1,624
Total revenues	33,903	32,910	17,775	17,218	51,678	50,130
Expenses						
Governmental activities:						
General government	13,319	12,079	-	-	13,319	12,079
Highways and streets	6,116	5,686	-	-	6,116	5,686
Public safety	8,093	7,711	-	-	8,093	7,711
Culture and recreation	4,641	3,537	-	-	4,641	3,537
Interest on long-term debt	1,392	1,310	-	-	1,392	1,310
Business-type activities:						
Water	-	-	3,432	3,452	3,432	3,452
Wastewater	-	-	7,800	7,373	7,800	7,373
Stormwater	-	-	3,187	2,981	3,187	2,981
Total expenses	33,560	30,322	14,419	13,805	47,980	44,126
Change in net position	343	2,589	3,355	3,414	3,699	6,004
Net position - beginning (previously reported)	51,477	48,888	38,505	35,090	89,982	83,978
Restatement, Note 15	499	-	-	-	499	-
Net Position - beginning	51,976	48,888	38,505	35,090	90,480	83,978
Net position - ending	\$ 52,319	\$ 51,477	\$ 41,860	\$ 38,505	\$ 94,179	\$ 89,982

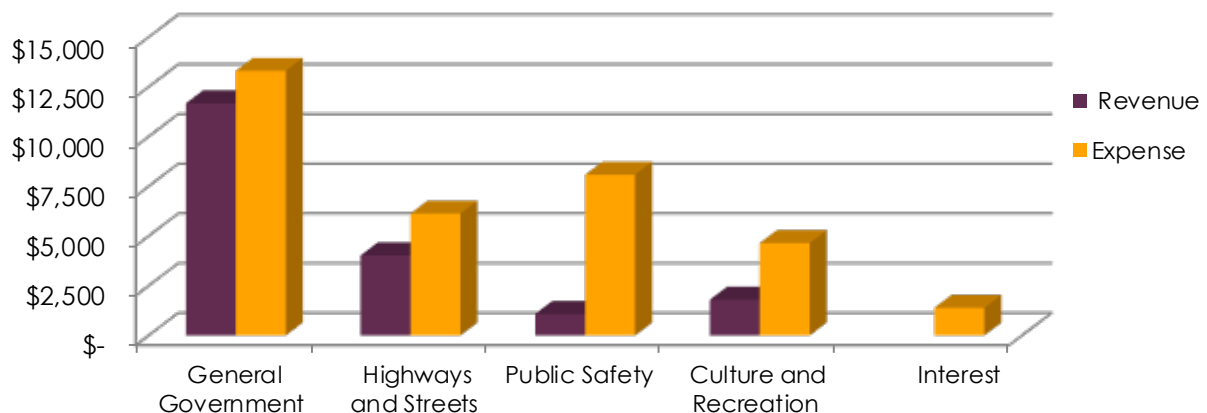
Governmental Activities

Governmental activities increased the City's net position by \$.3 million in fiscal year 2020, compared to a \$2.6 million increase in the prior fiscal year. This year's increase is mainly attributable to an increase in property taxes and operating grants and contributions.

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.



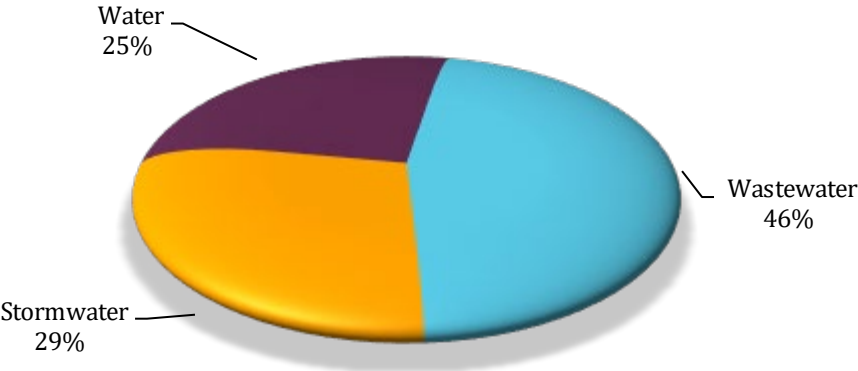
Program Revenues and Expenses - Governmental Activities (in thousands)



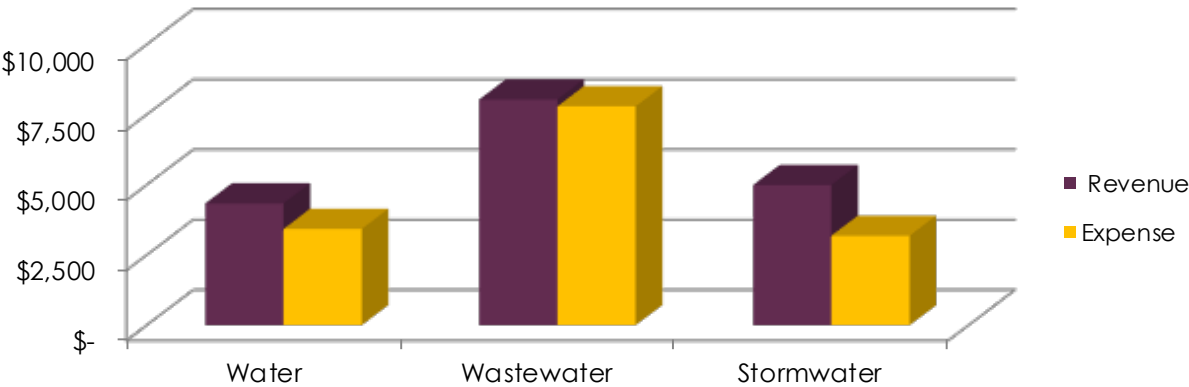
Business-type Activities

The Water Fund revenues represent approximately 25 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 46 percent and 29 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, 2020, the City's governmental funds reported a combined ending fund balance of \$37.3 million, a decrease of \$3.5 million for the year. Unassigned fund balance decreased to \$8.8 million as of June 30, 2020 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, 2020, total fund balance was \$11.1 million, which is an increase of \$1.9 million for the year. 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 \$1.2 million compared with the prior year. Increases occurred in all categories but three. General Fund expenditures increased \$0.2 million to \$18.2 million in fiscal year 2020.

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 decreased by \$0.3 million to \$2.0 million. Total expenditures remained consistent at \$8.2 million, consisting of capital projects (\$5.2 million), debt service (\$2.0 million), transfers to other funds (\$1.9 million) and personnel, materials and services (\$1.0 million). Due to a restatement of financial results related to revenue recognition timing, fund balance increased \$.5 million year over year. As a result, the Transportation Fund had an overall decrease in fund balance of \$3.3 million for the fiscal year ending June 30, 2020.

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 \$0.2 million from prior year to \$2.8 million. This decrease is primarily due to lower investment earnings as cash balances were used for the library expansion project completed in 2019. Expenditures decreased by \$1.6 million due to lower capital expenses related to the library expansion project. At June 30, 2020 the fund balance was \$.6 million.

City Hall Fund

The City Hall Fund was established to account for the purchase and renovation of the new City Hall building at 10501 SE Main Street, Milwaukie, Oregon. In June 2020, the City issued \$6.7 million in full faith and credit obligations to purchase the building. In addition, transfers from other funds totaled \$1.3 million to fund future renovations for City council chambers and consolidation of multiple departments within the City.

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 \$.5 million. Further details on these funds can be found starting on page 83.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget for the 2019-2020 biennium budget period amounted to \$43.2 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 \$21.0 million for the second fiscal year of the biennium and expenditures were \$18.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the City had invested \$97.5 million in capital assets, net of depreciation as reflected in the following table, representing a net increase (additions, deductions and depreciation) of \$14.7 million in fiscal year 2020. Governmental capital assets totaled \$68.3 million while business-type capital assets totaled \$29.2 million.

Capital Assets, Net of Accumulated Depreciation (in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Land and easements	\$ 6,216	\$ 6,182	\$ 1,204	\$ 833	\$ 7,420	\$ 7,015
Buildings and improvements	26,835	11,576	5,728	3,573	32,563	15,149
Vehicles and equipment	1,736	1,880	1,526	1,715	3,261	3,595
Furniture and fixtures	463	-	-	-	463	-
Infrastructure	31,527	22,344	18,841	14,546	50,368	36,890
Construction in progress	1,513	14,365	1,868	5,718	3,381	20,083
Capital assets, net	<u>\$ 68,290</u>	<u>\$ 56,347</u>	<u>\$ 29,167</u>	<u>\$ 26,385</u>	<u>\$ 97,456</u>	<u>\$ 82,730</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 \$12.0 million from the prior fiscal year, while business-type activities increased by a net \$2.8 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 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Beginning balance	\$ 56,347	\$ 48,811	\$ 26,385	\$ 24,355	\$ 82,732	\$ 73,167
Additions	39,077	13,173	4,267	3,794	43,344	16,967
Reductions and adjustments	(23,019)	(2,328)	-	(358)	(23,019)	(2,686)
Depreciation	(4,115)	(3,310)	(1,485)	(1,406)	(5,600)	(4,716)
Ending balance	<u>\$ 68,290</u>	<u>\$ 56,347</u>	<u>\$ 29,167</u>	<u>\$ 26,385</u>	<u>\$ 97,457</u>	<u>\$ 82,732</u>

Debt Outstanding

As of the end of the fiscal year, the City had \$41.7 million in long-term debt obligations outstanding, an increase from the prior year by \$4.4 million. This increase is due to the issuance of the 2020 full faith and credit bonds in the City Hall. More detailed information about the City's long-term debt obligations is presented in the Notes to the Basic Financial Statements, beginning on page 50.

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

	Fiscal Year Ending	
	2020	2019
Governmental:		
Pension Bonds	\$ 2,920	\$ 3,160
Light-Rail GO Bond	3,811	4,014
Library GO Bond	7,695	8,075
Riverfront FFCO	630	690
Transportation FFCO	18,917	20,177
City Hall FFCO	6,700	-
	<u>40,673</u>	<u>36,116</u>
Business-Type:		
Oregon DEQ	1,061	1,157
Total	<u>\$ 41,734</u>	<u>\$ 37,274</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, 2020, the City carried \$10.6 million general obligation debt subject to this \$105.0 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 73% 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.

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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 12,304,767	\$ 15,957,974	\$ 28,262,741
Restricted cash and investments	25,149,972	12,056	25,162,028
Property taxes receivable	286,720	-	286,720
Accounts receivable, net of allowance	2,968,226	1,844,107	4,812,333
Prepaid expenses	121,101	2,203	123,304
Net OPEB Asset	171,370	18,415	189,785
Capital assets not being depreciated:			
Land and easements	6,216,125	1,204,142	7,420,267
Construction in progress	1,512,934	1,867,891	3,380,825
Capital assets net of accumulated depreciation:			
Buildings and improvements	26,835,045	5,728,025	32,563,070
Vehicles and equipment	1,735,531	1,526,439	3,261,970
Furniture and fixtures	463,246	-	463,246
Infrastructure	31,527,218	18,840,688	50,367,906
TOTAL ASSETS	109,292,255	47,001,940	156,294,195
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pension	5,098,895	547,917	5,646,812
Deferred outflows of resources - OPEB	49,022	5,268	54,290
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,147,917	553,185	5,701,102
LIABILITIES:			
Accounts payable	863,977	2,135,509	2,999,486
Accrued salaries and payroll taxes payable	338,010	46,445	384,455
Accrued compensated absences payable	1,424,415	113,993	1,538,408
Accrued interest payable	179,498	1,931	181,429
Deposits payable	134,704	9,000	143,704
Unearned revenue	610,965	403,910	1,014,875
Noncurrent liabilities:			
Long-term obligations, due within one year	2,474,720	96,458	2,571,178
Long-term obligations, due in more than one year	38,198,717	964,578	39,163,295
Net pension liability	16,198,212	1,740,626	17,938,838
Total OPEB liability	630,755	67,780	698,535
TOTAL LIABILITIES	61,053,973	5,580,230	66,634,203
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	861,746	92,601	954,347
Deferred inflows of resources - OPEB	205,493	22,082	227,575
TOTAL DEFERRED INFLOWS OF RESOURCES	1,067,239	114,683	1,181,922
NET POSITION:			
Net investment in capital assets	48,178,323	28,106,149	76,284,472
Restricted for:			
Library services	950	-	950
Public safety supplies	2,277,360	-	2,277,360
Debt service	359,550	12,056	371,606
Building operations	2,294,802	-	2,294,802
Urban renewal	512,819	-	512,819
Capital projects	1,774,731	-	1,774,731
Unrestricted	(3,079,575)	13,742,007	10,662,432
TOTAL NET POSITION	\$ 52,318,960	\$ 41,860,212	\$ 94,179,172

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, 2020

FUNCTION / PROGRAM	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 13,319,149	\$ 9,905,629	\$ 1,428,699	\$ -	\$ (1,984,821)	\$ -	\$ (1,984,821)
Highways and streets	6,115,700	2,030,403	1,779,890	218,686	(2,086,721)	-	(2,086,721)
Public safety	8,092,511	772,199	310,635	-	(7,009,677)	-	(7,009,677)
Culture and recreation	4,329,889	1,793,946	5,962	-	(2,529,981)	-	(2,529,981)
Interest on long-term debt	1,392,352	-	-	-	(1,392,352)	-	(1,392,352)
TOTAL GOVERNMENTAL ACTIVITIES	33,249,601	14,502,177	3,525,186	218,686	(15,003,552)	-	(15,003,552)
BUSINESS-TYPE ACTIVITIES:							
Water	3,432,192	4,339,646	-	-	-	907,454	907,454
Wastewater	7,800,081	8,041,765	-	-	-	241,684	241,684
Stormwater	3,187,165	4,992,962	-	82,949	-	1,888,746	1,888,746
TOTAL BUSINESS-TYPE ACTIVITIES	14,419,438	17,374,373	-	82,949	-	3,037,884	3,037,884
TOTAL ACTIVITIES	\$ 47,669,039	\$ 31,876,550	\$ 3,525,186	\$ 301,635	(15,003,552)	3,037,884	(11,965,668)
GENERAL REVENUES:							
Property taxes, levied for general purposes					9,838,717	-	9,838,717
Franchise taxes					3,748,904	-	3,748,904
Unrestricted investment earnings					1,286,968	317,251	1,604,219
Gain on sale of capital assets					471,343	-	471,343
TOTAL GENERAL REVENUES					15,345,932	317,251	15,663,183
CHANGE IN NET POSITION					342,380	3,355,135	3,697,515
NET POSITION, June 30, 2019 (previously reported)					51,477,076	38,505,077	89,982,153
RESTATEMENT, Note 15					499,504	-	499,504
NET POSITION - beginning					51,976,580	38,505,077	90,481,657
NET POSITION - ending					\$ 52,318,960	\$ 41,860,212	\$ 94,179,172

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

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2020

	General Fund	City Hall Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and investments	\$ 8,430,422	\$ 1,222,658	\$ 1,901,199	\$ 750,488	\$ -	\$ 12,304,767
Restricted cash and investments	2,182,233	-	17,641,661	-	5,326,078	25,149,972
Property taxes receivable	281,408	-	-	-	5,312	286,720
Accounts receivable	2,420,955	42,000	413,701	-	91,570	2,968,226
Prepaid expenditures	95,127	-	-	950	25,024	121,101
TOTAL ASSETS	13,410,145	1,264,658	19,956,561	751,438	5,447,984	40,830,786
LIABILITIES:						
Accounts payable	328,272	5,444	370,488	82,209	77,564	863,977
Accrued salaries and payroll taxes	285,093	-	9,941	34,480	8,496	338,010
Deposits payable	6,278	-	128,426	-	-	134,704
Unearned revenue	57,050	42,000	497,234	-	14,681	610,965
TOTAL LIABILITIES	676,693	47,444	1,006,089	116,689	100,741	1,947,656
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	254,572	-	-	-	4,853	259,425
Unavailable revenue - municipal court assessments	1,245,376	-	-	-	-	1,245,376
Unavailable revenue - assessment liens	111,233	-	-	-	-	111,233
TOTAL DEFERRED INFLOWS OF RESOURCES	1,611,181	-	-	-	4,853	1,616,034
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,287,874	47,444	1,006,089	116,689	105,594	3,563,690
FUND BALANCES:						
Nonspendable	95,127	-	-	950	25,024	121,101
Restricted	2,182,233	-	-	-	5,317,366	7,499,599
Committed	-	1,217,214	18,950,472	-	-	20,167,686
Assigned	-	-	-	633,799	-	633,799
Unassigned	8,844,911	-	-	-	-	8,844,911
TOTAL FUND BALANCES	11,122,271	1,217,214	18,950,472	634,749	5,342,390	37,267,096
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,410,145	\$ 1,264,658	\$ 19,956,561	\$ 751,438	\$ 5,447,984	

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.

