

# 2017

FISCAL YEAR ENDED 06.30.2017

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

MILWAUKIE, OREGON



CITY OF MILWAUKIE



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



**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

*Prepared by:  
Finance Department*



*This report was printed on recycled paper*

**CITY OF MILWAUKIE, OREGON**  
**Comprehensive Annual Financial Report**  
**For the fiscal year ended June 30, 2017**

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# **SECTION I**

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## **INTRODUCTORY SECTION**

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



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December 21, 2017

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, 2017 is hereby submitted.

This report presents the financial position of the City as of June 30, 2017 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is located in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the independent auditor's report.

## **Profile of the Government**

Milwaukie was settled in 1847 by pioneer brothers Seth and Henderson Luelling. By 1849, town founder and first Postmaster, Lot Whitcomb laid claim to and platted what is today's downtown Milwaukie. On February 4, 1903, a petition to incorporate as a City was approved by the residents of Milwaukie. The first council meeting was held on June 2, 1903, presided over by William Shindler, the first Mayor of Milwaukie. The initial funding for the City came from \$1 donations from each elected City official.

The City of Milwaukie is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. Today, Milwaukie serves a population of 20,510 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 Council sets policies for city government, enacts ordinances and hires, directs and evaluates the City Manager. In turn, the City Manager is the City's chief executive officer, responsible for overall management and administration.

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

Clackamas Fire District No. 1 provides fire and emergency services to the community. Parks and recreation are maintained and operated by the North Clackamas Parks and Recreation District. The District was formed in 1990 with Milwaukie as an original member. The City lies within Clackamas County, which is headed by a board of commissioners and is based in neighboring Oregon City. The City is also part of Metro, the tri-county urban services district based in Portland and receives light rail and bus services from TriMet, the Portland metropolitan area transit provider.

## **Local Economy**

The City's economy is linked with that of the entire Portland Metropolitan area and 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 1960's when population increased from 9,100 to 15,000 residents. Today, the City has emerged as an industrial employment center with two major industrial parks. In addition, Milwaukie's central location has attracted major businesses such as Blount International, Inc. and Precision Castparts, Inc.

## **Long-term Financial Planning**

Long-term financial planning is the cornerstone of any solid financial process. The City's controlling document is its Five Year Financial Forecast which includes reserves by fund that fall within the policy guidelines set by the Council and which is reviewed by the Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenditures and generally range between 17 and 50 percent depending on the fund.

Adoption of the 2017-2018 biennial budget occurred in June 2016 which accompanies this financial report. Annually, utility rate increases are approved by City Council with the support of the Budget Committee and the Citizen's Utility Advisory Board. Effective July 1, 2016, water, wastewater, and stormwater rates sustained a 5 percent, 4 percent, and 14.1 percent increase, respectively. These rates have remained constant during the fiscal year 2017.

In regards to the City's long-term debt obligations, the City has approximately \$3.5 million outstanding in PERS bonds, \$1.4 million in DEQ loans, \$12 million in general obligation bonds, \$0.8 million in full faith and credit obligations and \$0.5 million outstanding in other loans.

## **Major Initiatives**

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

The City will be expanding the Ledding Library with an estimated completion by fiscal year 2019. The Citizens voted in the May 2016 election to approve a bond measure authorizing the City to issue up to \$9.2 million in general obligation bonds for the improvements to the Library and the Pond House. The City issued the bonds in August 2016. The project is currently under design.

The City continues toward many other initiatives identified during the Council goal process. The South Downtown area of Milwaukie is experiencing a renaissance, with two five-story buildings on the horizon and major public infrastructure improvements planned for construction in the coming two years. Implementation of the Safe Access For Everyone (SAFE) program will start to improve livability throughout the City by improving sidewalk infrastructure which enhances the walkability and bike routes within the City. Project construction will begin Summer 2018, with designs currently in development. The City is also working with the region to find housing solutions for those most in need, while simultaneously decreasing demand by increasing inventory. The City projects that a couple hundred new housing units will be constructed in FY 2018. A full list of City goals and priorities can be found on the City website ([www.milwaukieoregon.gov](http://www.milwaukieoregon.gov)).

The Budget Committee and Council moved forward with the City's third biennial budget for the budget biennium of 2017-2018, allowing better alignment with the State's biennial budget and increasing the budgetary focus on a longer term. The 2017-2018 biennial budget was adopted by City Council in June 2016. Additionally, the Budget Committee continues to review quarterly results to ensure that those results reflect planned expenditures.

## **City's Credit Ratings**

The City has an Aa2 rating with Moody's Investor Service after its issuance of General Obligation Bonds on August 15, 2016 related to the Library expansion.

## **Property Tax Rate Limitation**

In 2004, residents of Milwaukie elected to annex into Clackamas Fire District No.1 for fire and emergency medical services. The City's property tax rate levy is now equal to the City's permanent rate of \$6.5379 per \$1,000 of assessed value, reduced by the permanent rate of the Fire District equating to \$2.4012 offset by their annual bonded debt rate until the bonds were paid off in fiscal year 2015.

## **Audit Committee**

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

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

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

## Awards

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

***Popular Annual Financial Reporting Award.*** For the sixth time, the City received an *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA. In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

***Distinguished Budget Presentation Award.*** For the fourth time, the City received the *Distinguished Budget Presentation Award* for its biennium 2017-2018 budget document from the GFOA. This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. This international award program was established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. A budget's proficiency is rated in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

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

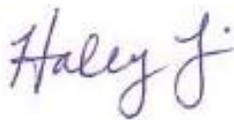
## Acknowledgements

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

Respectfully submitted,



Ann Ober  
City Manager



Haley Fish, CPA  
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, 2016**

*Christopher P. Morill*

Executive Director/CEO

**CITY OF MILWAUKIE, OREGON**  
 Elected and Appointed Officials  
 As of June 30, 2017

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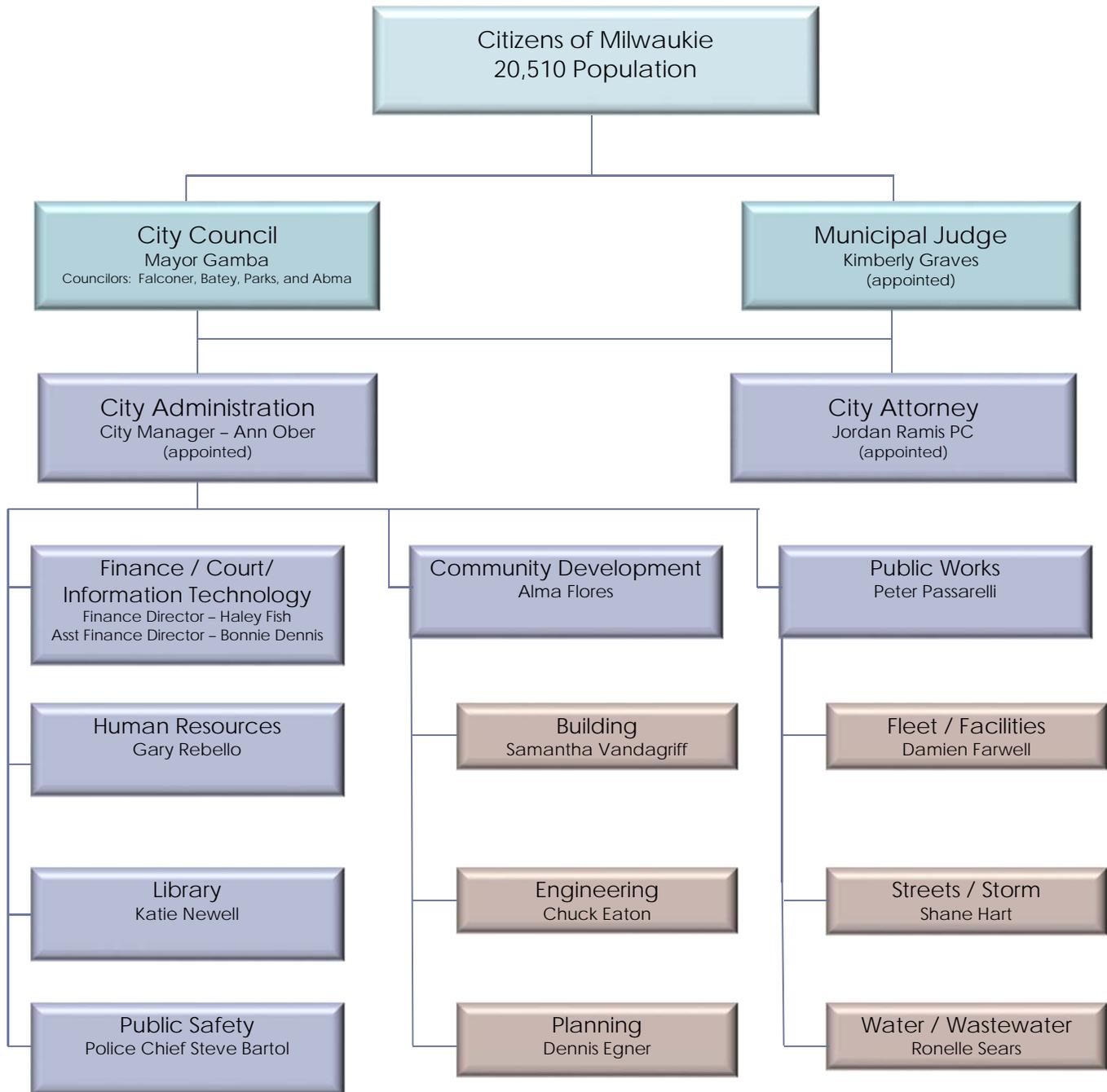
<b>Elected Officials</b>	<b>Term Expires</b>
Mark Gamba, Mayor	December 31, 2018
Angel Falconer, Councilor	December 31, 2020
Lisa Batey, Councilor	December 31, 2018
Wilda Parks, Councilor	December 31, 2020
Shane Abma, Councilor	December 31, 2018

<b>Appointed Officials</b>	<b>Position</b>
Ann Ober	City Manager
Jordan Ramis, PC	Legal Counsel
Kimberly Graves	Municipal Court Judge

Management Team:

Mitch Nieman	Assistant to the City Manager
Alma Flores	Community Development Director
Chuck Eaton	Engineering Director
Haley Fish, CPA	Finance Director
Bonnie Dennis, MBA	Assistant Finance Director
Gary Rebello, SPHR CCP	Human Resources Director
Katie Newell	Library Director
Steve Bartol	Police Chief
Dennis Egner	Planning Director
Peter Passarelli, PE	Public Works Director

**CITY OF MILWAUKIE, OREGON**  
**Organizational Chart as of June 30, 2017**





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# SECTION II

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## **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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& Warwick, LLP**

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& Consultants

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F 503.274.2853

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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Milwaukie  
Milwaukie, Oregon

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Milwaukie, Oregon (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, and each major fund of the City, as of June 30, 2017, 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.



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

Mayor and City Council  
City of Milwaukie, Oregon

### **OTHER MATTERS**

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A), the Schedule of the City's Proportionate Share of the Net Pension (Asset)/Liability, the Schedule of the City's Contributions, and Notes to Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A, the Schedule of the City's Proportionate Share of the Net Pension (Asset)/Liability, the Schedule of the City's Contributions, and Notes to Required Supplementary Information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General, Transportation, Library, and Building Inspections Funds, as listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Other Supplementary Information as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

Mayor and City Council  
City of Milwaukie, Oregon

**OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS**

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 21, 2017, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

**TALBOT, KORVOLA & WARWICK, LLP**

By   
Julie B. Fahey Partner

Lake Oswego, Oregon  
December 21, 2017



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**CITY OF MILWAUKIE, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR END JUNE 30, 2017**

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Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Milwaukie (City) for the fiscal year ended June 30, 2017. 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**

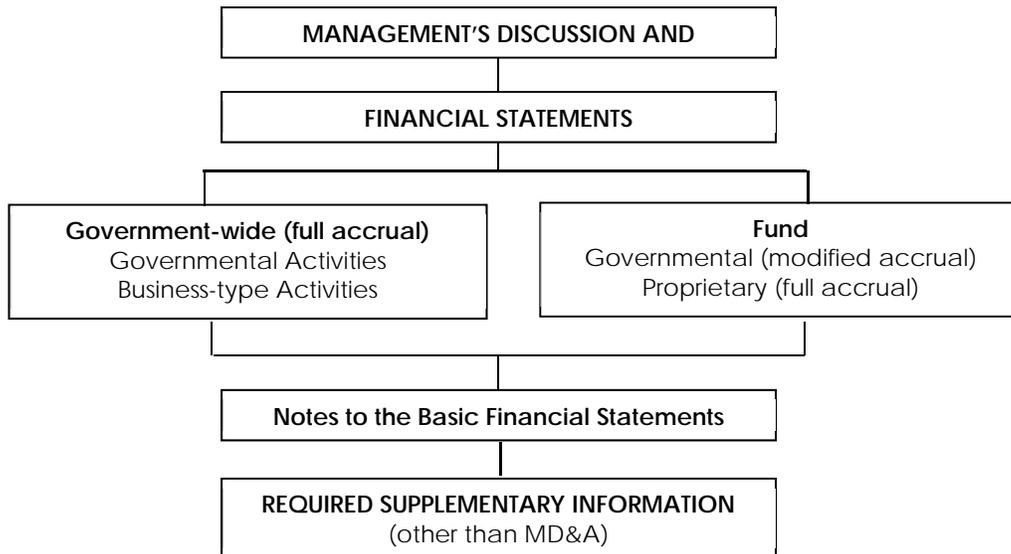
- The City's assets totaled \$109.1 million at June 30, 2017, consisting of \$69.6 million in capital assets, \$21.8 million in unrestricted cash and investments, \$11.5 million in restricted cash and investments, and \$6.2 million in other assets. Total assets increased by \$13.1 million (14%) from the previous fiscal year.
- The City's liabilities totaled \$39.2 million at June 30, 2017 consisting of \$34.2 million in long-term liabilities and \$5.0 million in accounts payable and other liabilities. Total liabilities increased by \$19.8 million (102%) from the previous fiscal year.
- The assets of the City exceeded its liabilities by \$77.5 million at the close of fiscal year 2017. Unrestricted net position totaled \$2.5 million with the remainder of the City's net position invested in capital assets (\$63.4 million) and restricted for capital projects, building operations, library services, debt service, and public safety (\$11.6 million).
- For its governmental activities, the City generated \$8.8 million in charges for services and received \$5.0 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$27.1 million for the year, resulting in a net expense of \$13.3 million. The City also received \$12.0 million of general revenues, however there was a decrease in net position of \$1.2 million.
- For its business-type activities, the City generated \$14.9 million in charges for services to fund direct expenses of \$12.4 million. Business-type activities had an increase in net position of \$2.5 million.
- Fund balance in the City's governmental funds was \$23.0 million at June 30, 2017, an increase of \$12.0 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. The following chart illustrates how the various sections of this annual report are arranged relative to one another.

## Required Elements of the Comprehensive Annual Financial Report



### Government-wide Statements

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

The two government-wide statements report the City's *net position* and how it has changed over the preceding year. Net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the City's *financial health or position*.

- Over time, increases or decreases in the City's net position are one indicator of whether its *financial health* is improving or deteriorating.
- To assess the overall health of the City, additional nonfinancial factors such as changes in the City's property tax base, and the condition of the City's 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, operating, capital grants and contributions fund most of these activities.
- Business-type activities – The City charges fees to customers to help cover the costs of certain services it provides. The City's water, wastewater, and stormwater services are included here.

## Statement of Net Position

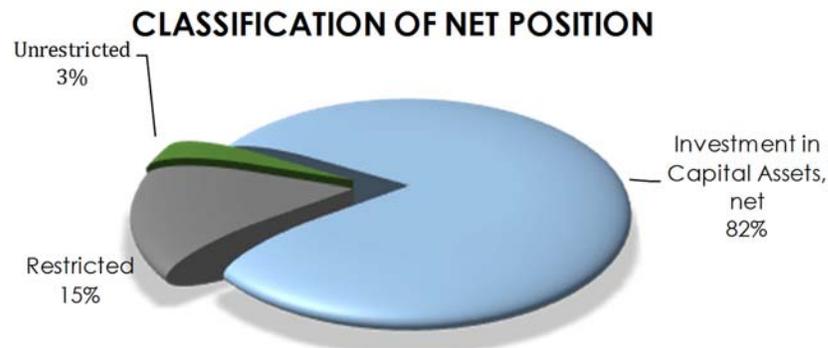
Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$77.5 million at the close of fiscal year 2017.

By far the largest portion of the City's net position (82%) 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, 2017 and 2016 was as follows:

### Statement of Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current and other assets	\$ 27,002	\$ 14,429	\$ 12,526	\$ 10,839	\$ 39,528	\$ 25,268
Capital assets	45,850	48,771	23,760	21,953	69,610	70,724
Total assets	<u>72,852</u>	<u>63,200</u>	<u>36,286</u>	<u>32,792</u>	<u>109,138</u>	<u>95,993</u>
Deferred outflows of resources	7,205	1,081	826	117	8,031	1,197
Long-term liabilities	31,325	13,803	2,908	1,974	34,234	15,777
Other liabilities	3,041	2,473	2,001	1,166	5,042	3,639
Total liabilities	<u>34,366</u>	<u>16,275</u>	<u>4,909</u>	<u>3,140</u>	<u>39,275</u>	<u>19,415</u>
Deferred inflows of resources	322	1,382	37	149	359	1,531
Net position:						
Net investment in capital assets	40,950	43,558	22,410	20,506	63,360	64,064
Restricted for:						
Library services	9,271	151	-	-	9,271	151
Public safety	163	176	-	-	163	176
Debt service	246	112	12	12	258	124
Building operations	309	318	-	-	309	318
Capital projects	1,598	1,445	-	-	1,598	1,445
Unrestricted	(7,169)	866	9,744	9,102	2,576	9,967
Total net position	<u>\$ 45,369</u>	<u>\$ 46,624</u>	<u>\$ 32,166</u>	<u>\$ 29,620</u>	<u>\$ 77,535</u>	<u>\$ 76,244</u>



As of June 30, 2017, the City had positive balances in three categories of net position for the City as a whole, as well as for business-type activities. Governmental activities had a negative balance in unrestricted due to the unspent bond proceeds. Total net position increased from the prior year by \$1.3 million (1.7%) to \$77.5 million.

