



OREGON CITY, OREGON

Comprehensive Annual Financial Report
For the year ended June 30, 2016

CITY OF OREGON CITY, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

Prepared by

City of Oregon City
Finance Department

Available at: www.orcity.org



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INTRODUCTORY SECTION





December 19, 2016

Honorable Mayor, Members of the City Commission
and Citizens of the City of Oregon City, Oregon

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Oregon City (the City) for the fiscal year ended June 30, 2016.

State statutes require that the City issue a complete set of audited financial statements within six months of the close of each fiscal year. The statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited, by a firm of licensed certified public accountants, in accordance with auditing standards generally accepted in the United States of America. This report meets statutory requirements as well as standards prescribed by the Oregon Secretary of State.

We believe the report 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 City. Management assumes full responsibility for the completeness and reliability of the information contained in the report based upon a comprehensive framework of internal control that has been established for that purpose. The internal control structure has been designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce financial statements that are fairly presented. The concept of reasonable assurance recognizes that the cost of maintaining the control structure should not exceed the benefits likely to be derived and that the evaluation of cost and benefits requires estimates and judgments by management.

Merina & Company, LLP, a firm of independent certified public accountants, audited the City's financial statements and issued an unmodified or "clean" opinion on the financial statements for the fiscal year ended June 30, 2016. The independent auditor's report is presented at the front of the Financial Section of the report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this transmittal letter and should be read in conjunction with it.

PROFILE OF THE CITY

Oregon City is the county seat of Clackamas County in Northwest Oregon, 13 miles south of Portland, Oregon at the confluence of the Willamette and Clackamas Rivers. Its unique topography includes three terraces, defined by steep hills or bluffs, which rise above the river, creating an elevation range from about 50 feet above sea level at the riverbank to more than 250 feet above sea level on the upper terrace. The City was established in 1829 and incorporated in 1844, becoming the capital of the Oregon Territory in 1894. Oregon City is home to shopping areas, recreational opportunities, businesses, a wide variety of historical and cultural attractions, and several interpretive centers and museums dedicated to celebrating the Pioneer spirit. It currently encompasses 9.2 square miles and has a current estimated population of 35,831.

The City operates under the provisions of its own charter and applicable state law with a council-manager form of government. The elected officials consist of the Mayor and four Commissioners. All positions have term limits and no person may hold office for more than two terms of four years in any ten year period. The Mayor and Commission vote on all ordinances and legislative matters, set policies for the City, and hire the City Manager. The City Manager is appointed by the City Commission to oversee the delivery of public services and is responsible for all administration and management.

The City provides a full range of municipal services to the community which include police protection, traffic control, transportation system improvements and maintenance, water, wastewater and stormwater utilities, planning, zoning and building regulation and inspections, economic development support, a community library, a municipal court and parks and recreation. Fire protection is provided separately by Clackamas County Fire District #1.

The Downtown Urban Renewal Agency (also known as the Oregon City Urban Renewal Commission) is a blended component unit of the City and is presented as a special revenue fund in this report.

Under state law, the City is required to adopt a balanced budget by July 1 for the fiscal year July 1 through June 30. The City has elected to operate with a biennial budget that spans two financial reporting periods. The budget sets forth the City Commission's goals and objectives, and identifies the resources necessary to accomplish those goals and objectives. The legal level of budgetary control is by department (Policy and Administration, Police, and Public Works, for example). Each department is budgeted separately within each fund and the object classifications of personal services, materials and services, and capital outlay are grouped together. Requirements not specific to a department, such as transfers and contingency, are budgeted separately within each fund. Appropriations lapse at the conclusion of each budget period, and incomplete projects must be re-appropriated in the following period as part of the adoption process.

ECONOMIC CONDITION

Oregon City's economy is linked with that of Clackamas County, the Portland Metropolitan Area, and the State of Oregon. Interstate 205 and State Highways 99E and 213 link Oregon City to Portland, Salem and Southwest Clackamas County. The Portland Metropolitan Area comprises Clackamas, Columbia, Multnomah, Washington and Yamhill Counties in Oregon, which together include over 47 percent of the State's population according to U.S. Census estimates.

Oregon continues to outpace the national average for growth. However, the nation's general economic slowdown has reached the State, which is now past its peak in terms of accelerated growth rates. Similar to other states, goods-producing and manufacturing industries in Oregon have weakened slightly, but most other sectors are growing at similar rates to the recent past.

The State is at or near full employment. While job growth in the area has decelerated somewhat in recent months, after significant gains for the past two years, Oregon continues to outpace the nation. Progress should soon be evident in broader measures of economic stability such as in increases to the median household income. The current household income in Oregon City is estimated at \$62,800, approximately 22.7% higher than the National average.

Government and education are the top employment sectors in Oregon City, constituting over 28% of all employment. As the Clackamas County seat, Oregon City is home to several County facilities that serve the region. The City is also home to Clackamas Community College's main campus. The College was founded in 1966 and is now one of the largest community colleges in the state of Oregon, serving an average of 38,000 students annually. Providence Willamette Falls Medical Center, a not for profit acute care hospital employing over 780 people, also operates in Oregon City. And the City is home to Benchmade Knife Company, Inc., premier manufacturer of world-class sports cutlery and edged tools.

Oregon City's real property market value and assessed value continue to steadily increase; the assessed (taxable) value, however, remains significantly lower than the real market value. The housing market in the area is extremely strong and supply has not met demand for both home ownership and rentals. This has caused prices to rise sharply and created concerns about housing affordability. Expectations for new construction in the next few years should alleviate some of the price pressures and have a positive effect on the economy as a whole. The median home value in the area was approximately \$336,000 at June 2016, an increase of 17.5% over the past year.

Most funds in the City are on fairly sound financial footing. The City's leadership, with support from the community, has continuously taken steps to provide sustainable City resources. Management closely monitors financial position and operations, particularly in the General Fund and business funds, to ensure continued sustainability.

LONG TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

Long-term financial plans are developed for each major operating fund of the organization. Revenue and expenditure estimates are updated as more information becomes available. The plans are presented in six-year or longer formats. Capital project budgets are included in the financial plans to ensure that adequate revenue sources are projected to be available for both the construction projects and the related operating costs that may be incurred when the projects are completed.

Every two years, the City Commission and executive staff participate in a biennial goal setting process and develop the City Commission Goals and Priorities. The Commission emphasized two goals as the highest priorities for the City: 1) Maintain an Environment for Successful Economic Development and 2) Address Critical Facility Needs. The first goal includes ongoing support for the Willamette Falls Legacy Project. It is one of the most important undertakings in our City's history. The 23-acre former industrial site along the Willamette River represents an opportunity to reconnect our community with Willamette Falls and to reclaim and repurpose a significant portion of the City's original downtown footprint.

The City Commission's commitment to address critical facility needs is evident in planned community facility projects like the Library expansion, which was completed during the fiscal year. Other important projects are the development of a funding strategy for a new Public Safety facility, the allocation of additional resources to parks maintenance, and planning for improvements to the Public Works Operations Center.

The City continues to be an active participant with regional partners, including Metro, Clackamas County, and the State of Oregon, in planning projects that will have a positive impact on future economic growth. The most significant project in the region is the Willamette Falls Legacy Project. It is focused around redevelopment of the site of the abandoned Blue Heron paper mill. It provides great potential for public access to and use of the Willamette Falls, as well as opportunities to continue to reinvigorate the City's economy, culture, and ecological health.

RELEVANT FINANCIAL POLICIES

The following financial policies are expected to have long-term effects on the City's financial position.

Revenue Policy

- ❖ The City will strive to maintain a diversified and stable revenue system to protect the city from fluctuations in any one revenue source
- ❖ One-time revenues should not be used for ongoing expenditures, but instead for one-time expenditures
- ❖ All City funds shall be safely invested to provide first, preservation of capital and a sufficient level of liquidity to meet cash flow needs and second, to provide the maximum yield possible
- ❖ Utility rates will be set at levels sufficient to cover operating expenses, meet debt obligations, and provide adequate levels of working capital
- ❖ The City will periodically review and revise user fees to recover the costs of those services to the extent possible
- ❖ The City will estimate its annual revenues objectively, analytically and conservatively

Budget Policy

- ❖ The City shall prepare, present, adopt and amend its operating budget in accordance with Oregon Local Budget Law
- ❖ The City shall establish contingency reserves to provide for unanticipated expenditures of a nonrecurring nature and to meet unexpected increases in service delivery costs; these funds may not be directly disbursed from the contingency reserve but only in accordance with local budget law in the State of Oregon

Reserve Policy

- ❖ The City will maintain an unallocated and unappropriated fund balance or retained earnings to provide working capital until sufficient revenues arrive to fund current operations
- ❖ It is the intent of the City to use surpluses generated to accomplish three goals: meet reserve policies, avoid future debt, and reduce outstanding debt

AWARDS AND ACKNOWLEDGEMENTS

For the fourth year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oregon City, Oregon, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards and satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA for consideration.

The City also received the GFOA's Distinguished Budget Presentation Award for its biennial budget document for the 2015-2017 biennium. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department. In addition, I would like to express my appreciation to members of the other City departments and divisions who assisted and contributed to its preparation. Finally, I would like to thank the Mayor and City Commissioners for their continued support in our efforts to improve the City's financial management and reporting. Without that support, this report would not have been possible.

Respectfully submitted,



Wyatt Parno, CPA
Finance Director

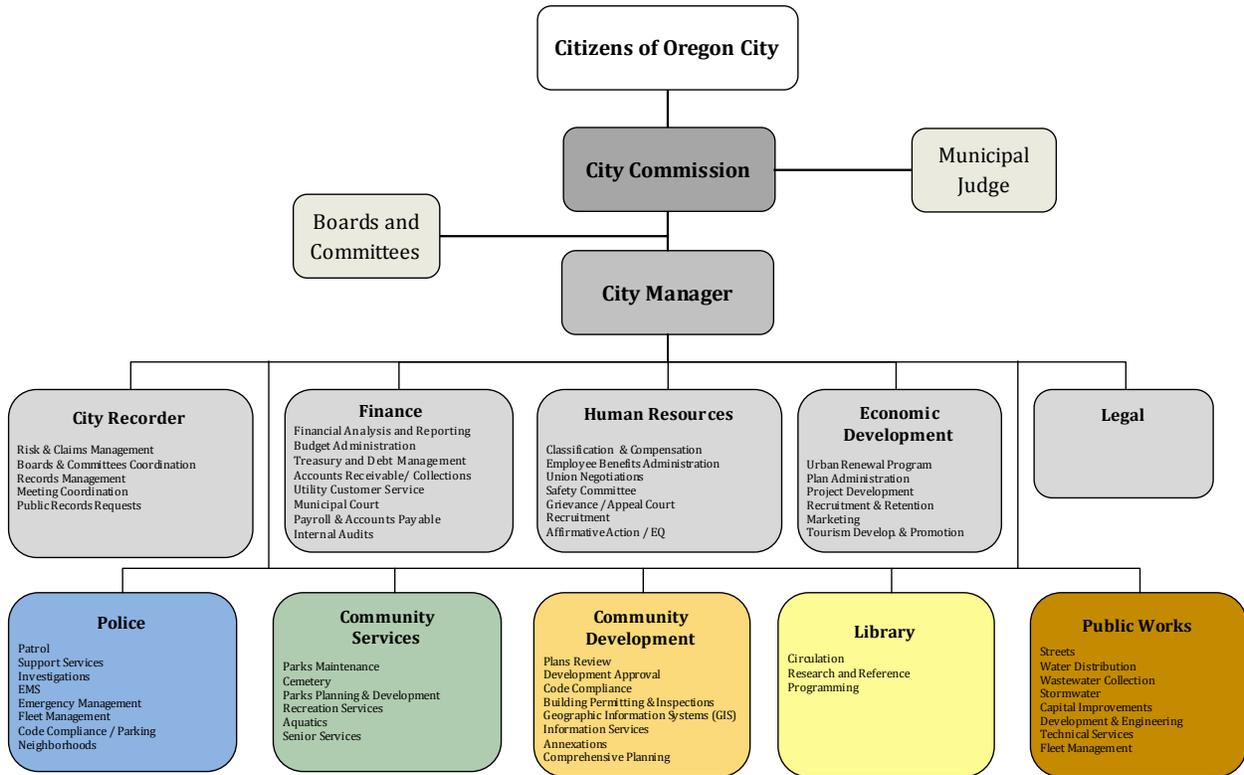
ELECTED OFFICIALS

<u>Name</u>	<u>Term Expires</u>
Mayor Dan Holladay	December 31, 2018
Commission Members	
Brian Shaw	December 31, 2018
Rocky Smith, Jr.	December 31, 2016
Carol Pauli	December 31, 2016
Renate Mengelberg	December 31, 2016

MANAGEMENT TEAM

<u>Name</u>	<u>Position</u>
Tony Konkol III	City Manager
James Band	Chief of Police
Maureen Cole	Library Director
John Lewis	Public Works Director
Phil Lewis	Community Services Director
Jim Loeffler	Human Resources Director
Wyatt Parno	Finance Director
Kattie Riggs	City Recorder
Laura Terway	Community Development Director
Eric Underwood	Economic Development Manager

CITY OF OREGON CITY, OREGON
ORGANIZATION CHART
JUNE 30, 2016





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Oregon City
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Oregon City, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon City, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and 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 management's discussion and analysis, the schedule of funding progress, schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedules of revenue, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

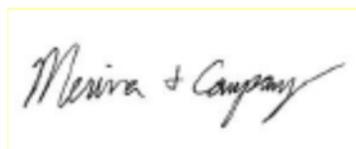
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a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

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 19, 2016, 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.

A handwritten signature in cursive script that reads "Merina & Company". The signature is enclosed in a thin yellow rectangular border.

Merina & Company, LLP
West Linn, Oregon
December 19, 2016



As management of the City of Oregon City, Oregon (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. Information in this Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with additional information provided in the transmittal letter, the basic financial statements and the accompanying notes to the financial statements, which are also included in this report.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows by \$198.55 million (reported as net position). Within the net position, \$24.01 million (unrestricted net position) may be used to meet the City's obligations to citizens and creditors.
- Total assets total \$248.87 million, an increase of \$10.36 million. Governmental type activities provided an increase of \$6.23 million while business-type activities increased \$4.14 million.
- The City's liabilities totaled \$50.25 million at June 30, 2016 consisting of \$43.44 million in long-term liabilities and \$6.81 million in accounts payable and other liabilities. The City's total outstanding bonded debt decreased by \$2.36 million due to current bond payments. However, total liabilities increased by \$6.87 million, mainly due to a net pension liability accrual.
- For its governmental activities, the City generated \$12.21 million in charges for services and \$5.88 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$35.75 million for the year, resulting in net program expenses of \$17.65 million. After an additional \$20.60 million of general revenues received and \$0.52 million of transfers in, governmental activities resulted in a \$3.47 million increase in net position.
- For its business-type activities, the City generated \$19.28 million in charges for services and \$1.34 million in operating and capital grants and contributions to fund direct expenses of \$17.12 million. After other general revenues of \$0.33 million and transfers out of \$0.52 million, business type net position increased by \$3.31 million.

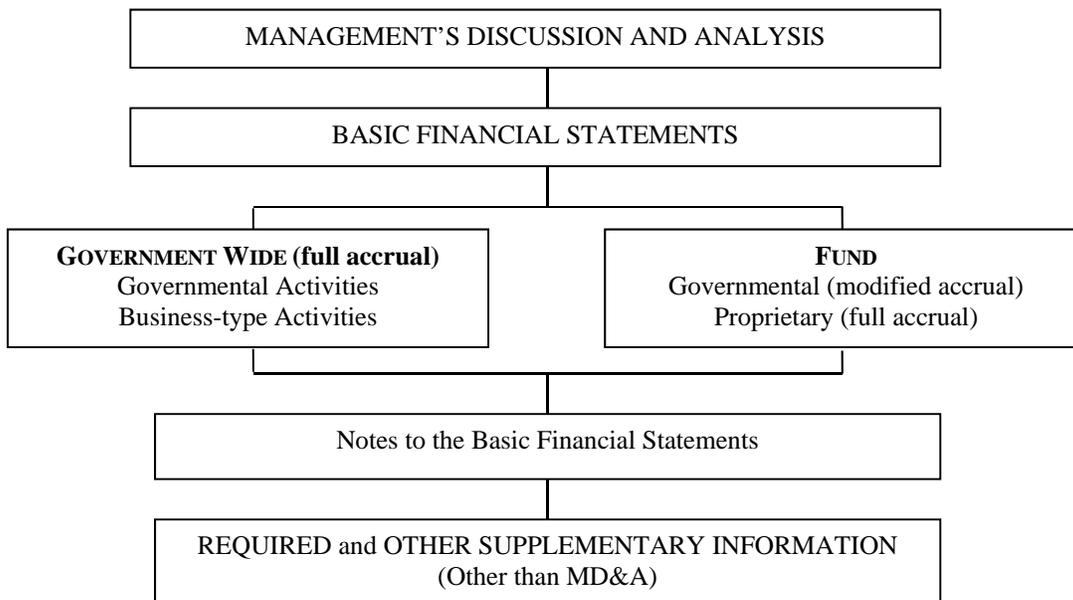
FUND LEVEL

- The City's governmental funds report a combined fund balance of \$46.96 million, a \$0.42 million increase over the beginning balance as amended. Of the total fund balance reported, \$40.49 million is considered nonspendable, restricted, committed or assigned. The remaining \$6.47 million, or 13.78%, is available for spending at the City's discretion.
- The proprietary funds, those used to account for programs which the City charges for the services it provides, reported combined net position of \$85.04 million, an increase of \$3.31 million over the amended beginning balance.
- Analysis of changes in net position and fund balances is further discussed later on in this MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of the annual report contains the basic financial statements and notes to those financial statements, required supplementary information and other supplementary information, including the combining statements and schedules of nonmajor funds. The following chart illustrates how the various divisions of the financial section are arranged relative to one another.

FINANCIAL SECTION COMPONENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements are designed to report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The statements include not only the City itself (known as the primary government) but also a legally separate urban renewal agency for which the City is financially accountable. The Statement of Net Position includes all of the City's assets (land, buildings, infrastructure such as streets, traffic signals, utility lines and bridges, etc.), deferred inflows and outflows, and liabilities (including general obligation long term debt), with the difference reported as net position.

The Statement of Activities presents information showing how the government's net position changed during the year. 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. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows or outflows in a future fiscal period. Examples of such items include earned but uncollected property taxes (future inflow), and earned but unused compensated absences (future outflow).

The net position provides a measure of the City's financial health or position. The two government-wide statements report the City's net position and how they have changed.

The government-wide financial statements can be found on pages 28 and 29 of this report. The statements are divided into two categories and distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities – Most of the City's basic services are included here, such as Police, Parks, Library, Planning and Zoning, Building, Traffic Control and Improvements, Street Construction and Maintenance, Parking and Code Enforcement, and General Administration (City Commission, City Manager, City Recorder, Legal, Finance, Human Resources, and Information Services).

Business-type activities – The City charges fees to customers to cover the costs of certain services it provides. The City's Water, Wastewater and Stormwater Utilities are included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds financials place emphasis on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term requirements.

The City maintains 11 individual governmental funds. Information is presented separately in the governmental funds' Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. The remaining governmental funds are reported as a combined total. The city reports six major governmental funds for the year ended June 30, 2016 as follows:

- General Fund
- Engineering
- System Development
- Urban Renewal
- Transportation
- Community Facilities

The governmental fund financial statements can be found on pages 30 through 33 in the basic financial statements. Summary fund data by fund-type for the nonmajor governmental funds is provided in the form of combining statements starting on page 84. Individual fund data for each of these nonmajor governmental funds is provided as Supplementary Information on pages 87 through 91.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts a biennial appropriated budget for all governmental funds. The current budget period is July 1, 2015 through June 30, 2017. To demonstrate compliance with the budget, budgetary comparison schedules have been provided as Required Supplementary Information for the General Fund on page 70 and for the major special revenue funds on pages 71 through 74. Additional budgetary compliance with the major capital projects fund and other governmental funds is included in Other Supplementary Information on page 82 and 87 through 91, respectively.

Proprietary funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains a total of 6 proprietary funds; these are classified as either enterprise funds or internal service funds.

Enterprise funds - Used to account for water utility, wastewater utility, and stormwater utility activities. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. All three enterprise funds are considered major funds.

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

Internal service funds – Used as an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fleet service, equipment replacement and customer service activities. Because internal service funds predominantly benefit business-type functions rather than governmental, their assets and liabilities have been included with business-type activities in the government-wide financial statements. Internal service funds are not considered major proprietary funds.

The proprietary fund financial statements can be found on pages 34 through 36 in the basic financial statements. The enterprise funds, water, wastewater, and stormwater are all considered to be major funds of the City and are reported separately in the proprietary fund financial statements in the basic financial statements. All internal service funds are combined into a separate single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements, pages 98 through 100 of this report.

The City also adopts a biennial appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison schedules have been provided for the enterprise funds as Supplementary Information on pages 94 through 96 and for the internal services funds, pages 102 through 104.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one Agency Fund for the Pioneer Community Center. The Statement of Changes in Assets and Liabilities for the Fiduciary Fund can be found on page 105.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them. The notes to the financial statements can be found starting on page 39 of this report.

OTHER INFORMATION

Required Supplementary Information - In addition to the basic financial statements and accompanying notes, this report presents certain supplementary information required by financial reporting standards. Required Supplementary Information can be found starting on page 70.

Other Supplementary Information - The report presents combining and individual fund statements and schedules as well as other financial schedules starting on page 82.

The report also includes statistical information including financial trends, and demographic and economic information. The Statistical Section starts on page 116.

GOVERNMENT WIDE FINANCIAL ANALYSIS

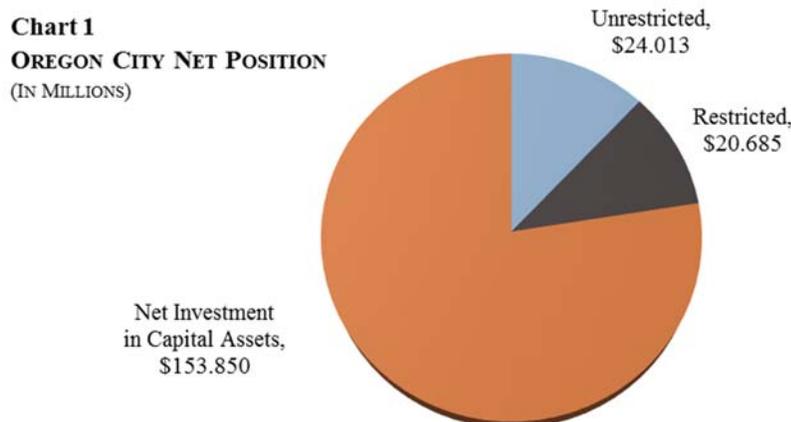
STATEMENT OF NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$198.55 million at the close of this year. This is an increase of \$6.78 million from the beginning balance, as amended.

TABLE 1
NET POSITION AS OF JUNE 30

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 52,104,769	\$ 53,235,783	\$ 25,511,466	\$ 23,464,023	\$ 77,616,235	\$ 76,699,806
Capital assets	107,198,581	99,842,414	64,052,758	61,963,791	171,251,339	161,806,205
Total assets	159,303,350	153,078,197	89,564,224	85,427,814	248,867,574	238,506,011
Deferred outflows of resources	1,316,247	820,654	408,753	285,707	1,725,000	1,106,361
Long term liabilities	40,271,253	35,521,292	3,166,078	2,037,375	43,437,331	37,558,667
Other liabilities	5,429,910	4,358,256	1,382,381	1,461,216	6,812,291	5,819,472
Total liabilities	45,701,163	39,879,548	4,548,459	3,498,591	50,249,622	43,378,139
Deferred inflows of resources	1,411,195	4,142,177	383,689	1,042,136	1,794,884	5,184,313
Net position:						
Net investment in capital assets	91,671,741	68,357,522	62,178,638	59,613,791	153,850,379	127,971,313
Restricted for:						
Debt service	96,672	69,805	-	-	96,672	69,805
Culture and recreation projects	3,880,701	871,643	-	-	3,880,701	871,643
Public works capital projects	14,602,946	2,301,110	-	-	14,602,946	2,301,110
Library operations	1,138,673	-	-	-	1,138,673	-
Building operations	965,513	915,944	-	-	965,513	915,944
Construction	-	33,145,717	-	-	-	33,145,717
Unrestricted	1,150,993	4,215,385	22,862,191	21,559,003	24,013,184	25,774,388
Total net position	<u>\$ 113,507,239</u>	<u>\$ 109,877,126</u>	<u>\$ 85,040,829</u>	<u>\$ 81,172,794</u>	<u>\$ 198,548,068</u>	<u>\$ 191,049,920</u>

At \$153.85 million, or 77.49%, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. Although the City's net investment in its 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 cannot, nor are expected to, be used to liquidate these liabilities or for future spending.