68,290,099

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

Property tax revenues	(13,299)	
Municipal court assessments	(93,226)	
Net OPEB asset	171,370	
Deferred outflows of resources - pensions	5,098,895	
Deferred outflows of resources - OPEB	49,022	
Revenues available	1,722,559	6,935,321

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	(1,424,415)	
Accrued interest payable	(179,498)	
Net pension liability	(16,198,212)	
Total OPEB liability	(630,755)	
Deferred inflows of resources - pension	(861,746)	
Deferred inflows of resources - OPEB	(205,493)	
Long-term debt obligations	(40,673,437)	(60,173,556)
Net position of governmental activities		\$ 52,318,960

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, 2020

	General Fund	City Hall Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 7,928,794	\$ -	\$ -	\$ 819,153	\$ 1,077,471	\$ 9,825,418
Franchise taxes	2,386,970	-	1,361,934	-	-	3,748,904
Intergovernmental	1,210,295	-	2,621,106	1,930,729	87,600	5,849,730
Fines and forfeitures	778,974	-	-	26,700	-	805,674
Licenses and permits	559,190	-	-	-	1,142,550	1,701,740
Charges for services	6,533,000	-	2,030,403	-	-	8,563,403
Systems development charges	-	-	-	-	208,165	208,165
Proceeds from lease	-	12,600	-	-	-	12,600
Investment earnings	423,022	183	745,510	11,309	106,944	1,286,968
Miscellaneous	919,872	-	65,035	11,906	12,886	1,009,699
TOTAL REVENUES	20,740,117	12,783	6,823,988	2,799,797	2,635,616	33,012,301
EXPENDITURES:						
Current:						
General government	10,801,361	131,150	-	-	654,056	11,586,567
Highways and streets	-	-	1,009,663	-	-	1,009,663
Public safety	6,778,770	-	-	-	-	6,778,770
Culture and recreation	-	-	-	1,998,021	-	1,998,021
Debt service:						
Principal	269,533	-	1,230,000	-	590,000	2,089,533
Interest	177,876	-	766,831	-	352,355	1,297,062
Capital outlay	204,371	6,651,419	5,157,802	4,261,863	309,318	16,584,773
TOTAL EXPENDITURES	18,231,911	6,782,569	8,164,296	6,259,884	1,905,729	41,344,389
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,508,206	(6,769,786)	(1,340,308)	(3,460,087)	729,887	(8,332,088)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	471,343	-	-	-	-	471,343
Issuance from borrowing	-	6,700,000	-	-	-	6,700,000
Transfers from other funds	2,834,000	1,287,000	-	-	-	4,121,000
Transfers to other funds	(3,810,000)	-	(1,914,000)	(1,012,000)	(219,000)	(6,955,000)
TOTAL OTHER FINANCING SOURCES (USES)	(504,657)	7,987,000	(1,914,000)	(1,012,000)	(219,000)	4,337,343
NET CHANGE IN FUND BALANCES	2,003,549	1,217,214	(3,254,308)	(4,472,087)	510,887	(3,994,745)
FUND BALANCES - beginning	9,163,948	-	21,705,287	5,106,836	4,786,266	40,762,337
Restatement, Note 15	(45,226)	-	499,493	-	45,237	499,504
FUND BALANCES - beginning, as restated	9,118,722	-	22,204,780	5,106,836	4,831,503	41,261,841
FUND BALANCES - ending	\$ 11,122,271	\$ 1,217,214	\$ 18,950,472	\$ 634,749	\$ 5,342,390	\$ 37,267,096

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, 2020

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

Net change in fund balances - total governmental funds	\$	(3,994,745)
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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	16,584,773	
Depreciation expense	<u>(4,114,904)</u>	12,469,869

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net position.		(527,027)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		108,337
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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	(6,700,000)	
Long-term debt principal repayments	<u>2,089,533</u>	(4,610,467)

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	(2,351,961)	
Net OPEB liability and related deferrals	12,172	
Accrued interest payable	(95,290)	
Accrued compensated absences payable	(222,190)	
Deferred revenue	(499,492)	
Amortization of bond premium	<u>53,174</u>	<u>(3,103,587)</u>

Change in net position of governmental activities	\$	<u>342,380</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, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 4,881,312	\$ 5,573,595	\$ 5,503,067	\$ 15,957,974
Restricted cash and investments	-	12,056	-	12,056
Accounts receivable, net of allowance for doubtful accounts	442,485	899,274	477,486	1,819,245
Prepaid expenses	2,203	-	-	2,203
Total current assets	5,326,000	6,484,925	5,980,553	17,791,478
Noncurrent assets:				
Other receivable	-	24,862	-	24,862
Net OPEB asset	6,530	5,128	6,757	18,415
Capital assets not being depreciated	1,894,024	316,136	861,873	3,072,033
Capital assets, net of accumulated depreciation	9,741,055	9,093,262	7,260,835	26,095,152
Total noncurrent assets	11,641,609	9,439,388	8,129,465	29,210,462
TOTAL ASSETS	16,967,609	15,924,313	14,110,018	47,001,940
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows of resources - pensions	194,285	152,575	201,057	547,917
Deferred outflows of resources - OPEB	1,868	1,467	1,933	5,268
TOTAL DEFERRED OUTFLOWS OF RESOURCES	196,153	154,042	202,990	553,185
LIABILITIES:				
Current liabilities:				
Accounts payable	626,164	833,047	676,298	2,135,509
Accrued salaries and payroll taxes payable	18,352	11,551	16,542	46,445
Accrued compensated absences payable	42,422	35,524	36,047	113,993
Accrued interest payable	-	1,931	-	1,931
Deposits payable	9,000	-	-	9,000
Unearned revenue	-	283,910	120,000	403,910
Current portion of long-term debt	-	96,458	-	96,458
Total current liabilities	695,938	1,262,421	848,887	2,807,246
Noncurrent liabilities:				
Net pension liability	617,206	484,702	638,718	1,740,626
Total OPEB liability	24,034	18,874	24,872	67,780
Long-term debt	-	964,578	-	964,578
TOTAL LIABILITIES	1,337,178	2,730,575	1,512,477	5,580,230
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows of resources - pensions	32,835	25,786	33,980	92,601
Deferred inflows of resources - OPEB	7,830	6,149	8,103	22,082
TOTAL DEFERRED INFLOWS OF RESOURCES	40,665	31,935	42,083	114,683
NET POSITION:				
Net investment in capital assets	11,635,079	8,348,362	8,122,708	28,106,149
Restricted for debt service	-	12,056	-	12,056
Unrestricted	4,150,840	4,955,427	4,635,740	13,742,007
TOTAL NET POSITION	\$ 15,785,919	\$ 13,315,845	\$ 12,758,448	\$ 41,860,212

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, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
OPERATING REVENUES:				
Charges for services	\$ 4,306,866	\$ 8,036,514	\$ 4,966,310	\$ 17,309,690
Intergovernmental	-	-	82,949	82,949
Miscellaneous	32,780	5,251	26,652	64,683
TOTAL OPERATING REVENUES	4,339,646	8,041,765	5,075,911	17,457,322
OPERATING EXPENSES:				
Salaries and wages	791,771	646,594	794,140	2,232,505
Materials and services	2,121,050	6,642,930	1,932,433	10,696,413
Depreciation	519,371	505,011	460,592	1,484,974
TOTAL OPERATING EXPENSES	3,432,192	7,794,535	3,187,165	14,413,892
OPERATING INCOME	907,454	247,230	1,888,746	3,043,430
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	101,994	106,950	108,307	317,251
Interest expense	-	(5,546)	-	(5,546)
TOTAL NONOPERATING REVENUES (EXPENSES)	101,994	101,404	108,307	311,705
CHANGE IN NET POSITION	1,009,448	348,634	1,997,053	3,355,135
NET POSITION - beginning	14,776,471	12,967,211	10,761,395	38,505,077
NET POSITION - ending	\$ 15,785,919	\$ 13,315,845	\$ 12,758,448	\$ 41,860,212

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, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users of services	\$ 4,352,366	\$ 7,958,762	\$ 4,920,916	\$ 17,232,044
Payments to suppliers for goods and services	(1,881,222)	(7,155,506)	(1,511,651)	(10,548,379)
Payments to employees for services	(771,915)	(523,832)	(630,960)	(1,926,707)
NET CASH FROM OPERATING ACTIVITIES	1,699,229	279,424	2,778,305	4,756,958
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	-	(96,458)	-	(96,458)
Interest paid on capital debt	-	(5,064)	-	(5,064)
Acquisition and construction of capital assets	(1,817,788)	(147,532)	(2,301,598)	(4,266,918)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,817,788)	(249,054)	(2,301,598)	(4,368,440)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings received on investments	101,994	106,950	108,307	317,251
NET INCREASE IN CASH AND INVESTMENTS	(16,565)	137,320	585,014	705,769
CASH AND INVESTMENTS - beginning	4,897,877	5,448,331	4,918,053	15,264,261
CASH AND INVESTMENTS - ending	\$ 4,881,312	\$ 5,585,651	\$ 5,503,067	\$ 15,970,030
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income	\$ 907,454	\$ 247,230	\$ 1,888,746	\$ 3,043,430
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	519,371	505,011	460,592	1,484,974
Pension expense (income)	6,580	113,054	75,060	194,694
OPEB expense (income)	(6,034)	5,601	(1,650)	(2,083)
(Increase) decrease in accounts receivable	12,720	(83,003)	(72,050)	(142,333)
(Increase) decrease in prepaid expenses	(2,203)	-	-	(2,203)
Increase (decrease) in accounts payable	248,782	(513,058)	418,921	154,645
Increase (decrease) in deposits payable	(6,750)	-	-	(6,750)
Increase (decrease) in accrued salaries and payroll taxes payable	3,626	641	1,861	6,128
Increase (decrease) in accrued compensated absences payable	15,683	3,948	6,825	26,456
NET CASH FROM OPERATING ACTIVITIES	\$ 1,699,229	\$ 279,424	\$ 2,778,305	\$ 4,756,958

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, 2020

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.
- *City Hall Fund* - Accounts for the City's purchase of the new City Hall and sales lease-back agreement with Advantis Credit Union.
- *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 U.S. Treasury Bill. 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, 2020, the City's cash and investments were comprised of the following:

Cash on hand	\$ 5,981
Deposits with financial institutions	1,220,121
Investments:	
Treasury Bill Investment	1,998,000
Oregon State Treasurer's LGIP	50,200,667
Total cash and investments	<u>\$ 53,424,769</u>

	Government Activities	Business-type Activities	Total
Cash and investments	\$ 12,304,767	\$ 15,957,974	\$ 28,262,741
Restricted cash and investments	25,149,972	12,056	25,162,028
Total cash and investments	<u>\$ 37,454,739</u>	<u>\$ 15,970,030</u>	<u>\$ 53,424,769</u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At the fiscal year end, bank balances of \$1,089,406 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, 2020, 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, 2020 were as follows:

	Weighted Average Maturity (in years)	Fair Value
Investments in the State Treasurer's		
Local Government Investment Pool	0.62	\$ 50,200,667
Treasury Bill Investment	0.62	1,998,000
Total Investments	<u>0.62</u>	<u>\$ 52,198,667</u>

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, 2020, 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	\$ 4,877,425
Allowance for uncollectible accounts	<u>(65,092)</u>
Total accounts receivable	<u>\$ 4,812,333</u>
Accounts receivable – governmental activities	\$ 2,968,226
Accounts receivable – business-type activities	<u>1,844,107</u>
Total accounts receivable	<u>\$ 4,812,333</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	\$ 1,245,376	\$ -
Property taxes receivable	259,425	-
Assessment liens receivable	111,233	-
CARES Act	-	28,059
Contracts receivable	-	14,681
Lease receivable	-	42,000
Fees in lieu of construction	-	497,234
Bail escrow	-	26,210
Seized cash & deposits	-	2,781
	<u>\$ 1,616,034</u>	<u>\$ 610,965</u>

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance as of June 30, 2019	Additions	Reductions and adjustments	Balance as of June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 6,183,268	\$ 418,857	\$ (386,000)	\$ 6,216,125
Construction in progress	14,364,882	9,761,149	(22,613,097)	1,512,934
Total capital assets not being depreciated	20,548,150	10,180,006	(22,999,097)	7,729,059
Capital assets being depreciated:				
Buildings and improvements	20,261,665	16,833,208	(38,552)	37,056,321
Vehicles and equipment	5,241,695	172,204	(125,820)	5,288,079
Furniture and fixtures	-	491,943	-	491,943
Infrastructure	56,105,875	11,399,506	-	67,505,381
Total capital assets being depreciated	81,609,235	28,896,861	(164,372)	110,341,724
Less accumulated depreciation for:				
Buildings and improvements	(8,686,625)	(1,553,179)	18,528	(10,221,276)
Vehicles and equipment	(3,362,043)	(316,325)	125,821	(3,552,547)
Furniture and fixtures	-	(28,697)	-	(28,697)
Infrastructure	(33,761,461)	(2,216,703)	-	(35,978,164)
Total accumulated depreciation	(45,810,129)	(4,114,904)	144,349	(49,780,684)
Total capital assets being depreciated, net	35,799,106	24,781,957	(20,023)	60,561,040
Total capital assets, net	\$ 56,347,256	\$ 34,961,963	\$ (23,019,120)	\$ 68,290,099
	Balance as of June 30, 2019	Additions	Reductions and adjustments	Balance as of June 30, 2020
Business type activities:				
Capital assets not being depreciated:				
Land and easements	\$ 832,588	\$ -	\$ 371,554	\$ 1,204,142
Construction in progress	5,717,623	4,174,507	(8,024,241)	1,867,889
Total capital assets not being depreciated	6,550,211	4,174,507	(7,652,687)	3,072,031
Capital assets being depreciated:				
Buildings and improvements	7,036,185	-	2,391,155	9,427,340
Vehicles and equipment	4,677,940	92,408	-	4,770,348
Infrastructure	33,340,875	-	5,261,532	38,602,411
Total capital assets being depreciated	45,055,000	92,408	7,652,687	52,800,099
Less accumulated depreciation for:				
Buildings and improvements	(3,463,004)	(236,311)	-	(3,699,315)
Vehicles and equipment	(2,962,538)	(281,371)	-	(3,243,909)
Infrastructure	(18,794,429)	(967,292)	-	(19,761,721)
Total accumulated depreciation	(25,219,971)	(1,484,974)	-	(26,704,945)
Total capital assets being depreciated, net	19,835,029	(1,392,566)	7,652,687	26,095,154
Total capital assets, net	\$ 26,385,240	\$ 2,781,941	\$ -	\$ 29,167,185

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

	Governmental Activities	Business-type Activities	Total
General government	\$ 353,273	\$ -	\$ 353,273
Highways and streets	2,521,407	-	2,521,407
Public safety	245,282	-	245,282
Culture and recreation	994,942	-	994,942
Water	-	519,371	519,371
Wastewater	-	505,011	505,011
Stormwater	-	460,592	460,592
Depreciation expense	<u>\$ 4,114,904</u>	<u>\$ 1,484,974</u>	<u>\$ 5,599,878</u>

Note 6. Interfund Transfers

Transfers for services between funds are 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, 2020, 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.

