



2016

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT



CITY OF MILWAUKIE, OREGON
FISCAL YEAR ENDED JUNE 30 2016

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



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

*Prepared by:
Finance Department*



CITY OF MILWAUKIE, OREGON
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2016

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SECTION I

INTRODUCTORY SECTION

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

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January 31, 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, 2016 is hereby submitted.

This report presents the financial position of the City as of June 30, 2016 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, 2016. The independent auditor's opinion is located in the Financial Section of this report.

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

Profile of the Government

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

The City of Milwaukie is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. Today, Milwaukie serves a population of 20,491 and is close to the region's business core and urban amenities, with the City of Portland just to the north. At the same time, the City provides a small-town atmosphere and distinct neighborhoods. The City is approximately 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 2015-2016 biennial budget occurred in June 2014 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 3.5 percent, 4 percent, and 14.1 percent increase, respectively. These rates have remained constant during the fiscal year 2016.

In regards to the City's long-term debt obligations, the City has approximately \$3.7 million outstanding in PERS bonds, \$1.4 million in DEQ loans, \$3.7 million in general obligation bonds, \$0.9 million in full faith and credit obligations and \$0.6 million outstanding in other loans.

Major Initiatives

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

The City will be expanding the Ledding Library with an estimated completion by fiscal year 2018. 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 City continues toward many other economic development initiatives identified during the Council goal process. Initiatives such as evaluating alternatives to facilitate the development of the Coho Point at Kellogg Creek property continue to be pursued. Additionally, the City Council recently adopted a plan and approved the Safe Access For Everyone (SAFE) fee to improve livability throughout the City by improving sidewalk infrastructure which enhances the walkability and bike routes within the City. The Urban Growth Management Area annexation strategy is also moving forward as well as many other goals and priorities. A full list of City goals and priorities can be found on the City website (www.milwaukieoregon.gov).

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 continues to have an Aa2 rating with Moody's Investor Service after its issuance of General Obligation Bonds on August 15, 2016 related to the Library expansion. The City maintains a AA- rating with Standard and Poor's Rating Service.

Property Tax Rate Limitation

In 2004, residents of Milwaukie elected to annex into Clackamas Fire District No.1 for fire and emergency medical services. The City's property tax rate levy is now equal to the City's permanent rate of \$6.5379 per \$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 Scott Churchill (Vice Chair), Mack Stilson and Budget Committee member Jesse Boumann.

Awards

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

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

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

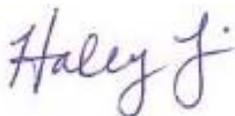
Acknowledgements

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milwaukie,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2015

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



Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

CITY OF MILWAUKIE, OREGON
Elected and Appointed Officials
As of June 30, 2016

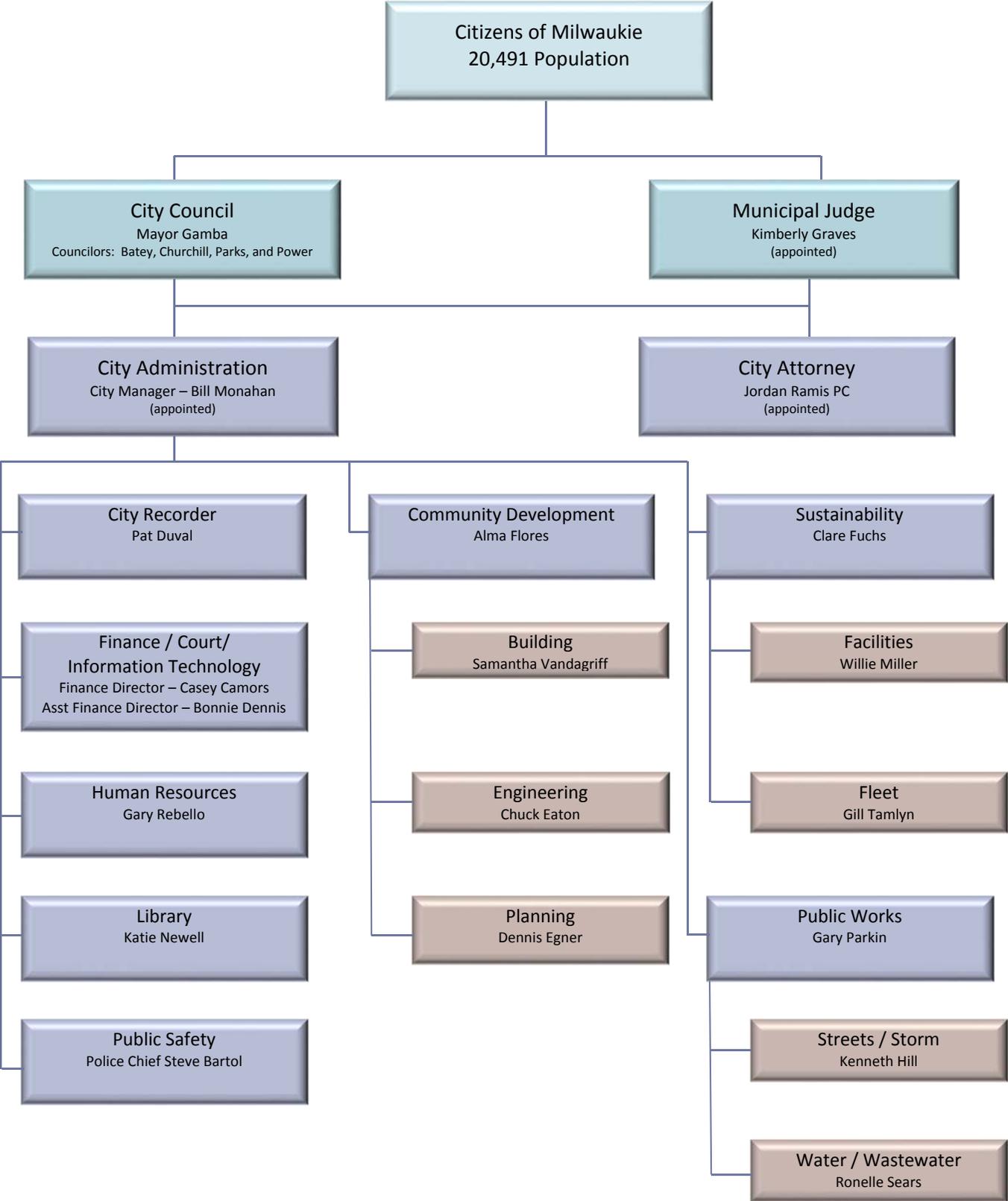
Elected Officials	Term Expires
Mark Gamba, Mayor	December 31, 2018
Scott Churchill, Councilor	December 31, 2016
Lisa Batey, Councilor	December 31, 2018
Karin Power, Councilor	December 31, 2018
Wilda Parks, Councilor	December 31, 2016

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

Management Team:

Mitch Nieman	Assistant to the City Manager
Alma Flores	Community Development Director
Pat Duval, CRM CMC	City Recorder
Chuck Eaton	Engineering Director
Casey Camors, CPA CMA CPFO	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
Gary Parkin, PE	Public Works Director
Clare Fuchs	Sustainability Director

CITY OF MILWAUKIE, OREGON
Organizational Chart as of June 30, 2016



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SECTION II

FINANCIAL SECTION

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

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**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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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, 2016, 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2016, 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.

An Independently Owned Member
MCGLADREY ALLIANCE

 **McGladrey**

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 January 30, 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
January 30, 2017

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CITY OF MILWAUKIE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR END JUNE 30, 2016

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, 2016. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

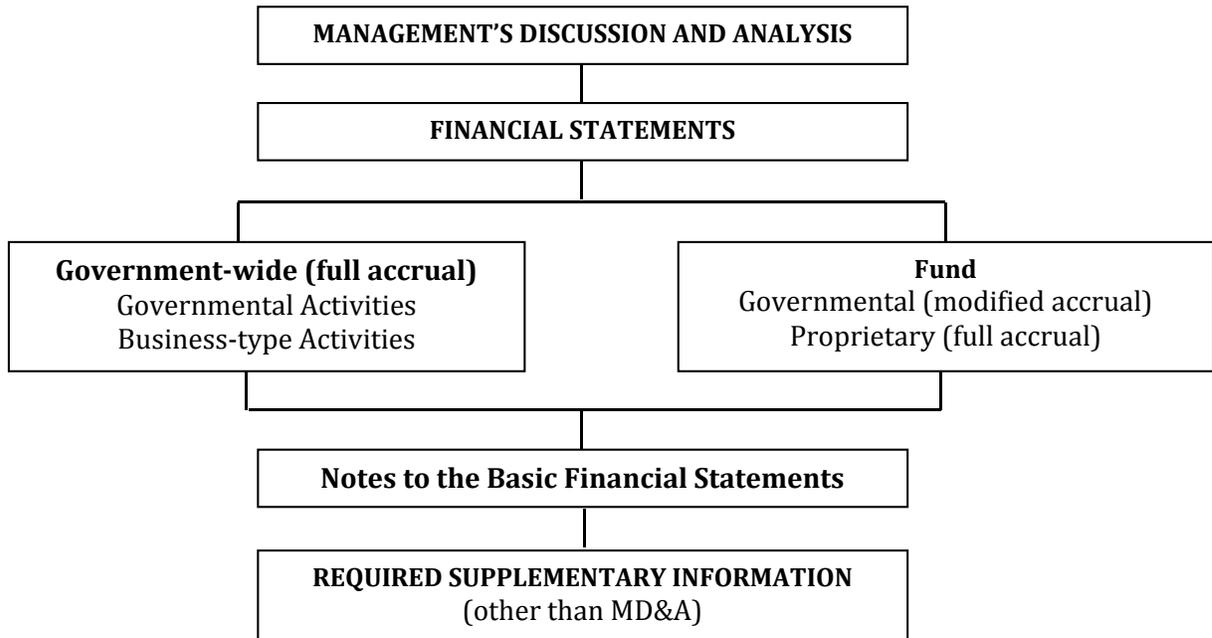
- The City's assets totaled \$95.9 million at June 30, 2016, consisting of \$70.7 million in capital assets, \$17.5 million in unrestricted cash and investments, \$2.0 million in restricted cash and investments, and \$5.7 million in other assets. Total assets increased by \$0.5 million (1%) from the previous fiscal year.
- The City's liabilities totaled \$19.4 million at June 30, 2016 consisting of \$10.4 million in long-term liabilities and \$9.0 million in accounts payable and other liabilities. Total liabilities increased by \$4.2 million (28%) from the previous fiscal year.
- The assets of the City exceeded its liabilities by \$76.2 million at the close of fiscal year 2016. Unrestricted net position totaled \$10.0 million with the remainder of the City's net position invested in capital assets (\$64.0 million) and restricted for capital projects, building operations, library services, debt service, and public safety (\$2.2 million).
- For its governmental activities, the City generated \$7.8 million in charges for services and received \$4.4 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$25.9 million for the year, resulting in a net expense of \$13.7 million. The City also received \$10.5 million of general revenues however there was a decrease in net position of \$3.4 million.
- For its business-type activities, the City generated \$14.2 million in charges for services to fund direct expenses of \$11.5 million. Business-type activities had an increase in net position of \$3.0 million after receiving capital transfers of \$0.3 million.
- Fund balance in the City's governmental funds was \$11.0 million at June 30, 2016, an increase of \$0.8 million from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information, and other supplementary information.*

The basic financial statements also include *notes* that explain the information in the financial statements and provide additional details. The following chart illustrates how the various sections of this annual report are arranged relative to one another.

**Required Elements of the
Comprehensive Annual Financial Report**



Government-wide Statements

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

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

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

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

- Governmental activities—Most of the City’s basic services are included here, such as community development, code enforcement, police, library, highways and streets, and general administration. Property taxes, charges for services, and operating and capital grants and contributions fund most of these activities.
- Business-type activities—The City charges fees to customers to help cover the costs of certain services it provides. The City’s water, wastewater, and stormwater services are included here.

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$76.2 million at the close of fiscal year 2016.

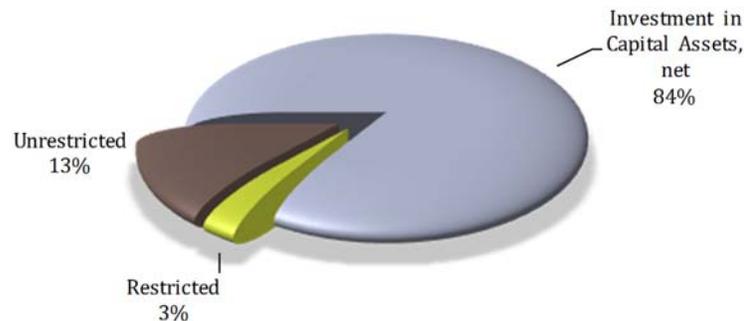
By far the largest portion of the City's net position (84%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, 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, 2016 and 2015 was as follows:

Statement of Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Current and other assets	\$ 14,429	\$ 17,144	\$ 10,839	\$ 9,486	\$ 25,268	\$ 26,630
Capital assets	48,771	48,439	21,953	20,446	70,724	68,885
Total assets	63,200	65,583	32,792	29,932	95,993	95,515
Deferred outflows of resources	1,081	742	117	84	1,197	826
Long-term liabilities	8,929	9,324	1,447	1,543	10,376	10,867
Other liabilities	7,347	2,857	1,693	1,438	9,040	4,295
Total liabilities	16,275	12,181	3,140	2,981	19,415	15,162
Deferred inflows of resources	1,382	4,091	149	461	1,531	4,552
Net position:						
Net investment in capital assets	43,558	42,965	20,506	18,903	64,064	61,869
Restricted for:						
Library services	151	152	-	-	151	152
Public safety	176	103	-	-	176	103
Debt service	112	101	12	12	124	113
Building operations	318	137	-	-	318	137
Capital projects	1,445	1,428	-	-	1,445	1,428
Unrestricted	866	5,166	9,102	7,659	9,967	12,825
Total net position	\$ 46,624	\$ 50,052	\$ 29,620	\$ 26,574	\$ 76,244	\$ 76,626

CLASSIFICATION OF NET POSITION



As of June 30, 2016, the City had positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. Total net position decreased from the prior year by \$0.4 million (0.5%) to \$76.2 million.

A portion of the City's net position (\$2.2 million or approximately 2.9%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position (\$10.0 million or 13.0%) 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, 2016.

Statement of Activities
Changes in Net Position
(in thousands)

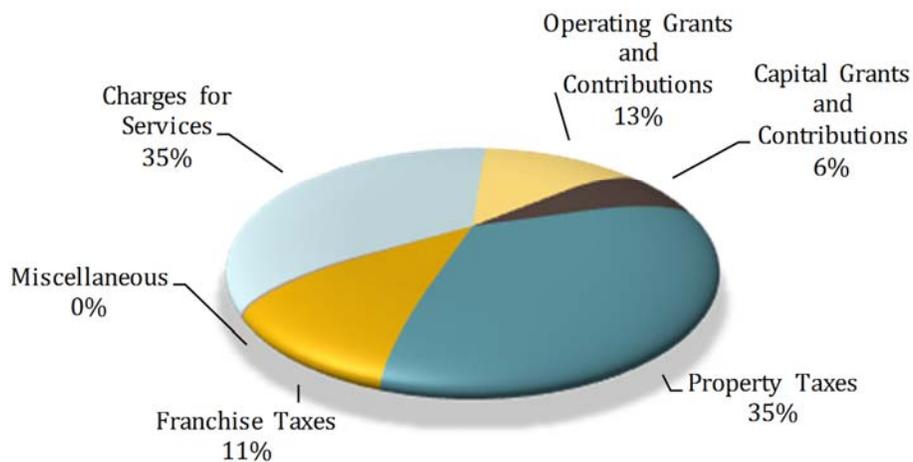
	Governmental Activities		Business-Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenues						
Program revenues:						
Charges for services	\$ 7,888	\$ 7,338	\$ 14,202	\$ 13,173	\$ 22,090	\$ 20,511
Operating grants and contributions	2,935	4,324	-	-	2,935	4,324
Capital grants and contributions	1,478	1,731	-	-	1,478	1,731
General revenues:						
Property taxes	7,925	7,590	-	-	7,925	7,590
Franchise taxes	2,570	2,568	-	-	2,570	2,568
Miscellaneous	74	163	-	-	74	163
Total revenues	<u>22,871</u>	<u>23,714</u>	<u>14,202</u>	<u>13,173</u>	<u>37,071</u>	<u>36,887</u>
Expenses						
Governmental activities:						
General government	10,757	7,811	-	-	10,757	7,811
Highways and streets	4,026	1,851	-	-	4,026	1,851
Public safety	7,685	5,412	-	-	7,685	5,412
Culture and recreation	3,102	2,309	-	-	3,102	2,309
Interest on long-term debt	367	408	-	-	367	408
Business-type activities:						
Water	-	-	2,839	2,572	2,839	2,572
Wastewater	-	-	6,545	6,052	6,545	6,052
Stormwater	-	-	2,132	1,776	2,132	1,776
Total expenses	<u>25,937</u>	<u>17,791</u>	<u>11,518</u>	<u>10,402</u>	<u>37,453</u>	<u>28,193</u>
Change in net position before transfers	(3,066)	5,923	2,684	2,771	(382)	8,694
Transfers	(362)	(448)	362	448	-	-
Change in net position	<u>(3,428)</u>	<u>5,475</u>	<u>3,046</u>	<u>3,219</u>	<u>(382)</u>	<u>8,694</u>
Net Position - beginning	50,052	44,577	26,574	23,355	76,626	67,932
Net position - ending	<u>\$ 46,624</u>	<u>\$ 50,052</u>	<u>\$ 29,620</u>	<u>\$ 26,574</u>	<u>\$ 76,244</u>	<u>\$ 76,626</u>

