



# Oregon City, Oregon

Comprehensive Annual Financial Report

For the year ended June 30, 2018



The cover photograph is courtesy of City resident Patrick Freeman. It won First Place in the City's photography contest under the "Natural Wonder" category.

CITY OF OREGON CITY, OREGON  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2018

Prepared by

City of Oregon City  
Finance Department

Available at: [www.orcity.org](http://www.orcity.org)



**CITY OF OREGON CITY, OREGON**  
**TABLE OF CONTENTS**

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	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Transmittal Letter	1
Elected Officials and Management Team	5
Organization Chart	6
Certificate of Achievement	7
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Position	28
Statement of Activities	29
Fund Financial Statements	
Balance Sheet – Governmental Funds	30
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position	31
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	33
Statement of Net Position – Proprietary Funds	34
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	35
Statement of Cash Flows – Proprietary Funds	36
Notes to Basic Financial Statements	37
<b>Required Supplementary Information:</b>	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	71
Major Special Revenue Funds:	
Engineering Fund	72
System Development Fund	73
Urban Renewal Fund	74
Transportation Fund	75
Schedule of Changes in Total OPEB Liability and Related Ratios	76
Schedule of Contributions – OPEB	77
Schedule of the Proportionate Share of the Retirement Health Insurance Account (RHIA)	78
Schedule of Contributions – RHIA	79
Schedule of the Proportionate Share of the Net Pension Liability	80
Schedule of Contributions – PERS	81

**CITY OF OREGON CITY, OREGON**  
**TABLE OF CONTENTS**

---

**Page**

Notes to Required Supplementary Information	77
<b>Other Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Capital Projects Fund	
Community Facilities Fund	87
Combining and Individual Fund Financial Statements and Schedules – Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	90
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Funds:	
Library Fund	92
Community Development Fund	93
Building Fund	94
PERS Debt Service Fund	95
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Proprietary Funds – Enterprise Funds:	
Water Fund	98
Wastewater Fund	99
Stormwater Fund	100
Combining and Individual Fund Financial Statements – Nonmajor Proprietary Funds – Internal Service Funds	
Combining Statement of Net Position – Nonmajor Proprietary Funds – Internal Service Funds	102
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Proprietary Funds – Internal Service Funds	103
Combining Statement of Cash Flows – Nonmajor Proprietary Funds – Internal Service Funds	104
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Proprietary Funds – Internal Service Funds:	
Fleet Service Fund	106
Customer Service Fund	107
Equipment Replacement Fund	108
Other Financial Schedules	
Schedule of Future Debt Service Requirements	110
Schedule of Property Tax Transactions and Outstanding Balances	112

**CITY OF OREGON CITY, OREGON**  
**TABLE OF CONTENTS**

---

**Page**

**STATISTICAL SECTION**

Financial Trends	
Net Position by Component	116
Changes in Net Position	118
Fund Balances – Governmental Funds	122
Changes in Fund Balances – Governmental Funds	124
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property	126
Property Tax Rates – Direct and Overlapping Governments	127
Principal Property Taxpayers	128
Property Tax Levies and Collections	129
Debt Capacity	
Legal Debt Margin Information	130
Ratio of Outstanding Debt by Type and Debt Per Capita	131
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	132
Direct and Overlapping Governmental Activities Debt	133
Demographic and Economic Information	
Population Statistics	134
Principal Employers	135
Operating Information	
Operating Indicators by Function	136
Capital Assets by Function	137
City Government Employees by Function	138

**REGULATORY SECTION**

Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations	141
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# **INTRODUCTORY SECTION**





January 29, 2019

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, 2018.

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, 2018. 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 first city incorporated in the United States west of the Rockies and is located 13 miles south of Portland, Oregon at the confluence of the Willamette and Clackamas Rivers. 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 an estimated population of 34,860.

The City operates under the provisions of its own charter and applicable state laws 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, a

cemetery, and parks and recreation. Fire protection is provided separately by Clackamas County Fire District #1.

The 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.

The City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the budget adopted by the City Commission. Under state law, the City is required to adopt a balanced budget by July 1 for the fiscal period 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**

The local and regional economy is favorably impacting the City's financial outlook. 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% of the State's population according to U.S. Census estimates.

Overall, economists remain optimistic yet cautious moving into 2019. In Oregon, the economy follows the U.S. business cycle overall, but with a bit more volatility. As with the U.S. economy, the City is in a period of strong growth, tight markets, rising wages, and rising prices. Job gains have been enough to match population growth and absorb the workers coming back into the labor market. Wages continue to rise faster than in the typical state. Consumer confidence is holding at a fairly high level, supported by the job and wage gains. The State of Oregon's expansion continues to outperform other states due to a strong industrial structure and the ability to attract and retain working-age households. However, growth is slower today than last year as the regional economy continues to transition down to more sustainable long-term rates.

Oregon is at or near full employment; in fact its current estimated rate is below what would be traditionally considered full employment in the state. The unemployment rate is estimated at 3.2% in the Portland Metropolitan Area and approximately 4.0% statewide. This compares to an unemployment rate of 3.7% nationwide. The current median household income in Oregon City is estimated at \$68,813, compared to \$57,652 nationwide, according to the U.S. Census.

Government and education are the top employment sectors in Oregon City, constituting over 30% 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 26,000 students annually. Providence Health & Services operates the Willamette Falls Medical Center, a not for profit acute care hospital in Oregon City employing over 700 people. 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 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 raised awareness of housing affordability limitations. 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 sale price in the area was approximately \$408,500 during 2018, an increase of 12.8% over the past year. The Oregon constitution establishes a limit of 3% annual increases in the taxable assessed value of existing properties, the primary funding source for local government. Because of this limitation, tax revenue increases are expected to remain much lower than would otherwise result from the growth in real market value.

All of the City's funds are on solid 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 throughout the year as new 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.

The City Commission holds a formal goal setting process every two years to establish policy direction and financial goals for the upcoming biennium. Highlights from the most recent goal setting include ongoing funding for two major economic development initiatives; the Willamette Falls Legacy Project and the Beavercreek Employment Area. The City is also planning to invest in public facilities and technology to better serve its growing community.

One of the most important economic development opportunities in the region is the Willamette Falls Legacy Project. Development of the 23-acre former industrial site will have a significant impact on the City's economy, and more importantly will reconnect the community with access to the second most powerful waterfall in North America. The State of Oregon has allocated \$12.5 million for design and construction of the first phase of The Riverwalk, an expansive public walkway along the Willamette River. The Riverwalk will be a major achievement for the community and will lay the groundwork for vibrant downtown development.

To encourage and support economic development and redevelopment as well as expansion and retention of existing businesses, the City has established the Beavercreek Employment Area marketing initiative along with Clackamas Community College and other agencies. The project goal is to attract development on more than 80 acres of industrial land along Beavercreek Road. The Area's unique competitive advantages meet the needs of growing industries such as advanced manufacturing, high technology, agriculture and software production. After securing a design grant from the State of Oregon, the City recently completed construction of a major sanitary sewer line to service the location. With other utility infrastructure already in place and the incentives and amenities offered in the Beavercreek Employment Area, the site will be well positioned for industrial development.

The City has planned carefully to invest in public facilities to better serve the community. Last year, Oregon City celebrated the grand opening of its Public Library renovation, and current plans are to construct a new Police and Municipal Court Building, which is expected to break ground next fiscal year. Voters approved financing for the building, to be repaid with a Community Safety Advancement Fee. Over the past several years, the City has set aside monies in the Community Facilities Fund to build a new Public Works Operations Center. Property was purchased during the current year for the facility and renovation considerations for the existing building are currently in the planning process. Over the next year, the City will invest General Fund reserves of approximately \$1 million to fund parks deferred maintenance, including funds to incorporate a new Parks and Cemetery Maintenance facility within the Public Works Operations Center. While the two departments have distinctly separate operations, there are cost efficiencies to be gained by sharing the new property.

Internally, the City will continue to invest in tools that allow its employees to achieve high levels of productivity as well as provide outstanding customer service. A solid and modern technology infrastructure is a crucial element in allowing the City to meet its service delivery goals now and in the future. This objective must be balanced against the need to protect the confidentiality, integrity, and availability of information and at the same time control costs. The City has invested in upgrading its technology this year, including implementation of entirely new planning/permitting and Enterprise Resource Planning systems and information technology platforms. These enhancements will continue into next year.

## **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 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 seventh 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, 2017. 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 2017-2019 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

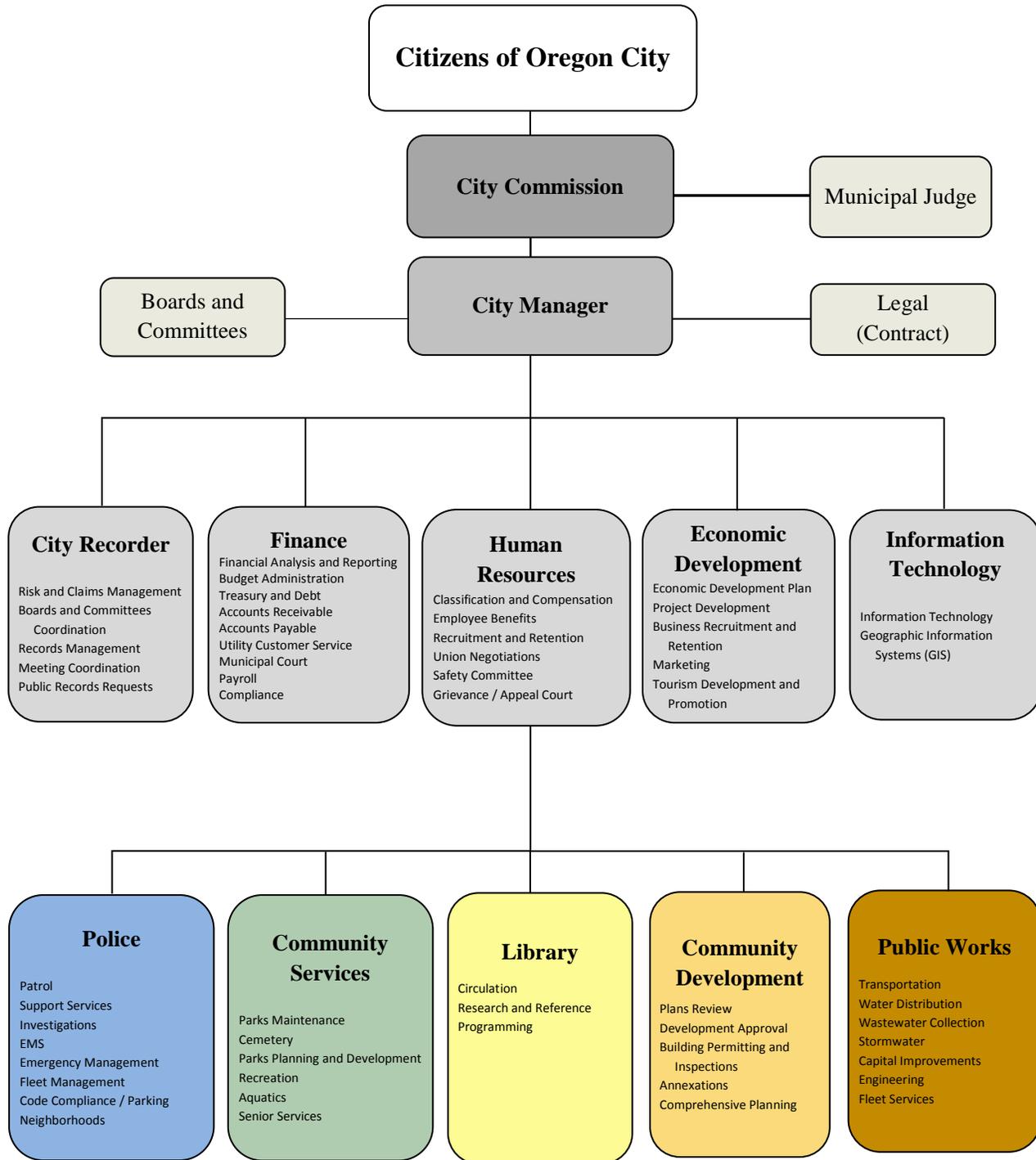
**ELECTED OFFICIALS**

<u>Name</u>	<u>Term Expires</u>
Mayor Dan Holladay	December 31, 2018
Commission Members	
Brian Shaw	December 31, 2018
Nancy Ide	December 31, 2020
Frank O'Donnell	December 31, 2020
Renate Mengelberg	December 31, 2018

**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, 2018**





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, 2017**

*Christopher P. Morill*

Executive Director/CEO



# FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members  
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 City of Oregon City, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Oregon City, Oregon's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

and the aggregate remaining fund information of City of Oregon City, Oregon, as of June 30, 2018, 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.

### **Change in Accounting Principle**

As discussed in Note 3 (G) to the financial statements, the City of Oregon City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedules of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, the schedule of changes in total OPEB liability and related ratios, schedule of contributions – OPEB, schedule of proportionate share of the retirement health insurance account (RHIA), schedule of contributions – RHIA, schedule of the proportionate share of the net pension liability, schedule of contributions, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Oregon City, Oregon'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.

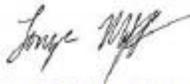
The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

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

### **Reports on Other Legal and Regulatory Requirements**

#### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 28, 2019, on our consideration of City of Oregon City, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina & Company, LLP  
Tualatin, Oregon  
January 28, 2019



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, 2018. 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 \$223.03 million (reported as net position). Within the net position, \$23.00 million is unrestricted and may be used to meet the City's general obligations to citizens and creditors.
- Total assets are \$293.53 million, an increase of \$25.02 million, or 9.32%. Governmental type activities provided an increase of \$21.80 million while business-type activities increased \$3.22 million. The largest increase in assets is from proceeds of \$16.16 million from bonds issued for the upcoming construction of the City's Police and Municipal Court Building. Capital assets increased by \$9.28 million, net of depreciation, primarily due to the acquisition of a building for future relocation of the City's Public Works facility.
- The City's liabilities totaled \$75.69 million at June 30, 2018 consisting of \$70.80 million in long-term liabilities and \$4.89 million in accounts payable and other liabilities. The City's total outstanding bonded debt increased by \$12.82 million from the issuance of bonds, which was offset by total bond payments. Due to new Accounting Standards, there was a revision to the measurement of the City's Other Postemployment Benefits (OPEB) liability, increasing liabilities by \$3.55 million.
- For its governmental activities, the City generated \$12.54 million in charges for services and \$8.54 million in operating and capital grants and contributions. Direct operating expenses and interest on long-term debt for governmental activities totaled \$36.59 million for the year, resulting in net program expenses of \$15.51 million. After an additional \$22.68 million of general revenues received and \$0.40 million of transfers out, governmental activities resulted in a \$6.77 million increase in net position. Increases were accumulated in the capital projects fund for future projects and in the urban renewal fund. A prior period adjustment in net position was recorded for the change in accounting principle for OPEB valuation. While total net position increased from the prior year, due to net pension and new OPEB liability valuations, unrestricted net position of the governmental activities has a deficit balance of \$0.91 million.
- For its business-type activities, the City generated \$21.38 million in charges for services and \$1.41 million in operating and capital grants and contributions to fund direct expenses of \$19.71 million. After other general revenues of \$0.48 million and transfers in of \$0.40 million, business type net position increased by \$3.96 million. A large part of this increase is due to contributed assets of \$1.47 million and the accumulation of wastewater funds for future capital infrastructure projects.

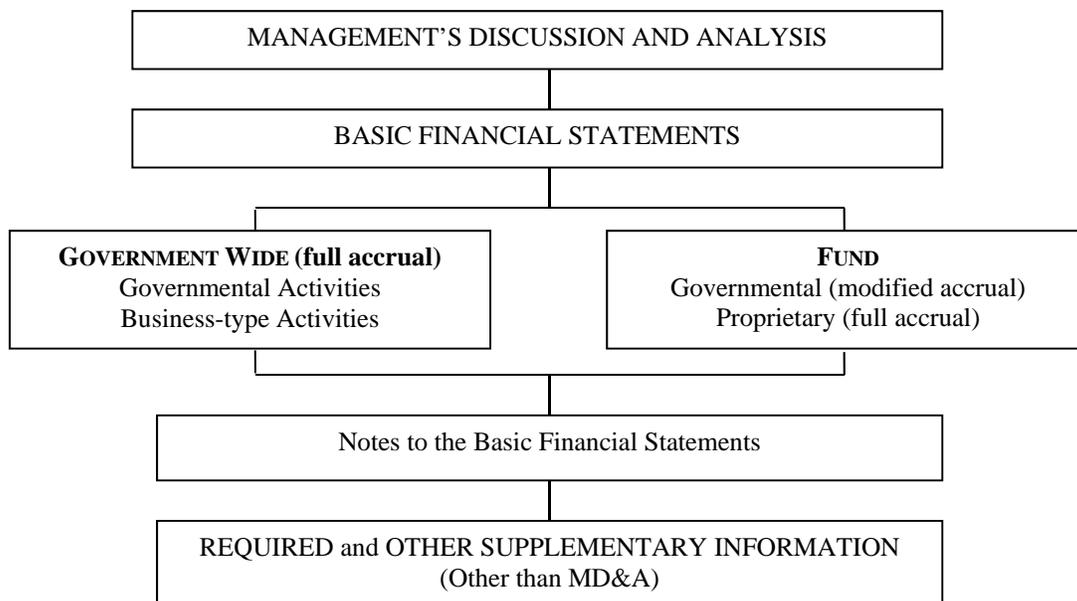
### ***FUND LEVEL***

- The City's governmental funds report a combined fund balance of \$68.91 million, a \$15.70 million increase over the beginning balance. Of the total fund balance reported, \$60.40 million is considered nonspendable, restricted, committed or assigned. The remaining almost \$8.50 million, or 12.3%, is available for spending at the City's discretion. The fund balance increase is due mainly to the receipt of \$16.16 million in bond proceeds, including premium on bonds issued.
- The proprietary funds, those used to account for programs which the City charges for the services it provides, reported combined net position of \$93.81 million, an increase of \$3.96 million over the restated beginning balance.

**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 maintained 10 individual governmental funds for the current fiscal year. 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, 2018 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 89. Individual fund data for each of these nonmajor governmental funds is provided as Supplementary Information on pages 92 through 95.

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, 2017 through June 30, 2019. To demonstrate compliance with the budget, budgetary comparison schedules have been provided as Required Supplementary Information for the General Fund on page 71 and for the major special revenue funds on pages 72 through 75. Additional budgetary compliance with the major capital projects fund and other governmental funds is included in Other Supplementary Information on page 87 and 92 through 95, 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 government-wide financial statements. All three enterprise funds are considered major funds.

*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, on pages 102 through 104 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 98 through 100 and for the internal services funds, on pages 106 through 108.

#### **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 85.

The report also includes statistical information including financial trends, and demographic and economic information. The Statistical Section starts on page 113.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

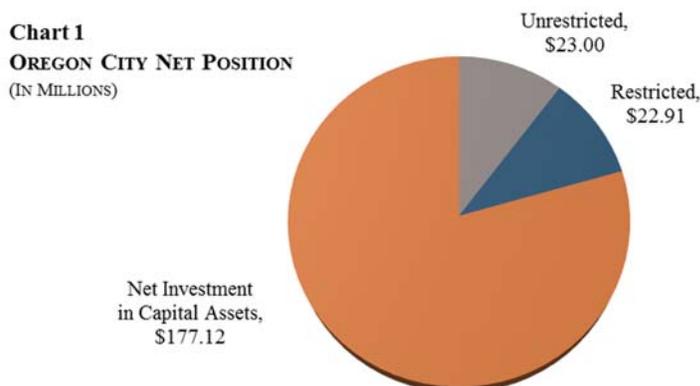
**STATEMENT OF NET POSITION**

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 \$223.03 million at the close of this year. This is an increase of \$10.74 million from the beginning balance as restated.

**TABLE 1**  
**NET POSITION AS OF JUNE 30**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 72,960,820	\$ 58,817,837	\$ 30,389,897	\$ 28,786,661	\$ 103,350,717	\$ 87,604,498
Capital assets	120,272,956	112,624,335	69,904,459	68,274,750	190,177,415	180,899,085
Total assets	<u>193,233,776</u>	<u>171,442,172</u>	<u>100,294,356</u>	<u>97,061,411</u>	<u>293,528,132</u>	<u>268,503,583</u>
Deferred outflows of resources	5,240,466	7,740,389	1,229,079	1,902,992	6,469,545	9,643,381
Long term liabilities	65,332,350	48,803,987	5,472,574	4,784,137	70,804,924	53,588,124
Other liabilities	2,883,047	5,970,009	2,004,146	2,134,762	4,887,193	8,104,771
Total liabilities	<u>68,215,397</u>	<u>54,773,996</u>	<u>7,476,720</u>	<u>6,918,899</u>	<u>75,692,117</u>	<u>61,692,895</u>
Deferred inflows of resources	1,035,462	304,604	241,084	73,761	1,276,546	378,365
Net position:						
Net investment in capital assets	107,219,008	98,512,736	69,904,459	66,828,362	177,123,467	165,341,098
Restricted for:						
Parks capital projects	5,268,225	-	-	-	5,268,225	-
Public works capital projects	14,147,965	16,492,310	-	-	14,147,965	16,492,310
Library operations	1,896,263	1,525,889	-	-	1,896,263	1,525,889
Building operations	1,597,635	2,387,061	-	-	1,597,635	2,387,061
Unrestricted	(905,713)	5,185,965	23,901,172	25,143,381	22,995,459	30,329,346
Total net position	<u>\$ 129,223,383</u>	<u>\$ 124,103,961</u>	<u>\$ 93,805,631</u>	<u>\$ 91,971,743</u>	<u>\$ 223,029,014</u>	<u>\$ 216,075,704</u>

At \$177.12 million, or 79.42%, 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, 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 liabilities or for future spending. An additional portion of the City's net position, \$22.91 million, or 10.27%, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position totaling \$23.00 million or 10.31%. As of June 30, 2018, the City had positive balances in all three categories of net position for the City as a whole.



**CITY OF OREGON CITY, OREGON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

*Governmental activities* – Total net position of governmental activities increased 2.38% or \$6.77 million as a result of operations. Current and other assets increased by \$14.14 million, primarily cash and investment from bond proceeds. The City added \$11.54 million in governmental capital assets during the year, offset by depreciation of \$3.89 million. The net effect to capital assets is an increase of \$7.65 million. See the notes to the financial statements for more detailed information on capital assets. Long term liabilities increased by \$16.53 million. Primary changes to liabilities include the issuance of \$16.16 million in bonds to finance the construction of a Police and Municipal Court Building, reduced by the payment of \$1.79 million in outstanding bonds, as well as a change in the actuarially determined OPEB liability resulting in a prior period adjustment of \$1.65 million.

*Business-type activities* – Total net position of business-type activities increased 4.36% or \$3.96 million as a result of operations. Total assets increased by \$3.23 million; primary changes were an increase of \$1.72 million in cash and investments and \$4.66 million of capital asset purchases and contributions offset by \$3.03 million in depreciation expense. Total liabilities increased by \$0.56 million, mainly due to the OPEB measurement change discussed previously, which was offset by early repayment of the City's Wastewater bonds, for interest savings.