A portion of the City's net position (\$11.6 million or approximately 15%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position (\$2.5 million or 3.0%) may be used to meet the City's ongoing obligations to citizens and creditors. The illustration on the previous page displays the three components of net position as of June 30, 2017.

**Statement of Activities**  
**Changes in Net Position**  
*(in thousands)*

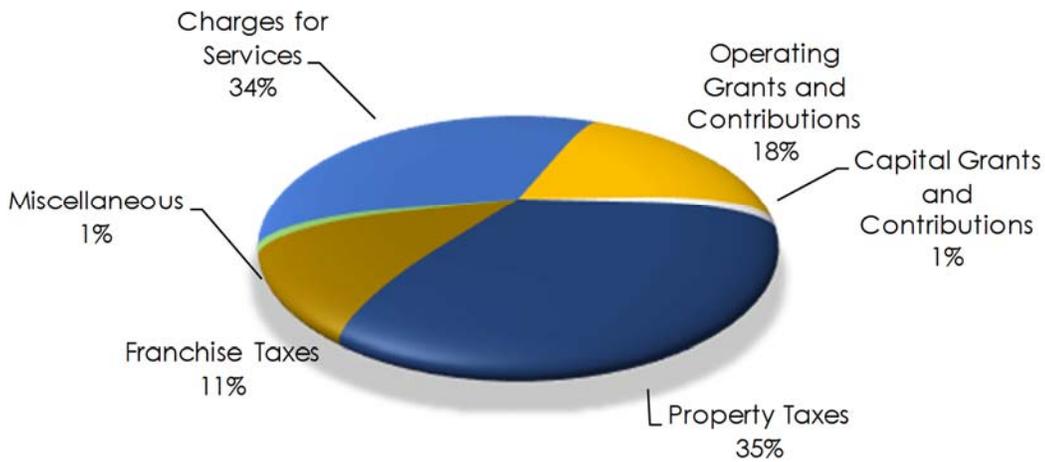
	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 8,786	\$ 7,888	\$ 14,848	\$ 14,202	\$ 23,635	\$ 22,090
Operating grants and contributions	4,742	2,935	-	-	4,742	2,935
Capital grants and contributions	312	1,478	-	-	312	1,478
General revenues:						
Property taxes	8,927	7,925	-	-	8,927	7,925
Franchise taxes	2,857	2,570	-	-	2,857	2,570
Miscellaneous	246	74	99	-	345	74
Total revenues	<u>25,870</u>	<u>22,871</u>	<u>14,948</u>	<u>14,202</u>	<u>40,818</u>	<u>37,071</u>
<b>Expenses</b>						
Governmental activities:						
General government	10,568	10,757	-	-	10,568	10,757
Highways and streets	5,548	4,026	-	-	5,548	4,026
Public safety	7,201	7,685	-	-	7,201	7,685
Culture and recreation	3,240	3,102	-	-	3,240	3,102
Interest on long-term debt	568	367	-	-	568	367
Business-type activities:						
Water	-	-	3,183	2,839	3,183	2,839
Wastewater	-	-	6,832	6,545	6,832	6,545
Stormwater	-	-	2,387	2,132	2,387	2,132
Total expenses	<u>27,125</u>	<u>25,937</u>	<u>12,402</u>	<u>11,518</u>	<u>39,527</u>	<u>37,453</u>
Change in net position before transfers	(1,255)	(3,066)	2,546	2,684	1,291	(382)
Transfers	-	(362)	-	362	-	-
Change in net position	<u>(1,255)</u>	<u>(3,428)</u>	<u>2,546</u>	<u>3,046</u>	<u>1,291</u>	<u>(382)</u>
Net Position - beginning	<u>46,624</u>	<u>50,052</u>	<u>29,620</u>	<u>26,574</u>	<u>76,244</u>	<u>76,626</u>
Net position - ending	<u>\$ 45,369</u>	<u>\$ 46,624</u>	<u>\$ 32,166</u>	<u>\$ 29,620</u>	<u>\$ 77,535</u>	<u>\$ 76,244</u>

## Governmental Activities

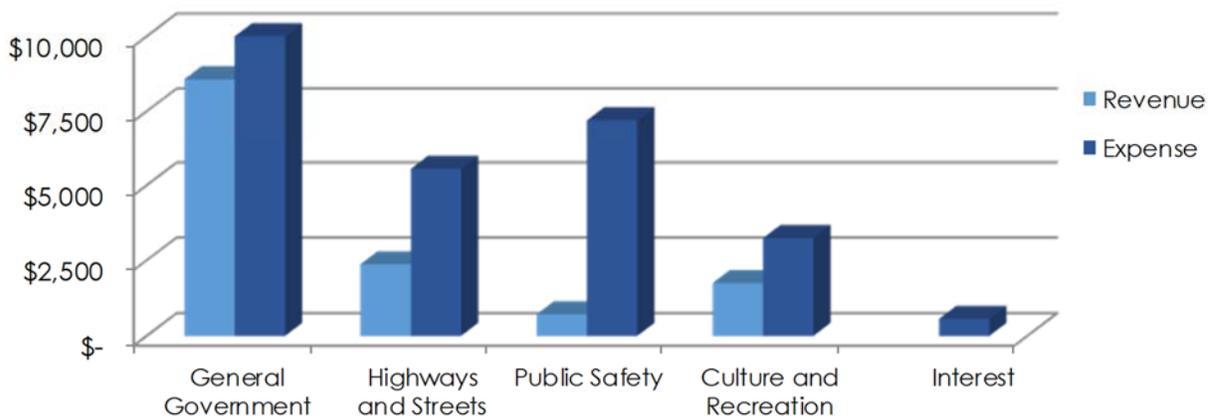
Governmental activities decreased the City's net position by \$1.3 million in fiscal year 2017, compared to a \$3.5 million decrease in the prior fiscal year. The decrease is mainly attributable to an increase in interest on long-term debt due to the addition of the Library GO Bond adopted in August 2016. Key elements of these changes are illustrated on the previous page.

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

### Revenues by Source - Governmental Activities



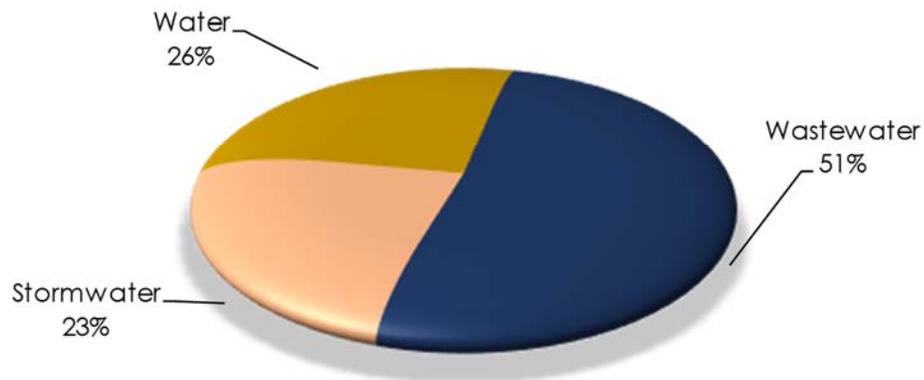
### Program Revenues and Expenses - Governmental Activities (in thousands)



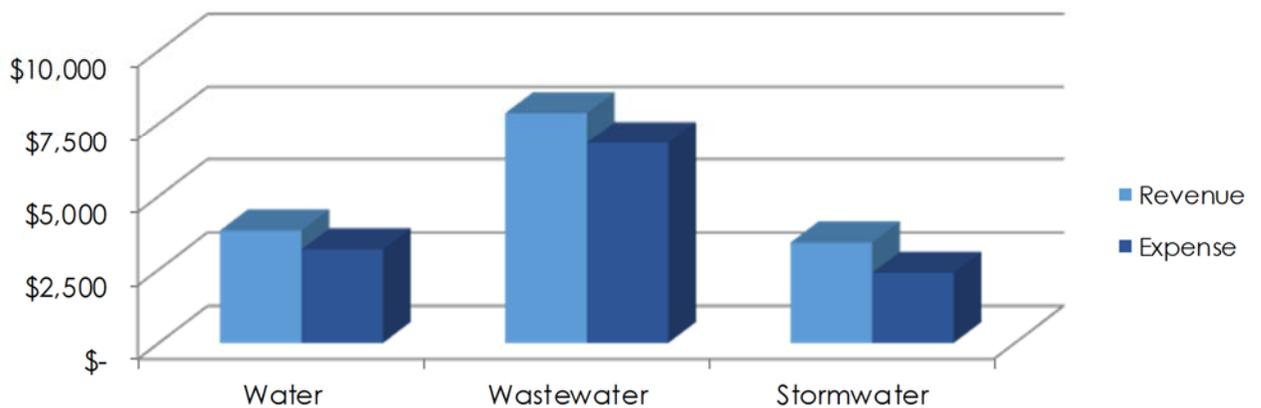
## Business-type Activities

Water fund revenues represent approximately 26 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 51 percent and 23 percent of user fees, respectively.

### Revenues by Utility - Business-Type Activities



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



## **FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

As of June 30, 2017, the City's governmental funds reported a combined ending fund balance of \$23.0 million, an increase of \$12.0 million for the year. Unassigned fund balance increased to \$7.1 million as of June 30, 2017, 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, 2017, total fund balance was \$7.3 million, which is an increase of \$1.2 million for the year and is primarily considered unassigned. The City's general fund is funded with property taxes and franchise taxes, as well as charges for services provided to other funds. Revenue for the general fund increased \$0.1 million compared with the prior year. Increases occurred in all categories but most significantly there was a decrease in intergovernmental by \$0.5 million due to timing in completion of capital projects. General fund expenditures were \$16.1 million in fiscal year 2017, compared to expenditures of \$15.5 million in the previous year. The increase in expenditures is primarily related to additional events city-wide, increase in city paid benefits and an increase in police vehicles and radios.

### **Transportation Fund**

The transportation fund is a special revenue fund that accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Charges for service increased by \$0.4 million related to the new fee. City Council adopted a new Safe Access For Everyone (SAFE) fee as of January 1, 2017 which accounts for a portion of this increase. Expenditures decreased to \$2.6 million from \$4.1 million reported in fiscal year 2016, primarily due to capital projects. The transportation fund had an overall increase in fund balance of \$1.2 million for the fiscal year ending June 30, 2017.

### **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 remained consistent from the prior year at \$2.6 million. Expenditures increased by \$0.4 million due to expenses related to the bond measure. At June 30, 2017 fund balance was \$10.1 million which is an increase of \$9.2 million related to bond proceeds.

### **Building Inspections Fund**

The building inspections fund is a special revenue fund that accounts for the City's building inspection activities. Revenues remained consistent from prior year. Expenditures increased slightly related to other contractual services. Fund balance at June 30, 2017 remained at \$0.3 million as compared to prior year.

## Debt Service Fund

The debt service fund accounts for the accumulation of resources to pay future debt service payments of approved General Obligation Bonds and Full Faith and Credit obligations. Resources are from property taxes and intergovernmental revenue. Revenues and expenditures remain consistent from prior year with a total fund balance of \$0.2 million at June 30, 2017.

## Systems Development Charges Fund

The systems development charges fund is a capital projects fund that accounts for systems development charges (SDC's) restricted for infrastructure improvements and other capital projects associated with underlying utility funds and transportation. Fund balance for June 30, 2017 increased from prior year to \$1.6 million related to additional development during the fiscal year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget for the 2017-2018 biennium budget period amounted to \$38.3 million, including \$0.8 million for contingency. There was one supplemental budget resolutions adopted during the biennium to reallocate some departmental budget authority and allow for previously unanticipated expenditures. Actual revenues (budgetary basis) were \$11.9 million for the first fiscal year of the biennium and expenditures were \$16.0 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2017, the City had invested \$69.6 million in capital assets, net of depreciation as reflected in the following table, representing a net decrease (additions, deductions and depreciation) of \$1.1 million in fiscal year 2017. Governmental capital assets totaled \$45.9 million while business-type capital assets totaled \$23.8 million.

### Capital Assets, Net of Accumulated Depreciation (in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land and easements	\$ 5,994	\$ 5,901	\$ 393	\$ 393	\$ 6,386	\$ 6,294
Buildings and improvements	13,123	15,097	3,713	3,921	16,836	19,018
Vehicles and equipment	1,292	1,404	1,600	1,491	2,892	2,895
Infrastructure	24,104	24,475	15,920	15,993	40,024	40,468
Construction in progress	1,336	1,894	2,135	155	3,471	2,049
Capital assets, net	<u>\$ 45,850</u>	<u>\$ 48,771</u>	<u>\$ 23,760</u>	<u>\$ 21,953</u>	<u>\$ 69,610</u>	<u>\$ 70,724</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 decreased by a net \$2.9 million from the prior fiscal year, while business-type activities increased by a net \$1.8 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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Beginning balance	\$ 48,771	\$ 48,439	\$ 21,953	\$ 20,446	\$ 70,724	\$ 68,885
Additions	1,009	2,967	3,742	2,470	4,751	5,437
Reductions and adjustments	(849)	-	(752)	-	(1,601)	-
Depreciation	(3,081)	(2,635)	(1,183)	(963)	(4,264)	(3,598)
Ending balance	<u>\$ 45,850</u>	<u>\$ 48,771</u>	<u>\$ 23,760</u>	<u>\$ 21,953</u>	<u>\$ 69,610</u>	<u>\$ 70,724</u>

**Debt Outstanding**

As of the end of the fiscal year, the City had \$19.1 million in long-term debt obligations outstanding resulting in an increase from the prior year by \$8.7 million. This increase is due to the addition of the Library Bond approved by voters during the fiscal year. More detailed information about the City's long-term debt obligations is presented in the Notes to the Basic Financial Statements, beginning on page 37.

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

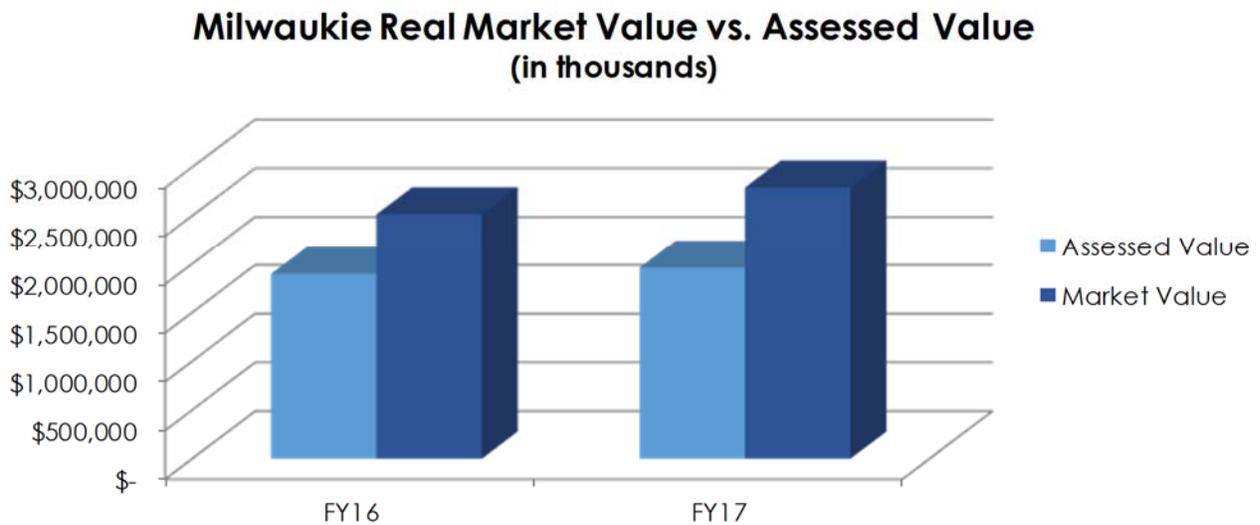
	Fiscal Year Ending	
	2017	2016
Governmental:		
Pension Bonds	\$ 3,555	\$ 3,715
Light-Rail GO Bond	4,004	3,683
Library GO Bond	8,815	-
Riverfront FFCO	800	855
Other	550	676
	<u>17,724</u>	<u>8,929</u>
Business-type:		
Oregon DEQ	1,350	1,447
Total	<u>\$ 19,074</u>	<u>\$ 10,376</u>

The City maintained its Aa2 rating with Moody's Investor Service for its issuance of General Obligation Bonds on August 15, 2016. 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, 2017, the City carried \$12.1 million general obligation debt subject to this \$84.1 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 70 percent); therefore, overall real market values would have to decrease an additional 30 percent before the City's property tax revenue stream would be significantly impacted.

Both property taxes and charges for services each provided approximately 35% 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 through out the City such improvements for ADA compliance, bicycle and pedestrian accessibility. The rates vary by commercial based on square footage and type of business; single-family residential

rates are fixed at \$4.60 monthly. On June 7, 2017, the City Council adopted resolutions increasing water rates by 5.0 percent, wastewater rates by 4.0 percent and stormwater rates by 14.1 percent.

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

### **Requests for Information**

This financial statement report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and expends. If you have questions about this report or need additional financial information, contact Haley Fish at the City of Milwaukie, 10722 SE Main Street, Milwaukie, Oregon 97222 or e-mail [fishh@milwaukieoregon.gov](mailto:fishh@milwaukieoregon.gov).