Governmental Activities

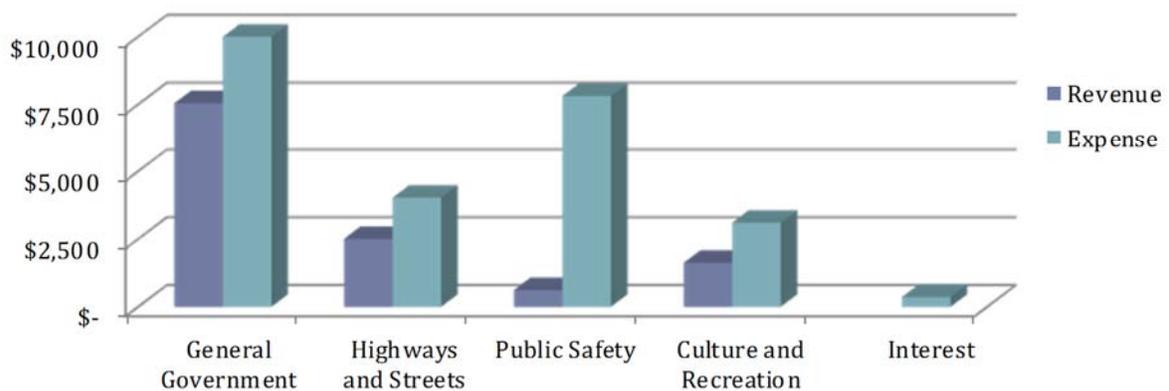
Governmental activities decreased the City's net position by \$3.4 million in fiscal year 2016, compared to a \$5.5 million increase in the prior fiscal year. The decrease is mainly attributable to the Net Pension Liability recorded as a result of GASB 68 implemented during fiscal year 2015. Key elements 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



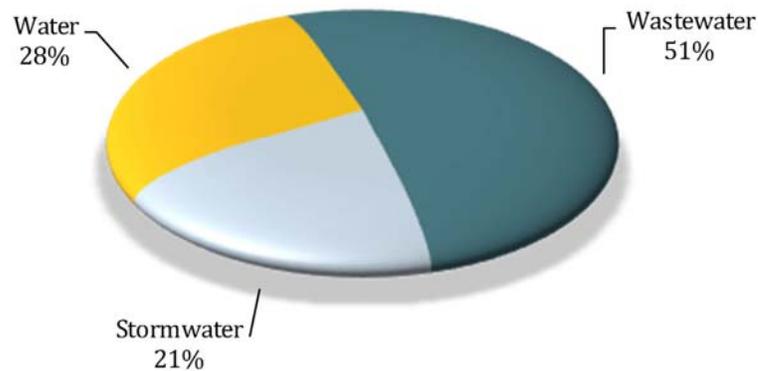
Program Revenues and Expenses - Governmental Activities (in thousands)



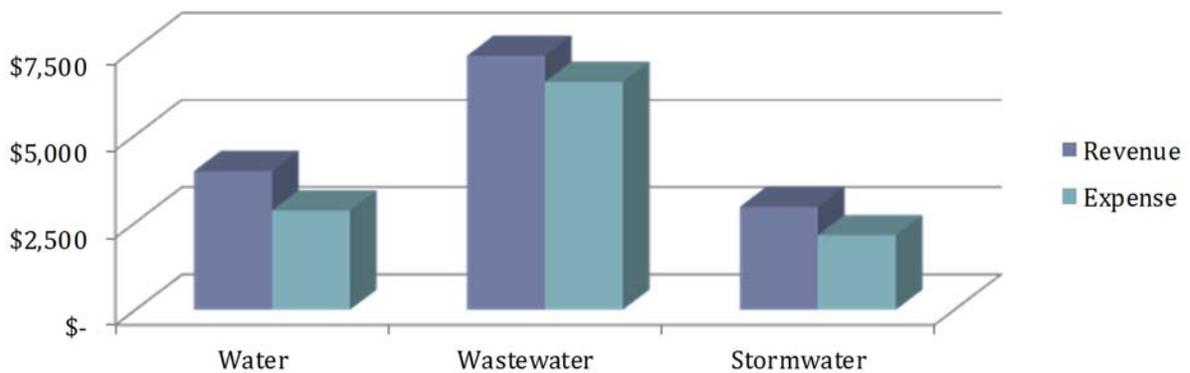
Business-type Activities

Water fund revenues represent approximately 28 percent of all utility user fees for the City. The City continues to contribute capital investment to the water system while maintaining a consistent level of service. The wastewater fund accounts for sewer collections services whereas the stormwater fund accounts for surface water management services. Wastewater and stormwater revenues represent 51 percent and 21 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, 2016, the City's governmental funds reported a combined ending fund balance of \$11.0 million, an increase of \$0.8 million for the year. Unassigned fund balance increased slightly to \$5.9 million as of June 30, 2016, 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, 2016, total fund balance was \$6.1 million, which is an increase of \$0.3 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 decreased less than \$0.1 million compared with the prior year. Increases occurred in all categories but most significantly there was a decrease in intergovernmental related to prior year federal grants received to fund the Riverfront Park project, Phase II. General fund expenditures were \$15.5 million in fiscal year 2016, compared to expenditures of \$21.5 million in the previous year. The decrease in expenditures is primarily related to a decrease in capital outlay projects for the current fiscal year.

Transportation Fund

The transportation fund is a special revenue fund that accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Intergovernmental revenues increased by \$0.5 million related to a local grant. Expenditures increased to \$4.1 million from \$3.1 million reported in fiscal year 2015, primarily due capital projects. The transportation fund had an overall increase in fund balance of \$0.2 million for the fiscal year ending June 30, 2016.

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 \$0.1 million due to expenses related to the bond measure. At June 30, 2016 fund balance was \$0.8 million.

Building Inspections Fund

The building inspections fund is a special revenue fund that accounts for the City's building inspection activities. Revenues increased from prior year by \$0.3 million primarily due to rate increases in permit fees. Expenditures remained at relatively the same level as in prior year. Fund balance at June 30, 2016 increased by \$0.2 million resulting in a fund balance of \$0.3 million.

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 \$0.1 million at June 30, 2016.

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, 2016 remained consistent with prior year at \$1.4 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget for the 2015-2016 biennium budget period amounted to \$41.3 million, including \$0.8 million for contingency. There were two supplemental budget resolutions adopted during the biennium to create the debt service fund, reallocate some departmental budget authority and allow for previously unanticipated expenditures. Actual revenues (budgetary basis) were \$11.8 million for the second fiscal year of the biennium and expenditures were \$15.5 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the City had invested \$70.7 million in capital assets, net of depreciation as reflected in the following table, representing a net increase (additions, deductions and depreciation) of \$1.8 million in fiscal year 2016. Governmental capital assets totaled \$48.8 million while business-type capital assets totaled \$21.9 million.

Capital Assets, Net of Accumulated Depreciation (in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land and easements	\$ 5,901	\$ 5,901	\$ 393	\$ 393	\$ 6,294	\$ 6,294
Buildings and improvements	15,097	11,369	3,921	3,956	19,018	15,325
Vehicles and equipment	1,404	1,284	1,491	1,411	2,895	2,695
Infrastructure	24,475	20,364	15,993	13,913	40,468	34,277
Construction in progress	1,894	9,521	155	773	2,049	10,294
Capital assets, net	<u>\$ 48,771</u>	<u>\$ 48,439</u>	<u>\$ 21,953</u>	<u>\$ 20,446</u>	<u>\$ 70,724</u>	<u>\$ 68,885</u>

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

Assets utilized in governmental activities increased by a net \$0.3 million from the prior fiscal year, as well as the business-type activities increased by a net \$1.5 million including increases in infrastructure such as pipe replacements and street improvements. Capital asset additions include completion of various projects throughout the community. More detailed information about the City's capital assets is presented in the Notes to the Basic Financial Statements, beginning on page 35.

Change in Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Beginning balance	\$ 48,439	\$ 45,708	\$ 20,446	\$ 19,680	\$ 68,885	\$ 65,388
Additions	2,967	5,801	2,470	1,998	5,437	7,799
Reductions and adjustments	-	(1,006)	-	(379)	-	(1,385)
Depreciation	(2,635)	(2,064)	(963)	(853)	(3,598)	(2,917)
Ending balance	<u>\$ 48,771</u>	<u>\$ 48,439</u>	<u>\$ 21,953</u>	<u>\$ 20,446</u>	<u>\$ 70,724</u>	<u>\$ 68,885</u>

Debt Outstanding

As of the end of the fiscal year, the City had \$10.4 million in long-term debt obligations outstanding resulting in a slight decrease from the prior 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 35.

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

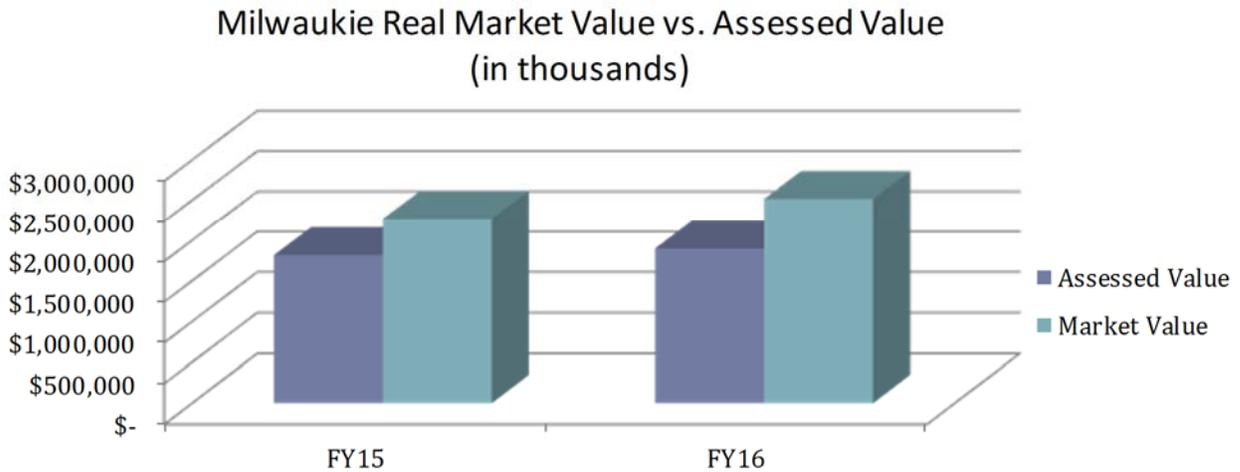
	Fiscal Year Ending	
	2016	2015
Governmental:		
Pension Bonds	\$ 3,715	\$ 3,850
Light-Rail GO Bond	3,683	3,921
Riverfront FFCO	855	905
Other	676	648
	<u>8,929</u>	<u>9,324</u>
Business-type:		
Oregon DEQ	1,447	1,543
Total	<u>\$ 10,376</u>	<u>\$ 10,867</u>

The City maintained its Aa2 rating with Moody's Investor Service for its issuance of General Obligation Bonds on August 15, 2016. The City maintains a AA- rating with Standard and Poor's Rating Service. Credit ratings reflect the City's ability to continue to participate in the public bond markets while obtaining the lowest interest rate costs available.

Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of the real market value of all taxable property within the City's boundaries. As of June 30, 2016, the City carried \$3.5 million general obligation debt subject to this \$70.7 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 80 percent); therefore, overall real market values would have to decrease an additional 20 percent before the City's property tax revenue stream would be significantly impacted.

Both property taxes and charges for services each provided 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 June 7, 2016, the City Council adopted resolutions increasing water rates by 3.5 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.

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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 8,292,145	\$ 9,250,788	\$ 17,542,933
Restricted cash and investments	2,027,052	12,056	2,039,108
Property taxes receivable	484,677	-	484,677
Accounts receivable, net of allowance	2,664,328	1,573,985	4,238,313
Prepaid expenses	960,788	2,427	963,215
Capital assets not being depreciated:			
Land and easements	5,901,480	392,560	6,294,040
Construction in progress	1,893,917	155,035	2,048,952
Capital assets net of accumulated depreciation:			
Buildings and improvements	15,096,671	3,921,060	19,017,731
Vehicles and equipment	1,404,571	1,490,877	2,895,448
Infrastructure	<u>24,474,784</u>	<u>15,993,418</u>	<u>40,468,202</u>
TOTAL ASSETS	<u>63,200,413</u>	<u>32,792,206</u>	<u>95,992,619</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pension	<u>1,080,637</u>	<u>116,817</u>	<u>1,197,454</u>
LIABILITIES:			
Accounts payable	525,013	798,071	1,323,084
Accrued salaries and payroll taxes payable	275,332	31,816	307,148
Accrued compensated absences payable	985,962	57,853	1,043,815
Accrued interest payable	65,530	1,931	67,461
Deposits payable	80,532	4,200	84,732
Unearned revenue	540,453	272,571	813,024
Net pension liability	4,873,726	526,627	5,400,353
Noncurrent liabilities:			
Long-term obligations, due within one year	393,412	96,500	489,912
Long-term obligations, due in more than one year	<u>8,535,484</u>	<u>1,350,200</u>	<u>9,885,684</u>
TOTAL LIABILITIES	<u>16,275,444</u>	<u>3,139,769</u>	<u>19,415,213</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	<u>1,381,965</u>	<u>149,376</u>	<u>1,531,341</u>
NET POSITION:			
Net investment in capital assets	43,557,526	20,506,250	64,063,776
Restricted for:			
Library services	150,773	-	150,773
Public safety supplies	176,208	-	176,208
Debt service	110,750	12,056	122,806
Building operations	317,638	-	317,638
Capital projects	1,444,833	-	1,444,833
Unrestricted	<u>865,913</u>	<u>9,101,572</u>	<u>9,967,485</u>
TOTAL NET POSITION	<u>\$ 46,623,641</u>	<u>\$ 29,619,878</u>	<u>\$ 76,243,519</u>

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, 2016

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 10,757,038	\$ 6,772,623	\$ 112,324	\$ 659,845	\$ (3,212,246)	\$ -	\$ (3,212,246)
Highways and streets	4,025,935	747,935	943,489	817,813	(1,516,698)	-	(1,516,698)
Public safety	7,684,666	307,052	314,320	-	(7,063,294)	-	(7,063,294)
Culture and recreation	3,102,055	59,910	1,565,097	-	(1,477,048)	-	(1,477,048)
Interest on long-term debt	367,486	-	-	-	(367,486)	-	(367,486)
TOTAL GOVERNMENTAL ACTIVITIES	25,937,180	7,887,520	2,935,230	1,477,658	(13,636,772)	-	(13,636,772)
BUSINESS-TYPE ACTIVITIES:							
Water	2,840,188	3,965,116	-	-	-	1,124,928	1,124,928
Wastewater	6,545,364	7,290,293	-	-	-	744,929	744,929
Stormwater	2,132,180	2,946,237	-	-	-	814,057	814,057
TOTAL BUSINESS-TYPE ACTIVITIES	11,517,732	14,201,646	-	-	-	2,683,914	2,683,914
TOTAL ACTIVITIES	\$ 37,454,912	\$ 22,089,166	\$ 2,935,230	\$ 1,477,658	(13,636,772)	2,683,914	(10,952,858)
GENERAL REVENUES:							
					7,924,788	-	7,924,788
					2,570,403	-	2,570,403
					75,443	-	75,443
TRANSFERS					(362,263)	362,263	-
TOTAL GENERAL REVENUES					10,208,371	362,263	10,570,634
CHANGE IN NET POSITION					(3,428,401)	3,046,177	(382,224)
NET POSITION - beginning					50,052,042	26,573,701	76,625,743
NET POSITION - ending					\$ 46,623,641	\$ 29,619,878	\$ 76,243,519