**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**

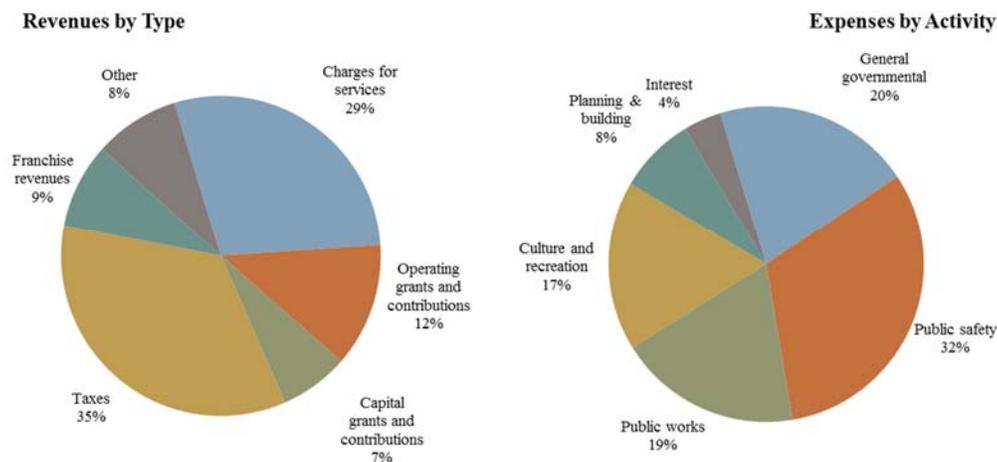
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 12,542,574	\$ 11,686,764	\$ 21,384,147	\$ 20,629,286	\$ 33,926,721	\$ 32,316,050
Operating grants and contributions	5,474,992	5,095,057	479,274	353,942	5,954,266	5,448,999
Capital grants and contributions	3,062,693	7,907,564	930,731	3,149,009	3,993,424	11,056,573
General revenues						
Property taxes	15,145,511	14,636,241	-	-	15,145,511	14,636,241
Franchise taxes	3,780,955	3,634,332	268,785	258,220	4,049,740	3,892,552
Other	3,758,168	2,911,546	209,867	198,482	3,968,035	3,110,028
<i>Total revenues</i>	<u>43,764,893</u>	<u>45,871,504</u>	<u>23,272,804</u>	<u>24,588,939</u>	<u>67,037,697</u>	<u>70,460,443</u>
<b>Expenses</b>						
General governmental	7,448,383	7,947,344	-	-	7,448,383	7,947,344
Public safety	11,595,492	10,842,456	-	-	11,595,492	10,842,456
Public works	6,867,970	6,876,632	-	-	6,867,970	6,876,632
Culture and recreation	6,375,010	5,835,146	-	-	6,375,010	5,835,146
Planning and building	2,891,302	2,907,659	-	-	2,891,302	2,907,659
Interest on long-term debt	1,407,996	1,339,404	-	-	1,407,996	1,339,404
Water	-	-	6,431,175	5,453,642	6,431,175	5,453,642
Wastewater	-	-	9,792,585	8,561,317	9,792,585	8,561,317
Stormwater	-	-	2,474,327	2,204,164	2,474,327	2,204,164
Fleet	-	-	1,012,240	965,043	1,012,240	965,043
<i>Total expenses</i>	<u>36,586,153</u>	<u>35,748,641</u>	<u>19,710,327</u>	<u>17,184,166</u>	<u>56,296,480</u>	<u>52,932,807</u>
<b>Changes in net position before transfers</b>	7,178,740	10,122,863	3,562,477	7,404,773	10,741,217	17,527,636
Transfers	(403,508)	473,859	403,508	(473,859)	-	-
<b>Changes in net position</b>	6,775,232	10,596,722	3,965,985	6,930,914	10,741,217	17,527,636
Beginning net position, as originally reported	124,103,961	113,507,239	91,971,743	85,040,829	216,075,704	198,548,068
Prior period adjustment	(1,655,810)	-	(2,132,097)	-	(3,787,907)	-
Beginning net position, as restated	122,448,151	113,507,239	89,839,646	85,040,829	212,287,797	198,548,068
<b>Net position - ending</b>	<u>\$ 129,223,383</u>	<u>\$ 124,103,961</u>	<u>\$ 93,805,631</u>	<u>\$ 91,971,743</u>	<u>\$ 223,029,014</u>	<u>\$ 216,075,704</u>

Governmental activities

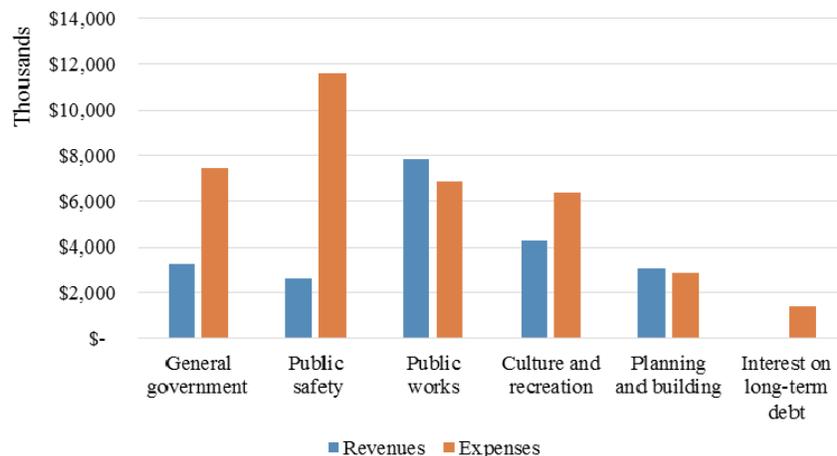
The results of operations resulted in increases in net position of Governmental activities of \$6.77 million, offset by a prior period adjustment of \$1.65 million due to the change in the OPEB valuation. Net position increases were primarily due to revenues exceeding targeted amounts in the categories of charges for services, investment income, property taxes, state shared revenues, and other revenues. Most of these changes were due to the improved economy as well as small amounts of new revenue sources coming into the City.

Compared to prior year, however, total revenues from governmental activities resulted in \$2.11 million less revenues. While still higher than expected, certain revenues, such as system development fees and building permits, decreased due to a slowdown from the development-heavy 2017 fiscal year. Property taxes, the largest governmental revenue source, increased by approximately \$509,000, or 3.48% due to increases in assessed property valuations. Governmental activity expenses increased by 2.34%, or approximately \$838,000 primarily in personnel costs in public safety due to contractually required wage and benefit increases. Revenues and expenses of these governmental activities are highlighted below.

**GOVERNMENTAL ACTIVITIES – TOTAL REVENUES AND EXPENSES**



**GOVERNMENTAL ACTIVITIES – PROGRAM REVENUES AND EXPENSES**

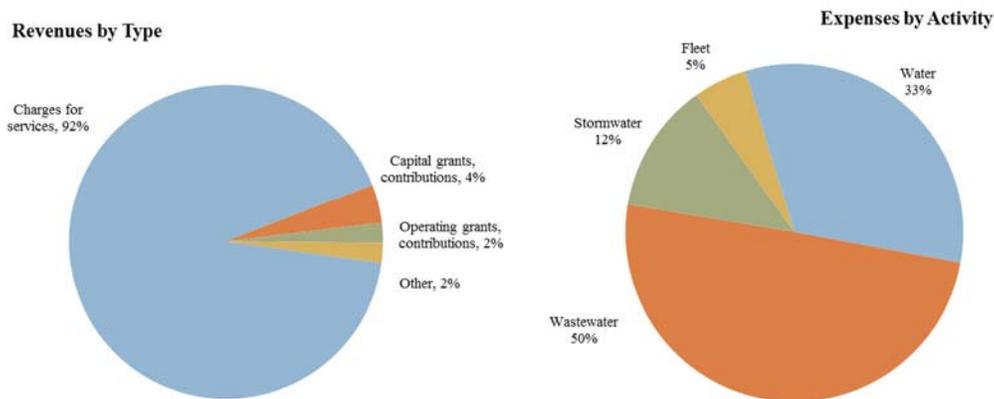


**CITY OF OREGON CITY, OREGON**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

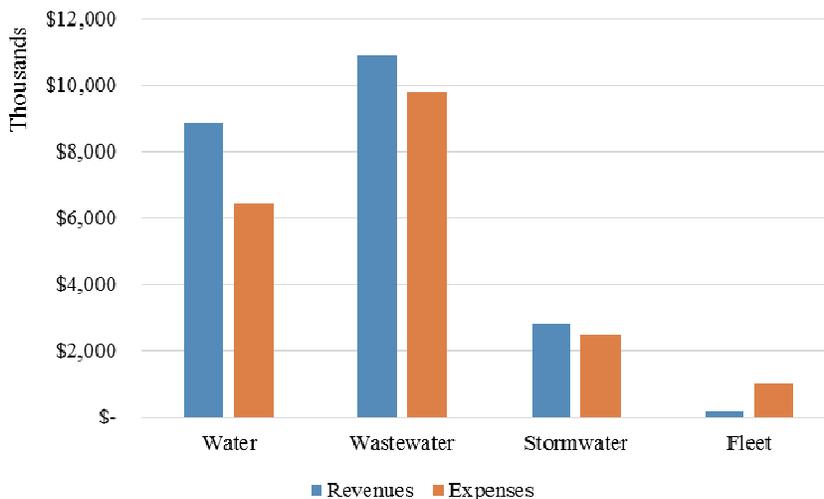
Business-type activities

Business-type activities increased the City's net position by \$3.96 million, offset by a prior period adjustment to record the OPEB liability of \$2.13 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 capital contributions and inflationary utility rate adjustments. Charges for services across the utility funds increased by approximately \$755,000. Materials and services expenses increased by \$2.16 million while personnel expenses increased approximately \$228,000, primarily due to contractually required wage and benefit 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, Transportation, and Community Facilities Funds.

- The General Fund is the City's main operating fund. Its ending fund balance increased \$1.29 million due to larger than anticipated fines and forfeitures revenues, increases in investment income, and new revenue sources. Total revenues were \$2.56 million higher than the prior year. Total expenditures increased by \$1.47 million over the previous year. Major expenditure increases were due to contractually required wage and benefit increases.
- The Engineering Fund remained relatively consistent with increases to its ending balance of approximately \$139,000 and no major changes to revenues or expenses.
- 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 by approximately \$693,000 from collection of impact fees related to development-driven construction projects. These revenues are \$1.53 million less than prior year due to high development in 2017. Unspent balances are reserved for future growth-related infrastructure spending.
- Last fiscal year, voters amended the Oregon City charter related to the Urban Renewal Agency Fund to allocate tax increment revenues to fund only future debt repayments and any contractual obligations that existed prior to the vote. The Circuit Court subsequently determined that the amendment is preempted by State law; however, the City continues to defer various projects while awaiting the outcome of appeals and options to clarify and support the intentions of the community. Unspent funds resulted in an increase in fund balance of \$1.36 million.
- The Transportation Fund collects gas taxes and pavement maintenance fees to repair and improve the City's roads, sidewalks and pathways. At year end, fund balance increased by approximately \$813,000 as a result of increases to state shared gas tax revenues. The Oregon Legislature's "Keep Oregon Moving" increase to gas taxes is expected to provide much needed additional revenue for transportation projects.
- The Community Facilities Fund ending balance increased \$11.57 million primarily due to the issuance of debt and the accumulation of Community Safety Advancement Fee revenues that were implemented in the prior year for construction of the new Police and Municipal Court Building. This is offset by the purchase of a building for the future construction of public works facilities. At year end, funds include \$3.69 million for the public works facility, \$687,000 for the library, \$18.84 million for the public safety building, and \$407,000 for general facilities.

### *PROPRIETARY FUNDS*

Major proprietary funds include the Water, Wastewater, and Stormwater Funds. All three of these proprietary funds had increases to the net position mainly due to programmed utility rate increases and capital contributions offset by reductions in transfers.

- The net position increase for the Water Fund was \$1.13 million.
- The net position increase for the Wastewater Fund was \$2.56 million.
- The net position increase for the Stormwater Fund was \$313,000.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no budget adjustments during the year. While fines and forfeitures and miscellaneous income due to new revenues 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, 2018, the City had approximately \$190.18 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 64.79% 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 13,639,501	\$ 11,639,033	\$ 1,681,195	\$ 1,681,195	\$ 15,320,696	\$ 13,320,228
Construction in progress	1,276,185	1,027,856	1,251,542	254,948	2,527,727	1,282,804
Equipment	1,257,295	1,169,261	1,760,421	2,156,895	3,017,716	3,326,156
Buildings and improvements	16,925,476	11,542,068	13,066,212	13,084,202	29,991,688	24,626,270
Infrastructure	87,174,499	87,246,117	52,145,089	51,097,510	139,319,588	138,343,627
<b>Total</b>	<b>\$ 120,272,956</b>	<b>\$ 112,624,335</b>	<b>\$ 69,904,459</b>	<b>\$ 68,274,750</b>	<b>\$ 190,177,415</b>	<b>\$ 180,899,085</b>

Total asset increases of \$16.22 million in the current year were offset by net decreases of \$15,000 and depreciation expense of \$6.92 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 49 of this report.

- ❖ Land and building for Public Works facility, \$7.12 million
- ❖ Roadway reconstruction and improvements, \$1.43 million
- ❖ Beavercreek Road Sanitary Sewer improvements, \$1.22 million
- ❖ Water line replacement projects, \$1.11 million
- ❖ Community Development relocation, \$1.03 million
- ❖ Vehicles and heavy equipment, \$467,000
- ❖ Meyers Road extension, \$436,000

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had total debt outstanding of approximately \$41.85 million; all debt is included in the governmental funds as the City paid off its \$1.47 million in business-type activity debt during the current year. The City's total debt outstanding represents long term borrowings.

Outstanding bonds totaling \$5.19 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 \$12.64 million are limited tax obligation funds that are payable from various City funds that have personal services. Urban Renewal bonds totaling \$7.87 million are paid from tax increment ad-valorem taxes.

The City issued voter-approved debt of \$16.15 million in the current year; this represents \$14.62 million in outstanding full faith and credit bond obligations and \$1.54 million in bond discounts. In addition to long term debt outstanding, the City has long term compensated absences liability of \$821,835.

The City's credit rating was upgraded in 2018 to a AA+ underlying rating with stable outlook by Standard & Poor's. Under Oregon law, the City is subject to a debt limit in which general obligation debt issues are limited to 3% of real market value of all taxable property within City 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	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 5,185,748	\$ 5,433,759	\$ -	\$ -	\$ 5,185,748	\$ 5,433,759
Limited Obligation Bonds	27,250,000	13,370,000	-	-	27,250,000	13,370,000
Revenue Bonds	-	-	-	1,475,000	-	1,475,000
Tax Increment Bonds	7,868,200	8,677,840	-	-	7,868,200	8,677,840
Total Issued Debt Outstanding	40,303,948	27,481,599	-	1,475,000	40,303,948	28,956,599
Bond Discounts	1,542,183	-	-	-	1,542,183	-
Total Long Term Debt	<b>\$ 41,846,131</b>	<b>\$ 27,481,599</b>	<b>\$ -</b>	<b>\$ 1,475,000</b>	<b>\$ 41,846,131</b>	<b>\$ 28,956,599</b>

Additional information on the City's debt can be found in Notes 2.D through E on pages 51 through 53 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The governmental funds' largest revenue sources are property taxes, charges for services, and state shared revenues. Oregon has no sales tax, resulting in local government's heavy reliance on property taxes and other self-generated revenues including franchise fees, building permits, business licenses, and so forth. The State Constitution requires 3% increases in assessed values, other than new development and caps maximum property tax rates. The City of Oregon City is one of only a few cities in Oregon that levies less than its full property tax rate to support taxpayers.

In 2018, the City's assessed value increased 4.88%, above the 3% allowed under Oregon statute, as a result of new growth. Residential development has been significant with the recent completion of several projects designed to support the large population that is migrating to Oregon including the Clackamette Cove Phase I, which brought 244 apartments to the downtown area.

The City is well positioned to develop two large commercial lands in the Beaver Creek Industrial Area because of careful planning and the allocation of resources to complete final infrastructure (sewer) improvements. And the Willamette Falls legacy project, one of the most unique and significant mixed-use development projects in the State is ready for expansion with \$12.5 million in State funding allocated to Phase I of The Riverwalk project. More information can be found on these projects in the Letter of Transmittal on page 3 of this report.

Business-Type Activities are funded through water, wastewater, and stormwater rates; these rates are generally adjusted annually for inflation.

The City, along with local governments across the State, continues to carefully monitor retirement costs resulting from the State-run pension fund, Oregon Public Employee Retirement System (PERS). Further information on PERS can be found in the notes to the financials. PERS rates will increase by approximately 4.5% of payroll for the next biennium. These increases were expected and have been factored into City forecasts.

**CITY OF OREGON CITY, OREGON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

During preparation of the budget for the ensuing biennium, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The City's adopted budget for the July 1, 2017 through June 30, 2019 biennium budget reflects total appropriations of \$191,213,129. The following are the major assumptions used in developing the 2017-19 budget:

- ❖ The City's population was estimated at 34,240 with annual growth of .85%.
- ❖ The City's tax rate remains at \$4.4090, lower than the City's permanent levy rate of \$5.0571. Oregon City is one of very few City's in Oregon that has capacity to raise its permanent rate. The City Commission has independent authority to raise the rate by \$0.6481, which would raise an additional \$1.76 million per year for the General Fund. However, City leaders have been fiscally responsible resulting in strong General Fund reserves. The existing rate will remain unchanged during the biennium.
- ❖ Assessed values, the basis of property tax revenues, are expected to grow by 4% in the first year and 4.5% in the second year of the biennium.
- ❖ Charges for services are scheduled to increase between 3.0% and 9.0% based on previously approved indexing schedules.
- ❖ Interest rates on investments are projected conservatively at 1.0% so as to not rely on interest to fund current operations. Actual interest rates on City investments have been closer to 1.5%.
- ❖ Cost of Living increases were proposed for all employees in the amount of 2.0%.
- ❖ Public Employees Retirement System (PERS) contributions are forecasted to increase between 3.5% and 5.0%, and the City has been planning for the increase by limiting budgetary spending and maintaining reserves in each fund that includes personnel.
- ❖ Health benefit costs will increase by 5.0% annually based on current claims and premiums projections prepared by the City's benefits broker.
- ❖ The average increase for the cost of goods and contracts is projected to remain flat. The City planned to hold costs flat while developing the biennial budget to offset anticipated pension cost increases.
- ❖ Capital projects and equipment costs are projected to remain flat.

**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, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 69,814,736	\$ 17,267,415	\$ 87,082,151
Accounts receivable	2,005,586	2,852,227	4,857,813
Property taxes receivable	980,114	-	980,114
Assessment liens receivable	340,408	83,364	423,772
Interest receivable	81,793	13,674	95,467
Inventories	-	146,764	146,764
Internal balances	(386,965)	386,965	-
Net OPEB asset	39,996	9,292	49,288
Other assets	85,152	-	85,152
Investment in South Fork Water Board	-	9,630,196	9,630,196
Non-depreciable capital assets	14,915,686	2,932,737	17,848,423
Other capital assets, net of depreciation	105,357,270	66,971,722	172,328,992
Total Assets	<u>193,233,776</u>	<u>100,294,356</u>	<u>293,528,132</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred resources related to pensions	4,839,266	1,135,883	5,975,149
Deferred resources related to other benefits	401,200	93,196	494,396
Total Deferred Outflows of Resources	<u>5,240,466</u>	<u>1,229,079</u>	<u>6,469,545</u>
<b>LIABILITIES</b>			
Accounts payable	999,410	1,826,763	2,826,173
Accrued payroll liabilities	794,220	174,767	968,987
Deposits payable	906,811	225	907,036
Accrued interest payable	170,964	2,391	173,355
Unearned revenue	11,642	-	11,642
Noncurrent liabilities:			
Due within one year:			
Bonds payable	2,405,290	-	2,405,290
Accrued compensated absences	136,080	28,287	164,367
Due in more than one year:			
Bonds payable, net of unamortized premium	39,440,841	-	39,440,841
Accrued compensated absences	544,322	113,146	657,468
Net pension liability	13,823,644	3,244,710	17,068,354
Other post employment benefits	8,982,173	2,086,431	11,068,604
Total Liabilities	<u>68,215,397</u>	<u>7,476,720</u>	<u>75,692,117</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred resources related to pensions	226,460	53,155	279,615
Deferred resources related to other benefits	809,002	187,929	996,931
Total Deferred Inflows of Resources	<u>1,035,462</u>	<u>241,084</u>	<u>1,276,546</u>
<b>NET POSITION</b>			
Net investment in capital assets	107,219,008	69,904,459	177,123,467
Restricted for:			
Public works capital projects	14,147,965	-	14,147,965
Library operations	1,896,263	-	1,896,263
Building operations	1,597,635	-	1,597,635
Parks capital projects	5,268,225	-	5,268,225
Unrestricted	(905,713)	23,901,172	22,995,459
Total Net Position	<u>\$ 129,223,383</u>	<u>\$ 93,805,631</u>	<u>\$ 223,029,014</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, 2018**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Totals
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>							
General government	\$ 7,448,383	\$ 2,932,559	\$ 321,913	\$ 26,400	\$ (4,167,511)	\$ -	\$ (4,167,511)
Public safety	11,595,492	2,192,706	425,632	-	(8,977,154)	-	(8,977,154)
Public works	6,867,970	3,438,000	2,265,623	2,132,593	968,246	-	968,246
Culture and recreation	6,375,010	990,222	2,428,480	848,940	(2,107,368)	-	(2,107,368)
Planning and building	2,891,302	2,989,087	33,344	54,760	185,889	-	185,889
Interest on long-term debt	1,407,996	-	-	-	(1,407,996)	-	(1,407,996)
Total Governmental activities	36,586,153	12,542,574	5,474,992	3,062,693	(15,505,894)	-	(15,505,894)
<b>Business-type activities:</b>							
Water	6,431,175	8,169,832	479,274	225,285	-	2,443,216	2,443,216
Wastewater	9,792,585	10,181,048	-	705,446	-	1,093,909	1,093,909
Stormwater	2,474,327	2,836,265	-	-	-	361,938	361,938
Fleet	1,012,240	197,002	-	-	-	(815,238)	(815,238)
Total Business-type activities	19,710,327	21,384,147	479,274	930,731	-	3,083,825	3,083,825
Total Activities	\$ 56,296,480	\$ 33,926,721	\$ 5,954,266	\$ 3,993,424	(15,505,894)	3,083,825	(12,422,069)
<b>General revenues:</b>							
Property taxes					15,145,511	-	15,145,511
Franchise taxes					3,780,955	268,785	4,049,740
Intergovernmental revenues not restricted for specific purposes					961,015	-	961,015
Unrestricted investment earnings					858,521	173,245	1,031,766
Loss on sale of capital assets					-	(5,000)	(5,000)
Miscellaneous					1,938,632	41,622	1,980,254
Total General revenues					22,684,634	478,652	23,163,286
<b>Transfers</b>					(403,508)	403,508	-
<b>Change in net position</b>					6,775,232	3,965,985	10,741,217
Beginning net position					124,103,961	91,971,743	216,075,704
Effects of GASB 75 implementation					(1,655,810)	(2,132,097)	(3,787,907)
Beginning net position, as restated					122,448,151	89,839,646	212,287,797
<b>Ending net position</b>					\$ 129,223,383	\$ 93,805,631	\$ 223,029,014