	<u>Transfer In</u> <u>General Fund</u>	<u>Transfers In</u> <u>City Hall Fund</u>	<u>Total Transfer</u>
<u>Transfers Out</u>			
General Fund	\$ (311,000)	\$ 1,287,000	\$ 976,000
Building Fund	219,000	-	219,000
Library Fund	1,012,000	-	1,012,000
Transportation Fund	1,914,000	-	1,914,000
Water Fund	1,249,000	-	1,249,000
Wastewater Fund	1,102,000	-	1,102,000
Stormwater Fund	1,348,000	-	1,348,000
Total	<u>\$ 6,533,000</u>	<u>\$ 1,287,000</u>	<u>\$ 7,820,000</u>

The City made transfers from all funds to the General Fund for specific projects and designated needs. These transfers were approved by the City Council in the 2021-22 budget. In addition, a \$1,287,000 transfer from the General Fund to the City Hall Fund was done to partially fund the purchase of a building for the City's new City Hall, slated for move-in July 2022.

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.

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. This lease concluded with the library completion in December 2019.

The City leases various copiers and office machinery use in its operations under cancelable and noncancelable operating leases. Total cost for such leases was approximately \$44,300 for the fiscal year ended June 30, 2020. The future minimum lease payments for noncancelable operating leases are as follows:

<u>Copier and Office Machinery Operating Leases</u>		
Year 2021	\$	44,300
Year 2022		44,300
Year 2023		3,148
<u>Year 2024</u>		1,318
Total	\$	<u>93,066</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, 2019	Additions	Reductions	Balance as of June 30, 2020	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	\$ 3,160,000	\$ -	\$ (240,000)	\$ 2,920,000	\$ 270,000
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	431,707	-	(29,533)	402,174	24,720
2014 Full Faith and Credit Obligations for Milwaukie Bay Park enhancements, interest rate from 3-4%, original amount of \$965,000, due 2029	690,000	-	(60,000)	630,000	60,000
2020 Full Faith and Credit Obligations for Milwaukie City Hall, interest rates from 2-4%, original amount \$6,700,000 due 2040	-	6,700,000	-	6,700,000	280,000
2014 General Obligation Bonds for refinancing of Light-Rail enhancements, interest rate of 3-4%, original amount of \$3,695,000, due 2034	3,020,000	-	(150,000)	2,870,000	160,000
2016 General Obligation Bonds for Library expansion, interest rate of 2-4%, original amount of \$9,200,000, due 2036	8,075,000	-	(380,000)	7,695,000	390,000
2018 Full Faith and Credit Obligations for Transportation, interest rate of 3.5-5%, original amount of \$20,970,000, due 2048	19,745,000	-	(1,230,000)	18,515,000	1,290,000
Bond issuance premiums	994,437	-	(53,174)	941,263	53,174
Long-term debt obligations	36,116,144	6,700,000	(2,142,707)	40,673,437	2,527,894
Compensated absences for governmental activities	1,202,225	1,166,890	(944,700)	1,424,415	1,424,415
Total governmental activities	37,318,369	7,866,890	(3,087,407)	42,097,852	3,952,309
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	1,157,494	-	(96,458)	1,061,036	96,458
Compensated absences for business-type activities	87,537	145,956	(119,500)	113,993	113,993
Total business-type activities	1,245,031	145,956	(215,958)	1,175,029	210,451
Total long-term obligations	\$ 38,563,400	\$ 8,012,846	\$ (3,303,365)	\$ 43,272,881	\$ 4,162,760

Future maturities of principal and interest are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,527,894	\$ 1,281,957	\$ 96,458	\$ 4,750	\$ 2,624,352	\$ 1,286,707
2022	1,288,093	1,185,971	96,458	4,250	1,384,551	1,190,221
2023	1,358,301	1,146,337	96,458	3,750	1,454,759	1,150,087
2024	1,418,520	1,104,532	96,458	3,250	1,514,978	1,107,782
2025-2029	7,276,295	4,785,829	482,290	8,750	7,758,585	4,794,579
2030-2034	5,866,292	3,932,543	192,914	250	6,059,206	3,932,793
2035-2039	3,174,982	3,370,018	-	-	3,174,982	3,370,018
2039-2043	5,825,588	3,118,578	-	-	5,825,588	3,118,578
2044-2048	11,937,472	1,178,000	-	-	11,937,472	1,178,000
	<u>\$ 40,673,437</u>	<u>\$ 21,103,765</u>	<u>\$ 1,061,036</u>	<u>\$ 25,000</u>	<u>\$ 41,734,473</u>	<u>\$ 21,128,765</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 DEQ 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, 2020 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, 2020 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, 2020, were approximately \$1,954,000.

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, 2020, the City reported a liability of \$17,938,841 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. 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, 2020 and 2019, the City's proportion was 0.10370708 and 0.10363730 percent, respectively.

For the year ended June 30, 2020, the City recognized pension expense of \$4,519,483 for the defined benefit portion of the pension plan. At June 30, 2020, 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	\$ 989,274	\$ -
Changes in assumptions	2,433,608	-
Net difference between projected and actual earnings on pension plan investments	-	508,548
Changes in proportionate share	269,847	10,987
Differences between employer contributions and proportionate share of system contributions	-	434,812
Subtotal	3,692,729	954,347
City contributions subsequent to the measurement date	1,954,083	-
Total	<u>\$ 5,646,812</u>	<u>\$ 954,347</u>

The deferred outflow of resources of \$1,954,083 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 1,719,158
2021	149,294
2022	482,825
2023	368,697
2024	18,408
Total	<u>\$ 2,738,382</u>

Actuarial Assumptions. The employer contribution rates effective July 1, 2017 through June 30, 2020 were set using the entry age normal actuarial cost method.

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

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (b) an amount for the amortization of unfunded actuarial accrued liabilities,

which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

- Valuation Date December 31, 2017
- Measurement Date June 30, 2019
- Experience Study Report 2016, published July 2017
- Actuarial Cost Method Entry Age Normal
- Actuarial Assumptions
 - Inflation Rate 2.50 percent
 - Long-term Expected Rate of Return 7.20 percent
 - Discount Rate 7.20 percent
 - Projected Salary Increases 3.50 percent
 - Cost of Living Adjustments (COLA) Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
 - Mortality Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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)	\$ 28,727,463	\$ 17,938,841	\$ 8,910,251

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 2017 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation			Actual Allocation %
	Low Range %	High Range %	Target %	
Debt Securities	15.00	25.00	20.00	20.10
Public Equity	32.50	42.50	37.50	36.40
Private Equity	14.00	21.00	17.50	21.40
Real Estate	9.5	5.50	12.50	11.10
Alternative Equity	0.0	12.50	12.50	8.90
Opportunity Portfolio	0.0	3.00	0.00	2.10
			100%	100%

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, 2020, the City owed \$109,287 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, 2020, the City contributed approximately \$685,000 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	\$ -	\$ 189,785	\$ 189,785
Deferred Outflows of Resources			
Change in Proportionate Share	-	13	13
Contributions After the Measurement Date	31,231	3,743	34,974
Change in Assumptions	19,303	-	19,303
Total OPEB Liability	(698,535)	-	(698,535)
Deferred Inflows of Resources			
Difference between expected and actual experience	(44,919)	-	(44,919)
Change in Assumptions	(143,909)	-	(143,909)
OPEB Expense (Income)	\$ 43,617	\$ (25,609)	\$ 18,008

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, 2020, 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, 2020, there were 141 active employees and six 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 \$698,535 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

The City recognized OPEB expense from this plan of \$43,617 for the year ended June 30, 2020. 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	\$ -	\$ (44,919)
Change in assumptions	19,303	(143,909)
Total (prior to post-MD contributions)	19,303	(188,828)
Contributions Subsequent to the MD	31,228	-
	<u>\$ 50,531</u>	<u>\$ (188,828)</u>

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

<u>Year ended June 30:</u>	
2021	\$ (26,106)
2022	(26,106)
2023	(26,106)
2024	(26,106)
2025	(26,106)
Thereafter	(38,995)
Total	<u>\$ (169,525)</u>

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

• Actuarial Cost Method	Entry Age Normal
• Actuarial Assumptions	
▪ Inflation Rate	2.50 percent
▪ Discount Rate	3.50 percent
▪ Projected Salary Increases	3.50 percent overall payroll growth
▪ Healthy Mortality	RP-2014 healthy annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data scale.

Change in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability
Total OPEB liability, June 30, 2019	\$ 668,101
Service cost	43,361
Interest on total OPEB liability	26,362
Economic/Demographic gains or losses	28,812
Benefit payments	(61,101)
Total OPEB liability, June 30, 2020	<u>\$ 698,535</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the City's total OPEB liability calculated using the discount rate of 3.50 percent, as well as what the total liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 758,219	\$ 698,535	\$643,647

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 625,965	\$ 698,535	\$ 784,232

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/2019-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, 2020, 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, 2020.

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

At June 30, 2020, the City reported an asset of \$189,785 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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, 2020, the City's proportionate share was 0.09821427%, which is a decrease from its proportion of 0.09505729% as of June 30, 2019.

For the year ended June 30, 2020, the City recognized OPEB income from this plan of \$25,609. At June 30, 2020, 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	\$ -	\$ 25,027
Change in Assumptions	-	197
Net difference between expected and actual experience	-	11,714
Change in proportionate share	13	1,809
Contributions After the Measurement Date	3,743	-
	<u>\$ 3,756</u>	<u>\$ 38,747</u>

Deferred outflows of resources to OPEB of \$3,743 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, 2021. 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:	
2021	\$ (19,881)
2022	(17,811)
2023	(2,248)
2024	1,206
Total	<u>\$ (38,734)</u>

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2017 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)	\$ (147,133)	\$ (189,785)	\$ (226,129)

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 were classified as follows as of June 30, 2020:

	General Fund	City Hall Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Prepaid expenditures	\$ 95,127	\$ -	\$ -	\$ 950	\$ 25,024	\$ 121,101
Restricted						
Public safety supplies	2,182,233	-	-	-	-	2,182,233
Infrastructure	-	-	-	-	2,150,195	2,150,195
Building operations	-	-	-	-	2,294,802	2,294,802
Debt service	-	-	-	-	359,550	359,550
Urban revitalization	-	-	-	-	512,819	512,819
	<u>2,182,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,317,366</u>	<u>7,499,599</u>
Committed						
Street services	-	-	18,950,472	-	-	18,950,472
Assigned						
Library services	-	-	-	633,799	-	633,799
City Hall remodel	-	1,217,214	-	-	-	1,217,214
Unassigned	<u>8,844,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,844,911</u>
Total fund balance	<u>\$ 11,122,271</u>	<u>\$ 1,217,214</u>	<u>\$ 18,950,472</u>	<u>\$ 634,749</u>	<u>\$ 5,342,390</u>	<u>\$ 37,267,096</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 \$37.90 per EDU. This amounts to approximately \$5.4 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.
- 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.
- The agreement allows the City to 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 \$103,000 per fiscal year.
- The Agreement effective July 1, 2018 through June 30, 2022 estimates the annual contract cost for Fiscal Year 2021 to be \$619,000.

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:

Project	Significant Contracts Outstanding	Costs as of June 30, 2020	Remaining Costs	Estimated Completion
McBrod Ave Improvements	\$1,967,794	\$1,215,387	\$752,407	2021
Meek Street Pipe Installation (Construction)	\$1,393,332	\$1,248,567	\$144,765	2021
Meek Street Pipe Installation (Design)	\$701,114	\$664,386	\$36,728	2021
Linwood Ave Safe Routes to Schools (Design)	\$632,812	\$452,909	\$125,932	2022

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. Restatement

During the FY 2020 audit, it was determined that a prior period transaction was not accounted for appropriately in the Transportation Fund. Deferred revenue related to the Milwaukie Bay Park Bridge was not recognized when construction was fully completed. In addition, a net reclassification of \$11 was done between the Affordable Housing Fund and the General Fund to correct prior period revenue recognized in the incorrect fund. Net position was understated as of July 30, 2019 by approximately \$499,000.

As a result, the following restatement shows the impact to net position:

FY 2020 Restatement Summary	Governmental Activities
NET POSITION, June 30, 2019 (previously reported)	\$ 51,477,076
Restatement, note 15	499,504
NET POSITION, as restated	<u><u>\$ 51,976,580</u></u>

Note 16. Subsequent Events

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. This situation is rapidly changing and additional impacts to the City may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the City's results of operations, financial position, liquidity, or capital resources cannot be reasonably estimated at this time.