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## **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, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 11,156,167	\$ 10,676,320	\$ 21,832,487
Restricted cash and investments	11,490,898	12,056	11,502,954
Property taxes receivable	520,877	-	520,877
Accounts receivable, net of allowance	2,888,696	1,834,495	4,723,191
Prepaid expenses	945,617	2,930	948,547
Capital assets not being depreciated:			
Land and easements	5,993,683	392,560	6,386,243
Construction in progress	1,336,362	2,135,059	3,471,421
Capital assets, net of accumulated depreciation:			
Buildings and improvements	13,122,936	3,712,687	16,835,623
Vehicles and equipment	1,292,066	1,600,408	2,892,474
Infrastructure	24,104,698	15,919,611	40,024,309
<b>TOTAL ASSETS</b>	<b>72,852,000</b>	<b>36,286,126</b>	<b>109,138,126</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows of resources - pension	7,205,422	825,384	8,030,806
<b>LIABILITIES:</b>			
Accounts payable	854,781	1,473,285	2,328,066
Accrued salaries and payroll taxes payable	297,344	35,090	332,434
Accrued compensated absences payable	1,011,825	72,116	1,083,941
Accrued interest payable	68,903	1,931	70,834
Deposits payable	93,864	4,200	98,064
Unearned revenue	714,407	414,254	1,128,661
Noncurrent liabilities:			
Long-term obligations, due within one year	792,371	96,500	888,871
Long-term obligations, due in more than one year	16,931,674	1,253,700	18,185,374
Net pension liability	13,601,251	1,558,029	15,159,280
<b>TOTAL LIABILITIES</b>	<b>34,366,420</b>	<b>4,909,105</b>	<b>39,275,525</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows of resources - pension	321,974	36,887	358,861
<b>NET POSITION:</b>			
Net investment in capital assets	40,950,221	22,410,125	63,360,346
Restricted for:			
Library services	9,270,905	-	9,270,905
Public safety supplies	162,574	-	162,574
Debt service	245,984	12,056	258,040
Building operations	310,261	-	310,261
Capital projects	1,597,655	-	1,597,655
Unrestricted	(7,168,572)	9,743,337	2,574,765
<b>TOTAL NET POSITION</b>	<b>\$ 45,369,028</b>	<b>\$ 32,165,518</b>	<b>\$ 77,534,546</b>

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

CITY OF MILWAUKIE, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 10,567,613	\$ 7,391,329	\$ 1,157,635	\$ 41,608	\$ (1,977,041)	\$ -	\$ (1,977,041)
Highways and streets	5,548,279	1,087,132	1,578,904	270,158	(2,612,085)	-	(2,612,085)
Public safety	7,201,369	307,052	389,096	-	(6,505,221)	-	(6,505,221)
Culture and recreation	3,240,043	-	1,616,332	-	(1,623,711)	-	(1,623,711)
Interest on long-term debt	567,842	-	-	-	(567,842)	-	(567,842)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>27,125,147</b>	<b>8,785,513</b>	<b>4,741,967</b>	<b>311,766</b>	<b>(13,285,901)</b>	<b>-</b>	<b>(13,285,901)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water	3,183,154	3,797,672	-	-	-	614,518	614,518
Wastewater	6,831,432	7,668,352	-	-	-	836,920	836,920
Stormwater	2,387,339	3,382,394	-	-	-	995,055	995,055
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>12,401,925</b>	<b>14,848,418</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,446,493</b>	<b>2,446,493</b>
<b>TOTAL ACTIVITIES</b>	<b>\$ 39,527,072</b>	<b>\$ 23,633,931</b>	<b>\$ 4,741,967</b>	<b>\$ 311,766</b>	<b>(13,285,901)</b>	<b>2,446,493</b>	<b>(10,839,408)</b>
<b>GENERAL REVENUES:</b>							
Property taxes, levied for general purposes					8,927,073	-	8,927,073
Franchise taxes					2,857,017	-	2,857,017
Unrestricted investment earnings					247,198	99,147	346,345
<b>TOTAL GENERAL REVENUES</b>					<b>12,031,288</b>	<b>99,147</b>	<b>12,130,435</b>
<b>CHANGE IN NET POSITION</b>					<b>(1,254,613)</b>	<b>2,545,640</b>	<b>1,291,027</b>
<b>NET POSITION - beginning</b>					<b>46,623,641</b>	<b>29,619,878</b>	<b>76,243,519</b>
<b>NET POSITION - ending</b>					<b>\$ 45,369,028</b>	<b>\$ 32,165,518</b>	<b>\$ 77,534,546</b>

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

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and investments	\$ 6,816,292	\$ 3,447,230	\$ 892,645	\$ -	\$ -	\$ -	\$ 11,156,167
Restricted cash and investments	264,267	-	9,265,971	344,489	241,898	1,374,273	11,490,898
Property taxes receivable	516,791	-	-	-	4,086	-	520,877
Accounts receivable	1,979,682	875,079	-	-	-	33,935	2,888,696
Prepaid expenditures	129,911	589,522	4,934	-	-	221,250	945,617
<b>TOTAL ASSETS</b>	<b>\$ 9,706,943</b>	<b>\$ 4,911,831</b>	<b>\$ 10,163,550</b>	<b>\$ 344,489</b>	<b>\$ 245,984</b>	<b>\$ 1,629,458</b>	<b>\$ 27,002,255</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 388,422	\$ 391,738	\$ 45,871	\$ 28,750	\$ -	\$ -	\$ 854,781
Accrued salaries and payroll taxes	250,224	6,979	34,663	5,478	-	-	297,344
Deposits payable	35,761	58,103	-	-	-	-	93,864
Unearned revenue	60,057	622,547	-	-	-	31,803	714,407
<b>TOTAL LIABILITIES</b>	<b>734,464</b>	<b>1,079,367</b>	<b>80,534</b>	<b>34,228</b>	<b>-</b>	<b>31,803</b>	<b>1,960,396</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable revenue - property taxes	471,102	-	-	-	-	-	471,102
Unavailable revenue - municipal court assessments	1,066,109	-	-	-	-	-	1,066,109
Unavailable revenue - assessment liens	83,379	-	-	-	-	-	83,379
Unavailable revenue - grants	13,920	384,323	-	-	-	-	398,243
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,634,510</b>	<b>384,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,018,833</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>2,368,974</b>	<b>1,463,690</b>	<b>80,534</b>	<b>34,228</b>	<b>-</b>	<b>31,803</b>	<b>3,979,229</b>
<b>FUND BALANCES:</b>							
Nonspendable	129,911	589,522	4,934	-	-	221,250	945,617
Restricted	32,663	-	9,265,971	310,261	245,984	1,376,405	11,231,284
Committed	-	2,858,619	-	-	-	-	2,858,619
Assigned	-	-	812,111	-	-	-	812,111
Unassigned	7,175,395	-	-	-	-	-	7,175,395
<b>TOTAL FUND BALANCES</b>	<b>7,337,969</b>	<b>3,448,141</b>	<b>10,083,016</b>	<b>310,261</b>	<b>245,984</b>	<b>1,597,655</b>	<b>23,023,026</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,706,943</b>	<b>\$ 4,911,831</b>	<b>\$ 10,163,550</b>	<b>\$ 344,489</b>	<b>\$ 245,984</b>	<b>\$ 1,629,458</b>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds. 45,849,745

Other assets and deferred outflows of resources are not available to pay for current-period expenditures and are therefore deferred or not recognized in the funds:

Property tax revenues	471,102	
Deferred outflows of resources - pension	7,205,422	
Municipal court assessments	1,066,109	
Grants and assessment liens	481,622	9,224,255

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	(1,011,825)	
Accrued interest payable	(68,903)	
Net pension liability	(13,601,251)	
Deferred inflows of resources - pension	(321,974)	
Long-term debt obligations	(17,724,045)	(32,727,998)
Net position of governmental activities		<u>\$ 45,369,028</u>

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

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 7,117,718	\$ -	\$ 800,721	\$ -	\$ 979,884	\$ -	\$ 8,898,323
Franchise taxes	1,749,601	1,107,416	-	-	-	-	2,857,017
Intergovernmental	1,140,399	1,578,903	1,616,332	1,066	87,550	-	4,424,250
Fines and forfeitures	1,012,624	-	52,638	-	-	-	1,065,262
Licenses and permits	607,450	-	-	450,076	-	-	1,057,526
Charges for services	5,360,000	1,087,132	-	-	-	-	6,447,132
Systems development charges	-	-	-	-	-	141,583	141,583
Investment earnings	97,138	35,676	96,019	3,227	2,275	12,863	247,198
Miscellaneous	221,644	16,091	7,101	1,823	-	625	247,284
<b>TOTAL REVENUES</b>	<b>17,306,574</b>	<b>3,825,218</b>	<b>2,572,811</b>	<b>456,192</b>	<b>1,069,709</b>	<b>155,071</b>	<b>25,385,575</b>
<b>EXPENDITURES:</b>							
Current:							
General government	8,704,195	-	-	463,569	-	-	9,167,764
Highways and streets	-	2,116,547	-	-	-	-	2,116,547
Public safety	6,434,977	-	-	-	-	-	6,434,977
Cultural and recreation	-	-	2,689,128	-	-	-	2,689,128
Debt service:							
Principal	198,412	-	-	-	580,000	-	778,412
Interest	209,994	-	-	-	354,475	-	564,469
Capital outlay	535,722	477,358	258,337	-	-	2,249	1,273,666
<b>TOTAL EXPENDITURES</b>	<b>16,083,300</b>	<b>2,593,905</b>	<b>2,947,465</b>	<b>463,569</b>	<b>934,475</b>	<b>2,249</b>	<b>23,024,963</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,223,274</b>	<b>1,231,313</b>	<b>(374,654)</b>	<b>(7,377)</b>	<b>135,234</b>	<b>152,822</b>	<b>2,360,612</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from issuance of debt	-	-	9,200,000	-	-	-	9,200,000
Bond premium on issuance of debt	-	-	415,946	-	-	-	415,946
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>9,615,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,615,946</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,223,274</b>	<b>1,231,313</b>	<b>9,241,292</b>	<b>(7,377)</b>	<b>135,234</b>	<b>152,822</b>	<b>11,976,558</b>
<b>FUND BALANCES - beginning</b>	<b>6,114,695</b>	<b>2,216,828</b>	<b>841,724</b>	<b>317,638</b>	<b>110,750</b>	<b>1,444,833</b>	<b>11,046,468</b>
<b>FUND BALANCES - ending</b>	<b>\$ 7,337,969</b>	<b>\$ 3,448,141</b>	<b>\$ 10,083,016</b>	<b>\$ 310,261</b>	<b>\$ 245,984</b>	<b>\$ 1,597,655</b>	<b>\$ 23,023,026</b>

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

CITY OF MILWAUKIE, OREGON

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Net change in fund balances – total government funds	\$ 11,976,558
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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	\$ 1,269,890	
Depreciation expense	<u>(3,080,892)</u>	(1,811,002)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net position.	(1,110,677)
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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.	57,642
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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 and premium from issuance of debt	(9,617,028)	
Long-term debt principal repayments	<u>779,494</u>	(8,837,534)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net pension liability and related deferrals	(1,542,749)	
Accrued interest payable	(3,373)	
Accrued compensated absences payable	(25,863)	
Amortization of bond premium	<u>\$ 42,385</u>	<u>(1,529,600)</u>

Change in net position of governmental activities	<u>\$ (1,254,613)</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, 2017

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Wastewater Fund	Stormwater Fund	
<b>ASSETS:</b>				
Current assets:				
Cash and investments	\$ 2,898,194	\$ 3,795,987	\$ 3,982,139	\$ 10,676,320
Restricted cash and investments	-	12,056	-	12,056
Accounts receivable, net of allowance for doubtful accounts	427,216	991,823	313,110	1,732,149
Prepaid expenses	2,624	153	153	2,930
<b>Total current assets</b>	<b>3,328,034</b>	<b>4,800,019</b>	<b>4,295,402</b>	<b>12,423,455</b>
Noncurrent assets:				
Other receivable	-	102,346	-	102,346
Capital assets not being depreciated	2,056,913	74,021	396,685	2,527,619
Capital assets, net of accumulated depreciation	7,957,199	9,066,235	4,209,272	21,232,706
<b>Total noncurrent assets</b>	<b>10,014,112</b>	<b>9,242,602</b>	<b>4,605,957</b>	<b>23,862,671</b>
<b>TOTAL ASSETS</b>	<b>13,342,146</b>	<b>14,042,621</b>	<b>8,901,359</b>	<b>36,286,126</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows of resources - pensions	349,278	218,907	257,199	825,384
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	276,717	826,925	369,643	1,473,285
Accrued salaries and payroll taxes payable	14,985	8,143	11,962	35,090
Accrued compensated absences payable	33,036	19,032	20,048	72,116
Accrued interest payable	-	1,931	-	1,931
Deposits payable	4,200	-	-	4,200
Unearned revenue	-	294,254	120,000	414,254
Current portion of long-term debt	-	96,500	-	96,500
<b>Total current liabilities</b>	<b>328,938</b>	<b>1,246,785</b>	<b>521,653</b>	<b>2,097,376</b>
Noncurrent liabilities:				
Net pension liability	659,311	413,219	485,499	1,558,029
Long-term debt	-	1,253,700	-	1,253,700
<b>TOTAL LIABILITIES</b>	<b>988,249</b>	<b>2,913,704</b>	<b>1,007,152</b>	<b>4,909,105</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows of resources - pensions	15,607	9,782	11,498	36,887
<b>NET POSITION:</b>				
Net investment in capital assets	10,014,112	7,790,056	4,605,957	22,410,125
Restricted for debt service	-	12,056	-	12,056
Unrestricted	2,673,456	3,535,930	3,533,951	9,743,337
<b>TOTAL NET POSITION</b>	<b>\$ 12,687,568</b>	<b>\$ 11,338,042</b>	<b>\$ 8,139,908</b>	<b>\$ 32,165,518</b>

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

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Wastewater Fund	Stormwater Fund	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,744,161	\$ 7,649,464	\$ 3,357,032	\$ 14,750,657
Miscellaneous	53,511	18,888	25,362	97,761
<b>TOTAL OPERATING REVENUES</b>	<b>3,797,672</b>	<b>7,668,352</b>	<b>3,382,394</b>	<b>14,848,418</b>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	826,827	441,243	628,706	1,896,776
Materials and services	1,906,467	5,967,894	1,434,599	9,308,960
Depreciation	449,860	409,440	324,034	1,183,334
<b>TOTAL OPERATING EXPENSES</b>	<b>3,183,154</b>	<b>6,818,577</b>	<b>2,387,339</b>	<b>12,389,070</b>
<b>OPERATING INCOME</b>	<b>614,518</b>	<b>849,775</b>	<b>995,055</b>	<b>2,459,348</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment earnings	26,743	35,255	37,149	99,147
Interest expense	-	(6,993)	-	(6,993)
Gain (loss) on disposal of capital assets	-	(5,862)	-	(5,862)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>26,743</b>	<b>22,400</b>	<b>37,149</b>	<b>86,292</b>
<b>CHANGE IN NET POSITION</b>	<b>641,261</b>	<b>872,175</b>	<b>1,032,204</b>	<b>2,545,640</b>
<b>NET POSITION - beginning</b>	<b>12,046,307</b>	<b>10,465,867</b>	<b>7,107,704</b>	<b>29,619,878</b>
<b>NET POSITION - ending</b>	<b>\$ 12,687,568</b>	<b>\$ 11,338,042</b>	<b>\$ 8,139,908</b>	<b>\$ 32,165,518</b>

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

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users of services	\$ 3,761,489	\$ 7,502,431	\$ 3,454,120	\$ 14,718,040
Payments to suppliers for goods and services	(1,709,929)	(5,626,915)	(1,297,581)	(8,634,425)
Payments to employees for services	(714,320)	(403,126)	(550,050)	(1,667,496)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,337,240</b>	<b>1,472,390</b>	<b>1,606,489</b>	<b>4,416,119</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on capital debt	-	(96,500)	-	(96,500)
Interest paid on capital debt	-	(6,993)	-	(6,993)
Acquisition and construction of capital assets	(1,665,555)	(714,752)	(605,935)	(2,986,242)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,665,555)</b>	<b>(818,245)</b>	<b>(605,935)</b>	<b>(3,089,735)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest earnings received on investments	26,743	35,255	37,149	99,147
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>(301,572)</b>	<b>689,400</b>	<b>1,037,703</b>	<b>1,425,531</b>
<b>CASH AND INVESTMENTS - beginning</b>	<b>3,199,766</b>	<b>3,118,643</b>	<b>2,944,436</b>	<b>9,262,845</b>
<b>CASH AND INVESTMENTS - ending</b> (including \$12,056 for the Wastewater fund reported in restricted accounts)	<b>\$ 2,898,194</b>	<b>\$ 3,808,043</b>	<b>\$ 3,982,139</b>	<b>\$ 10,688,376</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income	\$ 614,518	\$ 849,775	\$ 995,055	\$ 2,459,348
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	449,860	409,440	324,034	1,183,334
Pension expense (income)	111,060	30,584	66,288	207,932
(Increase) decrease in accounts receivable	(36,183)	(187,742)	(48,273)	(272,198)
(Increase) decrease in prepaid expenses	(592)	87	-	(505)
Increase (decrease) in accounts payable	197,128	341,066	140,794	678,988
Increase (decrease) in accrued salaries and payroll taxes payable	1,621	576	1,077	3,274
Increase (decrease) in accrued compensated absences payable	(172)	6,921	7,514	14,263
Increase (decrease) in unearned revenue	-	21,683	120,000	141,683
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 1,337,240</b>	<b>\$ 1,472,390</b>	<b>\$ 1,606,489</b>	<b>\$ 4,416,119</b>

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, 2017**

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**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, liabilities, and deferred inflows 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. All funds are considered major for financial reporting purposes.

The City reports the following major governmental funds:

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

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

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

### **Measurement Focus and Basis of Accounting**

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

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

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

of Net Position, deferred outflows of resources and deferred inflows of resources are recorded for pensions.

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

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

Proprietary funds distinguish operating revenues and expenses from 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 three months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP). The individual funds' portion of the cash pool is presented as "Cash and investments" in the basic financial statements.

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

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

### **Receivables and Revenues**

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

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

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

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

**Capital Assets**

Purchased or constructed capital assets are recorded at historical cost. Donated capital assets are recorded at 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

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, 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

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* provides guidance for the reporting of postemployment benefits other than pensions. The City's actuary has determined that the City's community rated plan effectively insulates it from the effects of age on the cost of providing health care benefits for retirees that would otherwise be presumed to exist. Accordingly, the City does not report a liability for other postemployment benefits.