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

An additional portion of the City's net position, \$20.685 million, or approximately 10.42%, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position totaling \$24.013 million or approximately 12.09%. 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. The City's overall net position increase is explained in the government and business-type activities discussions below.

STATEMENT OF ACTIVITIES

As with the Statement of Net Position, the City reports governmental activities on a consolidated basis. A summary of the Statement of Activities is shown in Table 2 below.

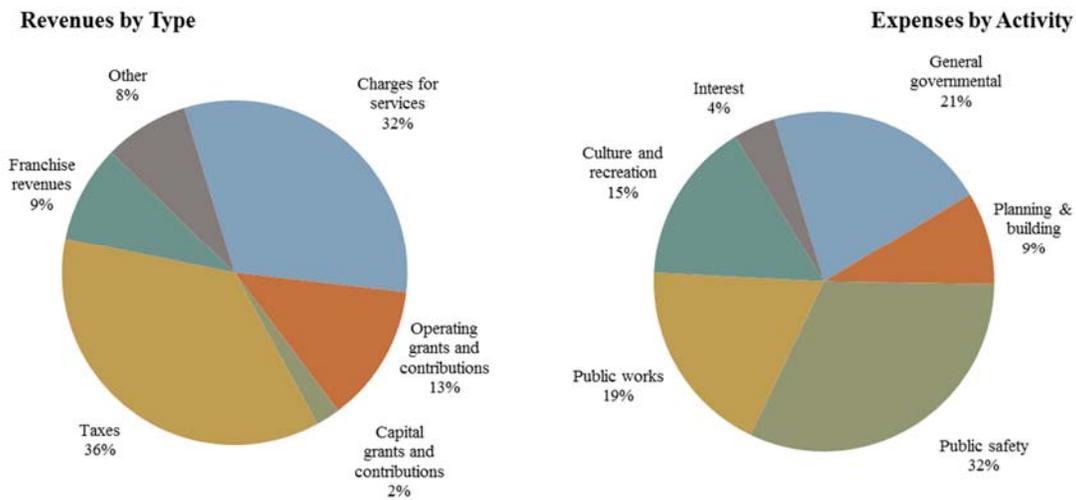
TABLE 2
CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 12,207,901	\$ 8,893,470	\$ 19,279,063	\$ 16,679,974	\$ 31,486,964	\$ 25,573,444
Operating grants and contributions	5,006,825	4,570,141	172,917	278,178	5,179,742	4,848,319
Capital grants and contributions	877,610	1,192,708	1,171,711	2,430,291	2,049,321	3,622,999
General revenues						
Property taxes	13,987,720	13,490,590	-	-	13,987,720	13,490,590
Franchise taxes	3,541,761	3,199,473	237,075	-	3,778,836	3,199,473
Other	3,067,889	3,151,485	91,944	99,323	3,159,833	3,250,808
<i>Total revenues</i>	<u>38,689,706</u>	<u>34,497,867</u>	<u>20,952,710</u>	<u>19,487,766</u>	<u>59,642,416</u>	<u>53,985,633</u>
Expenses						
General governmental	7,547,409	3,528,340	-	-	7,547,409	3,528,340
Public safety	11,383,715	8,309,944	-	-	11,383,715	8,309,944
Public works	6,685,545	5,319,822	-	-	6,685,545	5,319,822
Culture and recreation	5,524,614	5,072,036	-	-	5,524,614	5,072,036
Planning and building	3,174,168	3,382,547	-	-	3,174,168	3,382,547
Interest on long-term debt	1,430,985	1,417,462	-	-	1,430,985	1,417,462
Water	-	-	5,640,772	4,518,351	5,640,772	4,518,351
Wastewater	-	-	8,212,827	6,791,908	8,212,827	6,791,908
Stormwater	-	-	2,386,425	1,771,529	2,386,425	1,771,529
Fleet	-	-	875,496	805,419	875,496	805,419
<i>Total expenses</i>	<u>35,746,436</u>	<u>27,030,151</u>	<u>17,115,520</u>	<u>13,887,207</u>	<u>52,861,956</u>	<u>40,917,358</u>
Changes in net position before transfers	2,943,270	7,467,716	3,837,190	5,600,559	6,780,460	13,068,275
Transfers	523,873	7,884,435	(523,873)	(7,884,435)	-	-
Changes in net position	3,467,143	15,352,151	3,313,317	(2,283,876)	6,780,460	13,068,275
Beginning net position, as originally reported	109,877,126	113,572,492	81,172,794	84,453,605	191,049,920	198,026,097
Prior period adjustment	162,970	(19,047,517)	554,718	(996,935)	717,688	(20,044,452)
Beginning net position, as restated	110,040,096	94,524,975	81,727,512	83,456,670	191,767,608	177,981,645
Net position - ending	<u>\$ 113,507,239</u>	<u>\$ 109,877,126</u>	<u>\$ 85,040,829</u>	<u>\$ 81,172,794</u>	<u>\$ 198,548,068</u>	<u>\$ 191,049,920</u>

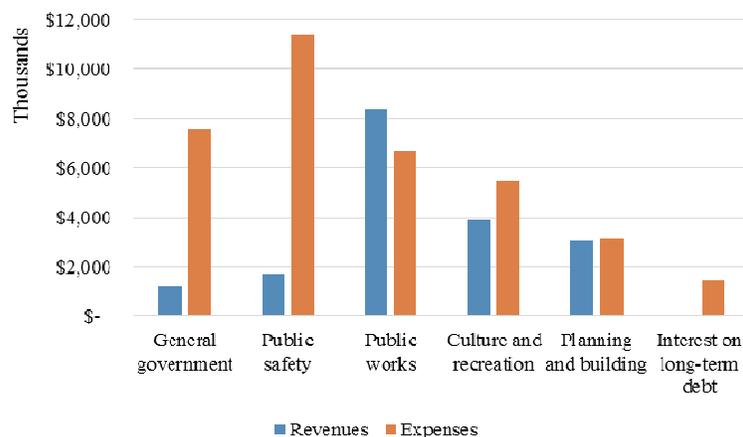
GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$3.47 million. Total revenues from governmental activities increased by \$4.19 million. Increases in charges for services, mainly due to increased development-driven system development charges, account for approximately \$3.31 million of the increase. Property taxes, the largest governmental revenue source, increased by approximately \$500,000 due to increases in assessed property valuation. A total of \$1.43 million were transferred in to a capital projects fund from Business-Type Activities, specifically Water, Wastewater, and Stormwater, to accumulate funds for the expansion of the Public Works facility. Governmental expenses increased by \$8.72 million; the largest component of the increase is an additional \$4.70 million of recognized pension expenses for the second year of implementation of GASB 68. The effects of GASB 68 implementation are further explained in the Notes to the Financial Statements. Other significant expenditure changes include an increase in the OPEB liability of \$1.02 million and increases in personnel services of \$2.49 million, mainly in Public Safety for increased benefit expenses and contractually required wage increases. Revenues and expenses of these governmental activities are highlighted below.

GOVERNMENTAL ACTIVITIES TOTAL REVENUES AND EXPENSES



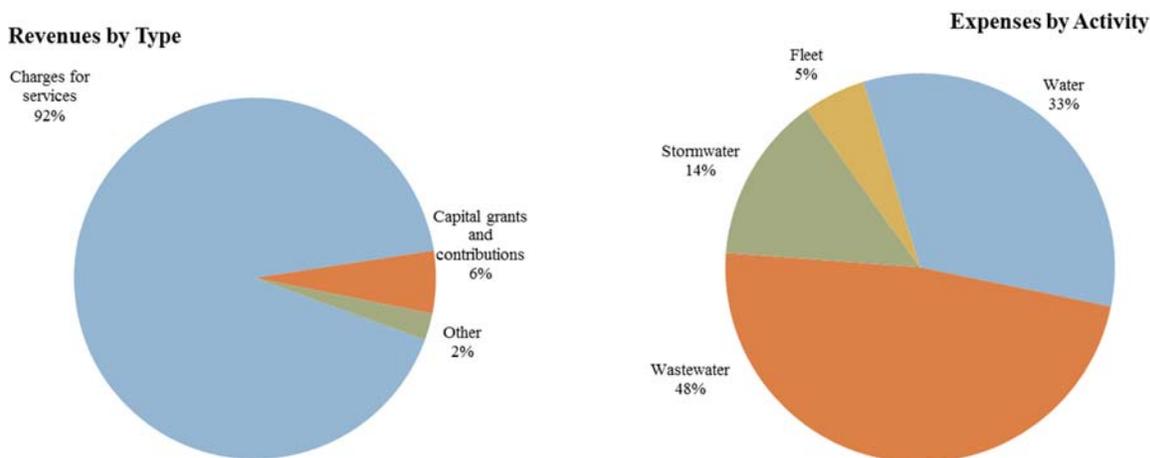
GOVERNMENTAL ACTIVITIES PROGRAM REVENUES AND EXPENSES



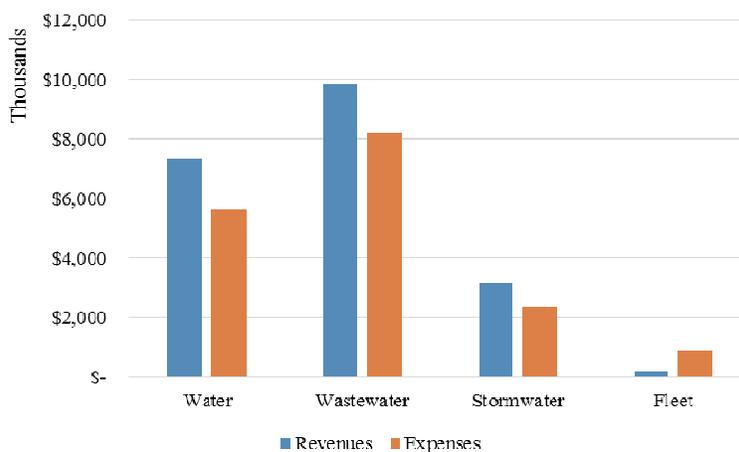
BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$3.31 million. The City can only use these assets to finance the continuing operations of water, wastewater, stormwater and fleet operations. The increase of net position is mainly attributed to increased utility rates, particularly in the wastewater fund to accumulate resources for the construction and repair of sewer lines. The City's sanitary sewer master plan identified certain deficiencies in capacity in areas within the City; the Commission authorized rate increases in order to fund the needed capital projects. Increases to expenses in the current year include a nearly \$400,000 increase in payments to Tri-City Sewer for wastewater treatment services and increases due to recognized pension expense of \$1.61 million. Lastly, personnel services increased by approximately \$300,000 for increased benefit expenses and contractually required wage increases.

BUSINESS-TYPE ACTIVITIES TOTAL REVENUES AND EXPENSES



BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES AND EXPENSES



FINANCIAL ANALYSIS OF MAJOR FUNDS

GOVERNMENTAL FUNDS

Major governmental funds include the General, Engineering, System Development, Urban Renewal, Street, and Community Facilities Funds.

- The General Fund is the City's main operating fund. Its ending fund balance increased \$1.25 million due additional collections related to the City's right-of-way and franchise programs, increased property tax revenues due to property valuations, and operational cost savings across all departments particularly from vacant positions that remained unfilled longer than anticipated.
- Engineering is the administrative fund for public works and capital projects. Revenues collected primarily from plan review and permits increased during the current year due to increased construction activity, resulting in increased fund balance of approximately \$417,000.
- The System Development Fund collects development charges relating to new construction or improvements and new development of the City's roads, parks, water, wastewater, and stormwater infrastructure. Ending fund balance increased \$2.20 million due to increased revenues combined with delayed construction projects.
- The Downtown URA Fund accumulated restricted tax increment revenues for future urban renewal projects as well as continued construction on capital projects such as the Amtrak Station and Phase II of McLoughlin Boulevard, resulting in an increase in fund balance of \$144,000.
- The Transportation fund collects gas taxes and pavement maintenance fees to repair and improve the City's roads, sidewalks and pathways. At year end, its fund balance increased by approximately \$261,000 as a result of increased revenues and contractual savings.
- The Community Facilities ending fund balance decreased \$5.28 million primarily due to funds spent on the construction for expansion of the city's library. Funds are committed for the construction of a public works facility (\$7.97 million), expansion of the city's library (\$3.00 million), a public safety facility (\$551,000) and general facilities0. (\$100,000).

PROPRIETARY FUNDS

Major proprietary funds include the Water, Wastewater, and Stormwater Funds. All three major proprietary funds had to the net position mainly due to programmed utility rate increases.

- The net position increase for the Water Fund was \$860,000 related to programmed utility rate increases combined with budgetary savings in operations.
- The net position increase for the Wastewater Fund was \$1.77 million due to a \$1.22 million increase in programmed utility rates and \$237,000 in franchise taxes to accumulate funds for the replacement and upgrade of sewer lines that were found to be inadequate or failing.
- The net position increase for the Stormwater Fund was \$477,000 related to programmed utility rate increases to fund capital improvement projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The total budget for the General Fund was increased during the year by \$396,000 to recognize unanticipated Public, Educational and Government (PEG) revenue from a recently executed cable franchise agreement and the addition of a government relations manager. While property tax and franchise taxes were higher than anticipated, there were no revenue or expense categories in the General Fund which exceeded the biennial budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2016, the City had approximately \$171.25 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, bridges, water and sewer lines. Capital assets comprise approximately 68.8% of all City assets. Of that total, infrastructure is the largest component of both governmental and business-type activities. Infrastructure includes road improvements, sidewalks, stormwater systems, sewer lines, and water lines. The second largest component is made up of buildings and improvements.

TABLE 3
CAPITAL ASSETS, NET OF DEPRECIATION
AS OF JUNE 30

	Governmental Activities		Business-type Activities		Total Government-wide	
	2016	2015	2016	2015	2016	2015
Land	\$ 11,639,033	\$ 11,239,116	\$ 1,681,195	\$ 1,681,195	\$ 13,320,228	\$ 12,920,311
Construction in progress	7,841,049	1,396,710	332,443	457,163	8,173,492	1,853,873
Equipment	960,120	1,008,470	2,261,697	1,835,927	3,221,817	2,844,397
Buildings and improvements	1,962,897	2,010,419	11,820,430	10,863,679	13,783,327	12,874,098
Infrastructure	84,795,482	84,293,366	47,956,993	47,125,827	132,752,475	131,419,193
Total	\$ 107,198,581	\$ 99,948,081	\$ 64,052,758	\$ 61,963,791	\$ 171,251,339	\$ 161,911,872

Total increases of \$15.37 million in the current year were offset by net decreases of \$77,540 and depreciation expense of \$5.95 million. Major capital asset activities during the fiscal year are highlighted below. Additional information on the City's capital assets can be found in Note 2.C starting on page 51 of this report.

- ❖ Library expansion, \$6.82 million
- ❖ Pump station and sanitary sewer improvements, \$1.54 million
- ❖ Oregon City roadway reconstruction, \$1.45 million
- ❖ Vehicle and equipment purchases, \$1.44 million
- ❖ Water line replacements and upgrades, \$0.53 million
- ❖ Stormwater system improvements, \$0.52 million

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total debt outstanding of approximately \$31.47 million. Of this amount, \$29.55 million represents outstanding debt for the governmental funds while \$1.925 million is for business-type activities. The City's total debt outstanding represents long term borrowings.

Outstanding bonds totaling \$6.06 million are voter approved general obligation bonds which are paid by ad-valorem tax on all taxable property in the City. PERS pension bonds in the amount of \$14.02 million are limited tax obligation funds that are payable from various City funds that have personal services. Urban Renewal bonds totaling \$9.47 million are paid from tax increment ad-valorem taxes.

The City's bonded debt for business-type activities includes one sewer revenue bond. The total amount of sewer bonds outstanding is \$1.925 million at June 30, 2016. All of the business-type activity bonds are paid from net revenues of sewer system.

In addition to long term debt outstanding, the City has long term compensated absences liability of \$769,344.

The City maintained an AA underlying rating with stable outlook by Standard & Poor's for general obligation debt. The outstanding sewer revenue bond has bond insurance provided by Financial Guaranty Insurance Company (FGIC)

and this raises the rating to the highest level, AAA.

The City is subject to a debt limit in which general obligation debt issues are limited to three percent of real market value of all taxable property within the City's boundaries. The City was below the legal debt limit.

TABLE 4
LONG-TERM DEBT OUTSTANDING AS OF JUNE 30

	Governmental Activities		Business-type Activities		Total Government-wide	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 6,059,360	\$ 6,657,772	\$ -	\$ -	\$ 6,059,360	\$ 6,657,772
Limited Obligation Bonds	14,020,000	14,590,000	-	-	14,020,000	14,590,000
Revenue Bonds	-	-	1,925,000	2,350,000	1,925,000	2,350,000
Tax Increment Bonds	9,467,480	10,237,120	-	-	9,467,480	10,237,120
Total Issued Debt Outstanding	29,546,840	31,484,892	1,925,000	2,350,000	31,471,840	33,834,892
Compensated Absences	621,377	612,930	147,967	140,469	769,344	753,399
Total Long Term Debt	\$ 30,168,217	\$ 32,097,822	\$ 2,072,967	\$ 2,490,469	\$ 32,241,184	\$ 34,588,291

Additional information on the City's debt can be found in Notes 2.E through G on pages 53 through 55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the preparation of the budget for the current biennium, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The City adopted a biennial budget in the amount of \$165,299,745 for the two years beginning July 1, 2015 and ending June 30, 2017. This budget has been amended throughout this fiscal year bringing the amended total appropriations to \$166,220,745. The following are the major assumptions used in developing the 2015-17 biennial budget:

- ❖ The City's population was estimated at 34,594 with annual growth of 1.0%
- ❖ The City's tax rate remains at \$4.4090, lower than the City's permanent levy rate of \$5.0571
- ❖ Assessed values, the basis of property tax revenues, are expected to grow by 4% annually
- ❖ Charges for services are scheduled to increase between 3.0% and 9.0% depending on previously approved indexing schedules
- ❖ Interest rates on investments are 0.54% based on actual rates and are not projected to increase in the biennium
- ❖ The average increase for the cost of goods and contracts is projected at 3.0% annually
- ❖ Cost of Living increases were proposed for all employees in the amount of 2.0% to 3.0%
- ❖ Health benefit costs will increase by 12.0% in 2016 and an additional 5.0% in 2017 based on current claims and premiums projections prepared by the City's benefits broker
- ❖ Public Employees Retirement System (PERS) contributions are forecasted to increase by 5.0%
- ❖ Capital projects and equipment costs are projected to increase by 2.0% annually

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Finance Director at P.O. Box 3040, Oregon City, Oregon 97045-0304.



BASIC FINANCIAL STATEMENTS

CITY OF OREGON CITY, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 49,363,814	\$ 12,817,231	\$ 62,181,045
Accounts receivable	1,708,866	2,439,398	4,148,264
Property taxes receivable	861,727	-	861,727
Assessment liens receivable	767,473	143,031	910,504
Notes receivable	479,142	-	479,142
Inventories	-	153,933	153,933
Internal balances	(1,160,893)	1,160,893	-
Other assets	84,640	-	84,640
Investment in South Fork Water Board	-	8,796,980	8,796,980
Non-depreciable capital assets	19,480,082	2,013,638	21,493,720
Other capital assets, net of depreciation	87,718,499	62,039,120	149,757,619
	<u>159,303,350</u>	<u>89,564,224</u>	<u>248,867,574</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	50,880	50,880
Deferred resources related to pensions	1,316,247	357,873	1,674,120
	<u>1,316,247</u>	<u>408,753</u>	<u>1,725,000</u>
LIABILITIES			
Accounts payable	1,599,704	741,036	2,340,740
Accrued payroll liabilities	550,681	141,758	692,439
Deposits payable	909,264	-	909,264
Accrued interest payable	143,461	19,994	163,455
Unearned revenue	37,284	-	37,284
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,065,241	450,000	2,515,241
Accrued compensated absences	124,275	29,593	153,868
Due in more than one year:			
Long-term debt	27,481,599	1,475,000	28,956,599
Accrued compensated absences	497,102	118,374	615,476
Net pension liability	5,784,346	1,572,704	7,357,050
Other post employment benefits	6,508,206	-	6,508,206
	<u>45,701,163</u>	<u>4,548,459</u>	<u>50,249,622</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred resources related to pensions	1,411,195	383,689	1,794,884
NET POSITION			
Net investment in capital assets	91,671,741	62,178,638	153,850,379
Restricted for:			
Debt service	96,672	-	96,672
Culture and recreation capital projects	3,880,701	-	3,880,701
Public works capital projects	14,602,946	-	14,602,946
Library operations	1,138,673	-	1,138,673
Building operations	965,513	-	965,513
Unrestricted	1,150,993	22,862,191	24,013,184
	<u>\$ 113,507,239</u>	<u>\$ 85,040,829</u>	<u>\$ 198,548,068</u>

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

CITY OF OREGON CITY, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government	\$ 7,547,409	\$ 1,216,065	\$ -	\$ -	\$ (6,331,344)	\$ -	\$ (6,331,344)
Public safety	11,383,715	1,602,172	136,424	-	(9,645,119)	-	(9,645,119)
Public works	6,685,545	4,954,538	2,324,987	859,610	1,453,590	-	1,453,590
Culture and recreation	5,524,614	1,503,604	2,392,151	18,000	(1,610,859)	-	(1,610,859)
Planning and building	3,174,168	2,931,522	153,263	-	(89,383)	-	(89,383)
Interest on long-term debt	1,430,985	-	-	-	(1,430,985)	-	(1,430,985)
Total Governmental activities	35,746,436	12,207,901	5,006,825	877,610	(17,654,100)	-	(17,654,100)
Business-type activities:							
Water	5,640,772	6,833,922	172,917	346,023	-	1,712,090	1,712,090
Wastewater	8,212,827	9,618,375	-	279,356	-	1,684,904	1,684,904
Stormwater	2,386,425	2,625,274	-	546,332	-	785,181	785,181
Fleet	875,496	201,492	-	-	-	(674,004)	(674,004)
Total Business-type activities	17,115,520	19,279,063	172,917	1,171,711	-	3,508,171	3,508,171
Total Activities	\$ 52,861,956	\$ 31,486,964	\$ 5,179,742	\$ 2,049,321	(17,654,100)	3,508,171	(14,145,929)
General revenues:							
Property taxes					13,987,720	-	13,987,720
Franchise taxes					3,541,761	237,075	3,778,836
Intergovernmental revenues not restricted for specific purposes					920,764	-	920,764
Unrestricted investment earnings					364,128	91,944	456,072
Miscellaneous					1,782,997	-	1,782,997
Total General revenues					20,597,370	329,019	20,926,389
Transfers					523,873	(523,873)	-
Change in net position					3,467,143	3,313,317	6,780,460
Beginning net position					109,877,126	81,172,794	191,049,920
Prior period adjustment					162,970	554,718	717,688
Beginning net position, as restated					110,040,096	81,727,512	191,767,608
Ending net position					\$ 113,507,239	\$ 85,040,829	\$ 198,548,068