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

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
ASSETS:							
Cash and investments	\$ 5,863,088	\$ 1,692,217	\$ 736,840	\$ -	\$ -	\$ -	\$ 8,292,145
Restricted cash and investments	192,368	-	146,655	338,599	110,750	1,238,680	2,027,052
Property taxes receivable	484,677	-	-	-	-	-	484,677
Accounts receivable	2,101,584	502,462	-	-	-	60,282	2,664,328
Prepaid expenditures	145,812	589,608	4,118	-	-	221,250	960,788
TOTAL ASSETS	\$ 8,787,529	\$ 2,784,287	\$ 887,613	\$ 338,599	\$ 110,750	\$ 1,520,212	\$ 14,428,990
LIABILITIES:							
Accounts payable	\$ 413,247	\$ 65,387	\$ 13,778	\$ 15,817	\$ -	\$ 16,784	\$ 525,013
Accrued salaries and payroll taxes	228,143	9,934	32,111	5,144	-	-	275,332
Deposits payable	37,900	42,632	-	-	-	-	80,532
Unearned revenue	34,671	449,506	-	-	-	56,276	540,453
TOTAL LIABILITIES	713,961	567,459	45,889	20,961	-	73,060	1,421,330
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue - property taxes	442,351	-	-	-	-	-	442,351
Unavailable revenue - municipal court assessments	1,007,022	-	-	-	-	-	1,007,022
Unavailable revenue - assessment liens	447,300	-	-	-	-	-	447,300
Unavailable revenue - loans	62,200	-	-	-	-	-	62,200
Unavailable revenue - contracts	-	-	-	-	-	2,319	2,319
TOTAL DEFERRED INFLOWS OF RESOURCES	1,958,873	-	-	-	-	2,319	1,961,192
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,672,834	567,459	45,889	20,961	-	75,379	3,382,522
FUND BALANCES:							
Nonspendable	145,812	589,608	4,118	-	-	221,250	960,788
Restricted	30,396	-	146,655	317,638	110,750	1,223,583	1,829,022
Committed	-	1,627,220	-	-	-	-	1,627,220
Assigned	-	-	690,951	-	-	-	690,951
Unassigned	5,938,487	-	-	-	-	-	5,938,487
TOTAL FUND BALANCES	6,114,695	2,216,828	841,724	317,638	110,750	1,444,833	11,046,468
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,787,529	\$ 2,784,287	\$ 887,613	\$ 338,599	\$ 110,750	\$ 1,520,212	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds. 48,771,423

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

Property tax revenues	442,351	
Deferred outflows of resources - pension	1,080,637	
Municipal court assessments	1,007,022	
Revenues earned	511,819	3,041,829

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	(985,962)	
Accrued interest payable	(65,530)	
Net pension liability	(4,873,726)	
Deferred inflows of resources - pension	(1,381,965)	
Long-term debt obligations	(8,928,896)	(16,236,079)
Net position of governmental activities		<u>\$ 46,623,641</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, 2016

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
REVENUES:							
Property taxes	\$ 6,676,890	\$ -	\$ 942,000	\$ -	\$ 272,864	\$ -	\$ 7,891,754
Franchise taxes	1,545,692	1,024,711	-	-	-	-	2,570,403
Intergovernmental	1,620,997	2,497,493	1,560,759	1,244	84,049	-	5,764,542
Fines and forfeitures	1,212,312	-	54,853	-	-	-	1,267,165
Licenses and permits	494,499	-	-	490,345	-	-	984,844
Charges for services	4,470,000	688,025	-	-	-	-	5,158,025
Systems development charges	-	-	-	-	-	80,095	80,095
Investment earnings	73,156	-	2,039	-	-	248	75,443
Miscellaneous	132,775	9,910	4,338	755	-	-	147,778
TOTAL REVENUES	16,226,321	4,220,139	2,563,989	492,344	356,913	80,343	23,940,049
EXPENDITURES:							
Current:							
General government	8,361,141	-	-	325,769	-	-	8,686,910
Highways and streets	-	1,708,252	-	-	-	-	1,708,252
Public safety	6,149,373	-	-	-	-	-	6,149,373
Cultural and recreation	-	-	2,468,039	-	-	-	2,468,039
Debt service:							
Principal	193,733	-	-	-	185,000	-	378,733
Interest	218,106	-	-	-	161,623	-	379,729
Capital outlay	550,171	2,353,350	-	-	-	63,650	2,967,171
TOTAL EXPENDITURES	15,472,524	4,061,602	2,468,039	325,769	346,623	63,650	22,738,207
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	753,797	158,537	95,950	166,575	10,290	16,693	1,201,842
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	-	42,333	-	14,211	-	-	56,544
Transfers to other funds	(418,807)	-	-	-	-	-	(418,807)
TOTAL OTHER FINANCING SOURCES (USES)	(418,807)	42,333	-	14,211	-	-	(362,263)
NET CHANGE IN FUND BALANCES	334,990	200,870	95,950	180,786	10,290	16,693	839,579
FUND BALANCES - beginning	5,779,705	2,015,958	745,774	136,852	100,460	1,428,140	10,206,889
FUND BALANCES - ending	\$ 6,114,695	\$ 2,216,828	\$ 841,724	\$ 317,638	\$ 110,750	\$ 1,444,833	\$ 11,046,468

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, 2016

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

Net change in fund balances – total government funds	\$	839,579
--	----	---------

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	\$ 2,967,169	
Depreciation expense	<u>(2,634,683)</u>	332,486

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(1,069,009)
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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.

Long-term debt principal repayments	<u>378,732</u>	378,732
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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	(3,861,692)	
Accrued interest payable	12,243	
Accrued compensated absences payable	(77,019)	
Amortization of bond premium	<u>\$ 16,279</u>	<u>(3,910,189)</u>

Change in net position of governmental activities		<u>\$ (3,428,401)</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, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 3,199,766	\$ 3,106,586	\$ 2,944,436	\$ 9,250,788
Restricted cash and investments	-	12,056	-	12,056
Accounts receivable, net of allowance for doubtful accounts	391,033	748,348	264,837	1,404,218
Prepaid expenses	2,032	240	155	2,427
Total current assets	3,592,831	3,867,230	3,209,428	10,669,489
Noncurrent assets:				
Other receivable	-	169,767	-	169,767
Capital assets not being depreciated	508,971	16,714	21,910	547,595
Capital assets, net of accumulated depreciation	8,289,444	8,812,369	4,303,542	21,405,355
Total noncurrent assets	8,798,415	8,998,850	4,325,452	22,122,717
TOTAL ASSETS	12,391,246	12,866,080	7,534,880	32,792,206
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows of resources - pensions	44,897	36,225	35,695	116,817
LIABILITIES:				
Current liabilities:				
Accounts payable	79,587	485,859	232,625	798,071
Accrued salaries and payroll taxes payable	13,364	7,567	10,885	31,816
Accrued compensated absences payable	33,208	12,111	12,534	57,853
Accrued interest payable	-	1,931	-	1,931
Deposits payable	4,200	-	-	4,200
Unearned revenue	-	272,571	-	272,571
Current portion of long-term debt	-	96,500	-	96,500
Total current liabilities	130,359	876,539	256,044	1,262,942
Noncurrent liabilities:				
Net pension liability	202,085	163,374	161,168	526,627
Long-term debt	-	1,350,200	-	1,350,200
TOTAL LIABILITIES	332,444	2,390,113	417,212	3,139,769
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows of resources - pensions	57,392	46,325	45,659	149,376
NET POSITION:				
Net investment in capital assets	8,798,415	7,382,383	4,325,452	20,506,250
Restricted for debt service	-	12,056	-	12,056
Unrestricted	3,247,892	3,071,428	2,782,252	9,101,572
TOTAL NET POSITION	\$ 12,046,307	\$ 10,465,867	\$ 7,107,704	\$ 29,619,878

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, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
OPERATING REVENUES:				
Charges for services	\$ 3,882,410	\$ 7,289,147	\$ 2,932,943	\$ 14,104,500
Miscellaneous	<u>82,706</u>	<u>1,146</u>	<u>13,294</u>	<u>97,146</u>
TOTAL OPERATING REVENUES	<u>3,965,116</u>	<u>7,290,293</u>	<u>2,946,237</u>	<u>14,201,646</u>
OPERATING EXPENSES:				
Salaries and wages	751,385	564,835	617,884	1,934,104
Materials and services	1,653,125	5,621,935	1,337,908	8,612,968
Depreciation	<u>435,678</u>	<u>351,119</u>	<u>176,388</u>	<u>963,185</u>
TOTAL OPERATING EXPENSES	<u>2,840,188</u>	<u>6,537,889</u>	<u>2,132,180</u>	<u>11,510,257</u>
OPERATING INCOME	<u>1,124,928</u>	<u>752,404</u>	<u>814,057</u>	<u>2,691,389</u>
NONOPERATING EXPENSES:				
Interest expense	<u>-</u>	<u>(7,475)</u>	<u>-</u>	<u>(7,475)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,124,928	744,929	814,057	2,683,914
TRANSFERS	<u>283,827</u>	<u>61,965</u>	<u>16,471</u>	<u>362,263</u>
CHANGE IN NET POSITION	1,408,755	806,894	830,528	3,046,177
NET POSITION - beginning	<u>10,637,552</u>	<u>9,658,973</u>	<u>6,277,176</u>	<u>26,573,701</u>
NET POSITION - ending	<u>\$ 12,046,307</u>	<u>\$ 10,465,867</u>	<u>\$ 7,107,704</u>	<u>\$ 29,619,878</u>

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

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users of services	\$ 3,966,079	\$ 7,287,012	\$ 2,913,891	\$ 14,166,982
Payments to suppliers for goods and services	(1,800,201)	(5,900,344)	(1,131,246)	(8,831,791)
Payments to employees for services	(590,926)	(421,160)	(489,009)	(1,501,095)
NET CASH FROM OPERATING ACTIVITIES	1,574,952	965,508	1,293,636	3,834,096
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Transfers from other funds	283,827	61,965	16,471	362,263
Principal paid on capital debt	-	(96,500)	-	(96,500)
Interest paid on capital debt	-	(7,475)	-	(7,475)
Acquisition and construction of capital assets	(248,838)	(643,386)	(1,577,804)	(2,470,028)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	34,989	(685,396)	(1,561,333)	(2,211,740)
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,609,941	280,112	(267,697)	1,622,356
CASH AND INVESTMENTS - beginning	1,589,825	2,838,531	3,212,133	7,640,489
CASH AND INVESTMENTS - ending (including \$12,056 for the Wastewater fund reported in restricted accounts)	\$ 3,199,766	\$ 3,118,643	\$ 2,944,436	\$ 9,262,845
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income	\$ 1,124,928	\$ 752,404	\$ 814,057	\$ 2,691,389
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	435,678	351,119	176,388	963,185
Pension expense (income)	166,872	137,275	133,455	437,602
(Increase) decrease in accounts receivable	963	(3,281)	(32,346)	(34,664)
(Increase) decrease in prepaid expenses	6	5,606	2,995	8,607
Increase (decrease) in accounts payable	(144,982)	(244,737)	203,667	(186,052)
Increase (decrease) in deposits payable	(2,100)	-	-	(2,100)
Increase (decrease) in accrued salaries and payroll taxes payable	835	617	566	2,018
Increase (decrease) in accrued compensated absences payable	(7,248)	(512)	(5,146)	(12,906)
Increase (decrease) in unearned revenue	-	(32,983)	-	(32,983)
NET CASH FROM OPERATING ACTIVITIES	\$ 1,574,952	\$ 965,508	\$ 1,293,636	\$ 3,834,096

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, 2016

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation – Government-wide Financial Statements

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

Government-wide financial statements display information about the City as a whole. The effect of interfund activity has been removed from these statements except for interfund services provided and used and reimbursements between funds which if eliminated would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

- *General Fund* - This fund accounts for the City's legislative and administration, human resources, finance, information technology, municipal court, community development, engineering, planning, facilities management, fleet services, and related debt service. The primary revenue sources are property taxes, franchise taxes, reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and miscellaneous income.
- *Transportation Fund* - This fund accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues that include state and local gas taxes dedicated to construction and maintenance of local streets, franchise fees, PGE privilege tax, and charges for services.
- *Library Fund* - This fund accounts for the operation of the City's 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 their estimated fair value 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, as period costs in the year of issue. The face amount of debt issued and related premium are reported as other financing sources/uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Pension Obligations

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

Other Postemployment Benefits Obligations

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

Equity

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

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

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

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

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

Library Expansion

In 1961, Florence Ledding, the stepdaughter of Seth Lewelling and long-time civic and political leader, bequeathed her home and property on Harrison Street to the City. In 2006, the City resolved to hold these funds for the benefit of the Ledding Library. Over time, the City has received additional donations

intended for the Ledding Library and its future capital needs which, as of June 30, 2016, amount to \$146,655. 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, 2016, these funds amount to \$31,962. 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.

2. Detailed Notes on All Activities and Funds

Deposits and Investments

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by Oregon Revised Statutes and a Council adopted investment policy. Authorized investments consist of U.S. Treasury obligations including treasury notes, bonds and strips; Federal instrumentality securities from specific Federal Agencies; commercial paper rated at least A-1 or an equivalent rating; corporate bonds rated at least Aa or an equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; Oregon State Treasurer’s Local Government Investment Pool limited by State statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2016, the City’s cash and investments were comprised of the following:

Cash on hand	\$ 6,281
Deposits with financial institutions	654,083
Oregon State Treasurer’s Local Government Investment Pool	18,921,677
Total cash and investments	<u>\$ 19,582,041</u>

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 8,292,145	\$ 9,250,788	\$ 17,542,933
Restricted cash and investments	2,027,052	12,056	2,039,108
Total cash and investments	<u>\$ 10,319,197</u>	<u>\$ 9,262,844</u>	<u>\$ 19,582,041</u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At the fiscal year end, bank balances of \$1,370,936 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, 2016, all City deposits are insured or collateralized and are therefore not subject to custodial credit risk.

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

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

Receivables

As of June 30, 2016, 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	\$ 4,249,664
Allowance for uncollectible accounts	<u>(11,351)</u>
Total accounts receivable	<u>\$ 4,238,313</u>
Accounts receivable – governmental activities	\$ 2,664,328
Accounts receivable – business-type activities	<u>1,573,985</u>
Total accounts receivable	<u>\$ 4,238,313</u>

Unavailable and Unearned Revenue

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

	Deferred Inflows of Resources	Unearned Revenue
Municipal court collections receivable	\$ 1,007,022	\$ -
Property taxes receivable (general fund)	442,351	-
Assessment liens receivable	447,300	-
Loans receivable	62,200	-
Contracts receivable	2,319	56,276
Fees in lieu of construction	-	449,506
Bail escrow	-	31,253
Seized cash & deposits	-	<u>3,418</u>
	<u>\$ 1,961,192</u>	<u>\$ 540,453</u>

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

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance as of June 30, 2015	Additions	Reductions and adjustments	Balance as of June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 5,901,480	\$ -	\$ -	\$ 5,901,480
Construction in progress	9,520,810	2,967,169	(10,594,062)	1,893,917
Total capital assets not being depreciated	<u>15,422,290</u>	<u>2,967,169</u>	<u>(10,594,062)</u>	<u>7,795,397</u>
Capital assets being depreciated:				
Buildings and improvements	17,319,456	4,398,364	-	21,717,820
Vehicles and equipment	4,655,150	471,404	-	5,126,554
Infrastructure	46,634,496	5,724,294	-	52,358,790
Total capital assets being depreciated	<u>68,609,102</u>	<u>10,594,062</u>	<u>-</u>	<u>79,203,164</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,950,107)	(671,042)	-	(6,621,149)
Vehicles and equipment	(3,371,340)	(350,643)	-	(3,721,983)
Infrastructure	(26,271,008)	(1,612,998)	-	(27,884,006)
Total accumulated depreciation	<u>(35,592,455)</u>	<u>(2,634,683)</u>	<u>-</u>	<u>(38,227,138)</u>
Total capital assets being depreciated, net	<u>33,016,647</u>	<u>7,959,379</u>	<u>-</u>	<u>40,976,026</u>
Total capital assets, net	<u>\$ 48,438,937</u>	<u>\$ 10,926,548</u>	<u>\$ (10,594,062)</u>	<u>\$ 48,771,423</u>
	Balance as of June 30, 2015	Additions	Reductions and adjustments	Balance as of June 30, 2016
Business type activities:				
Capital assets not being depreciated:				
Land and easements	\$ 392,560	\$ -	\$ -	\$ 392,560
Construction in progress	773,310	2,112,866	(2,731,141)	155,035
Total capital assets not being depreciated	<u>1,165,870</u>	<u>2,112,866</u>	<u>(2,731,141)</u>	<u>547,595</u>
Capital assets being depreciated:				
Buildings and improvements	6,672,473	149,989	-	6,822,462
Vehicles and equipment	3,620,582	207,174	-	3,827,756
Infrastructure	29,365,751	2,731,141	-	32,096,892
Total capital assets being depreciated	<u>39,658,806</u>	<u>3,088,304</u>	<u>-</u>	<u>42,747,110</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,716,386)	(185,016)	-	(2,901,402)
Vehicles and equipment	(2,209,154)	(127,725)	-	(2,336,879)
Infrastructure	(15,453,030)	(650,444)	-	(16,103,474)
Total accumulated depreciation	<u>(20,378,570)</u>	<u>(963,185)</u>	<u>-</u>	<u>(21,341,755)</u>
Total capital assets being depreciated, net	<u>19,280,236</u>	<u>2,125,119</u>	<u>-</u>	<u>21,405,355</u>
Total capital assets, net	<u>\$ 20,446,106</u>	<u>\$ 4,237,985</u>	<u>\$ (2,731,141)</u>	<u>\$ 21,952,950</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	\$ 286,793	\$ -	\$ 286,793
Highways and streets	1,963,796	-	1,963,796
Public safety	261,367	-	261,367
Culture and recreation	122,727	-	122,727
Water	-	435,678	435,678
Wastewater	-	351,119	351,119
Stormwater	-	176,388	176,388
Depreciation expense	<u>\$ 2,634,683</u>	<u>\$ 963,185</u>	<u>\$ 3,597,868</u>

Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For fiscal year ended June 30, 2016, all City transfers are properly classified under charges for services for financial reporting purposes. Transfers of capital assets are also made between funds to ensure full utilization of useable assets.