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

**CITY OF OREGON CITY, OREGON**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General	Engineering	System Development	Urban Renewal	Transportation	Community Facilities Capital Projects	Other Governmental Funds	Total
<b>ASSETS</b>								
Cash and investments	\$ 8,402,312	\$ 1,561,566	\$ 22,050,762	\$ 4,348,986	\$ 2,673,219	\$ 23,518,326	\$ 7,259,565	\$ 69,814,736
Receivables:								
Accounts	1,138,356	-	10,256	6,960	553,134	138,195	158,685	2,005,586
Property taxes	817,585	-	-	162,529	-	-	-	980,114
Assessment liens	-	-	340,408	-	-	-	-	340,408
Interest	6,438	1,237	17,463	-	2,117	48,790	5,748	81,793
Prepaid insurance	56,140	-	-	-	-	-	-	56,140
Deposits	4,415	-	14,008	-	-	7,329	3,260	29,012
<b>TOTAL ASSETS</b>	<b>\$ 10,425,246</b>	<b>\$ 1,562,803</b>	<b>\$ 22,432,897</b>	<b>\$ 4,518,475</b>	<b>\$ 3,228,470</b>	<b>\$ 23,712,640</b>	<b>\$ 7,427,258</b>	<b>\$ 73,307,789</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 472,523	\$ 42,728	\$ 145,549	\$ 212	\$ 163,590	49,934	\$ 124,874	\$ 999,410
Accrued payroll	604,372	29,577	-	-	53,381	-	106,890	794,220
Deposits payable	20,449	821,417	63,445	1,500	-	-	-	906,811
Unearned revenue	11,642	-	-	-	-	-	-	11,642
Due to other funds	-	-	-	386,965	-	-	-	386,965
<b>TOTAL LIABILITIES</b>	<b>1,108,986</b>	<b>893,722</b>	<b>208,994</b>	<b>388,677</b>	<b>216,971</b>	<b>49,934</b>	<b>231,764</b>	<b>3,099,048</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	750,952	723	350,622	146,553	1,238	46,261	3,362	1,299,711
<b>FUND BALANCES</b>								
Non-spendable								
Prepaid insurance	56,140	-	-	-	-	-	-	56,140
Deposits	4,415	-	-	-	-	-	-	4,415
Restricted for:								
Debt service	-	-	-	1,235,695	-	-	-	1,235,695
Culture and recreation capital projects	-	-	5,268,225	-	-	-	-	5,268,225
Library operations	-	-	-	-	-	-	2,367,656	2,367,656
Building operations	-	-	-	-	-	-	2,601,570	2,601,570
Public works capital projects	-	-	16,605,056	-	429,302	-	-	17,034,358
Committed to:								
Debt service	-	-	-	-	-	-	1,869,586	1,869,586
Culture and recreation projects	-	-	-	-	-	687,458	-	687,458
Planning and building operations	-	668,358	-	-	-	-	353,320	1,021,678
Public facilities	-	-	-	-	-	406,597	-	406,597
Public safety facility construction	-	-	-	-	-	18,837,106	-	18,837,106
Public works capital projects	-	-	-	-	2,580,959	3,685,284	-	6,266,243
Urban renewal capital projects	-	-	-	2,747,550	-	-	-	2,747,550
Unassigned	8,504,753	-	-	-	-	-	-	8,504,753
<b>TOTAL FUND BALANCES</b>	<b>8,565,308</b>	<b>668,358</b>	<b>21,873,281</b>	<b>3,983,245</b>	<b>3,010,261</b>	<b>23,616,445</b>	<b>7,192,132</b>	<b>68,909,030</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,425,246</b>	<b>\$ 1,562,803</b>	<b>\$ 22,432,897</b>	<b>\$ 4,518,475</b>	<b>\$ 3,228,470</b>	<b>\$ 23,712,640</b>	<b>\$ 7,427,258</b>	<b>\$ 73,307,789</b>

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, 2018**

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Fund Balances - Combined Balance Sheet	\$ 68,909,030
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.	1,299,711
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.	
Cost	161,873,867
Accumulated depreciation	(41,600,911)
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	(680,402)
Other post employment benefits	(8,942,177)
Deferred inflows related to other post employment benefits	(809,002)
Deferred outflows related to other post employment benefits	401,200
Accrued interest payable	(170,964)
Long-term debt payable	(41,846,131)
Net pension liability	(13,823,644)
Deferred inflows related to pensions	(226,460)
Deferred outflows related to pensions	4,839,266
Net Position of Governmental Activities	<u>\$ 129,223,383</u>

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, 2018

	General	Engineering	System Development	Urban Renewal	Transportation	Community Facilities Capital Projects	Other Governmental Funds	Total
<b>REVENUES</b>								
Property taxes	\$ 12,500,820	\$ -	\$ -	\$ 2,569,800	\$ -	\$ -	\$ -	\$ 15,070,620
Franchise taxes	3,780,955	-	-	-	-	-	-	3,780,955
Assessments and other taxes	527,877	-	-	-	-	-	-	527,877
Licenses and permits	357,179	39,014	-	-	-	-	1,594,026	1,990,219
Charges for services	2,560,279	856,444	-	72,871	2,469,672	1,074,694	1,399,165	8,433,125
System development charges	-	-	3,395,367	-	-	-	-	3,395,367
Intergovernmental	1,956,050	-	43,075	-	2,222,548	-	2,295,494	6,517,167
Fines and forfeitures	1,659,828	-	-	-	-	-	50,365	1,710,193
Interest income	285,726	14,456	234,473	79,680	22,524	78,706	77,392	792,957
Miscellaneous	550,475	-	116,891	15,000	-	-	1,256,266	1,938,632
<b>TOTAL REVENUES</b>	<b>24,179,189</b>	<b>909,914</b>	<b>3,789,806</b>	<b>2,737,351</b>	<b>4,714,744</b>	<b>1,153,400</b>	<b>6,672,708</b>	<b>44,157,112</b>
<b>EXPENDITURES</b>								
General government	6,921,135	-	-	-	-	-	-	6,921,135
Public safety	10,550,480	-	-	-	-	-	-	10,550,480
Public works	-	865,249	303,217	148,192	2,409,681	194,609	-	3,920,948
Culture and recreation	3,674,916	-	93,695	-	-	-	1,620,036	5,388,647
Planning and building	-	-	-	-	-	-	2,729,888	2,729,888
Debt service								
Principal	-	-	-	809,638	-	-	983,011	1,792,649
Interest	-	-	-	421,803	-	113,805	832,673	1,368,281
Capital outlay								
General government	455,097	-	-	-	-	-	-	455,097
Public safety	54,381	-	-	-	-	44,015	-	98,396
Public works	-	-	2,175,176	-	1,428,216	7,115,213	-	10,718,605
Culture and recreation	112,029	-	524,921	-	-	46,321	19,417	702,688
Planning and building	-	-	-	-	-	-	1,027,356	1,027,356
<b>TOTAL EXPENDITURES</b>	<b>21,768,039</b>	<b>865,249</b>	<b>3,097,009</b>	<b>1,379,633</b>	<b>3,837,897</b>	<b>7,513,963</b>	<b>7,212,381</b>	<b>45,674,171</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,411,150</b>	<b>44,665</b>	<b>692,797</b>	<b>1,357,718</b>	<b>876,847</b>	<b>(6,360,563)</b>	<b>(539,673)</b>	<b>(1,517,059)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	120,000	-	-	116,016	1,770,000	400,000	2,406,016
Premium on bonds issued	-	-	-	-	-	1,542,183	-	1,542,183
Proceeds from issuance of debt	-	-	-	-	-	14,615,000	-	14,615,000
Transfers out	(1,116,016)	(26,000)	-	-	(180,000)	-	(22,000)	(1,344,016)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,116,016)</b>	<b>94,000</b>	<b>-</b>	<b>-</b>	<b>(63,984)</b>	<b>17,927,183</b>	<b>378,000</b>	<b>17,219,183</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,295,134</b>	<b>138,665</b>	<b>692,797</b>	<b>1,357,718</b>	<b>812,863</b>	<b>11,566,620</b>	<b>(161,673)</b>	<b>15,702,124</b>
<b>FUND BALANCE, beginning of year</b>	<b>7,270,174</b>	<b>529,693</b>	<b>21,180,484</b>	<b>2,625,527</b>	<b>2,197,398</b>	<b>12,049,825</b>	<b>7,353,805</b>	<b>53,206,906</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 8,565,308</b>	<b>\$ 668,358</b>	<b>\$ 21,873,281</b>	<b>\$ 3,983,245</b>	<b>\$ 3,010,261</b>	<b>\$ 23,616,445</b>	<b>\$ 7,192,132</b>	<b>\$ 68,909,030</b>

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, 2018

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Net Change in Fund Balances - Total Governmental Funds	\$ 15,702,124
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.	
	(392,219)
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	(44,863)
Accrued interest payable	(39,715)
Other post employment benefits	(171,217)
Adjustment to net pension liability	1,260,012
Adjustment to deferred resources related to pensions	(2,822,979)
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	13,002,145
Depreciation	(3,888,014)
Contribution and transfers of capital assets	(1,465,508)
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.	
Proceeds from issuance of debt	(14,615,000)
Premium on bonds issued	(1,542,183)
Debt principal paid	1,792,649
Change in Net Position of Governmental Activities	\$ 6,775,232

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, 2018**

	<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>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and investments	\$ 3,965,365	\$ 6,524,080	\$ 1,448,489	\$ 11,937,934	\$ 5,329,481	\$ 17,267,415
Accounts receivable, net of allowance	1,052,471	1,433,707	366,049	2,852,227	-	2,852,227
Assessment liens receivable	-	83,364	-	83,364	-	83,364
Interest receivable	3,142	5,165	1,147	9,454	4,220	13,674
Inventories	146,764	-	-	146,764	-	146,764
Due from other funds	-	-	-	-	596,458	596,458
<b>Total Current Assets</b>	<b>5,167,742</b>	<b>8,046,316</b>	<b>1,815,685</b>	<b>15,029,743</b>	<b>5,930,159</b>	<b>20,959,902</b>
<b>Noncurrent Assets</b>						
Investment in South Fork Water Board	9,630,196	-	-	9,630,196	-	9,630,196
Nondepreciable capital assets	877,244	460,740	1,594,753	2,932,737	-	2,932,737
Other capital assets, net of depreciation	33,037,205	19,529,756	13,908,961	66,475,922	495,800	66,971,722
OPEB Asset	3,303	2,199	2,397	7,899	1,393	9,292
<b>Total Noncurrent Assets</b>	<b>43,547,948</b>	<b>19,992,695</b>	<b>15,506,111</b>	<b>79,046,754</b>	<b>497,193</b>	<b>79,543,947</b>
<b>Total Assets</b>	<b>48,715,690</b>	<b>28,039,011</b>	<b>17,321,796</b>	<b>94,076,497</b>	<b>6,427,352</b>	<b>100,503,849</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred resources related to pensions	433,655	268,818	292,981	995,454	140,429	1,135,883
Deferred resources related to OPEB	33,129	22,056	24,038	79,223	13,973	93,196
<b>Total Deferred Outflows of Resources</b>	<b>466,784</b>	<b>290,874</b>	<b>317,019</b>	<b>1,074,677</b>	<b>154,402</b>	<b>1,229,079</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	575,245	567,469	508,418	1,651,132	175,631	1,826,763
Accrued payroll liabilities	55,447	48,102	44,232	147,781	26,986	174,767
Due to other funds	209,493	-	-	209,493	-	209,493
Unearned revenue	-	-	-	-	2,391	2,391
Deposits payable	225	-	-	225	-	225
Current portion of long-term liabilities						
Accrued compensated absences	12,051	6,188	7,491	25,730	2,557	28,287
<b>Total Current Liabilities</b>	<b>852,461</b>	<b>621,759</b>	<b>560,141</b>	<b>2,034,361</b>	<b>207,565</b>	<b>2,241,926</b>
<b>Noncurrent Liabilities</b>						
Accrued compensated absences	48,203	24,753	29,964	102,920	10,226	113,146
Net pension liability	1,208,299	767,891	836,916	2,813,106	431,604	3,244,710
OPEB liability	741,596	493,660	537,934	1,773,190	313,241	2,086,431
<b>Total Noncurrent Liabilities</b>	<b>1,998,098</b>	<b>1,286,304</b>	<b>1,404,814</b>	<b>4,689,216</b>	<b>755,071</b>	<b>5,444,287</b>
<b>Total Liabilities</b>	<b>2,850,559</b>	<b>1,908,063</b>	<b>1,964,955</b>	<b>6,723,577</b>	<b>962,636</b>	<b>7,686,213</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred resources related to pensions	14,679	12,580	13,710	40,969	12,186	53,155
Deferred resources related to OPEB	66,805	44,475	48,473	159,753	28,176	187,929
<b>Total Deferred Outflows of Resources</b>	<b>81,484</b>	<b>57,055</b>	<b>62,183</b>	<b>200,722</b>	<b>40,362</b>	<b>241,084</b>
<b>NET POSITION:</b>						
Net investment in capital assets	33,914,449	19,990,496	15,503,714	69,408,659	495,800	69,904,459
Unrestricted	12,335,982	6,374,271	107,963	18,818,216	5,082,956	23,901,172
<b>Total Net Position</b>	<b>\$ 46,250,431</b>	<b>\$ 26,364,767</b>	<b>\$ 15,611,677</b>	<b>\$ 88,226,875</b>	<b>\$ 5,578,756</b>	<b>\$ 93,805,631</b>

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, 2018**

	<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>
<b>OPERATING REVENUES</b>						
Franchise taxes	\$ -	\$ 268,785	\$ -	\$ 268,785	\$ -	\$ 268,785
Charges for services	7,068,612	10,181,048	2,836,265	20,085,925	1,298,222	21,384,147
System development revenue pass through	225,285	705,446	-	930,731	-	930,731
Miscellaneous	489	-	-	489	41,133	41,622
<b>Total Operating Revenues</b>	<b>7,294,386</b>	<b>11,155,279</b>	<b>2,836,265</b>	<b>21,285,930</b>	<b>1,339,355</b>	<b>22,625,285</b>
<b>OPERATING EXPENSES</b>						
Personnel services	1,520,757	1,298,802	1,187,139	4,006,698	701,315	4,708,013
Materials and services	3,796,162	6,627,248	863,157	11,286,567	611,388	11,897,955
Depreciation	743,174	1,230,787	281,261	2,255,222	778,425	3,033,647
<b>Total Operating Expenses</b>	<b>6,060,093</b>	<b>9,156,837</b>	<b>2,331,557</b>	<b>17,548,487</b>	<b>2,091,128</b>	<b>19,639,615</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,234,293</b>	<b>1,998,442</b>	<b>504,708</b>	<b>3,737,443</b>	<b>(751,773)</b>	<b>2,985,670</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment revenue	45,752	61,672	13,731	121,155	52,090	173,245
Interest expense	-	(70,712)	-	(70,712)	-	(70,712)
Increase in equity of South Fork Water Board	479,274	-	-	479,274	-	479,274
Gain (loss) on sale of assets	(5,000)	-	-	(5,000)	-	(5,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>520,026</b>	<b>(9,040)</b>	<b>13,731</b>	<b>524,717</b>	<b>52,090</b>	<b>576,807</b>
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>						
	1,754,319	1,989,402	518,439	4,262,160	(699,683)	3,562,477
Capital contributions	63,790	1,201,718	200,000	1,465,508	-	1,465,508
Transfers in	-	-	-	-	685,000	685,000
Transfers out	(700,000)	(640,000)	(405,000)	(1,745,000)	(2,000)	(1,747,000)
<b>CHANGE IN NET POSITION</b>	<b>1,118,109</b>	<b>2,551,120</b>	<b>313,439</b>	<b>3,982,668</b>	<b>(16,683)</b>	<b>3,965,985</b>
Beginning net position	45,890,151	24,318,115	15,847,951	86,056,217	5,915,526	91,971,743
Effects of GASB 75 implementation	(757,829)	(504,468)	(549,713)	(1,812,010)	(320,087)	(2,132,097)
Beginning net position, as restated	45,132,322	23,813,647	15,298,238	84,244,207	5,595,439	89,839,646
<b>Ending net position</b>	<b>\$ 46,250,431</b>	<b>\$ 26,364,767</b>	<b>\$ 15,611,677</b>	<b>\$ 88,226,875</b>	<b>\$ 5,578,756</b>	<b>\$ 93,805,631</b>

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, 2018**

	Water	Wastewater	Stormwater	Total Enterprise Funds	Total Internal Service Funds	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Collected from customers	\$ 6,955,694	\$ 11,048,918	\$ 2,849,365	\$ 20,853,977	\$ 1,298,222	\$ 22,152,199
Other receipts	489	-	-	489	43,524	44,013
Paid to suppliers	(3,599,325)	(6,560,292)	(417,043)	(10,576,660)	(628,379)	(11,205,039)
Paid to employees	(1,428,021)	(1,141,738)	(1,103,133)	(3,672,892)	(660,259)	(4,333,151)
Net Cash Provided by (Used in) Operating Activities	1,928,837	3,346,888	1,329,189	6,604,914	53,108	6,658,022
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
Transfers in	-	-	-	-	1,476,341	1,476,341
Transfers out	(700,000)	(640,000)	(405,000)	(1,745,000)	(2,000)	(1,747,000)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(700,000)	(640,000)	(405,000)	(1,745,000)	1,474,341	(270,659)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets	(1,620,631)	(575,103)	(556,897)	(2,752,631)	(556,504)	(3,309,135)
Proceeds from disposal of capital assets	-	-	-	-	17,100	17,100
Principal paid on contracts/bonds payable	-	(1,475,000)	-	(1,475,000)	-	(1,475,000)
Interest paid	-	(56,344)	-	(56,344)	-	(56,344)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,620,631)	(2,106,447)	(556,897)	(4,283,975)	(539,404)	(4,823,379)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	42,610	56,507	12,584	111,701	47,870	159,571
Increase in Cash and Investments	(349,184)	656,948	379,876	687,640	1,035,915	1,723,555
<b>CASH AND INVESTMENTS, Beginning of year</b>	4,314,549	5,867,132	1,068,613	11,250,294	4,293,566	15,543,860
<b>CASH AND INVESTMENTS, End of year</b>	<u>\$ 3,965,365</u>	<u>\$ 6,524,080</u>	<u>\$ 1,448,489</u>	<u>\$ 11,937,934</u>	<u>\$ 5,329,481</u>	<u>\$ 17,267,415</u>
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 1,234,293	\$ 1,998,442	\$ 504,708	\$ 3,737,443	\$ (751,773)	\$ 2,985,670
Depreciation	743,174	1,230,787	281,261	2,255,222	778,425	3,033,647
<i>Change in assets and liabilities:</i>						
Accounts receivable	(113,118)	(106,561)	12,900	(206,779)	-	(206,779)
Inventory	37,397	-	-	37,397	-	37,397
Deposits and prepaids	425	200	200	825	-	825
Due from other agencies	-	-	-	-	2,391	2,391
Accounts payable and accrued liabilities	(63,650)	77,045	452,952	466,347	(11,259)	455,088
Net pension liability	(221,605)	30,084	(130,949)	(322,470)	(85,413)	(407,883)
Net OPEB liability	(53,208)	(35,424)	(38,608)	(127,240)	(22,441)	(149,681)
Deferred outflows	307,312	110,160	204,086	621,558	118,466	740,024
Deferred inflows	57,817	42,155	42,639	142,611	24,712	167,323
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,928,837</u>	<u>\$ 3,346,888</u>	<u>\$ 1,329,189</u>	<u>\$ 6,604,914</u>	<u>\$ 53,108</u>	<u>\$ 6,658,022</u>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Increase in equity of South Fork Water Board	\$ 479,274	\$ -	\$ -	\$ 479,274	\$ -	\$ 479,274
Capital Contributions	63,790	1,201,718	200,000	1,465,508	-	1,465,508
	<u>\$ 543,064</u>	<u>\$ 1,201,718</u>	<u>\$ 200,000</u>	<u>\$ 1,944,782</u>	<u>\$ -</u>	<u>\$ 1,944,782</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, 2018.

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. Additionally, management of the City manages the activities of the component unit in the same manner as it manages its own activities. The separately issued financial statements of the Oregon City Urban Renewal Commission may be obtained from the Commission at 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2018

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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 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.

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.

**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, 2018

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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. 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 and short-term investments with original maturities of three months or less when purchased. Investments for the City, as well as for its component unit, are reported at fair value based on quoted market prices. Interest earned on cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total cash and investments.

#### *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 Prepaids*

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 acquisition value, that is the price that would be paid to acquire the asset. 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.

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 Infrastructure	20 – 50 years
Governmental 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.

## CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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### *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 both pension and OPEB-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 both pension and OPEB-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 with the exception of the library bonds, which are expenses of the library fund. Payment of vacation liabilities will be made from all funds that have personnel expenses. Significant bond premiums, discounts, and amounts deferred on refunding are deferred and amortized over the applicable bond term. Issuance costs are reported as period costs in the year of issue. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs, as period costs in the year of issue. The face amount of debt issued and any related premium is reported as other financing sources.

### *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 (OPEB)*

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for 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.

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

*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, 2018

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*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**

**A. Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Each fund’s portion of the pool is displayed as part of Cash and Investments by type of activity on the Statement of Net Position. Cash and investments are comprised of the following at June 30, 2018:

**Cash**

Petty cash	\$ 3,789
Deposits with financial institutions	3,296,058

**Investments**

Local Government Investment Pool	48,245,414
US Agency Securities	35,536,890

Total Cash and Investments	<u>\$ 87,082,151</u>
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### *Deposits*

Deposits with financial institutions consist primarily of bank demand deposits. The total book balance of deposits at year-end was \$3,296,058 and the bank balance was \$3,943,394. The difference is due to transactions in process.

### *Custodial Credit Risk – Deposits*

There is a risk that in the event of a bank failure, deposits may not be returned. The City does not have a policy related to custodial credit risk. The City's bank balance deposits are secured by the Federal Depository Insurance Corporation (FDIC) for \$250,000. Deposits in excess of FDIC coverage are held at a qualified depository bank and collateralized in accordance with Oregon Revised Statute 295 through a multiple-institution collateral pool administered by the Oregon State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by participating Oregon public fund banks is available to repay the deposits. As of June 30, 2018, \$3,693,394 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*

Oregon Revised Statutes authorize the City to invest in general obligations of the United States and its agencies, certain obligations of specific states and their political subdivisions, time deposits, certificates of deposit, savings accounts, banker's acceptances, corporate indebtedness, repurchase agreements and the State of Oregon Local Government Investment Pool.