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

CITY OF OREGON CITY, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Engineering	System Development	Urban Renewal	Transportation	Community Facilities Capital Projects	Other Governmental Funds	Total
ASSETS								
Cash and investments	\$ 7,291,057	\$ 1,308,059	\$ 17,829,631	\$ 3,181,117	\$ 2,294,370	\$ 12,178,044	\$ 5,281,536	\$ 49,363,814
Receivables:								
Accounts	843,770	978	24,053	7,500	468,507	135,628	228,430	1,708,866
Property taxes	703,099	-	-	139,588	-	-	19,040	861,727
Assessment liens	-	-	767,473	-	-	-	-	767,473
Notes	153,150	-	-	-	-	-	325,992	479,142
Prepaid insurance	52,400	-	-	-	-	-	-	52,400
Due from other funds	64,733	-	-	-	-	-	-	64,733
Deposits	7,241	-	-	-	-	-	24,999	32,240
TOTAL ASSETS	\$ 9,115,450	\$ 1,309,037	\$ 18,621,157	\$ 3,328,205	\$ 2,762,877	\$ 12,313,672	\$ 5,879,997	\$ 53,330,395
LIABILITIES								
Accounts payable	\$ 413,850	\$ 19,145	\$ 118,340	\$ 193	\$ 103,402	\$ 693,985	\$ 250,789	\$ 1,599,704
Accrued payroll	410,720	18,003	-	-	40,185	-	81,773	550,681
Deposits payable	3,500	840,819	63,445	1,500	-	-	-	909,264
Unearned revenue	37,284	-	-	-	-	-	-	37,284
Due to other funds	-	-	-	1,225,626	-	-	-	1,225,626
TOTAL LIABILITIES	865,354	877,967	181,785	1,227,319	143,587	693,985	332,562	4,322,559
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	811,216	-	767,473	126,584	-	-	343,300	2,048,573
FUND BALANCES								
Non-spendable								
Prepaid insurance	52,400	-	-	-	-	-	-	52,400
Deposits	7,241	-	-	-	-	-	-	7,241
Restricted for:								
Debt service	-	-	-	1,235,695	-	-	96,672	1,332,367
Culture and recreation capital projects	-	-	3,880,701	-	-	-	-	3,880,701
Library operations	-	-	-	-	-	-	1,467,882	1,467,882
Building operations	-	-	-	-	-	-	1,235,580	1,235,580
Public works capital projects	-	-	13,791,198	-	871,215	-	-	14,662,413
Committed to:								
Debt service	-	-	-	-	-	-	2,051,644	2,051,644
Culture and recreation projects	373,808	-	-	-	-	2,998,474	-	3,372,282
Economic development capital projects	535,074	-	-	-	-	-	-	535,074
Planning and building operations	-	-	-	-	-	-	352,357	352,357
Public facilities	-	-	-	-	-	100,412	-	100,412
Public safety facility construction	-	-	-	-	-	550,871	-	550,871
Public works capital projects	-	431,070	-	-	1,748,075	7,969,930	-	10,149,075
Urban renewal capital projects	-	-	-	738,607	-	-	-	738,607
Unassigned	6,470,357	-	-	-	-	-	-	6,470,357
TOTAL FUND BALANCES	7,438,880	431,070	17,671,899	1,974,302	2,619,290	11,619,687	5,204,135	46,959,263
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,115,450	\$ 1,309,037	\$ 18,621,157	\$ 3,328,205	\$ 2,762,877	\$ 12,313,672	\$ 5,879,997	\$ 53,330,395

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

CITY OF OREGON CITY, OREGON

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Fund Balances - Combined Balance Sheet	\$	46,959,263
The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.		
		2,048,573
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.		
Cost		141,460,468
Accumulated depreciation		(34,261,887)
All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.		
Compensated absences payable		(621,377)
Other post employment benefits		(6,508,206)
Accrued interest payable		(143,461)
Long-term debt payable		(29,546,840)
Long-term assets relating to pensions are prepaid or are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net amortized value		
Net pension liability		(5,784,346)
Deferred inflows related to pensions		(1,411,195)
Deferred outflows related to pensions		1,316,247
Net Position of Governmental Activities	\$	113,507,239

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

CITY OF OREGON CITY, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	General	Engineering	System Development	Urban Renewal	Transportation	Community Facilities Capital Projects	Other Governmental Funds	Total
REVENUES								
Property taxes	\$ 11,433,540	\$ -	\$ -	\$ 2,195,396	\$ -	\$ -	\$ 300,082	\$ 13,929,018
Franchise taxes	3,541,761	-	-	-	-	-	-	3,541,761
Assessments and other taxes	284,276	-	-	-	-	-	-	284,276
Licenses and permits	550,388	428,887	-	-	-	-	1,480,045	2,459,320
Charges for services	1,794,061	33,214	-	-	2,280,071	509,096	986,460	5,602,902
System development charges	-	-	3,517,261	-	-	-	-	3,517,261
Intergovernmental	1,647,115	-	36,195	-	2,003,348	18,000	2,191,957	5,896,615
Fines and forfeitures	818,239	-	-	-	-	-	-	818,239
Interest income	134,852	3,272	81,720	26,144	9,323	82,346	26,471	364,128
Miscellaneous	383,940	-	66,227	65,589	-	-	1,528,158	2,043,914
TOTAL REVENUES	20,588,172	465,373	3,701,403	2,287,129	4,292,742	609,442	6,513,173	38,457,434
EXPENDITURES								
General government	5,813,701	-	-	-	-	-	-	5,813,701
Public safety	8,834,120	-	-	-	-	-	-	8,834,120
Public works	-	670,357	1,090,578	869,258	3,768,255	-	-	6,398,448
Culture and recreation	3,349,120	-	-	-	-	-	1,265,397	4,614,517
Planning and building	-	-	-	-	-	-	2,676,958	2,676,958
Debt service								
Principal	-	-	186,000	769,641	-	-	1,168,412	2,124,053
Interest	-	-	-	504,143	-	-	938,545	1,442,688
Capital outlay								
Public safety	-	-	-	-	-	60,783	-	60,783
Public works	-	-	-	-	-	399,917	-	399,917
Culture and recreation	-	-	-	-	-	6,853,782	-	6,853,782
TOTAL EXPENDITURES	17,996,941	670,357	1,276,578	2,143,042	3,768,255	7,314,482	6,049,312	39,218,967
REVENUES OVER (UNDER) EXPENDITURES	2,591,231	(204,984)	2,424,825	144,087	524,487	(6,705,040)	463,861	(761,533)
OTHER FINANCING SOURCES (USES)								
Transfers in	375,150	625,080	20,000	-	94,577	1,430,000	972,557	3,517,364
Transfers out	(1,716,666)	(3,500)	(247,229)	-	(358,184)	-	(16,020)	(2,341,599)
TOTAL OTHER FINANCING SOURCES (USES)	(1,341,516)	621,580	(227,229)	-	(263,607)	1,430,000	956,537	1,175,765
NET CHANGE IN FUND BALANCE	1,249,715	416,596	2,197,596	144,087	260,880	(5,275,040)	1,420,398	414,232
FUND BALANCE, beginning of year	6,189,165	14,474	15,474,303	1,830,215	2,301,110	16,894,727	3,783,737	46,487,731
Prior period adjustment	-	-	-	-	57,300	-	-	57,300
FUND BALANCE, beginning of year, as restated	6,189,165	14,474	15,474,303	1,830,215	2,358,410	16,894,727	3,783,737	46,545,031
FUND BALANCE, end of year	\$ 7,438,880	\$ 431,070	\$ 17,671,899	\$ 1,974,302	\$ 2,619,290	\$ 11,619,687	\$ 5,204,135	\$ 46,959,263

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

CITY OF OREGON CITY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds	414,232
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	
	(604,253)
Governmental funds do not report expenditures for unpaid compensated absences, unpaid payroll, interest expense or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	
Accrued compensated absences	(8,447)
Accrued interest payable	11,703
Other post employment benefits	(1,024,098)
Adjustment to net pension liability	(7,923,118)
Adjustment to deferred resources related to pensions	3,226,575
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.	
Capital outlay expenditures	9,639,592
Depreciation	(3,211,917)
Difference between gain of sale on land and proceeds from sale	(13,703)
Contribution of capital assets	836,524
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Position.	
Debt principal paid	2,124,053
Change in Net Position of Governmental Activities	\$ 3,467,143

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

CITY OF OREGON CITY, OREGON
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>	<u>Total Proprietary Funds</u>
ASSETS						
Current Assets						
Cash and investments	\$ 3,875,821	\$ 4,345,190	\$ 784,626	\$ 9,005,637	\$ 3,811,594	\$ 12,817,231
Accounts receivable, net of allowance	894,459	1,207,519	337,420	2,439,398	-	2,439,398
Assessment liens receivable	-	143,031	-	143,031	-	143,031
Inventories	153,933	-	-	153,933	-	153,933
Due from other funds	-	-	-	-	1,370,386	1,370,386
Total Current Assets	4,924,213	5,695,740	1,122,046	11,741,999	5,181,980	16,923,979
Noncurrent Assets						
Investment in South Fork Water Board	8,796,980	-	-	8,796,980	-	8,796,980
Nondepreciable capital assets	593,601	317,468	1,102,569	2,013,638	-	2,013,638
Other capital assets, net of depreciation	30,217,795	18,328,274	12,630,679	61,176,748	862,372	62,039,120
Total Noncurrent Assets	39,608,376	18,645,742	13,733,248	71,987,366	862,372	72,849,738
Total Assets	44,532,589	24,341,482	14,855,294	83,729,365	6,044,352	89,773,717
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	-	50,880	-	50,880	-	50,880
Deferred resources related to pensions	134,908	79,915	90,116	304,939	52,934	357,873
Total Deferred Outflows of Resources	134,908	130,795	90,116	355,819	52,934	408,753
LIABILITIES						
Current Liabilities						
Accounts payable	295,352	398,693	36,847	730,892	10,144	741,036
Accrued payroll liabilities	48,156	34,837	37,700	120,693	21,065	141,758
Due to other funds	209,493	-	-	209,493	-	209,493
Accrued interest payable	-	19,994	-	19,994	-	19,994
Current portion of long-term liabilities						
Long-term debt	-	450,000	-	450,000	-	450,000
Accrued compensated absences	12,685	6,514	7,885	27,084	2,509	29,593
Total Current Liabilities	565,686	910,038	82,432	1,558,156	33,718	1,591,874
Noncurrent Liabilities						
Long-term debt	-	1,475,000	-	1,475,000	-	1,475,000
Accrued compensated absences	50,741	26,056	31,542	108,339	10,035	118,374
Net pension liability	592,865	351,196	396,021	1,340,082	232,622	1,572,704
Total Noncurrent Liabilities	643,606	1,852,252	427,563	2,923,421	242,657	3,166,078
Total Liabilities	1,209,292	2,762,290	509,995	4,481,577	276,375	4,757,952
DEFERRED INFLOWS OF RESOURCES						
Deferred resources related to pensions	144,640	85,681	96,616	326,937	56,752	383,689
NET POSITION:						
Net investment in capital assets	30,811,396	16,771,622	13,733,248	61,316,266	862,372	62,178,638
Unrestricted	12,502,169	4,852,684	605,551	17,960,404	4,901,787	22,862,191
Total Net Position	\$ 43,313,565	\$ 21,624,306	\$ 14,338,799	\$ 79,276,670	\$ 5,764,159	\$ 85,040,829

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

CITY OF OREGON CITY, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES						
Franchise taxes	\$ -	\$ 237,075	\$ -	\$ 237,075	\$ -	\$ 237,075
Charges for services	6,549,826	9,176,719	2,572,708	18,299,253	220,548	18,519,801
System development revenue pass through	265,040	441,656	-	706,696	-	706,696
Licenses and permits	-	-	52,566	52,566	-	52,566
Total Operating Revenues	6,814,866	9,855,450	2,625,274	19,295,590	220,548	19,516,138
OPERATING EXPENSES						
Personal services	1,897,665	1,383,985	1,416,194	4,697,844	797,608	5,495,452
Materials and services	2,679,154	4,989,502	552,529	8,221,185	531,620	8,752,805
Depreciation	668,911	1,139,429	250,573	2,058,913	683,610	2,742,523
Total Operating Expenses	5,245,730	7,512,916	2,219,296	14,977,942	2,012,838	16,990,780
OPERATING INCOME (LOSS)	1,569,136	2,342,534	405,978	4,317,648	(1,792,290)	2,525,358
NONOPERATING REVENUES (EXPENSES)						
Investment revenue	16,275	29,544	3,603	49,422	42,522	91,944
Interest expense	-	(124,740)	-	(124,740)	-	(124,740)
Increase in equity of South Fork Water Board	172,917	-	-	172,917	-	172,917
Total Nonoperating Revenues (Expenses)	189,192	(95,196)	3,603	97,599	42,522	140,121
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS						
	1,758,328	2,247,338	409,581	4,415,247	(1,749,768)	2,665,479
Capital contributions	346,023	279,356	546,332	1,171,711	-	1,171,711
Transfers in	54,478	450,437	146,977	651,892	1,985,297	2,637,189
Transfers out	(1,298,435)	(1,209,745)	(626,332)	(3,134,512)	(26,550)	(3,161,062)
CHANGE IN NET POSITION	860,394	1,767,386	476,558	3,104,338	208,979	3,313,317
Beginning net position, as originally reported	42,202,579	19,619,564	13,795,471	75,617,614	5,555,180	81,172,794
Prior period adjustment	250,592	237,356	66,770	554,718	-	554,718
Beginning net position, as restated	42,453,171	19,856,920	13,862,241	76,172,332	5,555,180	81,727,512
Ending net position	\$ 43,313,565	\$ 21,624,306	\$ 14,338,799	\$ 79,276,670	\$ 5,764,159	\$ 85,040,829

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

CITY OF OREGON CITY, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Water	Wastewater	Stormwater	Total Enterprise Funds	Total Internal Service Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Collected from customers	\$ 6,516,057	\$ 9,697,552	\$ 2,612,962	\$ 18,826,571	\$ 221,662	\$ 19,048,233
Paid to suppliers	(2,440,906)	(4,998,270)	(561,049)	(8,000,225)	(542,811)	(8,543,036)
Paid to employees	(1,396,881)	(1,076,553)	(1,077,837)	(3,551,271)	(602,578)	(4,153,849)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>2,678,270</u>	<u>3,622,729</u>	<u>974,076</u>	<u>7,275,075</u>	<u>(923,727)</u>	<u>6,351,348</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	1,775,804	1,775,804
Transfers out	(1,088,942)	(1,209,745)	(626,332)	(2,925,019)	(26,550)	(2,951,569)
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	<u>(1,088,942)</u>	<u>(1,209,745)</u>	<u>(626,332)</u>	<u>(2,925,019)</u>	<u>1,749,254</u>	<u>(1,175,765)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(545,166)	(868,927)	(401,712)	(1,815,805)	(1,196,074)	(3,011,879)
Proceeds from disposal of capital assets	-	-	-	-	10,338	10,338
Principal paid on contracts/bonds payable	-	(539,000)	-	(539,000)	-	(539,000)
Interest paid	-	(101,851)	-	(101,851)	-	(101,851)
Principal received on interfund loan receivable	-	-	-	-	386,964	386,964
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>(545,166)</u>	<u>(1,509,778)</u>	<u>(401,712)</u>	<u>(2,456,656)</u>	<u>(798,772)</u>	<u>(3,255,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	16,275	29,544	3,603	49,422	42,522	91,944
<i>Increase in Cash and Investments</i>	<u>1,060,437</u>	<u>932,750</u>	<u>(50,365)</u>	<u>1,942,822</u>	<u>69,277</u>	<u>2,012,099</u>
CASH AND INVESTMENTS, Beginning of year	<u>2,815,384</u>	<u>3,412,440</u>	<u>834,991</u>	<u>7,062,815</u>	<u>3,742,317</u>	<u>10,805,132</u>
CASH AND INVESTMENTS, End of year	<u>\$ 3,875,821</u>	<u>\$ 4,345,190</u>	<u>\$ 784,626</u>	<u>\$ 9,005,637</u>	<u>\$ 3,811,594</u>	<u>\$ 12,817,231</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 1,569,136	\$ 2,342,534	\$ 405,978	\$ 4,317,648	\$ (1,792,290)	\$ 2,525,358
Depreciation	668,911	1,139,429	250,573	2,058,913	683,610	2,742,523
<i>Change in assets and liabilities:</i>						
Accounts receivable	(33,769)	(157,898)	(12,312)	(203,979)	1,114	(202,865)
Inventory	(29,906)	-	-	(29,906)	-	(29,906)
Accounts payable and accrued liabilities	17,441	4,391	3,427	25,259	(9,972)	15,287
Pension asset	802,882	464,559	533,652	1,801,093	309,709	2,110,802
Deferred outflows - pensions	(54,325)	(36,418)	(37,306)	(128,049)	(23,355)	(151,404)
Deferred inflows - pensions	(262,100)	(133,868)	(169,936)	(565,904)	(92,543)	(658,447)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 2,678,270</u>	<u>\$ 3,622,729</u>	<u>\$ 974,076</u>	<u>\$ 7,275,075</u>	<u>\$ (923,727)</u>	<u>\$ 6,351,348</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES						
Increase in equity of South Fork Water Board	\$ 172,917	\$ -	\$ -	\$ 172,917	\$ -	\$ 172,917
Capital Contributions	<u>346,023</u>	<u>279,356</u>	<u>546,332</u>	<u>1,171,711</u>	<u>-</u>	<u>1,171,711</u>
	<u>\$ 518,940</u>	<u>\$ 279,356</u>	<u>\$ 546,332</u>	<u>\$ 1,344,628</u>	<u>\$ -</u>	<u>\$ 1,344,628</u>

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

CITY OF OREGON CITY, OREGON
STATEMENT OF NET POSITION – FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 15,993
	<hr/>
Total Assets	<u>\$ 15,993</u>
LIABILITIES	
Due to others	15,993
	<hr/>
Total Liabilities	<u>\$ 15,993</u>

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



NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Oregon City, Oregon (the City) have been prepared in conformity 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. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

A. The Financial Reporting Entity

The City of Oregon City, Oregon is a municipal corporation governed by an elected mayor and four commission members who comprise the City Commission. The City Commission exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2016.

In defining the City of Oregon City for financial reporting purposes, management considers: all funds, organizations, institutions, agencies, departments, and offices that are legally part of the City (the primary government) and organizations for which the City is financially accountable. As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units. Component units can be defined as legally separate entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Based on component unit criteria, the City of Oregon City's financial statements include the Oregon City Urban Renewal Commission as a blended component unit. The City Commission and Board of Directors of Oregon City Urban Renewal Commission are composed of the same individuals. The separately issued financial statements of the Oregon City Urban Renewal Commission may be obtained from the Commission, 625 Center Street, Oregon City, Oregon 97045.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

B. Basic 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 to a significant extent on fees and charges for support.

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government, the primary government and its component units. 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. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. All fiduciary activities are excluded from the government-wide statements and are reported only in fund financial statements.

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 properly included among program revenues are reported instead as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule include certain services provided between funds at market or near-market rates, which are treated as revenues and expenses, and net residual amounts between government and business-like activities, which are presented as internal balances. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The City does not currently use an indirect cost allocation system. Administrative service fees are charged by the General Fund and the Community Development Fund to the other operating funds for services provided (e.g. general administration, financial services, geographic information systems, etc.) and are included as direct program expenses.

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. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. Currently, the City has general, special revenue, internal service, capital projects, debt service and enterprise type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplementary information.

C. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

There are stated minimum criteria for the determination of major funds: percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category, or the governmental and enterprise combined. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining and individual fund statements and schedules, located in the other supplementary information section.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

The City reports the following major governmental funds:

General Fund – The government’s primary operating fund accounts for the City’s legislative activities and administration, human resources, finance, information technology, police department, municipal court, and parks and recreation. The primary revenue sources are property taxes, franchise fees, fines and forfeitures, and intergovernmental revenues.

Engineering Fund – This fund is used to provide engineering review and construction monitoring for private development within the City. Licenses and permits are the primary revenue source.

System Development Fund – Accounts for the collection of transportation, water, wastewater, stormwater and parks development charges and their use for related capital projects.

Urban Renewal Fund – Accounts for the activity of the Downtown Urban Renewal Agency. Property taxes are the primary revenue source. Expenditures are primarily for urban renewal projects.

Transportation Fund – This fund is used to account for the use of State gas tax revenue and pavement maintenance charges for street-related purposes.

Community Facilities Fund – Accounts for money set aside for construction of city facilities including the expansion of the Library and building of public safety and public works facilities; funded by transfers from other funds.

The City’s proprietary funds mainly account for the water, wastewater, and stormwater operations. The City reports the following major proprietary funds:

Water Fund – Accounts for the operation of the City’s water system. Customer charges are the primary revenue source.

Wastewater Fund – Accounts for the operation of the City’s sanitary sewer collection system. Customer charges are the primary revenue source.

Stormwater Fund – Accounts for the operation of the City’s storm drain activity. Customer charges are the primary revenue source.

Additionally, the City reports nonmajor funds within the governmental fund types:

Special Revenue Funds- The special revenue funds account for revenue derived from specific tax or other earmarked revenue sources, including state gas tax, grants and funds set aside to finance particular functions or activities. Funds included in this category are:

Library Fund – This fund accounts for the operation of the library. Proceeds from the Clackamas County Library Levy are the primary revenue source.

Community Development Fund – This fund accounts for personnel costs and other expenditures related to planning and development services. Licenses and charges for service are the primary revenue sources.

Building Fund – This fund is used to account for building inspection and related expenditures. Building permits are the primary revenue source.

Debt Service Funds

PERS Debt Service Fund - This fund is used to account for resources set aside for future use in meeting required employer contributions to the Public Employees Retirement System (PERS). During the current year, debt principal and interest were paid from the fund.

Fire Bond Debt Service Fund - This fund accounts for principal and interest paid on general obligation bonds. Property taxes are the primary revenue source.

The City does not have any nonmajor enterprise funds, it does however report nonmajor internal service funds within the proprietary fund types:

Internal Service Funds

The City has three internal service funds which provide services to other City departments, primarily the enterprise funds. Therefore, the internal service funds are combined with the enterprise funds in the government-wide financial statement. Internal charges are the primary revenue source for all funds. Expenditures are for the purposes as described below.

Fleet Service Fund - This fund accounts for the current operating costs of City owned vehicles.

Customer Service Fund - This fund accounts for the cost of providing utility billing services.

Equipment Replacement Fund - This fund accounts for accumulated resources to be used for vehicle and equipment replacement

Agency Fund

The City has one agency fund. This fund is used to account for assets held by the City as an agent for another organizations, the Friends of the Pioneer Center.

D. 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 regardless of the measurement focus.

The government-wide and proprietary fund financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are included in the Statement of Net Position. The increases and decreases in the net position are presented in the government-wide Statement of Activities and in the proprietary fund Statement of Revenues, Expenses and Changes in Net Position.

These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Amounts reported as program revenues in the Statement of Activities include (1) fines, fees and charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Grants and contributions not restricted are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Operating revenues and operating expenses are intermediate components within the proprietary fund Statement of Revenues, Expenses and Changes in Net Position, and include only those transactions that constitute their principal, ongoing activities exclusive of investing or financing transactions. Significant operating revenues include charges for services and miscellaneous income. Significant operating expenses include personnel, materials and supplies, outside services, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recorded only when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures other than interest on noncurrent obligations, are recorded when the fund liability is incurred.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

Real and personal property taxes are levied as of July 1 for each fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in installments on November 15, February 15 and May 15. All property taxes are billed and collected by Clackamas County and remitted to the City. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred revenues.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt, or earlier, if the susceptible accrual criteria are met.

Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Special assessments receivable and repayment of revolving loans are offset by deferred revenues.

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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, deferred inflows and outflows, revenues and expenses as of and for the year ended June 30, 2016. Actual results may differ from such estimates.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, short-term investments with original or remaining maturities of three months or less when purchased. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP). These amounts are carried at fair value. The individual funds' portion of the cash pool is presented as "Cash and Investments" in the basic financial statements. For purposes of the Statement of Cash Flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

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.

Investments with a remaining maturity at time of purchase of more than one year are valued at fair value in accordance with GASB Statements 31 and 72. The City has adopted ORS 294.840 as its investment policy. Currently, the City's investment portfolio only includes investments in the LGIP.

Receivables and Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned. Property taxes receivable for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by unavailable property tax revenues and, accordingly, have not been recorded as revenue. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Clackamas County, Oregon.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by an unavailable revenue account and, accordingly, have not been recorded as revenue; assessment revenue is recognized upon collection.

Inventory and Prepays

Inventory in the proprietary funds is stated at cost (first-in, first-out basis) and is charged to expense as used. The purchases method is used for inventory for governmental funds. In both government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future City accounting periods and are recorded as prepaid expenses. The cost of these prepaid items is recorded as expenditures/expenses when consumed.

Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost. Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in governmental activities consists of roads, bridges, sidewalks and traffic and lighting systems. Infrastructure reported in business-type activities consists of water, stormwater and wastewater collection systems.