Leases

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

The City leases various copiers for use in its operations under cancelable and noncancelable operating leases. Total cost for such leases was approximately \$43,700 for the fiscal year ended June 30, 2016. The future minimum lease payments for noncancelable operating leases are as follows:

Year Ending June	Copier Leases
2017	\$ 34,200
2018	16,100
2019	6,900
2020	3,100
2021	500
	<u>\$ 60,800</u>

Long-term Liabilities

In the following tables information regarding the City's long-term liabilities is presented separately with respect to governmental and business-type activities. The following table presents current year changes in those obligations and the current portions due for each issue. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. As compensated absences are due and payable on demand, they are considered due within one year.

	Balance as of June 30, 2015	Additions	Reductions	Balance as of June 30, 2016	Due within one year
Governmental activities					
2003 Oregon State Energy Loan Program Loan, interest rate of 4.3%, original amount of \$170,938, due 2018	\$ 46,471	\$ -	\$ (13,482)	\$ 32,989	\$ 14,061
2005 PERS Unfunded Actuarial Liability Bonds, interest rates of 4.0% to 5.5%, original amount of \$4,285,000, due 2028	3,850,000	-	(135,000)	3,715,000	160,000
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	580,593	-	(24,184)	556,409	24,351
2014 Clackamas County Service District No. 1 easement for park redevelopment, interest rate of 0%, original amount of \$63,200, due 2016	21,066	-	(21,066)	-	-
2014 Full Faith and Credit Obligations for Riverfront Park enhancements, interest rate from 3-4%, original amount of \$965,000, due 2029	905,000	-	(50,000)	855,000	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	3,585,000	-	(135,000)	3,450,000	140,000
Plus: Bond issuance premium	335,778	-	(16,279)	319,498	-
Long-term obligations	9,323,908	-	(395,011)	8,928,896	393,412
Compensated absences for governmental activities	908,943	814,124	(737,105)	985,962	985,962
Total governmental activities	10,232,851	814,124	(1,132,116)	9,914,858	1,379,374
Business-type activities					
State of Oregon loan:					
2010 Oregon DEQ Loan, amortized fees in lieu of interest, interest rate of 0%, original loan draws of \$2,229,318 in 2010 and \$1,622,016 in 2011, one-half converted to grant in 2012, due 2031	1,543,200	-	(96,500)	1,446,700	96,500
Compensated absences for business-type activities	70,759	71,694	(84,600)	57,853	57,853
Total business-type activities	1,613,959	71,694	(181,100)	1,504,553	154,353
Total long-term obligations	\$ 11,846,810	\$ 885,818	\$ (1,313,216)	\$ 11,419,411	\$ 1,533,727

Future maturities of principal and interest are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 393,412	\$ 364,496	\$ 96,500	\$ 6,750	\$ 489,912	\$ 371,246
2018	428,453	349,293	96,500	6,250	524,953	355,543
2019	434,707	332,508	96,500	5,750	531,207	338,258
2020	479,895	314,494	96,500	5,250	576,395	319,744
2021	520,097	293,514	96,500	4,750	616,597	298,264
2022-2026	3,308,922	1,072,985	482,500	16,250	3,791,422	1,089,235
2027-2031	2,245,788	352,266	481,700	4,000	2,727,488	356,266
2032-2036	798,124	51,508	-	-	798,124	51,508
	<u>\$ 8,609,398</u>	<u>\$ 3,131,064</u>	<u>\$ 1,446,700</u>	<u>\$ 49,000</u>	<u>\$ 10,056,098</u>	<u>\$ 3,180,064</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, 2016 the City was compliant with these terms.

Employee Retirement Pension Plan

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

Defined Benefit Plan Benefits

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

Benefits under the defined benefit pension plan program include a retirement allowance payable monthly for life 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, 2016 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, 2016, were approximately \$906,000.

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

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

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions. At June 30, 2016, the City reported a liability of \$5,400,353 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The City's proportionate share was based on a projection of the City's long term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool was actuarially determined. At June 30, 2016 and 2015, the City's proportion was 0.09405887 and 0.10109889 percent, respectively.

For the year ended June 30, 2016, the City recognized pension expense of \$5,219,871 for the defined benefit portion of the pension plan as a result of the adoption of GASB Statement No. 68. At June 30, 2016,

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	\$ 291,214	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,132,085
Changes in proportionate share	-	120,871
Differences between employer contributions and proportionate share of system contributions	-	278,385
City contributions subsequent to the measurement date	906,240	-
Total	<u>\$ 1,197,454</u>	<u>\$ 1,531,341</u>

Deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$ (569,836)
2018	(569,836)
2019	(569,836)
2020	469,985
2021	(604)
Total	<u>\$ 1,240,127</u>

Actuarial Assumptions. The employer contribution rates effective July 1, 2015 through June 30, 2017 were set using the entry age normal actuarial cost method.

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

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

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

- Valuation Date December 31, 2013
- Measurement Date June 30, 2015
- Experience Study Report 2014, published September, 2015
- Actuarial Cost Method Entry Age Normal
- Amortization Method Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
- Asset Valuation Method Market value of assets
- Actuarial Assumptions
 - Inflation Rate 2.75 percent
 - Long-term Expected Rate of Return 7.75 percent
 - Discount Rate 7.75 percent
 - Projected Salary Increases 3.75 percent overall payroll growth
 - Cost of Living Adjustments (COLA) Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
 - Mortality
 - Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.
 - Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
 - Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 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 7.75 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 7.75 percent, as well as the City's proportionate share of the net pension liability if calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 13,033,553	\$ 5,400,353	\$ (1,032,428)

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

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.00%	3.00%	0.00%
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	16.00	24.00	20.00
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	10.00	10.00
Opportunity Portfolio	0.00	3.00	0.00
			100.0%

Asset Class	Target Allocation	Annual Arithmetic Return	Compounded Annual (Geometric) Return
Core Fixed Income	7.20%	4.70%	4.50%
Short-Term Bonds	8.00	3.76	3.70
Intermediate -Term Bonds	3.00	4.23	4.10
High Yield Bonds	1.80	7.21	6.66
Large Cap US Equities	11.65	8.60	7.20
Mid Cap US Equities	3.88	9.38	7.30
Small Cap US Equities	2.27	10.38	7.45
Developed Foreign Equities	14.21	8.73	6.90
Emerging Market Equities	5.49	11.51	7.40
Private Equities	20.00	11.95	8.26
Hedge Funds/Absolute Return	5.00	6.46	6.01
Real Estate (Property)	13.75	7.27	6.51
Real Estate (REITS)	2.50	8.41	6.76
Commodities	1.25	7.71	6.07
	100.00%		

Assumed Inflation - Mean

2.75%

Payable to OPERS. At June 30, 2016, the City owed \$65,388 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.

Changes in Plan Provisions Subsequent to Measurement Date

Since the December 31, 2013 Actuarial Valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon* issued on April 30, 2015, reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bill 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employees projected long-term contribution effort has been adjusted for the estimated impact of the Moro decision. In accordance with statute, a biennial review of actuarial methods and assumptions was computed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, effective January 1, 2016 which will be used for rates beginning July 1, 2017.

Individual Account Program (IAP)

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

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

Contributions. Members of OPERS and OPSRP are required to contribute 6 percent of their salary covered under the plan which is invested in IAP. The City makes this contribution on behalf of its employees. For the fiscal year ended June 30, 2016, the City contributed approximately \$561,000 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, 2016, 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, 2016, 2015 and 2014 were approximately \$49,600, \$46,600, and \$50,000, 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.

Fund Balance Classification

Governmental fund balances are classified as follows as of June 30, 2016:

	General Fund	Transportation Fund	Library Fund	Building Inspections Fund	Debt Service Fund	Systems Development Charges Fund	Total Governmental Funds
Nonspendable							
Prepaid expenditures	\$ 145,812	\$ 589,608	\$ 4,118	\$ -	\$ -	\$ 221,250	\$ 960,788
Restricted							
Public safety supplies	30,396	-	-	-	-	-	30,396
Library services	-	-	146,655	-	-	-	146,655
Infrastructure	-	-	-	-	-	1,223,583	1,223,583
Debt service	-	-	-	-	110,750	-	110,750
Building operations	-	-	-	317,638	-	-	317,638
	<u>30,396</u>	<u>-</u>	<u>146,655</u>	<u>317,638</u>	<u>110,750</u>	<u>1,223,583</u>	<u>1,829,022</u>
Committed							
Street services	-	1,627,220	-	-	-	-	1,627,220
Assigned							
Library services	-	-	690,951	-	-	-	690,951
Unassigned	5,938,487	-	-	-	-	-	5,938,487
Total fund balance	<u>\$ 6,114,695</u>	<u>\$ 2,216,828</u>	<u>\$ 841,724</u>	<u>\$ 317,638</u>	<u>\$ 110,750</u>	<u>\$ 1,444,833</u>	<u>\$ 11,046,468</u>

3. Other Information

Commitments and Contingencies

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

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

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

- The original agreement for wastewater treatment services dated November 25, 1970 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 in year one and the District's wholesale rate thereafter. The fiscal year 2016 wholesale rate was \$32.89 per EDU. This amounts to approximately \$4.5 million each fiscal year.
- EDU counts are updated semi-annually on March 1st and September 1st.

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

- The City passed Ordinance No. 1958 in February 2006 following Ballot Measure 3-166 where voters authorized the annexation of fire services into the Fire District. This Ordinance reduces the City’s permanent tax rate of \$6.5379 per \$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 the following annual minimum payments due to CRW. Any draws of water beyond the minimum quantities shall be billed to the City at CRW’s wholesale water rates.

<u>Fiscal Year</u>	<u>Minimum Amounts Due</u>
2016	\$ 1,000
2017	1,000
2018	1,000

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

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

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

- 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 \$100,000 per fiscal year.
- The annual contract cost for Fiscal Year 2017 is estimated to be \$560,600.

Oregon Department of Transportation (ODOT):

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

- The agreement expires on 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.

Pedestrian Improvements (17th Avenue)- The City has a Local Agency Agreement in addition to an existing Right of Way intergovernmental agreement with the State of Oregon related to the 17th Avenue pedestrian improvements between McLoughlin Boulevard and SE Ochoco Street. Pertinent terms of this agreement are as follows:

- Construct the regional multi-use trail to connect to the existing Trolley Trail and the Springwater Corridor with a bike, pedestrian and multi-modal system, resulting in a regional travel route from Gladstone to downtown Portland while improving pedestrian safety.
- Project includes curb and stormwater improvements, ADA ramps at all intersections, new pavement markings and relocation of utilities as needed.
- Total project cost \$4,700,000 with an estimated completion date of Fall 2017. The project is financed through a local grant from ODOT with Federal-Aid Surface Transportation Program urban funds limited to \$4,023,998. The City has expended approximately \$980,617 as of June 30, 2016.

Kellogg Creek Bridge Emergency Repairs- The City has multiple agreements to repair damage to the Riverfront Park Bridge due to severe weather in November and December 2015. Pertinent terms of this agreement are as follows:

- Stabilize the slope by performing diving inspections and scour repairs to re-open the existing bridge.
- Financing for the project is through multiple agreements and grant funds from the Oregon Marine Board and FEMA. The City has expended \$180,625 as of June 30, 2016.

Other Commitments – The City has entered into various contracts in the ordinary course of business.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from the previous fiscal year. Workers

compensation claims are insured through incurred loss retrospective policies and the City is self-insured for unemployment compensation claims.

Settled claims have not exceeded coverage for any of the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Property Tax Limitation

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

Subsequent Event

On August 15, 2016 the City issued \$9,200,000 in general obligation bonds to fund the City's Library project. The true interest cost of the bonds is 2.26% with interest rates varying by year between 2 percent and 4 percent. The maturity date on these bonds is June 15, 2036.

The Oregon Public Employees Retirement System issued its financial statements as of and for the year ended June 30, 2016 on December 1, 2016, which disclosed that the system-wide Net Pension Liability increased from \$5.7 billion as of June 30, 2015 to \$15 billion as of June 30, 2016. This increase was primarily the result of benefit payments exceeding contributions and net investment income, changes in assumptions, including lowering the discount rate from 7.75% to 7.50%, and interest on the liability as current active members get closer to retirement. The estimated impact, based on City's proportion of the net pension liability as of the measurement date, is an approximately \$8.7 million increase in the City's share of the Net Pension Liability.

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, 2016

	Budget for the		Actual			Variance with Final Budget
	2015-2016 Biennium		1st Year FY 2014-15	2nd Year FY 2015-16	Total	
	Original	Final				
REVENUES:						
Property taxes	\$ 13,966,000	\$ 13,480,000	\$ 6,324,360	\$ 6,676,890	\$ 13,001,250	\$ (478,750)
Franchise taxes	3,239,000	3,239,000	1,553,084	1,545,692	3,098,776	(140,224)
Intergovernmental	3,924,000	3,855,000	2,113,316	1,620,997	3,734,313	(120,687)
Fines and forfeitures	3,066,000	3,066,000	1,192,530	1,212,312	2,404,842	(661,158)
Licenses and permits	775,000	775,000	441,051	494,499	935,550	160,550
Investment earnings	114,000	114,000	87,271	73,156	160,427	46,427
Miscellaneous	179,000	219,000	141,879	132,775	274,654	55,654
TOTAL REVENUES	25,263,000	24,748,000	11,853,491	11,756,321	23,609,812	(1,138,188)
EXPENDITURES:						
City Council	136,000	169,000	65,682	92,359	158,041	10,959
City Manager	1,494,000	1,559,000	673,303	823,914	1,497,217	61,783
Community Development	3,981,000	4,203,000	3,206,925	748,852	3,955,777	247,223
Public Works Admin	1,198,000	1,198,000	466,029	676,109	1,142,138	55,862
Engineering Services	1,190,000	1,100,000	490,565	499,676	990,241	109,759
Facilities Management	2,468,000	2,453,000	1,246,887	1,015,376	2,262,263	190,737
Finance	1,804,000	1,864,000	826,224	896,301	1,722,525	141,475
Fleet Services	2,297,000	2,237,000	1,054,219	685,906	1,740,125	496,875
Human Resources	632,000	640,000	279,103	296,812	575,915	64,085
Information Technology	2,264,000	2,296,000	1,049,669	1,012,730	2,062,399	233,601
Municipal Court	755,000	755,000	337,594	392,384	729,978	25,022
Planning	1,245,000	1,295,000	498,631	617,856	1,116,487	178,513
Code Enforcement	343,000	490,000	178,814	231,539	410,353	79,647
Public Access Studio	186,000	186,000	78,174	74,755	152,929	33,071
Records and Information Management	874,000	837,000	384,186	406,899	791,085	45,915
Police Administration	1,072,000	1,112,000	537,020	570,758	1,107,778	4,222
Police Field Services	11,508,000	11,468,000	5,212,560	5,396,715	10,609,275	858,725
Police Support Services	688,000	688,000	296,992	287,983	584,975	103,025
Nondepartmental						
General Services	6,413,000	5,758,000	4,663,578	745,600	5,409,178	348,822
Contingency	750,000	475,000	-	-	-	475,000
TOTAL EXPENDITURES	41,298,000	40,783,000	21,546,155	15,472,524	37,018,679	3,764,321
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(16,035,000)	(16,035,000)	(9,692,664)	(3,716,203)	(13,408,867)	2,626,133
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of debt	5,000,000	5,000,000	4,660,000	-	4,660,000	(340,000)
Bond premium on issuance of debt	-	-	352,894	-	352,894	352,894
Transfers from other funds	8,890,000	8,890,000	4,420,000	4,470,000	8,890,000	-
Transfers to other funds	-	-	-	(418,807)	(418,807)	(418,807)
TOTAL OTHER FINANCING SOURCES (USES)	13,890,000	13,890,000	9,432,894	4,051,193	13,484,087	(405,913)
NET CHANGE IN FUND BALANCES	(2,145,000)	(2,145,000)	(259,770)	334,990	75,220	2,220,220
FUND BALANCES - beginning	5,293,000	5,293,000	6,039,475	5,779,705	6,039,475	746,475
FUND BALANCES - ending	\$ 3,148,000	\$ 3,148,000	\$ 5,779,705	\$ 6,114,695	\$ 6,114,695	\$ 2,966,695