## Equity

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

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

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

- *Unassigned* – This is the residual classification used for balances not assigned to another category in the general fund. Deficit fund balances in other governmental funds are also presented as unassigned.

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

### **Net Position Flow Assumptions**

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

### **Fund Balance Flow Assumptions**

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

### **Library Expansion**

In 1961, Florence Ledding, the stepdaughter of Seth Lewelling and long-time civic and political leader, bequeathed her home and property on Harrison Street to the City. In 2006, the City resolved to hold these funds for the benefit of the Ledding Library. Over time, the City has received additional donations intended for the Ledding Library and its future capital needs which, as of June 30, 2017, amount to \$148,569. These funds are held as restricted funds in the Library Fund.

### **Knutson Pioneer Cemetery Trust**

In 1994, funds were provided from the estate of Mrs. Leona Knutson for the purpose of providing care and upkeep of the Milwaukie Pioneer Cemetery. The funds are held in trust for the Milwaukie Pioneer Cemetery Association, which is responsible for the maintenance and care of the cemetery. The City invests the funds and when sufficient funds have been saved, amounts are transferred to the Cemetery Association to be used for cemetery maintenance. As of June 30, 2017, these funds amount to \$32,379. These funds are included in restricted cash and investments and in deposits payable of the general fund.

## Deferred Inflows and Outflows of Resources

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

## Use of Estimates

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

## 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 limited by State statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2017, the City's cash and investments were comprised of the following:

Cash on hand	\$ 5,781
Deposits with financial institutions	554,807
Oregon State Treasurer's Local Government Investment Pool	<u>32,774,853</u>
Total cash and investments	<u>\$ 33,335,441</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 11,156,167	\$ 10,676,320	\$ 21,832,487
Restricted cash and investments	<u>11,490,898</u>	<u>12,056</u>	<u>11,502,954</u>
Total cash and investments	<u>\$ 22,647,065</u>	<u>\$ 10,688,376</u>	<u>\$ 33,335,441</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

\$706,737 were covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. Cash on hand balances representing petty cash accounts are uninsured and uncollateralized.

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

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

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

*Custodial credit risk.* Custodial risk is the risk that in the event of failure of the counterparty the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2017, all City deposits are insured or collateralized and are therefore not subject to custodial credit risk.

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

Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn. These investments are further governed by portfolio guidelines issued by the Oregon Short Term Fund Board, which establishes diversification percentages and specifies investment types and maturities. The portion of the external investment pool belonging to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter Street NE, Salem, Oregon 97310-0840.

### **Note 3. Receivables**

As of June 30, 2017, 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	\$ 4,739,919
Allowance for uncollectible accounts	(16,728)
Total accounts receivable	<u>\$ 4,723,191</u>
Accounts receivable – governmental activities	\$ 2,888,696
Accounts receivable – business-type activities	1,834,495
Total accounts receivable	<u>\$ 4,723,191</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. 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	\$ 1,066,109	\$ -
Property taxes receivable (general fund)	471,102	-
Assessment liens receivable	83,379	-
Grants receivable	398,243	-
Contracts receivable	-	31,803
Fees in lieu of construction	-	650,748
Bail escrow	-	29,075
Seized cash & deposits	-	2,781
	<u>\$ 2,018,833</u>	<u>\$ 714,407</u>

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

## Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance as of June 30, 2016	Additions	Reductions and adjustments	Balance as of June 30, 2017
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 5,901,480	\$ 92,203	\$ -	\$ 5,993,683
Construction in progress	1,893,917	916,372	(1,473,927)	1,336,362
Total capital assets not being depreciated	<u>7,795,397</u>	<u>1,008,575</u>	<u>(1,473,927)</u>	<u>7,330,045</u>
Capital assets being depreciated:				
Buildings and improvements	21,717,820	123,961	(1,292,125)	20,549,656
Vehicles and equipment	5,126,554	246,868	-	5,373,422
Infrastructure	52,358,790	253,737	1,292,125	53,904,652
Total capital assets being depreciated	<u>79,203,164</u>	<u>624,566</u>	<u>-</u>	<u>79,827,730</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,621,149)	(977,855)	172,284	(7,426,720)
Vehicles and equipment	(3,721,983)	(359,373)	-	(4,081,356)
Infrastructure	(27,884,006)	(1,743,664)	(172,284)	(29,799,954)
Total accumulated depreciation	<u>(38,227,138)</u>	<u>(3,080,892)</u>	<u>-</u>	<u>(41,308,030)</u>
Total capital assets being depreciated, net	<u>40,976,026</u>	<u>(2,456,326)</u>	<u>-</u>	<u>38,519,700</u>
Total capital assets, net	<u>\$ 48,771,423</u>	<u>\$ (1,447,751)</u>	<u>\$ (1,473,927)</u>	<u>\$ 45,849,745</u>

	Balance as of June 30, 2016	Additions	Reductions and adjustments	Balance as of June 30, 2017
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 392,560	\$ -	\$ -	\$ 392,560
Construction in progress	155,035	2,732,492	(752,468)	2,135,059
Total capital assets not being depreciated	<u>547,595</u>	<u>2,732,492</u>	<u>(752,468)</u>	<u>2,527,619</u>
Capital assets being depreciated:				
Buildings and improvements	6,822,462	117,616	(149,989)	6,790,089
Vehicles and equipment	3,827,756	264,077	-	4,091,833
Infrastructure	32,096,892	628,992	149,989	32,875,873
Total capital assets being depreciated	<u>42,747,110</u>	<u>1,010,685</u>	<u>-</u>	<u>43,757,795</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,901,402)	(195,996)	19,996	(3,077,402)
Vehicles and equipment	(2,336,879)	(154,546)	-	(2,491,425)
Infrastructure	(16,103,474)	(832,792)	(19,996)	(16,956,262)
Total accumulated depreciation	<u>(21,341,755)</u>	<u>(1,183,334)</u>	<u>-</u>	<u>(22,525,089)</u>
Total capital assets being depreciated, net	<u>21,405,355</u>	<u>(172,649)</u>	<u>-</u>	<u>21,232,706</u>
Total capital assets, net	<u>\$ 21,952,950</u>	<u>\$ 2,559,843</u>	<u>\$ (752,468)</u>	<u>\$ 23,760,325</u>

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

	Governmental Activities	Business-type Activities	Total
General government	\$ 289,723	\$ -	\$ 289,723
Highways and streets	2,163,444	-	2,163,444
Public safety	268,879	-	268,879
Culture and recreation	358,846	-	358,846
Water	-	449,860	449,860
Wastewater	-	409,440	409,439
Stormwater	-	324,034	324,034
Depreciation expense	<u>\$ 3,080,892</u>	<u>\$ 1,183,334</u>	<u>\$ 4,264,225</u>

**Note 6. Interfund Transfers**

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For the fiscal year ended June 30, 2017, 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.

**Note 7. Leases**

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

The City leases various copiers for use in its operations under cancelable and noncancelable operating leases. Total cost for such leases was approximately \$42,700 for the fiscal year ended June 30, 2017. The future minimum lease payments for noncancelable operating leases are as follows:

Year Ending	Copier Leases
<u>June</u>	
2018	\$ 40,900
2019	40,900
2020	40,100
2021	40,100
2022	36,400
	<u>\$ 198,400</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, 2016	Additions	Reductions	Balance as of June 30, 2017	Due within one year
<b>Governmental activities</b>					
2003 Oregon State Energy Loan Program Loan, interest rate of 4.3%, original amount of \$170,938, due 2018	\$ 32,989	\$ -	\$ (15,143)	\$ 17,846	\$ 17,846
2005 PERS Unfunded Actuarial Liability Bonds, interest rates of 4.0% to 5.5%, original amount of \$4,285,000, due 2028	3,715,000	-	(160,000)	3,555,000	185,000
2006 Oregon Special Public Works Fund (SPWF) Loan for North Main Village public area improvements, interest rate of 2.08%, original amount of \$738,000, due 2032	556,409	-	(24,351)	532,058	24,525
2014 Full Faith and Credit Obligations for Riverfront Park enhancements, interest rate from 3-4%, original amount of \$965,000, due 2029	855,000	-	(55,000)	800,000	55,000
2014 General Obligation Bonds for refinancing of Light-Rail enhancements, interest rate of 3-4%, original amount of \$3,695,000, due 2034	3,450,000	-	(140,000)	3,310,000	145,000
2016 General Obligation Bonds for Library expansion, interest rate of 2-4%, original amount of \$9,200,000, due 2036	-	9,200,000	(385,000)	8,815,000	365,000
Plus: Bond issuance premium	319,498	417,028	(42,385)	694,141	-
Long-term debt obligations	8,928,896	9,617,028	(821,879)	17,724,045	792,371
Compensated absences for governmental activities	985,962	893,653	(867,800)	1,011,815	1,011,815
<b>Total governmental activities</b>	<b>9,914,858</b>	<b>10,510,681</b>	<b>(1,689,679)</b>	<b>18,735,860</b>	<b>1,804,186</b>
<b>Business-type activities</b>					
State of Oregon loan:					
2010 Oregon DEQ Loan, amortized fees in lieu of interest, interest rate of 0%, original loan draws of \$2,229,318 in 2010 and \$1,622,016 in 2011, one-half converted to grant in 2012, due 2031	1,446,700	-	(96,500)	1,350,200	96,500
Compensated absences for business-type activities	57,853	124,963	(110,700)	72,116	72,116
<b>Total business-type activities</b>	<b>1,504,553</b>	<b>124,963</b>	<b>(207,200)</b>	<b>1,422,316</b>	<b>168,616</b>
<b>Total long-term obligations</b>	<b>\$ 11,419,411</b>	<b>\$ 10,635,644</b>	<b>\$ (1,896,879)</b>	<b>\$ 20,158,176</b>	<b>\$ 1,972,802</b>

Future maturities of principal and interest are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 792,371	\$ 579,626	\$ 96,500	\$ 6,250	\$ 888,871	\$ 585,876
2019	809,707	555,588	96,500	5,750	906,207	561,338
2020	859,895	530,074	96,500	5,250	956,395	535,324
2021	910,097	501,494	96,500	4,750	1,006,597	506,244
2022	955,311	470,331	96,500	4,250	1,051,811	474,581
2023-2027	5,745,169	1,725,560	482,500	13,750	6,227,669	1,739,310
2028-2032	4,217,354	728,511	385,200	2,250	4,602,554	730,761
2033-2036	2,740,000	176,841	-	-	2,740,000	176,841
	<u>\$ 17,029,904</u>	<u>\$ 5,268,025</u>	<u>\$ 1,350,200</u>	<u>\$ 42,250</u>	<u>\$ 18,380,104</u>	<u>\$ 5,310,275</u>

## Debt Covenants

The City pledges its net operating revenues in the wastewater fund of 135 percent of annual debt service on the Oregon Department of Environmental Quality (DEQ) loan. Additionally, the City is required to keep \$12,056 in a loan reserve account. At June 30, 2017 the City was compliant with these terms.

## Note 9. Employee Retirement Pension Plan

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

### Defined Benefit Plan Benefits

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

Benefits under the defined benefit pension plan program include a retirement allowance payable monthly for life 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 2016 and beyond will vary based on the amount of the annual benefit.

### **ORS 238A OPSRP Defined Benefit Plan Benefits**

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

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

- For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

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

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

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

**Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2016 and beyond will vary based on the amount of the annual benefit.

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. 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, 2017 were 13.69 percent for OPERS and 6.25 percent for OPSRP – general employees, and 10.36 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, 2017, were approximately \$929,000.

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

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

**Pension Assets/Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions.** At June 30, 2017, the City reported a liability of \$15,159,280 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. 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, 2017 and 2016, the City's proportion was 0.10097892 and 0.09405887 percent, respectively.

For the year ended June 30, 2017, the City recognized pension expense of \$2,694,193 for the defined benefit portion of the pension plan as a result of the adoption of GASB Statement No. 68. At June 30, 2017, 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	\$ 501,535	\$ -
Changes in assumptions	3,233,110	-
Net difference between projected and actual earnings on pension plan investments	2,994,838	-
Changes in proportionate share	372,537	93,400
Differences between employer contributions and proportionate share of system contributions	-	265,461
Subtotal	<u>7,102,020</u>	<u>358,861</u>
City contributions subsequent to the measurement date	928,786	-
Total	<u><u>\$ 8,030,806</u></u>	<u><u>\$ 358,861</u></u>

The deferred outflow of resources of \$928,786 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:	
2017	\$ 1,188,939
2018	1,188,939
2019	2,304,428
2020	1,795,036
2021	245,817
Total	<u><u>\$ 6,743,159</u></u>



Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study that reviewed experience for the four-year period ended on December 31, 2014.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.50 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 24,477,183	\$ 15,159,280	\$ 7,371,144

**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 2014 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	Target	Actual Allocation
Cash	0.00%	3.00%	0.00%	3.90%
Debt Securities	15.00	25.00	20.00	20.70
Public Equity	32.50	42.50	37.50	37.90
Private Equity	13.50	21.50	17.50	19.50
Real Estate	9.50	15.50	12.50	12.00
Alternative Equity	0.00	12.50	12.50	4.10
Opportunity Portfolio	0.00	3.00	0.00	1.90
			<u>100.0%</u>	<u>100.0%</u>

Asset Class	Target Allocation	Annual Arithmetic Return	Compounded Annual (Geometric) Return
Core Fixed Income	8.00%	4.10%	4.00%
Short-Term Bonds	8.00	3.65	3.61
Bank/Leveraged Loans	3.00	5.69	5.42
High Yield Bonds	1.00	6.67	6.20
Large/Mid Cap US Equities	15.75	7.96	6.70
Small Cap US Equities	1.31	8.93	6.99
Micro Cap US Equities	1.31	9.37	7.01
Developed Foreign Equities	13.13	8.34	6.73
Emerging Market Equities	4.12	10.56	7.25
Non-US Small Cap Equities	1.88	9.01	7.22
Private Equities	17.50	11.60	7.97
Real Estate (Property)	10.00	6.48	5.84
Real Estate (REITS)	2.50	8.74	6.69
Hedge Fund of Funds - Diversified	2.50	4.94	4.64
Hedge Fund - Event-driven	0.63	7.07	6.72
Timber	1.88	6.60	5.85
Farmland	1.88	7.11	6.37
Infrastructure	3.75	8.31	7.13
Commodities	1.88	6.07	4.58
	<u>100.00%</u>		

Assumed Inflation - Mean

2.50%

**Payable to OPERS.** At June 30, 2017, the City owed \$68,795 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, 2017, the City contributed approximately \$591,000 representing the employees 6 percent portion.

## **Retirement Health Insurance Account (RHIA)**

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

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS. As of June 30, 2017, the percent of annual covered payroll for Tier One/Tier Two and OPSRP were 0.53 percent and 0.45 percent, respectively. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The City's contributions to RHIA for the fiscal year ended June 30, 2017, 2016 and 2015 were approximately \$47,600, \$49,600, and \$46,600, respectively, which equaled the required contributions for that year.

### Deferred Compensation Plan

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

### Note 10. Fund Balance Classification

Governmental fund balances are classified as follows as of June 30, 2017:

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
<b>Nonspendable</b>							
Prepaid expenditures	\$ 129,911	\$ 589,522	\$ 4,934	\$ -	\$ -	\$ 221,250	\$ 945,617
<b>Restricted</b>							
Public safety supplies	32,663	-	-	-	-	-	32,663
Library services	-	-	9,265,971	-	-	-	9,265,971
Infrastructure	-	-	-	-	-	1,376,405	1,376,405
Debt service	-	-	-	-	245,984	-	245,984
Building operations	-	-	-	310,261	-	-	310,261
	<u>32,663</u>	<u>-</u>	<u>9,265,971</u>	<u>310,261</u>	<u>245,984</u>	<u>1,376,405</u>	<u>11,231,284</u>
<b>Committed</b>							
Street services	-	2,858,619	-	-	-	-	2,858,619
<b>Assigned</b>							
Library services	-	-	812,111	-	-	-	812,111
<b>Unassigned</b>							
	<u>7,175,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,175,395</u>
<b>Total fund balance</b>	<u>\$ 7,337,969</u>	<u>\$ 3,448,141</u>	<u>\$ 10,083,016</u>	<u>\$ 310,261</u>	<u>\$ 245,984</u>	<u>\$ 1,597,655</u>	<u>\$ 23,023,026</u>

## **Note 11. Commitments and Contingencies**

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

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

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

- The original agreement for wastewater treatment services dated November 25, 1970 was extended and modified several times. In May 2012 the City and the District signed a memorandum of understanding for services effective July 1, 2012 through June 30, 2037.
- Following an independent review of the number of sewer connections during fiscal year 2012, the baseline number of Equivalent Dwelling Units (EDU's) 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 \$34.47 per EDU. This amounts to approximately \$4.6 million each fiscal year.
- EDU counts are updated semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup>.

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

- The City passed Ordinance No. 1958 in February 2006 following Ballot Measure 3-166 where voters authorized the annexation of fire services into the Fire District. This Ordinance reduces the City's permanent tax rate of \$6.5379 per \$1,000 of Assessed Value by the permanent rate of the Fire District equating to \$2.4012 offset by their annual bonded debt rate until then-existing bonds were paid off in fiscal year 2015.
- The City has an intergovernmental agreement with the Fire District for their use of Station 2 at the City's Public Safety Building. This agreement, signed in December 2014, provides that the Fire District will pay the City one dollar (\$1) annually for rent, \$500 per month for general maintenance and janitorial services, and their share of utilities.
- This same intergovernmental agreement with the Fire District provides the City exclusive use of the Fire District's facility at 6596 SE Lake Road. The agreement provides that the City will pay for utilities, cleaning, and all other operating costs with the Fire District paying for interior and exterior maintenance.

### **Clackamas River Water (CRW):**

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

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

- Minimum amounts due under this contract shall be satisfied with an annual minimum payment of \$1,000 due to CRW. Any draws of water beyond the minimum quantities shall be billed to the City at CRW's wholesale water rates.