All capital assets, except for infrastructure in governmental activities prior to July 1, 1980, have been capitalized in the government-wide and proprietary fund financial statements. In accordance with the current financial resources measurement focus, capital assets are not capitalized in the governmental fund financial statements. Purchased capital assets are valued at cost when historical records are available and at estimated historical cost if no historical records exist. Historical cost is measured by the cash or cash equivalent price of obtaining an asset, including ancillary charges necessary to place the asset into its intended location and condition for use.

Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Amounts expended for maintenance and repairs are charged to expenditures/expenses in the appropriate funds as incurred and are not capitalized.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

Buildings and improvements	40 years
Water and Sewer Systems	20 - 50 years
Infrastructure	20 - 50 years
Equipment	10 - 20 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City reports deferred outflows of resources for pension-related amounts: payments since the measurement date (MD), changes in assumptions, and for the difference between future payments of deferred revenues' projected and actual earnings. This amount is deferred and recognized as an outflow of resources in the period when the City's recognizes pension expense/expenditures. The City also reports the deferred charge on refunding as a deferred outflow of resources. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred over the shorter of the life of the refunded or refunding debt. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The governmental funds report unavailable revenues from property taxes and assessment liens as deferred inflows of resources. These items arise only under a modified accrual basis of accounting and accordingly, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City also reports deferred inflows of resources for pension-related amounts: differences between projected and actual investment earnings and changes in employer proportion and differences between employer contributions and the City's proportionate share of contributions. This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Position. Repayment of general bonded debt will be made from debt service funds. Payment of vacation liabilities will be made from all funds that have personnel expenses.

Accrued Compensated Absences

Accumulated vested vacation pay is accrued in the enterprise funds as it is earned by employees. In governmental fund types, the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds and the amount payable from future resources is recorded on the Statement of Net Position. Sick pay, which does not vest, is recorded in all funds when leave is taken. Compensated absences payable are recorded as liabilities in the governmental funds only if they have matured (i.e., there are unpaid amounts still outstanding after an employee's termination). In the past, compensated absences and other postemployment benefits have been paid by the fund resulting in the underlying liability, or each fund that reports personnel expenses (General, Library, Building, Community Development, Engineering, Water, Wastewater, Stormwater funds.)

Other Postemployment Benefit Obligations

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions (OPEB), the City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements and in the proprietary fund statements, the amount of which is actuarially determined. The annual required contribution is recognized on an accrual basis in accordance with actuarial standards. The General Fund liquidates the long-term portions of other postemployment benefits.

Pension Obligations – Oregon Public Employees Retirement System (PERS)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The long term portion of pension liabilities are expected to be paid in future years from future resources. In prior years, these liabilities have been liquidated primarily by the governmental and enterprise funds for which the employees who earned the benefits were assigned.

Net Position

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Restricted net position represent net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes funds restricted for payment of debt or to acquire or construct capital assets. All other net position is considered unrestricted.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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 the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental Fund type fund balances are reported in the following classifications.

Nonspendable includes resources that cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Restricted includes resources with constraints placed on their use either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed resources exist when the City Commission takes formal action such as adoption of an ordinance that places specific constraints on how the resources may be used. The City Commission can modify or rescind the commitment at any time through passage of an additional ordinance.

Assigned when resources are constrained by the City’s intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Commission approves which resources should be “reserved” during the adoption of the annual budget. The City’s Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City’s Annual Financial Report.

Unassigned is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

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.

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the Statement of Net Position as part of Cash and Investments.

Cash	
Petty cash	\$ 3,631
Deposits with financial institutions	15,385,557
Investments	
Local Government Investment Pool	46,791,857
Total Cash	<u><u>\$ 62,181,045</u></u>

Deposits

The City's deposits with various financial institutions had a book balance of \$15,385,557 and a bank balance of \$16,767,555. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. Any remaining amounts are secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2016, \$16,397,477 of the City's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the City's name.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2016, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

The City categorizes fair value measurements within the hierarchy established by GASB Statement 72. The hierarchy is based on the inputs used to measure the fair value of an asset. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The LGIP is not required to be categorized.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held to those specified by Oregon statutes and does not allow securities to be held by the counterparty. The City's policy is in compliance with State statutes.

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

Concentration of Credit Risk

In accordance with its investment policy, the City cannot invest in any one issuer in excess of five percent of the City's total investments excluding the LGIP.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. 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, which has established diversification percentages and specifies the types and maturities of the investments.

The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

A copy of the State's Comprehensive Annual Financial Report may be obtained online at www.ost.state.or.us or by mail at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

B. Receivables

Receivables at June 30, 2016, consisted of the following:

Governmental Activities	General	Engineering	System Development	Downtown Urban Renewal	Transportation	Community	Other	Total
						Facilities Capital Projects	Governmental Funds	
Accounts	\$ 843,770	\$ 978	\$ 24,053	\$ 7,500	\$ 492,826	\$ 145,590	\$ 228,430	\$ 1,743,147
Property taxes	703,099	-	-	139,588	-	-	19,040	861,727
Notes receivable	153,150	-	-	-	-	-	325,992	479,142
Assessments	-	-	1,020,892	-	-	-	-	1,020,892
Less: Allowance for uncollectibles	-	-	(253,419)	-	(24,319)	(9,962)	-	(287,700)
	<u>\$ 1,700,019</u>	<u>\$ 978</u>	<u>\$ 791,526</u>	<u>\$ 147,088</u>	<u>\$ 468,507</u>	<u>\$ 135,628</u>	<u>\$ 573,462</u>	<u>\$ 3,817,208</u>
Business-type Activities	Water	Wastewater	Stormwater	Total				
Accounts	\$ 968,944	\$ 1,319,541	\$ 367,305	\$ 2,655,790				
Assessments	-	203,493	-	203,493				
Less: Allowance for uncollectibles	(74,485)	(172,484)	(29,885)	(276,854)				
	<u>\$ 894,459</u>	<u>\$ 1,350,550</u>	<u>\$ 337,420</u>	<u>\$ 2,582,429</u>				

Based on the payment schedule for special assessments receivable, \$314,018 of the amount reported in the system development fund and \$186,393 of the amount reported in the wastewater fund is not expected to be collected within the next year. Also, \$123,134 of the outstanding balance of notes receivable reported in other governmental funds (in a debt service fund) are not anticipated to be collected within the next year.

CITY OF OREGON CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

C. Capital Assets

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

Governmental Activities	Balance July 1, 2015, as restated	Increases	Reclasses	Decreases	Balance June 30, 2016
Nondepreciable capital assets					
Land	\$ 11,239,116	\$ 399,917	\$ -	\$ -	\$ 11,639,033
Construction In Progress	1,396,710	7,231,982	(773,940)	(13,703)	7,841,049
Total Non-depreciable	12,635,826	7,631,899	(773,940)	(13,703)	19,480,082
Depreciable capital assets					
Equipment	4,014,438	233,996	-	(13,240)	4,235,194
Buildings and Improvements	5,686,379	81,945	-	(24,375)	5,743,949
Infrastructure	108,699,023	2,528,280	773,940	-	112,001,243
Total Depreciable	118,399,840	2,844,221	773,940	(37,615)	121,980,386
Accumulated depreciation					
Equipment	(3,005,968)	(282,346)	-	13,240	(3,275,074)
Buildings and Improvements	(3,675,960)	(129,467)	-	24,375	(3,781,052)
Infrastructure	(24,405,657)	(2,800,104)	-	-	(27,205,761)
Total Accumulated Depreciation	(31,087,585)	(3,211,917)	-	37,615	(34,261,887)
Depreciable capital assets, net	87,312,255	(367,696)	773,940	-	87,718,499
Governmental capital assets, net	\$ 99,948,081	\$ 7,264,203	\$ -	\$ (13,703)	\$ 107,198,581
Business-type Activities					
Nondepreciable capital assets					
Land	\$ 1,681,195	\$ -	\$ -	\$ -	\$ 1,681,195
Construction In Progress	457,163	332,443	(457,163)	-	332,443
Total Non-depreciable	2,138,358	332,443	(457,163)	-	2,013,638
Depreciable capital assets					
Equipment	7,103,782	1,255,920	-	(464,711)	7,894,991
Buildings and Improvements	14,432,259	1,062,261	157,520	-	15,652,040
Infrastructure	77,300,759	2,244,704	299,643	-	79,845,106
Total Depreciable	98,836,800	4,562,885	457,163	(464,711)	103,392,137
Accumulated depreciation					
Equipment	(5,267,856)	(766,312)	-	400,874	(5,633,294)
Buildings and Improvements	(3,568,580)	(263,030)	-	-	(3,831,610)
Infrastructure	(30,174,931)	(1,713,182)	-	-	(31,888,113)
Total Accumulated Depreciation	(39,011,367)	(2,742,524)	-	400,874	(41,353,017)
Depreciable capital assets, net	59,825,433	1,820,361	457,163	(63,837)	62,039,120
Business-type capital assets, net	\$ 61,963,791	\$ 2,152,804	\$ -	\$ (63,837)	\$ 64,052,758

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

Depreciation expense for the year was charged to each function as follows:

Governmental Activities	
General government	\$ 100,368
Public safety	216,805
Public works	2,486,795
Culture and recreation	390,119
Planning and building	17,830
Depreciation, governmental activities	<u>\$ 3,211,917</u>
Business-type Activities	
Water	\$ 672,400
Wastewater	1,139,430
Stormwater	250,573
Fleet	680,121
Depreciation, business-type activities	<u>\$ 2,742,524</u>

D. 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 office space for the Community Development Department under a cancelable long term operating lease expiring on February 28, 2018. Total cost for the lease was \$140,800 for the year ended June 30, 2016.

According to the terms of the lease, in addition to minimum monthly lease payments, the City must pay the proportionate share of building maintenance expenses, calculated annually. The future minimum lease payments for this operating lease are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Annual Base</u> <u>Lease Payments</u>
2017	\$ 144,635
2018	98,333
Total	<u>\$ 242,968</u>

E. Long Term Debt – Bonds Payable

The following table presents current year changes in long-term debt obligations and the current portions due for each issue. Information is presented separately for governmental and business-type activities by bond type. Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of real market value of all taxable property within the City’s boundaries. The City's outstanding general obligation debt of \$6.1 million is significantly below the debt limitation of \$127.0 million.

	Outstanding July 1, 2015	Issued	Matured / Redeemed	Outstanding June 30, 2016	Due Within One Year
Governmental Activities					
General Obligation Bonds					
Fire General Obligation Refund Bonds, Issued November 16, 2006, interest rates from 3.75% to 4.25%	\$ 750,000	\$ -	\$ (365,000)	\$ 385,000	\$ 385,000
Library General Obligation Bonds, Issued January 7, 2015, interest rate at 3.08%	5,907,772	-	(233,412)	5,674,360	240,601
Limited Obligation Bonds					
PERS Limited Tax Pension Obligations, Series 2005, Issued September 28, 2005, interest rates from 4.21% to 5.00%	14,590,000	-	(570,000)	14,020,000	650,000
Tax Increment Bonds					
Urban Renewal Commission Revenue Bonds, Series 2008A, issued July 18, 2008, interest rate at 4.95%	7,480,000	-	(425,000)	7,055,000	445,000
Urban Renewal Commission Revenue Bonds, Series 2013, issued January 31, 2013, Tax Exempt, interest rate at 3.05%	985,577	-	(123,197)	862,380	123,197
Urban Renewal Commission Revenue Bonds, Series 2013, issued January 31, 2013, Taxable, interest rate at 4.55%	1,771,543	-	(221,443)	1,550,100	221,443
Total Governmental	\$ 31,484,892	\$ -	\$ (1,938,052)	\$ 29,546,840	\$ 2,065,241
Business-type Activities					
Revenue Bonds					
Sewer Revenue Refunding Bonds, Issued July 3, 2007, interest rates from 4.25% to 5.00%	\$ 2,350,000	\$ -	\$ (425,000)	\$ 1,925,000	\$ 450,000
Total Business-type	\$ 2,350,000	\$ -	\$ (425,000)	\$ 1,925,000	\$ 450,000
Total long-term debt	\$ 33,834,892	\$ -	\$ (2,363,052)	\$ 31,471,840	\$ 2,515,241

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

Governmental Activities

Fire General Obligation Refunding Bonds: The City issued \$4,000,000 of voter-approved General Obligation bonds dated November 16, 2006, to refund the City's Series 1998 bonds in order to obtain a benefit of a savings in total debt service requirements. General obligation bonds are direct obligations and pledge full faith and credit of the City. Interest rates on the bonds range from 3.75% to 4.25% and the final maturity date is June 1, 2017.

Library General Obligation Bonds: On January 7, 2015, the City issued \$6,000,000 of voter-approved General Obligation Bonds in order to renovate and expand the Oregon City Library at Carnegie Center. The interest rate on the bonds is 3.08% and the final payment is due June 1, 2034.

Public Employee Retirement System (PERS) Unfunded Actuarial Liability Bonds: During 2005-06, the City issued \$17,030,000 in bonds to fund its PERS actuarial liability. The bonds are limited tax obligations and are payable from ad valorem property taxes and any unrestricted taxes, fees, charges, and other revenues. They are not general obligation bonds. The bonds bear interest at rates varying between 4.21% and 5.00%. Semiannual payments of interest are due on December 1 and June 1 of each year, and annual payments of principal are due on June 1 of each year. The final payment is due June 1, 2028.

Urban Renewal Commission Revenue Bonds, Series 2008: On July 1, 2000, the Oregon City Urban Renewal Commission (URC) issued \$10,000,000 of Urban Renewal Tax Increment Revenue Bonds to provide financing for projects within the Oregon City Downtown Urban Renewal area. The bonds bear interest at 4.95%. Semiannual payments of interest are due on December 1 and June 1 of each year, and annual payments of principal are due on June 1 of each year and mature on June 1, 2023. The bonds are secured by and payable from the tax increment revenue of the Urban Renewal Commission. In addition, a covenant to maintain a Debt Service Reserve Account in an amount not less than the lesser of the following:

- a. Maximum annual debt service due on the Credit Facility; or
- b. 125% of the average amount of principal, interest and premium due on the Credit Facility, or
- c. 10% of the proceeds of the Credit Facility.

Oregon City and the URC were in compliance with all covenants at June 30, 2016.

Urban Renewal Commission Revenue Bonds, Series 2013: On January 31, 2013, the URC issued \$3,446,400 of Urban Renewal Tax Increment Revenue Bonds to refinance the URC's Line of Credit. Part of the bonds issued are tax exempt while part are taxable. Interest rate on the tax exempt bonds is 3.05% while the taxable bonds is 4.55%. The bonds mature on February 21, 2023.

Business-type Activities

Sewer Revenue Refunding Bonds: In 2007, the City issued \$5.245 million to refund the October 15, 1997 Sewer System Revenue Refunding Bonds. These issues bear interest from 4.25% to 5.00%. The bond indenture agreements provide that the principal and interest payments be made exclusively from sewer system net revenues. The bonds are not general obligations of the City. In addition to a pledge by the City of the sewer system net revenues, the bonds are secured by a rate covenant by the City to maintain sufficient user fees and charges to ensure that the net revenues of the sewer system will at all times be in an amount not less than 125% of the debt service plus maintenance and operating expenses. The City was in compliance with the rate covenant at June 30, 2016.

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

Future Principal and Interest

Future maturities of bond principal and interest at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,065,241	\$ 1,334,204	\$ 450,000	\$ 79,975	\$ 2,515,241	\$ 1,414,179
2018	1,792,651	1,242,986	470,000	56,975	2,262,651	1,299,961
2019	1,915,290	1,162,783	490,000	34,200	2,405,290	1,196,983
2020	2,048,164	1,076,734	515,000	11,588	2,563,164	1,088,322
2021	2,186,280	984,345	-	-	2,186,280	984,345
2022-2026	13,808,254	2,887,026	-	-	13,808,254	2,887,026
2027-2031	4,557,842	534,165	-	-	4,557,842	534,165
2032-2036	1,173,118	72,994	-	-	1,173,118	72,994
	<u>\$ 29,546,840</u>	<u>\$ 9,295,237</u>	<u>\$ 1,925,000</u>	<u>\$ 182,738</u>	<u>\$ 31,471,840</u>	<u>\$ 9,477,975</u>

F. Long Term Debt – Compensated Absences

The City's policy relating to compensated absences is described in Note 1. E. Changes in the liability for accrued compensated absences are as follows:

	Outstanding July 1, 2015	Earned	Paid	Outstanding June 30, 2016	Due Within One Year
Governmental Activities	\$ 612,930	\$ 648,570	\$ 640,123	\$ 621,377	\$ 124,275
Business-type Activities	140,471	144,649	137,153	147,967	29,593
	<u>\$ 753,401</u>	<u>\$ 793,219</u>	<u>\$ 777,276</u>	<u>\$ 769,344</u>	<u>\$ 153,868</u>

G. Short Term Debt

The City issued a \$300,000 loan payable in August 2014. The City received a request to expedite the timing of capital improvements that directly impacted planned development. The City and developer entered into an agreement whereby the developer loaned funds to the City to be repaid using funds that were programmed for completion of those improvements. As of June 30, 2016, the improvements were completed and the loan was repaid.

	Outstanding July 1, 2015	Issued	Matured / Redeemed	Outstanding June 30, 2016
Governmental Activities	\$ 186,000	\$ -	\$ 186,000	\$ -
Business Type Activities	114,000	-	114,000	-
Total Governmental	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>

H. Other Post Employment Benefits (OPEB) – Health Insurance

Plan Description

The City follows GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The OPEB for the City includes an implicit rate subsidy for retiree health insurance continuation premiums and a single employer plan for employees meeting certain eligibility requirements. The City has not established a formal plan or an irrevocable trust (or equivalent arrangement) to account for the plan. The plan does not issue a separate report.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

Implicit rate subsidy: As required by ORS 243.303, the City must offer retirees the same group health and dental insurance as provided to current employees from the date of retirement to the age when retirees and spouses typically become eligible for Medicare. The difference between retiree claims costs, which because of the effect of age is generally higher than plan members, and the amount of retiree healthcare premiums represents the implicit employer contribution.

Explicit rate subsidy: Based on negotiated union agreements, the City provides retiree health benefits to employees that retired from active service while eligible to receive a pension benefit from Oregon PERS meeting one of the following three criteria:

- Hired before July 1, 2005 for retirees represented by AFSCME
- Hired before November 17, 2005 for Management retirees
- Retired while represented by the Oregon City Police Employees' Association

Retirees under 65 are eligible to receive the same medical and dental coverage as active employees. 50% or \$100, whichever is less, of the premiums for the medical plan are paid by the Employer for AFSCME retirees. 50% of the premiums for the medical plan are paid by the Employer for Police retirees. 100% of the premiums for the medical plan are paid by the Employer for Management retirees. The retiree is responsible for the dental premiums. No spousal or family coverage is paid for by the Employer (single premium amounts only). For Police retirees over age 65, 50% of the premiums for Medicare supplemental health care coverage are paid by the Employer for the retiree only. For Management retirees over age 65, the City pays 100% of the Medicare supplemental health care coverage. Coverage for AFSCME retirees ends when the retiree turns 65.

Funding Policy

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. At June 30, 2016, the City had 154 active employees and 24 retirees participating in the program with all insurance premium costs paid in full by the individual for management personnel hired after November 17, 2005 and AFSCME personnel hired after July 1, 2005.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB 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) over a period not to exceed thirty years. The City amortizes unfunded actuarial liabilities over fifteen years.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the current year and the preceding two years are shown below:

<u>Fiscal Year End</u>	<u>OPEB Cost</u>	<u>Percentage of Cost Contribution</u>	<u>Obligation</u>
6/30/2014	\$ 1,639,610	24.78%	\$ 4,285,735
6/30/2015	\$ 1,639,610	26.90%	\$ 5,484,108
6/30/2016	\$ 1,402,775	26.99%	\$ 6,508,206

The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2016, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

	2016
Determination of Annual Required Contribution	
Normal Cost at year end	\$ 566,130
Amortization of UAAL	1,304,117
Annual Required Contribution (ARC)	1,870,247
Determination of Net OPEB Obligation	
Annual Required Contribution	1,870,247
Interest on prior year Net OPEB Obligation	191,944
Adjustment to ARC	(659,416)
Annual OPEB Cost	1,402,775
Explicit Benefit Payments	(195,388)
Implicit Benefit Payments	(183,289)
Increase in Net OPEB Obligation	1,024,098
Net OPEB Obligation - beginning of year	5,484,108
Net OPEB Obligation - end of year	\$ 6,508,206

Funded Status and Funding Progress

As of August 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$10,509,161, and the actuarial value of assets was \$-, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,509,161. The covered payroll (annual payroll of active employees covered by the plan) was \$11,561,433 and the ratio of the UAAL to the covered payroll was 90.90%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to the evaluation date. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2014 valuation, the projected unit cost method was used. The assumptions included a 2.75% general inflation rate, a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost rate of between 5.5% and 6.5%. The UAAL is being amortized as a level dollar amount over an open period of 10 years.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

I. Other Post Employment Benefits (OPEB) – Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System, 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 PERS. 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. PERS 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, P.O. Box 23700, Tigard, OR 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 RHIA 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 PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. An eligible surviving spouse or dependent of a deceased PERS retiree may receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.53 percent of annual covered payroll for Tier One/Tier Two, and 0.45 percent for OPSRP. The PERS 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 years ended June 30, 2016, 2015, and 2014 were approximately \$62,600, \$63,100, and \$57,500, respectively which equal the required contributions for those years.

J. Public Employees Retirement System (PERS)

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. All benefits of PERS are established by the legislature pursuant to ORS Chapters 238 and 238A.

The *Tier One/Tier Two Retirement Benefit Plan* was created by ORS Chapter 238 and is closed to new members hired on or after August 29, 2003. The *Pension Program* (OPSRP) provides benefits to members hired on or after August 29, 2003 and was created by ORS 238A. Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

PERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained by writing to PERS, PO Box 23700, Tigard, Oregon, 97281, by calling 503-598-7377 or on their website at www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

1. Tier One/Tier Two Retirement Benefit Plan

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 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, 1.67 percent for general service employees and 2 percent for police 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.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 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 for disability benefits regardless of the length of PERS-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 retiring 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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

2. *Pension Program (OPSRP)*

Pension Benefits

The Pension Program is available to members hired on or after August 29, 2003. It provides a life pension benefit that is funded by employer contributions. Benefits are calculated for members who attain normal retirement age by multiplying 1.5 percent 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. 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. A member of the OPSRP Pension Program becomes vested on the earliest of either 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 for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. *Individual Account Program (IAP)*

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in the employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Funding Policy

PERS 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 both PERS Defined Benefit Plans. Employer contribution rates

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

during the period were based on the December 31, 2013 actuarial valuation subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$1,122,770, excluding amounts to fund employer specific liabilities. Members are required to contribute 6% of their salary covered under the plan to be invested in the Individual Account Program. The City makes this contribution on behalf of its employees.

The rates in effect for the fiscal year ended June 30, 2016 were 13.38% for Tier One/Tier Two General Service members, 7.44% for OPSRP Pension Program General Service members, 11.55% for OPSRP Pension Program Police Members, and 6% for Individual Account Program. 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 an act of the Oregon Legislature.

In 2006, the City issued pension bonds, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. The current value of this prepayment is used to reduce the projected long term contribution to PERS.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$7,357,049 for its proportionate share of the net pension liability. The net pension asset 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 rolled forward to June 30, 2015. The City's proportion of the net pension liability 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 entities, actuarially determined. At June 30, 2016, the City's proportion was 0.1281% which was increased from its proportion of 0.1181% measured as of June 30, 2015. For the year ended June 30, 2016, the City recognized pension expense of \$7,218,759. 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	\$ 396,730	\$ -
Net difference between projected and actual earnings on investments	-	1,542,204
Changes in proportion	154,621	-
Differences between employer contributions and proportionate share of contributions	-	252,680
Total (prior to post-MD contributions)	551,351	1,794,884
Contributions subsequent to the MD	1,122,770	-
Total	\$ 1,674,120	\$ 1,794,884

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

	Amortization of		Amortization of
<u>Amortization Period</u>	<u>Deferred Outflows</u>	<u>Amortization Period</u>	<u>Deferred Inflows</u>
FY2017	\$ 1,248,077	FY2017	\$ (794,024)
FY2018	125,307	FY2018	(794,024)
FY2019	125,307	FY2019	(794,024)
FY2020	125,307	FY2020	608,794
FY2021	50,122	FY2021	(21,606)
Total	\$ 1,674,120	Total	\$ (1,794,884)

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (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 20 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), (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 16 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
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 grade COLA
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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 which reviewed experience for the four-year period ending on December 31, 2014.