The City invests in the Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. Oregon Revised Statutes 294.805 to 294.895 and the Oregon Investment Council govern the LGIP's investment policies. The State Treasurer is the investment officer responsible for the funds, and investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The fair value of pool shares is equal to the City's proportionate position in the pool.

### *Fair Value Measurement*

The City's investments in U.S. Agency Securities are reported at fair value. The City categorizes fair value measurements within the hierarchy established by GASB Statement No. 72. The hierarchy is based on the activity level in the market for the security type and the inputs used to determine fair value. Level 1 inputs are quoted prices in active markets for identical instruments; Level 2 inputs are quoted prices for similar instruments in active markets or quoted prices for identical instruments in markets that are not active; Level 3 inputs are valuations derived from techniques in which significant inputs are unobservable. The City's \$35,536,890 of investments in U.S. Agency Securities are valued using quoted prices for similar instruments in active markets (Level 2).

### *Interest Rate Risk*

In accordance with Oregon Revised Statutes, the City manages its exposure to declines in fair value resulting from changes in interest rates by limiting the weighted average maturity of its investments to 18 months or the date of anticipated use of the funds, whichever period is shorter. At year end, the weighted average maturity of investments in U.S. Agency Securities was 481 days and in the Local Government Investment Pool it was 1 day.

### *Credit Risk*

The risk that issuers of debt securities will be unable to make scheduled payments exists to some degree for all debt securities. The City's investments in U.S. Agency Securities were rated AAA by Moody's Investor's Service and AA+ by Standard & Poor's at year-end. The Local Government Investment Pool is not rated.

### *Concentration of Credit Risk*

To reduce the City's risk of loss that can result from not diversifying investments, the City's investment policy does not allow for investment in any one issuer that exceeds 5% of the City's total investments, with the exception of U.S. Treasuries, Agencies and Instrumentalities and the LGIP.

**CITY OF OREGON CITY, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2018

*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 Revised Statutes and does not allow securities to be held by a counterparty. The City's policy is in compliance with State statutes.

**B. Receivables**

Receivables at June 30, 2018, consisted of the following:

<b>Governmental Activities</b>	<b>General</b>	<b>Engineering</b>	<b>System Development</b>	<b>Downtown Urban Renewal</b>	<b>Transportation</b>
Accounts	\$ 1,138,356	\$ -	\$ 10,256	\$ 6,960	\$ 567,053
Property taxes	817,585	-	-	162,529	-
Interest	6,438	1,237	17,463	-	2,117
Assessments	-	-	340,408	-	-
Less: Allowance for uncollectibles	-	-	-	-	(13,919)
	<u>\$ 1,962,379</u>	<u>\$ 1,237</u>	<u>\$ 368,127</u>	<u>\$ 169,489</u>	<u>\$ 555,251</u>

<b>Governmental Activities (ctd.)</b>	<b>Community Facilities Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Accounts	\$ 143,898	\$ 158,685	\$ 2,025,208
Property taxes	-	-	980,114
Interest	48,790	5,748	81,793
Assessments	-	-	340,408
Less: Allowance for uncollectibles	(5,703)	-	(19,622)
	<u>\$ 186,985</u>	<u>\$ 164,433</u>	<u>\$ 3,407,901</u>

<b>Business-type Activities</b>	<b>Water</b>	<b>Wastewater</b>	<b>Stormwater</b>	<b>Other</b>	<b>Total</b>
Accounts	\$ 1,093,097	\$ 1,514,293	\$ 381,231	\$ -	\$ 2,988,621
Assessments	-	143,826	-	-	143,826
Interest	3,142	5,165	1,147	4,220	13,674
Less: Allowance for uncollectibles	(40,626)	(141,048)	(15,182)	-	(196,856)
	<u>\$ 1,055,613</u>	<u>\$ 1,522,236</u>	<u>\$ 367,196</u>	<u>\$ 4,220</u>	<u>\$ 2,949,265</u>

Based on the payment schedule for special assessments receivable, \$189,000 of the amount reported in the system development fund and \$178,300 of the amount reported in the wastewater fund is not expected to be collected within the next year. Additionally, approximately \$90,000 of property taxes receivable are not expected to be collected within the next year.

**CITY OF OREGON CITY, OREGON**  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED JUNE 30, 2018

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

<b>Governmental Activities</b>	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Reclasses</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
Nondepreciable capital assets					
Land	\$ 11,639,033	\$ 2,000,468	\$ -	\$ -	\$ 13,639,501
Construction In Progress	1,027,856	3,091,423	(2,843,094)	-	1,276,185
Total Non-depreciable	12,666,889	5,091,891	(2,843,094)	-	14,915,686
Depreciable capital assets					
Equipment	4,753,790	430,405	-	(48,570)	5,135,625
Buildings and Improvements	15,716,020	5,716,283	208,136	-	21,640,439
Infrastructure	117,386,617	298,051	2,634,958	(137,509)	120,182,117
Total Depreciable	137,856,427	6,444,739	2,843,094	(186,079)	146,958,181
Accumulated depreciation					
Equipment	(3,584,529)	(342,371)	-	48,570	(3,878,330)
Buildings and Improvements	(4,173,952)	(541,011)	-	-	(4,714,963)
Infrastructure	(30,140,495)	(3,004,632)	-	137,509	(33,007,618)
Total Accumulated Depreciation	(37,898,976)	(3,888,014)	-	186,079	(41,600,911)
Depreciable capital assets, net	99,957,451	2,556,725	2,843,094	-	105,357,270
Governmental capital assets, net	\$ 112,624,340	\$ 7,648,616	\$ -	\$ -	\$ 120,272,956
<b>Business-type Activities</b>	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Reclasses</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
Nondepreciable capital assets					
Land	\$ 1,681,195	\$ -	\$ -	\$ -	\$ 1,681,195
Construction In Progress	254,948	3,914,381	(2,917,787)	-	1,251,542
Total Non-depreciable	1,936,143	3,914,381	(2,917,787)	-	2,932,737
Depreciable capital assets					
Equipment	8,549,401	484,262	-	(117,164)	8,916,499
Buildings and Improvements	17,204,720	200,000	75,509	-	17,480,229
Infrastructure	84,797,482	79,805	2,842,278	-	87,719,565
Total Depreciable	110,551,603	764,067	2,917,787	(117,164)	114,116,293
Accumulated depreciation					
Equipment	(6,392,507)	(863,635)	-	100,064	(7,156,078)
Buildings and Improvements	(4,120,518)	(293,499)	-	-	(4,414,017)
Infrastructure	(33,699,972)	(1,876,513)	-	2,009	(35,574,476)
Total Accumulated Depreciation	(44,212,997)	(3,033,647)	-	102,073	(47,144,571)
Depreciable capital assets, net	66,338,606	(2,269,580)	2,917,787	(15,091)	66,971,722
Business-type capital assets, net	\$ 68,274,749	\$ 1,644,801	\$ -	\$ (15,091)	\$ 69,904,459

**CITY OF OREGON CITY, OREGON**  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED JUNE 30, 2018

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

Governmental Activities	
General government	\$ 94,131
Public safety	229,945
Public works	2,816,275
Culture and recreation	711,161
Planning and building	<u>36,502</u>
Depreciation, governmental activities	<u>\$ 3,888,014</u>
Business-type Activities	
Water	\$ 743,174
Wastewater	1,230,787
Stormwater	281,261
Fleet	<u>778,425</u>
Depreciation, business-type activities	<u>\$ 3,033,647</u>

**D. 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 3% of real market value of all taxable property within the City's boundaries. The City's outstanding general obligation debt of \$17.8 million is significantly below the debt limitation of \$143 million.

	<b>Outstanding June 30, 2017</b>	<b>Issued</b>	<b>Matured / Redeemed</b>	<b>Outstanding June 30, 2018</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Library General Obligation Bonds, Issued January 7, 2015, interest rate at 3.08%	\$ 5,433,759	\$ -	\$ (248,011)	\$ 5,185,748	\$ 255,650
<b>Limited Obligation Bonds</b>					
PERS Limited Tax Pension Obligations, Series 2005, Issued September 28, 2005, interest rates from 4.21% to 5.00%	13,370,000	-	(735,000)	12,635,000	825,000
Oregon City Full Faith and Credit Obligations, Series 2018, Issued June 5, 2018, interest rates from 3.00% to 5.00%	-	14,615,000	-	14,615,000	490,000
<b>Tax Increment Bonds</b>					
Urban Renewal Commission Revenue Bonds, Series 2008A, issued July 18, 2008, interest rate at 4.95%	6,610,000	-	(465,000)	6,145,000	490,000
Urban Renewal Commission Revenue Bonds, Series 2013, issued January 31, 2013, Tax Exempt, interest rate at 3.05%	739,183	-	(123,197)	615,986	123,197
Urban Renewal Commission Revenue Bonds, Series 2013, issued January 31, 2013, Taxable, interest rate at 4.55%	1,328,657	-	(221,443)	1,107,214	221,443
<b>Bond Premiums and Discounts</b>	-	1,542,183	-	1,542,183	-
<b>Total Governmental</b>	<b>\$ 27,481,599</b>	<b>\$ 16,157,183</b>	<b>\$ (1,792,651)</b>	<b>\$ 41,846,131</b>	<b>\$ 2,405,290</b>
<b>Business-type Activities</b>					
<b>Revenue Bonds</b>					
Sewer Revenue Refunding Bonds, Issued July 3, 2007, interest rates from 4.25% to 5.00%	\$ 1,475,000	\$ -	\$ (1,475,000)	\$ -	\$ -
<b>Total Business-type</b>	<b>\$ 1,475,000</b>	<b>\$ -</b>	<b>\$ (1,475,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total long-term debt</b>	<b>\$ 28,956,599</b>	<b>\$ 16,157,183</b>	<b>\$ (3,267,651)</b>	<b>\$ 41,846,131</b>	<b>\$ 2,405,290</b>

## CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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### *Governmental Activities*

*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.

*Oregon City Full Faith and Credit Obligations:* The City issued \$16,000,000 of voter-approved Full Faith and Credit Obligation bonds dated June 5, 2018, to provide a new police and municipal court facility. The bonds were issued at a premium of \$1,542,183 resulting in face value of the bonds of \$14,615,000. The bond premium is to be amortized over the life of the bonds, which mature in 2038. Interest rates on the bonds range from 3.00% to 5.00%. Bond proceeds have not yet been spent.

*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, 2018.

*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 \$5,245,000 to refund the October 15, 1997 Sewer System Revenue Refunding Bonds. These bonds were paid off in 2018.

*Future Principal and Interest*

Future maturities of bond principal and interest at June 30, 2018, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Governmental Activities</b>	
	Principal	Interest
2019	\$ 2,405,290	\$ 1,774,905
2020	2,548,164	1,681,034
2021	2,706,280	1,568,645
2022	2,874,647	1,447,374
2023	6,493,271	1,318,055
2024-2028	12,192,107	3,940,220
2029-2033	5,771,229	1,826,625
2034-2038	5,312,960	617,011
	<u>\$ 40,303,948</u>	<u>\$ 14,173,869</u>

**E. 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:

	<b>Outstanding June 30, 2017</b>	<b>Earned</b>	<b>Paid</b>	<b>Outstanding June 30, 2018</b>	<b>Due Within One Year</b>
Governmental Activities	\$ 635,539	\$ 688,453	\$ 643,590	\$ 680,402	\$ 136,080
Business-type Activities	158,178	120,354	137,099	141,433	28,287
	<u>\$ 793,717</u>	<u>\$ 808,807</u>	<u>\$ 780,689</u>	<u>\$ 821,835</u>	<u>\$ 164,367</u>

**F. Other Postemployment Benefits (OPEB)**

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

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

	<b>Rate Subsidy</b>	<b>PERS RHIA</b>	<b>Total OPEB on Financials</b>
Net OPEB Asset	\$ -	\$ 49,288	\$ 49,288
Deferred Outflows of Resources			
Change in Proportionate Share	-	15	15
Contributions After MD	437,294	57,087	494,381
Total OPEB Liability	(11,068,604)	-	(11,068,604)
Deferred Inflows of Resources			
Difference in Experience	(974,103)	-	(974,103)
Difference in Earnings	-	(22,828)	(22,828)
OPEB Expense/(Income)	708,280	270	708,550

## CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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### G. Other Postemployment Benefits (OPEB) – Health Insurance

#### *Plan Description*

The City follows GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The OPEB for the City includes an implicit and explicit rate subsidy for retiree health insurance continuation premiums and a single employer plan for employees meeting certain eligibility requirements. The City's single-employer defined benefit postemployment healthcare plan is administered by CityCounty Insurance Services (CIS). Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by the City Commission. The City has not established a formal plan or an irrevocable trust (or equivalent arrangement) to account for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The City's postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for CIS. This report may be obtained through their website at:

<https://www.cisoregon.org/About/TrustDocs>.

#### *Benefits Provided*

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 and Covered Employees*

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, 2018, the City had 152 active employees and 56 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.

#### *Total OPEB Liability and Actuarial Assumptions*

As of July 1, 2016, the most recent actuarial valuation date, the total OPEB liability for was \$11,068,604. The covered payroll (annual payroll of active employees covered by the plan) was \$11,561,433 and the ratio of the total liability to the covered payroll was 95.7%. 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.

**CITY OF OREGON CITY, OREGON**  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED JUNE 30, 2018

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The assumptions in this report reflect the Bond Buyer 20-Year General Obligation Bond Index. Mortality rates were based on the RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.

<b>Key Actuarial Assumptions and Methods</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>
Discount rate	2.85%	3.58%
Valuation date	July 1, 2016	July 1, 2016
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.50%	2.50%
Salary increases	3.50%	3.50%
Healthcare cost trend rate	4.50% to 7.50%	4.50% to 8.75%
Actuarial cost method	Entry Age Normal	Entry Age Normal

*Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

The City's total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$210,992. The City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Changes of assumptions or inputs	\$ 974,103	\$ -
Contributions made subsequent to the measurement date	-	437,294
	<u>\$ 974,103</u>	<u>\$ 437,294</u>

Deferred outflows of resources related to OPEB of \$437,294 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended	Annual
June 30:	Recognition
2019	\$ (187,328)
2020	(187,328)
2021	(187,328)
2022	(187,328)
2023	(187,328)
Thereafter	<u>(37,463)</u>
Total	<u>\$ (974,103)</u>

**CITY OF OREGON CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

*Changes in the Total OPEB Liability*

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2017	\$ 11,781,321
Changes for the year:	
Service cost	550,475
Interest on total OPEB liability	345,133
Effect of assumptions, changes or inputs	(1,161,431)
Benefit payments	(446,894)
Balance as of June 30, 2018	<u>\$ 11,068,604</u>

The effect of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2017 to 3.58% in 2018.

*Sensitivity Analysis*

The following presents the total OPEB liability of the Plan, calculated using the discount rate of 3.58%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption using a 1-percentage-point lower (7.75% decreasing to 3.5%) or 1-percentage-point higher (9.75% decreasing to 5.5%) than the current healthcare cost trend rates.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 12,711,642	\$ 11,068,604	\$ 9,717,889

	1% Decrease (3.5%-7.75%)	Current Discount Rate (4.5%-8.75%)	1% Increase (5.5%-9.75%)
Total OPEB Liability	\$ 9,464,239	\$ 11,068,604	\$ 13,104,553

*OPEB Expense and Deferred Outflows and Inflows of Resources related to OPEB*

For the year ended June 30, 2018, the City recognized OPEB expense of \$708,280 as follows

Service cost	\$ 550,475
Interest on total OPEB liability	345,133
Recognition of Deferred (Inflows)/Outflows of Resources	
Recognition of assumption changes or inputs	(187,328)
	<u>\$ 708,280</u>

**G. Other Postemployment 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 or online at [http://Oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://Oregon.gov/PERS/section/financial_reports/financials.shtml).

*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% of annual covered payroll for Tier One/Tier Two, and 0.45% 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, 2017, 2016, and 2015 were approximately \$62,200, \$62,600, and \$63,100, respectively which equal the required contributions for those years.

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

At June 30, 2018, the City reported an asset of \$49,288 for its proportionate share of the PERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the City's proportionate share was 0.11810%, which is an increase from its proportion of 0.11795% as of June 30, 2016.

**CITY OF OREGON CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

For the year ended June 30, 2018, the City recognized OPEB expense from this plan of \$270. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between projected and actual earnings	\$ 22,828	\$ -
Changes in proportionate share	-	15
Contributions subsequent to the MD	-	57,087
	<u>\$ 22,828</u>	<u>\$ 57,102</u>

Deferred outflows of resources related to OPEB of \$57,087 resulting from the City’s contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Annual Recognition</u>
2019	\$ (5,702)
2020	(5,702)
2021	(5,702)
2022	(5,707)
2023	-
Total	<u>\$ (22,813)</u>

*Actuarial Methods and Assumptions*

The total OPEB asset in the December 31, 2015 actuarial valuation was determined using the actuarial methods and assumptions as the same as listed below in note I – Public Employees Retirement System under the “Actuarial Assumptions” section and an additional assumption for healthcare cost trend rate ranging from 6.3% in 2016 to 4.4% in 2094.

*Long-Term Expected Rate of Return*

The Long-Term Expected Rate of Return is the same as listed below in note I – Public Employees Retirement System under the “Long-term Expected Rate of Return” section.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.50% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Total OPEB (Asset) Liability \$	6,850	\$ (49,288)	\$ (97,078)

*OPEB 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 Subsequent to Measurement Date*

The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods. The effect on the City has not been determined.

**H. Public Employees Retirement System (PERS)**

**Plan Description**

The City is a participating employer in 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 <http://www.oregon.gov/PERS/Pages/Financials/CAFR-Previous-Years.aspx>. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

# CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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## 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% for general service employees and 2% 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.

A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of \$30 per month for deaths that occur July 30, 2003, and earlier; \$200 per month for deaths that occur after July 30, 2003.

#### 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% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

1. *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% 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% 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% of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.

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% 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% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

2. *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.

# CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

## 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 during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017 and are effective through June 30, 2019. Employer contributions for the year ended June 30, 2018 were \$1,995,892 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; contributions for the current year were \$801,098.

The rates in effect for the fiscal year ended June 30, 2018 were 18.18% for Tier One/Tier Two General Service members, 10.67% for OPSRP Pension Program General Service members, 15.44% for OPSRP Pension Program Police Members, and 6% for Individual Account Program of PERS-covered salaries. 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, 2018, the City reported a liability of \$17,068,354 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2018, the City's proportion was 0.1266% which was increased from its proportion of 0.1248% measured as of June 30, 2017. For the year ended June 30, 2018, the City recognized pension expense of \$3,630,611. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 825,433	\$ -
Changes of assumptions	3,111,257	-
Net difference between projected and actual earnings on investments	175,844	-
Changes in proportion	140,805	142,139
Differences between employer contributions and proportionate share of contributions	14,165	137,476
Total (prior to post-MD contributions)	<u>4,267,504</u>	<u>279,615</u>
Contributions subsequent to the MD	<u>1,707,645</u>	<u>-</u>
Total	<u>\$ 5,975,149</u>	<u>\$ 279,615</u>

Deferred outflows of resources related to pensions in the amount of \$1,707,645 resulting from the City's contribution subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2018-19	\$ 1,121,144
2019-20	1,122,826
2020-21	1,136,771
2021-22	512,074
2022-2023	<u>95,074</u>
Total	<u>\$ 3,987,889</u>

**Actuarial assumptions**

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%)
Mortality	Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

## CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown. 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	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.30%	6.99%
Micro Cap US Equities	1.30%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-Driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	
Assumed Inflation - Mean		2.50%

**Depletion Date Projection**

GASB 67 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 (fair market value of assets) 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 67 (paragraph 43) 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 7.5% 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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ 29,087,590	\$ 17,068,354	\$ 7,018,046

**Pension plan fiduciary net position**

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

**CITY OF OREGON CITY, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2018

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**Changes in Plan Provisions During the Measurement Date**

There were no changes during the June 30, 2017 measurement period that require disclosure.

**Changes in Plan Provisions Subsequent to Measurement Date**

On July 28, 2017, subsequent to the June 30, 2017 measurement date, the OSPERS Board lowered the assumed rate to 7.2%. The current assumed rate is 7.5% and has been in effect for member transactions since January 1, 2016. The new rate will take effect January 1, 2018. The effect on the City has not been determined.

**I. 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.

**J. 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, 2018, is as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	-	1,116,016
Library Fund	150,000	-
Community Development Fund	250,000	2,000
Building Fund	-	20,000
Engineering Fund	120,000	26,000
Transportation Fund	116,016	180,000
Community Facilities Fund	1,770,000	-
Water Fund	-	700,000
Wastewater Fund	-	640,000
Stormwater Fund	-	405,000
Equipment	685,000	-
Customer Service	-	2,000
<b>Total Transfers</b>	<b>\$ 3,091,016</b>	<b>\$ 3,091,016</b>

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 in the amounts shown below. These amounts were recorded as capital contributions in the proprietary funds but are not recorded in the governmental funds; conversely, they are eliminated as interfund transactions in the government-wide statement of activities.

**CITY OF OREGON CITY, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2018

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
SDC	\$ -	\$ 1,465,508
Water	63,790	-
Wastewater	1,201,718	-
Stormwater Fund	200,000	-
	<u>\$ 1,465,508</u>	<u>\$ 1,465,508</u>

The composition of interfund receivables and payables at June 30, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due at 6/30/18</u>
Fleet Maintenance	Downtown URA	\$ 386,965
Customer Service	Water	209,493
Total Interfund Receivables/Payables		<u>\$ 596,458</u>

- The amount due from the Downtown URA Fund to the Fleet Maintenance Fund is from a loan to the Urban Renewal Agency. Repayment is being made in five annual payments of \$386,965. The final payment will be made in 2019.
- The amount due from the Water Fund to Customer Service is due to a year-end transfer due for payment of personnel costs.

**K. Tax Abatements**

The City enters into property tax abatement agreements with local businesses under the state Vertical Housing Program from Oregon Housing and Community Services, authorized by ORS 456.555 and Oregon Administrative Rule (OAR) 813-013. The purpose of the Program is to encourage investment in and rehabilitation of properties in targeted areas of a city or community, to augment the availability of appropriate housing, and to revitalize communities. The program encourages mixed-use developments that contain both non-residential and residential uses in areas (zones) designated by local jurisdictions. Eligible projects receive a partial property tax exemption which varies with the number of "Equalized Floors" in a project, with a maximum property tax exemption of 80% over a 10 year term. The City does not have any active projects under this program, but it does have one under construction as indicated in the table below.