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

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

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

- The Intergovernmental Cooperative Agreement is effective July 1, 2016, through June 30, 2018.
- The dispatching services include, but are not limited to 24-hour-per-day answering of emergency telephone lines (including 9-1-1 calls) for fire, police, and emergency medical service requests, radio communications with police personnel regarding emergency and routine police matters, and other dispatching services for law enforcement purposes.
- As part of this agreement, the State redirects the City's state-allocated 911 monies directly to the City of Lake Oswego to help offset the annual contract costs summarized below. These annual monies from the State average approximately \$102,000 per fiscal year.
- The annual contract cost for Fiscal Year 2018 is estimated to be \$577,400.

#### **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, 2017	Remaining Costs	Estimated Completion
Ledding Library Improvements	\$ 1,483,906	\$ 220,882	\$ 1,263,024	2019
Kellogg Creek Bridge Repair	2,776,585	445,279	2,331,306	2018
Water Well #2 Maintenance	1,414,463	1,343,740	70,723	2018

### **Note 12. 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 13. Tax Abatements**

The City implemented GASB Statement No. 77 – *Tax Abatement Disclosures* which establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The City's property tax revenues were impacted by two tax abatement programs managed by Clackamas County for the fiscal year ended June 30, 2017.

#### ***Vertical Housing Development Zone (VHDZ)***

The VHDZ program was adopted by the City of Milwaukie in 2003 and is related to the North Main Village mixed-use redevelopment project, which was certified in 2007. To qualify for a 10-year tax abatement on new buildings, the building must be a higher-density mixed-use development with the first floor as commercial and residential above in targeted areas within City limits. The reduction in property tax revenues from VHDZ is estimated at approximately \$98,000 for fiscal year 2017.

#### ***Milwaukie / North Clackamas County Enterprise Zones***

Enterprise zones can be adopted by cities to encourage business development and primarily function to exempt businesses from local property taxes on new investments for a 3 – 5 year period. This is a tax abatement program to provide a financial incentive for redevelopment and job creation. To qualify for an enterprise zone exemption, the business agrees to 1) pay above average wages, 2) increase employment by 10%, and 3) consider hiring local workers first. The reduction in property tax revenues from Enterprise Zones adopted jointly with the City of Portland and Clackamas County is estimated at approximately \$32,000 for fiscal year 2017.

#### **Note 14. Property Tax Limitation**

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

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

#### **Note 15. Subsequent Event**

The Milwaukie City Council adopted an Urban Renewal Plan for the Downtown and Central Milwaukie areas on August 25, 2016 in order to provide economic development and place making tools and resources to help catalyze redevelopment in these areas. On June 20, 2017, the Milwaukie Redevelopment Commission passed a resolution adopting a budget, making appropriations and declaring a request of tax increment be made for the fiscal year 2017-2018.

On July 28, 2017 the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective on January 1, 2018. 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

*Schedule of the City's Contributions*

*Notes to Required Supplementary Information*

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

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

**General Fund**

**Special Revenue Funds**

Transportation Fund

Library Fund

Building Inspections Fund

CITY OF MILWAUKIE, OREGON

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Property taxes	\$ 14,676,000	\$ 14,676,000	\$ 7,117,718	\$ (7,558,282)
Franchise taxes	3,345,000	3,345,000	1,749,601	(1,595,399)
Intergovernmental	4,069,000	2,364,000	1,140,399	(1,223,601)
Fines and forfeitures	2,659,000	2,659,000	1,012,624	(1,646,376)
Licenses and permits	1,035,000	1,035,000	607,450	(427,550)
Investment earnings	145,000	145,000	97,138	(47,862)
Miscellaneous	231,000	264,000	221,644	(42,356)
<b>TOTAL REVENUES</b>	<b>26,160,000</b>	<b>24,488,000</b>	<b>11,946,574</b>	<b>(12,541,426)</b>
<b>EXPENDITURES:</b>				
City Council	235,000	235,000	100,575	134,425
City Manager	2,029,000	2,152,000	963,554	1,188,446
Community Development	3,537,000	1,995,000	794,861	1,200,139
Public Works Admin	1,303,000	1,303,000	667,908	635,092
Engineering Services	1,284,000	1,659,000	611,123	1,047,877
Facilities Management	2,463,000	2,526,000	960,500	1,565,500
Finance	2,239,000	2,239,000	1,098,753	1,140,247
Fleet Services	1,424,000	1,424,000	542,565	881,435
Human Resources	690,000	705,000	326,202	378,798
Information Technology	2,768,000	2,768,000	1,028,869	1,739,131
Municipal Court	762,000	762,000	344,816	417,184
Planning	1,746,000	1,746,000	717,348	1,028,652
Code Enforcement	365,000	365,000	157,681	207,319
Public Access Studio	170,000	170,000	59,449	110,551
Records and Information Management	964,000	964,000	377,760	586,240
Police Administration	1,228,000	1,228,000	597,953	630,047
Police Field Services	11,900,000	11,954,000	5,599,079	6,354,921
Police Support Services	813,000	813,000	384,195	428,805
Nondepartmental				
General Services	1,607,000	1,607,000	750,109	856,891
Contingency	800,000	800,000	-	800,000
<b>TOTAL EXPENDITURES</b>	<b>38,327,000</b>	<b>37,415,000</b>	<b>16,083,300</b>	<b>21,331,700</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(12,167,000)</b>	<b>(12,927,000)</b>	<b>(4,136,726)</b>	<b>8,790,274</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	10,380,000	10,780,000	5,360,000	(5,420,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,380,000</b>	<b>10,780,000</b>	<b>5,360,000</b>	<b>(5,420,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,787,000)</b>	<b>(2,147,000)</b>	<b>1,223,274</b>	<b>3,370,274</b>
<b>FUND BALANCES - beginning</b>	<b>5,395,000</b>	<b>5,395,000</b>	<b>6,114,695</b>	<b>719,695</b>
<b>FUND BALANCES - ending</b>	<b>\$ 3,608,000</b>	<b>\$ 3,248,000</b>	<b>\$ 7,337,969</b>	<b>\$ 4,089,969</b>

CITY OF MILWAUKIE, OREGON

TRANSPORTATION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Intergovernmental	\$ 7,377,000	\$ 10,348,000	\$ 1,578,903	\$ (8,769,097)
Franchise fees	2,305,000	2,305,000	1,107,416	(1,197,584)
Charges for services	1,390,000	2,740,000	1,087,132	(1,652,868)
Investment earnings	-	-	35,676	35,676
Miscellaneous	164,000	164,000	16,091	(147,909)
<b>TOTAL REVENUES</b>	<b>11,236,000</b>	<b>15,557,000</b>	<b>3,825,218</b>	<b>(11,731,782)</b>
<b>EXPENDITURES:</b>				
Personnel services	949,000	949,000	375,178	573,822
Materials and services	1,077,000	1,127,000	451,369	675,631
Debt service	14,000	-	-	-
Capital outlay	8,391,000	12,497,750	477,358	12,020,392
Contingency	750,000	438,250	-	438,250
<b>TOTAL EXPENDITURES</b>	<b>11,181,000</b>	<b>15,012,000</b>	<b>1,303,905</b>	<b>13,708,095</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>55,000</b>	<b>545,000</b>	<b>2,521,313</b>	<b>1,976,313</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(2,090,000)	(2,490,000)	(1,290,000)	1,200,000
Proceeds from issuance of debt	130,000	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,960,000)</b>	<b>(2,490,000)</b>	<b>(1,290,000)</b>	<b>1,200,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,035,000)</b>	<b>(1,945,000)</b>	<b>1,231,313</b>	<b>3,176,313</b>
<b>FUND BALANCES - beginning</b>	<b>2,174,000</b>	<b>2,174,000</b>	<b>2,216,828</b>	<b>42,828</b>
<b>FUND BALANCES - ending</b>	<b>\$ 139,000</b>	<b>\$ 229,000</b>	<b>\$ 3,448,141</b>	<b>\$ 3,219,141</b>

CITY OF MILWAUKIE, OREGON

LIBRARY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Property taxes	\$ 1,703,000	\$ 1,703,000	\$ 800,721	\$ (902,279)
Intergovernmental	4,261,000	4,261,000	1,616,332	(2,644,668)
Fines and forfeitures	112,000	112,000	52,638	(59,362)
Investment earnings	-	-	96,019	96,019
Miscellaneous	30,000	30,000	7,101	(22,899)
<b>TOTAL REVENUES</b>	<b>6,106,000</b>	<b>6,106,000</b>	<b>2,572,811</b>	<b>(3,533,189)</b>
<b>EXPENDITURES:</b>				
Personnel services	3,339,000	3,339,000	1,609,407	1,729,593
Materials and services	415,000	415,000	359,721	55,279
Capital outlay	10,445,000	10,445,000	258,337	10,186,663
Contingency	100,000	100,000	-	100,000
<b>TOTAL EXPENDITURES</b>	<b>14,299,000</b>	<b>14,299,000</b>	<b>2,227,465</b>	<b>12,071,535</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(8,193,000)</b>	<b>(8,193,000)</b>	<b>345,346</b>	<b>8,538,346</b>
<b>OTHER FINANCING USES:</b>				
Proceeds from issuance of debt	9,200,000	9,200,000	9,200,000	-
Bond premium on issuance of debt	-	-	415,946	415,946
Transfers to other funds	(1,460,000)	(1,460,000)	(720,000)	740,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>(453,000)</b>	<b>(453,000)</b>	<b>9,241,292</b>	<b>9,694,292</b>
<b>FUND BALANCES - beginning</b>	<b>954,000</b>	<b>954,000</b>	<b>841,724</b>	<b>(112,276)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 501,000</b>	<b>\$ 501,000</b>	<b>\$ 10,083,016</b>	<b>\$ 9,582,016</b>

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, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Licenses and permits	\$ 965,000	\$ 1,045,000	\$ 450,076	\$ (594,924)
Intergovernmental	2,000	2,000	1,066	(934)
Investment earnings	-	-	3,227	3,227
Miscellaneous	2,000	2,000	1,823	(177)
<b>TOTAL REVENUES</b>	<u>969,000</u>	<u>1,049,000</u>	<u>456,192</u>	<u>(592,808)</u>
<b>EXPENDITURES:</b>				
Personnel services	511,000	511,000	250,597	260,403
Materials and services	166,000	246,000	92,972	153,028
Contingency	50,000	50,000	-	50,000
<b>TOTAL EXPENDITURES</b>	<u>727,000</u>	<u>807,000</u>	<u>343,569</u>	<u>463,431</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	242,000	242,000	112,623	(129,377)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(240,000)	(240,000)	(120,000)	120,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(240,000)</u>	<u>(240,000)</u>	<u>(120,000)</u>	<u>120,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,000	2,000	(7,377)	(9,377)
<b>FUND BALANCES - beginning</b>	<u>233,000</u>	<u>233,000</u>	<u>317,638</u>	<u>84,638</u>
<b>FUND BALANCES - ending</b>	<u>\$ 235,000</u>	<u>\$ 235,000</u>	<u>\$ 310,261</u>	<u>\$ 75,261</u>

CITY OF MILWAUKIE, OREGON

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

JUNE 30, 2017

Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal year Ended June 30,	City's <sup>2</sup> proportion of the net pension liability (asset)	City's <sup>2</sup> proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability / (asset)
2017	0.10097892%	\$ 15,159,280	\$ 9,351,333	162.1%	80.5%
2016	0.09405887%	5,400,354	8,793,003	61.4%	91.9%
2015	0.10109889%	(2,291,623)	8,468,557	(27.1%)	103.6%
2014	0.10109889%	5,159,224	8,611,274	60.0%	92.0%
2013 <sup>1</sup>	-	-	-	-	-
2012 <sup>1</sup>	-	-	-	-	-
2011 <sup>1</sup>	-	-	-	-	-
2010 <sup>1</sup>	-	-	-	-	-
2009 <sup>1</sup>	-	-	-	-	-
2008 <sup>1</sup>	-	-	-	-	-

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

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

**CITY OF MILWAUKIE, OREGON**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**JUNE 30, 2017**

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

Fiscal year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2017	\$ 928,786	\$ 928,786	\$ -	\$ 9,921,800	9.4%
2016	906,240	906,240	-	9,351,333	9.7%
2015	825,536	881,500	(55,964)	8,793,003	10.0%
2014	774,851	860,200	(85,349)	8,468,557	10.2%
2013 <sup>1</sup>	-	-	-	-	-
2012 <sup>1</sup>	-	-	-	-	-
2011 <sup>1</sup>	-	-	-	-	-
2010 <sup>1</sup>	-	-	-	-	-
2009 <sup>1</sup>	-	-	-	-	-
2008 <sup>1</sup>	-	-	-	-	-

<sup>1</sup> Information not available.

## CITY OF MILWAUKIE, OREGON

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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

#### 1. Budgetary Information

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

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

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the Budget Committee and City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the fiscal year ended June 30, 2017, one supplemental budget resolution was approved through the first year of the 2017-2018 biennium.

#### 2. Oregon Public Employee Retirement Pension Plan (PERS)

*Changes in Assumptions* – A summary of key changes implemented with the December 31, 2014 actuarial valuation which was used in the pension calculations and amounts reported for the fiscal year ended June 30, 2017, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2013 actuarial valuation can be found at: <https://www.oregon.gov/pers>.

*Subsequent Event* – On July 28, 2017 the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective on January 1, 2018. 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.



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# OTHER SUPPLEMENTARY INFORMATION

## *Individual Fund Financial Schedules*

### **Governmental Funds**

#### **Debt Service Fund**

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

#### **Capital Projects Fund**

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

### **Proprietary Funds**

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

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

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

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

CITY OF MILWAUKIE, OREGON

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Property taxes	\$ 479,000	\$ 1,659,000	\$ 979,884	\$ (679,116)
Intergovernmental	174,000	174,000	87,550	(86,450)
Investment earnings	-	-	2,275	2,275
<b>TOTAL REVENUES</b>	<b>653,000</b>	<b>1,833,000</b>	<b>1,069,709</b>	<b>(763,291)</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	395,000	1,145,000	580,000	565,000
Interest	308,000	738,000	354,475	383,525
<b>TOTAL EXPENDITURES</b>	<b>703,000</b>	<b>1,883,000</b>	<b>934,475</b>	<b>948,525</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>135,234</b>	<b>185,234</b>
<b>FUND BALANCES - beginning</b>	<b>100,000</b>	<b>100,000</b>	<b>110,750</b>	<b>10,750</b>
<b>FUND BALANCES - ending</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 245,984</b>	<b>\$ 195,984</b>

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, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Systems development charges	\$ 106,000	\$ 166,000	\$ 141,583	\$ (24,417)
Investment earnings	-	-	12,863	-
Miscellaneous	2,000	2,000	625	(1,375)
<b>TOTAL REVENUES</b>	<b>108,000</b>	<b>168,000</b>	<b>155,071</b>	<b>(25,792)</b>
<b>EXPENDITURES:</b>				
Materials and services	50,000	50,000	-	50,000
Capital outlay	623,000	773,000	2,249	770,751
Contingency	545,000	545,000	-	545,000
<b>TOTAL EXPENDITURES</b>	<b>1,218,000</b>	<b>1,368,000</b>	<b>2,249</b>	<b>1,365,751</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,110,000)</b>	<b>(1,200,000)</b>	<b>152,822</b>	<b>1,339,959</b>
<b>FUND BALANCES - beginning</b>	<b>1,352,000</b>	<b>1,352,000</b>	<b>1,444,833</b>	<b>92,833</b>
<b>FUND BALANCES - ending</b>	<b>\$ 242,000</b>	<b>\$ 152,000</b>	<b>\$ 1,597,655</b>	<b>\$ 1,432,792</b>

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, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Water charges	\$ 7,921,000	\$ 7,921,000	\$ 3,655,863	\$ (4,265,137)
Reimbursement fees	12,000	12,000	10,581	(1,419)
Investment earnings	-	-	26,743	26,743
Miscellaneous	118,000	118,000	53,511	(64,489)
<b>TOTAL REVENUES</b>	<b>8,051,000</b>	<b>8,051,000</b>	<b>3,746,698</b>	<b>(4,304,302)</b>
<b>EXPENDITURES:</b>				
Personnel services	1,616,000	1,616,000	715,767	900,233
Materials and services	1,804,000	1,804,000	766,467	1,037,533
Debt Service	14,000	-	-	-
Capital outlay	3,960,000	4,281,250	1,665,556	2,615,694
Contingency	300,000	222,750	-	222,750
<b>TOTAL EXPENDITURES</b>	<b>7,694,000</b>	<b>7,924,000</b>	<b>3,147,790</b>	<b>4,776,210</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>357,000</b>	<b>127,000</b>	<b>598,908</b>	<b>471,908</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of debt	130,000	-	-	-
Transfers to other funds	(2,320,000)	(2,320,000)	(1,140,000)	1,180,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,190,000)</b>	<b>(2,320,000)</b>	<b>(1,140,000)</b>	<b>1,180,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,833,000)</b>	<b>(2,193,000)</b>	<b>(541,092)</b>	<b>1,651,908</b>
<b>FUND BALANCES - beginning</b>	<b>3,100,000</b>	<b>3,100,000</b>	<b>3,462,471</b>	<b>362,471</b>
<b>FUND BALANCES - ending</b>	<b>\$ 1,267,000</b>	<b>\$ 907,000</b>	<b>2,921,379</b>	<b>\$ 2,014,379</b>
<b>RECONCILIATION TO NET POSITION - GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			2,056,913	
Adjustment for capital assets, net of accumulated depreciation			7,957,199	
Adjustment for net pension liability			(659,311)	
Adjustment for deferred outflows of resources			349,278	
Adjustment for revenue earned but not received			77,717	
Adjustment for deferred inflows of resources			(15,607)	
<b>NET POSITION - GAAP BASIS, ending</b>			<b>\$ 12,687,568</b>	