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	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were 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:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 17,755,964	\$ 7,357,049	\$ (1,406,504)

Pension plan fiduciary net position

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

Changes in Plan Provisions During the Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

K. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section (IRC) 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In accordance with IRC 457, the City has transferred all of the Plan assets into trust accounts. The assets and income of the transferred plans are held for the exclusive benefit of the participants and their beneficiaries, and accordingly are not included in the City's financial statements.

L. Transfers and Interfund Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfer activity for the year ended June 30, 2016, is as follows:

<i>Fund</i>	<i>Transfers In</i>	<i>Transfers Out</i>
General Fund	\$ 375,150	\$ 1,716,666
SDC Fund	20,000	247,229
Community Facilities Fund	1,430,000	-
Library Fund	200,000	5,150
Community Development Fund	772,557	3,750
Building Fund	-	7,120
Engineering Fund	625,080	3,500
Transportation Fund	94,577	358,184
Water Fund	-	1,298,435
Wastewater Fund	-	1,209,745
Stormwater Fund	-	626,332
Equipment	863,100	20,000
Fleet Service	-	5,000
Customer Service	1,122,197	1,550
Total Transfers	\$ 5,502,661	\$ 5,502,661

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value. The System Development fund transferred capital assets to proprietary funds during the year; these amounts were not recorded as transfers in the governmental funds.

Water Fund	\$ 54,478
Wastewater Fund	450,437
Stormwater Fund	146,977
	<u>\$ 651,892</u>

The composition of interfund receivables and payables at June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due at 6/30/16</u>
General Fund	Downtown URA	\$ 64,733
Fleet Maintenance	Downtown URA	1,160,893
Total Interfund Receivables/Payables		<u>\$ 1,225,626</u>

- The amount due to the General Fund from the Downtown URA resulted from a time lag between the dates goods and services were provided and the dates the reimbursements occurred.
- The amount due from the Downtown URA Fund to the Fleet Maintenance Fund resulted from a loan to the Urban Renewal Agency in 2009. Repayment is being made in five annual payments of \$386,964. The first payment was made during 2015; the final payment will be made in 2019.

NOTE 3: OTHER INFORMATION

A. 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. 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. 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.

B. 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 as they are all insured.

C. Commitments

Construction Commitments – The City has various active construction projects as of June 30, 2016. Significant projects include major street construction, library construction, and a sanitary sewer replacement. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
Roadway reconstruction	\$ 210,017	\$ 2,007,323
Library expansion	5,875,360	1,672,517
Linn Avenue Sanitary Sewer	187,826	432,174

Sewage Treatment – The City has an agreement with the Tri-City Service District to treat wastewater. The City processes and reviews all permit applications for hookup and inspection thereof; operates and maintains local collections facilities; bills and collects user charges, and bills and collects connection charges.

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

Public Safety / 911 Communication Services – The City has an arrangement with Clackamas County Department of Communications, also known as C-COM, to provide 9-1-1 emergency and non-emergency call taking service to the public. Future payments are approximately \$400,000 each year, with annual increases subject to inflation (Consumer Price Index).

D. Subsequent Events

Management has evaluated subsequent events through December 19, 2016, the date on which the financial statements were available to be issued.

E. Joint Venture

The South Fork Water Board (the Board) was created in 1915 by an Intergovernmental Cooperative Agreement between the cities of Oregon City and West Linn for operation and maintenance of water distribution systems. Ownership of assets is adjusted based on reevaluation of population and water usage. The City of Oregon City appoints 50% of the Board's Commission. The investment is reported using the equity method. Each City's share of assets, liabilities and net position is 50%. The following is a summary of financial information on the joint venture as of and for the year ended June 30, 2016.

	<i>South Fork Water Board</i>	<i>Oregon City Portion</i>
Total assets	\$ 19,104,483	\$ 9,552,242
Total deferred outflows of resources	160,827	80,414
Total liabilities	1,498,923	749,462
Total deferred inflows of resources	172,428	86,214
Total equity	17,593,959	8,796,980
Long-term debt:	232,874	116,437
Operating revenues	3,622,486	1,811,243
Operating expenses	3,645,803	1,822,901
Other non-operating revenue (expense), net	7,547	3,774
Capital Contributions	361,601	180,801
Change in net position	345,831	172,917

A copy of the financial statements of the South Fork Water Board may be obtained by writing to: South Fork Water Board, Oregon City City Hall, P.O. Box 3040, Oregon City, Oregon 97045-0304.

F. Prior period adjustment

Beginning net position of the Governmental Activities was restated for a prior period adjustment resulting from improvements that were erroneously recorded as expenses instead of as capital assets of the Urban Renewal Agency. Further, the City accrued additional utility revenues for the fiscal year, causing a restatement of beginning receivables and net position in the Transportation, Water, Wastewater, and Stormwater funds. Net position has been restated as follows:

Fund	Transportation	Urban Renewal	Total Governmental Activities	Water	Wastewater	Stormwater	Total Business Type Activities	Total
Adjustment for capital assets	\$ -	\$ 105,670	\$ 105,670	\$ -	\$ -	\$ -	\$ -	\$ 105,670
Adjustment for revenue accrual	57,300	-	57,300	250,592	237,356	66,770	554,718	612,018
Total prior period adjustment	\$ 57,300	\$ 105,670	\$ 162,970	\$ 250,592	\$ 237,356	\$ 66,770	\$ 554,718	\$ 717,688

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

G. New Pronouncements

GASB Statement No. 72, Fair Value Measurement and Application, was implemented for the City for fiscal year ending June 30, 2016. Since the City invests only in the State Treasurer's LGIP, implementation did not result in a change in valuation. The note on Cash and Investments has been modified to provide the new disclosures required by this Statement.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 is effective for this fiscal year. The City does not participate in any pension plans that do not fall within the scope of GASB 68, and the changes to GASB 67 and 68 do not affect the City. Therefore, this Statement has no impact upon the City.

GASB Statement No. 76, Hierarchy of Generally Accepted Accounting Principles for State and Local Governments reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement was implemented by the City in fiscal year ending June 30, 2016.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans has no impact upon the City since the City does not participate in any pension plans that fall within the scope of this Statement.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants addresses accounting and financial reporting for certain external investment pools and pool participants. GASB Statement No. 79 was implemented by the City in fiscal year ending June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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

General Fund

Major Special Revenue Funds:

Engineering

System Development

Urban Renewal

Transportation

Schedule of Funding Progress

Schedule of the Proportionate Share of the Net Pension Liability

Schedule of Contributions

Notes to Required Supplementary Information

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2016	FY 2017		
REVENUES						
Property taxes	\$ 23,010,037	\$ 23,010,037	\$ 11,433,540	\$ -	\$ 11,433,540	\$ (11,576,497)
Franchise taxes	6,213,638	6,333,638	3,541,761	-	3,541,761	(2,791,877)
Assessments and other taxes	380,000	380,000	284,276	-	284,276	(95,724)
Licenses and permits	794,724	794,724	550,388	-	550,388	(244,336)
Charges for services	3,142,883	3,142,883	1,794,061	-	1,794,061	(1,348,822)
Intergovernmental	3,294,791	3,294,791	1,647,115	-	1,647,115	(1,647,676)
Fines and forfeitures	2,082,357	2,082,357	818,239	-	818,239	(1,264,118)
Interest income	106,846	106,846	134,852	-	134,852	28,006
Miscellaneous	485,980	485,980	383,940	-	383,940	(102,040)
TOTAL REVENUES	39,511,256	39,631,256	20,588,172	-	20,588,172	(19,043,084)
EXPENDITURES						
Policy & Administration	9,894,037	10,230,037	4,164,518	-	4,164,518	6,065,519
Police	18,460,318	18,460,318	8,834,120	-	8,834,120	9,626,198
Community Services	7,783,658	7,783,658	3,349,120	-	3,349,120	4,434,538
General Government	3,525,824	3,525,824	1,649,183	-	1,649,183	1,876,641
Contingency	1,058,188	1,058,188	-	-	-	1,058,188
TOTAL EXPENDITURES	40,722,025	41,058,025	17,996,941	-	17,996,941	23,061,084
REVENUES OVER (UNDER) EXPENDITURES	(1,210,769)	(1,426,769)	2,591,231	-	2,591,231	4,018,000
OTHER FINANCING SOURCES (USES)						
Transfers in	1,033,741	1,033,741	375,150	-	375,150	(658,591)
Transfers out	(3,502,205)	(3,562,205)	(1,716,666)	-	(1,716,666)	1,845,539
TOTAL OTHER FINANCING SOURCES (USES)	(2,468,464)	(2,528,464)	(1,341,516)	-	(1,341,516)	1,186,948
NET CHANGE IN FUND BALANCE	(3,679,233)	(3,955,233)	1,249,715	-	1,249,715	5,204,948
FUND BALANCE, beginning of year	4,585,309	4,861,309	6,189,165	-	6,189,165	1,327,856
FUND BALANCE, end of year	\$ 906,076	\$ 906,076	\$ 7,438,880	\$ -	\$ 7,438,880	\$ 6,532,804

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – ENGINEERING FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Licenses and permits	\$ 550,330	\$ 550,330	\$ 428,887	\$ -	\$ 428,887	\$ (121,443)
Charges for services	26,450	26,450	33,214	-	33,214	6,764
Interest income	2,091	2,091	3,272	-	3,272	1,181
TOTAL REVENUES	578,871	578,871	465,373	-	465,373	(113,498)
EXPENDITURES						
Personal services	1,148,259	1,148,259	520,476	-	520,476	627,783
Materials and services	353,702	353,702	149,881	-	149,881	203,821
Capital Outlay	147,500	147,500	-	-	-	147,500
Contingency	89,935	89,935	-	-	-	89,935
TOTAL EXPENDITURES	1,739,396	1,739,396	670,357	-	670,357	1,069,039
REVENUES OVER (UNDER) EXPENDITURES	(1,160,525)	(1,160,525)	(204,984)	-	(204,984)	955,541
OTHER FINANCING SOURCES (USES)						
Transfers in	1,143,450	1,143,450	625,080	-	625,080	(518,370)
Transfers out	(7,000)	(7,000)	(3,500)	-	(3,500)	3,500
TOTAL OTHER FINANCING SOURCES (USES)	1,136,450	1,136,450	621,580	-	621,580	(514,870)
NET CHANGE IN FUND BALANCE	(24,075)	(24,075)	416,596	-	416,596	440,671
FUND BALANCE, beginning of year	24,075	24,075	14,474	-	14,474	(9,601)
FUND BALANCE, end of year	\$ -	\$ -	\$ 431,070	\$ -	\$ 431,070	\$ 431,070

CITY OF OREGON CITY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
System development charges	\$ 3,492,483	\$ 3,492,483	\$ 3,517,261	\$ -	\$ 3,517,261	\$ 24,778
Intergovernmental	-	-	36,195	-	36,195	36,195
Interest income	117,184	117,184	81,720	-	81,720	(35,464)
Miscellaneous income	94,846	94,846	66,227	-	66,227	(28,619)
TOTAL REVENUES	3,704,513	3,704,513	3,701,403	-	3,701,403	(3,110)
EXPENDITURES						
Materials and services	983,037	983,037	314,230	-	314,230	668,807
Capital outlay	8,693,384	8,943,384	962,348	-	962,348	7,981,036
Contingency	7,380,081	7,130,081	-	-	-	7,130,081
TOTAL EXPENDITURES	17,056,502	17,056,502	1,276,578	-	1,276,578	15,779,924
REVENUES OVER (UNDER) EXPENDITURES	(13,351,989)	(13,351,989)	2,424,825	-	2,424,825	15,776,814
OTHER FINANCING SOURCES (USES)						
Transfers in	40,000	40,000	20,000	-	20,000	(20,000)
Transfers out	(407,494)	(407,494)	(247,229)	-	(247,229)	160,265
TOTAL OTHER FINANCING SOURCES (USES)	(367,494)	(367,494)	(227,229)	-	(227,229)	140,265
NET CHANGE IN FUND BALANCE	(13,719,483)	(13,719,483)	2,197,596	-	2,197,596	15,917,079
FUND BALANCE, beginning of year	13,984,577	13,984,577	15,474,303	-	15,474,303	1,489,726
FUND BALANCE, end of year	\$ 265,094	\$ 265,094	\$ 17,671,899	\$ -	\$ 17,671,899	\$ 17,406,805

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Biennial</u>	
REVENUES						
Property Taxes	\$ 4,516,520	\$ 4,516,520	\$ 2,195,396	\$ -	\$ 2,195,396	\$ (2,321,124)
Interest income	34,000	34,000	26,144	-	26,144	(7,856)
Miscellaneous income	120,000	120,000	65,589	-	65,589	(54,411)
TOTAL REVENUES	4,670,520	4,670,520	2,287,129	-	2,287,129	(2,383,391)
EXPENDITURES						
Materials and services	1,602,004	1,602,004	719,643	-	719,643	882,361
Capital outlay	1,300,000	1,300,000	149,615	-	149,615	1,150,385
Debt Service						
Principal	2,333,208	2,333,208	1,156,604	-	1,156,604	1,176,604
Interest	985,025	985,025	504,143	-	504,143	480,882
Contingency	1,488,673	1,488,673	-	-	-	1,488,673
TOTAL EXPENDITURES	7,708,910	7,708,910	2,530,005	-	2,530,005	5,178,905
REVENUES OVER (UNDER) EXPENDITURES	(3,038,390)	(3,038,390)	(242,876)	-	(242,876)	2,795,514
FUND BALANCE, beginning of year	3,038,390	3,038,390	3,378,071	-	3,378,071	339,681
FUND BALANCE, end of year	\$ -	\$ -	\$ 3,135,195	\$ -	\$ 3,135,195	\$ 3,135,195
RECONCILIATION TO FUND BALANCE - GAAP BASIS						
Loan payable to Fleet Fund					(1,160,893)	
					<u>\$ 1,974,302</u>	

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Charges for services	\$ 4,429,433	\$ 4,429,433	\$ 2,280,071	\$ -	\$ 2,280,071	\$ (2,149,362)
Intergovernmental	3,885,024	3,885,024	2,003,348	-	2,003,348	(1,881,676)
Interest income	12,992	12,992	9,323	-	9,323	(3,669)
TOTAL REVENUES	8,327,449	8,327,449	4,292,742	-	4,292,742	(4,034,707)
EXPENDITURES						
Personal services	2,425,811	2,425,811	1,016,870	-	1,016,870	1,408,941
Materials and services	2,126,746	2,126,746	1,016,647	-	1,016,647	1,110,099
Capital outlay	4,416,775	4,416,775	1,734,738	-	1,734,738	2,682,037
Contingency	193,671	193,671	-	-	-	193,671
TOTAL EXPENDITURES	9,163,003	9,163,003	3,768,255	-	3,768,255	5,394,748
REVENUES OVER (UNDER) EXPENDITURES	(835,554)	(835,554)	524,487	-	524,487	1,360,041
OTHER FINANCING SOURCES (USES)						
Transfers in	189,154	189,154	94,577	-	94,577	(94,577)
Transfers out	(720,763)	(720,763)	(358,184)	-	(358,184)	362,579
TOTAL OTHER FINANCING SOURCES (USES)	(531,609)	(531,609)	(263,607)	-	(263,607)	268,002
NET CHANGE IN FUND BALANCE	(1,367,163)	(1,367,163)	260,880	-	260,880	1,628,043
FUND BALANCE, beginning of year	2,207,886	2,207,886	2,301,110	-	2,301,110	93,224
Prior period adjustment	-	-	57,300	-	57,300	57,300
FUND BALANCE, beginning of year, as restated			2,358,410	-	2,358,410	150,524
FUND BALANCE, end of year	\$ 840,723	\$ 840,723	\$ 2,619,290	\$ -	\$ 2,619,290	\$ 1,778,567

CITY OF OREGON CITY, OREGON
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2016

Other Post Employment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
8/1/2014	\$ -	\$ 10,509,161	10,509,161	0%	\$ 11,671,425	90.0%
8/1/2012	-	10,363,380	10,363,380	0%	10,634,177	97.5%
8/1/2010	-	8,607,793	8,607,793	0%	9,973,218	86.3%
8/1/2008	-	6,603,716	6,603,716	0%	8,997,944	73.4%

This schedule is presented to illustrate information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available. Actuarial valuations are performed every two years; results are not available for odd-numbered years.

CITY OF OREGON CITY, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE LAST THREE FISCAL YEARS

Public Employees Retirement System (PERS)

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) 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
2016	0.12813896%	\$ 7,357,049	\$ 11,561,433	63.63%	91.90%
2015	0.11809467%	(2,676,869)	11,671,425	(22.94%)	103.60%
2014	0.11809467%	6,026,544	10,524,989	57.26%	91.97%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF OREGON CITY, OREGON
SCHEDULE OF CONTRIBUTIONS
FOR THE LAST THREE FISCAL YEARS

Public Employees Retirement System (PERS)

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2016	\$ 1,122,770	\$ 1,122,770	\$ -	\$ 11,561,433	9.71%
2015	1,027,122	1,027,122	-	11,671,425	8.80%
2014	1,067,092	1,067,092	-	10,524,989	10.14%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

According to City Charter and Oregon Law (ORS 294), the City of Oregon City must prepare and adopt a balanced budget. Local Budget law allows governments to budget either on a one-year or a two-year cycle, as approved by the governing body. The Oregon City budget is prepared for a biennial (two-year) period.

A budget is prepared for each fund in accordance with the modified accrual basis of accounting for all funds. Appropriations are made at the department level for all funds; expenditures which don't pertain to a specific department, such as debt or contingency, are appropriated for separately within each fund. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each budget period.

Budget amounts include original approved amounts and all subsequent budget amendments approved by the City Commission. Oregon Budget Law allows for amendments to the City budget for reasons unforeseen at the time of adoption. After budget approval, the Commission may adopt resolution changes that decrease one existing appropriation and increase another. Unexpected additional resources may be added to the budget through the use of appropriation resolutions or supplemental budget procedures in some cases. Supplemental budgets require the use of public hearings; supplemental budgets in excess of ten percent in any fund may require a process similar to the annual budget process (requiring the Budget Committee and public hearings). Management may not amend the budget. The City adopted one supplemental budget for the 2015-2017 biennial budget.

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the 2015-2017 biennium, there were no fund expenditures exceeding budgeted appropriations.

NOTE 2: PENSIONS

A. Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

B. Changes of assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/mercercer_reports.aspx.



OTHER SUPPLEMENTARY INFORMATION

*Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual –
Major Capital Projects Fund*

CITY OF OREGON CITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL – COMMUNITY FACILITIES FUND
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Charges for services	\$ 2,210,000	\$ 2,210,000	\$ 509,096	\$ -	\$ 509,096	\$ (1,700,904)
Intergovernmental	-	-	18,000	-	18,000	18,000
Interest income	29,700	29,700	82,346	-	82,346	52,646
TOTAL REVENUES	2,239,700	2,239,700	609,442	-	609,442	(1,630,258)
EXPENDITURES						
Materials and services	-	-	263	-	263	(263)
Capital outlay	22,285,000	22,345,000	7,314,219	-	7,314,219	15,030,781
Contingency	200,000	200,000	-	-	-	200,000
TOTAL EXPENDITURES	22,485,000	22,545,000	7,314,482	-	7,314,482	15,230,518
REVENUES OVER (UNDER) EXPENDITURES	(20,245,300)	(20,305,300)	(6,705,040)	-	(6,705,040)	13,600,260
OTHER FINANCING SOURCES (USES)						
Transfers in	2,740,000	2,800,000	1,430,000	-	1,430,000	(1,370,000)
NET CHANGE IN FUND BALANCE	(17,505,300)	(17,505,300)	(5,275,040)	-	(5,275,040)	12,230,260
FUND BALANCE, beginning of year	17,505,300	17,505,300	16,894,727	-	16,894,727	(610,573)
FUND BALANCE, end of year	\$ -	\$ -	\$ 11,619,687	\$ -	\$ 11,619,687	\$ 11,619,687

*Combining and Individual Fund Financial
Statements and Schedules –
Nonmajor Governmental Funds*

CITY OF OREGON CITY, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue			Debt Service		Total
	Library	Community Development	Building	PERS Debt Service	Fire Bond Debt Service	
ASSETS						
Cash and investments	\$ 1,510,305	\$ 516,318	\$ 1,273,427	\$ 1,886,546	\$ 94,940	\$ 5,281,536
Receivables:						
Accounts	-	63,332	-	165,098	-	228,430
Property taxes	-	-	-	-	19,040	19,040
Notes	-	-	-	79,724	246,268	325,992
Deposits	925	8,185	15,889	-	-	24,999
TOTAL ASSETS	\$ 1,511,230	\$ 587,835	\$ 1,289,316	\$ 2,131,368	\$ 360,248	\$ 5,879,997
LIABILITIES						
Accounts payable	\$ 11,579	\$ 209,181	\$ 30,029	\$ -	\$ -	\$ 250,789
Accrued payroll	31,769	26,297	23,707	-	-	81,773
TOTAL LIABILITIES	43,348	235,478	53,736	-	-	332,562
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	79,724	263,576	343,300
FUND BALANCES						
Restricted for:						
Debt service	-	-	-	-	96,672	96,672
Library operations	1,467,882	-	-	-	-	1,467,882
Building operations	-	-	1,235,580	-	-	1,235,580
Committed to:						
Debt service	-	-	-	2,051,644	-	2,051,644
Planning and building operations	-	352,357	-	-	-	352,357
TOTAL FUND BALANCES	1,467,882	352,357	1,235,580	2,051,644	96,672	5,204,135
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,511,230	\$ 587,835	\$ 1,289,316	\$ 2,131,368	\$ 360,248	\$ 5,879,997

CITY OF OREGON CITY, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue			Debt Service		Total
	Library	Community Development	Building	PERS Debt Service	Fire Bond Debt Service	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 300,082	\$ 300,082
Licenses and permits	-	24,158	1,455,887	-	-	1,480,045
Charges for services	39,300	740,875	206,285	-	-	986,460
Intergovernmental	2,038,693	153,264	-	-	-	2,191,957
Interest income	3,392	2,042	4,753	15,758	526	26,471
Miscellaneous	772	-	-	1,404,252	123,134	1,528,158
TOTAL REVENUES	2,082,157	920,339	1,666,925	1,420,010	423,742	6,513,173
EXPENDITURES						
Culture and recreation	1,265,397	-	-	-	-	1,265,397
Planning and building	-	1,537,506	1,139,452	-	-	2,676,958
Debt service						
Principal	233,412	-	-	570,000	365,000	1,168,412
Interest	181,959	-	-	724,711	31,875	938,545
TOTAL EXPENDITURES	1,680,768	1,537,506	1,139,452	1,294,711	396,875	6,049,312
REVENUES OVER (UNDER) EXPENDITURES	401,389	(617,167)	527,473	125,299	26,867	463,861
OTHER FINANCING SOURCES (USES)						
Transfers in	200,000	772,557	-	-	-	972,557
Transfers out	(5,150)	(3,750)	(7,120)	-	-	(16,020)
TOTAL OTHER FINANCING SOURCES (USES)	194,850	768,807	(7,120)	-	-	956,537
NET CHANGE IN FUND BALANCE	596,239	151,640	520,353	125,299	26,867	1,420,398
FUND BALANCE, beginning of year	871,643	200,717	715,227	1,926,345	69,805	3,783,737
FUND BALANCE, end of year	\$ 1,467,882	\$ 352,357	\$ 1,235,580	\$ 2,051,644	\$ 96,672	\$ 5,204,135

*Schedules of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual – Nonmajor
Governmental Funds*

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Charges for services	\$ 98,700	\$ 98,700	\$ 39,300	\$ -	\$ 39,300	\$ (59,400)
Intergovernmental	3,974,387	3,974,387	2,038,693	-	2,038,693	(1,935,694)
Interest income	-	-	3,392	-	3,392	3,392
Miscellaneous	9,700	9,700	772	-	772	(8,928)
TOTAL REVENUES	4,082,787	4,082,787	2,082,157	-	2,082,157	(2,000,630)
EXPENDITURES						
Personal services	2,290,439	2,290,439	1,022,123	-	1,022,123	1,268,316
Materials and services	716,266	716,266	243,274	-	243,274	472,992
Principal	455,732	455,732	233,412	-	233,412	222,320
Interest	356,702	356,702	181,959	-	181,959	174,743
Contingency	1,327,714	1,327,714	-	-	-	1,327,714
TOTAL EXPENDITURES	5,146,853	5,146,853	1,680,768	-	1,680,768	3,466,085
REVENUES OVER (UNDER) EXPENDITURES	(1,064,066)	(1,064,066)	401,389	-	401,389	1,465,455
OTHER FINANCING SOURCES (USES)						
Transfers in	400,000	400,000	200,000	-	200,000	(200,000)
Transfers out	(40,455)	(40,455)	(5,150)	-	(5,150)	35,305
TOTAL OTHER FINANCING SOURCES (USES)	359,545	359,545	194,850	-	194,850	(164,695)
NET CHANGE IN FUND BALANCE	(704,521)	(704,521)	596,239	-	596,239	1,300,760
FUND BALANCE, beginning of year	704,521	704,521	871,643	-	871,643	167,122
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,467,882	\$ -	\$ 1,467,882	\$ 1,467,882