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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

CITY HALL 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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Property taxes	\$ 15,753,000	\$ 15,753,000	\$ 7,845,326	\$ 7,928,794	\$ 15,774,120	\$ 21,120
Franchise taxes	2,654,000	2,654,000	2,346,420	2,386,970	4,733,390	2,079,390
Intergovernmental	2,667,000	2,667,000	1,269,386	1,210,295	2,479,681	(187,319)
Fines and forfeitures	1,525,000	1,582,000	808,635	778,974	1,587,609	5,609
Licenses and permits	1,528,000	1,528,000	658,002	559,190	1,217,192	(310,808)
Investment earnings	600,000	600,000	410,645	423,022	833,667	233,667
Miscellaneous	190,000	190,000	160,927	919,872	1,080,799	890,799
TOTAL REVENUES	24,917,000	24,974,000	13,499,341	14,207,117	27,706,458	2,732,458
EXPENDITURES:						
City Council	264,000	264,000	102,388	102,116	204,504	(59,496)
City Manager	2,139,000	2,292,000	1,065,946	1,070,080	2,136,026	(155,974)
City Attorney	524,000	524,000	204,999	213,999	418,998	(105,002)
Community Development	2,192,000	2,192,000	813,757	612,148	1,425,905	(766,095)
Public Works Admin	1,700,000	1,700,000	818,401	815,005	1,633,406	(66,594)
Engineering Services	3,040,000	3,040,000	1,096,508	1,381,955	2,478,463	(561,537)
Facilities Management	3,140,000	3,140,000	1,087,226	1,100,870	2,188,096	(951,904)
Finance	2,854,000	2,623,000	1,137,104	1,305,361	2,442,465	(180,535)
Fleet Services	1,264,000	1,264,000	593,119	532,085	1,125,204	(138,796)
Human Resources	727,000	727,000	335,508	358,418	693,926	(33,074)
Information Technology	2,583,000	2,583,000	1,226,741	1,209,786	2,436,527	(146,473)
Municipal Court	725,000	725,000	313,350	346,882	660,232	(64,768)
Planning	1,803,000	1,803,000	808,327	792,816	1,601,143	(201,857)
Code Enforcement	400,000	457,000	174,494	202,851	377,345	(79,655)
Office of the City Recorder	829,000	829,000	364,068	380,239	744,307	(84,693)
PEG	160,000	160,000	29,801	29,816	59,617	(100,383)
Police Department	14,845,000	14,923,000	6,979,567	6,918,865	13,898,432	(1,024,568)
Nondepartmental						
General Services	1,785,000	1,785,000	832,993	858,619	1,691,612	(93,388)
Contingency	2,270,000	1,959,000	-	-	-	(1,959,000)
TOTAL EXPENDITURES	43,244,000	42,990,000	17,984,297	18,231,911	36,216,208	(6,773,792)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(18,327,000)	(18,016,000)	(4,484,956)	(4,024,794)	(8,509,750)	9,506,250
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	44,432	471,343	515,775	515,775
Transfers from other funds	12,896,000	12,896,000	6,363,000	6,533,000	12,896,000	-
Transfers to other funds	-	(1,287,000)	(311,000)	(976,000)	(1,287,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	12,896,000	11,609,000	6,096,432	6,028,343	12,124,775	515,775
NET CHANGE IN FUND BALANCES	(5,431,000)	(6,407,000)	1,611,476	2,003,549	3,615,025	8,410,549
FUND BALANCE - June 30, 2019 (previously reported)	-	-	-	9,163,948	9,163,948	9,163,948
RESTATEMENT, Note 15	-	-	-	(45,226)	(45,226)	(45,226)
FUND BALANCES - beginning	6,513,000	6,513,000	7,552,472	9,118,722	11,122,271	2,605,722
FUND BALANCES - ending	\$ 1,082,000	\$ 106,000	\$ 9,163,948	\$ 11,122,271	\$ 14,737,296	\$ 11,016,271

CITY OF MILWAUKIE, OREGON

CITY HALL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Proceeds from lease	\$ -	\$ -	\$ -	\$ 12,600	\$ 12,600	\$ 12,600
Investment earnings	-	-	-	183	183	183
TOTAL REVENUES	-	-	-	12,783	12,783	12,783
EXPENDITURES:						
Professional services	-	140,000	-	131,150	131,150	(8,850)
Construction in process	-	7,847,000	-	6,651,419	6,651,419	(1,195,581)
TOTAL EXPENDITURES	-	7,987,000	-	6,782,569	6,782,569	(1,204,431)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(7,987,000)	-	(6,769,786)	(6,769,786)	(1,217,214)
OTHER FINANCING SOURCES (USES):						
Proceeds from debt	-	6,700,000	-	6,700,000	6,700,000	-
Transfers from other funds	-	1,287,000	-	1,287,000	1,287,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	7,987,000	-	7,987,000	7,987,000	-
NET CHANGE IN FUND BALANCES	-	-	-	1,217,214	1,217,214	1,217,214
FUND BALANCES - beginning	-	-	-	-	-	-
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ 1,217,214	\$ 1,217,214	\$ 1,217,214

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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Intergovernmental	\$ 4,538,000	\$ 4,538,000	\$ 2,106,185	\$ 2,621,106	\$ 4,727,291	\$ 189,291
Franchise fees	2,612,000	2,612,000	1,277,875	1,361,934	2,639,809	27,809
Charges for services	3,912,000	3,912,000	2,283,027	2,030,403	4,313,430	401,430
Investment earnings	-	-	536,040	745,510	1,281,550	1,281,550
Miscellaneous	165,000	165,000	177,031	65,035	242,066	77,066
TOTAL REVENUES	11,227,000	11,227,000	6,380,158	6,823,988	13,204,146	1,977,146
EXPENDITURES:						
Personnel services	1,119,000	1,119,000	520,709	544,745	1,065,454	(53,546)
Materials and services	1,092,000	1,092,000	808,642	464,918	1,273,560	181,560
Debt service	3,700,000	3,700,000	1,995,576	1,996,831	3,992,407	292,407
Capital outlay	17,061,000	17,061,000	4,841,277	5,157,802	9,999,079	(7,061,921)
Contingency	4,200,000	4,200,000	-	-	-	(4,200,000)
TOTAL EXPENDITURES	27,172,000	27,172,000	8,166,204	8,164,296	16,330,500	(10,841,500)
EXCESS OF REVENUES OVER EXPENDITURES	(15,945,000)	(15,945,000)	(1,786,046)	(1,340,308)	(3,126,354)	12,818,646
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of debt	-	20,585,000	20,585,000	-	20,585,000	-
Proceeds from bond premium	-	393,527	393,527	-	393,527	-
Transfers to other funds	(1,914,000)	(3,849,000)	(1,935,000)	(1,914,000)	(3,849,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,914,000)	17,129,527	19,043,527	(1,914,000)	17,129,527	-
NET CHANGE IN FUND BALANCES	(17,859,000)	1,184,527	17,257,481	(3,254,308)	14,003,173	12,818,646
FUND BALANCE - June 30, 2019 (previously reported)	-	-	-	21,705,287	21,705,287	21,705,287
RESTATEMENT, Note 15	-	-	-	499,493	499,493	499,493
FUND BALANCES - beginning	25,149,000	25,149,000	4,447,806	22,204,780	22,204,780	2,944,220
FUND BALANCES - ending	\$ 7,290,000	\$ 26,333,527	\$ 21,705,287	\$ 18,950,472	\$ 36,207,953	\$ 15,762,866

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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Property taxes	\$ 1,664,000	\$ 1,664,000	\$ 806,002	\$ 819,153	\$ 1,625,155	\$ (38,845)
Intergovernmental	4,221,000	4,221,000	1,950,713	1,930,729	3,881,442	(339,558)
Fines and forfeitures	100,000	100,000	35,076	26,700	61,776	(38,224)
Investment earnings	100,000	100,000	164,737	11,309	176,046	76,046
Miscellaneous	31,000	31,000	2,373	11,906	14,279	(16,721)
TOTAL REVENUES	6,116,000	6,116,000	2,958,901	2,799,797	5,758,698	(3,316,203)
EXPENDITURES:						
Personnel services	3,442,000	3,442,000	1,647,806	1,649,664	3,297,470	(144,530)
Materials and services	897,000	897,000	481,291	348,357	829,648	(67,352)
Capital outlay	10,424,000	10,424,000	5,727,892	4,261,863	9,989,755	(434,245)
Contingency	372,000	372,000	-	-	-	(372,000)
TOTAL EXPENDITURES	15,135,000	15,135,000	7,856,989	6,259,884	14,116,873	(1,018,127)
EXCESS OF REVENUES OVER EXPENDITURES	(9,019,000)	(9,019,000)	(4,898,088)	(3,460,087)	(8,358,175)	5,558,913
OTHER FINANCING USES:						
Transfers from other funds	-	311,000	311,000	-	311,000	-
Transfers to other funds	(701,000)	(1,676,000)	(664,000)	(1,012,000)	(1,676,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(701,000)	(1,365,000)	(5,251,088)	(1,012,000)	(9,723,175)	-
NET CHANGE IN FUND BALANCES	(9,720,000)	(10,384,000)	(5,251,088)	(4,472,087)	(9,723,175)	5,558,913
FUND BALANCES - beginning	10,384,000	10,384,000	10,357,924	5,106,836	10,357,924	(5,277,164)
FUND BALANCES - ending	\$ 664,000	\$ -	\$ 5,106,836	\$ 634,749	\$ 634,749	\$ 281,749

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
2020	\$ 698,535	\$ 11,377,967	6.1%
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	-	-	-

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/losses	Changes of assumptions	TOL ending balance
2020	\$ 668,101	\$ 43,361	\$ 26,362	\$ (61,101)	\$ -	\$ 21,812	\$ 698,535
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	-	-	-	-	-	-	-

¹ Actuarial information not available.

CITY OF MILWAUKIE, OREGON

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE

JUNE 30, 2020

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)
2019	0.09821427%	\$ (189,785)	\$ 10,798,700	-1.8%	96.8%
2018	0.09505729%	(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	-	-	-	-	-

**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)
2019	0.10370708%	\$ 17,938,841	\$ 10,798,700	166.1%	84.6%
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	-	-	-	-	-

¹ Actuarial information not available.

² Actuarial information provided by OPERS actuary.

CITY OF MILWAUKIE, OREGON
SCHEDULE OF THE CITY'S CONTRIBUTIONS
JUNE 30, 2020

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
2020	\$ 48,729	\$ 48,729	\$ -	\$ 11,377,967	0.43%
2019	48,677	48,677	-	10,798,700	0.45%
2018	46,027	46,027	-	9,921,800	0.46%
2017	47,590	47,590	-	9,351,333	0.51%
2016 ¹	-	-	-	-	-
2015 ¹	-	-	-	-	-
2014 ¹	-	-	-	-	-
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 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
2020	\$ 1,954,083	\$ 1,954,083	\$ -	\$ 11,377,967	17.2%
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%

¹ Information not available.

² Actuarial information provided by OPERS actuary.

CITY OF MILWAUKIE, OREGON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

Required Supplementary Information includes budgetary comparisons for the general, city hall, 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.

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, 2020, 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, 2020, 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, 2020 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, 2020.

- 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, 2020

	Capital Projects		Special Revenue		Debt Service	Total Non-Major Funds
	Systems Development Charges	Building Inspections	Affordable Housing	Milwaukie Redevelopment Commission	Debt Service	
ASSETS:						
Restricted cash and investments	\$ 1,795,817	\$ 2,325,978	\$ 406,173	\$ 512,360	\$ 285,750	\$ 5,326,078
Property taxes receivable	-	-	-	5,312	-	5,312
Accounts receivable	17,770	-	-	-	73,800	91,570
Prepaid expenditures	25,024	-	-	-	-	25,024
TOTAL ASSETS	<u>1,838,611</u>	<u>2,325,978</u>	<u>406,173</u>	<u>517,672</u>	<u>359,550</u>	<u>5,447,984</u>
LIABILITIES:						
Accounts payable	49,199	22,680	5,685	-	-	77,564
Accrued salaries and payroll taxes	-	8,496	-	-	-	8,496
Unearned revenue	14,681	-	-	-	-	14,681
TOTAL LIABILITIES	<u>63,880</u>	<u>31,176</u>	<u>5,685</u>	<u>-</u>	<u>-</u>	<u>100,741</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	-	-	-	4,853	-	4,853
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,853</u>	<u>-</u>	<u>4,853</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>63,880</u>	<u>31,176</u>	<u>5,685</u>	<u>4,853</u>	<u>-</u>	<u>105,594</u>
FUND BALANCES:						
Nonspendable	25,024	-	-	-	-	25,024
Restricted	1,749,707	2,294,802	400,488	512,819	359,550	5,317,366
TOTAL FUND BALANCES	<u>1,774,731</u>	<u>2,294,802</u>	<u>400,488</u>	<u>512,819</u>	<u>359,550</u>	<u>5,342,390</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,838,611</u>	<u>\$ 2,325,978</u>	<u>\$ 406,173</u>	<u>\$ 517,672</u>	<u>\$ 359,550</u>	<u>\$ 5,447,984</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, 2020

	Capital Projects		Special Revenue		Debt Service	Total Non-Major Funds
	Systems Development Charges	Building Inspections	Affordable Housing	Milwaukie Redevelopment Commission	Debt Service	
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 233,505	\$ 843,966	\$ 1,077,471
Intergovernmental	-	-	-	-	87,600	87,600
Licenses and permits	-	976,690	165,860	-	-	1,142,550
Systems development charges	208,165	-	-	-	-	208,165
Investment earnings	34,538	45,738	7,122	8,151	11,395	106,944
Miscellaneous	1,779	2,730	8,163	214	-	12,886
TOTAL REVENUES	244,482	1,025,158	181,145	241,870	942,961	2,635,616
EXPENDITURES:						
Personnel services	-	391,129	-	-	-	391,129
Materials and services	-	130,927	132,000	-	-	262,927
Debt service:						
Principal	-	-	-	-	590,000	590,000
Interest	-	-	-	-	352,355	352,355
Capital outlay	309,318	-	-	-	-	309,318
TOTAL EXPENDITURES	309,318	522,056	132,000	-	942,355	1,905,729
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(64,836)	503,102	49,145	241,870	606	729,887
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	-	(219,000)	-	-	-	(219,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(219,000)	-	-	-	(219,000)
NET CHANGE IN FUND BALANCES	(64,836)	284,102	49,145	241,870	606	510,887
FUND BALANCES - beginning (previously reported)	1,839,567	2,010,700	306,106	270,949	358,944	4,786,266
RESTATEMENT, Note 15	-	-	45,237	-	-	45,237
FUND BALANCES - beginning, as restated	1,839,567	2,010,700	351,343	270,949	358,944	4,831,503
FUND BALANCES - ending	\$ 1,774,731	\$ 2,294,802	\$ 400,488	\$ 512,819	\$ 359,550	\$ 5,342,390