Additionally, the State of Oregon under the Oregon Business Development Department offers an Enterprise Zone (EZ) Tax Abatement program, authorized by ORS 285C. Under this program, local governments are responsible for creating, managing and renewing enterprise zones. In exchange for locating or expanding into an enterprise zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plant and equipment for three to five years after the property is in service. Minimum eligibility requirements include an increase in full-time, permanent employment by 10%, maintaining minimum employment levels during the exemption period, and employee wages to exceed at least 150% of the State minimum wage. The City has one agreement under this program, however the facility has not yet met the requirements and has no active tax abatements.

<u>Project Name</u>	<u>Purpose</u>	<u>Percent of Current Tax Abatement</u>	<u>Amount of Current Tax Abatement</u>	<u>Percent of Tax to be Abated Upon Completion</u>
<b>Vertical Housing</b>				
The Cove	Mixed-use project on undeveloped and challenging site, environmental restoration	60% of property value so far	\$16,400	60% of improvement (land value fully taxable)
<b>Enterprise Zones</b>				
Orchid Orthopedic	Expand office into EZ and create additional jobs	0%	\$0	100% of machinery & equipment up to \$2 million

**CITY OF OREGON CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

**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, 2018. At year end, the City’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Commitment</u>
Annual Roadway Reconstruction	\$ 231,973	\$ 2,523,492
12th & Washington Intersection Signalization	171,314.00	269,382.00
Hazelwood Drive Sanitary Sewer	203,630.00	963,954.00
Main Street and 99E Railroad Improvements	97,330.00	90,802.00
High Street Waterline Replacement	381,889.00	1,240,192.00
Annual Waterline Replacement	100,254.26	945,541.00

*Sewage Treatment* – Water Environment Services is a County district that treats wastewater in the region. On behalf of the district, the City processes permit applications; bills and collects user charges from district customers, and collects connection charges. The City operates and maintains local collection facilities.

*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 services to the public. Future payments are approximately \$400,000 each year, with annual increases subject to inflation (Consumer Price Index).

**D. Change in Accounting Principle**

Due to the implementation of GASB75 a restatement of the prior year net position was required. The restatement impacted Net Position in the Government-wide Financials as follows;

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position - beginning, as originally reported	\$ 124,103,961	\$ 91,971,743	\$ 216,075,704
Cumulative effect of change in accounting principle	<u>(1,655,810)</u>	<u>(2,132,097)</u>	<u>(3,787,907)</u>
Net Position - beginning, as restated	<u>122,448,151</u>	<u>89,839,646</u>	<u>\$ 212,287,797</u>

**E. Subsequent Events**

Management has evaluated subsequent events through January 27, 2019, the date on which the financial statements were available to be issued.

**F. 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, 2018.

	<u>South Fork Water Board</u>	<u>Oregon City Portion</u>
Total assets	\$ 21,066,743	\$ 10,533,372
Total deferred outflows of resources	527,898	263,949
Total liabilities	2,283,944	1,141,972
Total deferred inflows of resources	50,303	25,152
Total equity	19,260,394	9,630,197
Operating revenues	3,983,886	1,991,943
Operating expenses	3,411,951	1,705,975
Other non-operating revenue (expense), net	89,237	44,619
Capital Contributions	297,378	148,689
Change in net position	958,550	479,274

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.

**G. Stewardship**

At June 30, 2018, two Internal Service Funds had deficit balances: the Fleet Service Fund had a deficit fund balance of \$8,116 due to timing of reimbursements for materials purchases and the Customer Service Fund had a deficit fund balance of \$295,697 due to implementation of GASB Statement No. 75.

**H. New Pronouncements**

During the fiscal year ended June 30, 2018, the City implemented the following GASB pronouncements:

**GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions** is effective for fiscal years beginning after June 15, 2017. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

**GASB Statement No. 85, Omnibus 2017.** The provisions of this Statement are effective for periods beginning after June 15, 2017. The Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements.

**GASB Statement No. 86, Certain Debt Extinguishment Issues.** The provisions of this Statement are effective for periods beginning after June 15, 2017. The Statement addresses accounting and financial reporting for certain in-substance defeasances of debt, provides guidance for prepaid insurance on debt that is extinguished, and addresses notes to financial statements for debt that is defeased in substance.

## 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 Changes in Total OPEB Liability and Related Ratios*

*Schedule of Contributions – OPEB*

*Schedule of the Proportionate Share of the Retirement Health Insurance  
Account*

*Schedule of Contributions of the Retirement Health Insurance Account*

*Schedule of the Proportionate Share of the Net Pension Liability*

*Schedule of Contributions – PERS*

*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, 2018**

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
<b>REVENUES</b>						
Property taxes	\$ 25,353,384	\$ 25,353,384	\$ 12,500,820	\$ -	\$ 12,500,820	\$ (12,852,564)
Franchise taxes	7,121,269	7,121,269	3,780,955	-	3,780,955	(3,340,314)
Assessments and other taxes	427,819	427,819	527,877	-	527,877	100,058
Licenses and permits	617,050	617,050	357,179	-	357,179	(259,871)
Charges for services	4,593,880	4,593,880	2,560,279	-	2,560,279	(2,033,601)
Intergovernmental	3,604,937	3,604,937	1,956,050	-	1,956,050	(1,648,887)
Fines and forfeitures	2,260,396	2,260,396	1,659,828	-	1,659,828	(600,568)
Interest income	220,000	220,000	285,726	-	285,726	65,726
Miscellaneous	264,279	264,279	550,475	-	550,475	286,196
<b>TOTAL REVENUES</b>	<b>44,463,014</b>	<b>44,463,014</b>	<b>24,179,189</b>	<b>-</b>	<b>24,179,189</b>	<b>(20,283,825)</b>
<b>EXPENDITURES</b>						
Policy & Administration	11,216,705	11,216,705	5,058,415	-	5,058,415	6,158,290
Police	21,338,965	21,338,965	10,604,861	-	10,604,861	10,734,104
Community Services	8,979,190	8,979,190	3,786,945	-	3,786,945	5,192,245
General Government	4,496,787	4,496,787	2,317,818	-	2,317,818	2,178,969
Contingency	3,098,557	3,098,557	-	-	-	3,098,557
<b>TOTAL EXPENDITURES</b>	<b>49,130,204</b>	<b>49,130,204</b>	<b>21,768,039</b>	<b>-</b>	<b>21,768,039</b>	<b>27,362,165</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,667,190)</b>	<b>(4,667,190)</b>	<b>2,411,150</b>	<b>-</b>	<b>2,411,150</b>	<b>7,078,340</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	299,508	299,508	-	-	-	(299,508)
Transfers out	(2,358,687)	(2,358,687)	(1,116,016)	-	(1,116,016)	1,242,671
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,059,179)</b>	<b>(2,059,179)</b>	<b>(1,116,016)</b>	<b>-</b>	<b>(1,116,016)</b>	<b>943,163</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,726,369)</b>	<b>(6,726,369)</b>	<b>1,295,134</b>	<b>-</b>	<b>1,295,134</b>	<b>8,021,503</b>
<b>FUND BALANCE, beginning of year</b>	<b>6,726,369</b>	<b>6,726,369</b>	<b>7,270,174</b>	<b>-</b>	<b>7,270,174</b>	<b>543,805</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,565,308</b>	<b>\$ -</b>	<b>\$ 8,565,308</b>	<b>\$ 8,565,308</b>

# CITY OF OREGON CITY, OREGON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – ENGINEERING FUND YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
<b>REVENUES</b>						
Licenses and permits	\$ 82,400	\$ 82,400	\$ 39,014	\$ -	\$ 39,014	\$ (43,386)
Charges for services	1,705,640	1,705,640	856,444	-	856,444	(849,196)
Interest income	2,200	2,200	14,456	-	14,456	12,256
<b>TOTAL REVENUES</b>	<b>1,790,240</b>	<b>1,790,240</b>	<b>909,914</b>	<b>-</b>	<b>909,914</b>	<b>(880,326)</b>
<b>EXPENDITURES</b>						
Personnel services	1,796,565	1,796,565	704,018	-	704,018	1,092,547
Materials and services	395,440	395,440	161,231	-	161,231	234,209
Contingency	131,802	131,802	-	-	-	131,802
<b>TOTAL EXPENDITURES</b>	<b>2,323,807</b>	<b>2,323,807</b>	<b>865,249</b>	<b>-</b>	<b>865,249</b>	<b>1,458,558</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(533,567)</b>	<b>(533,567)</b>	<b>44,665</b>	<b>-</b>	<b>44,665</b>	<b>578,232</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	240,000	240,000	120,000	-	120,000	(120,000)
Transfers out	(109,527)	(109,527)	(26,000)	-	(26,000)	83,527
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>130,473</b>	<b>130,473</b>	<b>94,000</b>	<b>-</b>	<b>94,000</b>	<b>(36,473)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(403,094)</b>	<b>(403,094)</b>	<b>138,665</b>	<b>-</b>	<b>138,665</b>	<b>541,759</b>
<b>FUND BALANCE, beginning of year</b>	<b>403,094</b>	<b>403,094</b>	<b>529,693</b>	<b>-</b>	<b>529,693</b>	<b>126,599</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 668,358</b>	<b>\$ -</b>	<b>\$ 668,358</b>	<b>\$ 668,358</b>

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – SYSTEM DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Biennial</b>	
<b>REVENUES</b>						
System development charges	\$ 5,450,000	\$ 5,450,000	\$ 3,395,367	\$ -	\$ 3,395,367	\$ (2,054,633)
Intergovernmental	-	-	43,075	-	43,075	43,075
Interest income	130,766	130,766	234,473	-	234,473	103,707
Miscellaneous income	96,164	96,164	116,891	-	116,891	20,727
<b>TOTAL REVENUES</b>	<b>5,676,930</b>	<b>5,676,930</b>	<b>3,789,806</b>	<b>-</b>	<b>3,789,806</b>	<b>(1,887,124)</b>
<b>EXPENDITURES</b>						
Materials and services	1,397,225	1,397,225	396,912	-	396,912	1,000,313
Capital outlay	14,050,732	14,050,732	2,700,097	-	2,700,097	11,350,635
Contingency	8,644,634	8,644,634	-	-	-	8,644,634
<b>TOTAL EXPENDITURES</b>	<b>24,092,591</b>	<b>24,092,591</b>	<b>3,097,009</b>	<b>-</b>	<b>3,097,009</b>	<b>20,995,582</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(18,415,661)</b>	<b>(18,415,661)</b>	<b>692,797</b>	<b>-</b>	<b>692,797</b>	<b>19,108,458</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(18,415,661)</b>	<b>(18,415,661)</b>	<b>692,797</b>	<b>-</b>	<b>692,797</b>	<b>19,108,458</b>
<b>FUND BALANCE, beginning of year</b>	<b>18,415,661</b>	<b>18,415,661</b>	<b>21,180,484</b>	<b>-</b>	<b>21,180,484</b>	<b>2,764,823</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,873,281</b>	<b>\$ -</b>	<b>\$ 21,873,281</b>	<b>\$ 21,873,281</b>

**CITY OF OREGON CITY, OREGON**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
 BUDGET AND ACTUAL – URBAN RENEWAL FUND  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
<b>REVENUES</b>						
Property Taxes	\$ 5,038,000	\$ 5,038,000	\$ 2,569,800	\$ -	\$ 2,569,800	\$ (2,468,200)
Charges for services	120,000	120,000	72,871	-	72,871	(47,129)
Interest income	50,000	50,000	79,680	-	79,680	29,680
Miscellaneous income	-	-	15,000	-	15,000	15,000
<b>TOTAL REVENUES</b>	<b>5,208,000</b>	<b>5,208,000</b>	<b>2,737,351</b>	<b>-</b>	<b>2,737,351</b>	<b>(2,470,649)</b>
<b>EXPENDITURES</b>						
Materials and services	202,000	202,000	148,192	-	148,192	53,808
Capital outlay	700,000	700,000	-	-	-	700,000
Debt Service						
Principal	2,418,209	2,418,209	1,196,604	-	1,196,604	1,221,605
Interest	800,951	800,951	421,803	-	421,803	379,148
Contingency	4,306,740	4,306,740	-	-	-	4,306,740
<b>TOTAL EXPENDITURES</b>	<b>8,427,900</b>	<b>8,427,900</b>	<b>1,766,599</b>	<b>-</b>	<b>1,766,599</b>	<b>6,661,301</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,219,900)</b>	<b>(3,219,900)</b>	<b>970,752</b>	<b>-</b>	<b>970,752</b>	<b>4,190,652</b>
<b>FUND BALANCE, beginning of year</b>	<b>3,219,900</b>	<b>3,219,900</b>	<b>3,399,458</b>	<b>-</b>	<b>3,399,458</b>	<b>179,558</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,370,210</b>	<b>\$ -</b>	<b>\$ 4,370,210</b>	<b>\$ 4,370,210</b>
<b>RECONCILIATION TO FUND BALANCE - GAAP BASIS</b>						
Loan payable to Fleet Fund					(386,965)	
					<u>\$ 3,983,245</u>	

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – TRANSPORTATION FUND**  
**YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
<b>REVENUES</b>						
Charges for services	\$ 4,711,821	\$ 4,711,821	\$ 2,469,672	\$ -	\$ 2,469,672	\$ (2,242,149)
Intergovernmental	3,929,760	3,929,760	2,222,548	-	2,222,548	(1,707,212)
Interest income	36,800	36,800	22,524	-	22,524	(14,276)
<b>TOTAL REVENUES</b>	<b>8,678,381</b>	<b>8,678,381</b>	<b>4,714,744</b>	<b>-</b>	<b>4,714,744</b>	<b>(3,963,637)</b>
<b>EXPENDITURES</b>						
Personnel services	2,668,550	2,668,550	1,227,314	-	1,227,314	1,441,236
Materials and services	2,192,605	2,192,605	1,182,367	-	1,182,367	1,010,238
Capital outlay	5,162,500	5,162,500	1,428,216	-	1,428,216	3,734,284
Contingency	784,273	784,273	-	-	-	784,273
<b>TOTAL EXPENDITURES</b>	<b>10,807,928</b>	<b>10,807,928</b>	<b>3,837,897</b>	<b>-</b>	<b>3,837,897</b>	<b>6,970,031</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,129,547)</b>	<b>(2,129,547)</b>	<b>876,847</b>	<b>-</b>	<b>876,847</b>	<b>3,006,394</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	240,987	240,987	116,016	-	116,016	(124,971)
Transfers out	(360,000)	(360,000)	(180,000)	-	(180,000)	180,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(119,013)</b>	<b>(119,013)</b>	<b>(63,984)</b>	<b>-</b>	<b>(63,984)</b>	<b>55,029</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,248,560)</b>	<b>(2,248,560)</b>	<b>812,863</b>	<b>-</b>	<b>812,863</b>	<b>3,061,423</b>
<b>FUND BALANCE, beginning of year</b>	<b>2,248,560</b>	<b>2,248,560</b>	<b>2,197,398</b>	<b>-</b>	<b>2,197,398</b>	<b>(51,162)</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,010,261</b>	<b>\$ -</b>	<b>\$ 3,010,261</b>	<b>\$ 3,010,261</b>

**CITY OF OREGON CITY, OREGON****SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**JUNE 30, 2018

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 550,475
Interest	345,133
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(1,161,431)
Benefit payment	<u>(446,894)</u>
<b>Net change in total OPEB liability</b>	<u>(712,717)</u>
<b>Total OPEB liability - beginning</b>	<u>11,781,321</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>11,068,604</u></u>
Covered-employee payroll	\$ 13,435,454
Total OPEB liability as a percentage of covered-employee payroll	82.38%

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.

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF CONTRIBUTIONS – OPEB**  
**JUNE 30, 2018**

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 437,294	\$ 437,294	-	\$ 13,435,454	3.25%
2017	446,894	446,894	-	12,916,238	3.46%

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.

**CITY OF OREGON CITY, OREGON**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)  
 JUNE 30, 2018

Measurement Date June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2017	0.11810032%	\$ (49,288)	\$ 12,916,238	-0.38%	108.90%

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

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.

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF CONTRIBUTIONS – RHIA**  
**JUNE 30, 2018**

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 57,087	\$ 57,087	\$ -	\$ 13,435,454	0.42%
2017	55,599	55,599	-	12,916,238	0.43%

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

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.

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2018**

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Public Employees Retirement System (PERS)

Measurement Date 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
2017	0.12661947%	\$ 17,068,354	\$ 12,916,238	132.15%	83.10%
2016	0.12480580%	18,736,249	11,561,433	162.06%	80.53%
2015	0.12813896%	7,357,049	11,671,425	63.03%	91.90%
2014	0.11809467%	(2,676,869)	10,524,989	(22.94%)	103.60%
2013	0.11809467%	6,026,544	10,536,259	57.26%	91.97%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date. Amounts presented are for the measurement period reported during the fiscal year, which for fiscal year 2018 is July 1, 2016 through June 30, 2017.

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 – PERS**  
**JUNE 30, 2018**

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
2018	\$ 1,707,646	\$ 1,707,646	\$ -	\$ 13,435,454	12.71%
2017	1,162,608	1,162,608	-	12,916,238	9.00%
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 may require the use of public hearings. Management may not amend the budget. The City had no budget adjustments or transfers during the year.

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the 2017-2019 biennium, there were expenditures exceeding budgeted appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanation</u>
<i>Wastewater Fund</i>				
Debt Service	\$ 1,051,175	\$ 1,531,344	\$(480,169)	Early retirement of debt
<i>Community Facilities Fund</i>				
Debt Service	-	113,805	(113,805)	New bond issuance costs

At June 30, 2018, two Internal Service funds had deficit balances: Fleet Service Fund had a deficit fund balance of \$8,116 due to timing of reimbursements for materials purchases and the Customer Service Fund had a deficit fund balance of \$295,697 due to implementation of GASB Statement No. 75.

**NOTE 2: OPEB**

**A. Actuarial assumptions – OPEB**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions:

Actuarial valuation:	July 1, 2016
Effective:	July 2016 - June 2018
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Amortization period:	8.9 years
Asset valuation method:	Market value
Remaining amortization periods:	20 years
Actuarial assumptions	
Inflation rate	2.50 percent
Projected salary increases	3.50 percent
Investment rate of return	7.85 percent

**B. Changes of assumptions – RHIA**

The PERS Board reviews the discount rate in odd-numbered years as part of the Board’s adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.2% assumed rate.

The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Board's policy decision from 2013 that the assumed rate will be effective January 1 following the Board's adoption of the rate.

**C. Actuarial assumptions – RHIA**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2013
Effective:	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Amortization period:	10 years
Asset valuation method:	Market value
Remaining amortization periods:	20 years
Actuarial assumptions	
Inflation rate	2.75 percent
Projected salary increases	3.75 percent
Investment rate of return	7.75 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance

**NOTE 2: PENSIONS**

**A. Changes in Benefit Terms**

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

**B. Changes of assumptions**

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50% and lowering of the assumed inflation to 2.50%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.



## 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, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Biennial</b>	
<b>REVENUES</b>						
Charges for services	\$ 2,203,600	\$ 2,203,600	\$ 1,074,694	\$ -	\$ 1,074,694	\$ (1,128,906)
Interest income	12,000	12,000	78,706	-	78,706	66,706
<b>TOTAL REVENUES</b>	<b>2,215,600</b>	<b>2,215,600</b>	<b>1,153,400</b>	<b>-</b>	<b>1,153,400</b>	<b>(1,062,200)</b>
<b>EXPENDITURES</b>						
Materials and services	-	-	194,609	-	194,609	(194,609)
Capital outlay	17,371,804	17,371,804	7,205,549	-	7,205,549	10,166,255
Debt service	-	-	113,805	-	113,805	(113,805)
Contingency	367,079	367,079	-	-	-	367,079
<b>TOTAL EXPENDITURES</b>	<b>22,485,000</b>	<b>17,738,883</b>	<b>7,513,963</b>	<b>-</b>	<b>7,513,963</b>	<b>10,224,920</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,269,400)</b>	<b>(15,523,283)</b>	<b>(6,360,563)</b>	<b>-</b>	<b>(6,360,563)</b>	<b>9,162,720</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	3,540,000	3,540,000	1,770,000	-	1,770,000	(1,770,000)
Premium on bonds issued	-	-	1,542,183	-	1,542,183	1,542,183
Proceeds from borrowing	-	-	14,615,000	-	14,615,000	14,615,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,540,000</b>	<b>3,540,000</b>	<b>17,927,183</b>	<b>-</b>	<b>17,927,183</b>	<b>14,387,183</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(16,729,400)</b>	<b>(11,983,283)</b>	<b>11,566,620</b>	<b>-</b>	<b>11,566,620</b>	<b>23,549,903</b>
<b>FUND BALANCE, beginning of year</b>	<b>11,983,283</b>	<b>11,983,283</b>	<b>12,049,825</b>	<b>-</b>	<b>12,049,825</b>	<b>66,542</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,616,445</b>	<b>\$ -</b>	<b>\$ 23,616,445</b>	<b>\$ 23,616,445</b>

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

**CITY OF OREGON CITY, OREGON**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Total</u>
	<u>Library</u>	<u>Community Development</u>	<u>Building</u>	<u>Debt Service</u>	
<b>ASSETS</b>					
Cash and investments	\$ 2,423,775	\$ 397,638	\$ 2,653,696	\$ 1,784,456	\$ 7,259,565
Receivables:					
Accounts	-	71,846	2,175	84,664	158,685
Interest	1,919	315	2,101	1,413	5,748
Deposits	3,260	-	-	-	3,260
<b>TOTAL ASSETS</b>	<u>\$ 2,428,954</u>	<u>\$ 469,799</u>	<u>\$ 2,657,972</u>	<u>\$ 1,870,533</u>	<u>\$ 7,427,258</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 15,199	\$ 86,081	\$ 23,473	\$ 121	\$ 124,874
Accrued payroll	44,976	30,214	31,700	-	106,890
<b>TOTAL LIABILITIES</b>	60,175	116,295	55,173	121	231,764
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	1,123	184	1,229	826	3,362
<b>FUND BALANCES</b>					
Restricted for:					
Library operations	2,367,656	-	-	-	2,367,656
Building operations	-	-	2,601,570	-	2,601,570
Committed to:					
Debt service	-	-	-	1,869,586	1,869,586
Planning and building operations	-	353,320	-	-	353,320
<b>TOTAL FUND BALANCES</b>	<u>2,367,656</u>	<u>353,320</u>	<u>2,601,570</u>	<u>1,869,586</u>	<u>7,192,132</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 2,428,954</u>	<u>\$ 469,799</u>	<u>\$ 2,657,972</u>	<u>\$ 1,870,533</u>	<u>\$ 7,427,258</u>