CITY OF OREGON CITY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Licenses and permits	\$ 102,480	\$ 102,480	\$ 24,158	\$ -	\$ 24,158	\$ (78,322)
Charges for services	1,739,878	1,739,878	740,875	-	740,875	(999,003)
Intergovernmental	5,000	194,000	153,264	-	153,264	(40,736)
Interest	2,000	2,000	2,042	-	2,042	42
TOTAL REVENUES	1,849,358	2,038,358	920,339	-	920,339	(1,118,019)
EXPENDITURES						
Personal services	1,626,662	1,815,662	809,437	-	809,437	1,006,225
Materials and services	1,608,993	1,608,993	728,069	-	728,069	880,924
Capital outlay	45,000	45,000	-	-	-	45,000
Contingency	19,813	19,813	-	-	-	19,813
TOTAL EXPENDITURES	3,300,468	3,489,468	1,537,506	-	1,537,506	1,951,962
REVENUES OVER (UNDER) EXPENDITURES	(1,451,110)	(1,451,110)	(617,167)	-	(617,167)	833,943
OTHER FINANCING SOURCES (USES)						
Transfers in	1,535,422	1,535,422	772,557	-	772,557	(762,865)
Transfers out	(187,500)	(187,500)	(3,750)	-	(3,750)	183,750
TOTAL OTHER FINANCING SOURCES (USES)	1,347,922	1,347,922	768,807	-	768,807	(579,115)
NET CHANGE IN FUND BALANCE	(103,188)	(103,188)	151,640	-	151,640	254,828
FUND BALANCE, beginning of year	103,188	103,188	200,717	-	200,717	97,529
FUND BALANCE, end of year	\$ -	\$ -	\$ 352,357	\$ -	\$ 352,357	\$ 352,357

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Licenses and permits	\$ 1,734,972	\$ 1,734,972	\$ 1,455,887	\$ -	\$ 1,455,887	\$ (279,085)
Charges for services	427,700	427,700	206,285	-	206,285	(221,415)
Interest income	2,600	2,600	4,753	-	4,753	2,153
TOTAL REVENUES	2,165,272	2,165,272	1,666,925	-	1,666,925	(498,347)
EXPENDITURES						
Personal services	1,580,026	1,856,026	766,732	-	766,732	1,089,294
Materials and services	787,310	787,310	372,720	-	372,720	414,590
Capital outlay	25,000	25,000	-	-	-	25,000
Contingency	213,063	213,063	-	-	-	213,063
TOTAL EXPENDITURES	2,605,399	2,881,399	1,139,452	-	1,139,452	1,741,947
REVENUES OVER (UNDER) EXPENDITURES	(440,127)	(716,127)	527,473	-	527,473	1,243,600
OTHER FINANCING SOURCES (USES)						
Transfers in	200,000	200,000	-	-	-	(200,000)
Transfers out	(14,365)	(14,365)	(7,120)	-	(7,120)	7,245
TOTAL OTHER FINANCING SOURCES (USES)	185,635	185,635	(7,120)	-	(7,120)	(192,755)
NET CHANGE IN FUND BALANCE	(254,492)	(530,492)	520,353	-	520,353	1,050,845
FUND BALANCE, beginning of year	254,492	530,492	715,227	-	715,227	184,735
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,235,580	\$ -	\$ 1,235,580	\$ 1,235,580

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PERS DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Interest income	\$ 10,000	\$ 10,000	\$ 15,758	\$ -	\$ 15,758	\$ 5,758
Miscellaneous income	2,674,776	2,674,776	1,404,252	-	1,404,252	(1,270,524)
TOTAL REVENUES	2,684,776	2,684,776	1,420,010	-	1,420,010	(1,264,766)
EXPENDITURES						
Debt service						
Principal	1,220,000	1,220,000	570,000	-	570,000	650,000
Interest	1,421,706	1,421,706	724,711	-	724,711	696,995
Contingency	1,768,070	1,768,070	-	-	-	1,768,070
TOTAL EXPENDITURES	4,409,776	4,409,776	1,294,711	-	1,294,711	3,115,065
REVENUES OVER (UNDER) EXPENDITURES	(1,725,000)	(1,725,000)	125,299	-	125,299	1,850,299
FUND BALANCE, beginning of year	1,725,000	1,725,000	1,926,345	-	1,926,345	201,345
FUND BALANCE, end of year	\$ -	\$ -	\$ 2,051,644	\$ -	\$ 2,051,644	\$ 2,051,644

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FIRE BOND DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Property taxes	\$ 533,970	\$ 533,970	\$ 300,082	\$ -	\$ 300,082	\$ (233,888)
Interest income	1,000	1,000	526	-	526	(474)
Miscellaneous income	246,268	246,268	123,134	-	123,134	(123,134)
TOTAL REVENUES	781,238	781,238	423,742	-	423,742	(357,496)
EXPENDITURES						
Debt service						
Principal	750,000	750,000	365,000	-	365,000	385,000
Interest	48,238	48,238	31,875	-	31,875	16,363
TOTAL EXPENDITURES	798,238	798,238	396,875	-	396,875	401,363
REVENUES OVER (UNDER) EXPENDITURES	(17,000)	(17,000)	26,867	-	26,867	43,867
FUND BALANCE, beginning of year	37,000	37,000	69,805	-	69,805	32,805
FUND BALANCE, end of year	\$ 20,000	\$ 20,000	\$ 96,672	\$ -	\$ 96,672	\$ 76,672



*Schedules of Revenues, Expenditures and Changes in Fund
Balance – Budget (Non-GAAP Basis) and Actual –
Proprietary Funds – Enterprise Funds*

CITY OF OREGON CITY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2016**

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2016	FY 2017		
REVENUES						
Charges for services	\$ 12,030,028	\$ 12,030,028	\$ 6,549,826	\$ -	\$ 6,549,826	\$ (5,480,202)
System development charges	731,815	731,815	265,040	-	265,040	(466,775)
Interest earnings	21,536	21,536	16,275	-	16,275	(5,261)
Total Revenues	12,783,379	12,783,379	6,831,141	-	6,831,141	(5,952,238)
EXPENDITURES						
Personal services	3,090,883	3,090,883	1,406,703	-	1,406,703	1,684,180
Materials and services	5,726,620	5,726,620	2,662,749	-	2,662,749	3,063,871
Capital outlay	2,515,000	2,515,000	561,570	-	561,570	1,953,430
Contingency	2,075,819	2,075,819	-	-	-	2,075,819
Total Expenditures	13,408,322	13,408,322	4,631,022	-	4,631,022	8,777,300
REVENUES OVER (UNDER) EXPENDITURES	(624,943)	(624,943)	2,200,119	-	2,200,119	2,825,062
OTHER FINANCING SOURCES (USES)						
Transfers out	(2,513,343)	(2,513,343)	(1,088,942)	-	(1,088,942)	1,424,401
NET CHANGE IN FUND BALANCE	(3,138,286)	(3,138,286)	1,111,177	-	1,111,177	4,249,463
FUND BALANCE, beginning of year	3,138,286	3,138,286	3,218,936	-	3,218,936	80,650
Prior period adjustment	-	-	250,592	-	250,592	250,592
FUND BALANCE, beginning of year, as restated	3,138,286	3,138,286	3,469,528	-	3,469,528	331,242
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,580,705	\$ -	\$ 4,580,705	\$ 4,580,705

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for compensated absences accrual	(63,426)
Adjustment for capital assets, net of depreciation	30,217,795
Adjustment for capital assets not depreciated	593,601
Adjustment for interest in joint venture	8,796,980
Adjustment for net pension liability	(592,865)
Adjustment for deferred inflows relating to pensions	(9,732)
Transfer to Customer Service for pension expense	(209,493)
	<u>\$ 43,313,565</u>

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual			Variance
	Original	Final	FY 2016	FY 2017	Biennial	
REVENUES						
Franchise taxes	\$ 360,000	\$ 360,000	\$ 237,075	\$ -	\$ 237,075	\$ (122,925)
Charges for services	13,698,100	13,698,100	9,176,719	-	9,176,719	(4,521,381)
System development charges	4,247,756	4,247,756	459,985	-	459,985	(3,787,771)
Interest earnings	13,955	13,955	29,544	-	29,544	15,589
Total Revenues	18,319,811	18,319,811	9,903,323	-	9,903,323	(8,416,488)
EXPENDITURES						
Personal services	2,373,143	2,373,143	1,087,177	-	1,087,177	1,285,966
Materials and services	9,603,164	9,603,164	4,984,902	-	4,984,902	4,618,262
Debt service						
Principal	954,975	954,975	425,000	-	425,000	529,975
Interest	101,850	101,850	101,850	-	101,850	-
Capital outlay	1,587,550	1,587,550	987,528	-	987,528	600,022
Contingency	3,904,592	3,904,592	-	-	-	3,904,592
Total Expenditures	18,525,274	18,525,274	7,586,457	-	7,586,457	10,938,817
REVENUES OVER (UNDER) EXPENDITURES	(205,463)	(205,463)	2,316,866	-	2,316,866	2,522,329
OTHER FINANCING SOURCES (USES)						
Transfers out	(2,395,016)	(2,395,016)	(1,209,745)	-	(1,209,745)	1,185,271
NET CHANGE IN FUND BALANCE	(2,600,479)	(2,600,479)	1,107,121	-	1,107,121	3,707,600
FUND BALANCE, beginning of year	3,255,479	3,255,479	3,774,702	-	3,774,702	519,223
Prior period adjustment	-	-	237,356	-	237,356	237,356
FUND BALANCE, beginning of year, as restated	3,255,479	3,255,479	4,012,058	-	4,012,058	756,579
FUND BALANCE, end of year	\$ 655,000	\$ 655,000	\$ 5,119,179	\$ -	5,119,179	\$ 4,464,179

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for compensated absences accrual	(32,570)
Adjustment for interest expense accrual	(19,994)
Adjustment for capital assets, net of depreciation	18,328,274
Adjustment for capital assets not depreciated	317,468
Adjustment for unamortized deferred refunding costs	50,880
Adjustment for receivables deferred	143,031
Adjustment for bonds payable	(1,925,000)
Adjustment for net pension liability	(351,196)
Adjustment for deferred outflows relating to pensions	(5,766)
	<u>\$ 21,624,306</u>

CITY OF OREGON CITY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL – STORMWATER FUND
YEAR ENDED JUNE 30, 2016**

	Biennial Budget		Actual		Variance	
	Original	Final	FY 2016	FY 2017		
REVENUES						
Charges for services	\$ 4,994,590	\$ 4,994,590	\$ 2,572,708	\$ -	\$ 2,572,708	\$ (2,421,882)
Licenses and permits	101,500	101,500	52,566	-	52,566	(48,934)
Interest earnings	2,509	2,509	3,603	-	3,603	1,094
Total Revenues	5,098,599	5,098,599	2,628,877	-	2,628,877	(2,469,722)
EXPENDITURES						
Personal services	2,389,128	2,389,128	1,085,946	-	1,085,946	1,303,182
Materials and services	1,210,976	1,210,976	552,529	-	552,529	658,447
Capital outlay	704,800	704,800	401,712	-	401,712	303,088
Contingency	621,667	621,667	-	-	-	621,667
Total Expenditures	4,926,571	4,926,571	2,040,187	-	2,040,187	2,886,384
REVENUES OVER (UNDER) EXPENDITURES	172,028	172,028	588,690	-	588,690	416,662
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,166,917)	(1,166,917)	(626,332)	-	(626,332)	540,585
NET CHANGE IN FUND BALANCE	(994,889)	(994,889)	(37,642)	-	(37,642)	957,247
FUND BALANCE, beginning of year	994,889	994,889	1,018,371	-	1,018,371	23,482
Prior period adjustment	-	-	66,770	-	66,770	66,770
FUND BALANCE, beginning of year, as restated	994,889	994,889	1,085,141	-	1,085,141	90,252
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,047,499	\$ -	\$ 1,047,499	\$ 1,047,499

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for compensated absences accrual	(39,427)
Adjustment for capital assets, net of depreciation	12,630,679
Adjustment for capital assets not depreciated	1,102,569
Adjustment for net pension liability	(396,021)
Adjustment for deferred outflows relating to pensions	(6,500)
	\$ 14,338,799

*Combining and Individual Fund Financial
Statements – Nonmajor Proprietary Funds –
Internal Service Funds*

CITY OF OREGON CITY, OREGON

COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS –
INTERNAL SERVICE FUNDS

JUNE 30, 2016

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and investments	\$ 4,632	\$ 61,550	\$ 3,745,412	\$ 3,811,594
Due from other funds	-	209,493	1,160,893	1,370,386
Total Current Assets	4,632	271,043	4,906,305	5,181,980
Noncurrent Assets				
Capital assets, net of depreciation	-	3,161	859,211	862,372
Total Assets	4,632	274,204	5,765,516	6,044,352
Deferred Outflows of Resources				
Deferred resources related to pensions	-	52,934	-	52,934
LIABILITIES				
Current Liabilities				
Accounts payable	2,804	994	6,346	10,144
Accrued payroll liabilities	-	21,065	-	21,065
Current portion of long-term liabilities				
Accrued compensated absences	-	2,509	-	2,509
Total Current Liabilities	2,804	24,568	6,346	33,718
Noncurrent Liabilities				
Accrued compensated absences	-	10,035	-	10,035
Net pension liability	-	232,622	-	232,622
Total Noncurrent Liabilities	-	242,657	-	242,657
Total Liabilities	2,804	267,225	6,346	276,375
Deferred Inflows of Resources				
Deferred resources related to pensions	-	56,752	-	56,752
NET POSITION:				
Net investment in capital assets	-	3,161	859,211	862,372
Unrestricted	1,828	-	4,899,959	4,901,787
Total Net Position	\$ 1,828	\$ 3,161	\$ 5,759,170	\$ 5,764,159

CITY OF OREGON CITY, OREGON
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
 NONMAJOR PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 201,492	\$ 19,056	\$ -	\$ 220,548
OPERATING EXPENSES				
Personal services	-	797,608	-	797,608
Materials and services	195,375	336,245	-	531,620
Depreciation	-	3,489	680,121	683,610
Total Operating Expenses	<u>195,375</u>	<u>1,137,342</u>	<u>680,121</u>	<u>2,012,838</u>
OPERATING INCOME (LOSS)	6,117	(1,118,286)	(680,121)	(1,792,290)
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	<u>-</u>	<u>523</u>	<u>41,999</u>	<u>42,522</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	6,117	(1,117,763)	(638,122)	(1,749,768)
Transfers in	-	1,122,197	863,100	1,985,297
Transfers out	<u>(5,000)</u>	<u>(1,550)</u>	<u>(20,000)</u>	<u>(26,550)</u>
CHANGE IN NET POSITION	1,117	2,884	204,978	208,979
Beginning net position	<u>711</u>	<u>277</u>	<u>5,554,192</u>	<u>5,555,180</u>
Ending net position	<u>\$ 1,828</u>	<u>\$ 3,161</u>	<u>\$ 5,759,170</u>	<u>\$ 5,764,159</u>

CITY OF OREGON CITY, OREGON

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2016

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Collected from customers	\$ 201,492	\$ 19,056	\$ 1,114	\$ 221,662
Paid to suppliers	(199,363)	(343,448)	-	(542,811)
Paid to employees	-	(602,578)	-	(602,578)
	<u>2,129</u>	<u>(926,970)</u>	<u>1,114</u>	<u>(923,727)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>				
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	912,704	863,100	1,775,804
Transfers out	(5,000)	(1,550)	(20,000)	(26,550)
	<u>(5,000)</u>	<u>911,154</u>	<u>843,100</u>	<u>1,749,254</u>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(1,196,074)	(1,196,074)
Proceeds from sale of capital assets	-	-	10,338	10,338
Principal received on interfund loan receivable	-	-	386,964	386,964
	<u>-</u>	<u>-</u>	<u>(798,772)</u>	<u>(798,772)</u>
<i>Net Cash Used in Capital and Related Financing Activities</i>				
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	523	41,999	42,522
	<u>(2,871)</u>	<u>(15,293)</u>	<u>87,441</u>	<u>69,277</u>
<i>Increase in Cash and Investments</i>				
CASH AND INVESTMENTS, Beginning of year	<u>7,503</u>	<u>76,843</u>	<u>3,657,971</u>	<u>3,742,317</u>
CASH AND INVESTMENTS, End of year	<u>\$ 4,632</u>	<u>\$ 61,550</u>	<u>\$ 3,745,412</u>	<u>\$ 3,811,594</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 6,117	\$ (1,118,286)	\$ (680,121)	\$ (1,792,290)
Depreciation	-	3,489	680,121	683,610
<i>Change in assets and liabilities</i>				
Accounts receivable	-	-	1,114	1,114
Accounts payable and accrued liabilities	(3,988)	(5,984)	-	(9,972)
Pension asset	-	309,709	-	309,709
Deferred outflows - pensions	-	(23,355)	-	(23,355)
Deferred inflows - pensions	-	(92,543)	-	(92,543)
	<u>2,129</u>	<u>(926,970)</u>	<u>1,114</u>	<u>(923,727)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>				

*Schedules of Revenues, Expenditures and Changes in Fund
Balance – Budget (Non-GAAP Basis) and Actual –
Proprietary Funds –Internal Service Funds*

CITY OF OREGON CITY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL - FLEET SERVICE FUND
YEAR ENDED JUNE 30, 2016**

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2016	FY 2017		
REVENUES						
Charges for services	\$ 313,635	\$ 313,635	\$ 201,492	\$ -	\$ 201,492	\$ (112,143)
EXPENDITURES						
Materials and services	274,381	274,381	195,375	-	195,375	79,006
Capital Outlay	21,536	21,536	-	-	-	21,536
Contingency	8,647	8,647	-	-	-	8,647
Total Expenditures	304,564	304,564	195,375	-	195,375	109,189
REVENUES OVER (UNDER) EXPENDITURES	9,071	9,071	6,117	-	6,117	(2,954)
OTHER FINANCING SOURCES (USES)						
Transfers out	(10,000)	(10,000)	(5,000)	-	(5,000)	5,000
NET CHANGE IN FUND BALANCE	(929)	(929)	1,117	-	1,117	2,046
FUND BALANCE, beginning of year	929	929	711	-	711	(218)
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,828	\$ -	1,828	\$ 1,828

CITY OF OREGON CITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL - CUSTOMER SERVICE FUND
YEAR ENDED JUNE 30, 2016

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2016	FY 2017		
REVENUES						
Charges for services	\$ 40,094	\$ 40,094	\$ 19,056	\$ -	\$ 19,056	\$ (21,038)
Interest earnings	-	-	523	-	523	523
Total Revenues	40,094	40,094	19,579	-	19,579	(20,515)
EXPENDITURES						
Current						
Personal services	1,310,332	1,310,332	607,178	-	607,178	703,154
Materials and services	688,000	688,000	336,245	-	336,245	351,755
Contingency	40,000	40,000	-	-	-	40,000
Total Expenditures	2,038,332	2,038,332	943,423	-	943,423	1,094,909
REVENUES OVER (UNDER) EXPENDITURES	(1,998,238)	(1,998,238)	(923,844)	-	(923,844)	1,074,394
OTHER FINANCING SOURCES (USES)						
Transfers in	2,001,388	2,001,388	912,704	-	912,704	(1,088,684)
Transfers out	(3,150)	(3,150)	(1,550)	-	(1,550)	1,600
Total Other Financing Sources and Uses	1,998,238	1,998,238	911,154	-	911,154	(1,087,084)
NET CHANGE IN FUND BALANCE	-	-	(12,690)	-	(12,690)	(12,690)
FUND BALANCE, beginning of year	-	-	52,181	-	52,181	52,181
FUND BALANCE, end of year	\$ -	\$ -	\$ 39,491	\$ -	39,491	\$ 39,491

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for compensated absences accrual	(12,544)
Adjustment for capital assets, net of depreciation	3,161
Adjustment for net pension liability	(232,622)
Adjustment for deferred outflows relating to pensions	(3,818)
Transfer from Water fund for pension expense	209,493
	<u>\$ 3,161</u>

CITY OF OREGON CITY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL - EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual		Biennial	Variance
	Original	Final	FY 2016	FY 2017		
REVENUES						
Interest income	\$ 40,000	\$ 40,000	\$ 41,999	\$ -	\$ 41,999	\$ 1,999
Miscellaneous income	-	-	397,302	-	397,302	397,302
TOTAL REVENUES	40,000	40,000	439,301	-	439,301	399,301
EXPENDITURES						
Capital outlay	2,396,173	2,396,173	1,202,420	-	1,202,420	1,193,753
Contingency	-	-	-	-	-	-
TOTAL EXPENDITURES	2,396,173	2,396,173	1,202,420	-	1,202,420	1,193,753
REVENUES OVER (UNDER) EXPENDITURES	(2,356,173)	(2,356,173)	(763,119)	-	(763,119)	1,593,054
OTHER FINANCING SOURCES (USES)						
Transfers in	1,725,050	1,725,050	863,100	-	863,100	(861,950)
Transfers out	(40,000)	(40,000)	(20,000)	-	(20,000)	20,000
TOTAL OTHER FINANCING SOURCES (USES)	1,685,050	1,685,050	843,100	-	843,100	(841,950)
NET CHANGE IN FUND BALANCE	(671,123)	(671,123)	79,981	-	79,981	751,104
FUND BALANCE, beginning of year	3,249,871	3,249,871	3,659,085	-	3,659,085	409,214
FUND BALANCE, end of year	\$ 2,578,748	\$ 2,578,748	\$ 3,739,066	\$ -	\$ 3,739,066	\$ 1,160,318

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for capital assets, net of depreciation	859,211
Adjustment for note receivable from other funds	1,160,893
	<u>\$ 5,759,170</u>

*Statement of Changes in Assets and Liabilities –
Fiduciary Funds – Agency Fund*

CITY OF OREGON CITY, OREGON

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – FIDUCIARY FUNDS – AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Balance			Balance
	July 1, 2015	Additions	Deductions	June 30, 2016
ASSETS				
Cash and investments	\$ 16,065	\$ 48	\$ 120	\$ 15,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Due to others	\$ 16,065	\$ 48	\$ 120	\$ 15,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Other Financial Schedules

CITY OF OREGON CITY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
YEAR ENDED JUNE 30, 2016

City of Oregon City

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2015</u>	<u>2015-2016 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2016</u>
2015-16	\$ -	\$ 12,105,761	\$ (328,320)	\$ (11,472,965)	\$ 304,476
2014-15	316,971	-	(1,045)	(172,452)	143,474
2013-14	139,456	-	6,339	(50,330)	95,465
2012-13	91,774	-	5,722	(40,433)	57,063
2011-12	58,430	-	7,656	(23,632)	42,454
2010-11 and prior	84,747	-	5,842	(11,382)	79,207
Total	\$ 691,378	\$ 12,105,761	\$ (303,806)	\$ (11,771,194)	\$ 722,139

Oregon City Urban Renewal Agency

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2015</u>	<u>2015-2016 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2016</u>
2015-16	\$ -	\$ 2,257,702	\$ (60,517)	\$ (2,140,233)	\$ 56,952
2014-15	61,769	-	481	(34,315)	27,935
2013-14	27,231	-	1,061	(9,651)	18,641
2012-13	19,233	-	1,539	(8,813)	11,959
2011-12	11,363	-	827	(3,933)	8,257
2010-11 and prior	16,998	-	301	(1,455)	15,844
Total	\$ 136,594	\$ 2,257,702	\$ (56,308)	\$ (2,198,400)	\$ 139,588

CITY OF OREGON CITY, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
YEAR ENDED JUNE 30, 2016