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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Systems development charges	\$ 1,409,000	\$ 1,409,000	\$ 488,172	\$ 208,165	\$ 696,337	\$ (712,663)
Investment earnings	6,000	6,000	33,148	34,538	67,686	61,686
Miscellaneous	-	-	20,153	1,779	21,932	21,932
					-	
TOTAL REVENUES	<u>1,415,000</u>	<u>1,415,000</u>	<u>541,473</u>	<u>244,482</u>	<u>785,955</u>	<u>(629,045)</u>
EXPENDITURES:						
Materials and services	575,000	575,000	-	-	-	(575,000)
Capital outlay	1,464,000	1,464,000	231,105	309,318	540,423	(923,577)
Contingency	887,000	887,000	-	-	-	(887,000)
TOTAL EXPENDITURES	<u>2,926,000</u>	<u>2,926,000</u>	<u>231,105</u>	<u>309,318</u>	<u>540,423</u>	<u>(2,385,577)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,511,000)</u>	<u>(1,511,000)</u>	<u>310,368</u>	<u>(64,836)</u>	<u>245,532</u>	<u>1,756,532</u>
FUND BALANCES - beginning	<u>1,630,000</u>	<u>1,630,000</u>	<u>1,529,199</u>	<u>1,839,567</u>	<u>1,529,199</u>	<u>(100,801)</u>
FUND BALANCES - ending	<u>\$ 119,000</u>	<u>\$ 119,000</u>	<u>\$ 1,839,567</u>	<u>\$ 1,774,731</u>	<u>\$ 1,774,731</u>	<u>\$ 1,655,731</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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Licenses and permits	\$ 1,890,000	\$ 2,045,000	\$ 1,903,642	\$ 976,690	\$ 2,880,332	\$ 835,332
Intergovernmental	2,000	2,000	-	-	-	(2,000)
Investment earnings	-	-	32,502	45,738	78,240	78,240
Miscellaneous	10,000	10,000	865	2,730	3,595	(6,405)
TOTAL REVENUES	<u>1,902,000</u>	<u>2,057,000</u>	<u>1,937,009</u>	<u>1,025,158</u>	<u>2,962,167</u>	<u>905,167</u>
EXPENDITURES:						
Personnel services	681,000	736,000	336,290	391,129	727,419	(8,581)
Materials and services	244,000	344,000	211,782	130,927	342,709	(1,291)
Contingency	238,000	238,000	-	-	-	(238,000)
TOTAL EXPENDITURES	<u>1,163,000</u>	<u>1,318,000</u>	<u>548,072</u>	<u>522,056</u>	<u>1,070,128</u>	<u>(247,872)</u>
EXCESS OF REVENUES OVER EXPENDITURES	739,000	739,000	1,388,937	503,102	1,892,039	1,153,039
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(438,000)	(438,000)	(219,000)	(219,000)	(438,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(438,000)</u>	<u>(438,000)</u>	<u>(219,000)</u>	<u>(219,000)</u>	<u>(438,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>301,000</u>	<u>301,000</u>	<u>1,169,937</u>	<u>284,102</u>	<u>1,454,039</u>	<u>1,153,039</u>
FUND BALANCES - beginning	<u>712,000</u>	<u>712,000</u>	<u>840,763</u>	<u>2,010,700</u>	<u>840,763</u>	<u>1,298,700</u>
FUND BALANCES - ending	<u>\$ 1,013,000</u>	<u>\$ 1,013,000</u>	<u>\$ 2,010,700</u>	<u>\$ 2,294,802</u>	<u>\$ 2,294,802</u>	<u>\$ 2,451,739</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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Excise tax	\$ 468,000	\$ 468,000	\$ 302,618	\$ 165,860	\$ 468,478	\$ 478
Investment earnings	-	-	3,267	7,122	10,389	10,389
Miscellaneous	-	-	221	8,163	8,384	8,384
TOTAL REVENUES	<u>468,000</u>	<u>468,000</u>	<u>306,106</u>	<u>181,145</u>	<u>487,251</u>	<u>19,251</u>
EXPENDITURES:						
Materials and services	<u>468,000</u>	<u>468,000</u>	<u>-</u>	<u>132,000</u>	<u>132,000</u>	<u>(336,000)</u>
TOTAL EXPENDITURES	<u>468,000</u>	<u>468,000</u>	<u>-</u>	<u>132,000</u>	<u>132,000</u>	<u>(336,000)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>306,106</u>	<u>49,145</u>	<u>355,251</u>	<u>355,251</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>306,106</u>	<u>49,145</u>	<u>355,251</u>	<u>355,251</u>
FUND BALANCE - June 30, 2019 (previously reported)	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,106</u>	<u>306,106</u>	<u>306,106</u>
RESTATEMENT, Note 15	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,237</u>	<u>45,237</u>	<u>45,237</u>
FUND BALANCES - beginning	<u>233,000</u>	<u>233,000</u>	<u>-</u>	<u>351,343</u>	<u>351,343</u>	<u>118,343</u>
FUND BALANCES - ending	<u>\$ 233,000</u>	<u>\$ 233,000</u>	<u>\$ 306,106</u>	<u>\$ 400,488</u>	<u>\$ 706,594</u>	<u>\$ 473,594</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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Property taxes	\$ 212,000	\$ 212,000	\$ 171,710	\$ 233,505	\$ 405,215	\$ 193,215
Investment earnings	10,000	10,000	3,796	8,151	11,947	1,947
Miscellaneous	-	-	207	214	421	421
TOTAL REVENUES	<u>222,000</u>	<u>222,000</u>	<u>175,713</u>	<u>241,870</u>	<u>417,583</u>	<u>195,583</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>-</u>	<u>-</u>	<u>(175,000)</u>
EXCESS OF REVENUES OVER EXPENDITURES	47,000	47,000	175,713	241,870	417,583	370,583
FUND BALANCES - beginning	<u>93,000</u>	<u>93,000</u>	<u>95,236</u>	<u>270,949</u>	<u>95,236</u>	<u>2,236</u>
FUND BALANCES - ending	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 270,949</u>	<u>\$ 512,819</u>	<u>\$ 512,819</u>	<u>\$ 372,819</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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Property taxes	\$ 1,713,000	\$ 1,713,000	\$ 836,652	\$ 843,966	\$ 1,680,618	\$ (32,382)
Intergovernmental	172,000	172,000	84,250	87,600	171,850	(150)
Investment earnings	-	-	11,628	11,395	23,023	23,023
TOTAL REVENUES	<u>1,885,000</u>	<u>1,885,000</u>	<u>932,530</u>	<u>942,961</u>	<u>1,875,491</u>	<u>(942,039)</u>
EXPENDITURES:						
Debt service:						
Principal	1,165,000	1,165,000	575,000	590,000	1,165,000	-
Interest	722,000	722,000	367,305	352,355	719,660	(2,340)
TOTAL EXPENDITURES	<u>1,887,000</u>	<u>1,887,000</u>	<u>942,305</u>	<u>942,355</u>	<u>1,884,660</u>	<u>(2,340)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(2,000)	(2,000)	(9,775)	606	(9,169)	(7,169)
FUND BALANCES - beginning	<u>399,000</u>	<u>399,000</u>	<u>368,719</u>	<u>358,944</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>\$ 359,550</u>	<u>\$ 359,550</u>	<u>\$ (37,450)</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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Water charges	\$ 9,320,000	\$ 9,320,000	\$ 4,485,288	\$ 4,282,387	\$ 8,767,675	\$ (552,325)
Reimbursement fees	16,000	16,000	30,362	24,479	54,841	38,841
Investment earnings	-	-	128,066	101,994	230,060	230,060
Miscellaneous	68,000	68,000	36,520	32,780	69,300	1,300
TOTAL REVENUES	9,404,000	9,404,000	4,680,236	4,441,640	9,121,876	(282,124)
EXPENDITURES:						
Personnel services	1,729,000	1,729,000	770,428	791,229	1,561,657	(167,343)
Materials and services	1,778,000	1,778,000	883,110	872,050	1,755,160	(22,840)
Capital outlay	4,276,000	4,276,000	791,557	1,817,788	2,609,345	(1,666,655)
Contingency	1,500,000	1,500,000	-	-	-	(1,500,000)
TOTAL EXPENDITURES	9,283,000	9,283,000	2,445,095	3,481,067	5,926,162	(3,356,838)
EXCESS OF REVENUES OVER EXPENDITURES	121,000	121,000	2,235,141	960,573	3,195,714	3,074,714
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(2,450,000)	(2,450,000)	(1,201,000)	(1,249,000)	(2,450,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,450,000)	(2,450,000)	(1,201,000)	(1,249,000)	(2,450,000)	-
NET CHANGE IN FUND BALANCES	(2,329,000)	(2,329,000)	1,034,141	(288,427)	745,714	3,074,714
FUND BALANCES - beginning	3,766,000	3,766,000	3,884,343	4,918,484	3,884,343	118,343
FUND BALANCES - ending	\$ 1,437,000	\$ 1,437,000	4,918,484	4,630,057	\$ 4,630,057	\$ 3,193,057
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			2,692,876	1,894,024		
Adjustment for capital assets, net of accumulated depreciation			7,643,787	9,741,055		
Adjustment for net pension liability			(659,245)	(617,206)		
Adjustment for Net OPEB asset			4,478	6,530		
Adjustment for total OPEB liability			(28,194)	(24,034)		
Adjustment for deferred outflows of resources			256,089	196,153		
Adjustment for deferred inflows of resources			(51,804)	(40,660)		
NET POSITION - GAAP BASIS, ending			\$ 14,776,471	\$ 15,785,919		

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, 2020

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Wastewater charges	\$ 16,293,000	\$ 16,293,000	\$ 7,907,033	\$ 8,007,852	\$ 15,914,885	\$ (378,115)
Reimbursement fees	100,000	100,000	81,506	50,237	131,743	31,743
Investment Earnings	100,000	100,000	137,245	106,950	244,195	144,195
Miscellaneous	13,000	13,000	4,150	5,251	9,401	(3,599)
TOTAL REVENUES	16,506,000	16,506,000	8,129,934	8,170,290	16,300,224	(205,776)
EXPENDITURES:						
Personnel services	960,000	960,000	472,931	527,939	1,000,870	40,870
Materials and services	10,856,000	10,856,000	5,299,758	5,540,930	10,840,688	(15,312)
Debt service:						
Principal	194,000	194,000	96,458	96,458	192,916	(1,084)
Interest	10,000	10,000	6,029	5,546	11,575	1,575
Capital outlay	2,670,000	2,670,000	1,243,233	147,532	1,390,765	(1,279,235)
Contingency	1,500,000	1,500,000	-	-	-	(1,500,000)
TOTAL EXPENDITURES	16,190,000	16,190,000	7,118,409	6,318,405	13,436,814	(2,753,186)
EXCESS OF REVENUES OVER EXPENDITURES	316,000	316,000	1,011,525	1,851,885	2,863,410	2,547,410
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(2,150,000)	(2,150,000)	(1,048,000)	(1,102,000)	(2,150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,150,000)	(2,150,000)	(1,048,000)	(1,102,000)	(2,150,000)	-
NET CHANGE IN FUND BALANCES	(1,834,000)	(1,834,000)	(36,475)	749,885	713,410	2,547,410
FUND BALANCES - beginning	3,274,000	3,274,000	4,811,427	4,774,952	4,811,427	1,537,427
FUND BALANCES - ending	\$ 1,440,000	\$ 1,440,000	4,774,952	5,524,837	\$ 5,524,837	\$ 4,084,837
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			1,447,147	316,136		
Adjustment for capital assets, net of accumulated depreciation			8,319,730	9,093,262		
Adjustment for net pension liability			(355,321)	(484,702)		
Adjustment for Net OPEB asset			2,366	5,128		
Adjustment for total OPEB liability			(14,899)	(18,874)		
Adjustment for deferred outflows of resources			137,979	154,042		
Adjustment for unearned revenue			(159,436)	(181,011)		
Adjustment for deferred inflows of resources			(27,811)	(31,935)		
Adjustment for loan payable - due within one year			(96,458)	(96,458)		
Adjustment for loan payable less portion due within one year			(1,061,038)	(964,580)		
NET POSITION - GAAP BASIS, ending			\$ 12,967,211	\$13,315,845		

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, 2020**

	Budget for the 2019-2020 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2018-19	2nd Year FY 2019-20	Total	
REVENUES:						
Stormwater charges	\$ 9,456,000	\$ 9,456,000	\$ 4,326,295	\$ 4,966,310	\$ 9,292,605	\$ (163,395)
Investment earnings	108,000	108,000	111,493	108,307	219,800	111,800
Intergovernmental	-	-	-	82,949	82,949	82,949
Miscellaneous	24,000	24,000	21,905	26,652	48,557	24,557
TOTAL REVENUES	9,588,000	9,588,000	4,459,693	5,184,218	9,643,911	(4,403,782)
EXPENDITURES:						
Personnel services	1,624,000	1,624,000	706,197	720,731	1,426,928	(197,072)
Materials and services	1,211,000	1,211,000	485,271	584,433	1,069,704	(141,296)
Capital outlay	7,204,000	7,204,000	1,400,305	2,301,598	3,701,903	(3,502,097)
Contingency	991,000	991,000	-	-	-	(991,000)
TOTAL EXPENDITURES	11,030,000	11,030,000	2,591,773	3,606,762	6,198,535	(4,831,465)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,442,000)	(1,442,000)	1,867,920	1,577,456	3,445,376	3,019,456
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	7,050	-	7,050	7,050
Transfers to other funds	(2,644,000)	(2,644,000)	(1,296,000)	(1,348,000)	(2,644,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,644,000)	(2,644,000)	(1,288,950)	(1,348,000)	(2,636,950)	7,050
NET CHANGE IN FUND BALANCES	(4,086,000)	(4,086,000)	578,970	229,456	808,426	3,026,506
FUND BALANCES - beginning	4,909,000	4,909,000	4,323,240	4,902,210	4,323,240	(6,790)
FUND BALANCES - ending	\$ 823,000	\$ 823,000	4,902,210	5,131,666	\$ 5,131,666	\$ 3,019,716
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			2,410,189	861,874		
Adjustment for capital assets, net of accumulated depreciation			3,871,512	7,260,834		
Adjustment for net pension liability			(582,051)	(638,718)		
Adjustment for Net OPEB asset			3,937	6,757		
Adjustment for total OPEB liability			(24,787)	(24,872)		
Adjustment for deferred outflows of resources			226,084	202,990		
Adjustment for deferred inflows of resources			(45,699)	(42,083)		
NET POSITION - GAAP BASIS, ending			\$ 10,761,395	\$ 12,758,448		