**CITY OF OREGON CITY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Total</u>
	<u>Library</u>	<u>Community Development</u>	<u>Building</u>	<u>Debt Service</u>	
<b>REVENUES</b>					
Licenses and permits	\$ -	\$ 26,300	\$ 1,567,726	\$ -	\$ 1,594,026
Charges for services	4,105	1,188,401	206,659	-	1,399,165
Intergovernmental	2,207,390	88,104	-	-	2,295,494
Fines and forfeitures	50,365	-	-	-	50,365
Interest income	20,751	9,136	29,324	18,181	77,392
Miscellaneous	38,376	-	-	1,217,890	1,256,266
<b>TOTAL REVENUES</b>	<b>2,320,987</b>	<b>1,311,941</b>	<b>1,803,709</b>	<b>1,236,071</b>	<b>6,672,708</b>
<b>EXPENDITURES</b>					
Culture and recreation	1,620,036	-	-	-	1,620,036
Planning and building	-	1,496,578	1,233,310	-	2,729,888
Debt service					
Principal	248,011	-	-	735,000	983,011
Interest	167,360	-	-	665,313	832,673
Capital Outlay	19,417	420,911	606,445	-	1,046,773
<b>TOTAL EXPENDITURES</b>	<b>2,054,824</b>	<b>1,917,489</b>	<b>1,839,755</b>	<b>1,400,313</b>	<b>7,212,381</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>266,163</b>	<b>(605,548)</b>	<b>(36,046)</b>	<b>(164,242)</b>	<b>(539,673)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	150,000	250,000	-	-	400,000
Transfers out	-	(2,000)	(20,000)	-	(22,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>150,000</b>	<b>248,000</b>	<b>(20,000)</b>	<b>-</b>	<b>378,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>416,163</b>	<b>(357,548)</b>	<b>(56,046)</b>	<b>(164,242)</b>	<b>(161,673)</b>
<b>FUND BALANCE, beginning of year</b>	<b>1,951,493</b>	<b>710,868</b>	<b>2,657,616</b>	<b>2,033,828</b>	<b>7,353,805</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 2,367,656</b>	<b>\$ 353,320</b>	<b>\$ 2,601,570</b>	<b>\$ 1,869,586</b>	<b>\$ 7,192,132</b>

*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, 2018

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
<b>REVENUES</b>						
Charges for services	\$ 7,800	\$ 7,800	\$ 4,105	\$ -	\$ 4,105	\$ (3,695)
Intergovernmental	4,274,602	4,274,602	2,207,390	-	2,207,390	(2,067,212)
Fines and forfeitures	64,000	64,000	50,365	-	50,365	(13,635)
Interest income	6,600	6,600	20,751	-	20,751	14,151
Miscellaneous	7,917	7,917	38,376	-	38,376	30,459
<b>TOTAL REVENUES</b>	<b>4,360,919</b>	<b>4,360,919</b>	<b>2,320,987</b>	<b>-</b>	<b>2,320,987</b>	<b>(2,039,932)</b>
<b>EXPENDITURES</b>						
Personnel services	2,748,796	2,748,796	1,194,468	-	1,194,468	1,554,328
Materials and services	868,242	868,242	425,568	-	425,568	442,674
Capital outlay	-	-	19,417	-	19,417	(19,417)
Principal	503,661	503,661	248,011	-	248,011	255,650
Interest	327,081	327,081	167,360	-	167,360	159,721
Contingency	2,065,110	2,065,110	-	-	-	2,065,110
<b>TOTAL EXPENDITURES</b>	<b>6,512,890</b>	<b>6,512,890</b>	<b>2,054,824</b>	<b>-</b>	<b>2,054,824</b>	<b>4,458,066</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,151,971)</b>	<b>(2,151,971)</b>	<b>266,163</b>	<b>-</b>	<b>266,163</b>	<b>2,418,134</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	300,000	300,000	150,000	-	150,000	(150,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>300,000</b>	<b>300,000</b>	<b>150,000</b>	<b>-</b>	<b>150,000</b>	<b>(150,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,851,971)</b>	<b>(1,851,971)</b>	<b>416,163</b>	<b>-</b>	<b>416,163</b>	<b>2,268,134</b>
<b>FUND BALANCE, beginning of year</b>	<b>1,851,971</b>	<b>1,851,971</b>	<b>1,951,493</b>	<b>-</b>	<b>1,951,493</b>	<b>99,522</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,367,656</b>	<b>\$ -</b>	<b>\$ 2,367,656</b>	<b>\$ 2,367,656</b>

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – COMMUNITY DEVELOPMENT FUND**  
**YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
<b>REVENUES</b>						
Licenses and permits	\$ 32,480	\$ 32,480	\$ 26,300	\$ -	\$ 26,300	\$ (6,180)
Charges for services	2,491,470	2,491,470	1,188,401	-	1,188,401	(1,303,069)
Intergovernmental	405,000	405,000	88,104	-	88,104	(316,896)
Interest	2,000	2,000	9,136	-	9,136	7,136
<b>TOTAL REVENUES</b>	<b>2,930,950</b>	<b>2,930,950</b>	<b>1,311,941</b>	<b>-</b>	<b>1,311,941</b>	<b>(1,619,009)</b>
<b>EXPENDITURES</b>						
Personnel services	1,523,365	1,523,365	702,473	-	702,473	820,892
Materials and services	1,990,445	1,990,445	794,105	-	794,105	1,196,340
Capital outlay	463,600	463,600	420,911	-	420,911	42,689
Contingency	21,021	21,021	-	-	-	21,021
<b>TOTAL EXPENDITURES</b>	<b>3,998,431</b>	<b>3,998,431</b>	<b>1,917,489</b>	<b>-</b>	<b>1,917,489</b>	<b>2,080,942</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,067,481)</b>	<b>(1,067,481)</b>	<b>(605,548)</b>	<b>-</b>	<b>(605,548)</b>	<b>461,933</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	525,000	525,000	250,000	-	250,000	(275,000)
Transfers out	(82,527)	(82,527)	(2,000)	-	(2,000)	80,527
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>442,473</b>	<b>442,473</b>	<b>248,000</b>	<b>-</b>	<b>248,000</b>	<b>(194,473)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(625,008)</b>	<b>(625,008)</b>	<b>(357,548)</b>	<b>-</b>	<b>(357,548)</b>	<b>267,460</b>
<b>FUND BALANCE, beginning of year</b>	<b>625,008</b>	<b>625,008</b>	<b>710,868</b>	<b>-</b>	<b>710,868</b>	<b>85,860</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 353,320</b>	<b>\$ -</b>	<b>\$ 353,320</b>	<b>\$ 353,320</b>

**CITY OF OREGON CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – BUILDING FUND  
YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
<b>REVENUES</b>						
Licenses and permits	\$ 3,514,262	\$ 3,514,262	\$ 1,567,726	\$ -	\$ 1,567,726	\$ (1,946,536)
Charges for services	451,564	451,564	206,659	-	206,659	(244,905)
Interest income	7,452	7,452	29,324	-	29,324	21,872
<b>TOTAL REVENUES</b>	<b>3,973,278</b>	<b>3,973,278</b>	<b>1,803,709</b>	<b>-</b>	<b>1,803,709</b>	<b>(2,169,569)</b>
<b>EXPENDITURES</b>						
Personnel services	1,959,027	1,959,027	812,711	-	812,711	1,146,316
Materials and services	885,444	885,444	420,599	-	420,599	464,845
Capital outlay	627,900	627,900	606,445	-	606,445	21,455
Contingency	2,650,893	2,650,893	-	-	-	2,650,893
<b>TOTAL EXPENDITURES</b>	<b>6,123,264</b>	<b>6,123,264</b>	<b>1,839,755</b>	<b>-</b>	<b>1,839,755</b>	<b>4,283,509</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,149,986)</b>	<b>(2,149,986)</b>	<b>(36,046)</b>	<b>-</b>	<b>(36,046)</b>	<b>2,113,940</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(118,527)	(118,527)	(20,000)	-	(20,000)	98,527
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,268,513)</b>	<b>(2,268,513)</b>	<b>(56,046)</b>	<b>-</b>	<b>(56,046)</b>	<b>2,212,467</b>
<b>FUND BALANCE, beginning of year</b>	<b>2,268,513</b>	<b>2,268,513</b>	<b>2,657,616</b>	<b>-</b>	<b>2,657,616</b>	<b>389,103</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,601,570</b>	<b>\$ -</b>	<b>\$ 2,601,570</b>	<b>\$ 2,601,570</b>

**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, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Biennial</u>	
<b>REVENUES</b>						
Interest income	\$ 20,000	\$ 20,000	\$ 18,181	\$ -	\$ 18,181	\$ (1,819)
Miscellaneous income	2,649,622	2,649,622	1,217,890	-	1,217,890	(1,431,732)
<b>TOTAL REVENUES</b>	<b>2,669,622</b>	<b>2,669,622</b>	<b>1,236,071</b>	<b>-</b>	<b>1,236,071</b>	<b>(1,433,551)</b>
<b>EXPENDITURES</b>						
Debt service						
Principal	1,560,000	1,560,000	735,000	-	735,000	825,000
Interest	1,295,150	1,295,150	665,313	-	665,313	629,837
Contingency	1,959,855	1,959,855	-	-	-	1,959,855
<b>TOTAL EXPENDITURES</b>	<b>4,815,005</b>	<b>4,815,005</b>	<b>1,400,313</b>	<b>-</b>	<b>1,400,313</b>	<b>3,414,692</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,145,383)</b>	<b>(2,145,383)</b>	<b>(164,242)</b>	<b>-</b>	<b>(164,242)</b>	<b>1,981,141</b>
<b>FUND BALANCE, beginning of year</b>	<b>2,145,383</b>	<b>2,145,383</b>	<b>2,033,828</b>	<b>-</b>	<b>2,033,828</b>	<b>(111,555)</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,869,586</b>	<b>\$ -</b>	<b>\$ 1,869,586</b>	<b>\$ 1,869,586</b>



*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, 2018**

	<b>Biennial Budget</b>		<b>Actual</b>		<b>Biennial</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>FY 2018</b>	<b>FY 2019</b>		
<b>REVENUES</b>						
Charges for services	\$ 13,909,874	\$ 13,909,874	\$ 7,068,612	\$ -	\$ 7,068,612	\$ (6,841,262)
System development charges	609,000	609,000	225,285	-	225,285	(383,715)
Interest earnings	21,854	21,854	45,752	-	45,752	23,898
Miscellaneous	-	-	489	-	489	489
<b>Total Revenues</b>	<b>14,540,728</b>	<b>14,540,728</b>	<b>7,340,138</b>	<b>-</b>	<b>7,340,138</b>	<b>(7,200,590)</b>
<b>EXPENDITURES</b>						
Personnel services	3,230,118	3,230,118	1,437,384	-	1,437,384	1,792,734
Materials and services	7,189,126	7,189,126	3,796,162	-	3,796,162	3,392,964
Capital outlay	5,050,000	5,050,000	1,620,631	-	1,620,631	3,429,369
Contingency	2,560,401	2,560,401	-	-	-	2,560,401
<b>Total Expenditures</b>	<b>18,029,645</b>	<b>18,029,645</b>	<b>6,854,177</b>	<b>-</b>	<b>6,854,177</b>	<b>11,175,468</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,488,917)</b>	<b>(3,488,917)</b>	<b>485,961</b>	<b>-</b>	<b>485,961</b>	<b>3,974,878</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(1,400,000)	(1,400,000)	(700,000)	-	(700,000)	700,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,888,917)</b>	<b>(4,888,917)</b>	<b>(214,039)</b>	<b>-</b>	<b>(214,039)</b>	<b>4,674,878</b>
<b>FUND BALANCE, beginning of year</b>	<b>4,888,917</b>	<b>4,888,917</b>	<b>4,750,864</b>	<b>-</b>	<b>4,750,864</b>	<b>(138,053)</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,536,825</b>	<b>\$ -</b>	<b>\$ 4,536,825</b>	<b>\$ 4,536,825</b>

**RECONCILIATION TO NET POSITION - GAAP BASIS**

Adjustment for compensated absences accrual	(60,254)
Adjustment for capital assets, net of depreciation	33,037,205
Adjustment for capital assets not depreciated	877,244
Adjustment for interest in joint venture	9,630,196
Adjustment for net pension liability	(1,208,299)
Adjustment for net OPEB liability/asset	(738,293)
Adjustment for deferred resources relating to pensions	418,976
Adjustment for deferred resources relating to OPEB	(33,676)
Transfer to Customer Service for pension expense	(209,493)
	<b>\$ 46,250,431</b>

**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, 2018**

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
<b>REVENUES</b>						
Franchise taxes	\$ 500,000	\$ 500,000	\$ 268,785	\$ -	\$ 268,785	\$ (231,215)
Charges for services	19,718,139	19,718,139	10,198,866	-	10,198,866	(9,519,273)
System development charges	900,000	900,000	705,446	-	705,446	(194,554)
Interest earnings	11,092	11,092	61,672	-	61,672	50,580
<b>Total Revenues</b>	<b>21,129,231</b>	<b>21,129,231</b>	<b>11,234,769</b>	<b>-</b>	<b>11,234,769</b>	<b>(9,894,462)</b>
<b>EXPENDITURES</b>						
Personnel services	2,337,148	2,337,148	1,155,392	-	1,155,392	1,181,756
Materials and services	13,219,329	13,219,329	6,627,249	-	6,627,249	6,592,080
Debt service						
Principal	960,000	960,000	1,475,000	-	1,475,000	(515,000)
Interest	91,175	91,175	56,344	-	56,344	34,831
Capital outlay	2,893,000	2,893,000	575,103	-	575,103	2,317,897
Contingency	6,593,095	6,593,095	-	-	-	6,593,095
<b>Total Expenditures</b>	<b>26,093,747</b>	<b>26,093,747</b>	<b>9,889,088</b>	<b>-</b>	<b>9,889,088</b>	<b>16,204,659</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,964,516)</b>	<b>(4,964,516)</b>	<b>1,345,681</b>	<b>-</b>	<b>1,345,681</b>	<b>6,310,197</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(1,280,000)	(1,280,000)	(640,000)	-	(640,000)	640,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,244,516)</b>	<b>(6,244,516)</b>	<b>705,681</b>	<b>-</b>	<b>705,681</b>	<b>6,950,197</b>
<b>FUND BALANCE, beginning of year</b>	<b>6,244,516</b>	<b>6,244,516</b>	<b>6,641,700</b>	<b>-</b>	<b>6,641,700</b>	<b>397,184</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,347,381</b>	<b>\$ -</b>	<b>\$ 7,347,381</b>	<b>\$ 7,347,381</b>
<b>RECONCILIATION TO NET POSITION - GAAP BASIS</b>						
					(30,941)	
					19,529,756	
					460,740	
					83,364	
					(767,891)	
					(491,461)	
					256,238	
					(22,419)	
						<b>\$ 26,364,767</b>

Note: Debt Service exceeded appropriations because the City paid off its sewer revenue bonds early in order to save interest. Subsequent to year-end, the City Commission approved an adjustment amending the biennial budget.

**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, 2018

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
<b>REVENUES</b>						
Charges for services	\$ 5,302,842	\$ 5,302,842	\$ 2,836,265	\$ -	\$ 2,836,265	\$ (2,466,577)
Intergovernmental	28,000	28,000	-	-	-	(28,000)
Interest earnings	6,000	6,000	13,731	-	13,731	7,731
<b>Total Revenues</b>	<b>5,336,842</b>	<b>5,336,842</b>	<b>2,849,996</b>	<b>-</b>	<b>2,849,996</b>	<b>(2,486,846)</b>
<b>EXPENDITURES</b>						
Personnel services	2,418,834	2,418,834	1,114,288	-	1,114,288	1,304,546
Materials and services	1,679,704	1,679,704	863,157	-	863,157	816,547
Capital outlay	1,105,000	1,105,000	556,897	-	556,897	548,103
Contingency	463,804	463,804	-	-	-	463,804
<b>Total Expenditures</b>	<b>5,667,342</b>	<b>5,667,342</b>	<b>2,534,342</b>	<b>-</b>	<b>2,534,342</b>	<b>3,133,000</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(330,500)</b>	<b>(330,500)</b>	<b>315,654</b>	<b>-</b>	<b>315,654</b>	<b>646,154</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(810,000)	(810,000)	(405,000)	-	(405,000)	405,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,140,500)</b>	<b>(1,140,500)</b>	<b>(89,346)</b>	<b>-</b>	<b>(89,346)</b>	<b>829,822</b>
<b>FUND BALANCE, beginning of year</b>	<b>1,140,500</b>	<b>1,140,500</b>	<b>1,352,381</b>	<b>-</b>	<b>1,352,381</b>	<b>211,881</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,263,035</b>	<b>\$ -</b>	<b>\$ 1,263,035</b>	<b>\$ 1,041,703</b>

**RECONCILIATION TO NET POSITION - GAAP BASIS**

Adjustment for compensated absences accrual	(37,455)
Adjustment for capital assets, net of depreciation	13,908,961
Adjustment for capital assets not depreciated	1,594,753
Adjustment for net pension liability	(836,916)
Adjustment for net OPEB liability/asset	(535,537)
Adjustment for deferred resources relating to pensions	279,271
Adjustment for deferred resources relating to OPEB	(24,435)
	<u>\$ 15,611,677</u>

*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, 2018

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,600	\$ 165,285	\$ 5,162,596	\$ 5,329,481
Interest receivable	1	131	4,088	4,220
Due from other funds	-	209,493	386,965	596,458
Total Current Assets	1,601	374,909	5,553,649	5,930,159
<b>Noncurrent Assets</b>				
Capital assets, net of depreciation	-	-	495,800	495,800
OPEB asset	-	1,393	-	1,393
Total Noncurrent Assets	-	1,393	495,800	497,193
Total Assets	1,601	376,302	6,049,449	6,427,352
<b>Deferred Outflows of Resources</b>				
Deferred resources related to pensions	-	140,429	-	140,429
Deferred resources related to OPEB	-	13,973	-	13,973
Total Deferred Inflows of Resources	-	154,402	-	154,402
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	9,717	1,425	164,489	175,631
Accrued payroll liabilities	-	26,986	-	26,986
Unearned revenue	-	-	2,391	2,391
Current portion of long-term liabilities				
Accrued compensated absences	-	2,557	-	2,557
Total Current Liabilities	9,717	30,968	166,880	207,565
<b>Noncurrent Liabilities</b>				
Accrued compensated absences	-	10,226	-	10,226
Net pension liability	-	431,604	-	431,604
OPEB liability	-	313,241	-	313,241
Total Noncurrent Liabilities	-	755,071	-	755,071
Total Liabilities	9,717	786,039	166,880	962,636
<b>Deferred Inflows of Resources</b>				
Deferred resources related to pensions	-	12,186	-	12,186
Deferred resources related to OPEB	-	28,176	-	28,176
Total Deferred Inflows of Resources	-	40,362	-	40,362
<b>NET POSITION:</b>				
Net investment in capital assets	-	-	495,800	495,800
Unrestricted	(8,116)	(295,697)	5,386,769	5,082,956
Total Net Position	\$ (8,116)	\$ (295,697)	\$ 5,882,569	\$ 5,578,756

**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, 2018

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 197,002	\$ 1,101,220	\$ -	\$ 1,298,222
Miscellaneous	-	-	41,133	41,133
<b>Total Operating Revenues</b>	<b>197,002</b>	<b>1,101,220</b>	<b>41,133</b>	<b>1,339,355</b>
<b>OPERATING EXPENSES</b>				
Personnel services	-	701,315	-	701,315
Materials and services	213,815	377,573	20,000	611,388
Depreciation	-	-	778,425	778,425
<b>Total Operating Expenses</b>	<b>213,815</b>	<b>1,078,888</b>	<b>798,425</b>	<b>2,091,128</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(16,813)</b>	<b>22,332</b>	<b>(757,292)</b>	<b>(751,773)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment revenue	118	1,824	50,148	52,090
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>				
	(16,695)	24,156	(707,144)	(699,683)
Transfers in	-	-	685,000	685,000
Transfers out	-	(2,000)	-	(2,000)
<b>CHANGE IN NET POSITION</b>	<b>(16,695)</b>	<b>22,156</b>	<b>(22,144)</b>	<b>(16,683)</b>
Beginning net position	8,579	2,234	5,904,713	5,915,526
Effects of GASB 75 implementation	-	(320,087)	-	(320,087)
Beginning net position, as restated	8,579	(317,853)	5,904,713	5,595,439
<b>Ending net position</b>	<b>\$ (8,116)</b>	<b>\$ (295,697)</b>	<b>\$ 5,882,569</b>	<b>\$ 5,578,756</b>

**CITY OF OREGON CITY, OREGON**

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

YEAR ENDED JUNE 30, 2018

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Collected from customers	\$ 197,002	\$ 1,101,220	\$ -	\$ 1,298,222
Other receipts	-	-	43,524	43,524
Paid to suppliers	(221,185)	(387,194)	(20,000)	(628,379)
Paid to employees	-	(660,259)	-	(660,259)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	(24,183)	53,767	23,524	53,108
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	1,476,341	1,476,341
Transfers out	-	(2,000)	-	(2,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Non-Capital Financing Activities	-	(2,000)	1,476,341	1,474,341
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	(556,504)	(556,504)
Proceeds from sale of capital assets	-	-	17,100	17,100
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	-	-	(539,404)	(539,404)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	117	1,693	46,060	47,870
	<hr/>	<hr/>	<hr/>	<hr/>
Increase in Cash and Investments	(24,066)	53,460	1,006,521	1,035,915
<b>CASH AND INVESTMENTS, Beginning of year</b>	25,666	111,825	4,156,075	4,293,566
	<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH AND INVESTMENTS, End of year</b>	<u>\$ 1,600</u>	<u>\$ 165,285</u>	<u>\$ 5,162,596</u>	<u>\$ 5,329,481</u>
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (16,813)	\$ 22,332	\$ (757,292)	\$ (751,773)
Depreciation	-	-	778,425	778,425
Change in assets and liabilities				
Unearned revenue	-	-	2,391	2,391
Accounts payable and accrued liabilities	(7,370)	(3,889)	-	(11,259)
Net pension liability	-	(85,413)	-	(85,413)
Net OPEB liability	-	(22,441)	-	(22,441)
Deferred outflows	-	118,466	-	118,466
Deferred inflows	-	24,712	-	24,712
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (24,183)</u>	<u>\$ 53,767</u>	<u>\$ 23,524</u>	<u>\$ 53,108</u>

*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, 2018**

	<b>Biennial Budget</b>		<b>Actual</b>		<b>Biennial</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>FY 2018</b>	<b>FY 2019</b>		
<b>REVENUES</b>						
Charges for services	\$ 464,870	\$ 464,870	\$ 197,002	\$ -	\$ 197,002	\$ (267,868)
Interest earnings	-	-	118	-	118	118
<b>Total Revenues</b>	<b>464,870</b>	<b>464,870</b>	<b>197,120</b>	<b>-</b>	<b>197,120</b>	<b>(267,750)</b>
<b>EXPENDITURES</b>						
Materials and services	423,992	423,992	213,815	-	213,815	210,177
Capital Outlay	18,000	18,000	-	-	-	18,000
Contingency	24,959	24,959	-	-	-	24,959
<b>Total Expenditures</b>	<b>466,951</b>	<b>466,951</b>	<b>213,815</b>	<b>-</b>	<b>213,815</b>	<b>253,136</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,081)</b>	<b>(2,081)</b>	<b>(16,695)</b>	<b>-</b>	<b>(16,695)</b>	<b>(14,614)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,081)</b>	<b>(2,081)</b>	<b>(16,695)</b>	<b>-</b>	<b>(16,695)</b>	<b>(14,614)</b>
<b>FUND BALANCE, beginning of year</b>	<b>2,081</b>	<b>2,081</b>	<b>8,579</b>	<b>-</b>	<b>8,579</b>	<b>6,498</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,116)</b>	<b>\$ -</b>	<b>(8,116)</b>	<b>\$ (8,116)</b>