<i>Fiscal Year</i>	<i>2015 Library General Obligation Bonds</i>			<i>2005 PERS UAL Bond</i>			<i>Fire General Obligation Refunding Bonds</i>											
	<i>Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>								
<i>June 30,</i>																		
2017	\$	240,601	\$	174,770	\$	415,371	\$	650,000	\$	697,015	\$	1,347,015	\$	385,000	\$	16,363	\$	401,363
2018		248,011		167,360		415,371		735,000		665,432		1,400,432		-		-		-
2019		255,650		159,721		415,371		825,000		629,718		1,454,718		-		-		-
2020		263,524		151,847		415,371		925,000		589,631		1,514,631		-		-		-
2021		271,640		143,730		415,370		1,030,000		544,685		1,574,685		-		-		-
2022		280,007		135,364		415,371		1,145,000		493,144		1,638,144		-		-		-
2023		288,631		126,740		415,371		1,265,000		435,848		1,700,848		-		-		-
2024		297,521		117,850		415,371		1,395,000		372,548		1,767,548		-		-		-
2025		306,685		108,686		415,371		1,535,000		302,742		1,837,742		-		-		-
2026		316,130		99,240		415,370		1,690,000		225,931		1,915,931		-		-		-
2027		325,867		89,504		415,371		1,850,000		141,363		1,991,363		-		-		-
2028		335,904		79,467		415,371		975,000		48,789		1,023,789		-		-		-
2029		346,250		69,121		415,371		-		-		-		-		-		-
2030		356,914		58,457		415,371		-		-		-		-		-		-
2031		367,907		47,464		415,371		-		-		-		-		-		-
2032		379,239		36,132		415,371		-		-		-		-		-		-
2033		390,919		24,451		415,370		-		-		-		-		-		-
2034		402,960		12,411		415,371		-		-		-		-		-		-
	\$	5,674,360	\$	1,802,315	\$	7,476,675	\$	14,020,000	\$	5,146,846	\$	19,166,846	\$	385,000	\$	16,363	\$	401,363

CITY OF OREGON CITY, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS (Continued)
YEAR ENDED JUNE 30, 2016

<i>Fiscal Year</i>	<i>2008 Urban Renewal Revenue Bonds</i>			<i>2013 Urban Renewal Tax Exempt Bonds</i>			<i>2013 Urban Renewal Taxable Bonds</i>			
	<i>Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>June 30,</i>										
2017	\$	445,000	\$ 349,223	\$ 794,223	\$ 123,197	\$ 26,303	\$ 149,500	\$ 221,443	\$ 70,530	\$ 291,973
2018		465,000	327,195	792,195	123,197	22,545	145,742	221,443	60,454	281,897
2019		490,000	304,178	794,178	123,197	18,788	141,985	221,443	50,378	271,821
2020		515,000	279,923	794,923	123,197	15,030	138,227	221,443	40,303	261,746
2021		540,000	254,430	794,430	123,197	11,273	134,470	221,443	30,227	251,670
2022		565,000	227,700	792,700	123,197	7,515	130,712	221,443	20,151	241,594
2023		4,035,000	199,733	4,234,733	123,198	3,758	126,956	221,442	10,076	231,518
2024		-	-	-	-	-	-	-	-	-
2025		-	-	-	-	-	-	-	-	-
2026		-	-	-	-	-	-	-	-	-
2027		-	-	-	-	-	-	-	-	-
2028		-	-	-	-	-	-	-	-	-
2029		-	-	-	-	-	-	-	-	-
2030		-	-	-	-	-	-	-	-	-
2031		-	-	-	-	-	-	-	-	-
2032		-	-	-	-	-	-	-	-	-
2033		-	-	-	-	-	-	-	-	-
2034		-	-	-	-	-	-	-	-	-
	\$	7,055,000	\$ 1,942,382	\$ 8,997,382	\$ 862,380	\$ 105,212	\$ 967,592	\$ 1,550,100	\$ 282,119	\$ 1,832,219

<i>Fiscal Year</i>	<i>2007 Sewer Refunding Bond</i>			
	<i>Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>June 30,</i>				
2017	\$ 450,000	\$ 79,975	\$ 529,975	
2018	470,000	56,975	526,975	
2019	490,000	34,200	524,200	
2020	515,000	11,588	526,588	
2021	-	-	-	
2022	-	-	-	
2023	-	-	-	
2024	-	-	-	
2025	-	-	-	
2026	-	-	-	
2027	-	-	-	
2028	-	-	-	
2029	-	-	-	
2030	-	-	-	
2031	-	-	-	
2032	-	-	-	
2033	-	-	-	
2034	-	-	-	
	<u>\$ 1,925,000</u>	<u>\$ 182,738</u>	<u>\$ 2,107,738</u>	



STATISTICAL SECTION



STATISTICAL SECTION

This part of the financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	126
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130
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.	135
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 service the City provides and the activities it performs.	137

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year(s).

CITY OF OREGON CITY, OREGON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS - UNAUDITED
(Accrual basis of accounting)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities				
Net investment in capital assets	\$ 91,671,741	\$ 82,947,522	\$ 83,949,562	\$ 83,629,065
Restricted for special purposes	20,684,505	22,714,219	12,212,699	10,729,636
Unrestricted	<u>1,150,993</u>	<u>4,215,385</u>	<u>17,410,231</u>	<u>14,069,942</u>
Total governmental activities net position	113,507,239	109,877,126	113,572,492	108,428,643
Business-type activities				
Net investment in capital assets	62,178,638	59,613,791	58,464,942	59,233,749
Restricted for special purposes	-	-	6,656,608	6,158,956
Unrestricted	<u>22,862,191</u>	<u>21,559,003</u>	<u>19,332,055</u>	<u>17,230,779</u>
Total business-type activities net position	85,040,829	81,172,794	84,453,605	82,623,484
Total government				
Net investment in capital assets	153,850,379	127,971,313	142,414,504	142,862,814
Restricted for special purposes	20,684,505	37,304,219	18,869,307	16,888,592
Unrestricted	<u>24,013,184</u>	<u>25,774,388</u>	<u>36,742,286</u>	<u>31,300,721</u>
Total government net position	<u>\$ 198,548,068</u>	<u>\$ 191,049,920</u>	<u>\$ 198,026,097</u>	<u>\$ 191,052,127</u>

2012	2011	2010	2009	2008	2007
\$ 77,536,631	\$ 64,002,186	\$ 58,236,927	\$ 52,266,515	\$ 52,489,917	\$ 46,692,736
8,022,074	8,690,098	9,322,585	8,069,546	10,509,599	8,963,455
11,924,988	9,001,652	7,476,328	11,423,039	5,415,317	4,623,062
<u>97,483,693</u>	<u>81,693,936</u>	<u>75,035,840</u>	<u>71,759,100</u>	<u>68,414,833</u>	<u>60,279,253</u>
59,094,066	59,521,630	59,088,831	56,299,302	51,726,991	47,248,903
2,831,608	3,656,190	3,388,263	4,097,913	4,542,555	4,725,795
<u>17,236,052</u>	<u>14,732,506</u>	<u>15,029,532</u>	<u>16,843,089</u>	<u>17,963,055</u>	<u>17,429,057</u>
79,161,726	77,910,326	77,506,626	77,240,304	74,232,601	69,403,755
136,630,697	123,523,816	117,325,758	108,565,817	104,216,908	93,941,639
10,853,682	12,346,288	10,763,528	12,167,459	15,052,154	13,689,250
<u>29,161,040</u>	<u>23,734,158</u>	<u>24,563,180</u>	<u>28,266,128</u>	<u>23,378,372</u>	<u>22,052,119</u>
<u>\$ 176,645,419</u>	<u>\$ 159,604,262</u>	<u>\$ 152,652,466</u>	<u>\$ 148,999,404</u>	<u>\$ 142,647,434</u>	<u>\$ 129,683,008</u>

CITY OF OREGON CITY, OREGON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS- UNAUDITED
(Accrual basis of accounting)

	2016	2015	2014	2013
Expenses:				
Governmental activities:				
General government	\$ 7,547,409	\$ 3,528,340	\$ 6,615,088	\$ 6,098,539
Public safety	11,383,715	8,309,944	8,018,198	7,586,591
Public works	6,685,545	5,319,822	4,983,309	4,974,819
Culture and recreation	5,524,614	5,072,036	4,900,341	4,415,999
Planning and building	3,174,168	3,382,547	3,309,773	3,539,149
Interest on long-term debt	1,430,985	1,417,462	1,395,499	1,427,119
Total governmental activities expenses	<u>35,746,436</u>	<u>27,030,151</u>	<u>29,222,208</u>	<u>28,042,216</u>
Business-type activities:				
Cemetery	-	-	-	-
Water	5,640,772	4,518,351	4,768,673	5,548,165
Wastewater	8,212,827	6,791,908	6,481,198	6,619,727
Stormwater	2,386,425	1,771,529	1,908,836	1,816,052
Fleet*	875,496	805,419	805,630	764,440
Total business-type activities expenses	<u>17,115,520</u>	<u>13,887,207</u>	<u>13,964,337</u>	<u>14,748,384</u>
Total City expenses	52,861,956	40,917,358	43,186,545	42,790,600
Program Revenues:				
Governmental activities:				
Fees, fines, and charges for services:				
General government	1,216,065	1,380,937	1,206,165	1,376,136
Public safety	1,602,172	925,225	791,005	851,775
Public works	4,954,538	3,363,184	3,081,373	2,344,068
Culture and recreation	1,503,604	917,908	881,299	879,090
Planning and building	2,931,522	2,306,216	1,600,704	2,698,387
Operating grants and contributions	5,006,825	4,570,141	4,987,749	4,335,678
Capital grants and contributions	877,610	1,192,708	2,064,858	9,014,649
Total governmental activities program revenues	<u>18,092,336</u>	<u>14,656,319</u>	<u>14,613,153</u>	<u>21,499,783</u>
Business-type activities:				
Fees, fines, and charges for services:				
Water	6,833,922	6,021,672	5,766,017	5,910,739
Wastewater	9,618,375	7,961,224	6,730,168	7,058,967
Stormwater	2,625,274	2,495,762	2,397,498	2,296,072
Fleet*	201,492	201,316	221,352	192,845
Operating grants and contributions	172,917	278,178	277,591	433,121
Capital grants and contributions	1,171,711	2,430,291	1,504,337	3,159,982
Total business-type activities program revenues	<u>20,623,691</u>	<u>19,388,443</u>	<u>16,896,963</u>	<u>19,051,725</u>
Total City program revenues	38,716,027	34,044,762	31,510,116	40,551,508
Net (Expense)/Revenue				
Governmental activities	(17,654,100)	(12,373,832)	(14,609,055)	(6,542,433)
Business-type activities	<u>3,508,171</u>	<u>5,501,236</u>	<u>2,932,626</u>	<u>4,303,341</u>
Total Net (Expense) Revenue	(14,145,929)	(6,872,596)	(11,676,429)	(2,239,092)

* Fleet Expense was not separated from Water and Wastewater prior to 2009.

	2012	2011	2010	2009	2008	2007
\$	4,954,893	\$ 6,602,308	\$ 4,147,420	\$ 3,997,996	\$ 3,395,680	\$ 3,020,263
	6,950,927	6,636,771	5,983,518	5,890,321	8,750,458	8,428,716
	4,581,017	4,190,116	4,237,534	3,982,380	3,859,560	3,034,967
	4,094,079	3,918,282	3,764,770	3,609,200	2,999,388	3,300,015
	2,900,939	2,571,176	2,899,150	2,705,784	3,077,200	2,995,875
	1,471,875	1,507,431	1,470,061	1,420,316	1,081,331	1,105,298
	<u>24,953,730</u>	<u>25,426,084</u>	<u>22,502,453</u>	<u>21,605,997</u>	<u>23,163,617</u>	<u>21,885,134</u>
	-	-	-	37,028	-	-
	3,701,322	3,463,879	3,366,729	2,858,150	3,744,255	4,425,235
	6,276,339	5,649,086	5,729,268	5,307,689	6,012,314	6,466,840
	1,465,359	1,350,912	1,310,435	1,214,299	1,223,351	1,215,499
	772,422	586,190	694,038	1,182,338	-	-
	<u>12,215,442</u>	<u>11,050,067</u>	<u>11,100,470</u>	<u>10,599,504</u>	<u>10,979,920</u>	<u>12,107,574</u>
	37,169,172	36,476,151	33,602,923	32,205,501	34,143,537	33,992,708
	688,396	501,355	423,139	404,504	378,846	808,171
	1,173,466	831,180	681,394	857,637	899,300	924,510
	2,178,369	1,767,956	1,479,533	1,242,069	642,504	486,092
	703,773	761,933	751,528	744,151	722,343	789,115
	2,280,275	1,689,885	1,729,368	1,329,796	2,192,666	3,179,191
	4,962,382	6,838,159	3,166,053	3,547,308	5,682,509	4,822,382
	12,407,691	1,401,260	2,029,124	1,905,291	3,550,584	3,461,405
	<u>24,394,352</u>	<u>13,791,728</u>	<u>10,260,139</u>	<u>10,030,756</u>	<u>14,068,752</u>	<u>14,470,866</u>
	5,047,447	5,155,794	5,064,105	4,984,720	5,084,598	5,212,491
	5,656,922	4,987,032	4,988,010	4,629,499	4,800,655	5,690,300
	2,126,720	1,837,472	1,652,302	1,291,964	1,105,426	1,163,215
	249,464	328,759	249,389	295,258	-	-
	285,370	74,505	-	-	-	682,500
	1,981,702	1,533,679	1,443,719	3,225,976	3,996,847	5,872,921
	<u>15,347,625</u>	<u>13,917,240</u>	<u>13,397,524</u>	<u>14,427,417</u>	<u>14,987,526</u>	<u>18,621,427</u>
	39,741,977	27,708,968	23,657,663	24,458,173	29,056,278	33,092,293
	(559,378)	(11,634,356)	(12,242,314)	(11,575,241)	(9,094,865)	(7,414,268)
	<u>3,132,183</u>	<u>2,867,173</u>	<u>2,297,054</u>	<u>3,827,913</u>	<u>4,007,606</u>	<u>6,513,853</u>
	2,572,805	(8,767,183)	(9,945,260)	(7,747,328)	(5,087,259)	(900,415)

CITY OF OREGON CITY, OREGON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS - UNAUDITED (Continued)
(Accrual basis of accounting)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Revenues and Other Changes in net position				
Governmental activities				
Property taxes	\$ 13,987,720	\$ 13,490,590	\$ 12,859,315	\$ 11,667,767
Franchise taxes	3,541,761	3,199,473	2,759,690	2,455,771
Intergovernmental	920,764	911,419	871,419	834,538
Miscellaneous	1,782,997	1,709,104	1,802,430	1,255,497
Unrestricted investment earnings	364,128	228,512	262,767	323,109
Gain (loss) on disposition of assets	-	302,450	-	-
Transfers	523,873	7,884,435	1,197,283	950,701
Total governmental activities	<u>21,121,243</u>	<u>27,725,983</u>	<u>19,752,904</u>	<u>17,487,383</u>
Business-type activities				
Franchise taxes	237,075	-	-	-
Miscellaneous	-	132	-	20,090
Unrestricted investment earnings	91,944	99,191	94,778	89,028
Transfers	(523,873)	(7,884,435)	(1,197,283)	(950,701)
Total business-type activities	<u>(194,854)</u>	<u>(7,785,112)</u>	<u>(1,102,505)</u>	<u>(841,583)</u>
Total City General Revenues and Other Changes	<u>20,926,389</u>	<u>19,940,871</u>	<u>18,650,399</u>	<u>16,645,800</u>
Changes in net position				
Governmental activities	3,467,143	15,352,151	5,143,849	10,944,950
Business-type activities	<u>3,313,317</u>	<u>(2,283,876)</u>	<u>1,830,121</u>	<u>3,461,758</u>
Total changes in net position	<u>6,780,460</u>	<u>13,068,275</u>	<u>6,973,970</u>	<u>14,406,708</u>
Net position, July 1*				
Governmental activities	110,040,096	94,524,975	108,428,643	97,483,693
Business-type activities	81,727,512	83,456,670	82,623,484	79,161,726
	<u>191,767,608</u>	<u>177,981,645</u>	<u>191,052,127</u>	<u>176,645,419</u>
Net position, June 30				
Governmental activities	113,507,239	109,877,126	113,572,492	108,428,643
Business-type activities	85,040,829	81,172,794	84,453,605	82,623,484
Total Government	<u>\$ 198,548,068</u>	<u>\$ 191,049,920</u>	<u>\$ 198,026,097</u>	<u>\$ 191,052,127</u>

* Beginning Net position as restated

2012	2011	2010	2009	2008	2007
\$ 11,229,599	\$ 12,116,512	\$ 10,526,473	\$ 10,163,698	\$ 12,112,918	\$ 11,447,523
1,885,683	1,582,759	1,634,065	1,726,676	2,159,767	2,128,904
769,855	856,084	832,423	845,995	893,894	604,382
122,903	977,000	224,364	165,420	1,255,032	1,421,543
223,083	205,329	163,921	430,623	605,819	729,874
161,363	-	-	367,870	24,455	-
1,956,649	2,554,768	2,137,808	1,219,226	178,560	(319,272)
<u>16,349,135</u>	<u>18,292,452</u>	<u>15,519,054</u>	<u>14,919,508</u>	<u>17,230,445</u>	<u>16,012,954</u>
-	-	-	-	-	-
335	15,820	18,467	86,379	338,860	663,734
75,531	75,475	88,609	312,637	660,940	835,468
<u>(1,956,649)</u>	<u>(2,554,768)</u>	<u>(2,137,808)</u>	<u>(1,219,226)</u>	<u>(178,560)</u>	<u>319,272</u>
<u>(1,880,783)</u>	<u>(2,463,473)</u>	<u>(2,030,732)</u>	<u>(820,210)</u>	<u>821,240</u>	<u>1,818,474</u>
<u>14,468,352</u>	<u>15,828,979</u>	<u>13,488,322</u>	<u>14,099,298</u>	<u>18,051,685</u>	<u>17,831,428</u>
15,789,757	6,658,096	3,276,740	3,344,267	8,135,580	8,598,686
1,251,400	403,700	266,322	3,007,703	4,828,846	8,332,327
<u>17,041,157</u>	<u>7,061,796</u>	<u>3,543,062</u>	<u>6,351,970</u>	<u>12,964,426</u>	<u>16,931,013</u>
81,693,936	75,035,840	71,759,100	68,414,833	60,279,253	51,680,567
77,910,326	77,506,626	77,240,304	74,232,601	69,403,755	61,071,428
<u>159,604,262</u>	<u>152,542,466</u>	<u>148,999,404</u>	<u>142,647,434</u>	<u>129,683,008</u>	<u>112,751,995</u>
97,483,693	81,693,936	75,035,840	71,759,100	68,414,833	60,279,253
79,161,726	77,910,326	77,506,626	77,240,304	74,232,601	69,403,755
<u>\$ 176,645,419</u>	<u>\$ 159,604,262</u>	<u>\$ 152,542,466</u>	<u>\$ 148,999,404</u>	<u>\$ 142,647,434</u>	<u>\$ 129,683,008</u>

CITY OF OREGON CITY, OREGON
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS - UNAUDITED
 (Modified accrual basis of accounting)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General fund				
Nonspendable	\$ 59,641	\$ 58,978	\$ 45,131	\$ -
Committed	908,882	-	-	-
Unassigned	6,470,357	6,130,187	4,150,829	3,734,942
Total General fund	<u>7,438,880</u>	<u>6,189,165</u>	<u>4,195,960</u>	<u>3,734,942</u>
All other governmental funds				
Nonspendable	-	-	-	-
Restricted	21,343,248	36,527,532	11,346,021	10,503,824
Committed	18,177,135	3,771,034	16,105,822	10,972,633
Total all other governmental funds	<u>39,520,383</u>	<u>40,298,566</u>	<u>27,451,843</u>	<u>21,476,457</u>
Total Fund Balances	<u>\$ 46,959,263</u>	<u>\$ 46,487,731</u>	<u>\$ 31,647,803</u>	<u>\$ 25,211,399</u>

2012	2011	2010	2009	2008	2007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,628,399	2,827,901	4,408,106	3,785,347	2,982,705	2,179,040
<u>3,628,399</u>	<u>2,827,901</u>	<u>4,408,106</u>	<u>3,785,347</u>	<u>2,982,705</u>	<u>2,179,040</u>
22,997	22,997	22,011	33,818	-	211,304
6,869,809	6,837,700	1,755,357	5,360,546	1,989,591	2,706,184
8,570,907	5,866,920	8,596,343	8,754,360	10,890,430	8,514,381
<u>15,463,713</u>	<u>12,727,617</u>	<u>10,373,711</u>	<u>14,148,724</u>	<u>12,880,021</u>	<u>11,431,869</u>
<u>\$ 19,092,112</u>	<u>\$ 15,555,518</u>	<u>\$ 14,781,817</u>	<u>\$ 17,934,071</u>	<u>\$ 15,862,726</u>	<u>\$ 13,610,909</u>

CITY OF OREGON CITY, OREGON
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS - UNAUDITED
(Modified accrual basis of accounting)

	2016	2015	2014	2013
Revenues				
Taxes and assessments	\$ 17,755,055	\$ 16,687,226	\$ 13,012,611	\$ 11,782,226
Licenses and permits	2,459,320	1,896,408	4,038,101	5,181,290
Charges for services	9,120,163	6,418,879	5,847,797	7,371,586
Intergovernmental	5,896,615	5,699,850	7,169,225	10,129,747
Fines and forfeitures	818,239	1,072,132	976,494	900,060
Miscellaneous	2,408,042	2,441,958	2,557,671	2,371,762
Total revenues	<u>38,457,434</u>	<u>34,216,453</u>	<u>33,601,899</u>	<u>37,736,671</u>
Expenditures				
Current operating:				
General government	5,813,701	5,005,356	4,865,177	4,944,688
Public safety	8,834,120	8,086,250	7,789,311	7,266,917
Public works	6,398,448	2,927,280	2,645,973	2,449,685
Culture and recreation	4,614,517	4,677,846	4,488,941	4,148,528
Planning and building	2,676,958	3,362,390	3,323,862	3,515,914
Capital outlay	7,314,482	6,242,932	2,359,201	7,783,356
Debt service				
Principal	2,124,053	1,681,868	1,484,640	4,501,400
Interest	1,442,688	1,412,972	1,405,671	1,403,999
Total expenditures	<u>39,218,967</u>	<u>33,396,894</u>	<u>28,362,776</u>	<u>36,014,487</u>
Revenues Over (under)				
Expenditures	(761,533)	819,559	5,239,123	1,722,184
Other financing sources (uses)				
Bond proceeds / loan payments	-	6,000,000	-	3,446,400
Proceeds from sale of assets	-	302,500	-	-
Transfers in	-	75,663,161	3,889,955	3,831,659
Transfers out	3,517,364	(67,945,292)	(2,692,672)	(2,880,958)
Loan to South Fork Water Board	-	-	-	-
Total other financing sources (uses)	<u>3,517,364</u>	<u>14,020,369</u>	<u>1,197,283</u>	<u>4,397,101</u>
Net change in fund balances	2,755,831	14,839,928	6,436,406	6,119,285
Fund balances, beginning of year *	<u>46,545,031</u>	<u>31,647,803</u>	<u>25,211,397</u>	<u>19,092,112</u>
Fund balances, end of year	<u>\$ 49,300,862</u>	<u>\$ 46,487,731</u>	<u>\$ 31,647,803</u>	<u>\$ 25,211,397</u>
Debt service as a percentage of noncapital expenditures	<u>11.18%</u>	<u>11.40%</u>	<u>11.11%</u>	<u>21.08%</u>