OTHER FINANCIAL SCHEDULES

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED
OFFICIALS

CITY OF MILWAUKIE, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

JUNE 30, 2020

Future Debt Service Principal

Fiscal year	2014 Full Faith & Credit Bond	2018 Full Faith & Credit Bond	2020 Full Faith & Credit Bond	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2021	\$ 66,459	\$ 1,303,118	280,000	\$ 172,801	\$ 410,797	\$ 24,720	\$ 270,000	\$ 96,458	\$ 2,624,353
2022	66,459	13,118	285,000	177,801	415,797	24,919	305,000	96,458	1,384,552
2023	71,459	13,118	290,000	182,801	430,797	30,127	340,000	96,458	1,454,760
2024	71,459	13,118	290,000	192,801	440,797	30,346	380,000	96,458	1,514,979
2025	76,459	13,118	295,000	197,801	450,797	30,575	420,000	96,458	1,580,208
2026	81,459	13,118	300,000	207,801	470,797	30,819	465,000	96,458	1,665,452
2027	81,459	13,118	305,000	212,801	485,797	36,074	510,000	96,458	1,740,707
2028	86,459	13,118	310,000	217,801	500,797	36,339	230,000	96,458	1,490,972
2029	87,535	13,118	315,000	222,801	510,797	36,617	-	96,458	1,282,326
2030	-	13,118	325,000	232,801	520,797	36,906	-	96,458	1,225,080
2031	-	13,118	330,000	242,801	530,797	42,208	-	96,456	1,255,380
2032	-	13,118	335,000	252,801	545,797	42,524	-	-	1,189,240
2033	-	13,118	345,000	262,801	555,797	-	-	-	1,176,716
2034	-	13,118	355,000	273,867	570,797	-	-	-	1,212,782
2035	-	13,118	365,000	-	585,797	-	-	-	963,915
2036	-	13,118	370,000	-	602,530	-	-	-	985,648
2037	-	13,118	385,000	-	-	-	-	-	398,118
2038	-	13,118	395,000	-	-	-	-	-	408,118
2039	-	13,118	405,000	-	-	-	-	-	418,118
2040	-	13,118	420,000	-	-	-	-	-	433,118
2041	-	13,118	-	-	-	-	-	-	13,118
2042	-	13,118	-	-	-	-	-	-	13,118
2043	-	2,638,118	-	-	-	-	-	-	2,638,118
2044	-	2,728,118	-	-	-	-	-	-	2,728,118
2045	-	2,823,118	-	-	-	-	-	-	2,823,118
2046	-	2,928,118	-	-	-	-	-	-	2,928,118
2047	-	3,033,118	-	-	-	-	-	-	3,033,118
2048	-	3,153,105	-	-	-	-	-	-	3,153,105
Totals	\$ 689,207	\$ 18,882,291	\$ 6,700,000	\$ 3,050,280	\$ 8,029,485	\$ 402,174	\$ 2,920,000	\$ 1,061,036	\$ 41,734,473

Future Debt Service Interest

Fiscal year	2014 Full Faith & Credit Bond	2018 Full Faith & Credit Bond	2020 Full Faith & Credit Bond	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2021	\$ 25,200	\$ 705,332	\$ 74,521	\$ 103,175	\$ 207,980	\$ 19,633	\$ 146,116	\$ 4,750	\$ 1,286,707
2022	22,800	640,832	74,343	96,775	200,180	18,435	132,606	4,250	1,190,221
2023	20,400	640,832	72,031	90,175	188,330	17,225	117,344	3,750	1,150,087
2024	17,800	640,832	70,407	83,375	176,030	15,758	100,330	3,250	1,107,782
2025	15,200	640,832	68,451	76,175	163,430	14,278	81,316	2,750	1,062,432
2026	12,400	640,832	66,313	68,775	146,230	12,784	60,298	2,250	1,009,882
2027	9,400	640,832	63,645	62,925	128,230	11,279	37,030	1,750	955,091
2028	6,400	640,832	60,779	56,925	114,280	9,513	11,510	1,250	901,489
2029	3,200	640,832	57,712	50,775	104,680	7,736	-	750	865,685
2030	-	640,832	54,438	42,375	94,880	5,947	-	250	838,722
2031	-	640,832	50,978	33,575	84,255	4,145	-	-	813,785
2032	-	640,832	47,234	24,375	72,143	2,079	-	-	786,663
2033	-	640,832	43,266	16,575	59,018	-	-	-	759,691
2034	-	640,832	39,007	8,450	45,643	-	-	-	733,932
2035	-	640,832	34,412	-	31,205	-	-	-	706,449
2036	-	640,832	29,595	-	15,950	-	-	-	686,377
2037	-	640,832	24,051	-	-	-	-	-	664,883
2038	-	640,832	18,282	-	-	-	-	-	659,114
2039	-	640,832	12,363	-	-	-	-	-	653,195
2040	-	640,832	6,294	-	-	-	-	-	647,126
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
Totals	\$ 132,800	\$ 16,530,592	\$ 968,122	\$ 814,425	\$ 1,832,464	\$ 138,812	\$ 686,550	\$ 25,000	\$ 21,128,765

CITY OF MILWAUKIE, OREGON

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.	100
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	105
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.	110
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.	115
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.	118

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
			(restated)	(restated)						
Governmental activities										
Net investment in capital assets	\$ 39,274	\$ 38,433	\$ 41,361	\$ 41,361	\$ 42,965	\$ 43,558	\$ 40,950	\$ 43,107	\$ 23,390	\$ 48,178
Restricted	2,125	2,235	1,788	1,789	1,921	2,200	11,587	12,250	7,851	7,221
Unrestricted	6,594	7,031	8,115	1,427	5,166	866	(7,168)	(6,469)	20,235	(3,080)
Total governmental activities net position	47,993	47,699	51,265	44,577	50,052	46,624	45,369	48,888	51,476	52,319
Business-type activities										
Net investment in capital assets	14,773	16,528	18,041	18,041	18,903	20,506	22,410	23,102	25,228	28,106
Restricted	-	12	12	12	12	12	12	12	12	12
Unrestricted	3,881	4,426	5,726	5,302	7,659	9,102	9,744	11,975	13,265	13,742
Total business-type activities net position	18,654	20,966	23,779	23,355	26,574	29,620	32,166	35,090	38,505	41,860
Primary government										
Net investment in capital assets	54,047	54,961	59,402	59,402	61,868	64,064	63,360	66,209	48,618	76,284
Restricted	2,125	2,247	1,800	1,801	1,933	2,212	11,599	12,262	7,863	7,233
Unrestricted	10,475	11,457	13,841	6,729	12,825	9,968	2,576	5,506	33,500	10,662
Total primary government net position	\$ 66,647	\$ 68,665	\$ 75,043	\$ 67,932	\$ 76,626	\$ 76,244	\$ 77,535	\$ 83,978	\$ 89,982	\$ 94,179

CITY OF MILWAUKIE, OREGON

CHANGES IN NET POSITION

for the last ten fiscal years

(accrual basis of accounting)

(in thousands)

	Fiscal Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 9,813	\$ 9,489	\$ 9,109	\$ 9,322	\$ 7,811	\$ 10,757	\$ 10,568	\$ 11,437	\$ 12,078	\$ 13,319
Highways and streets	2,094	2,155	2,126	1,028	1,851	4,026	5,548	4,324	5,686	6,116
Public safety	6,210	6,720	6,636	6,458	5,412	7,685	7,201	7,630	7,711	8,093
Culture and recreation	1,585	1,770	2,630	2,665	2,309	3,102	3,240	3,185	3,537	4,330
Interest on long-term debt	292	273	487	407	408	367	568	560	1,310	1,392
Total governmental activities expenses	19,994	20,407	20,988	19,880	17,791	25,937	27,125	27,136	30,322	33,250
Business-type activities:										
Water	2,397	2,520	2,526	2,610	2,573	2,840	3,183	3,169	3,450	3,432
Wastewater	5,023	4,801	6,067	6,062	6,052	6,545	6,832	7,044	7,373	7,800
Stormwater	1,710	1,660	1,569	1,578	1,776	2,132	2,387	2,701	2,981	3,187
Total business-type activities expenses	9,130	8,981	10,162	10,249	10,401	11,517	12,402	12,914	13,803	14,419
Total primary government expenses	\$ 29,124	\$ 29,388	\$ 31,150	\$30,130	\$28,192	\$37,454	\$39,527	\$40,050	\$44,125	\$47,669
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 5,110	\$ 5,052	\$ 5,150	\$ 5,323	\$ 5,695	\$ 6,773	\$ 7,391	\$ 9,981	\$ 11,408	\$ 9,906
Highways and streets	663	609	693	633	635	748	1,088	1,679	2,283	2,030
Public safety	1,940	1,734	1,693	1,609	948	307	307	447	-	772
Culture and recreation	59	59	67	60	60	60	-	-	1,782	1,794
Operating grants and contributions	3,313	3,555	4,610	4,454	4,324	2,935	4,742	4,030	3,143	3,525
Capital grants and contributions	47	80	107	145	1,731	1,478	312	2,139	-	219
Total governmental activities program revenues	11,132	11,089	12,320	12,224	13,393	12,301	13,840	18,277	18,616	18,246
Business-type activities:										
Charges for services:										
Water	2,173	2,354	2,819	3,158	3,698	3,965	3,798	4,075	4,522	4,339
Wastewater	5,032	4,947	6,316	6,627	6,894	7,290	7,668	7,935	7,964	8,042
Stormwater	1,794	1,840	1,989	2,212	2,581	2,946	3,382	3,835	4,348	4,993
Capital grants and contributions	-	1,929	10	-	-	-	-	-	-	83
Total business-type activities program revenues	8,999	11,070	11,134	11,997	13,173	14,201	14,848	15,845	16,835	17,457
Total primary government program revenues	\$ 20,131	\$ 22,159	\$ 23,454	\$ 24,220	\$ 26,566	\$ 26,502	\$ 28,689	\$ 34,122	\$ 35,451	\$ 35,703

Continued on next page

	Fiscal Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense) Revenue										
Governmental activities	\$ (8,862)	\$ (9,318)	\$ (8,668)	\$ (7,656)	\$ (4,399)	\$ (13,636)	\$ (13,285)	\$ (8,859)	\$ (11,706)	\$ (15,004)
Business-type activities	(131)	2,089	972	1,747	2,772	2,684	2,446	2,932	3,032	3,038
Total primary government net expenses	<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>\$ (8,674)</u>	<u>\$ (11,966)</u>
General Revenues										
Governmental activities:										
Property taxes, levied for general purposes	\$ 6,112	\$ 6,487	\$ 6,565	\$ 7,014	\$ 7,590	\$ 7,925	\$ 8,927	\$ 9,292	\$ 9,430	\$ 9,839
Property taxes, levied for debt service	-	-	-	-	-	-	-	-	-	-
Franchise taxes	2,561	2,594	2,479	2,439	2,568	2,570	2,857	3,256	3,624	3,749
Intergovernmental	297	97	-	-	-	-	-	-	-	-
Interest and investment earnings	115	60	77	66	87	75	246	488	1,196	1,287
Gain on disposition of capital assets	-	-	4	-	75	-	-	39	44	471
	<u>(64)</u>	<u>(214)</u>	<u>-</u>	<u>(93)</u>	<u>(448)</u>	<u>(362)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers	9,021	9,021	9,125	9,426	9,872	10,208	12,030	13,076	14,294	15,346
Total governmental activities										
Business-type activities:										
Interest and investment earnings	85	9	-	-	-	-	99	55	377	317
Gain on disposition of capital assets	-	-	-	-	-	-	-	15	7	-
	<u>64</u>	<u>214</u>	<u>-</u>	<u>93</u>	<u>448</u>	<u>362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers	149	223	-	93	448	362	99	70	384	317
Total business-type activities	<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>	<u>\$ 15,663</u>
Total primary government										
Change in Net Position	\$ 159	\$ (297)	\$ 457	\$ 1,770	\$ 5,474	\$ (3,428)	\$ (1,255)	\$ 4,216	\$ 2,589	\$ 342
Governmental activities	18	2,312	972	1,840	3,220	3,046	2,545	3,001	3,416	3,355
Business-type activities	<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>\$ 6,004</u>	<u>\$ 3,697</u>
Total primary government										

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Nonspendable	\$ -	\$ -	\$ 36	\$ 35	\$ 65	\$ 146	\$ 130	\$ 125	\$ 110	\$ 95
Restricted	11	23	28	30	39	30	33	19	16	2,182
Assigned	201	-	-	-	-	-	-	-	-	-
Unassigned	6,086	5,759	5,380	5,974	5,676	5,939	7,175	7,408	9,038	8,845
Total general fund	<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>	<u>\$11,122</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 33	\$ 105	\$ 154	\$ 815	\$ 816	\$ 818	\$ 38	\$ 26
Restricted	2,115	2,211	1,995	1,618	1,725	1,799	11,199	11,878	7,993	5,317
Committed	-	1,739	1,322	1,459	1,954	1,627	2,858	3,858	21,705	20,168
Assigned	1,321	389	231	390	594	691	812	1,086	1,862	634
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$26,145</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Property taxes	\$ 6,164	\$ 6,429	\$ 6,564	\$ 7,019	\$ 7,587	\$ 7,892	\$ 8,898	\$ 9,287	\$ 9,660	\$ 9,825
Intergovernmental	3,313	3,634	4,233	4,270	5,747	5,765	4,424	7,895	5,411	3,749
Franchise taxes	2,561	2,579	2,479	2,439	2,568	2,570	2,857	3,256	3,624	5,850
Fines and forfeitures	1,857	1,502	1,754	1,690	1,252	1,267	1,065	879	844	806
Licenses and permits	586	964	1,112	626	667	985	1,058	1,766	2,864	1,702
Charges for services	5,235	4,637	5,176	5,155	5,042	5,158	6,447	7,099	8,646	8,772
Miscellaneous	412	114	223	224	327	303	636	914	2,046	2,308
Total revenues	20,128	19,859	21,541	21,423	23,189	23,940	25,386	31,097	33,094	33,012
Expenditures:										
Current:										
General government	8,495	8,328	8,066	8,165	7,867	8,687	9,168	10,552	11,073	11,587
Highway and streets	1,870	1,891	1,883	1,753	1,712	1,708	2,117	2,072	3,264	1,010
Public safety	5,546	5,897	5,877	5,590	5,955	6,149	6,435	6,655	6,839	6,779
Culture and recreation	1,415	1,553	2,329	2,339	2,350	2,468	2,689	2,636	2,793	1,998
Debt service:										
Principal	570	144	378	196	3,983	379	778	792	2,039	2,089
Interest	292	273	253	415	557	380	564	581	1,320	1,297
Capital outlay	1,386	1,385	7,508	2,441	5,181	2,967	1,274	6,119	11,217	16,584
Total expenditures	19,574	19,471	26,294	20,899	27,607	22,738	23,025	29,407	38,547	41,344
Excess (deficiency) of revenues over (under) expenditures	554	388	(4,753)	524	(4,417)	1,202	2,361	1,689	(5,453)	(8,332)
Other financing sources (uses):										
Transfers from other funds	8,245	-	-	-	-	57	-	-	311	4,121
Transfers to other funds	(8,572)	-	-	-	-	(419)	-	-	(311)	(6,955)
Proceeds from sale of capital assets	13	-	6	-	-	-	-	95	44	471
Proceeds from bond premium	-	-	-	-	-	-	-	-	394	-
Issuance of debt	-	-	3,650	63	4,660	-	9,200	-	-	6,700
Proceeds from borrowing	-	-	-	-	-	-	-	385	20,585	-
Bond premium on issuance of debt	-	-	-	-	353	-	416	-	-	-
Total other financing sources (uses)	(314)	-	3,656	63	5,013	(362)	9,616	480	21,023	4,337
Net change in fund balances	\$ 240	\$ 388	\$ (1,097)	\$ 586	\$ 595	\$ 840	\$ 11,977	\$ 2,169	\$ 15,570	\$ (3,995)
Debt service as a percentage of noncapital expenditures	4.7%	2.3%	3.4%	3.3%	20.2%	3.8%	6.2%	5.9%	12.3%	13.7%