**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, 2018**

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
<b>REVENUES</b>						
Charges for services	\$ 2,144,600	\$ 2,144,600	\$ 1,101,220	\$ -	\$ 1,101,220	\$ (1,043,380)
Interest earnings	-	-	1,824	-	1,824	1,824
Total Revenues	2,144,600	2,144,600	1,103,044	-	1,103,044	(1,041,556)
<b>EXPENDITURES</b>						
Current						
Personnel services	1,392,420	1,392,420	667,912	-	667,912	724,508
Materials and services	687,081	687,081	377,573	-	377,573	309,508
Contingency	83,375	83,375	-	-	-	83,375
Total Expenditures	2,162,876	2,162,876	1,045,485	-	1,045,485	1,117,391
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(18,276)	(18,276)	57,559	-	57,559	75,835
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(67,927)	(67,927)	(2,000)	-	(2,000)	65,927
<b>NET CHANGE IN FUND BALANCE</b>	(86,203)	(86,203)	55,559	-	55,559	141,762
<b>FUND BALANCE, beginning of year</b>	86,203	86,203	81,446	-	81,446	(4,757)
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 137,005	\$ -	\$ 137,005	\$ 137,005

**RECONCILIATION TO NET POSITION - GAAP BASIS**

Adjustment for compensated absences accrual	(12,783)
Adjustment for net pension liability	(431,604)
Adjustment for net OPEB liability	(311,848)
Adjustment for deferred resources relating to pensions	128,243
Adjustment for deferred resources relating to OPEB	(14,203)
Transfer from Water fund for pension expense	209,493
	<u>\$ (295,697)</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, 2018**

	Budget Amounts		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
<b>REVENUES</b>						
Interest income	\$ 80,000	\$ 80,000	\$ 50,148	\$ -	\$ 50,148	\$ (29,852)
Miscellaneous income	773,928	773,928	438,187	-	438,187	(335,741)
<b>TOTAL REVENUES</b>	<b>853,928</b>	<b>853,928</b>	<b>488,335</b>	<b>-</b>	<b>488,335</b>	<b>(365,593)</b>
<b>EXPENDITURES</b>						
Materials and services	40,000	40,000	20,000	-	20,000	20,000
Capital outlay	1,464,829	1,464,829	460,308	-	460,308	1,004,521
Contingency	5,157,541	5,157,541	-	-	-	5,157,541
<b>TOTAL EXPENDITURES</b>	<b>6,662,370</b>	<b>6,662,370</b>	<b>480,308</b>	<b>-</b>	<b>480,308</b>	<b>6,182,062</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,808,442)</b>	<b>(5,808,442)</b>	<b>8,027</b>	<b>-</b>	<b>8,027</b>	<b>5,816,469</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	10,570,148	10,570,148	685,000	-	685,000	(9,885,148)
<b>NET CHANGE IN FUND BALANCE</b>	<b>4,761,706</b>	<b>4,761,706</b>	<b>693,027</b>	<b>-</b>	<b>693,027</b>	<b>(4,068,679)</b>
<b>FUND BALANCE, beginning of year</b>	<b>-</b>	<b>-</b>	<b>4,306,776</b>	<b>-</b>	<b>4,306,776</b>	<b>4,306,776</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 4,761,706</b>	<b>\$ 4,761,706</b>	<b>\$ 4,999,803</b>	<b>\$ -</b>	<b>\$ 4,999,803</b>	<b>\$ 238,097</b>

**RECONCILIATION TO NET POSITION - GAAP BASIS**

Adjustment for capital assets, net of depreciation	495,801
Adjustment for note receivable from other funds	386,965
	<u>\$ 5,882,569</u>

*Other Financial Schedules*

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**  
**YEAR ENDED JUNE 30, 2018**

<i>Fiscal Year</i>	<i>2015 Library General Obligation Bonds</i>			<i>2018 Full Faith and Credit Bonds CSAF</i>			<i>2005 PERS UAL Bond</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>										
2019	\$ 255,650	\$ 159,721	\$ 415,371	\$ 490,000	\$ 612,122	\$ 1,102,122	\$ 825,000	\$ 629,718	\$ 1,454,718	
2020	263,524	151,847	415,371	500,000	604,300	1,104,300	925,000	589,631	1,514,631	
2021	271,640	143,730	415,370	520,000	584,300	1,104,300	1,030,000	544,685	1,574,685	
2022	280,007	135,364	415,371	540,000	563,500	1,103,500	1,145,000	493,144	1,638,144	
2023	288,631	126,740	415,371	560,000	541,900	1,101,900	1,265,000	435,848	1,700,848	
2024	297,521	117,850	415,371	585,000	519,500	1,104,500	1,395,000	372,548	1,767,548	
2025	306,685	108,686	415,371	610,000	496,100	1,106,100	1,535,000	302,742	1,837,742	
2026	316,130	99,240	415,370	630,000	471,700	1,101,700	1,690,000	225,931	1,915,931	
2027	325,867	89,504	415,371	655,000	446,500	1,101,500	1,850,000	141,363	1,991,363	
2028	335,904	79,467	415,371	685,000	420,300	1,105,300	975,000	48,789	1,023,789	
2029	346,250	69,121	415,371	710,000	392,900	1,102,900	-	-	-	
2030	356,914	58,457	415,371	745,000	357,400	1,102,400	-	-	-	
2031	367,907	47,464	415,371	785,000	320,150	1,105,150	-	-	-	
2032	379,239	36,132	415,371	825,000	280,900	1,105,900	-	-	-	
2033	390,919	24,451	415,370	865,000	239,650	1,104,650	-	-	-	
2034	402,960	12,411	415,371	905,000	196,400	1,101,400	-	-	-	
2035	-	-	-	945,000	160,200	1,105,200	-	-	-	
2036	-	-	-	980,000	122,400	1,102,400	-	-	-	
2037	-	-	-	1,020,000	83,200	1,103,200	-	-	-	
2038	-	-	-	1,060,000	42,400	1,102,400	-	-	-	
	<b>\$ 5,185,748</b>	<b>\$ 1,460,185</b>	<b>\$ 6,645,933</b>	<b>\$ 14,615,000</b>	<b>\$ 7,455,822</b>	<b>\$ 22,070,822</b>	<b>\$ 12,635,000</b>	<b>\$ 3,784,399</b>	<b>\$ 16,419,399</b>	

**CITY OF OREGON CITY, OREGON**  
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

<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>																		
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		-		-		-		-		-		-		-		-		-
2035		-		-		-		-		-		-		-		-		-
2036		-		-		-		-		-		-		-		-		-
2037		-		-		-		-		-		-		-		-		-
2038		-		-		-		-		-		-		-		-		-
	\$	6,145,000	\$	1,265,964	\$	7,410,964	\$	615,986	\$	56,364	\$	672,350	\$	1,107,214	\$	151,135	\$	1,258,349

**CITY OF OREGON CITY, OREGON**  
 SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES  
 YEAR ENDED JUNE 30, 2018

**City of Oregon City**

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2017</u>	<u>2017-2018 Levy</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2018</u>
2017-18	\$ -	\$ 12,935,274	\$ (361,396)	\$ (12,275,130)	\$ 298,748
2016-17	290,670	-	(8,398)	(148,472)	133,800
2015-16	140,942	-	1,260	(39,921)	102,281
2014-15	100,055	-	2,509	(29,855)	72,709
2013-14	65,327	-	5,119	(17,173)	53,273
2012-13 and prior	161,404	-	819	(5,449)	156,774
<b>Total</b>	<b>\$ 758,398</b>	<b>\$ 12,935,274</b>	<b>\$ (360,087)</b>	<b>\$ (12,516,000)</b>	<b>\$ 817,585</b>

**Oregon City Urban Renewal Agency**

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2017</u>	<u>2017-2018 Levy</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2018</u>
2017-18	\$ -	\$ 2,658,941	\$ (73,731)	\$ (2,523,946)	\$ 61,264
2016-17	56,748	-	(1,114)	(29,477)	26,157
2015-16	26,286	-	154	(7,364)	19,076
2014-15	19,481	-	618	(5,943)	14,156
2013-14	12,756	-	468	(2,822)	10,402
2012-13 and prior	32,443	-	(400)	(569)	31,474
<b>Total</b>	<b>\$ 147,714</b>	<b>\$ 2,658,941</b>	<b>\$ (74,005)</b>	<b>\$ (2,570,121)</b>	<b>\$ 162,529</b>

# 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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	126
<b>Debt Capacity</b> 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
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	134
<b>Operating Information</b> 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.	136

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities				
Net investment in capital assets	\$107,219,008	\$ 98,512,736	\$ 91,671,741	\$ 82,947,522
Restricted for special purposes	22,910,088	20,405,260	20,684,505	22,714,219
Unrestricted	<u>(905,713)</u>	<u>5,185,965</u>	<u>1,150,993</u>	<u>4,215,385</u>
Total governmental activities net position	129,223,383	124,103,961	113,507,239	109,877,126
Business-type activities				
Net investment in capital assets	69,904,459	66,828,362	62,178,638	59,613,791
Restricted for special purposes	-	-	-	-
Unrestricted	<u>23,901,172</u>	<u>25,143,381</u>	<u>22,862,191</u>	<u>21,559,003</u>
Total business-type activities net position	93,805,631	91,971,743	85,040,829	81,172,794
Total government				
Net investment in capital assets	177,123,467	165,341,098	153,850,379	127,971,313
Restricted for special purposes	22,910,088	20,405,260	20,684,505	37,304,219
Unrestricted	<u>22,995,459</u>	<u>30,329,346</u>	<u>24,013,184</u>	<u>25,774,388</u>
Total government net position	<u>\$ 223,029,014</u>	<u>\$ 216,075,704</u>	<u>\$ 198,548,068</u>	<u>\$ 191,049,920</u>

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 83,949,562	\$ 83,629,065	\$ 77,536,631	\$ 64,002,186	\$ 58,236,927	\$ 52,266,515
12,212,699	10,729,636	8,022,074	8,690,098	9,322,585	8,069,546
17,410,231	14,069,942	11,924,988	9,001,652	7,476,328	11,423,039
113,572,492	108,428,643	97,483,693	81,693,936	75,035,840	71,759,100
58,464,942	59,233,749	59,094,066	59,521,630	59,088,831	56,299,302
6,656,608	6,158,956	2,831,608	3,656,190	3,388,263	4,097,913
19,332,055	17,230,779	17,236,052	14,732,506	15,029,532	16,843,089
84,453,605	82,623,484	79,161,726	77,910,326	77,506,626	77,240,304
142,414,504	142,862,814	136,630,697	123,523,816	117,325,758	108,565,817
18,869,307	16,888,592	10,853,682	12,346,288	10,763,528	12,167,459
36,742,286	31,300,721	29,161,040	23,734,158	24,563,180	28,266,128
<b>\$ 198,026,097</b>	<b>\$ 191,052,127</b>	<b>\$ 176,645,419</b>	<b>\$ 159,604,262</b>	<b>\$ 152,652,466</b>	<b>\$ 148,999,404</b>

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Expenses:</b>				
Governmental activities:				
General government	\$ 7,448,383	\$ 7,947,344	\$ 7,547,409	\$ 3,528,340
Public safety	11,595,492	10,842,456	11,383,715	8,309,944
Public works	6,867,970	6,876,632	6,685,545	5,319,822
Culture and recreation	6,375,010	5,835,146	5,524,614	5,072,036
Planning and building	2,891,302	2,907,659	3,174,168	3,382,547
Interest on long-term debt	1,407,996	1,339,404	1,430,985	1,417,462
Total governmental activities expenses	<u>36,586,153</u>	<u>35,748,641</u>	<u>35,746,436</u>	<u>27,030,151</u>
Business-type activities:				
Cemetery	-	-	-	-
Water	6,431,175	5,453,642	5,640,772	4,518,351
Wastewater	9,792,585	8,561,317	8,212,827	6,791,908
Stormwater	2,474,327	2,204,164	2,386,425	1,771,529
Fleet	1,012,240	965,043	875,496	805,419
Total business-type activities expenses	<u>19,710,327</u>	<u>17,184,166</u>	<u>17,115,520</u>	<u>13,887,207</u>
Total City expenses	56,296,480	52,932,807	52,861,956	40,917,358
<b>Program Revenues:</b>				
Governmental activities:				
Fees, fines, and charges for services:				
General government	2,932,559	1,808,279	1,216,065	1,380,937
Public safety	2,192,706	2,272,781	1,602,172	925,225
Public works	3,438,000	2,956,226	4,954,538	3,363,184
Culture and recreation	990,222	884,343	1,503,604	917,908
Planning and building	2,989,087	3,765,135	2,931,522	2,306,216
Operating grants and contributions	5,474,992	5,095,057	5,006,825	4,570,141
Capital grants and contributions	3,062,693	7,907,564	877,610	1,192,708
Total governmental activities program revenues	<u>21,080,259</u>	<u>24,689,385</u>	<u>18,092,336</u>	<u>14,656,319</u>
Business-type activities:				
Fees, fines, and charges for services:				
Water	8,169,832	7,206,477	6,833,922	6,021,672
Wastewater	10,181,048	10,476,356	9,618,375	7,961,224
Stormwater	2,836,265	2,713,307	2,625,274	2,495,762
Fleet*	197,002	233,146	201,492	201,316
Operating grants and contributions	479,274	353,942	172,917	278,178
Capital grants and contributions	930,731	3,149,009	1,171,711	2,430,291
Total business-type activities program revenues	<u>22,794,152</u>	<u>24,132,237</u>	<u>20,623,691</u>	<u>19,388,443</u>
Total City program revenues	43,874,411	48,821,622	38,716,027	34,044,762
<b>Net (Expense)/Revenue</b>				
Governmental activities	(15,505,894)	(11,059,256)	(17,654,100)	(12,373,832)
Business-type activities	<u>3,083,825</u>	<u>6,948,071</u>	<u>3,508,171</u>	<u>5,501,236</u>
Total Net (Expense) Revenue	(12,422,069)	(4,111,185)	(14,145,929)	(6,872,596)

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$	6,615,088	\$ 6,098,539	\$ 4,954,893	\$ 6,602,308	\$ 4,147,420	\$ 3,997,996
	8,018,198	7,586,591	6,950,927	6,636,771	5,983,518	5,890,321
	4,983,309	4,974,819	4,581,017	4,190,116	4,237,534	3,982,380
	4,900,341	4,415,999	4,094,079	3,918,282	3,764,770	3,609,200
	3,309,773	3,539,149	2,900,939	2,571,176	2,899,150	2,705,784
	1,395,499	1,427,119	1,471,875	1,507,431	1,470,061	1,420,316
	<u>29,222,208</u>	<u>28,042,216</u>	<u>24,953,730</u>	<u>25,426,084</u>	<u>22,502,453</u>	<u>21,605,997</u>
	-	-	-	-	-	37,028
	4,768,673	5,548,165	3,701,322	3,463,879	3,366,729	2,858,150
	6,481,198	6,619,727	6,276,339	5,649,086	5,729,268	5,307,689
	1,908,836	1,816,052	1,465,359	1,350,912	1,310,435	1,214,299
	805,630	764,440	772,422	586,190	694,038	1,182,338
	<u>13,964,337</u>	<u>14,748,384</u>	<u>12,215,442</u>	<u>11,050,067</u>	<u>11,100,470</u>	<u>10,599,504</u>
	43,186,545	42,790,600	37,169,172	36,476,151	33,602,923	32,205,501
	1,206,165	1,376,136	688,396	501,355	423,139	404,504
	791,005	851,775	1,173,466	831,180	681,394	857,637
	3,081,373	2,344,068	2,178,369	1,767,956	1,479,533	1,242,069
	881,299	879,090	703,773	761,933	751,528	744,151
	1,600,704	2,698,387	2,280,275	1,689,885	1,729,368	1,329,796
	4,987,749	4,335,678	4,962,382	6,838,159	3,166,053	3,547,308
	2,064,858	9,014,649	12,407,691	1,401,260	2,029,124	1,905,291
	<u>14,613,153</u>	<u>21,499,783</u>	<u>24,394,352</u>	<u>13,791,728</u>	<u>10,260,139</u>	<u>10,030,756</u>
	5,766,017	5,910,739	5,047,447	5,155,794	5,064,105	4,984,720
	6,730,168	7,058,967	5,656,922	4,987,032	4,988,010	4,629,499
	2,397,498	2,296,072	2,126,720	1,837,472	1,652,302	1,291,964
	221,352	192,845	249,464	328,759	249,389	295,258
	277,591	433,121	285,370	74,505	-	-
	1,504,337	3,159,982	1,981,702	1,533,679	1,443,719	3,225,976
	<u>16,896,963</u>	<u>19,051,725</u>	<u>15,347,625</u>	<u>13,917,240</u>	<u>13,397,524</u>	<u>14,427,417</u>
	31,510,116	40,551,508	39,741,977	27,708,968	23,657,663	24,458,173
	(14,609,055)	(6,542,433)	(559,378)	(11,634,356)	(12,242,314)	(11,575,241)
	<u>2,932,626</u>	<u>4,303,341</u>	<u>3,132,183</u>	<u>2,867,173</u>	<u>2,297,054</u>	<u>3,827,913</u>
	(11,676,429)	(2,239,092)	2,572,805	(8,767,183)	(9,945,260)	(7,747,328)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>General Revenues and Other Changes in net position</b>				
Governmental activities				
Property taxes	\$ 15,145,511	\$ 14,636,241	\$ 13,987,720	\$ 13,490,590
Franchise taxes	3,780,955	3,634,332	3,541,761	3,199,473
Intergovernmental	961,015	919,857	920,764	911,419
Miscellaneous	1,938,632	1,487,831	1,782,997	1,709,104
Unrestricted investment earnings	858,521	503,858	364,128	228,512
Gain (loss) on disposition of assets	-	-	-	302,450
Transfers	(403,508)	473,859	523,873	7,884,435
Total governmental activities	<u>22,281,126</u>	<u>21,655,978</u>	<u>21,121,243</u>	<u>27,725,983</u>
Business-type activities				
Franchise taxes	268,785	258,220	237,075	-
Miscellaneous	41,622	74,071	-	132
Unrestricted investment earnings	173,245	124,411	91,944	99,191
Loss on sale of capital assets	(5,000)	-	-	-
Transfers	403,508	(473,859)	(523,873)	(7,884,435)
Total business-type activities	<u>882,160</u>	<u>(17,157)</u>	<u>(194,854)</u>	<u>(7,785,112)</u>
Total City General Revenues and Other Changes	<u>23,163,286</u>	<u>21,638,821</u>	<u>20,926,389</u>	<u>19,940,871</u>
<b>Changes in net position</b>				
Governmental activities	6,775,232	10,596,722	3,467,143	15,352,151
Business-type activities	3,965,985	6,930,914	3,313,317	(2,283,876)
Total changes in net position	<u>10,741,217</u>	<u>17,527,636</u>	<u>6,780,460</u>	<u>13,068,275</u>
Net position, July 1*				
Governmental activities	122,448,151	113,507,239	110,040,096	94,524,975
Business-type activities	89,839,646	85,040,829	81,727,512	83,456,670
Total Government	<u>212,287,797</u>	<u>198,548,068</u>	<u>191,767,608</u>	<u>177,981,645</u>
Net position, June 30				
Governmental activities	129,223,383	124,103,961	113,507,239	109,877,126
Business-type activities	93,805,631	91,971,743	85,040,829	81,172,794
Total Government	<u>\$ 223,029,014</u>	<u>\$ 216,075,704</u>	<u>\$ 198,548,068</u>	<u>\$ 191,049,920</u>

\* Beginning Net position as restated

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$	12,859,315	\$ 11,667,767	\$ 11,229,599	\$ 12,116,512	\$ 10,526,473	\$ 10,163,698
	2,759,690	2,455,771	1,885,683	1,582,759	1,634,065	1,726,676
	871,419	834,538	769,855	856,084	832,423	845,995
	1,802,430	1,255,497	122,903	977,000	224,364	165,420
	262,767	323,109	223,083	205,329	163,921	430,623
	-	-	161,363	-	-	367,870
	1,197,283	950,701	1,956,649	2,554,768	2,137,808	1,219,226
	<u>19,752,904</u>	<u>17,487,383</u>	<u>16,349,135</u>	<u>18,292,452</u>	<u>15,519,054</u>	<u>14,919,508</u>
	-	-	-	-	-	-
	-	20,090	335	15,820	18,467	86,379
	94,778	89,028	75,531	75,475	88,609	312,637
	-	-	-	-	-	-
	<u>(1,197,283)</u>	<u>(950,701)</u>	<u>(1,956,649)</u>	<u>(2,554,768)</u>	<u>(2,137,808)</u>	<u>(1,219,226)</u>
	<u>(1,102,505)</u>	<u>(841,583)</u>	<u>(1,880,783)</u>	<u>(2,463,473)</u>	<u>(2,030,732)</u>	<u>(820,210)</u>
	<u>18,650,399</u>	<u>16,645,800</u>	<u>14,468,352</u>	<u>15,828,979</u>	<u>13,488,322</u>	<u>14,099,298</u>
	5,143,849	10,944,950	15,789,757	6,658,096	3,276,740	3,344,267
	<u>1,830,121</u>	<u>3,461,758</u>	<u>1,251,400</u>	<u>403,700</u>	<u>266,322</u>	<u>3,007,703</u>
	6,973,970	14,406,708	17,041,157	7,061,796	3,543,062	6,351,970
	108,428,643	97,483,693	81,693,936	75,035,840	71,759,100	68,414,833
	<u>82,623,484</u>	<u>79,161,726</u>	<u>77,910,326</u>	<u>77,506,626</u>	<u>77,240,304</u>	<u>74,232,601</u>
	191,052,127	176,645,419	159,604,262	152,542,466	148,999,404	142,647,434
	113,572,492	108,428,643	97,483,693	81,693,936	75,035,840	71,759,100
	<u>84,453,605</u>	<u>82,623,484</u>	<u>79,161,726</u>	<u>77,910,326</u>	<u>77,506,626</u>	<u>77,240,304</u>
\$	<u>198,026,097</u>	<u>\$ 191,052,127</u>	<u>\$ 176,645,419</u>	<u>\$ 159,604,262</u>	<u>\$ 152,542,466</u>	<u>\$ 148,999,404</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General fund				
Nonspendable	\$ 60,555	\$ 116,000	\$ 59,641	\$ 58,978
Committed	-	-	908,882	-
Unassigned	8,504,753	7,154,174	6,470,357	6,130,187
Total General fund	<u>8,565,308</u>	<u>7,270,174</u>	<u>7,438,880</u>	<u>6,189,165</u>
All other governmental funds				
Nonspendable	-	-	-	-
Restricted	28,507,504	27,474,611	21,343,249	36,527,532
Committed	31,836,218	18,462,121	18,177,135	3,771,034
Total all other governmental funds	<u>60,343,722</u>	<u>45,936,732</u>	<u>39,520,384</u>	<u>40,298,566</u>
Total Fund Balances	<u>\$ 68,909,030</u>	<u>\$ 53,206,906</u>	<u>\$ 46,959,264</u>	<u>\$ 46,487,731</u>