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, 2016

	Budget for the 2015-2016 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16	Total	
REVENUES:						
Intergovernmental	\$ 6,020,000	\$ 6,020,000	\$ 2,007,004	\$ 2,497,493	\$ 4,504,497	\$ (1,515,503)
Franchise fees	2,015,000	2,015,000	1,014,819	1,024,711	2,039,530	24,530
Charges for services	1,232,000	1,232,000	621,826	688,025	1,309,851	77,851
Miscellaneous	100,000	100,000	12,952	9,910	22,862	(77,138)
TOTAL REVENUES	9,367,000	9,367,000	3,656,601	4,220,139	7,876,740	(1,490,260)
EXPENDITURES:						
Personnel services	981,000	981,000	388,774	413,807	802,581	178,419
Materials and services	911,000	911,000	358,207	369,445	727,652	183,348
Capital outlay	5,645,000	5,645,000	1,387,312	2,353,350	3,740,662	1,904,338
Contingency	500,000	500,000	-	-	-	500,000
TOTAL EXPENDITURES	8,037,000	8,037,000	2,134,293	3,136,602	5,270,895	2,766,105
EXCESS OF REVENUES OVER EXPENDITURES	1,330,000	1,330,000	1,522,308	1,083,537	2,605,845	1,275,845
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	-	-	-	42,333	42,333	42,333
Transfers to other funds	(1,890,000)	(1,890,000)	(965,000)	(925,000)	(1,890,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,890,000)	(1,890,000)	(965,000)	(882,667)	(1,847,667)	42,333
NET CHANGE IN FUND BALANCES	(560,000)	(560,000)	557,308	200,870	758,178	1,318,178
FUND BALANCES - beginning	1,364,000	1,364,000	1,458,650	2,015,958	1,458,650	94,650
FUND BALANCES - ending	\$ 804,000	\$ 804,000	\$ 2,015,958	\$ 2,216,828	\$ 2,216,828	\$ 1,412,828

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, 2016

	Budget for the 2015-2016 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16	Total	
REVENUES:						
Property taxes	\$ 1,884,000	\$ 1,884,000	\$ 942,000	\$ 942,000	\$ 1,884,000	\$ -
Intergovernmental	4,022,000	4,022,000	1,540,775	1,560,759	3,101,534	(920,466)
Fines and forfeitures	126,000	126,000	59,910	54,853	114,763	(11,237)
Investment earnings	-	-	-	2,039	2,039	2,039
Miscellaneous	4,000	4,000	12,266	4,338	16,604	12,604
TOTAL REVENUES	6,036,000	6,036,000	2,554,951	2,563,989	5,118,940	(917,060)
EXPENDITURES:						
Personnel services	3,266,000	3,266,000	1,471,717	1,522,803	2,994,520	271,480
Materials and services	374,000	374,000	178,273	265,236	443,509	(69,509)
Capital outlay	1,000,000	1,000,000	10,000	-	10,000	990,000
Contingency	100,000	100,000	-	-	-	100,000
TOTAL EXPENDITURES	4,740,000	4,740,000	1,659,990	1,788,039	3,448,029	1,291,971
EXCESS OF REVENUES OVER EXPENDITURES	1,296,000	1,296,000	894,961	775,950	1,670,911	374,911
OTHER FINANCING USES:						
Transfers to other funds	(1,380,000)	(1,380,000)	(700,000)	(680,000)	(1,380,000)	-
NET CHANGE IN FUND BALANCES	(84,000)	(84,000)	194,961	95,950	290,911	374,911
FUND BALANCES - beginning	422,000	422,000	550,813	745,774	550,813	128,813
FUND BALANCES - ending	\$ 338,000	\$ 338,000	\$ 745,774	\$ 841,724	\$ 841,724	\$ 503,724

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, 2016

	Budget for the 2015-2016 Biennium		Actual		Variance with Final Budget	
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16		Total
REVENUES:						
Licenses and permits	\$ 468,000	\$ 493,000	\$ 225,775	\$ 490,345	\$ 716,120	\$ 223,120
Intergovernmental	-	-	522	1,244	1,766	1,766
Miscellaneous	5,000	5,000	1,426	755	2,181	(2,819)
TOTAL REVENUES	473,000	498,000	227,723	492,344	720,067	222,067
EXPENDITURES:						
Personnel services	451,000	451,000	193,886	239,817	433,703	17,297
Materials and services	25,000	50,000	16,932	35,952	52,884	(2,884)
Contingency	40,000	40,000	-	-	-	40,000
TOTAL EXPENDITURES	516,000	541,000	210,818	275,769	486,587	54,413
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(43,000)	(43,000)	16,905	216,575	233,480	276,480
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	-	-	-	14,211	14,211	14,211
Transfers to other funds	(100,000)	(100,000)	(50,000)	(50,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	(100,000)	(50,000)	(35,789)	(85,789)	14,211
NET CHANGE IN FUND BALANCES	(143,000)	(143,000)	(33,095)	180,786	147,691	290,691
FUND BALANCES - beginning	147,000	147,000	169,947	136,852	169,947	22,947
FUND BALANCES - ending	\$ 4,000	\$ 4,000	\$ 136,852	\$ 317,638	\$ 317,638	\$ 313,638

CITY OF MILWAUKIE, OREGON

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

JUNE 30, 2016

Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal year Ended June 30,	City's ² proportion of the net pension liability (asset)	City's ² proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability / (asset)
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 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-
2008 ¹	-	-	-	-	-
2007 ¹	-	-	-	-	-

¹ Actuarial information not available.

² Actuarial information provided by OPERS actuary.

CITY OF MILWAUKIE, OREGON
SCHEDULE OF THE CITY'S CONTRIBUTIONS
JUNE 30, 2016

Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered employee payroll
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 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-
2008 ¹	-	-	-	-	-
2007 ¹	-	-	-	-	-

¹ Information not available.

CITY OF MILWAUKIE, OREGON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

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, 2016, one supplemental budget resolution was approved through the second year of the 2014-2015 biennium.

2. Changes in Plan Provisions – Pensions

The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861 that were included in the 2013 actuarial valuation setting employer rates for July 1, 2015 through June 30, 2017. This reversal increased the benefits projected to be paid and consequently increased plan liabilities.

3. Changes of Assumptions – Pensions

A summary of key changes implemented with the December 31, 2013 actuarial valuation which was used in the pension calculations and amounts reported for fiscal year ended June 30, 2016 and additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2012 actuarial valuation can be found at:

https://www.oregon.gov/pers/docs/financial_reports/actuarial_service/2013_actuarial_valuation.pdf

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OTHER SUPPLEMENTARY INFORMATION

Individual Fund Financial Statements and Schedules

Governmental Funds

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Funds

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

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

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

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

CITY OF MILWAUKIE, OREGON

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget for the 2015-2016 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16	Total	
REVENUES:						
Property taxes	\$ -	\$ 486,000	\$ 320,250	\$ 272,864	\$ 593,114	\$ 107,114
Intergovernmental	-	169,000	85,195	84,049	169,244	244
TOTAL REVENUES	-	655,000	405,445	356,913	762,358	107,358
EXPENDITURES:						
Debt service:						
Principal	-	355,000	170,000	185,000	355,000	-
Interest	-	300,000	134,985	161,623	296,608	3,392
TOTAL EXPENDITURES	-	655,000	304,985	346,623	651,608	3,392
EXCESS OF REVENUES OVER EXPENDITURES	-	-	100,460	10,290	110,750	110,750
FUND BALANCES - beginning	-	-	-	100,460	-	-
FUND BALANCES - ending	\$ -	\$ -	\$ 100,460	\$ 110,750	\$ 110,750	\$ 110,750

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, 2016

	Budget for the 2015-2016 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16	Total	
REVENUES:						
Systems development charges	\$ 78,000	\$ 78,000	\$ 70,493	\$ 80,095	\$ 150,588	\$ 72,588
Investment earnings	-	-	241	248	489	489
TOTAL REVENUES	<u>78,000</u>	<u>78,000</u>	<u>70,734</u>	<u>80,343</u>	<u>151,077</u>	<u>73,077</u>
EXPENDITURES:						
Capital outlay	430,000	430,000	35,383	63,650	99,033	330,967
Contingency	695,000	695,000	-	-	-	695,000
TOTAL EXPENDITURES	<u>1,125,000</u>	<u>1,125,000</u>	<u>35,383</u>	<u>63,650</u>	<u>99,033</u>	<u>1,025,967</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,047,000)	(1,047,000)	35,351	16,693	52,044	1,099,044
FUND BALANCES - beginning	<u>1,318,000</u>	<u>1,318,000</u>	<u>1,392,789</u>	<u>1,428,140</u>	<u>1,392,789</u>	<u>74,789</u>
FUND BALANCES - ending	<u>\$ 271,000</u>	<u>\$ 271,000</u>	<u>\$ 1,428,140</u>	<u>\$ 1,444,833</u>	<u>\$ 1,444,833</u>	<u>\$ 1,173,833</u>

CITY OF MILWAUKIE, OREGON

WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget for the 2015-2016 Biennium		Actual		Variance with Final Budget	
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16		Total
REVENUES:						
Water charges	\$ 6,452,000	\$ 6,452,000	\$ 3,629,208	\$ 3,874,580	\$ 7,503,788	\$ 1,051,788
Reimbursement fees	-	-	5,009	7,830	12,839	12,839
Miscellaneous	196,000	196,000	64,020	82,706	146,726	(49,274)
TOTAL REVENUES	6,648,000	6,648,000	3,698,237	3,965,116	7,663,354	1,015,353
EXPENDITURES:						
Personnel services	1,277,000	1,277,000	575,413	584,514	1,159,927	117,073
Materials and services	1,584,000	1,584,000	774,589	738,125	1,512,714	71,286
Capital outlay	1,522,000	1,522,000	514,153	248,838	762,991	759,009
Contingency	200,000	200,000	-	-	-	200,000
TOTAL EXPENDITURES	4,583,000	4,583,000	1,864,155	1,571,477	3,435,632	1,147,368
EXCESS OF REVENUES OVER EXPENDITURES	2,065,000	2,065,000	1,834,082	2,393,639	4,227,722	2,162,721
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	-	-	-	283,827	283,827	283,827
Transfers to other funds	(1,830,000)	(1,830,000)	(915,000)	(915,000)	(1,830,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,830,000)	(1,830,000)	(915,000)	(631,173)	(1,546,173)	283,827
NET CHANGE IN FUND BALANCES	235,000	235,000	919,082	1,762,466	2,681,549	2,446,548
FUND BALANCES - beginning	395,000	395,000	780,923	1,700,005	780,923	385,923
FUND BALANCES - ending	\$ 630,000	\$ 630,000	1,700,005	3,462,471	\$ 3,462,472	\$ 2,832,471
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			476,612	508,971		
Adjustment for capital assets, net of accumulated depreciation			8,508,643	8,289,444		
Adjustment for net pension asset (liability)			98,084	(202,085)		
Adjustment for deferred outflows of resources			32,300	44,897		
Adjustment for deferred inflows of resources			(178,092)	(57,392)		
NET POSITION - GAAP BASIS, ending			\$ 10,637,552	\$12,046,307		

CITY OF MILWAUKIE, OREGON

WASTEWATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget for the 2015-2016 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16	Total	
REVENUES:						
Wastewater charges	\$ 13,836,000	\$ 13,836,000	\$ 6,939,074	\$ 7,246,345	\$ 14,185,419	\$ 349,419
Reimbursement fees	30,000	30,000	75,508	42,802	118,310	88,311
Miscellaneous	8,000	8,000	4,757	1,146	5,903	(2,097)
TOTAL REVENUES	13,874,000	13,874,000	7,019,339	7,290,293	14,309,632	435,632
EXPENDITURES:						
Personnel services	937,000	937,000	413,934	427,560	841,494	95,506
Materials and services	9,743,000	9,743,000	4,568,262	4,686,977	9,255,239	487,761
Debt service:						
Principal	193,000	193,000	96,458	96,458	192,916	84
Interest	27,000	27,000	7,958	7,475	15,433	11,567
Capital outlay	1,709,000	1,709,000	649,403	643,388	1,292,791	416,209
Contingency	200,000	200,000	-	-	-	200,000
TOTAL EXPENDITURES	12,809,000	12,809,000	5,736,015	5,861,858	11,597,873	1,211,127
EXCESS OF REVENUES OVER EXPENDITURES	1,065,000	1,065,000	1,283,324	1,428,435	2,711,759	1,646,759
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	-	-	-	61,965	61,965	61,965
Transfers to other funds	(1,820,000)	(1,820,000)	(885,000)	(935,000)	(1,820,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,820,000)	(1,820,000)	(885,000)	(873,035)	(1,758,035)	61,965
NET CHANGE IN FUND BALANCES	(755,000)	(755,000)	398,324	555,400	953,724	1,708,724
FUND BALANCES - beginning	2,196,000	2,196,000	2,318,159	2,716,483	2,318,159	122,159
FUND BALANCES - ending	\$ 1,441,000	\$ 1,441,000	2,716,483	3,271,883	\$ 3,271,883	\$ 1,830,883
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			604,485	16,714		
Adjustment for capital assets, net of accumulated depreciation			7,932,330	8,812,369		
Adjustment for net pension asset (liability)			82,095	(163,374)		
Adjustment for deferred outflows of resources			26,206	36,225		
Adjustment for unearned revenue			(14,926)	(14,926)		
Adjustment for deferred inflows of resources			(144,500)	(46,325)		
Adjustment for loan payable - due within one year			(96,500)	(96,500)		
Adjustment for loan payable			(1,446,700)	(1,350,200)		
NET POSITION - GAAP BASIS, ending			\$ 9,658,973	\$ 10,465,867		

CITY OF MILWAUKIE, OREGON

STORMWATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget for the 2015-2016 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2014-15	2nd Year FY 2015-16	Total	
REVENUES:						
Stormwater charges	\$ 5,481,000	\$ 5,481,000	\$ 2,565,330	\$ 2,932,943	\$ 5,498,273	\$ 17,273
Intergovernmental	1,004,000	1,004,000	-	-	-	(1,004,000)
Miscellaneous	20,000	20,000	15,553	13,294	28,847	8,847
TOTAL REVENUES	6,505,000	6,505,000	2,580,883	2,946,237	5,527,120	(977,880)
EXPENDITURES:						
Personnel services	1,375,000	1,375,000	483,478	484,428	967,906	407,094
Materials and services	852,000	852,000	322,575	372,910	695,485	156,515
Capital outlay	4,547,000	4,547,000	7,022	1,577,802	1,584,824	2,962,176
Contingency	200,000	200,000	-	-	-	200,000
TOTAL EXPENDITURES	6,974,000	6,974,000	813,075	2,435,140	3,248,215	3,725,785
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(469,000)	(469,000)	1,767,808	511,097	2,278,905	2,747,905
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	-	-	-	16,471	16,471	16,471
Transfers to other funds	(1,870,000)	(1,870,000)	(905,000)	(965,000)	(1,870,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,870,000)	(1,870,000)	(905,000)	(948,529)	(1,853,529)	16,471
NET CHANGE IN FUND BALANCES	(2,339,000)	(2,339,000)	862,808	(437,432)	425,376	2,764,376
FUND BALANCES - beginning	2,392,000	2,392,000	2,528,009	3,390,817	2,528,009	136,009
FUND BALANCES - ending	\$ 53,000	\$ 53,000	3,390,817	2,953,385	\$ 2,953,385	\$ 2,900,385
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			84,773	21,910		
Adjustment for capital assets, net of accumulated depreciation			2,839,263	4,303,542		
Adjustment for net pension asset (liability)			75,443	(161,168)		
Adjustment for deferred outflows of resources			25,059	35,695		
Adjustment for deferred inflows of resources			(138,179)	(45,659)		
NET POSITION - GAAP BASIS, ending			\$ 6,277,176	\$ 7,107,704		

OTHER FINANCIAL SCHEDULES

Schedule of Future Debt Service Requirements

Schedule of Property Tax Transactions and Outstanding Balances

Schedule of Accountability of Independently Elected Officials

CITY OF MILWAUKIE, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FUTURE BOND PRINCIPAL

Fiscal year	2014						Total
	Oregon SELP Loan	Full Faith & Credit Bond	GO Bonds Series 2014	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	
2017	\$ 14,061	\$ 55,000	\$ 140,000	\$ 24,351	\$ 160,000	\$ 96,500	\$ 489,912
2018	18,928	55,000	145,000	24,525	185,000	96,500	524,953
2019	-	55,000	145,000	24,707	210,000	96,500	531,207
2020	-	60,000	150,000	29,895	240,000	96,500	576,395
2021	-	60,000	160,000	30,097	270,000	96,500	616,597
2022	-	60,000	165,000	30,311	305,000	96,500	656,811
2023	-	65,000	170,000	30,536	340,000	96,500	702,036
2024	-	65,000	180,000	35,772	380,000	96,500	757,272
2025	-	70,000	185,000	36,020	420,000	96,500	807,520
2026	-	75,000	195,000	36,283	465,000	96,500	867,783
2027	-	75,000	200,000	36,558	510,000	96,500	918,058
2028	-	80,000	205,000	41,845	230,000	96,500	653,345
2029	-	80,000	210,000	42,145	-	96,500	428,645
2030	-	-	220,000	42,457	-	96,500	358,957
2031	-	-	230,000	42,783	-	95,700	368,483
2032	-	-	240,000	48,124	-	-	288,124
2033	-	-	250,000	-	-	-	250,000
2034	-	-	260,000	-	-	-	260,000
	<u>\$ 32,989</u>	<u>\$ 855,000</u>	<u>\$ 3,450,000</u>	<u>\$ 556,409</u>	<u>\$ 3,715,000</u>	<u>\$ 1,446,700</u>	<u>\$ 10,056,098</u>