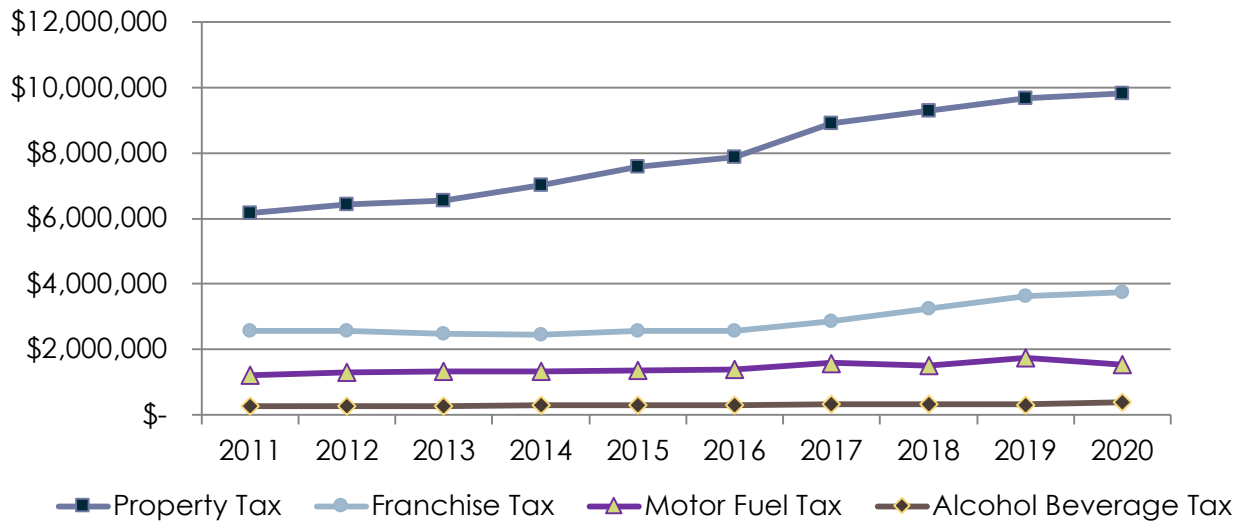
CITY OF MILWAUKIE, OREGON

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

Fiscal Year	Property Tax	Franchise Tax	Motor Fuel Tax ¹	Alcoholic Beverage Tax ¹	Total
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
2020	9,825,418	3,748,904	1,523,745	396,248	15,494,315

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



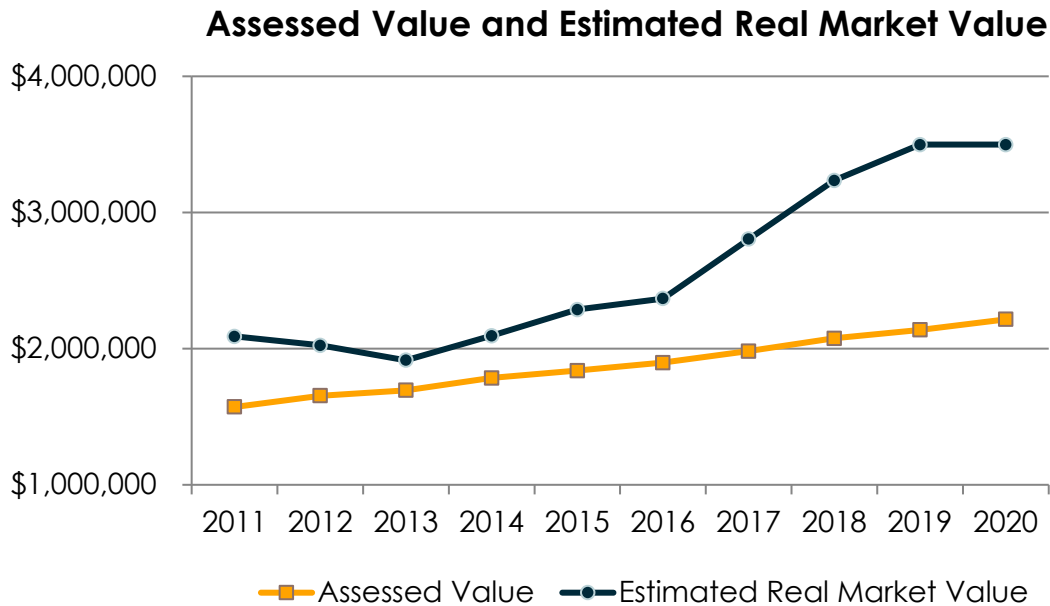
CITY OF MILWAUKIE, OREGON

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

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manufactured structure	Public utility	Total assessed value (AV)		Estimated real market value (RMV)	
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	4.4208	3,499,027	61
2020	2,063,500	84,629	1,581	65,428	2,215,138	4.4208	3,498,809	63

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

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



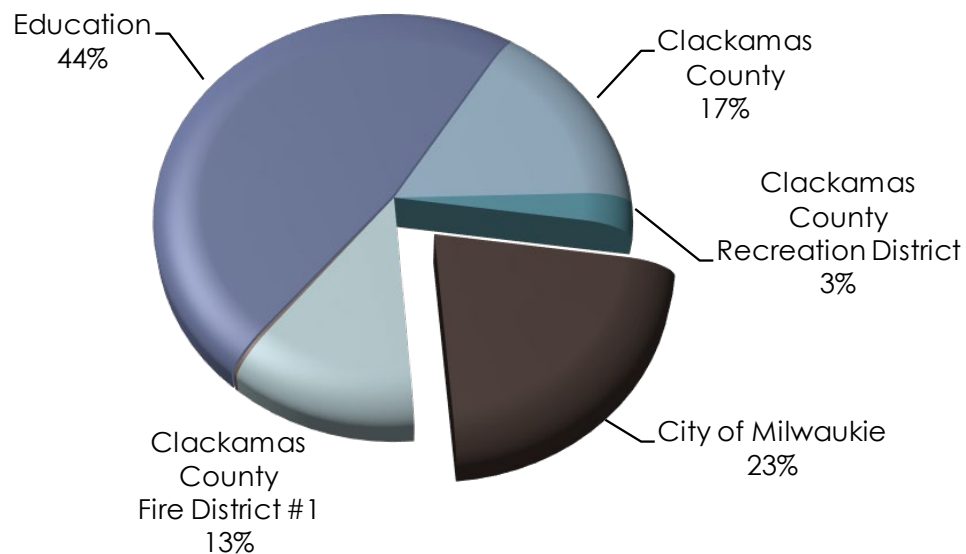
CITY OF MILWAUKIE, OREGON

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

Fiscal year	City direct rates					Overlapping rates								Total direct and overlapping
	Permanent tax rate	Bonded debt tax rate	Less	Less	Total direct	North	Clackamas School District	Clackamas County	Clackamas	Clackamas	Education Service District	Other		
			CCFD#1 permanent tax rate	CCFD#1 bonded debt rate		County Fire Dist #1			County Recreation District	Clackamas Community College				
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	
2020	6.5379	0.3729	(2.4012)	(0.0888)	4.4208	8.69	3.22	2.49	0.54	0.74	0.37	0.05	20.52	

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	2020			2011		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
PCC Structurals Inc.	\$ 72,777,410	1	3.5%	\$ 22,591,102	2	1.4%
Blount Inc.	62,106,063	2	3.0	41,228,790	1	2.6
Waverly Greens Apts	24,813,907	3	1.2	15,498,019	3	1.0
Comcast Corporation	23,251,000	4	1.1	10,962,500	6	
Lincoln Advisory Group LTD	19,738,437	5	1.0			
Portland General Electric Co	18,580,000	6	0.9	10,549,000	7	0.7
Carlston Greg	17,266,452	7	0.8			
KIMCO Realty Group	13,754,477	8	0.7			
Miramonte Milwaukie LP	12,537,894	9	0.6			
SE International Way SPE LLC	11,526,274	10	0.6	8,800,694	10	0.9
Downs Alice M Trustee				12,768,648	5	0.8
Moda (fka ODS) Plaza Inc				9,022,624	9	0.6
Holland Partners				9,586,464	8	0.6
SSR Realty Advisors				14,318,298	4	0.9
Art Mtg Borrower Property Co						
Sub-total, top ten	276,351,914		13.3	155,326,139		9.9
All other City taxpayers	1,799,464,307		86.7	1,416,654,401		90.1
Total City taxpayers	\$ 2,075,816,221		100.0%	\$ 1,571,980,540		100.0%

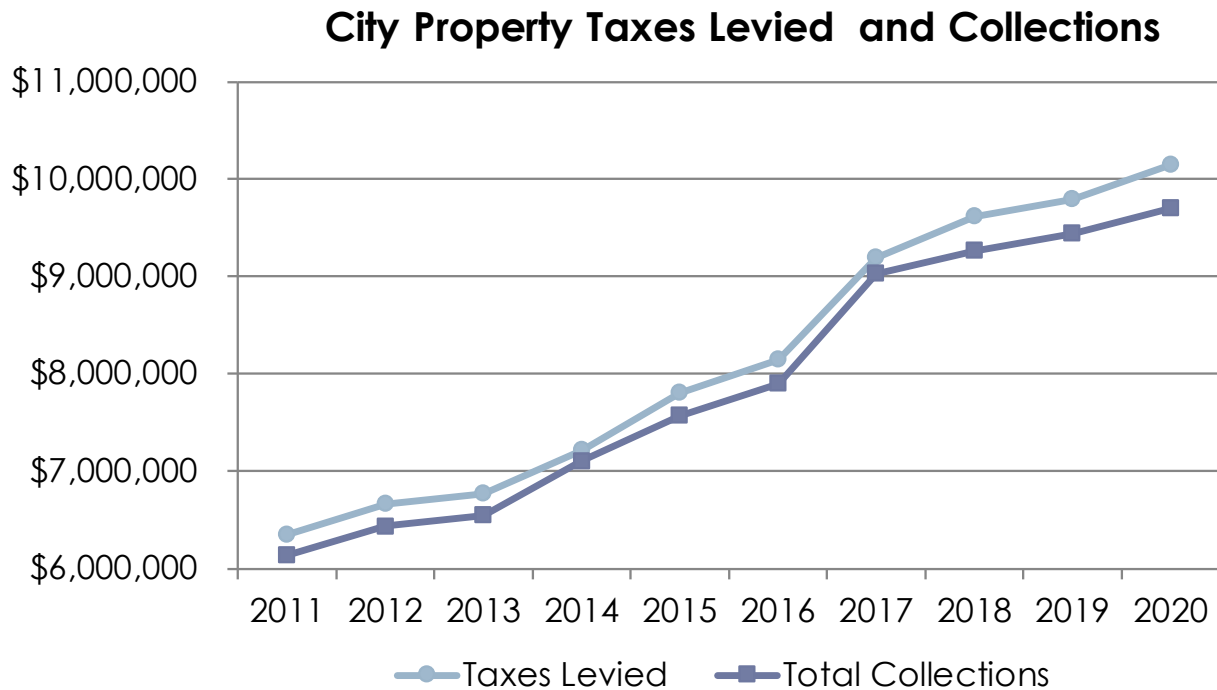
Source: Clackamas County Assessor's Office.

CITY OF MILWAUKIE, OREGON

PROPERTY TAX LEVIES AND COLLECTIONS *for the last ten fiscal years*

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
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	282,670	7,104,036	98
2015	7,802,935	7,389,248	95	183,226	7,572,474	97
2016	8,150,481	7,752,374	95	143,618	7,895,992	97
2017	9,194,072	8,899,767	97	126,840	9,026,607	98
2018	9,616,768	9,136,795	95	127,545	9,264,340	96
2019	9,795,064	9,366,814	96	76,039	9,442,853	96
2020	10,154,688	9,703,887	96	-	9,703,887	96

Source: City of Milwaukie Finance Department.



CITY OF MILWAUKIE, OREGON

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

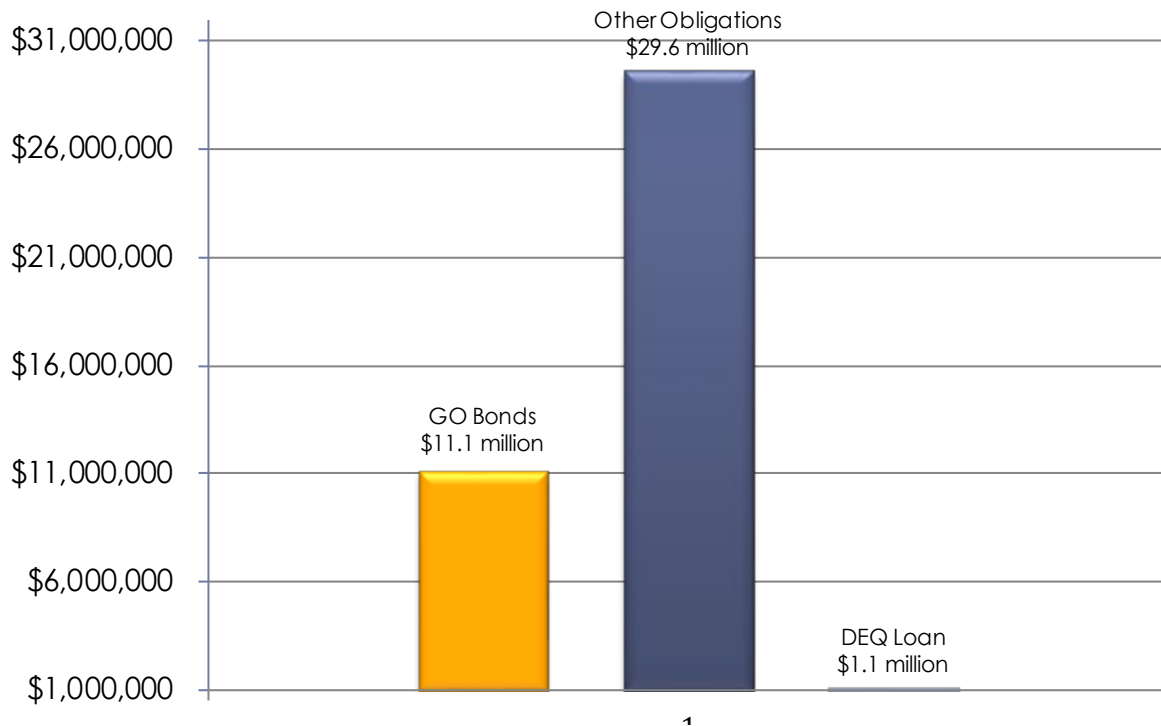
Fiscal year	Governmental Activities			Business-type Activities	Total primary government	Percentage of Personal income	Per capita**
	General obligation bonds	Other Obligations	Total	Wastewater/ DEQ loan			
2011	\$ -	\$ 5,316,547	5,316,547	\$ 3,851,334	\$ 9,167,881	1.09	452
2012	-	5,172,425	5,172,425	1,832,700	7,005,125	0.80	343
2013	-	8,444,314	8,444,314	1,736,200	10,180,514	1.14	498
2014	-	8,311,646	8,311,646	1,639,700	9,951,346	1.06	487
2015	3,829,279	5,494,629	9,323,908	1,543,200	10,867,108	1.10	530
2016	3,683,083	5,245,813	8,928,896	1,446,700	10,375,596	1.00	506
2017	12,819,141	4,904,904	17,724,045	1,350,200	19,074,245	1.71	930
2018	12,654,084	4,576,066	17,230,150	1,253,952	18,484,102	1.58	899
2019	11,643,363	24,472,780	36,116,143	1,157,494	37,273,637	*	1,816
2020	11,079,766	29,593,671	40,673,437	1,061,036	41,734,473	*	2,030

* Information unavailable at this time.