* Beginning Fund balance as restated

2012	2011	2010	2009	2008	2007
\$ 11,331,002	\$ 11,048,520	\$ 10,536,535	\$ 10,614,583	\$ 12,492,172	\$ 11,861,064
5,292,561	3,424,730	3,986,362	3,093,567	3,913,147	5,334,855
3,751,847	3,290,259	3,005,304	2,401,812	3,114,611	3,453,973
16,774,041	7,645,873	4,356,255	3,108,991	6,104,254	4,974,760
995,794	804,468	723,031	796,200	771,688	730,478
2,393,615	957,683	844,365	1,158,926	2,372,712	2,640,175
40,538,860	27,171,533	23,451,852	21,174,079	28,768,584	28,995,305
4,114,633	3,976,099	3,599,051	3,126,689	2,871,796	2,805,394
7,279,360	6,523,749	5,838,478	5,776,780	8,507,105	8,204,358
2,190,136	2,301,304	2,327,586	2,607,558	2,801,602	2,029,201
4,607,790	3,771,346	3,613,237	3,457,236	3,121,572	3,045,051
2,997,807	2,555,315	2,893,455	2,676,240	3,049,602	2,995,875
14,820,397	6,850,666	10,201,297	8,208,957	3,472,896	7,001,407
955,000	870,000	785,000	3,075,000	1,445,000	5,225,000
1,480,593	1,515,455	1,536,000	1,393,502	1,060,752	1,147,583
38,445,716	28,363,934	30,794,104	30,321,962	26,330,325	32,453,869
2,093,144	(1,192,401)	(7,342,252)	(9,147,883)	2,438,259	(3,458,564)
229,950	300,000	3,446,400	10,000,000	-	3,105,000
-	-	-	-	-	-
3,869,123	5,882,415	4,935,057	3,677,482	642,361	782,667
(2,655,623)	(3,327,647)	(2,797,250)	(2,458,257)	(828,801)	(1,101,939)
-	(2,282,874)	-	-	-	-
1,443,450	571,894	5,584,207	11,219,225	(186,440)	2,785,728
3,536,594	(620,507)	(1,758,045)	2,071,342	2,251,819	(672,836)
15,555,518	16,176,025	17,934,070	15,862,728	13,610,909	14,283,745
\$ 19,092,112	\$ 15,555,518	\$ 16,176,025	\$ 17,934,070	\$ 15,862,728	\$ 13,610,909
10.31%	11.09%	11.27%	20.21%	10.96%	25.04%

CITY OF OREGON CITY, OREGON
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Real Property ⁽²⁾		Personal Property		Total TAV	Total Estimated Actual Value ⁽¹⁾	Ratio of TAV to Estimated Actual Value	Direct Tax rate
	Taxable Assessed Value (TAV)	Estimated Actual Value ⁽¹⁾	Taxable Assessed Value (TAV)	Estimated Actual Value ⁽¹⁾				
2016	\$ 2,749,493,939	\$ 3,698,124,952	\$ 52,451,145	\$ 52,451,145	\$ 2,801,945,084	\$ 3,750,576,097	74.7%	\$5.1222
2015	2,641,700,255	3,279,405,424	48,468,773	48,468,773	2,690,169,028	3,327,874,197	80.8%	5.1446
2014	2,512,945,173	2,917,509,392	50,536,919	50,536,919	2,563,482,092	2,968,046,311	86.4%	5.1492
2013	2,390,482,064	2,662,745,466	51,649,072	51,649,072	2,442,131,136	2,714,394,538	90.0%	4.9225
2012	2,314,042,412	2,764,046,403	54,423,529	54,423,529	2,368,465,941	2,818,469,932	84.0%	4.8773
2011	2,233,071,337	3,034,506,498	58,218,237	58,218,237	2,291,289,574	3,092,724,735	74.1%	4.9124
2010	2,141,810,013	3,360,145,095	55,128,998	55,128,998	2,196,939,011	3,415,274,093	64.3%	4.8971
2009	2,037,857,336	3,602,017,477	60,690,177	60,690,177	2,098,547,513	3,662,707,654	57.3%	4.9039
2008	1,912,982,242	3,473,589,374	57,672,876	57,672,876	1,970,655,118	3,531,262,250	55.8%	6.2323
2007	1,791,203,552	2,952,658,953	56,590,354	56,590,354	1,847,793,906	3,009,249,307	61.4%	6.2621

⁽¹⁾ The State of Oregon calls Actual Value "Real Market Value"

⁽²⁾ Includes Real Property, Manufactured Structures and Public Utility properties

Source: Clackamas County Tax Assessor

CITY OF OREGON CITY, OREGON
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	City Direct Rates				Overlapping Rates						Total Direct and Overlapping
	General Operating	Bonded Debt	Urban Renewal Agency	Total Direct	Oregon City School District	Clackamas Community College	Education Service District	Clackamas County ⁽¹⁾	Other Districts ⁽²⁾	Total Overlapping	
2016	4.2054	0.1100	0.8068	5.1222	6.0983	0.7102	0.3503	3.0437	2.8426	13.0451	18.1673
2015	4.1990	0.1065	0.8391	5.1446	6.1101	0.6712	0.3500	3.0369	2.8672	13.0354	18.1800
2014	4.1982	0.1088	0.8422	5.1492	6.0942	0.6717	0.3500	3.0326	2.8801	13.0286	18.1778
2013	3.9558	0.1129	0.8538	4.9225	6.1042	0.6657	0.3443	3.2472	2.7260	13.0874	18.0099
2012	3.9695	0.1135	0.7943	4.8773	6.0882	0.6503	0.3456	3.2434	2.7035	13.0310	17.9083
2011	3.9607	0.1169	0.8348	4.9124	6.0726	0.6667	0.3444	3.2603	2.8127	13.1567	18.0691
2010	3.9709	0.1306	0.7956	4.8971	6.1470	0.6667	0.3444	3.2773	2.8559	13.2913	18.1884
2009	3.9688	0.1482	0.7869	4.9039	6.1561	0.7077	0.3443	2.7907	2.8142	12.8130	17.7169
2008	4.8283	0.1684	1.2356	6.2323	6.2301	0.7066	0.3454	2.6866	0.5894	10.5581	16.7904
2007	4.8259	0.1883	1.2479	6.2621	6.1055	0.6934	0.3456	2.4215	0.4487	10.0147	16.2768

⁽¹⁾ County includes County Library and 4-H County Extension

⁽²⁾ Other includes Fire District, Port of Portland, Vector Control, Metro

Source: Clackamas County Assessor and Tax Collector

CITY OF OREGON CITY, OREGON
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2015-2016			2006-2007		
		Assessed Value	Rank	Percentage of Total Value	Assessed Value	Rank	Percentage of Total Value
The Landing - 302 LLC	Real Estate	\$ 46,119,739	1	1.65%			
Portland General Electric Company	Utility	26,009,000	2	0.93%	\$ 18,971,000	2	1.03%
Comcast Corporation	Utility	24,717,200	3	0.88%			
Quantum Management	Apartments	22,017,337	4	0.79%	17,086,359	3	0.92%
Metropolitan Life Insurance Company	Retail	20,723,097	5	0.74%	15,051,283	4	0.81%
Loja Trails End LLC	Real Estate	19,314,876	6	0.69%			
Craig T Danielson	Real Estate	18,001,982	7	0.64%			
Investment Concepts Inc	Real Estate	15,122,042	8	0.54%			
Providence Health	Health Services	14,791,110	9	0.53%			
BHLP Refi LLC	Real Estate	13,709,362	10	0.49%			
Blue Heron Paper Company*	Paper Manufacturer				25,430,025	1	1.38%
Trails End Oregon Investors LLC**	Real Estate				14,902,356	5	0.81%
Qwest Corporation	Utility				12,447,400	6	0.67%
Northwest Natural Gas Co.	Utility				12,063,300	7	0.65%
Berry Heights Ltd Partnership	Real Estate				10,507,064	8	0.57%
3D Investments LLC	Real Estate				9,990,858	9	0.54%
Willamette Falls Hospital	Healthcare				8,957,532	10	0.48%
Subtotal - ten of the City's largest taxpayers		220,525,745		7.88%	145,407,177		7.86%
All other City taxpayers in Clackamas County		2,581,419,339		92.12%	1,702,386,729		92.14%
<i>Total City taxpayers</i>		<u>\$ 2,801,945,084</u>		<u>100.00%</u>	<u>\$ 1,847,793,906</u>		<u>100.00%</u>

Source: Clackamas County Tax Assessor

* During FY 2012, Blue Heron closed its doors and liquidated its property.

** During FY 2015, Trails End Oregon Investors LLC sold its property to Loja Trails End LLC.

CITY OF OREGON CITY, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Total Extended Tax Levy	Current Tax Collections (Within Year)	Percent of Current Taxes Collected	Subsequent Years Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2016	\$ 12,105,761	\$ 11,512,412	95.10%	\$ -	11,512,412	95.10%	\$ 265,028	2.19%
2015	11,576,491	10,996,578	94.99%	126,524	11,123,102	96.08%	143,474	1.24%
2014	11,032,614	10,458,857	94.80%	181,825	10,640,682	96.45%	95,465	0.87%
2013	9,919,281	9,350,427	94.27%	236,170	9,586,597	96.65%	57,063	0.58%
2012	9,664,172	9,081,404	93.97%	273,526	9,354,930	96.80%	42,454	0.44%
2011	9,345,775	8,748,803	93.61%	264,286	9,013,089	96.44%	35,889	0.38%
2010	9,005,568	8,434,642	93.66%	285,993	8,720,635	96.84%	33,099	0.37%
2009	8,668,918	8,072,262	93.12%	369,531	8,441,793	97.38%	2,580	0.03%
2008	9,855,969	9,267,464	94.03%	337,670	9,605,134	97.45%	1,518	0.02%
2007	9,277,119	8,787,261	94.72%	251,486	9,038,747	97.43%	1,230	0.01%

Sources: Clackamas County Assessor and Tax Collector

CITY OF OREGON CITY, OREGON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 90,277,479	\$ 105,937,868	\$ 109,881,230	\$ 102,458,223	\$ 92,781,742
Debt applicable to maximum limit	3,105,000	2,860,000	2,605,000	2,355,000	2,050,000
Legal debt margin available	<u>\$ 87,172,479</u>	<u>\$ 103,077,868</u>	<u>\$ 107,276,230</u>	<u>\$ 100,103,223</u>	<u>\$ 90,731,742</u>
 Debt applicable to the maximum limit as a percentage of debt limit	 3.56%	 2.77%	 2.43%	 2.35%	 2.26%
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 84,554,098	\$ 81,431,836	\$ 89,041,389	\$ 99,836,226	\$ 112,517,283
Debt applicable to maximum limit	1,750,000	1,425,000	1,095,000	6,657,772	6,059,360
Legal debt margin available	<u>\$ 82,804,098</u>	<u>\$ 80,006,836</u>	<u>\$ 87,946,389</u>	<u>\$ 93,178,454</u>	<u>\$ 106,457,923</u>
 Debt applicable to the maximum limit as a percentage of debt limit	 2.11%	 1.78%	 1.25%	 7.15%	 5.69%

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

Total property real market value	\$ 3,750,576,097
	<u>3%</u>
Debt limit (3% of total property real market value) ⁽¹⁾	112,517,283
Amount of debt applicable to debt limit:	
Total bonded debt	31,471,840
Less debt excluded from debt limit:	
Sewer revenue bonds	(1,925,000)
Urban renewal bonds	(9,467,480)
Limited obligation bonds	(14,020,000)
Net amount of debt applicable to limit	<u>6,059,360</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 106,457,923</u>
 Percentage of City's indebtedness to total allowed	 5.69%

⁽¹⁾ Pursuant to Oregon Revised Statutes 287A.050, outstanding general obligation debt is limited to three percent of real market value.

Sources: Annual financial statements and Clackamas County Assessor and Tax Collector

CITY OF OREGON CITY, OREGON
RATIO OF OUTSTANDING DEBT BY TYPE AND DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities		Total primary government	Percentage of personal income ⁽¹⁾	Per capita ⁽¹⁾
	Oregon City		Urban Renewal		Water revenue bonds	Sewer revenue bonds			
	General obligation bonds	Limited obligation bonds	Tax increment bonds	Line of credit					
2016	\$6,059,360	\$14,020,000	\$ 9,467,480	\$ -	\$ -	\$ 1,925,000	\$31,471,840	N/A	N/A
2015	6,657,772	14,590,000	10,237,120	-	-	2,350,000	33,834,892	2.02%	\$ 978
2014	1,095,000	15,085,000	10,986,760	-	195,000	2,755,000	30,116,760	1.90%	870
2013	1,425,000	15,510,000	11,716,400	-	380,000	3,145,000	32,176,400	2.13%	982
2012	1,750,000	15,875,000	8,635,000	3,446,400	560,000	3,520,000	33,786,400	2.41%	1,040
2011	2,050,000	16,180,000	8,985,000	3,446,400	730,000	3,880,000	35,271,400	2.65%	1,095
2010	2,335,000	16,430,000	9,320,000	3,446,400	890,000	4,220,000	36,641,400	2.92%	1,145
2009	2,605,000	16,630,000	9,635,000	-	1,045,000	4,545,000	34,460,000	2.90%	1,131
2008	2,860,000	16,785,000	2,300,000	-	1,195,000	4,860,000	28,000,000	2.26%	921
2007	3,105,000	16,895,000	3,390,000	-	1,340,000	5,840,000	30,570,000	2.56%	1,017

⁽¹⁾ Personal Income and population data can be found in the demographic statistics on page 135.

Source: Annual Financial Reports

CITY OF OREGON CITY, OREGON

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population ⁽¹⁾	Total Assessed Value ⁽²⁾	Gross Bonded Debt ⁽³⁾	Less Debt Service Fund ⁽⁴⁾	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016	34,240	\$ 2,801,945,084	\$20,079,360	\$ 96,672	\$ 19,982,688	0.71%	\$ 584
2015	34,594	2,690,169,028	21,247,772	69,805	21,177,967	0.79%	612
2014	34,622	2,563,482,092	16,180,000	48,780	16,131,220	0.63%	466
2013	32,782	2,442,131,136	16,935,000	26,598	16,908,402	0.69%	516
2012	32,500	2,368,465,941	17,625,000	37,517	17,587,483	0.74%	541
2011	32,220	2,291,289,574	18,230,000	39,201	18,190,799	0.79%	565
2010	31,995	2,196,939,011	18,765,000	35,249	18,729,751	0.85%	585
2009	30,470	2,098,547,513	19,235,000	8,387	19,226,613	0.92%	631
2008	30,405	1,970,655,118	19,645,000	7,730	19,637,270	1.00%	646
2007	30,060	1,847,793,906	20,000,000	4,042	19,995,958	1.08%	665

⁽¹⁾ Portland State University, Annual Population Statistics

⁽²⁾ Clackamas County Tax Assessor

⁽³⁾ June 30 principal balance, annual financial statements

⁽⁴⁾ Amount available for repayment of general long-term debt, annual financial statements

CITY OF OREGON CITY, OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016

Jurisdiction	Estimated Actual Value Overlapping Districts	Debt Outstanding Governmental Activities	Percentage Applicable to City ⁽¹⁾	Amount Applicable to Governmental Activities
Direct:				
City of Oregon City	\$ 3,750,576,097	\$ 29,546,840	100.0000%	\$ 29,546,840
Overlapping:				
Clackamas County	58,446,871,966	101,775,136	6.42%	6,533,557
Clackamas County Fire District #1	24,037,263,385	16,700,000	15.61%	2,606,770
Oregon City School District No. 62	6,565,111,541	81,569,276	57.15%	46,618,147
Clackamas Community College	42,743,413,773	62,061,012	8.78%	5,447,778
Metro	238,253,176,805	199,855,000	1.57%	3,145,118
Clackamas County Education Service District	55,513,229,104	22,960,637	6.76%	1,551,886
Total Overlapping:	<u>425,559,066,574</u>	<u>484,921,061</u>		<u>65,903,256</u>
<i>Total Bonded Debt</i>	<u>\$ 429,309,642,671</u>	<u>\$ 514,467,901</u>		<u>\$ 95,450,096</u>

Overlapping governments are those that overlap the geographic boundaries of the City. This schedule calculates the portion of the outstanding debt of those overlapping governments that is taxed to the residents and businesses of the City.

⁽¹⁾ The percentage applicable to government is determined on the assessed value of the overlapping districts. The numerator is the City's assessed value and the denominator is the assessed value of the overlapping district.

⁽²⁾ Net Direct Debt includes all City tax-supported debt. Urban Renewal Tax Increment Bonds are excluded from direct debt.

Source: Oregon State Treasury (including percentage applicable to the City)

CITY OF OREGON CITY, OREGON
PLEDGED REVENUE COVERAGE – SEWER REVENUE BOND
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (1.25 Required)
				Principal	Interest	Total	
2016	\$ 10,293,289	\$ 8,228,058	\$ 2,065,231	\$425,000	\$101,850	\$ 526,850	3.92
2015	8,544,002	6,402,279	2,141,723	405,000	121,588	526,588	4.07
2014	7,411,854	5,376,666	2,035,188	390,000	139,475	529,475	3.84
2013	7,321,846	6,082,419	1,239,427	375,000	156,219	531,219	2.33
2012	5,990,869	4,710,538	1,280,331	360,000	168,013	528,013	2.42
2011	5,295,459	4,187,322	1,108,137	340,000	186,713	526,713	2.10
2010	5,251,020	3,989,577	1,261,443	325,000	200,844	525,844	2.40
2009	4,945,650	3,764,828	1,180,822	315,000	214,444	529,444	2.23
2008	5,366,699	3,896,646	1,470,053	980,000	189,918	1,169,918	1.26
2007	6,085,065	3,904,598	2,180,467	315,000	303,680	618,680	3.52

Source: Annual Financial Reports

⁽¹⁾ Revenue includes charges for services, system development charges, and interest earnings

⁽²⁾ Operating expenses include personal services, materials and services, debt service and capital outlay

CITY OF OREGON CITY, OREGON
POPULATION STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population ⁽¹⁾	Personal income ⁽²⁾ (in thousands)	Per capita personal income ⁽²⁾	School enrollment ⁽³⁾	County unemployment rate ⁽⁴⁾
2016	34,240	N/A	N/A	8,029	4.3%
2015	34,594	\$ 1,675,111	\$ 48,422	7,994	5.0%
2014	34,622	1,585,480	45,794	8,013	5.7%
2013	32,782	1,510,922	46,090	8,000	7.9%
2012	32,500	1,400,848	43,103	8,071	8.3%
2011	32,220	1,331,105	41,313	8,167	10.5%
2010	31,995	1,254,588	39,212	8,165	10.1%
2009	30,470	1,186,380	38,936	8,206	10.7%
2008	30,405	1,237,088	40,687	8,252	5.2%
2007	30,060	1,191,969	39,653	8,051	4.6%

⁽¹⁾ Center for Population Research and Census, School of Urban and Public Affairs,
Portland State University

⁽²⁾ Bureau of Economic Analysis, Metropolitan Statistical Area to
Portland-Vancouver-Hillsboro, OR-WA

⁽³⁾ Oregon Department of Education

⁽⁴⁾ Oregon Employment Department for Clackamas County. City-level data not available

CITY OF OREGON CITY, OREGON
PRINCIPAL EMPLOYERS
JUNE 30, 2016

Employer	Type of Business	2016		
		Employees	Rank	Percentage of total City employment
Clackamas County	Government	2,359	1	16.32%
Clackamas Community College	Education	932	2	6.45%
Oregon City School District	Education	904	3	6.25%
Providence Health	Health Services	748	4	5.17%
Fred Meyer	Retail	273	5	1.89%
City of Oregon City	Government	255	6	1.76%
Home Depot	Retail	213	7	1.47%
Benchmade Knife Co., Inc	Manufacturing	179	8	1.24%
Orchard Orthopedic Solutions Oregon, Inc	Health Services	155	9	1.07%
General Distributors, Inc	Distribution	147	10	1.02%
Total		6,296		43.55%

*Historical number of employees data from nine years ago is not available.

Source: City of Oregon City - Business Licenses

CITY OF OREGON CITY, OREGON
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

<i>Function</i>	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government										
Number of job applications processed	1,175	1,472	1,001	1,162	1,016	1,275	1,350	1,425	750	1,650
Number of positions filled	79	80	57	78	47	17	18	19	10	22
Public Safety										
Calls for service	23,600	23,465	26,970	26,441	27,144	26,612	24,914	26,256	24,768	26,322
Number of arrests	1,437	1,682	1,517	1,614	1,515	1,371	1,289	1,068	1,140	1,272
Municipal court cases processed	7,769	6,024	6,268	5,977	5,737	5,202	4,508	5,731	5,144	5,516
Public Works										
Hundred cubic feet of water consumed (Million)	1.5	1.4	1.5	1.5	1.5	1.4	1.5	1.5	1.5	1.6
Number of water customers (Average)	10,614	10,445	10,248	10,262	9,913	9,873	9,787	9,758	9,671	9,435
Culture and recreation										
Pioneer Community Center (Senior Center)										
People transportation provided for	8,146	7,811	7,810	8,940	10,537	10,774	10,373	9,505	10,970	10,826
Meals on Wheels delivered	30,800	29,716	27,173	29,588	30,057	30,158	27,648	24,027	23,452	31,007
Congregate meals served at Center	7,701	7,973	8,731	10,716	11,252	10,381	9,464	7,061	6,486	6,333
Swimming Pool										
Number of visits per year	141,520	151,715	141,295	121,600	120,434	125,043	121,462	102,553	69,531	66,051

Source: City of Oregon City Finance department

CITY OF OREGON CITY, OREGON
CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
General government										
City-owned building facilities	1	1	1	1	1	1	1*	0	0	0
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	37	34	34	34	N/A	N/A	N/A	N/A	N/A	N/A
Public Works										
Buildings and facilities	1	1	1	1	1	1	1	1	1	1
Miles of streets	136	136	136	136	136	N/A	N/A	N/A	N/A	N/A
Miles of sidewalks	151	135	135	135	135	N/A	N/A	N/A	N/A	N/A
Miles of right-of-ways	1,125	1,125	1,125	1,125	1,125	N/A	N/A	N/A	N/A	N/A
Culture and recreation										
Buildings and facilities	6	6	6	6	6	6	6	6	6	6
Library building	1	1	1	1	1	1	1	1	1	1
Swimming pool	1	1	1	1	1	1	1	1	1	1
Parks	25	25	25	25	25	25	25	25	25	25
Community development										
See note										
Business-type activities:										
Water										
Miles of water mains	169	169	167	167	167	154	N/A	N/A	N/A	N/A
Reservoirs	5	5	5	5	5	5	5	5	5	5
Fire hydrants	1,478	1,458	1,430	1,430	1,430	1,430	N/A	N/A	N/A	N/A
Sewer										
Miles of sewer lines	133	132	132	132	132	N/A	N/A	N/A	N/A	N/A
Pump stations	14	12	12	12	12	13	N/A	N/A	N/A	N/A
Stormwater										
Drainage basins	23	23	22	22	22	22	22	22	22	22
Detention ponds	83	79	53	53	53	53	53	53	53	53
Catch basins (approximately)	4,235	4,202	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400
Miles of streams	31	31	30	30	30	30	30	30	30	30

Note: No capital asset indicators are available for development services functions.

*2009 and prior City Hall and the Police station shared a facility

Some historical data for the fiscal years 2007 - 2012 is not available.

Source: City of Oregon City Finance department

CITY OF OREGON CITY, OREGON
CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Function / Program								Total
	General Government	Public Safety	Public Works	Culture and Recreation	Planning and Building	Water	Storm Drain	Sewer	
2016	19.60	55.98	16.11	49.88	14.53	13.27	10.37	16.56	196.30
2015	19.87	56.50	15.11	43.77	11.54	13.27	10.37	14.75	185.18
2014	18.87	56.50	15.22	43.77	12.34	13.24	10.35	14.69	184.98
2013	18.65	53.63	13.75	43.33	11.26	13.50	10.23	15.20	179.55
2012	18.15	52.64	13.05	42.48	12.12	12.79	9.68	14.63	175.54
2011	17.27	52.90	12.92	42.47	11.44	12.63	9.85	13.45	172.93
2010	14.67	51.25	12.37	41.55	13.62	12.60	8.80	13.36	168.22
2009	13.29	48.66	12.58	36.78	14.62	12.02	8.44	12.89	159.28
2008	12.83	48.56	11.41	35.97	15.59	11.76	8.85	13.98	158.95
2007	12.47	45.85	8.67	35.96	17.08	10.85	8.06	13.41	152.35

Source: City of Oregon City Finance department



REGULATORY SECTION

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

We have audited the basic financial statements of the City of Oregon City, Oregon (the City), as of and for the year ended June 30, 2016 and have issued our report thereon dated December 19, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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 the Oregon Administrative Rules 162-10-000 through 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

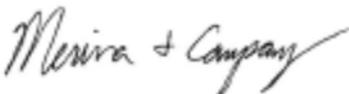
OAR 162-10-0230 Internal Control

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Honorable Mayor and City Commissioners, 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.



Merina & Company, LLP
West Linn, Oregon
December 19, 2016