FUTURE BOND INTEREST

Fiscal year	2014						Total
	Oregon SELP Loan	Full Faith & Credit Bond	GO Bonds Series 2014	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	
2017	\$ 1,419	\$ 32,550	\$ 123,525	\$ 22,256	\$ 184,746	\$ 6,750	\$ 371,246
2018	814	30,900	119,325	21,282	176,972	6,250	355,543
2019	-	29,250	114,975	20,301	167,982	5,750	338,258
2020	-	27,600	109,175	19,941	157,778	5,250	319,744
2021	-	25,200	103,175	19,023	146,116	4,750	298,264
2022	-	22,800	96,775	17,970	132,606	4,250	274,401
2023	-	20,400	90,175	16,682	117,344	3,750	248,351
2024	-	17,800	83,375	15,565	100,330	3,250	220,320
2025	-	15,200	76,175	14,288	81,316	2,750	189,729
2026	-	12,400	68,775	12,711	60,298	2,250	156,434
2027	-	9,400	62,925	11,121	37,030	1,750	122,226
2028	-	6,400	56,925	9,520	11,510	1,250	85,605
2029	-	3,200	50,775	7,687	-	750	62,412
2030	-	-	42,375	5,841	-	250	48,466
2031	-	-	33,575	3,982	-	-	37,557
2032	-	-	24,375	2,108	-	-	26,483
2033	-	-	16,575	-	-	-	16,575
2034	-	-	8,450	-	-	-	8,450
	<u>\$ 2,233</u>	<u>\$ 253,100</u>	<u>\$ 1,281,425</u>	<u>\$ 220,278</u>	<u>\$ 1,374,028</u>	<u>\$ 49,000</u>	<u>\$ 3,180,064</u>

CITY OF MILWAUKIE, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Tax Year	Uncollected Property Taxes as of June 30, 2015	Add Tax Levy Extended by Assessor	Add (Deduct) Adjustments and Discounts	Deduct Cash Collections	Uncollected Property Taxes as of June 30, 2016
Current fiscal year 2016	\$ -	\$ 8,150,481	\$ (221,259)	\$ (7,752,374)	\$ 176,848
Prior fiscal years					
2015	202,276	-	(3,141)	(85,968)	113,167
2014	93,161	-	(528)	(28,011)	64,622
2013	63,391	-	(355)	(23,086)	39,950
2012	43,073	-	(145)	(10,757)	32,171
2011 & prior	<u>61,839</u>	<u>-</u>	<u>(265)</u>	<u>(3,655)</u>	<u>57,919</u>
Sub-total of prior fiscal years	<u>463,740</u>	<u>-</u>	<u>(4,434)</u>	<u>(151,477)</u>	<u>307,829</u>
Total	<u>\$ 463,740</u>	<u>\$ 8,150,481</u>	<u>\$ (225,693)</u>	<u>\$ (7,903,851)</u>	<u>\$ 484,677</u>

CITY OF MILWAUKIE, OREGON

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

SECTION III

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	81
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	86
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	91
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	99

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

CITY OF MILWAUKIE, OREGON

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

	Fiscal Year Ended									
	2007	2008	2009	2010	2011	2012	2013 (restated)	2014 (restated)	2015	2016
Governmental activities										
Net investment in capital assets	\$ 40,333	\$ 41,224	\$ 41,423	\$ 39,717	\$ 39,274	\$ 38,433	\$ 41,361	\$ 41,361	\$ 42,965	\$ 43,558
Restricted	3,392	3,418	3,274	2,714	2,125	2,235	1,788	1,789	1,921	2,200
Unrestricted	5,363	5,698	5,586	5,403	6,594	7,031	8,115	1,427	5,166	866
Total governmental activities net position	49,088	50,340	50,283	47,834	47,993	47,699	51,265	44,577	50,052	46,624
Business-type activities										
Net investment in capital assets	15,008	14,984	15,444	14,740	14,773	16,528	18,041	18,041	18,903	20,506
Restricted	-	-	-	-	-	12	12	12	12	12
Unrestricted	4,425	4,387	4,107	3,896	3,881	4,426	5,726	5,302	7,659	9,102
Total business-type activities net position	19,433	19,371	19,551	18,636	18,654	20,966	23,779	23,355	26,574	29,620
Primary government										
Net investment in capital assets	55,341	56,208	56,867	54,457	54,047	54,961	59,402	59,402	61,868	64,064
Restricted	3,392	3,418	3,274	2,714	2,125	2,247	1,800	1,801	1,933	2,212
Unrestricted	9,788	10,085	9,693	9,299	10,475	11,457	13,841	6,729	12,825	9,968
Total primary government net position	\$ 68,521	\$ 69,711	\$ 69,834	\$ 66,470	\$ 66,647	\$ 68,665	\$ 75,043	\$ 67,932	\$ 76,626	\$ 76,244

CITY OF MILWAUKIE, OREGON

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

	Fiscal Year Ended									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 2,975	\$ 3,025	\$ 2,794	\$ 3,854	\$ 9,813	\$ 9,489	\$ 9,109	\$ 9,322	\$ 7,811	\$ 10,757
Highways and streets	3,178	3,172	3,932	2,865	2,094	2,155	2,126	1,028	1,851	4,026
Public safety	5,907	6,591	7,326	7,627	6,210	6,720	6,636	6,458	5,412	7,685
Culture and recreation	1,623	1,920	2,036	2,376	1,585	1,770	2,630	2,665	2,309	3,102
Interest on long-term debt	322	330	341	318	292	273	487	407	408	367
Total governmental activities expenses	<u>14,005</u>	<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>
Business-type activities:										
Water	2,297	1,746	2,091	2,143	2,397	2,520	2,526	2,610	2,573	2,840
Wastewater	2,640	2,975	2,577	4,580	5,023	4,801	6,067	6,062	6,052	6,545
Stormwater	918	975	1,052	1,152	1,710	1,660	1,569	1,578	1,776	2,132
Total business-type activities expenses	<u>5,855</u>	<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>
Total primary government expenses	<u>\$ 19,860</u>	<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>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 502	\$ 1,645	\$ 692	\$ 467	\$ 5,110	\$ 5,052	\$ 5,150	\$ 5,323	\$ 5,695	\$ 6,773
Highways and streets	1,142	758	1,076	1,080	663	609	693	633	635	748
Public safety	837	992	1,555	1,746	1,940	1,734	1,693	1,609	948	307
Culture and recreation	53	61	59	59	59	59	67	60	60	60
Operating grants and contributions	2,117	2,025	1,873	2,697	3,313	3,555	4,610	4,454	4,324	2,935
Capital grants and contributions	181	301	30	27	47	80	107	145	1,731	1,478
Total governmental activities program revenues	<u>4,832</u>	<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>
Business-type activities:										
Charges for services:										
Water	2,342	2,092	2,234	2,273	2,173	2,354	2,819	3,158	3,698	3,965
Wastewater	3,195	3,267	3,586	4,437	5,032	4,947	6,316	6,627	6,894	7,290
Stormwater	1,464	1,511	1,540	1,722	1,794	1,840	1,989	2,212	2,581	2,946
Capital grants and contributions	75	110	29	-	-	1,929	10	-	-	-
Total business-type activities program revenues	<u>7,076</u>	<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>
Total primary government program revenues	<u>\$ 11,908</u>	<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>

Continued on next page

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net (Expense) Revenue										
Governmental activities	\$ (9,173)	\$ (9,256)	\$ (11,144)	\$ (10,964)	\$ (8,862)	\$ (9,318)	\$ (8,668)	\$ (7,656)	\$ (4,399)	\$ (13,636)
Business-type activities	1,221	1,284	1,669	557	(131)	2,089	972	1,747	2,772	2,684
Total primary government expenses	<u>\$ (7,952)</u>	<u>\$ (7,972)</u>	<u>\$ (9,475)</u>	<u>\$ (10,407)</u>	<u>\$ (8,993)</u>	<u>\$ (7,229)</u>	<u>\$ (7,696)</u>	<u>\$ (5,909)</u>	<u>\$ (1,627)</u>	<u>\$ (10,952)</u>
General Revenues										
Governmental activities:										
Property taxes, levied for general purposes	\$ 5,353	\$ 5,718	\$ 5,929	\$ 5,998	\$ 6,112	\$ 6,487	\$ 6,565	\$ 7,014	\$ 7,590	\$ 7,925
Property taxes, levied for debt service	263	526	579	601	-	-	-	-	-	-
Franchise taxes	1,730	1,740	1,620	1,838	2,561	2,594	2,479	2,439	2,568	2,570
Intergovernmental	409	446	517	583	297	97	-	-	-	-
Miscellaneous	-	73	603	928	-	-	-	-	-	-
Interest and investment earnings	408	366	209	114	115	60	77	66	87	75
Gain on disposition of capital assets	-	31	14	-	-	-	4	-	75	-
Transfers	-	-	-	1,485	(64)	(214)	-	(93)	(448)	(362)
Total governmental activities	<u>8,163</u>	<u>8,900</u>	<u>9,471</u>	<u>11,547</u>	<u>9,021</u>	<u>9,021</u>	<u>9,125</u>	<u>9,426</u>	<u>9,872</u>	<u>10,208</u>
Business-type activities:										
Miscellaneous	-	10	-	-	-	-	-	-	-	-
Interest and investment earnings	287	250	127	12	85	9	-	-	-	-
Transfers	-	-	-	(1,485)	64	214	-	93	448	362
Total business-type activities	<u>287</u>	<u>260</u>	<u>127</u>	<u>(1,473)</u>	<u>149</u>	<u>223</u>	<u>-</u>	<u>93</u>	<u>448</u>	<u>362</u>
Total primary government	<u>\$ 8,450</u>	<u>\$ 9,160</u>	<u>\$ 9,598</u>	<u>\$ 10,074</u>	<u>\$ 9,170</u>	<u>\$ 9,244</u>	<u>\$ 9,125</u>	<u>\$ 9,519</u>	<u>\$ 10,320</u>	<u>\$ 10,570</u>
Change in Net Position										
Governmental activities	\$ (1,010)	\$ (356)	\$ (1,673)	\$ 583	\$ 159	\$ (297)	\$ 457	\$ 1,770	\$ 5,474	\$ (3,428)
Business-type activities	1,508	1,544	1,796	(916)	18	2,312	972	1,840	3,220	3,046
Total primary government	<u>\$ 498</u>	<u>\$ 1,188</u>	<u>\$ 123</u>	<u>\$ (333)</u>	<u>\$ 177</u>	<u>\$ 9,170</u>	<u>\$ 1,429</u>	<u>\$ 3,610</u>	<u>\$ 8,694</u>	<u>\$ (382)</u>

Continued from previous page

CITY OF MILWAUKIE, OREGON

FUND BALANCES OF GOVERNMENTAL FUNDS

for the last ten fiscal years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year Ended									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ 36	\$ 35	\$ 65	\$ 146
Restricted	-	-	-	14	11	23	28	30	39	30
Assigned	-	-	-	-	201	-	-	-	-	-
Unassigned	2,699	2,032	1,631	6,116	6,086	5,759	5,380	5,974	5,676	5,939
Total general fund	<u>\$ 2,699</u>	<u>\$ 2,032</u>	<u>\$ 1,631</u>	<u>\$ 6,143</u>	<u>\$ 6,298</u>	<u>\$ 5,782</u>	<u>\$ 5,444</u>	<u>\$ 6,039</u>	<u>\$ 5,780</u>	<u>\$ 6,115</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ 105	\$ 154	\$ 815
Restricted	1,701	2,526	2,445	2,610	2,115	2,211	1,995	1,618	1,725	1,799
Committed	-	-	-	-	-	1,739	1,322	1,459	1,954	1,627
Assigned	-	-	-	928	1,321	389	231	390	594	691
Total all other governmental funds	<u>\$ 1,701</u>	<u>\$ 2,526</u>	<u>\$ 2,445</u>	<u>\$ 3,538</u>	<u>\$ 3,436</u>	<u>\$ 4,339</u>	<u>\$ 3,581</u>	<u>\$ 3,572</u>	<u>\$ 4,426</u>	<u>\$ 4,932</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Property taxes	\$ 6,125	\$ 6,138	\$ 6,405	\$ 6,623	\$ 6,164	\$ 6,429	\$ 6,564	\$ 7,019	\$ 7,587	\$ 7,892
Intergovernmental	1,899	2,334	2,529	2,815	3,313	3,634	4,233	4,270	5,747	5,765
Franchise taxes	2,398	1,891	1,758	1,851	2,561	2,579	2,479	2,439	2,568	2,570
Fines and forfeitures	819	1,030	1,602	1,801	1,857	1,502	1,754	1,690	1,252	1,267
Licenses and permits	793	1,944	1,697	1,638	586	964	1,112	626	667	985
Charges for services	-	-	-	-	5,235	4,637	5,176	5,155	5,042	5,158
Miscellaneous	887	554	529	841	412	114	223	224	327	303
Total revenues	<u>12,921</u>	<u>13,891</u>	<u>14,520</u>	<u>15,569</u>	<u>20,128</u>	<u>19,859</u>	<u>21,541</u>	<u>21,423</u>	<u>23,189</u>	<u>23,940</u>
Expenditures:										
Current:										
General government	767	1,244	1,262	1,983	8,495	8,328	8,066	8,165	7,867	8,687
Highway and streets	1,872	1,925	2,144	1,099	1,870	1,891	1,883	1,753	1,712	1,708
Public safety	5,907	6,591	7,327	7,627	5,546	5,897	5,877	5,590	5,955	6,149
Culture and recreation	1,623	1,811	1,995	2,246	1,415	1,553	2,329	2,339	2,350	2,468
Debt service:										
Principal	420	429	452	488	570	144	378	196	3,983	379
Interest	245	355	324	303	292	273	253	415	557	380
Capital outlay	2,619	1,247	1,789	1,766	1,386	1,385	7,508	2,441	5,181	2,967
Total expenditures	<u>13,453</u>	<u>13,602</u>	<u>15,293</u>	<u>15,512</u>	<u>19,574</u>	<u>19,471</u>	<u>26,294</u>	<u>20,899</u>	<u>27,607</u>	<u>22,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(532)</u>	<u>289</u>	<u>(773)</u>	<u>57</u>	<u>554</u>	<u>388</u>	<u>(4,753)</u>	<u>524</u>	<u>(4,417)</u>	<u>1,202</u>
Other financing sources (uses):										
Transfers from other funds	28	1,178	652	776	8,245	-	-	-	-	57
Transfers to other funds	(514)	(1,310)	(620)	(754)	(8,572)	-	-	-	-	(419)
Proceeds from sale of capital assets	-	-	-	-	13	-	6	-	-	-
Proceeds from issuance of debt	652	-	-	-	-	-	3,650	63	4,660	-
Bond premium on issuance of debt	-	-	-	-	-	-	-	-	353	-
Total other financing sources (uses)	<u>166</u>	<u>(132)</u>	<u>32</u>	<u>22</u>	<u>(314)</u>	<u>-</u>	<u>3,656</u>	<u>63</u>	<u>5,013</u>	<u>(362)</u>
Net change in fund balances	<u>\$ (366)</u>	<u>\$ 157</u>	<u>\$ (741)</u>	<u>\$ 79</u>	<u>\$ 240</u>	<u>\$ 388</u>	<u>\$ (1,097)</u>	<u>\$ 586</u>	<u>\$ 595</u>	<u>\$ 840</u>
Debt service as a percentage of noncapital expenditures	6.1%	6.3%	5.7%	5.8%	4.7%	2.3%	3.4%	3.3%	20.2%	3.8%