Note: GASB No. 54 was adopted in fiscal year 2011

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<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 45,131	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
4,150,829	3,734,942	3,628,399	2,827,901	4,408,106	3,785,347
<u>4,195,960</u>	<u>3,734,942</u>	<u>3,628,399</u>	<u>2,827,901</u>	<u>4,408,106</u>	<u>3,785,347</u>
-	-	22,997	22,997	22,011	33,818
11,346,021	10,503,824	6,869,809	6,837,700	1,755,357	5,360,546
16,105,822	10,972,631	8,570,907	5,866,920	8,596,343	8,754,359
<u>27,451,843</u>	<u>21,476,455</u>	<u>15,463,713</u>	<u>12,727,617</u>	<u>10,373,711</u>	<u>14,148,723</u>
<u>\$ 31,647,803</u>	<u>\$ 25,211,397</u>	<u>\$ 19,092,112</u>	<u>\$ 15,555,518</u>	<u>\$ 14,781,817</u>	<u>\$ 17,934,070</u>

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>				
Taxes and assessments	\$ 19,379,452	\$ 18,542,705	\$ 17,755,055	\$ 16,687,226
Licenses and permits	1,990,219	2,833,057	2,459,320	1,896,408
Charges for services	11,828,492	12,498,856	9,120,163	6,418,879
Intergovernmental	6,517,167	6,444,900	5,896,615	5,699,850
Fines and forfeitures	1,710,193	1,147,459	818,239	1,072,132
Other income	2,731,589	2,355,231	2,408,042	2,441,958
Total revenues	44,157,112	43,822,208	38,457,434	34,216,453
<b>Expenditures</b>				
Current operating:				
General government	6,921,135	6,508,052	5,813,700	5,005,356
Public safety	10,550,480	9,650,718	8,834,120	8,086,250
Public works	3,920,948	4,049,196	6,398,448	2,927,280
Culture and recreation	5,388,647	4,909,619	4,614,517	4,677,846
Planning and building	2,729,888	2,849,608	2,676,958	3,362,390
Capital outlay	13,002,142	7,354,648	7,314,482	6,242,932
Debt service				
Principal	1,792,649	2,065,241	2,124,053	1,681,868
Interest	1,368,281	1,351,616	1,442,688	1,412,972
Total expenditures	45,674,171	38,738,698	39,218,966	33,396,894
<b>Revenues Over (under)</b>				
<b>Expenditures</b>	(1,517,059)	5,083,510	(761,532)	819,559
<b>Other financing sources (uses)</b>				
Bond proceeds / loan payments	16,157,183	-	-	6,000,000
Proceeds from sale of assets	-	-	-	302,500
Transfers in	2,406,016	3,718,183	3,517,364	75,663,161
Transfers out	(1,344,016)	(2,554,051)	(2,341,599)	(67,945,292)
Loan to South Fork Water Board	-	-	-	-
Total other financing sources (uses)	17,219,183	1,164,132	1,175,765	14,020,369
<b>Net change in fund balances</b>	15,702,124	6,247,642	414,233	14,839,928
<b>Fund balances, beginning of year *</b>	53,206,906	46,959,264	46,545,031	31,647,803
<b>Fund balances, end of year</b>	\$ 68,909,030	\$ 53,206,906	\$ 46,959,264	\$ 46,487,731
<b>Debt service as a percentage of noncapital expenditures</b>	9.67%	10.89%	11.18%	11.40%

\* Beginning Fund balance as restated

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$	13,012,611	\$ 11,782,226	\$ 11,331,002	\$ 11,048,520	\$ 10,536,535	\$ 10,614,583
	4,038,101	5,181,290	5,292,561	3,424,730	3,986,362	3,093,567
	5,847,797	7,371,586	3,751,847	3,290,259	3,005,304	2,401,812
	7,169,225	10,129,747	16,774,041	7,645,873	4,356,255	3,108,991
	976,494	900,060	995,794	804,468	723,031	796,200
	2,557,671	2,371,762	2,393,615	957,683	844,365	1,158,926
	<u>33,601,899</u>	<u>37,736,671</u>	<u>40,538,860</u>	<u>27,171,533</u>	<u>23,451,852</u>	<u>21,174,079</u>
	4,865,177	4,944,688	4,114,633	3,976,099	3,599,051	3,126,689
	7,789,311	7,266,917	7,279,360	6,523,749	5,838,478	5,776,780
	2,645,973	2,449,685	2,190,136	2,301,304	2,327,586	2,607,558
	4,488,941	4,148,528	4,607,790	3,771,346	3,613,237	3,457,236
	3,323,862	3,515,914	2,997,807	2,555,315	2,893,455	2,676,240
	2,359,201	7,783,356	14,820,397	6,850,666	10,201,297	8,208,957
	1,484,640	4,501,400	955,000	870,000	785,000	3,075,000
	<u>1,405,671</u>	<u>1,403,999</u>	<u>1,480,593</u>	<u>1,515,455</u>	<u>1,536,000</u>	<u>1,393,502</u>
	<u>28,362,776</u>	<u>36,014,487</u>	<u>38,445,716</u>	<u>28,363,934</u>	<u>30,794,104</u>	<u>30,321,962</u>
	5,239,123	1,722,184	2,093,144	(1,192,401)	(7,342,252)	(9,147,883)
	-	3,446,400	229,950	300,000	3,446,400	10,000,000
	-	-	-	-	-	-
	3,889,955	3,831,659	3,869,123	5,882,415	4,935,057	3,677,482
	(2,692,672)	(2,880,958)	(2,655,623)	(3,327,647)	(2,797,250)	(2,458,257)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,282,874)</u>	<u>-</u>	<u>-</u>
	<u>1,197,283</u>	<u>4,397,101</u>	<u>1,443,450</u>	<u>571,894</u>	<u>5,584,207</u>	<u>11,219,225</u>
	6,436,406	6,119,285	3,536,594	(620,507)	(1,758,045)	2,071,342
	25,211,397	19,092,112	15,555,518	16,176,025	17,934,070	15,862,728
\$	<u>31,647,803</u>	<u>\$ 25,211,397</u>	<u>\$ 19,092,112</u>	<u>\$ 15,555,518</u>	<u>\$ 16,176,025</u>	<u>\$ 17,934,070</u>
	<u>11.11%</u>	<u>21.08%</u>	<u>10.31%</u>	<u>11.09%</u>	<u>11.27%</u>	<u>20.21%</u>

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

<b>Fiscal Year Ended June 30</b>	<b>Taxable Assessed Value (TAV)</b>	<b>Estimated Actual Value <sup>(1)</sup></b>	<b>Taxable Assessed Value (TAV)</b>	<b>Estimated Actual Value <sup>(1)</sup></b>	<b>Total TAV</b>	<b>Total Estimated Actual Value <sup>(1)</sup></b>	<b>Ratio of TAV to Estimated Actual Value</b>	<b>Direct Tax rate</b>
2018	\$ 2,926,103,506	\$ 4,605,880,344	\$ 163,399,115	\$ 168,516,154	\$ 3,089,502,621	\$ 4,774,396,498	64.7%	\$5.0479
2017	2,883,655,457	4,178,977,212	54,773,309	54,773,309	2,938,428,766	4,233,750,521	69.4%	5.1248
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

<sup>(1)</sup> The State of Oregon calls Actual Value "Real Market Value"

<sup>(2)</sup> 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 <sup>(1)</sup>	Other Districts <sup>(2)</sup>	Total Overlapping	
1905	4.1861	-	0.8618	5.0479	5.7947	0.7060	0.3484	3.1346	2.8623	12.8460	17.8939
2017	4.1963	0.0894	0.8391	5.1248	6.0329	0.7057	0.3494	3.0414	2.8417	12.9711	18.0959
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

<sup>(1)</sup> County includes County Library and 4-H County Extension

<sup>(2)</sup> 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	2017-2018			2008-2009		
		Assessed Value	Rank	Percentage of Total Value	Assessed Value	Rank	Percentage of Total Value
The Landing - 302 LLC	Real Estate	\$ 48,695,797	1	1.58%			
Portland General Electric Company	Utility	34,964,214	2	1.13%	\$ 20,217,000	2	
Quantum Management	Apartments	23,358,193	3	0.76%	18,127,109	3	0.86%
Metropolitan Life Insurance Company	Retail	22,012,822	4	0.71%	15,967,885	4	0.76%
Loja Trails End LLC	Real Estate	20,491,154	5	0.66%			
Craig T Danielson	Real Estate	19,252,124	6	0.62%			
Northwest Natural Gas Co.	Utility	17,000,000	7	0.55%	14,595,300	6	0.70%
Providence Health	Health Services	16,426,606	8	0.53%			
Oregon Center LLC	Health Services	16,067,823	9	0.52%			
Comcast Corporation	Utility	14,957,779	10	0.48%	\$ 18,971,000		0.90%
Blue Heron Paper Company*	Paper Manufacturer				24,932,144	1	1.19%
Trails End Oregon Investors LLC**	Real Estate				15,809,910	5	0.75%
Icon Construction & Development LLC	Real Estate				12,110,372	7	0.58%
Qwest Corporation	Utility				11,874,600	8	0.57%
Berry Heights Ltd Partnership	Real Estate				11,146,966	9	0.53%
Deloitte & Touche LLP	Real Estate				10,599,302	10	0.51%
Subtotal - ten of the City's largest taxpayers		233,226,512		7.54%	174,351,588		7.35%
All other City taxpayers in Clackamas County		2,856,276,109		92.46%	1,924,195,925		92.65%
<i>Total City taxpayers</i>		<u>\$ 3,089,502,621</u>		<u>100.00%</u>	<u>\$ 2,098,547,513</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**

<b>Fiscal Year Ended June 30</b>	<b>Total Extended Tax Levy</b>	<b>Current Tax Collections (Within Year)</b>	<b>Percent of Current Taxes Collected</b>	<b>Subsequent Years Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
2018	\$ 12,596,284	\$ 12,316,356	97.78%	\$ -	\$ 12,316,356	97.78%	\$ 240,597	1.91%
2017	12,596,284	12,008,721	95.34%	98,399	12,107,120	95.34%	240,597	1.91%
2016	12,105,761	11,512,412	95.10%	167,681	11,680,093	96.15%	140,942	1.16%
2015	11,576,491	10,996,578	94.99%	204,489	11,201,067	96.50%	100,055	0.86%
2014	11,032,614	10,458,857	94.80%	233,955	10,692,812	96.76%	65,327	0.59%
2013	9,919,281	9,350,427	94.27%	255,686	9,606,113	96.79%	45,813	0.46%
2012	9,664,172	9,081,404	93.97%	276,643	9,358,047	96.83%	40,676	0.42%
2011	9,345,775	8,748,803	93.61%	264,286	9,013,089	96.44%	34,620	0.37%
2010	9,005,568	8,434,642	93.66%	285,993	8,720,635	96.84%	32,102	0.36%
2009	8,668,918	8,072,262	93.12%	369,531	8,441,793	97.38%	1,872	0.02%

Sources: Clackamas County Assessor and Tax Collector

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

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**Legal debt margin calculation for fiscal year ended June 30, 2018**

Total property real market value	\$4,774,396,498
	<u>3%</u>
Debt limit (3% of total property real market value) <sup>(1)</sup>	143,231,895
Amount of debt applicable to debt limit:	
Total bonded debt	40,303,948
Less debt excluded from debt limit:	
Urban renewal bonds	(7,868,200)
Limited obligation bonds	<u>(27,250,000)</u>
Net amount of debt applicable to limit	<u>5,185,748</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 138,046,147</u>
Percentage of City's indebtedness to total allowed	3.76%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt limit	\$ 143,231,895	\$ 127,012,516	\$ 112,517,283	\$ 99,836,226	\$ 89,041,389
Debt applicable to maximum limit	<u>5,185,748</u>	<u>5,433,759</u>	<u>6,059,360</u>	<u>6,657,772</u>	<u>1,095,000</u>
Legal debt margin available	<u>\$ 138,046,147</u>	<u>\$ 121,578,757</u>	<u>\$ 106,457,923</u>	<u>\$ 93,178,454</u>	<u>\$ 87,946,389</u>

Debt applicable to the maximum limit as a percentage of debt limit	3.76%	4.47%	5.69%	7.15%	1.25%
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	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt limit	\$ 81,431,836	\$ 84,554,098	\$ 92,781,742	\$ 102,458,223	\$ 109,881,230
Debt applicable to maximum limit	<u>1,425,000</u>	<u>1,750,000</u>	<u>2,050,000</u>	<u>2,355,000</u>	<u>2,605,000</u>
Legal debt margin available	<u>\$ 80,006,836</u>	<u>\$ 82,804,098</u>	<u>\$ 90,731,742</u>	<u>\$ 100,103,223</u>	<u>\$ 107,276,230</u>

Debt applicable to the maximum limit as a percentage of debt limit	1.78%	2.11%	2.26%	2.35%	2.43%
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<sup>(1)</sup> Pursuant to Oregon Revised Statutes 287A.050, outstanding general obligation debt is limited to three percent of real market value.

**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 <sup>(1)</sup>	Per capita <sup>(1)</sup>
	Oregon City		Urban Renewal		Water revenue bonds	Sewer revenue bonds			
	General obligation bonds	Limited obligation bonds	Tax increment bonds	Line of credit					
2018	\$5,185,748	\$27,250,000	\$ 7,868,200	\$ -	\$ -	\$ -	\$40,303,948	N/A	\$ 1,156
2017	5,433,759	13,370,000	8,677,840	-	-	1,475,000	28,956,599	1.64%	837
2016	6,059,360	14,020,000	9,467,480	-	-	1,925,000	31,471,840	1.85%	919
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

<sup>(1)</sup> Personal Income and population data can be found in the demographic statistics later in this section.

**CITY OF OREGON CITY, OREGON**

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

<b>Fiscal Year Ended June 30,</b>	<b>Population <sup>(1)</sup></b>	<b>Total Assessed Value <sup>(2)</sup></b>	<b>Gross Bonded Debt <sup>(3)</sup></b>	<b>Less Debt Service Fund</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
2018	34,860	\$ 3,089,502,621	\$32,435,748	\$ -	\$32,435,748	1.05%	\$ 930
2017	34,610	2,938,428,766	18,803,759	-	18,803,759	0.64%	543
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

<sup>(1)</sup> Portland State University, Annual Population Statistics

<sup>(2)</sup> Clackamas County Tax Assessor

<sup>(3)</sup> June 30 principal balance, annual financial statements - City only

**CITY OF OREGON CITY, OREGON**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2018**

<u>Jurisdiction</u>	<u>Estimated Actual Value Overlapping Districts</u>	<u>Debt Outstanding Governmental Activities</u>	<u>Percentage Applicable to City <sup>(1)</sup></u>	<u>Amount Applicable to Governmental Activities</u>
Direct:				
City of Oregon City	\$ 4,233,750,521	\$ 40,303,948	100.0000%	\$ 40,303,948
Overlapping:				
Clackamas Community College	52,968,772,411	98,403,913	9.02%	8,872,490
Clackamas County	71,989,650,457	138,185,000	6.63%	9,167,331
Clackamas County Education Service District	68,611,360,692	22,100,000	6.96%	1,538,337
Clackamas County Fire District #1	32,883,578,278	25,770,000	14.52%	3,742,732
Oregon City School District No. 62	8,241,435,844	69,025,014	57.95%	39,999,788
Metro	304,749,597,459	205,735,000	1.57%	3,221,810
Total Overlapping:	<u>539,444,395,141</u>	<u>559,218,927</u>		<u>66,542,488</u>
<i>Total Bonded Debt</i>	<u>\$ 543,678,145,662</u>	<u>\$ 599,522,875</u>		<u>\$ 106,846,436</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.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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**  
 POPULATION STATISTICS  
 LAST TEN FISCAL YEARS

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<b>Fiscal Year Ended June 30,</b>	<b>Population <sup>(1)</sup></b>	<b>Personal income <sup>(2)</sup> (in thousands)</b>	<b>Per capita personal income <sup>(2)</sup></b>	<b>School enrollment <sup>(3)</sup></b>	<b>County unemployment rate <sup>(4)</sup></b>
2018	34,860	N/A	N/A	7,874	3.5%
2017	34,610	\$ 1,767,429	\$ 51,067	7,425	3.8%
2016	34,240	1,697,106	49,565	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%

<sup>(1)</sup> Center for Population Research and Census, School of Urban and Public Affairs, Portland State University; for 2018 used U.S. Census estimate.

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

<sup>(3)</sup> Oregon Department of Education

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

**CITY OF OREGON CITY, OREGON**  
**PRINCIPAL EMPLOYERS**  
**LAST TEN FISCAL YEARS**

<b>Employer</b>	<b>Type of Business</b>	<b>2018</b>		
		<b>Employees</b>	<b>Rank</b>	<b>Percentage of total City employment</b>
Clackamas County	Government	2,120	1	14.84%
Oregon City School District	Education	965	2	6.76%
Clackamas Community College	Education	919	3	6.43%
Providence Health	Health Services	674	4	4.72%
Benchmade Knife Co., Inc	Manufacturing	317	5	2.22%
Fred Meyer	Retail	273	6	1.91%
Home Depot	Retail	254	7	1.78%
Orchard Orthopedic Solutions Oregon, Inc	Health Services	210	8	1.47%
City of Oregon City	Government	205	9	1.44%
WinCo Foods	Retail	150	10*	1.05%
Safeway	Retail	150	10*	1.05%
<b>Total</b>		<b>6,237</b>		<b>43.67%</b>

\* Both companies reported 150 employees, creating a tie for 10th place.

Historical number of employees data from 2008-2009 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>	<b>Fiscal Year</b>									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General government</b>										
Number of job applications processed	1,585	1,654	1,175	1,472	1,001	1,162	1,016	1,275	1,350	1,425
Number of positions filled	87	96	79	80	57	78	47	17	18	19
<b>Public Safety *</b>										
Calls for service	24,200	24,000	23,600	23,465	26,970	26,441	27,144	26,612	24,914	26,256
Number of arrests	1,520	1,500	1,437	1,682	1,517	1,614	1,515	1,371	1,289	1,068
Municipal court cases processed	7,800	6,900	7,769	6,024	6,268	5,977	5,737	5,202	4,508	5,731
<b>Public Works</b>										
Hundred cubic feet of water consumed (Million)	1.5	1.5	1.5	1.4	1.5	1.5	1.5	1.4	1.5	1.5
Number of water customers (Average)	11,285	10,700	10,614	10,445	10,248	10,262	9,913	9,873	9,787	9,758
<b>Culture and recreation</b>										
<b>Pioneer Community Center (Senior Center)</b>										
People transportation provided for	7,961	8,150	8,146	7,811	7,810	8,940	10,537	10,774	10,373	9,505
Meals on Wheels delivered	32,092	30,147	30,800	29,716	27,173	29,588	30,057	30,158	27,648	24,027
Congregate meals served at Center	8,119	7,518	7,701	7,973	8,731	10,716	11,252	10,381	9,464	7,061
<b>Swimming Pool</b>										
Number of visits per year	138,665	138,807	141,520	141,715	141,295	121,600	120,434	125,043	121,462	102,553

Source: City of Oregon City Finance department

\* Numbers are estimated for 2017, 2018

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

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
General government										
City-owned building facilities	1	1	1	1	1	1	1	1	1*	1*
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1*	1*
Police vehicles	40	38	37	34	34	34	N/A	N/A	N/A	N/A
Public Works										
Buildings and facilities	2	1	1	1	1	1	1	1	1	1
Miles of streets	139	136	136	136	136	136	136	N/A	N/A	N/A
Miles of sidewalks	147	145	141	135	135	135	135	N/A	N/A	N/A
Miles of right-of-ways	1,125	1,125	1,125	1,125	1,125	1,125	1,125	N/A	N/A	N/A
Signalized intersections	52	50	50	49	49	47	N/A	N/A	N/A	N/A
Culture and recreation										
Buildings and facilities	7	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										
Buildings and facilities	1	-	-	-	-	-	-	-	-	-
Business-type activities:										
Water										
Miles of water mains	169	169	167	163	163	162	162	154	N/A	N/A
Reservoirs	5	5	5	5	5	5	5	5	5	5
Fire hydrants	1,478	1,478	1,464	1,458	1,430	1,430	1,430	1,430	N/A	N/A
Sewer										
Miles of sewer lines	133	133	133	132	132	132	132	N/A	N/A	N/A
Pump stations	14	14	14	12	12	12	12	13	N/A	N/A
Stormwater										
Drainage basins	23	23	23	23	22	22	22	22	22	22
Detention ponds	83	83	83	79	53	53	53	53	53	53
Catch basins (approximately)	4,235	4,235	4,235	4,202	4,400	4,400	4,400	4,400	4,400	4,400
Miles of streams	31	31	31	31	30	30	30	30	30	30

Notes:

\*2010 and prior City Hall and the Police station shared a facility

The following programs purchased facilities in the current year for future development: Public Works, Community Services

Community Development relocated to its own facility in the current year

Some historical data for the fiscal years 2009 - 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**

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<b>Fiscal Year</b> <b>Ended</b> <b>June 30,</b>	<b>Function / Program</b>								<b>Total</b>
	<b>General</b> <b>Government*</b>	<b>Public</b> <b>Safety</b>	<b>Public</b> <b>Works</b>	<b>Culture and</b> <b>Recreation</b>	<b>Planning and</b> <b>Building</b>	<b>Water</b>	<b>Storm Drain</b>	<b>Sewer</b>	
2018	22.71	59.48	18.66	51.25	14.00	13.09	10.11	16.30	205.60
2017	22.21	56.48	16.11	49.88	14.53	13.27	10.37	16.56	196.30
2016	22.21	56.48	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

# **REGULATORY SECTION**



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

Honorable Mayor and City Council  
City of Oregon City, Oregon

We have audited the basic financial statements of City of Oregon City, Oregon, as of and for the year ended June 30, 2018 and have issued our report thereon dated January 28, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

**Compliance**

As part of obtaining reasonable assurance about whether City of Oregon City, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

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

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. In connection with our testing, nothing came to our attention that caused us to believe City of Oregon City, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except the expenditures in the Wastewater Fund, debt service line item exceeded appropriations for the year ended June 30, 2018 by \$480,169.

### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered City of Oregon City, Oregon'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 City of Oregon City, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Oregon City, Oregon's internal control.

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

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

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP  
Tualatin, Oregon  
January 28, 2019