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, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Wastewater charges	\$ 15,451,000	\$ 15,451,000	\$ 7,660,663	\$ (7,790,337)
Intergovernmental	30,000	66,500	-	(66,500)
Reimbursement fees	150,000	150,000	85,017	(64,983)
Investment Earnings	-	-	35,255	(35,255)
Miscellaneous	46,000	4,000	18,888	14,888
<b>TOTAL REVENUES</b>	<b>15,677,000</b>	<b>15,671,500</b>	<b>7,799,823</b>	<b>(7,942,188)</b>
<b>EXPENDITURES:</b>				
Personnel services	950,000	950,000	410,617	539,383
Materials and services	10,321,000	10,321,000	4,897,894	5,423,106
Debt service:				
Principal	200,000	200,000	96,500	103,500
Interest	14,000	14,000	6,993	7,007
Capital outlay	2,560,000	2,776,250	726,479	2,049,771
Contingency	300,000	78,250	-	78,250
<b>TOTAL EXPENDITURES</b>	<b>14,345,000</b>	<b>14,339,500</b>	<b>6,138,483</b>	<b>8,201,017</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,332,000</b>	<b>1,332,000</b>	<b>1,661,340</b>	<b>294,085</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(2,190,000)	(2,190,000)	(1,070,000)	1,120,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,190,000)</b>	<b>(2,190,000)</b>	<b>(1,070,000)</b>	<b>1,120,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(858,000)</b>	<b>(858,000)</b>	<b>591,340</b>	<b>1,414,085</b>
<b>FUND BALANCES - beginning</b>	<b>3,274,000</b>	<b>3,274,000</b>	<b>3,271,883</b>	<b>(2,117)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 2,416,000</b>	<b>\$ 2,416,000</b>	<b>3,863,223</b>	<b>\$ 1,411,968</b>
<b>RECONCILIATION TO NET POSITION - GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			74,021	
Adjustment for capital assets, net of accumulated depreciation			9,066,235	
Adjustment for net pension liability			(413,219)	
Adjustment for deferred outflows of resources			218,907	
Adjustment for unearned revenue			(111,143)	
Adjustment for deferred inflows of resources			(9,782)	
Adjustment for loan payable - due within one year			(96,500)	
Adjustment for loan payable			(1,253,700)	
<b>NET POSITION - GAAP BASIS, ending</b>			<b>\$ 11,338,042</b>	

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, 2017

	Budget for the 2017-2018 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2016-17	
<b>REVENUES:</b>				
Stormwater charges	\$ 7,069,000	\$ 7,069,000	\$ 3,357,032	\$ (3,711,968)
Reimbursement fees	6,000	6,000	-	(6,000)
Investment earnings	-	-	37,149	37,149
Miscellaneous	8,000	8,000	25,362	17,362
<b>TOTAL REVENUES</b>	<b>7,083,000</b>	<b>7,083,000</b>	<b>3,419,543</b>	<b>(3,663,457)</b>
<b>EXPENDITURES:</b>				
Personnel services	1,445,000	1,445,000	560,045	884,955
Materials and services	1,005,000	1,005,000	414,599	590,401
Debt Service	14,000	14,000	-	14,000
Capital outlay	4,835,000	4,835,000	604,535	4,230,465
Contingency	300,000	300,000	-	300,000
<b>TOTAL EXPENDITURES</b>	<b>7,599,000</b>	<b>7,599,000</b>	<b>1,579,179</b>	<b>6,019,821</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(516,000)</b>	<b>(516,000)</b>	<b>1,840,364</b>	<b>2,356,364</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of debt	130,000	130,000	-	130,000
Transfers to other funds	(2,080,000)	(2,080,000)	(1,020,000)	1,060,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,950,000)</b>	<b>(1,950,000)</b>	<b>(1,020,000)</b>	<b>1,190,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,466,000)</b>	<b>(2,466,000)</b>	<b>820,364</b>	<b>3,546,364</b>
<b>FUND BALANCES - beginning</b>	<b>2,784,000</b>	<b>2,784,000</b>	<b>2,953,385</b>	<b>169,385</b>
<b>FUND BALANCES - ending</b>	<b>\$ 318,000</b>	<b>\$ 318,000</b>	<b>3,773,749</b>	<b>\$ 3,715,749</b>
<b>RECONCILIATION TO NET POSITION - GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			396,685	
Adjustment for capital assets, net of accumulated depreciation			4,209,272	
Adjustment for net pension liability			(485,499)	
Adjustment for deferred outflows of resources			257,199	
Adjustment for deferred inflows of resources			(11,498)	
<b>NET POSITION - GAAP BASIS, ending</b>			<b>\$ 8,139,908</b>	

## **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, 2017**

**FUTURE BOND PRINCIPAL**

Fiscal year	2014							Total
	Oregon SELP Loan	Full Faith & Credit Bond	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	
2018	\$ 17,846	\$ 55,000	\$ 145,000	\$ 365,000	\$ 24,525	\$ 185,000	\$ 96,500	\$ 888,871
2019	-	55,000	145,000	375,000	24,707	210,000	96,500	906,207
2020	-	60,000	150,000	380,000	29,895	240,000	96,500	956,395
2021	-	60,000	160,000	390,000	30,097	270,000	96,500	1,006,597
2022	-	60,000	165,000	395,000	30,311	305,000	96,500	1,051,811
2023	-	65,000	170,000	410,000	30,536	340,000	96,500	1,112,036
2024	-	65,000	180,000	420,000	35,772	380,000	96,500	1,177,272
2025	-	70,000	185,000	430,000	36,020	420,000	96,500	1,237,520
2026	-	75,000	195,000	450,000	36,283	465,000	96,500	1,317,783
2027	-	75,000	200,000	465,000	36,558	510,000	96,500	1,383,058
2028	-	80,000	205,000	480,000	41,845	230,000	96,500	1,133,345
2029	-	80,000	210,000	490,000	42,145	-	96,500	918,645
2030	-	-	220,000	500,000	42,457	-	96,500	858,957
2031	-	-	230,000	510,000	42,783	-	95,700	878,483
2032	-	-	240,000	525,000	48,124	-	-	813,124
2033	-	-	250,000	535,000	-	-	-	785,000
2034	-	-	260,000	550,000	-	-	-	810,000
2035	-	-	-	565,000	-	-	-	565,000
2036	-	-	-	580,000	-	-	-	580,000
	<u>\$ 17,846</u>	<u>\$ 800,000</u>	<u>\$ 3,310,000</u>	<u>\$ 8,815,000</u>	<u>\$ 532,058</u>	<u>\$ 3,555,000</u>	<u>\$ 1,350,200</u>	<u>\$ 18,380,104</u>

**FUTURE BOND INTEREST**

Fiscal year	2014							Total
	Oregon SELP Loan	Full Faith & Credit Bond	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	
2018	\$ 767	\$ 30,900	\$ 119,325	\$ 230,380	\$ 21,282	\$ 176,972	\$ 6,250	\$ 585,876
2019	-	29,250	114,975	223,080	20,301	167,982	5,750	561,338
2020	-	27,600	109,175	215,580	19,941	157,778	5,250	535,324
2021	-	25,200	103,175	207,980	19,023	146,116	4,750	506,244
2022	-	22,800	96,775	200,180	17,970	132,606	4,250	474,581
2023	-	20,400	90,175	188,330	16,682	117,344	3,750	436,681
2024	-	17,800	83,375	176,030	15,565	100,330	3,250	396,350
2025	-	15,200	76,175	163,430	14,288	81,316	2,750	353,159
2026	-	12,400	68,775	146,230	12,711	60,298	2,250	302,664
2027	-	9,400	62,925	128,230	11,121	37,030	1,750	250,456
2028	-	6,400	56,925	114,280	9,520	11,510	1,250	199,885
2029	-	3,200	50,775	104,680	7,687	-	750	167,092
2030	-	-	42,375	94,880	5,841	-	250	143,346
2031	-	-	33,575	84,255	3,982	-	-	121,812
2032	-	-	24,375	72,143	2,108	-	-	98,626
2033	-	-	16,575	59,018	-	-	-	75,593
2034	-	-	8,450	45,643	-	-	-	54,093
2035	-	-	-	31,205	-	-	-	31,205
2036	-	-	-	15,950	-	-	-	15,950
	<u>\$ 767</u>	<u>\$ 220,550</u>	<u>\$ 1,157,900</u>	<u>\$ 2,501,504</u>	<u>\$ 198,022</u>	<u>\$ 1,189,282</u>	<u>\$ 42,250</u>	<u>\$ 5,310,275</u>

**CITY OF MILWAUKIE, OREGON**

**SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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



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# SECTION III

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## STATISTICAL SECTION

# STATISTICAL SECTION

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

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### Financial Trends

85

These schedules contain trend information to help the reader understand how financial performance has changed over time.

### Revenue Capacity

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These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

### Debt Capacity

95

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.

### Demographic and Economic Information

100

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### Operating Information

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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.

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

CITY OF MILWAUKIE, OREGON

NET POSITION BY COMPONENT

for the last ten fiscal years

(accrual basis of accounting)

(in thousands)

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013 (restated)	2014 (restated)	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 41,224	\$ 41,423	\$ 39,717	\$ 39,274	\$ 38,433	\$ 41,361	\$ 41,361	\$ 42,965	\$ 43,558	\$ 40,950
Restricted	3,418	3,274	2,714	2,125	2,235	1,788	1,789	1,921	2,200	11,587
Unrestricted	5,698	5,586	5,403	6,594	7,031	8,115	1,427	5,166	866	(7,169)
Total governmental activities net position	<u>50,340</u>	<u>50,283</u>	<u>47,834</u>	<u>47,993</u>	<u>47,699</u>	<u>51,265</u>	<u>44,577</u>	<u>50,052</u>	<u>46,624</u>	<u>45,369</u>
Business-type activities										
Net investment in capital assets	14,984	15,444	14,740	14,773	16,528	18,041	18,041	18,903	20,506	22,410
Restricted	-	-	-	-	12	12	12	12	12	12
Unrestricted	4,387	4,107	3,896	3,881	4,426	5,726	5,302	7,659	9,102	9,744
Total business-type activities net position	<u>19,371</u>	<u>19,551</u>	<u>18,636</u>	<u>18,654</u>	<u>20,966</u>	<u>23,779</u>	<u>23,355</u>	<u>26,574</u>	<u>29,620</u>	<u>32,166</u>
Primary government										
Net investment in capital assets	56,208	56,867	54,457	54,047	54,961	59,402	59,402	61,868	64,064	63,360
Restricted	3,418	3,274	2,714	2,125	2,247	1,800	1,801	1,933	2,212	11,599
Unrestricted	10,085	9,693	9,299	10,475	11,457	13,841	6,729	12,825	9,968	2,576
Total primary government net position	<u>\$ 69,711</u>	<u>\$ 69,834</u>	<u>\$ 66,470</u>	<u>\$ 66,647</u>	<u>\$ 68,665</u>	<u>\$ 75,043</u>	<u>\$ 67,932</u>	<u>\$ 76,626</u>	<u>\$ 76,244</u>	<u>\$ 77,535</u>

**CITY OF MILWAUKIE, OREGON**

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

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,025	\$ 2,794	\$ 3,854	\$ 9,813	\$ 9,489	\$ 9,109	\$ 9,322	\$ 7,811	\$ 10,757	\$ 10,568
Highways and streets	3,172	3,932	2,865	2,094	2,155	2,126	1,028	1,851	4,026	5,548
Public safety	6,591	7,326	7,627	6,210	6,720	6,636	6,458	5,412	7,685	7,201
Culture and recreation	1,920	2,036	2,376	1,585	1,770	2,630	2,665	2,309	3,102	3,240
Interest on long-term debt	330	341	318	292	273	487	407	408	367	568
Total governmental activities expenses	<u>15,038</u>	<u>16,429</u>	<u>17,040</u>	<u>19,994</u>	<u>20,407</u>	<u>20,988</u>	<u>19,880</u>	<u>17,791</u>	<u>25,937</u>	<u>27,125</u>
Business-type activities:										
Water	1,746	2,091	2,143	2,397	2,520	2,526	2,610	2,573	2,840	3,183
Wastewater	2,975	2,577	4,580	5,023	4,801	6,067	6,062	6,052	6,545	6,832
Stormwater	975	1,052	1,152	1,710	1,660	1,569	1,578	1,776	2,132	2,387
Total business-type activities expenses	<u>5,696</u>	<u>5,720</u>	<u>7,875</u>	<u>9,130</u>	<u>8,981</u>	<u>10,162</u>	<u>10,249</u>	<u>10,401</u>	<u>11,517</u>	<u>12,402</u>
Total primary government expenses	<u>\$ 20,734</u>	<u>\$ 22,149</u>	<u>\$ 24,915</u>	<u>\$ 29,124</u>	<u>\$ 29,388</u>	<u>\$ 31,150</u>	<u>\$30,130</u>	<u>\$28,192</u>	<u>\$37,454</u>	<u>\$39,527</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,645	\$ 692	\$ 467	\$ 5,110	\$ 5,052	\$ 5,150	\$ 5,323	\$ 5,695	\$ 6,773	\$ 7,391
Highways and streets	758	1,076	1,080	663	609	693	633	635	748	1,088
Public safety	992	1,555	1,746	1,940	1,734	1,693	1,609	948	307	307
Culture and recreation	61	59	59	59	59	67	60	60	60	-
Operating grants and contributions	2,025	1,873	2,697	3,313	3,555	4,610	4,454	4,324	2,935	4,742
Capital grants and contributions	301	30	27	47	80	107	145	1,731	1,478	312
Total governmental activities program revenues	<u>5,782</u>	<u>5,285</u>	<u>6,076</u>	<u>11,132</u>	<u>11,089</u>	<u>12,320</u>	<u>12,224</u>	<u>13,393</u>	<u>12,301</u>	<u>13,840</u>
Business-type activities:										
Charges for services:										
Water	2,092	2,234	2,273	2,173	2,354	2,819	3,158	3,698	3,965	3,798
Wastewater	3,267	3,586	4,437	5,032	4,947	6,316	6,627	6,894	7,290	7,668
Stormwater	1,511	1,540	1,722	1,794	1,840	1,989	2,212	2,581	2,946	3,382
Capital grants and contributions	110	29	-	-	1,929	10	-	-	-	-
Total business-type activities program revenues	<u>6,980</u>	<u>7,389</u>	<u>8,432</u>	<u>8,999</u>	<u>11,070</u>	<u>11,134</u>	<u>11,997</u>	<u>13,173</u>	<u>14,201</u>	<u>14,848</u>
Total primary government program revenues	<u>\$ 12,762</u>	<u>\$ 12,674</u>	<u>\$ 14,508</u>	<u>\$ 20,131</u>	<u>\$ 22,159</u>	<u>\$ 23,454</u>	<u>\$ 24,220</u>	<u>\$ 26,566</u>	<u>\$ 26,502</u>	<u>\$ 28,689</u>

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	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (9,256)	\$ (11,144)	\$ (10,964)	\$ (8,862)	\$ (9,318)	\$ (8,668)	\$ (7,656)	\$ (4,399)	\$ (13,636)	\$ (13,285)
Business-type activities	1,284	1,669	557	(131)	2,089	972	1,747	2,772	2,684	2,446
Total primary government net expenses	<u>\$ (7,972)</u>	<u>\$ (9,475)</u>	<u>\$ (10,407)</u>	<u>\$ (8,993)</u>	<u>\$ (7,229)</u>	<u>\$ (7,696)</u>	<u>\$ (5,909)</u>	<u>\$ (1,627)</u>	<u>\$ (10,952)</u>	<u>\$ (10,838)</u>
<b>General Revenues</b>										
Governmental activities:										
Property taxes, levied for general purposes	\$ 5,718	\$ 5,929	\$ 5,998	\$ 6,112	\$ 6,487	\$ 6,565	\$ 7,014	\$ 7,590	\$ 7,925	\$ 8,927
Property taxes, levied for debt service	526	579	601	-	-	-	-	-	-	-
Franchise taxes	1,740	1,620	1,838	2,561	2,594	2,479	2,439	2,568	2,570	2,857
Intergovernmental	446	517	583	297	97	-	-	-	-	-
Miscellaneous	73	603	928	-	-	-	-	-	-	-
Interest and investment earnings	366	209	114	115	60	77	66	87	75	246
Gain on disposition of capital assets	31	14	-	-	-	4	-	75	-	-
Transfers	-	-	1,485	(64)	(214)	-	(93)	(448)	(362)	-
Total governmental activities	<u>8,900</u>	<u>9,471</u>	<u>11,547</u>	<u>9,021</u>	<u>9,021</u>	<u>9,125</u>	<u>9,426</u>	<u>9,872</u>	<u>10,208</u>	<u>12,030</u>
Business-type activities:										
Miscellaneous	10	-	-	-	-	-	-	-	-	-
Interest and investment earnings	250	127	12	85	9	-	-	-	-	99
Transfers	-	-	(1,485)	64	214	-	93	448	362	-
Total business-type activities	<u>260</u>	<u>127</u>	<u>(1,473)</u>	<u>149</u>	<u>223</u>	<u>-</u>	<u>93</u>	<u>448</u>	<u>362</u>	<u>99</u>
Total primary government	<u>\$ 9,160</u>	<u>\$ 9,598</u>	<u>\$ 10,074</u>	<u>\$ 9,170</u>	<u>\$ 9,244</u>	<u>\$ 9,125</u>	<u>\$ 9,519</u>	<u>\$ 10,320</u>	<u>\$ 10,570</u>	<u>\$ 12,129</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (356)	\$ (1,673)	\$ 583	\$ 159	\$ (297)	\$ 457	\$ 1,770	\$ 5,474	\$ (3,428)	\$ (1,255)
Business-type activities	1,544	1,796	(916)	18	2,312	972	1,840	3,220	3,046	2,545
Total primary government	<u>\$ 1,188</u>	<u>\$ 123</u>	<u>\$ (333)</u>	<u>\$ 177</u>	<u>\$ 9,170</u>	<u>\$ 1,429</u>	<u>\$ 3,610</u>	<u>\$ 8,694</u>	<u>\$ (382)</u>	<u>\$ 1,291</u>