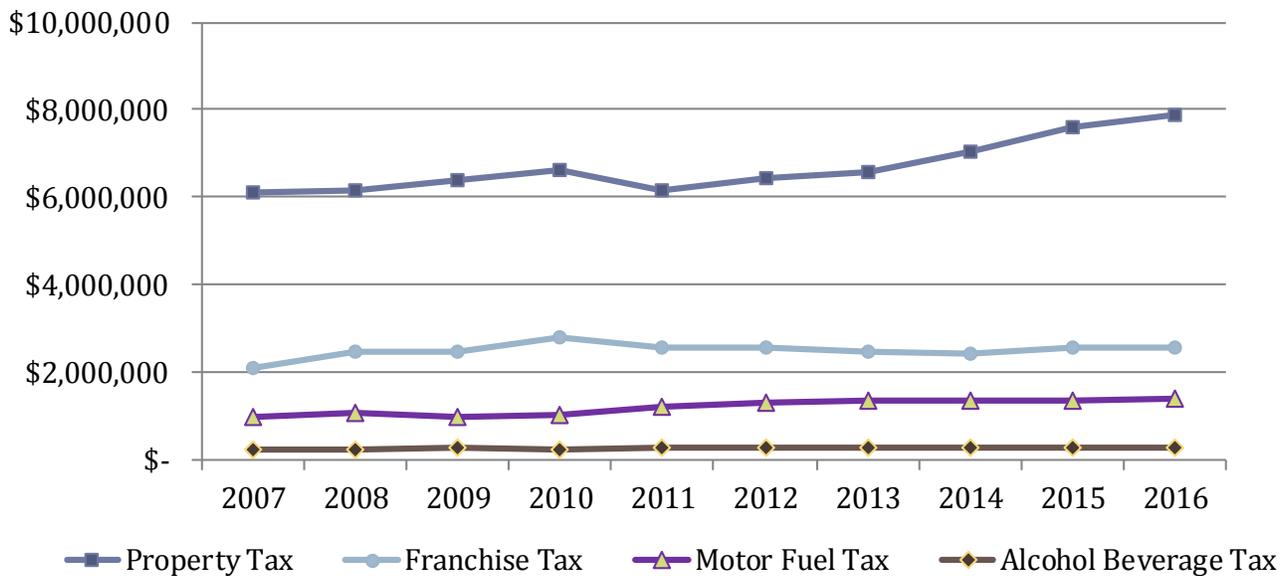
CITY OF MILWAUKIE, OREGON

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

Fiscal Year	Property Tax	Franchise Tax	Motor Fuel Tax¹	Alcoholic Beverage Tax¹	Total
2007	\$6,125,265	\$2,075,765	\$971,128	\$217,478	\$9,389,636
2008	6,137,200	2,454,286	1,068,139	221,887	9,881,512
2009	6,405,173	2,464,766	979,713	270,755	10,120,407
2010	6,622,583	2,817,967	1,021,084	216,494	10,678,128
2011	6,164,063	2,560,743	1,215,175	263,425	10,203,406
2012	6,428,522	2,578,604	1,289,164	260,353	10,556,643
2013	6,563,755	2,478,784	1,336,694	272,331	10,651,564
2014	7,018,918	2,438,915	1,337,709	287,203	11,082,745
2015	7,586,610	2,567,903	1,351,269	295,213	11,800,995
2016	7,891,754	2,570,403	1,393,489	297,093	12,152,739

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

Trend Lines of Tax Revenues by Source



CITY OF MILWAUKIE, OREGON

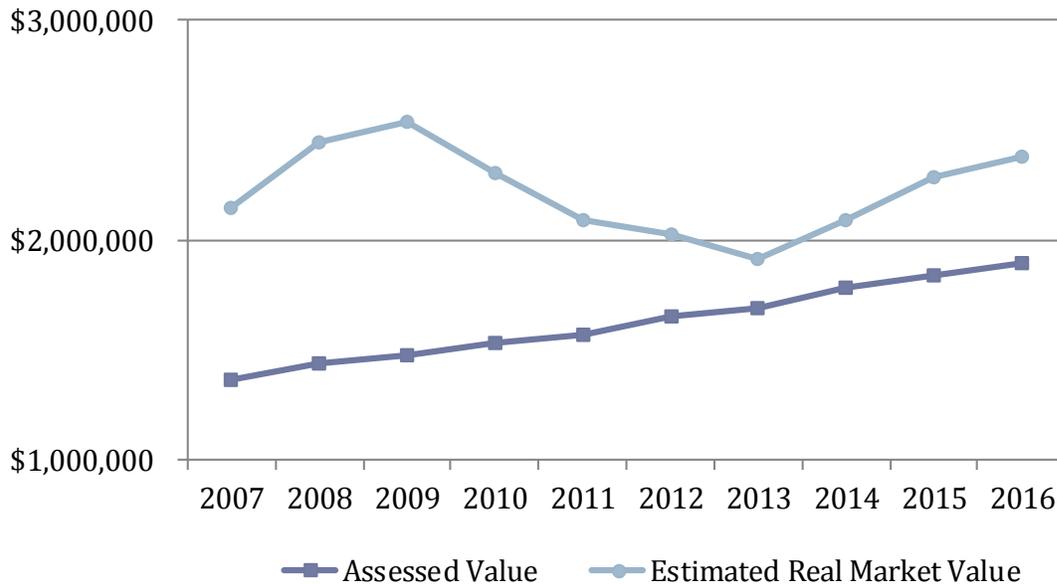
ASSESSED VALUE AND ESTIMATED REAL MARKET VALUE OF TAXABLE PROPERTY
for the last ten fiscal years
(in thousands)

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manufactured structure	Public utility	Total assessed value (AV)		Estimated real market value (RMV)	
2007	\$ 1,291,781	\$ 50,161	\$ 1,659	\$ 24,622	\$ 1,368,223	\$ 4.2423	\$ 2,145,738	64%
2008	1,358,713	50,495	1,638	25,439	1,436,285	4.4677	2,447,837	59
2009	1,397,513	55,711	1,453	26,193	1,480,870	4.4590	2,539,356	58
2010	1,434,482	55,303	1,340	40,955	1,532,080	4.4561	2,300,619	67
2011	1,478,677	53,418	1,207	38,678	1,571,981	4.0681	2,090,525	75
2012	1,534,190	55,064	1,212	63,771	1,654,237	4.0718	2,023,966	82
2013	1,573,358	57,836	1,265	61,501	1,693,960	4.0731	1,915,291	88
2014	1,655,121	65,752	1,229	62,537	1,784,639	4.0777	2,094,734	85
2015	1,705,226	65,570	1,245	67,219	1,839,260	4.2660	2,286,961	80
2016	1,764,097	60,350	1,201	71,879	1,897,527	4.1866	2,368,057	80

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

Source: Clackamas and Multnomah County Departments of Assessment and Taxation

Assessed Value and Estimated Real Market Value



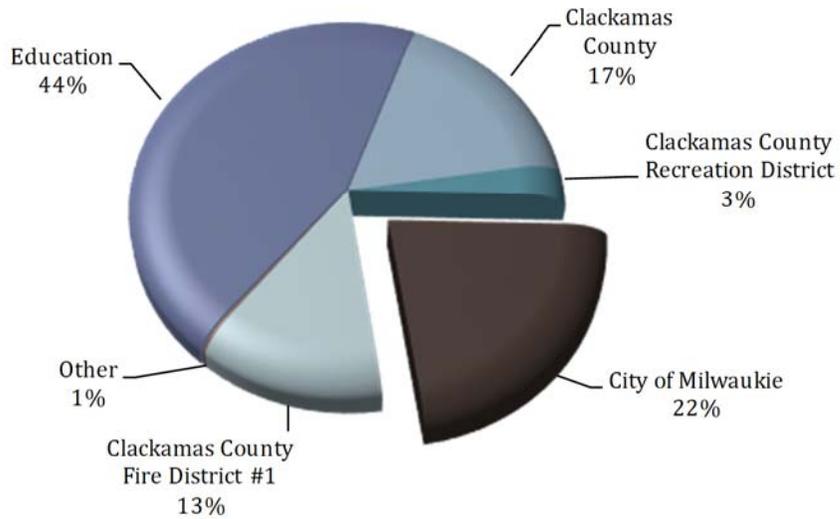
CITY OF MILWAUKIE, OREGON

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

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

Source: Clackamas County Assessor's Office

Property Tax Percentage Split by Government Type



CITY OF MILWAUKIE, OREGON

PRINCIPAL PROPERTY TAXPAYERS

current year and nine years ago

Name	2016			2007		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Blount Inc.	\$ 59,048,904	1	3.1%	\$ 36,228,874	1	2.6%
PCC Structural Inc.	54,575,030	2	2.9	17,139,262	2	1.3
Comcast Corporation	44,630,000	3	2.4	-		
Waverly Greens Apts	17,963,822	4	0.9	13,428,707	3	1.0
WH Portland Industrial LLC	17,075,742	5	0.9	-		
Miramounte Milwaukie LP	11,139,756	6	0.6	-		
Portland General Electric Co	10,882,000	7	0.6	9,354,000	6	0.7
SE International Way SPE LLC	10,316,959	8	0.5	-		
Downs Alice M Trustee	10,022,964	9	0.5	-		
Moda (fka ODS) Plaza Inc	9,955,586	10	0.5	7,782,994	10	0.6
SSR Realty Advisors	-			11,155,621	4	0.8
Deloitte & Touche LLP	-			9,747,207	5	0.7
Norris & Stevens Inc.	-			8,785,543	7	0.6
Providence Health System - OR	-			8,626,654	8	0.6
Schlesinger Ralph	-			7,834,092	9	0.6
Sub-total, top ten	245,610,763		12.9	130,082,954		9.5
All other City taxpayers	1,651,916,203		87.1	1,238,140,078		90.5
Total City taxpayers	\$ 1,897,526,966		100.0%	\$ 1,368,223,032		100.0%

Source: Clackamas County Assessor's Office

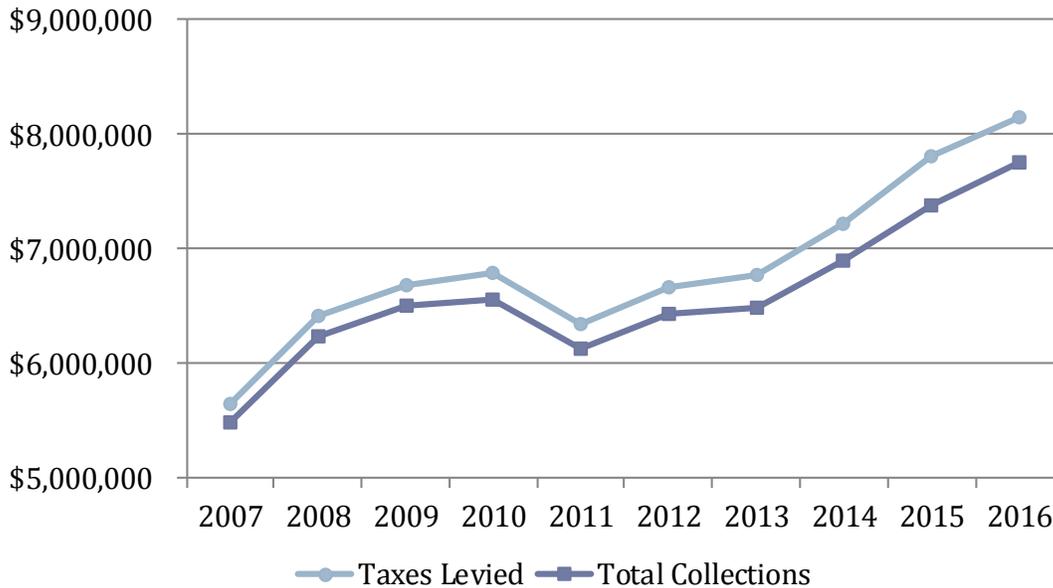
CITY OF MILWAUKIE, OREGON

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
2007	\$ 5,642,587	\$ 5,342,790	95%	\$ 149,769	\$ 5,492,559	97%
2008	6,413,042	6,028,211	94	209,381	6,237,592	97
2009	6,690,766	6,229,318	93	270,113	6,499,431	97
2010	6,785,356	6,355,747	94	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	192,934	6,432,533	97
2013	6,769,000	6,362,993	94	171,861	6,534,854	97
2014	7,220,047	6,821,366	94	135,024	6,956,390	96
2015	7,802,935	7,389,248	95	85,968	7,475,216	95
2016	8,150,481	7,752,374	95	-	7,752,374	95

Source: Annual financial statements of the City of Milwaukie

City Property Taxes Levied and Collections



CITY OF MILWAUKIE, OREGON

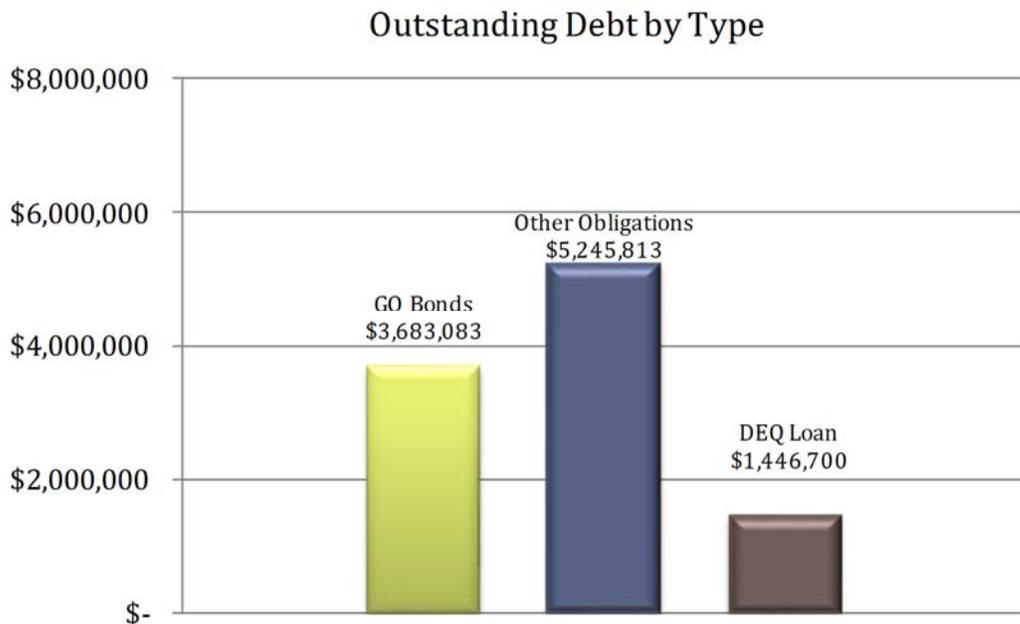
RATIOS OF OUTSTANDING DEBT BY TYPE
for the last ten fiscal years

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of Personal income	Per capita ¹
	General obligation bonds	Other Obligations	Water Revenue bonds	Wastewater/ DEQ loan			
2007	\$1,665,000	\$ 6,066,968	\$ 360,000	-	\$8,091,968	0.97 %	\$ 387
2008	1,280,000	5,629,625	245,000	-	7,154,625	0.83	342
2009	875,000	5,542,310	125,000	-	6,542,310	0.80	313
2010	450,000	5,436,133	-	2,229,318	8,115,451	1.00	400
2011	-	5,316,547	-	3,851,334	9,167,881	1.09	452
2012	-	5,172,425	-	1,832,700	7,005,125	0.80	343
2013	-	8,444,314	-	1,736,200	10,180,514	1.14	498
2014	-	8,311,646	-	1,639,700	9,951,346	1.06	487
2015	3,829,279	5,494,629	-	1,543,200	10,867,108	*	530
2016	3,683,083	5,245,813	-	1,446,700	10,375,596	*	506

* Information unavailable at this time.

¹ Population data can be found on page 96.

Source: Annual financial statements of the City of Milwaukie



CITY OF MILWAUKIE, OREGON

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

Fiscal year	General obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property¹	Per capita²
2007	\$ 1,665,000	\$ (146,599)	\$ 1,518,401	11.00%	\$ 73
2008	1,280,000	(222,103)	1,057,897	0.07	51
2009	875,000	(344,995)	530,005	0.04	25
2010	450,000	(484,787)	(34,787)	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	3,829,279	(100,460)	3,728,819	0.20	182
2016	3,683,083	(110,750)	3,572,333	0.18	174

¹ Assessed value property data can be found on page 87.

² Population data can be found on page 96.