**Population data can be found on page 115.

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
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	11,643,363	(358,944)	11,284,419	0.53	550
2020	11,079,766	(359,550)	10,720,216	0.48	522

¹ Assessed value property data can be found on page 106.

² Population data can be found on page 115.

CITY OF MILWAUKIE, OREGON

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT as of June 30, 2020

Governmental unit	Real Market Values of Overlapping Districts	Tax-Supported Debt Outstanding	Percentage Overlapping ¹	Overlapping Debt Applicable to the City of Milwaukie
Debt repaid with property taxes:				
Clackamas Community College	\$ 61,900,863,812	\$ 88,668,913	5.92%	\$ 5,246,894
Clackamas County	84,100,937,879	121,210,000	4.36	5,279,180
Clackamas City RFPD 1	38,434,396,536	28,155,960	9.60	2,704,267
Clackamas City SD 12 (North Clackamas)	24,319,827,436	681,734,563	15.06	102,679,451
Metro	343,477,186,246	964,085,000	1.07	10,361,021
Multnomah County	179,585,686,475	322,191,877	0.02	51,229
Multnomah City SD 1J (Portland)	136,663,135,208	1,191,001,582	0.02	248,919
Portland Community College	273,206,855,409	575,107,061	0.01	59,811
Subtotal, overlapping debt	1,141,688,889,001	3,972,154,956		126,630,772
Direct debt outstanding:				
City of Milwaukie	3,498,809,386	40,673,437	100.00%	40,673,437
Total direct and overlapping debt outstanding	\$ 1,145,187,698,387	\$ 4,012,828,393		\$ 167,304,209

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				
	2011	2012	2013	2014	2015
Debt maximum limitation	\$ 62,716	\$ 60,719	\$ 57,459	\$ 62,842	\$ 68,609
Debt applicable to maximum limit	-	-	-	-	3,585
Legal debt margin available	<u>\$ 62,716</u>	<u>\$ 60,719</u>	<u>\$ 57,459</u>	<u>\$ 62,842</u>	<u>\$ 65,024</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0.00%	0.00%	0.00%	0.00%	5.23%
	2016	2017	2018	2019	2020
Debt maximum limitation	\$ 71,042	\$ 84,146	\$ 97,075	\$ 104,971	\$ 104,964
Debt applicable to maximum limit	3,450	12,125	12,654	11,095	29,594
Legal debt margin available	<u>\$ 67,592</u>	<u>\$ 72,021</u>	<u>\$ 84,421</u>	<u>\$ 93,876</u>	<u>\$ 75,370</u>
Debt applicable to the maximum limit as a percentage of debt limitation	4.86%	14.41%	13.04%	10.57%	28.19%

Legal debt margin calculation for fiscal year ended June 30, 2020:

Total property real market value	\$ 3,498,809,386
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) ¹	<u>104,964,282</u>
Amount of debt applicable to debt limit:	
Total debt	41,734,473
Less debt excluded from debt limit:	
SPWF loan	(402,174)
PERS UAL bonds	(2,920,000)
Full Faith and Credit Obligation bonds	(19,145,000)
Oregon DEQ loan	(1,061,036)
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>18,206,263</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 86,758,019</u>
Percentage of City's indebtedness to total allowed	17.35%

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

Wastewater Department of Environmental Quality Loan						
Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
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
2017	7,649,464	6,409,137	1,240,327	96,500	6,993	11.98
2018	7,928,079	6,563,122	1,364,957	96,458	6,511	13.26
2019	7,967,674	6,868,920	1,098,754	96,458	6,029	10.72
2020	8,036,514	6,872,488	1,164,026	96,458	6,029	11.36

Source: Annual financial statements of the City of Milwaukie.

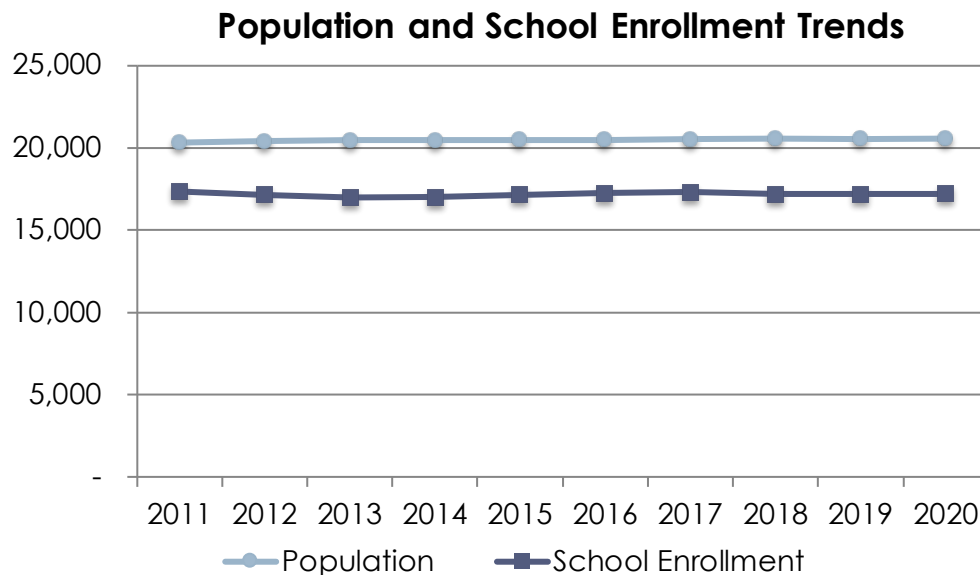
CITY OF MILWAUKIE, OREGON

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
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	114	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	1,171,507	56,991	17,177	4.1
2019	20,528	*	*	17,177	4.3
2020	20,556	*	*	17,200	4.6

* 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	2020			2012 ²		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Blount Inc.	825	1	5.46%			
Providence Milwaukie Hospital	478	2	3.17			
North Clackamas School District ¹	385	3	2.55	385	4	2.79%
PCC Structurals Inc.	277	4	1.83	500	2	3.62
Oeco LLC	272	5	1.80	300	5	2.17
ODS (Moda)	231	6	1.53			
Consonus Pharmacy Services	190	7	1.26			
Nature Bake	186	8	1.23			
Claims Services Group Inc.	176	9	1.17			
Alpine Food Distributing	162	10	1.07			
City of Milwaukie	151	11	1.00			
Bob's Red Mill Natural Foods				250	7	1.81
United Grocers				630	1	4.57
R M International				500	3	3.62
Safeway				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	<u>3,333</u>		<u>22.07%</u>	<u>3,395</u>		<u>24.60%</u>

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.

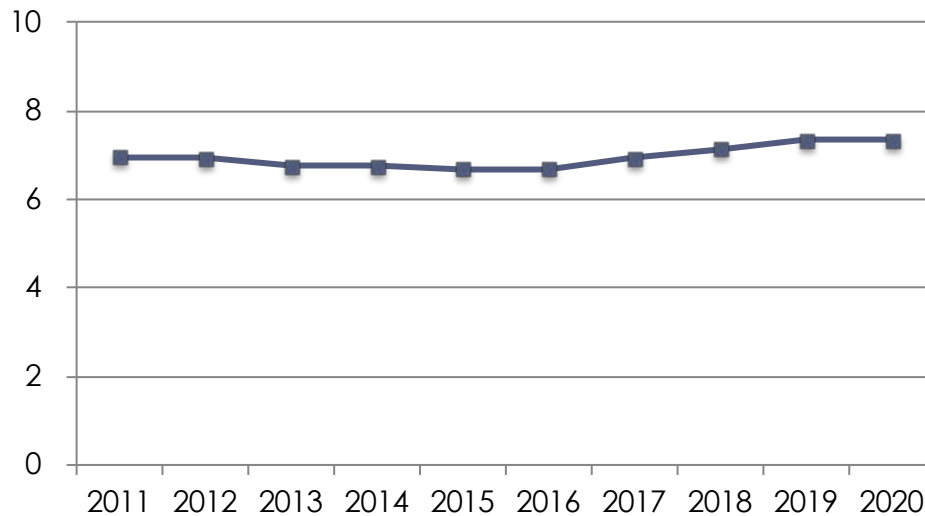
CITY OF MILWAUKIE, OREGON

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	22.30	20.50	20.50	20.50	18.90	17.70	25.00	24.00	24.50	24.50
Public safety	41.50	42.00	42.25	42.25	41.85	41.85	42.75	42.75	41.75	41.75
Community services	23.79	24.76	23.76	23.76	25.26	26.46	26.26	27.26	28.01	28.01
Community development	24.50	24.50	23.50	23.50	20.60	20.60	17.00	20.00	23.00	23.00
Facilities	2.67	2.67	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Streets	6.30	6.30	6.00	6.00	5.50	5.50	5.00	5.00	6.00	6.00
Water	6.30	7.30	7.00	7.00	7.20	7.20	8.20	8.20	8.20	8.20
Wastewater	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Stormwater	5.80	5.80	5.25	5.25	7.80	7.80	8.30	8.50	8.50	8.50
Fleet services	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total FTEs	141.16	141.83	138.26	138.26	137.11	137.11	142.51	146.71	150.96	150.96
City Population	20,290	20,400	20,435	20,435	20,491	20,491	20,510	20,556	20,528	20,556
FTEs per 1,000 of population	6.96	6.95	6.77	6.77	6.69	6.69	6.95	7.14	7.35	7.34

Source: City of Milwaukie Finance Department.

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



CITY OF MILWAUKIE, OREGON

OPERATING INDICATORS BY FUNCTION for the last ten fiscal years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Public safety										
Citations:										
Traffic	11,415	10,306	14,959	12,522	9,159	9,813	7,633	4,340	4,288	4,418
Parking	433	721	949	463	243	1,629	1,261	1,459	2,238	2,324
City ordinance	90	114	137	92	141	93	85	96	91	54
Non-traffic violation	170	127	119	126	147	148	72	9	9	2
Total citations processed	12,108	11,268	16,164	13,203	9,690	11,683	9,051	5,904	6,626	6,798
Number of seat belt classes	40	34	65	54	27	42	58	31	29	17
Number of officers per 1,000 capita	1.80	1.90	1.60	1.60	1.60	1.60	1.60	1.60	1.57	1.60
Culture and recreation										
Library items in collections ¹	121,078	121,982	120,075	117,693	118,024	115,040	114,360	95,152	92,394	90,399
Circulation	717,821	709,618	720,951	725,861	711,150	685,157	660,438	635,428	512,487	397,577
Average circulation per capita	35.48	33.70	18.43	18.25	17.84	17.08	16.34	15.80	12.39	9.54
Number of library programs	408	505	539	611	663	627	615	623	471	380
Attendance at library programs	11,987	12,619	15,580	17,230	19,565	20,079	20,513	19,834	13,992	12,747
Number of library volunteers	1,368	1,507	1,561	1,473	1,607	1,547	1,470	1,386	937	756
Library volunteer hours	8,493	8,679	9,591	9,004	9,798	9,948	8,646	7,758	6,135	3,621
Community development										
Building:										
Building permits issued	550	587	157	144	185	240	218	298	261	228
Inspections performed	1,450	1,430	1,514	1,577	1,693	1,872	2,128	3,107	4,443	4,452
Investigations	64	55	50	40	48	15	26	36	42	38
Violations resolved	20	19	25	29	33	9	18	24	35	30
Planning:										
Land use applications processed ²	15	72	67	58	87	100	156	139	131	112
Business-type activities:										
Water										
Service connections	7,000	6,929	6,690	6,777	6,813	6,870	6,870	6,845	6,911	6,926
Number of fire hydrants maintained	419	409	792	788	789	404	105	6	90	146
Sanitary sewer (in feet)										
Sewer mainline cleaning	125,000	110,610	143,034	109,594	134,263	99,998	74,360	41,312	113,523	61,418
Mainline inspections completed	125,000	125,894	152,541	124,525	134,663	165,396	70,326	49,755	121,281	69,905

1 Reduction in collection due to the construction of a new library and a temporary library location.

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

Source: City of Milwaukie Departments.

CITY OF MILWAUKIE, OREGON

CAPITAL ASSET STATISTICS BY FUNCTION for the last ten fiscal years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
General government										
City-owned building facilities	4	5	5	5	5	5	5	5	5	6
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	13	17	24	24	24	24	24	21	21	21
Culture and recreation										
Library facility	1	1	1	1	1	1	1	1	1	1
Community development										
Residential Construction	\$ 312	\$ -	\$ 1,343	\$ 2,029	\$ 2,370	\$ 2,135	\$ 6,994	\$30,685	\$ 7,849	\$19,602
Commercial Construction	669	9,822	16,804	1,656	610	303	5,266	41,264	69,440	12,864
Total value of new building construction (in thousands) ¹	\$ 982	\$ 9,822	\$18,147	\$ 3,685	\$ 2,980	\$ 2,438	\$12,260	\$71,949	\$77,289	\$32,466
Highways and streets										
Miles of streets (street lane miles)	215	165	158	158	160	160	160	157	159	159
Surface water catch basins	1,190	1,613	1,603	1,622	1,631	1,631	1,679	1,685	1,701	1,752
Business-type activities:										
Water										
Water mains (miles)	115	100	100	100	100	100	100	101	100	100
Number of pump stations	4	4	5	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)	74	78	79	79	79	79	79	79	79	79
Number of sewer manholes	1,607	1,688	1,695	1,697	1,692	1,692	1,692	1,700	1,706	1,721

¹ Statistical information in 2011 was previously reported without commercial buildings.

Source: City of Milwaukie Departments.



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, 2020

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, 2020 and have issued our report thereon dated March 15, 2021. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporation* except as follows:

1. The City did not advertise for a competitive bid pursuant to ORS 279.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered City of Milwaukie, Oregon's internal control over financial reporting (internal control) as a basis for designing 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 a 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
March 15, 2021

MILWAUKIE



FINANCE DEPARTMENT

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