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CITY OF MILWAUKIE, OREGON

FUND BALANCES OF GOVERNMENTAL FUNDS

for the last ten fiscal years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Nonspendable	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ 36	\$ 35	\$ 65	\$ 146	\$ 130
Restricted	-	-	14	11	23	28	30	39	30	33
Assigned	-	-	-	201	-	-	-	-	-	-
Unassigned	2,032	1,631	6,116	6,086	5,759	5,380	5,974	5,676	5,939	7,175
Total general fund	<u>\$ 2,032</u>	<u>\$ 1,631</u>	<u>\$ 6,143</u>	<u>\$ 6,298</u>	<u>\$ 5,782</u>	<u>\$ 5,444</u>	<u>\$ 6,039</u>	<u>\$ 5,780</u>	<u>\$ 6,115</u>	<u>\$ 7,338</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ 105	\$ 154	\$ 815	\$ 816
Restricted	2,526	2,445	2,610	2,115	2,211	1,995	1,618	1,725	1,799	11,199
Committed	-	-	-	-	1,739	1,322	1,459	1,954	1,627	2,858
Assigned	-	-	928	1,321	389	231	390	594	691	812
Total all other governmental funds	<u>\$ 2,526</u>	<u>\$ 2,445</u>	<u>\$ 3,538</u>	<u>\$ 3,436</u>	<u>\$ 4,339</u>	<u>\$ 3,581</u>	<u>\$ 3,572</u>	<u>\$ 4,426</u>	<u>\$ 4,932</u>	<u>\$ 15,685</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Property taxes	\$ 6,138	\$ 6,405	\$ 6,623	\$ 6,164	\$ 6,429	\$ 6,564	\$ 7,019	\$ 7,587	\$ 7,892	\$ 8,898
Intergovernmental	2,334	2,529	2,815	3,313	3,634	4,233	4,270	5,747	5,765	4,424
Franchise taxes	1,891	1,758	1,851	2,561	2,579	2,479	2,439	2,568	2,570	2,857
Fines and forfeitures	1,030	1,602	1,801	1,857	1,502	1,754	1,690	1,252	1,267	1,065
Licenses and permits	1,944	1,697	1,638	586	964	1,112	626	667	985	1,058
Charges for services	-	-	-	5,235	4,637	5,176	5,155	5,042	5,158	6,447
Miscellaneous	554	529	841	412	114	223	224	327	303	636
Total revenues	13,891	14,520	15,569	20,128	19,859	21,541	21,423	23,189	23,940	25,386
<b>Expenditures:</b>										
Current:										
General government	1,244	1,262	1,983	8,495	8,328	8,066	8,165	7,867	8,687	9,168
Highway and streets	1,925	2,144	1,099	1,870	1,891	1,883	1,753	1,712	1,708	2,117
Public safety	6,591	7,327	7,627	5,546	5,897	5,877	5,590	5,955	6,149	6,435
Culture and recreation	1,811	1,995	2,246	1,415	1,553	2,329	2,339	2,350	2,468	2,689
Debt service:										
Principal	429	452	488	570	144	378	196	3,983	379	778
Interest	355	324	303	292	273	253	415	557	380	564
Capital outlay	1,247	1,789	1,766	1,386	1,385	7,508	2,441	5,181	2,967	1,274
Total expenditures	13,602	15,293	15,512	19,574	19,471	26,294	20,899	27,607	22,738	23,025
Excess (deficiency) of revenues over (under) expenditures	289	(773)	57	554	388	(4,753)	524	(4,417)	1,202	2,361
<b>Other financing sources (uses):</b>										
Transfers from other funds	1,178	652	776	8,245	-	-	-	-	57	-
Transfers to other funds	(1,310)	(620)	(754)	(8,572)	-	-	-	-	(419)	-
Proceeds from sale of capital assets	-	-	-	13	-	6	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	3,650	63	4,660	-	9,200
Bond premium on issuance of debt	-	-	-	-	-	-	-	353	-	416
Total other financing sources (uses)	(132)	32	22	(314)	-	3,656	63	5,013	(362)	9,616
Net change in fund balances	\$ 157	\$ (741)	\$ 79	\$ 240	\$ 388	\$ (1,097)	\$ 586	\$ 595	\$ 840	\$ 11,977
Debt service as a percentage of noncapital expenditures	6.3%	5.7%	5.8%	4.7%	2.3%	3.4%	3.3%	20.2%	3.8%	6.2%

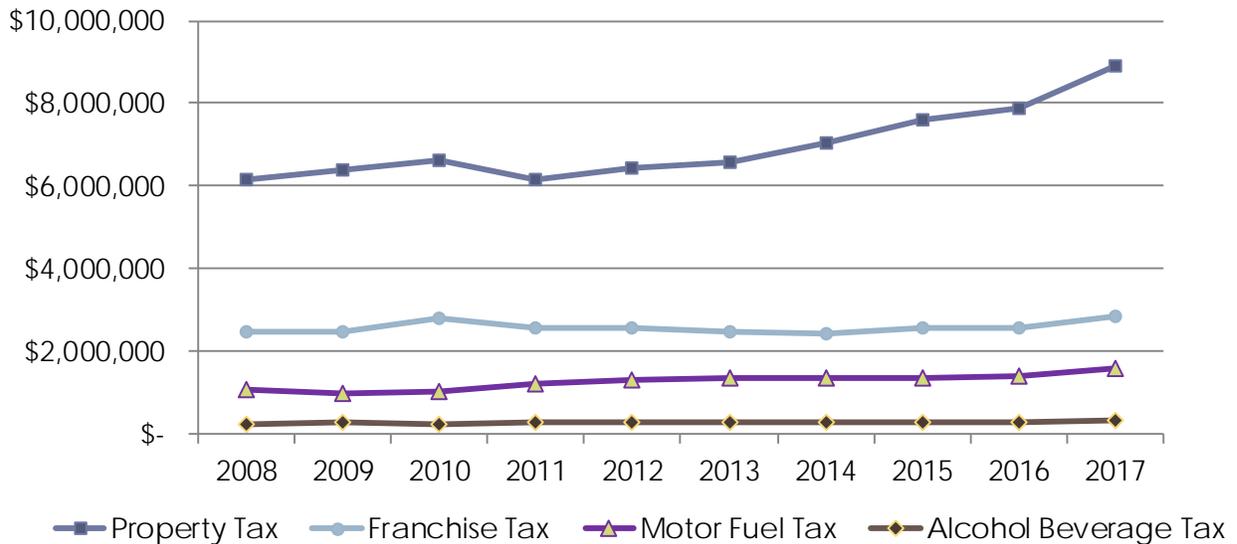
CITY OF MILWAUKIE, OREGON

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

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

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

Trend Lines of Tax Revenues by Source



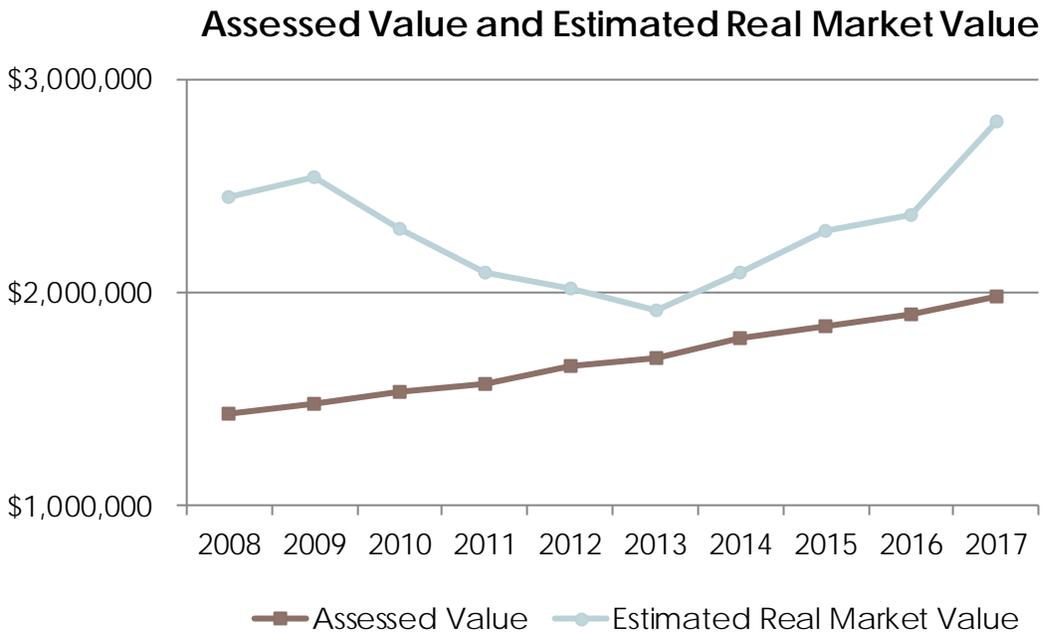
CITY OF MILWAUKIE, OREGON

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

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

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

Source: Clackamas and Multnomah County Departments of Assessment and Taxation

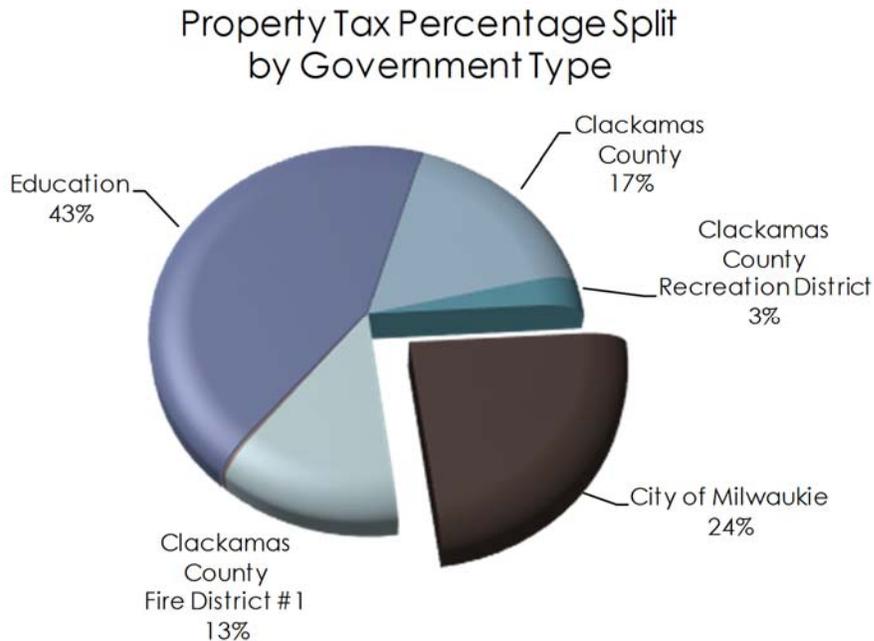


CITY OF MILWAUKIE, OREGON

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

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

Source: Clackamas County Assessor’s Office



CITY OF MILWAUKIE, OREGON

PRINCIPAL PROPERTY TAXPAYERS  
current year and nine years ago

Name	2017			2008		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Blount Inc.	\$ 59,361,842	1	3.0%	\$ 39,048,510	1	2.9%
PCC Structurals Inc.	55,301,615	2	2.8	28,629,944	2	2.1
Comcast Corporation	41,223,900	3	2.1	-		
Waverly Greens Apts	18,502,737	4	0.9	14,246,515	4	1.0
Lincoln Advisory Group LTD	17,854,052	5	0.9	-		
Carlston Greg	15,437,082	6	0.8	-		
Miramounte Milwaukie LP	11,473,949	7	0.6	-		
SE International Way SPE LLC	10,548,174	8	0.5	-		
Downs Alice M Trustee	10,323,653	9	0.5	11,772,187	5	0.9
Moda (fka ODS) Plaza Inc	10,254,254	10	0.5	8,256,979	9	0.6
Portland General Electric Co	-			9,396,000	6	0.7
Holland Partners	-			9,320,582	7	0.7
SSR Realty Advisors	-			14,790,081	3	1.1
Guardian Management	-			7,740,916	10	0.6
Schlesinger Ralph	-			8,311,189	8	0.6
Sub-total, top ten	250,281,258		12.6	151,512,903		11.1
All other City taxpayers	1,732,223,236		87.4	1,216,710,129		88.9
Total City taxpayers	\$ 1,982,504,494		100.0%	\$ 1,368,223,032		100.0%

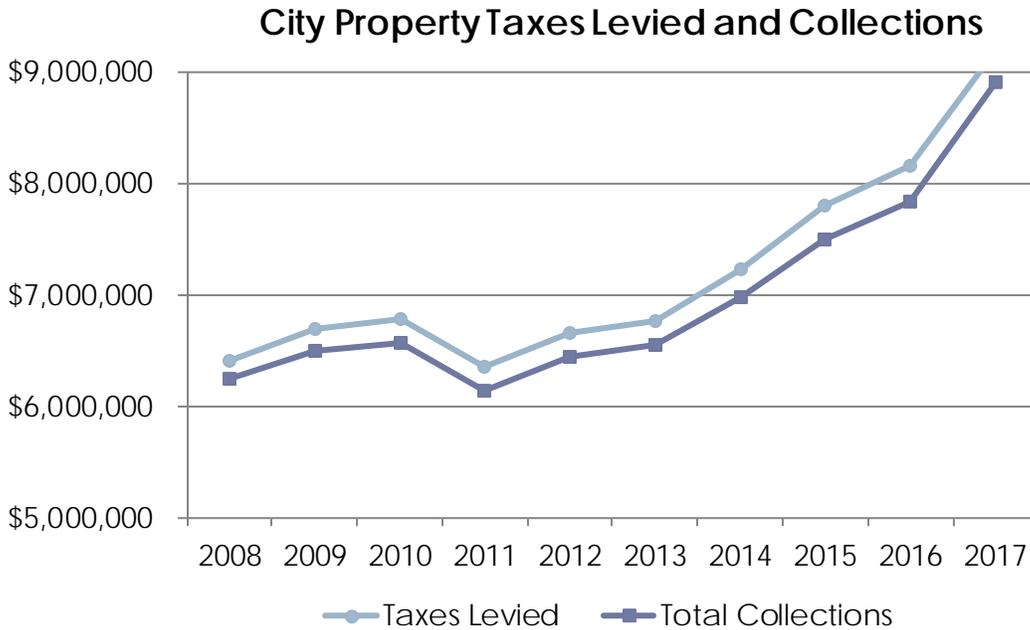
Source: Clackamas County Assessor's Office

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
2008	\$ 6,413,042	\$ 6,028,211	94%	\$ 209,381	\$ 6,237,592	97%
2009	6,690,766	6,229,318	93	270,113	6,499,431	97
2010	6,785,356	6,355,747	94	204,877	6,560,624	97
2011	6,350,048	5,918,005	93	214,125	6,132,130	97
2012	6,660,414	6,239,599	94	195,351	6,434,950	97
2013	6,769,000	6,362,993	94	179,345	6,542,338	97
2014	7,220,047	6,821,366	94	153,492	6,974,858	97
2015	7,802,935	7,389,248	95	114,129	7,503,377	96
2016	8,150,481	7,752,374	95	80,717	7,833,091	96
2017	9,194,072	8,899,767	97	-	8,899,767	97

Source: Annual financial statements of the City of Milwaukie



CITY OF MILWAUKIE, OREGON

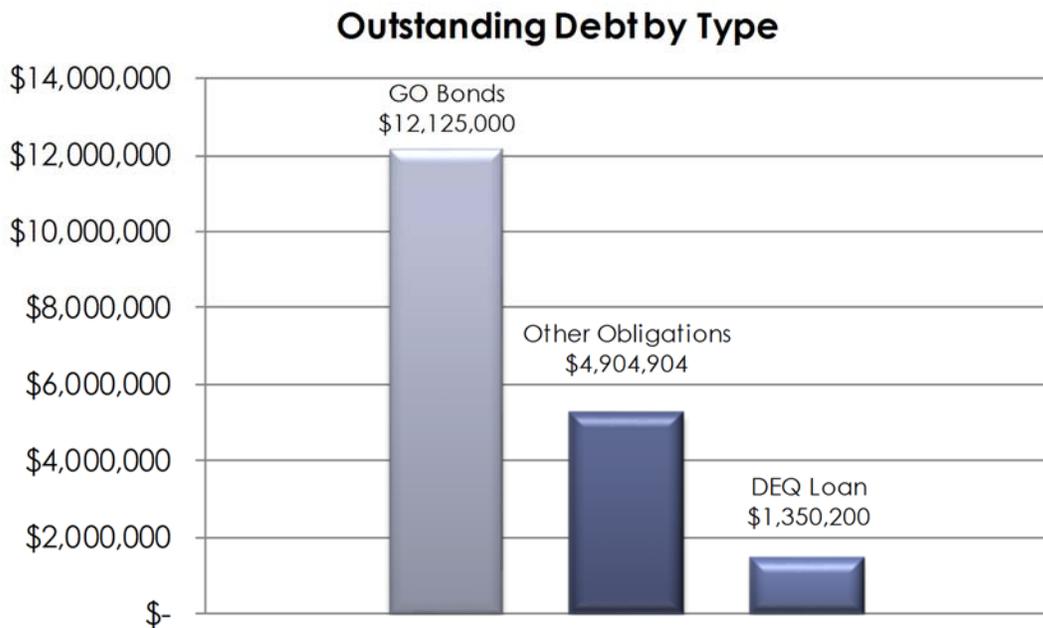
RATIOS OF OUTSTANDING DEBT BY TYPE  
for the last ten fiscal years

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of Personal income	Per capita**
	General obligation bonds	Other Obligations	Water Revenue bonds	Wastewater/ DEQ loan			
2008	\$1,280,000	\$ 5,629,625	\$ 245,000	\$ -	\$7,154,625	0.83 %	\$ 342
2009	875,000	5,542,310	125,000	-	6,542,310	0.80	313
2010	450,000	5,436,133	-	2,229,318	8,115,451	1.00	400
2011	-	5,316,547	-	3,851,334	9,167,881	1.09	452
2012	-	5,172,425	-	1,832,700	7,005,125	0.80	343
2013	-	8,444,314	-	1,736,200	10,180,514	1.14	498
2014	-	8,311,646	-	1,639,700	9,951,346	1.06	487
2015	3,829,279	5,494,629	-	1,543,200	10,867,108	1.10	530
2016	3,683,083	5,245,813	-	1,446,700	10,375,596	*	506
2017	12,819,141	4,904,904	-	1,350,200	19,074,245	*	930

\* Information unavailable at this time.