CITY OF MILWAUKIE, OREGON

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
as of June 30, 2016

<u>Governmental unit</u>	<u>Real Market Values of Overlapping Districts</u>	<u>Tax-Supported Debt Outstanding</u>	<u>Percentage Overlapping¹</u>	<u>Overlapping Debt Applicable to the City of Milwaukie</u>
Debt repaid with property taxes:				
Clackamas Community College	\$ 38,741,861,484	\$ 62,061,012	5.85%	\$ 3,631,935
Clackamas County	53,076,860,113	101,775,136	4.27	4,347,427
Clackamas City RFPD 1	21,700,527,978	16,700,000	10.54	1,759,963
Clackamas City SD 12 (North Clackamas)	15,224,353,220	309,103,315	14.89	46,032,284
Metro	215,408,649,968	199,855,000	1.06	2,121,861
Multnomah County	109,183,784,794	160,509,766	0.02	29,052
Multnomah City SD 1J (Portland)	82,091,038,340	721,977,361	0.02	173,275
Portland Community College	<u>171,948,533,146</u>	<u>335,095,000</u>	0.01	<u>38,536</u>
Subtotal, overlapping debt	707,375,609,043	1,907,076,590		58,134,333
Direct debt outstanding:				
City of Milwaukie	<u>2,368,056,677</u>	<u>8,928,896</u>	100.00%	<u>8,928,896</u>
Total direct and overlapping debt outstanding	<u>\$ 709,743,665,720</u>	<u>\$ 1,916,005,486</u>		<u>\$ 67,063,229</u>

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

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

Source: Oregon State Treasury Department, Debt Management Division

CITY OF MILWAUKIE, OREGON

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

	Fiscal Year Ended				
	2007	2008	2009	2010	2011
Debt maximum limitation	\$ 64,372	\$ 73,435	\$ 76,181	\$ 69,019	\$ 62,716
Debt applicable to maximum limit	1,665	1,280	875	450	-
Legal debt margin available	<u>\$ 66,037</u>	<u>\$ 74,715</u>	<u>\$ 77,056</u>	<u>\$ 69,469</u>	<u>\$ 62,716</u>
Debt applicable to the maximum limit as a percentage of debt limitation	2.59%	1.74%	1.15%	0.65%	0.00%

	2012	2013	2014	2015	2016
	Debt maximum limitation	\$ 60,719	\$ 57,459	\$ 62,842	\$ 68,609
Debt applicable to maximum limit	-	-	-	3,585	3,450
Legal debt margin available	<u>\$ 60,719</u>	<u>\$ 57,459</u>	<u>\$ 62,842</u>	<u>\$ 65,024</u>	<u>\$ 67,592</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0.00%	0.00%	0.00%	5.23%	4.86%

Legal debt margin calculation for fiscal year ended June 30, 2016:

Total property real market value	\$ 2,368,056,677
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) ¹	<u>71,041,700</u>
Amount of debt applicable to debt limit:	
Total debt	10,375,596
Less debt excluded from debt limit:	
Oregon SELP and SPWF loans	(589,398)
PERS UAL bonds	(3,715,000)
Full Faith and Credit Obligation bonds	(855,000)
Oregon DEQ loan	(1,446,700)
Premiums	(319,498)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>-</u>
Net amount of debt applicable to limit	<u>3,450,000</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 67,591,700</u>
Percentage of City's indebtedness to total allowed	4.86%

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

Source: Clackamas County Department of Assessment and Taxation

CITY OF MILWAUKIE, OREGON

PLEGDED-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	
2007	\$2,264,937	\$1,759,500	\$ 505,437	\$ 105,000	\$ 25,260	3.88
2008	2,101,807	1,423,062	678,745	115,000	19,800	5.04
2009	2,137,300	1,461,628	675,672	120,000	13,475	5.06
2010	2,528,894	1,513,875	1,015,019	125,000	6,875	7.70
2011	-	-	-	-	-	n/a
2012	-	-	-	-	-	n/a
2013	-	-	-	-	-	n/a
2014	-	-	-	-	-	n/a
2015	-	-	-	-	-	n/a
2016	-	-	-	-	-	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	
2007	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2008	-	-	-	-	-	n/a
2009	-	-	-	-	-	n/a
2010	-	-	-	-	-	n/a
2011	-	-	-	-	-	n/a
2012	4,539,621	3,503,728	1,035,893	96,229	9,405	9.81
2013	6,323,714	4,802,943	1,520,771	96,458	4,461	15.07
2014	6,531,522	5,815,520	716,002	96,458	4,220	7.11
2015	6,893,855	5,772,119	1,121,736	96,458	7,958	10.74
2016	7,289,147	6,186,770	1,102,377	96,500	7,250	10.63

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

Source: Annual financial statements of the City of Milwaukie

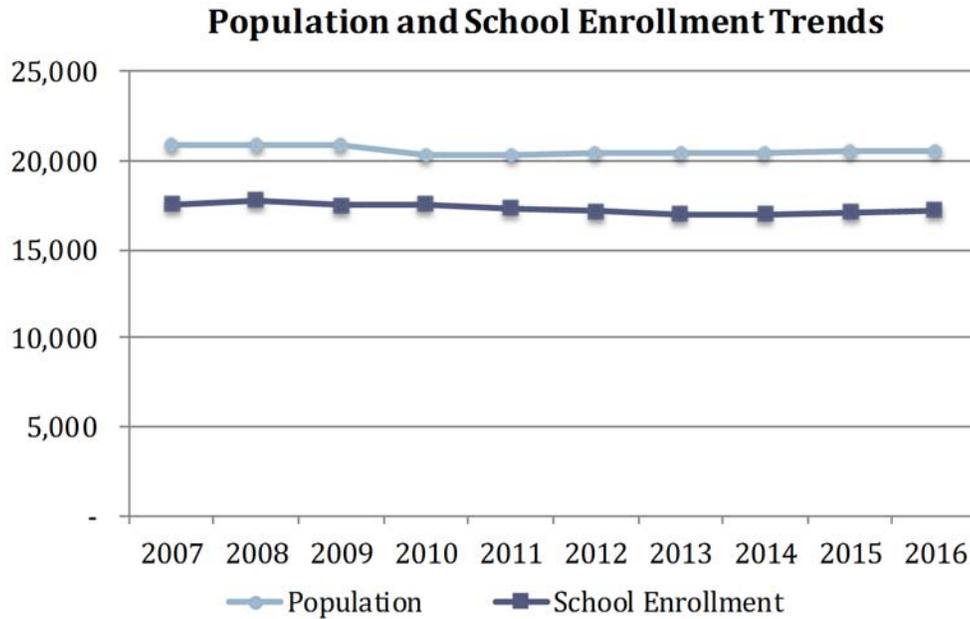
CITY OF MILWAUKIE, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS
for the last ten fiscal years

<u>Fiscal year</u>	<u>Population</u>	<u>income (in thousands)</u>	<u>personal income</u>	<u>School enrollment</u>	<u>Unemployment rate</u>
2007	20,920	\$ 834,771	\$ 39,903	17,535	4.1 %
2008	20,915	866,090	41,410	17,772	5.3
2009	20,920	815,231	38,969	17,506	10.7
2010	20,291	808,454	39,843	17,530	8.7
2011	20,290	838,018	41,302	17,334	9.6
2012	20,400	879,301	43,103	17,152	8.7
2013	20,435	893,582	43,728	16,976	7.8
2014	20,435	935,800	45,794	16,993	4.6
2015	20,491	*	*	17,130	5.5
2016	20,491	*	*	17,241	5.2

* Information unavailable at this time.

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



CITY OF MILWAUKIE, OREGON

PRINCIPAL EMPLOYERS
current year and nine years ago

Employer	2016			2012²		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Blount Inc.	876	1	6.39%			
PCC Structural Inc.	431	2	3.15	500	2	3.62%
North Clackamas School District ¹	385	3	2.81	385	4	2.79
Oeco LLC	375	4	2.74	300	5	2.17
Providence Milwaukie Hospital	364	5	2.66			
Bob's Red Mill Natural Foods	300	6	2.19			
Nature Bake	289	7	2.11			
ODS (Moda)	260	8	1.90			
Fred Meyer	249	9	1.82			
Active Telesource	170	10	1.24			
Plumbing & Mech Contractors	164	11	1.20			
Advanced Entry System	150	12	1.09	150	15	1.09
Stoner Electric Group	150	13	1.09	150	19	1.09
City of Milwaukie	137	14	1.00	138	20	1.00
Dark Horse Comics	125	15	0.91	125	21	0.91
Willamette View, Inc.	125	16	0.91	125	22	0.91
North Clackamas Aquatic Park	125	17	0.91			
Columbia Packaging	120	18	0.88			
Rose Villa	120	19	0.88			
Alpine Food Distributing	113	20	0.82			
Team Northwest	100	21	0.73			
Ivey Performance Marketing	100	22	0.73			
Keller Williams Realty	100	23	0.73			
Walmart Neighborhood Market	100	24	0.73			
Providence Heart Clinic	100	25	0.73			
United Grocers				630	1	4.57
R M International				500	3	3.62
Safeway (3 locations)				280	6	2.03
Warn Industries Inc.				250	7	1.81
Schellenberg Tech Center (3 locations)				200	8	1.45
Goodwill				200	9	1.45
To Your Home from Willamette				200	11	1.45
Marquis Home Health				200	10	1.45
Associated Chemists Inc.				175	12	1.27
Lowe's Home Improvement				175	13	1.27
Things From Another World				151	14	1.09
Auto Town GMC Inc, Mazda etc.				150	16	1.09
Benefithelp Solutions Inc.				150	17	1.09
Contractors Employment Services				150	18	1.09
Total	5,528		40.35%	5,284		38.29%

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

² The earliest available is 2012.

Sources: City of Milwaukie Business Registration database and ReferenceUSA

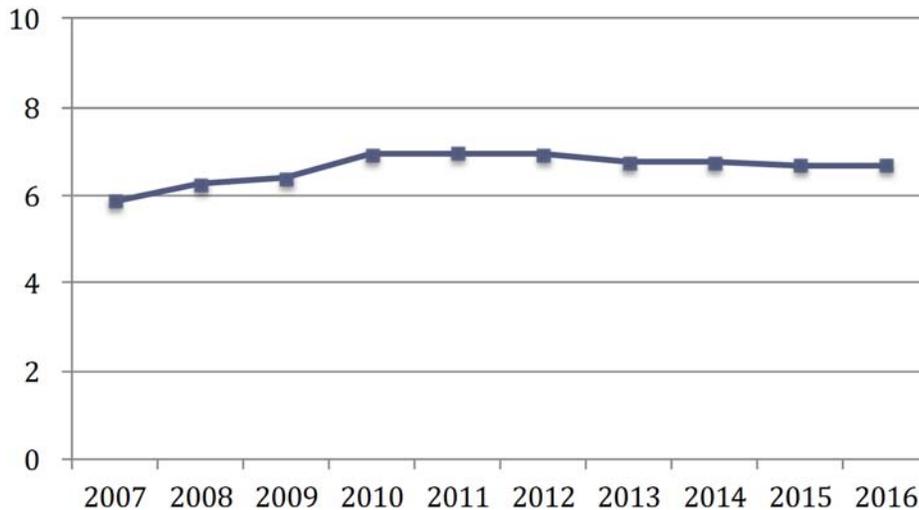
CITY OF MILWAUKIE, OREGON

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

Function/Program	Fiscal Year Ended									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	17.50	19.00	20.00	19.00	22.30	20.50	20.50	20.50	18.90	17.70
Public safety	37.00	41.00	41.00	43.00	41.50	42.00	42.25	42.25	41.85	41.85
Community services	18.96	19.16	19.34	24.25	23.79	24.76	23.76	23.76	25.26	26.46
Community development	18.67	22.72	23.00	23.75	24.50	24.50	23.50	23.50	20.60	20.60
Facilities	2.00	1.50	2.00	2.00	2.67	2.67	2.00	2.00	2.00	2.00
Streets	6.00	5.50	5.50	5.50	6.30	6.30	6.00	6.00	5.50	5.50
Water	6.34	5.84	5.84	5.84	6.30	7.30	7.00	7.00	7.20	7.20
Wastewater	4.83	5.33	5.33	5.33	5.00	5.00	5.00	5.00	5.00	5.00
Stormwater	5.83	5.33	5.33	5.33	5.80	5.80	5.25	5.25	7.80	7.80
Fleet services	6.00	5.50	6.25	6.75	3.00	3.00	3.00	3.00	3.00	3.00
Total FTEs	123.13	130.88	133.59	140.75	141.16	141.83	138.26	138.26	137.11	137.11
City Population	20,920	20,915	20,920	20,291	20,290	20,400	20,435	20,435	20,491	20,491
FTEs per 1,000 of population	5.89	6.26	6.39	6.94	6.96	6.95	6.77	6.77	6.69	6.69

Source: City of Milwaukie Finance Department

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



CITY OF MILWAUKIE, OREGON

OPERATING INDICATORS BY FUNCTION
for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Public safety										
Citations:										
Traffic	7,764	8,166	13,447	12,540	11,415	10,306	14,959	12,522	9,159	9,813
Parking	1,524	1,034	1,013	384	433	721	949	463	243	1,629
City Ordinance	160	150	85	74	90	114	137	92	141	93
Non-Traffic Violation	125	77	86	102	170	127	119	126	147	148
Total citations processed	9,573	9,427	14,631	13,100	12,108	11,268	16,164	13,203	9,690	11,683
Number of seat belt classes	158	183	212	218	40	34	65	54	27	42
Number of officers per 1,000 capita	1.75	1.80	1.70	1.70	1.80	1.90	1.60	1.60	1.60	1.60
Culture and recreation										
Library items in collection	111,588	108,767	107,924	117,788	121,078	121,982	120,075	117,693	118,024	115,040
Circulation	549,454	585,857	651,764	671,554	717,821	709,618	720,951	725,861	711,150	685,157
Average circulation per capita	26.82	28.59	31.81	33.01	35.48	33.70	18.43	18.25	17.84	17.08
Number of library programs	243	299	305	378	408	505	539	611	663	627
Attendance at library programs	6,846	8,356	9,902	11,415	11,987	12,619	15,580	17,230	19,565	20,079
Number of library volunteers	731	1,356	894	1,114	1,368	1,507	1,561	1,473	1,607	1,547
Library volunteer hours	6,427	7,592	6,992	8,513	8,493	8,679	9,591	9,004	9,798	9,948
Community development										
Building:										
Building permits issued	700	700	600	523	550	587	157	144	185	240
Inspections performed	3,200	3,200	3,200	2,784	1,450	1,430	1,514	1,577	1,693	1,872
Investigations	65	65	60	56	64	55	50	40	48	15
Violations resolved	30	30	24	18	20	19	25	29	33	9
Planning:										
Land use applications processed	35	31	21	14	15	72	60	37	37	100
Business-type activities:										
Water										
Service connections	-	-	6,911	6,911	7,000	6,929	6,690	6,777	6,813	6,870
Number of fire hydrants maintained	-	292	295	180	419	409	792	788	789	404
Sanitary sewer (in feet)										
Sewer mainline cleaning	31,935	133,010	125,344	139,876	125,000	110,610	143,034	109,594	134,263	99,998
Mainline inspections completed	67,655	126,360	143,566	113,401	125,000	125,894	152,541	124,525	134,663	165,396

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

Source: Various departments within the City of Milwaukie.

CITY OF MILWAUKIE, OREGON

CAPITAL ASSET STATISTICS BY FUNCTION
for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2007¹	2008¹	2009¹	2010¹	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government										
City-owned building facilities	4	4	4	4	4	5	5	5	5	5
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	23	23	24	13	17	24	24	24	24
Culture and recreation										
Library facility	1	1	1	1	1	1	1	1	1	1
Community development										
Residential Construction	\$ 3,359	\$ 1,866	\$ 1,283	\$ 417	\$ 312	\$ -	\$ 1,343	\$ 2,029	\$ 2,370	\$ 2,135
Commercial Construction	-	10,490	135	674	669	9,822	16,804	1,656	610	303
Total value of new building construction (<i>in thousands</i>) ²	3,359	12,356	1,418	1,091	982	9,822	18,147	3,685	2,980	2,438
Highways and streets										
Miles of streets (street lane miles)	158	158	158	158	215	165	158	158	160	160
Surface water catch basins	1,100	1,100	1,100	1,100	1,190	1,613	1,603	1,622	1,631	1,631
Business-type activities:										
Water										
Water mains (miles)	102	102	102	102	115	100	100	100	100	100
Number of pump stations	4	4	4	4	4	4	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	70	74	78	79	79	79	79
Number of sewer manholes	1,600	1,600	1,600	1,600	1,607	1,688	1,695	1,697	1,692	1,692

¹ Statistical information is not available for fiscal years 2007 – 2010. Therefore, estimates were used based upon best historical information available.

Source: Various departments within the City of Milwaukie.

SECTION IV

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATION

CITY OF MILWAUKIE, OREGON
COMPLIANCE SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following reports from Talbot, Korvola & Warwick LLP are contained in this section:

- Independent Auditor’s Report Required by Oregon State Regulations



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Mayor and City Council
City of Milwaukie
Milwaukie, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, and each major fund information of the City of Milwaukie, Oregon (the City) as of and for the year ended June 30, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2017.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- 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).

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY 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 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as follows:

- An over expenditure of transfers to other funds in the General Fund in the amount of \$418,807.
- An over expenditure of materials and services in the Library Fund in the amount of \$69,509.
- An over expenditure of materials and services in the Building Inspections Fund in the amount of \$2,884.
- Under the City's Local Contract Review Board Rule 30.035, the City is required to publish an advertisement for bid or proposal in at least one newspaper of general circulation for a construction contract that exceeds \$125,000. We noted one instance the City failed to publish this notice in a newspaper of general circulation.

OAR 162-10-0230 INTERNAL CONTROL

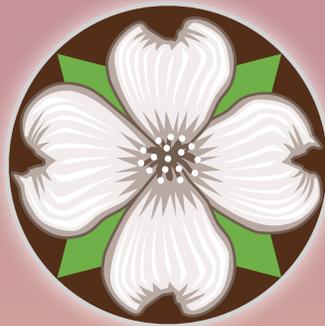
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose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

RESTRICTIONS ON USE

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

Talbot, Kovola & Warwick, LLP

Lake Oswego, Oregon
January 30, 2017



MILWAUKIE
FINANCE DEPARTMENT

Haley Fish, CPA•CFE
Finance Director

Bonnie Dennis, MBA
Assistant Finance Director