\*\*Population data can be found on page 100.

Source: Annual financial statements of the City of Milwaukie



CITY OF MILWAUKIE, OREGON

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

Fiscal year	General obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property <sup>1</sup>	Per capita <sup>2</sup>
2008	\$ 1,280,000	\$ (222,103)	\$ 1,057,897	7.00%	\$ 51
2008	1,280,000	(222,103)	1,057,897	0.07	51
2009	875,000	(344,995)	530,005	0.04	25
2010	450,000	(484,787)	(34,787)	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	3,829,279	(100,460)	3,728,819	0.20	182
2016	3,683,083	(110,750)	3,572,333	0.18	174
2017	12,125,000	(245,984)	11,879,016	0.60	579

<sup>1</sup> Assessed value property data can be found on page 91.

<sup>2</sup> Population data can be found on page 100.

CITY OF MILWAUKIE, OREGON

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
as of June 30, 2017

Governmental unit	Real Market Values of Overlapping Districts	Tax-Supported Debt Outstanding	Percentage Overlapping <sup>1</sup>	Overlapping Debt Applicable to the City of Milwaukie
Debt repaid with property taxes:				
Clackamas Community College	\$ 48,076,385,758	\$ 102,608,913	6.10%	\$ 6,260,785
Clackamas County	65,630,370,446	155,330,136	4.47	6,942,636
Clackamas City RFPD 1	27,256,364,175	26,870,000	10.84	2,912,359
Clackamas City SD 12 (North Clackamas)	19,125,723,735	609,115,622	15.34	93,423,108
Metro	271,838,567,528	183,510,000	1.09	1,994,387
Multnomah County	142,277,325,018	143,743,241	0.01	20,987
Multnomah City SD 1J (Portland)	108,958,774,919	665,077,068	0.02	127,030
Portland Community College	217,143,369,580	302,090,000	0.01	29,001
Subtotal, overlapping debt	900,306,881,159	2,188,344,980		111,710,293
Direct debt outstanding:				
City of Milwaukie	2,804,851,953	17,029,904	100.00%	17,029,904
Total direct and overlapping debt outstanding	\$ 903,111,733,112	\$ 2,205,374,884		\$ 128,740,197

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

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

Source: Oregon State Treasury Department, Debt Management Division

**CITY OF MILWAUKIE, OREGON**

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

	Fiscal Year Ended				
	2008	2009	2010	2011	2012
Debt maximum limitation	\$ 73,435	\$ 76,181	\$ 69,019	\$ 62,716	\$ 60,719
Debt applicable to maximum limit	1,280	875	450	-	-
Legal debt margin available	<u>\$ 74,715</u>	<u>\$ 77,056</u>	<u>\$ 69,469</u>	<u>\$ 62,716</u>	<u>\$ 60,719</u>
Debt applicable to the maximum limit as a percentage of debt limitation	1.74%	1.15%	0.65%	0.00%	0.00%

	2013	2014	2015	2016	2017
	Debt maximum limitation	\$ 57,459	\$ 62,842	\$ 68,609	\$ 71,042
Debt applicable to maximum limit	-	-	3,585	3,450	12,125
Legal debt margin available	<u>\$ 57,459</u>	<u>\$ 62,842</u>	<u>\$ 65,024</u>	<u>\$ 67,592</u>	<u>\$ 72,021</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0.00%	0.00%	5.23%	4.86%	14.41%

**Legal debt margin calculation for fiscal year ended June 30, 2017:**

Total property real market value	\$ 2,804,851,953
	3%
Debt maximum limitation (3% of total property real market value) <sup>1</sup>	<u>84,145,559</u>
Amount of debt applicable to debt limit:	
Total debt	19,074,245
Less debt excluded from debt limit:	
Oregon SELP and SPWF loans	(549,904)
PERS UAL bonds	(3,555,000)
Full Faith and Credit Obligation bonds	(800,000)
Oregon DEQ loan	(1,350,200)
Premiums	(694,141)
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	12,125,000
Legal debt margin - amount available for future indebtedness	<u>\$ 72,020,559</u>
Percentage of City's indebtedness to total allowed	14.41%

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

Source: Clackamas County Department of Assessment and Taxation

CITY OF MILWAUKIE, OREGON

PLEDGED-REVENUE COVERAGE  
for the last ten fiscal years

Water Revenue Bonds

Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
2008	\$2,101,807	\$1,423,062	\$ 678,745	\$ 115,000	\$ 19,800	5.04
2009	2,137,300	1,461,628	675,672	120,000	13,475	5.06
2010	2,528,894	1,513,875	1,015,019	125,000	6,875	7.70
2011	-	-	-	-	-	n/a
2012	-	-	-	-	-	n/a
2013	-	-	-	-	-	n/a
2014	-	-	-	-	-	n/a
2015	-	-	-	-	-	n/a
2016	-	-	-	-	-	n/a
2017	-	-	-	-	-	n/a

Wastewater Department of Environmental Quality Loan

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

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

Source: Annual financial statements of the City of Milwaukie

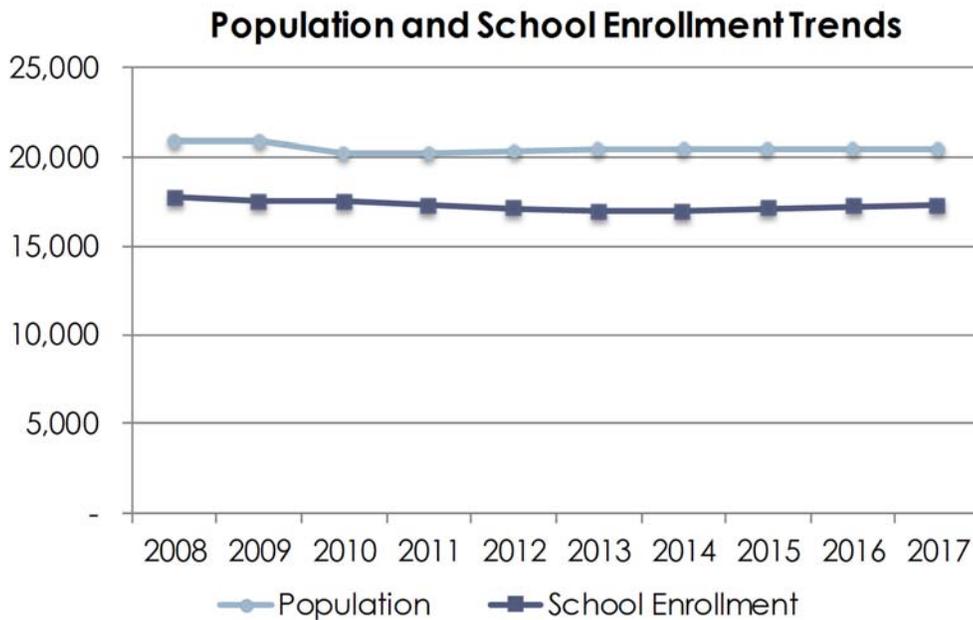
CITY OF MILWAUKIE, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS  
for the last ten fiscal years

Fiscal year	Population	Personal income (in thousands)	Per capita personal income	School enrollment	Unemployment rate
2008	20,915	\$ 866,090	\$ 41,410	17,772	5.3 %
2009	20,920	815,231	38,969	17,506	10.7
2010	20,291	808,454	39,843	17,530	8.7
2011	20,290	838,018	41,302	17,334	9.6
2012	20,400	879,301	43,103	17,152	8.7
2013	20,435	893,582	43,728	16,976	7.8
2014	20,435	935,800	45,794	16,993	4.6
2015	20,491	992,215	48,422	17,130	5.5
2016	20,491	*	*	17,241	5.2
2017	20,510	*	*	17,309	3.7

\* Information unavailable at this time.

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



CITY OF MILWAUKIE, OREGON

PRINCIPAL EMPLOYERS  
current year and nine years ago

Employer	2017			2012 <sup>2</sup>		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Blount Inc.	849	1	5.94%			
PCC Structurals Inc.	576	2	4.03	500	2	3.62%
Providence Milwaukie Hospital	395	3	2.76			
North Clackamas School District <sup>1</sup>	389	4	2.72	385	4	2.79
Oeco LLC	372	5	2.60	300	5	2.17
Nature Bake	258	6	1.80			
ODS (Moda)	208	7	1.45			
Active Telesource	157	8	1.10			
Plumbing & Mech Contractors	150	9	1.05			
City of Milwaukie	143	10	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 (3 locations)				280	6	2.03
To Your Home from Willamette				200	8	1.45
Stoner Electric Group				150	10	1.09
Marquis Home Health				200	9	1.45
Total	<u>3,497</u>		<u>24.45%</u>	<u>3,395</u>		<u>24.60%</u>

<sup>1</sup> 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.

<sup>2</sup> The earliest available data is 2012. This schedule was modified from prior year to include only employers located inside City limits.

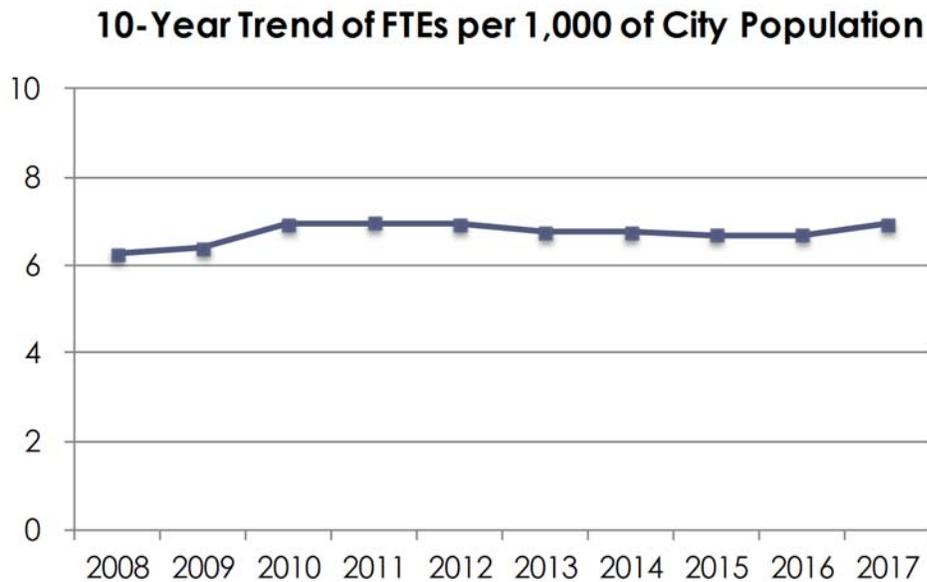
Source: City of Milwaukie Finance Department.

**CITY OF MILWAUKIE, OREGON**

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

Function/Program	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	19.00	20.00	19.00	22.30	20.50	20.50	20.50	18.90	17.70	25.00
Public safety	41.00	41.00	43.00	41.50	42.00	42.25	42.25	41.85	41.85	42.75
Community services	19.16	19.34	24.25	23.79	24.76	23.76	23.76	25.26	26.46	26.26
Community development	22.72	23.00	23.75	24.50	24.50	23.50	23.50	20.60	20.60	17.00
Facilities	1.50	2.00	2.00	2.67	2.67	2.00	2.00	2.00	2.00	2.00
Streets	5.50	5.50	5.50	6.30	6.30	6.00	6.00	5.50	5.50	5.00
Water	5.84	5.84	5.84	6.30	7.30	7.00	7.00	7.20	7.20	8.20
Wastewater	5.33	5.33	5.33	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Stormwater	5.33	5.33	5.33	5.80	5.80	5.25	5.25	7.80	7.80	8.30
Fleet services	5.50	6.25	6.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>Total FTEs</b>	<b>130.88</b>	<b>133.59</b>	<b>140.75</b>	<b>141.16</b>	<b>141.83</b>	<b>138.26</b>	<b>138.26</b>	<b>137.11</b>	<b>137.11</b>	<b>142.51</b>
City Population	20,915	20,920	20,291	20,290	20,400	20,435	20,435	20,491	20,491	20,510
FTEs per 1,000 of population	6.26	6.39	6.94	6.96	6.95	6.77	6.77	6.69	6.69	6.95

Source: City of Milwaukie Finance Department



CITY OF MILWAUKIE, OREGON

OPERATING INDICATORS BY FUNCTION  
for the last ten fiscal years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Public safety										
Citations:										
Traffic	8,166	13,447	12,540	11,415	10,306	14,959	12,522	9,159	9,813	7,633
Parking	1,034	1,013	384	433	721	949	463	243	1,629	1,261
City Ordinance	150	85	74	90	114	137	92	141	93	85
Non-Traffic Violation	77	86	102	170	127	119	126	147	148	72
Total citations processed	9,427	14,631	13,100	12,108	11,268	16,164	13,203	9,690	11,683	9,051
Number of seat belt classes	183	212	218	40	34	65	54	27	42	58
Number of officers per 1,000 capita	1.80	1.70	1.70	1.80	1.90	1.60	1.60	1.60	1.60	1.60
Culture and recreation										
Library items in collection	108,767	107,924	117,788	121,078	121,982	120,075	117,693	118,024	115,040	114,360
Circulation	585,857	651,764	671,554	717,821	709,618	720,951	725,861	711,150	685,157	660,438
Average circulation per capita	28.59	31.81	33.01	35.48	33.70	18.43	18.25	17.84	17.08	16.34
Number of library programs	299	305	378	408	505	539	611	663	627	615
Attendance at library programs	8,356	9,902	11,415	11,987	12,619	15,580	17,230	19,565	20,079	20,513
Number of library volunteers	1,356	894	1,114	1,368	1,507	1,561	1,473	1,607	1,547	1,470
Library volunteer hours	7,592	6,992	8,513	8,493	8,679	9,591	9,004	9,798	9,948	8,646
Community development										
Building:										
Building permits issued	700	600	523	550	587	157	144	185	240	218
Inspections performed	3,200	3,200	2,784	1,450	1,430	1,514	1,577	1,693	1,872	2,128
Investigations	65	60	56	64	55	50	40	48	15	26
Violations resolved	30	24	18	20	19	25	29	33	9	18
Planning:										
Land use applications processed <sup>1</sup>	31	21	14	15	72	67	58	87	100	156
Business-type activities:										
Water										
Service connections <sup>2</sup>	-	6,911	6,911	7,000	6,929	6,690	6,777	6,813	6,870	6,870
Number of fire hydrants maintained	292	295	180	419	409	792	788	789	404	105
Sanitary sewer (in feet)										
Sewer mainline cleaning	133,010	125,344	139,876	125,000	110,610	143,034	109,594	134,263	99,998	74,360
Mainline inspections completed	126,360	143,566	113,401	125,000	125,894	152,541	124,525	134,663	165,396	70,326

<sup>1</sup> Previous years (FY 2013 - FY 2015) have been corrected.

<sup>2</sup> Data is not available for FY 2008.

Source: Various departments within the City of Milwaukie.

CITY OF MILWAUKIE, OREGON

CAPITAL ASSET STATISTICS BY FUNCTION  
for the last ten fiscal years

Function/Program	2008 <sup>1</sup>	2009 <sup>1</sup>	2010 <sup>1</sup>	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government										
City-owned building facilities	4	4	4	4	5	5	5	5	5	5
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	23	24	13	17	24	24	24	24	24
Culture and recreation										
Library facility	1	1	1	1	1	1	1	1	1	1
Community development										
Residential Construction	\$ 1,866	\$ 1,283	\$ 417	\$ 312	\$ -	\$ 1,343	\$ 2,029	\$ 2,370	\$ 2,135	\$ 6,994
Commercial Construction	10,490	135	674	669	9,822	16,804	1,656	610	303	5,266
Total value of new building construction (in thousands) <sup>2</sup>	\$ 12,356	\$ 1,418	\$ 1,091	\$ 982	\$ 9,822	\$ 18,147	\$ 3,685	\$ 2,980	\$ 2,438	\$ 12,260
Highways and streets										
Miles of streets (street lane miles)	158	158	158	215	165	158	158	160	160	160
Surface water catch basins	1,100	1,100	1,100	1,190	1,613	1,603	1,622	1,631	1,631	1,679
Business-type activities:										
Water										
Water mains (miles)	102	102	102	115	100	100	100	100	100	100
Number of pump stations	4	4	4	4	4	5	5	5	5	5
Number of water storage reservoirs	3	3	3	3	3	3	3	3	3	3
Sanitary sewer										
Sanitary sewer (miles)	70	70	70	74	78	79	79	79	79	79
Number of sewer manholes	1,600	1,600	1,600	1,607	1,688	1,695	1,697	1,692	1,692	1,692

<sup>1</sup> Information for fiscal years 2008 – 2010 is not available, therefore estimates were used based upon best historical information available.

<sup>2</sup> Information in years 2008 - 2011 were previously reported without commercial buildings.

Source: Various departments within the City of Milwaukie.

# SECTION IV

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## 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



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**CITY OF MILWAUKIE, OREGON**

**COMPLIANCE SECTION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Oregon Administrative Rules 162-10-050 through 162-10-320, incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report.

The following report from Talbot, Korvola & Warwick LLP 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



ACHIEVE MORE

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**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**

Mayor and City Council  
City of Milwaukie  
Milwaukie, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Milwaukie, Oregon (the City), as of and for the year ended June 30, 2017, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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



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ACCORDANCE WITH OREGON STATE REGULATIONS (Continued)**

**COMPLIANCE (Continued)**

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**PURPOSE OF THIS REPORT**

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

*Talbot, Kovola & Wawrak, LLP*

Lake Oswego, Oregon  
December 21, 2017



# CITY OF MILWAUKIE



## MILWAUKIE FINANCE DEPARTMENT

FINANCE DIRECTOR  
**Haley Fish, CPA**

ASSISTANT FINANCE DIRECTOR  
**Bonnie Dennis, MBA**

MILWAUKIE, OREGON

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